Annual Report 2019

SANOFI

Contents

> *2019 was an important year as we took decisive actions to refocus the portfolio and embark on a new strategy to drive innovation and growth.*

Paul Hudson
CEO of Sanofi

Sanofi, a Global Healthcare Leader

More than **100,000** employees representing **145** nationalities

Present in **100** countries

75 manufacturing sites in **33** countries

Providing healthcare solutions in more than **170** countries around the world

"*Play to Win*" Priorities

- Focus on growth, to make us win on the short and mid-term
- Lead with innovation, to pave the way for our future and bring transformative therapies to patients
- Accelerate efficiency, to fund the priority assets and improve our profitability
- Reinvent how we work, to align the way we work with our priorities and unleash the talents of the Group

2019 Global Results

Company Sales	Earnings Per Share
€36,126 million	**€5.99**

Sales By Global Business Unit

Sanofi Genzyme (Specialty Care)	Primary Care	China & Emerging Markets	Sanofi Pasteur (Vaccines)	Consumer Healthcare
€9,195M	**€9,076M**	**€7,437M**	**€5,731M**	**€4,687M**

Sales by Geography

U.S	Europe	Asia	Africa & Middle East
€12,756 million	**€8,852** million	**€4,393** million	**€2,307** million

Latin America	Eurasia*	ROW**
€2,734 million	**€1,312** million	**€3,604** million

* ***Eurasia***: *Russia, Ukraine, Georgia, Belarus, Armenia and Turkey*
** ***Rest of the World:*** *Japan, South Korea, Canada, Australia, New Zealand and Puerto Rico*

Our Purpose

At Sanofi we work passionately, every day, to understand and solve healthcare needs of people across the world.

Our Core Values

Our values shape our behaviors, ethics, serve as a moral compass and ultimately define the DNA of our company.

Teamwork

Performing at our best to improve people's lives, winning together as One Sanofi.

Integrity

Operate with honesty and transparency ensuring the highest ethical and quality standards.

Respect

Embracing the diversity, different thoughts and needs of our people, customers, communities.

Courage

Dare to innovate, taking ownership and risks and learning from failure.

About Sanofi Pakistan

The company that is now known as Sanofi Pakistan has been present in Pakistan for over 50 years, saving the lives of millions and improving the quality of life of many more through effective, top quality products.

The company was incorporated on December 8, 1967 as Hoechst Pakistan Limited. Manufacturing of pharmaceuticals and specialty chemicals started in 1972. In 1977 the company went public and was listed on the Pakistan Stock Exchange. Agrochemical formulation started in 1985.

In 1996, the Agriculture business was spun off into a separate legal entity called AgrEvo Pakistan (Private) Limited, and the following year, Specialty Chemicals business was sold to Clariant Pakistan Limited. Hoechst Pakistan Limited changed its name to Hoechst Marion Roussel (Pakistan) Limited in June 1996, and the core business was then restricted to pharmaceutical activities.

In December 1999, Hoechst AG & Rhone Poulenc S.A. globally merged their life sciences business into a new company known as Aventis S.A. The name of the company in Pakistan was changed to Aventis Pharma (Pakistan) Limited in November 2000.

In line with the amalgamation globally, Aventis Pharma (Pakistan) Limited was merged locally with Rhone Poulenc Rorer Pakistan (Private) Limited and the company changed its name to Aventis Limited from April 2003.

During 2004 Aventis S.A. was acquired by sanofi synthelabo to form a company called sanofi-aventis S.A. Consequently in September 2005 the name of the company was changed to sanofi-aventis Pakistan limited.

In 2011, sanofi-aventis changed its identity to Sanofi. However, the legal entity continues to be sanofi-aventis Pakistan limited.

Our Vision

To enhance the quality of life of the greatest number through providing a continuum of care by answering unmet medical needs of the community and promoting access to quality healthcare.

The Year at a Glance

80 million prescriptions per year

Touching around **226,000** patients' lives every day

Note: Estimated figures based on IMS MIP MAT Jun 2019

CoPlavix	Claforan®	Flagyl®	Tarivid® (Ofloxacin)	PHENERGAN®
is #1 in 16 countries	is #1 in 24 countries	is #2 in 64 countries	is #2 in 18 countries	is #2 in 18 countries

Brand ranking in terms of units as per IMS MAT Nov 2019

2019 Production Volumes

Tablets
1.8 Billion

Ampoules
28 Million

Oral Liquids
30.6 Million

1099 employees*

78% of Commercial Operations headcount is in Sales

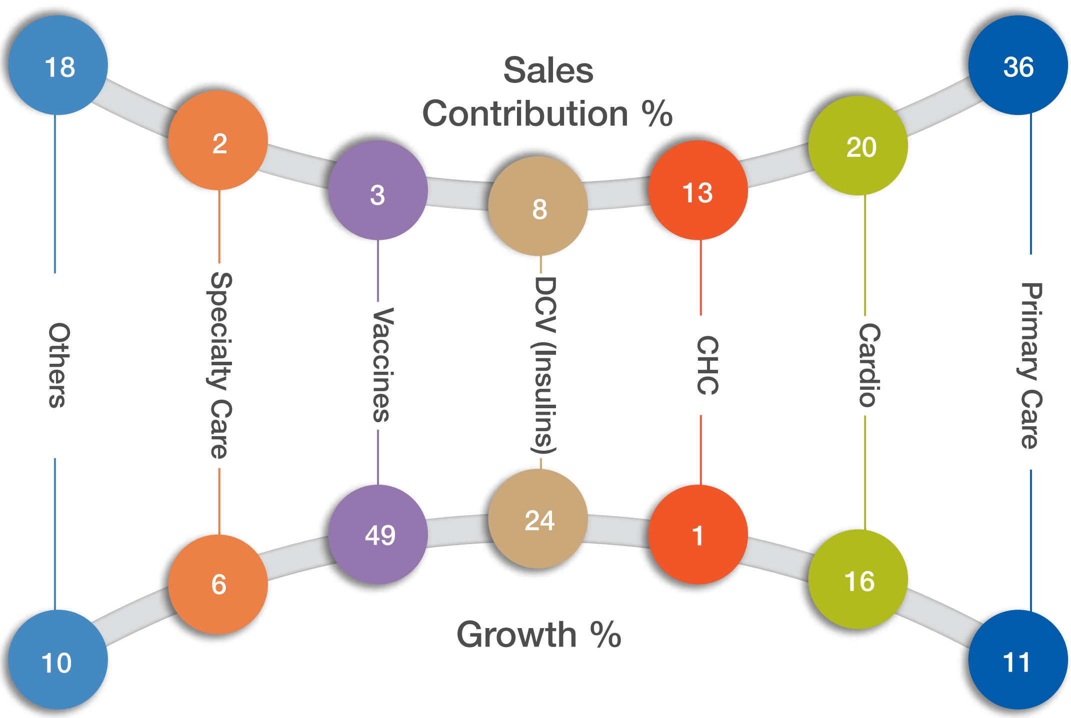
**As of December 2019*

Product Contribution

22% Flagyl®	9% Amaryl®	8% Clexane®	7% Claforan®	6% Lantus®
6% NO-SPA® (Drotaverine HCl)	4% Haemaccel®	3% Enterogermina®	3% Plavix®	3% PHENERGAN®

Top 10 products contribute over	2019 Net Sales PKR	Profit before tax PKR	Earnings per share
70%	14.50	546	16.05
of the top line	billion	million	PKR

Sales by Business



A 40 Year Journey of Success

Introduced to the Pakistan market in 1979, Flagyl® (Metronidazole) has won the trust of millions of physicians over the years and today enjoys high brand recognition across Pakistan. This is evidenced by the steady growth of Flagyl® despite the high number of generics available.

Year of **launch** **1979**

PKR **1 Billion** **2009** 55 generics available

PKR **2 Billion** **2016** 67 generics available

PKR **3 Billion** **2019** 70 generics available

4th most prescribed brand of the industry

25.5 million prescriptions for Flagyl® are generated each year

7% annual growth of prescriptions

One of only **8th** brands in Pakistan that are above PKR **3** Billion

Pakistan is **#1** in terms of value across all countries

Pakistan is **#2** in terms of volume across **64** countries where it is marketed

Ranked **#9** in Pakistan pharma market

Gender Balance

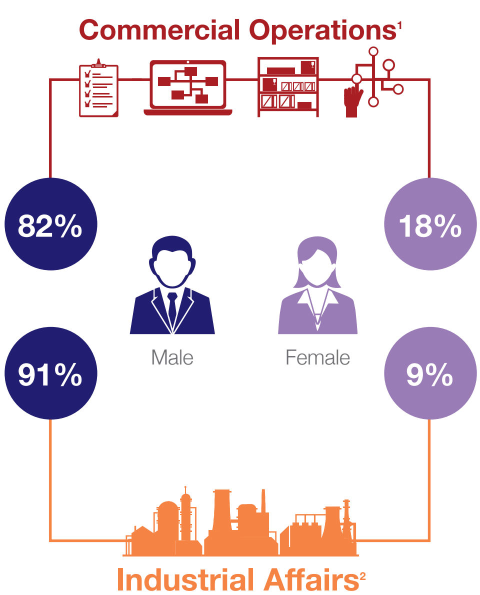
The 2nd OICCI Women Empowerment Awards were organized by the Overseas Investors Chamber of Commerce and Industry (OICCI) on December 10, 2019.

The awards were judged by an independent jury comprising:

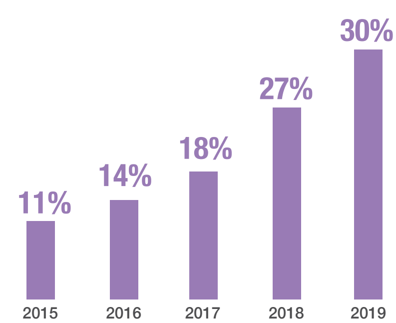
Zaffar Khan, Past President, OICCI	**Sadia Khan**, CEO, Pakistan Institute of Corporate Governance (PICG) and Honorary Consul General of Finland
Atif Bajwa, Past President, OICCI	**Spenta Kandawalla**, well-known entrepreneur
Khawar Mumtaz, women's rights activist and Former Chairperson of the National Commission on the Status of Women	**Ayesha Tammy Haq**, TV Host and Executive Director, Pharma Bureau.

Sanofi received a 'Special Recognition Award' in the 'Gender Balance Workforce' category.

Gender balance is a priority for Sanofi around the world and at Sanofi Pakistan. There has been a conscious effort in recruitment practices to improve gender balance without compromising on quality of candidates. Simultaneously there has been an effort to prepare and develop female employees into people managers and leaders. As a result, the ratio of females in the leadership team has been steadily improving.



Affiliate permanent employees



Females in the leadership team

1. Permanent employees minus Sales Force
2. Management employees

Directors' Profile

<table>
<tr><th>Directors</th><th colspan="2">Other Engagements</th></tr>
<tr><td rowspan="1">Syed Babar Ali
Chairman,
Non-Executive Director</td><td>Chairman</td><td>• Ali Institute of Education
• Babar Ali Foundation
• Coca Cola Beverages Pakistan Limited
• IGI Holdings Limited
• Industrial Technical & Educational Institute
• National Management Foundation
• Syed Maratib Ali Religious & Charitable Trust Society
• Tetra Pak Pakistan Limited
• Tri-Pack Films Limited</td></tr>
<tr><td rowspan="3">Date of Joining Board
Prior to the listing of the Company in 1977</td><td>Board Member</td><td>• Gurmani Foundation</td></tr>
<tr><td>Director</td><td>• Nestle Pakistan Limited</td></tr>
<tr><td>Member - Governing Body</td><td>• Lahore University of Management Sciences (LUMS)</td></tr>
<tr><td rowspan="2">Syed Hyder Ali
Non-Executive Director</td><td>Director/CEO</td><td>• Packages Limited</td></tr>
<tr><td>Director</td><td>• Babar Ali Foundation
• Bulleh Shah Packaging (Private) Limited
• Flexible Packages Convertors (Pty) Limited
• IGI General Insurance Limited
• IGI Holdings Limited
• IGI Investments (Private) Limited
• IGI Life Insurance Company Limited
• National Management Foundation
• Nestle Pakistan Limited
• Packages Real Estate (Private) Limited
• Packages Lanka (Private) Limited
• Pakistan Centre for Philanthropy
• Syed Maratib Ali Religious & Charitable Trust Society
• Tri-Pack Films Limited</td></tr>
<tr><td rowspan="2">Date of Joining Board
February 22, 1987</td><td>Member</td><td>• Ali Institute of Education
• International Chamber of Commerce, Pakistan
• Lahore University of Management Sciences (LUMS)
• World Wide Fund for Nature – Member Advisory Council</td></tr>
<tr><td>Trustee</td><td>• Packages Foundation</td></tr>
<tr><td>Arshad Ali Gohar
Non-Executive Director

Date of Joining Board
February 11, 2011</td><td>Director</td><td>• Ali Gohar & Company (Private) Limited
• AGT Holdings (Private) Limited
• AGC (Private) Limited</td></tr>
</table>

Directors	Other Engagements	
Imtiaz Ahmed Husain Laliwala Independent Director **Date of Joining Board** April 25, 2017	Member	• Board of Governers of The Kidney Centre Post Graduate Training Institute • Audit Oversight Board
Asim Jamal Chief Executive Officer	Member	• Board of Governors of National Management Foundation (Governing body of LUMS) • Board of Studies of Institute of Health Management – Dow University of Health Sciences
Date of Joining Board June 1, 2015	Director	• Pakistan France Business Alliance (PFBA) • Technobiz (Private) Limited
Yasser Pirmuhammad Chief Financial Officer **Date of Joining Board** January 1, 2016	Member	• Board of Trustees of sanofi-aventis Pakistan Limited Provident Fund • Board of Trustees of sanofi-aventis Pakistan Limited Gratuity Fund • Board of Trustees of sanofi-aventis Pakistan Limited Pension Fund • Board of Trustees of sanofi-aventis Pakistan Limited Workers' Profit Participation Fund
Thomas Rouckout Non-Executive Director **Date of Joining Board** April 25, 2017	Director	• Sanofi India Limited • Sanofi Developpement • Sanofi-Aventis Groupe • Francopia
Ana Arcos Non-Executive Director **Date of Joining Board** April 25, 2017	Director	• AO Sanofi Russia
Naira Adamyan Non-Executive Director **Date of Joining Board** April 23, 2019	Director	• AO Sanofi Russia

Corporate Social Responsibility

CSR is about Sanofi's responsibility vis a vis society. We believe in close relationships with our stakeholders and we believe we are responsible for contributing to the sustainable development of our communities.

KiDS is an educational program co-created by Sanofi with the International Diabetes Federation (IDF), in collaboration with the International Society for Paediatric and Adolescent Diabetes (ISPAD). Pakistan was the third country in the world to launch the program in 2016 after Brazil and India.

The KiDS program primarily targets teachers, school nurses, school staff, students (6-14 years) and parents, while also involving policy makers and government officials. The program aims to foster a safe and supportive school environment for children with type 1 diabetes to manage their condition and avoid discrimination. It also seeks to promote the benefits of a healthy diet and the importance of physical activity among school-age children while raising awareness of diabetes.

An art contest on the theme of "My Healthy Lifestyle" was announced by Sanofi, inviting creative artworks which demonstrated a diversity of mediums and unbridled creativity in interpretation of the theme. The contest culminated in an exciting two-day exhibition at Alliance Francaise de Karachi which attracted members of the general public, school children, school faculty, the media fraternity and the Consul General of France, H.E. Didier Talpain.

Statistics for 2019

17
schools in Karachi

educating
1180
children

217
teachers

75
parents

'My Child Matters': Together, let's give all children with cancer, wherever they live in the world, the same opportunity to recover.

The *'My Child Matters'* (MCM) initiative, launched in 2005, is an innovative partnership between the Sanofi Espoir Foundation and International Union Against Cancer to reduce inequities in childhood cancer survival in low and mid-income countries.

Sanofi Espoir Foundation has been supporting *'My Child Matters'* projects in Pakistan since 2009 to improve diagnosis, treatment and care in Pediatric Oncology. In 2019, the Foundation awarded grants to The Indus Hospital (Karachi) and Aga Khan University (AKU) for their future contribution towards improving cancer diagnosis and treatment.

Through the grant, AKU will build capacity in pediatric neuro-oncology treatment by setting up multi-disciplinary teams (MDTs) in seven hospitals across Karachi, Lahore and Rawalpindi. The project led by AKU with the support of Sanofi Espoir Foundation, will enable arrangement of several Continuing Medical Education workshops as well as international symposiums in different cities over the next three years to train pediatric oncologists, neurosurgeons, pathologists and radiologists. The grant will also help establish a pediatric neuro-oncology fellowship as part of the University's Postgraduate Medical Education (PGME) program.

Indus Hospital has been helping Pediatric Oncology units across Pakistan in improving facility infrastructure, building capacity of human resources through teaching and trainings, establishing childhood cancer registry and monitoring outcome. The grant facilitates trainings of doctors, nurses, pharmacists, infection control, data management and psychosocial staff. Through this grant Indus Hospital also regularly organizes events for cancer awareness advocacy.

Blood Drive

Sanofi Pakistan hosted its annual blood drive in collaboration with the Indus Hospital Blood Center in August 2019. Employees from Head Office and production facility participated enthusiastically in the blood donation camp.

Company Information

Board of Directors

Syed Babar Ali	Chairman
Asim Jamal	Chief Executive Officer
Yasser Pirmuhammad	Chief Financial Officer
Syed Hyder Ali	
Arshad Ali Gohar	
Imtiaz Ahmed Husain Laliwala	
Naira Adamyan	
Ana Arcos	
Thomas Rouckout	

Company Secretary
Muhammad Yousuf

Auditors
EY Ford Rhodes
Chartered Accountants

Legal Advisors
Khalid Anwer & Co.
Saadat Yar Khan & Co.
Ghani Law Associates

Registrar & Share Transfer
FAMCO Associates (Private) Limited
8-F, Near Hotel Faran, Nursery,
Block 6, P.E.C.H.S., Shahra-e-Faisal, Karachi
Tel: +92 21 34380101-5
Fax: +92 21 34380106
URL: www.famco.com.pk

Contact
Tel: +92 21 35060221-35
Email: contact.pk@sanofi.com

URL
www.sanofi.com.pk

Bankers
Citibank N.A.
Deutsche Bank AG
MCB Bank Limited
Allied Bank Limited
Habib Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited

Registered Office
Plot 23, Sector 22, Korangi Industrial Area,
Karachi - 74900

Postal Address
P.O. Box No. 4962, Karachi - 74000

Our Products

Sanofi addresses the spectrum of healthcare needs ranging from wellness to prevention and from management & treatment to cure.

DIABETES (ORALS)

Amaryl® (Glimepiride) and Amaryl® MSR (Glimepiride + Metformin) are oral blood glucose-lowering drugs of the sulfonylurea class, administered once a day to treat Type 2 diabetes in combination with diet and lifestyle modification.

Daonil® (Gilbenclamide) is an oral blood glucose-lowering drug belonging to the sulfonylurea class. Daonil® is used in the treatment of Type 2 diabetes and is used in conjunction with proper diet and exercise to decrease blood sugar levels.

Neodipar® (Metformin) is an oral blood glucose-lowering drug that helps control blood sugar levels. It is used for the management of Type 2 diabetes. At times, Neodipar® is used in combination with insulin or other medications for efficient blood glucose control.

DIABETES (INSULINS)

Toujeo® (Insulin Glargine U300) is the next-generation insulin glargine which works like the human body's natural insulin and is designed to provide steady control over 24 hours. Toujeo® provides stable glycemic control over 24 hours and provides dosing flexibility with less risk of hypoglycemia.

SoloSTAR® is an insulin delivery device / disposable pen, for Lantus® (insulin Glargine) and Toujeo® (insulin Glargine U300). It enables patients to inject up to 80 IUs of insulin, in one shot- if advised by the physician. It is designed to meet the everyday needs of people with diabetes, making insulin injection almost painless as slight pressure suffices to inject the right dose (30% less force than similar devices).

Apidra® (Insulin Glulisine) is a rapid-acting insulin analog indicated to improve blood sugar levels in adults with Type 2 diabetes or adults and children with Type 1 diabetes.

The primary activity of insulin glulisine, is regulation of glucose metabolism. Apidra® is available in a pre-filled SoloStar pen. Each pen contains 3 ml solution, equivalent to 300 Units.

Lantus® (Insulin Glargine) works by lowering levels of glucose (blood sugar) in the blood. Insulin glargine is a long-acting form of insulin that is slightly different from other forms of insulin that are not man-made.

ONCOLOGY

Thyrogen® (Thyrotropin alfa for injection) is an injectable protein designed to be identical to natural human thyroid-stimulating hormone (TSH). Thyrogen® is administered prior to radioactive iodine ablation or diagnostic testing in patients with thyroid cancer. Thyrogen® raises the levels of TSH in the body, which is important when preparing for radiation therapy or in monitoring the recurrence of thyroid cancer.

Jevtana® (Cabazitaxel) is an anti-cancer medicine used with the steroid medicine prednisone. Jevtana® is used to treat men with prostate cancer that is resistant to medical or surgical treatments that lower testosterone and has worsened after treatment with other medicines, including docetaxel.

Eloxatin® (Oxaliplatin) is an anti-cancer medicine that is used with other anti-cancer medicines called 5-fluorouracil and folinic acid to treat adults with stage III colon cancer after surgery to remove the tumor and advanced/ metastatic colon or rectal cancer (colorectal cancer).

Taxotere® (Docetaxel) is an anti-cancer medicine used to treat certain patients with breast cancer, non-small cell lung cancer, ovarian cancer, head and neck cancer, stomach cancer and prostate cancer.

Fludara® (Fludarabine Phosphate) is an anti-cancer medicine that interferes with the growth and spread of cancer cells in the body. Fludara® is used to treat adults with B-cell chronic lymphocytic leukemia (CLL) after other medicines have been tried without successful response to treatment.

NEPHROLOGY

Renvela® (Sevelamer carbonate) is known as a phosphate binder which helps control phosphorus levels in the body of patients of Chronic Kidney Disease (CKD). Sevelamer has the largest body of peer-reviewed evidence among all phosphate binders, demonstrating its clinical benefits in hyperphosphatemic patients.

ORGAN TRANSPLANTATION

Thymogloubuline® (Anti-thymocyte globulin [rabbit]) is used for prevention and treatment of graft rejection in solid organ transplantation, graft-versus-host disease following haematopoietic stem cell transplantation, and treatment of aplastic anemia. Thymoglobuline® works by suppressing the body's immune system.

UROLOGY

Xatral® (Alfuzosin) is used for symptomatic treatment of Benign Prostatic Hyperplasia which is a condition where the prostate gland enlarges but is not cancerous (i.e. it is benign). Enlarged prostate occurs primarily in older men and can cause problems in passing urine.

PAIN MANAGEMENT

No-Spa® (Drotaverine HCl) is used as an antispasmodic in the management of biliary-tract, urinary-tract, and gastrointestinal spasm. No-Spa® is indicated in the management of irritable bowel syndrome, renal colic, biliary colic, and the management of severe pain during menstruation.

Muscoril® (Thiocolchicoside) is a muscle relaxant drug with anti-inflammatory and analgesic properties. It is used as an adjuvant therapy for treating muscular spasms, rheumatologic, orthopedic, and traumatologic disorders.

ANTIEMETIC

Stemetil® (Prochlorperazine maleate) is used to treat nausea, vomiting and dizziness due to various causes, including migraine (severe headache).

ALLERGY MANAGEMENT

Telfast® (Fexofenadine) is an effective and potent antihistaminic agent, devoid of sedative effects and with a prolonged duration of action allowing administration once every 12 or 24 hours. It is indicated for the treatment of hay fever and chronic idiopathic urticaria. The Telfast-D® (Fexofenadine + Pseudoephedrine) formulation combines this antihistaminic with a prolonged-release decongestion agent.

One of the oldest and most trusted antihistamines, Avil® (Pheniramine maleate) is used to treat allergic conditions such as hay fever or urticaria.

Nasacort® (Triamcinolone acetonide) allergy nasal spray is a once-a-day treatment for hay fever. Nasacort® prevents the body from releasing the chemicals that cause the symptoms of hay fever (sneezing, itching and a runny or blocked nose) and controls symptoms.

PHENERGAN®

Phenergan® (Promethazine) is one of the most established antihistamines in the local market. It is useful in perennial and seasonal allergic rhinitis, allergic conjunctivitis, urticaria and pruritis. Phenergan® also prevents motion sickness, and treats nausea and vomiting after surgery and is effective in the relief of apprehension and inducing light sleep from which a patient can easily be aroused.

Tixylix® contains Promethazine hydrochloride and Pholcodine in a pleasant blackcurrant flavor. Tixylix® is indicated for the symptomatic relief of dry cough and as an adjuvant in the treatment of upper respiratory tract infections in children. It is also useful for the relief of irritating night cough and spasm of whooping cough in children.

Tixylix® Linctus

SLEEP DISORDERS

Stilnox® Zolpidem 10mg scored tablets

Stilnox® (Zolpidem) is a hypnotic which is indicated in the short-term treatment of insomnia. It rapidly induces sleep that is qualitatively close to natural sleep and devoid of certain side effects that are characteristic of the benzodiazepine class as a whole. Its action lasts for a minimum of six hours, and it is generally well tolerated, allowing the patient to awake with a reduced risk of impaired attention, decreased alertness or memory lapses throughout the day.

EMERGENCY CARE

Haemaccel® (Polygeline) is an emergency care / life-saving product. It is a plasma substitute for volume replacement used to correct or avert circulatory insufficiency due to plasma / blood volume deficiency, resulting from bleeding or from a shift in plasma volume between the circulatory compartments. It is a ready-for-use solution for intravenous infusion and can also be used as a carrier solution for various medicines. Haemaccel® is recommended by the World Health Organization (WHO) on its list of 'Essential Medicines 2017'.

Haemaccel® Polygeline 3.5%

CARDIOLOGY

Plavix® (clopidogrel hydrogen sulphate) 75mg, 300mg tablets

Plavix® (Clopidogrel) is used to prevent blood clots after a recent heart attack or stroke, and in people with certain disorders of the heart or blood vessels. It prevents blood clots (thrombi) from forming in hardened blood vessels (arteries), a process known as atherothrombosis, which can lead to atherothrombotic events (such as stroke, heart attack, or cardiovascular death).

CoPlavix® (Clopidogrel and Acetylsalicylic acid) is used to prevent blood clots from forming in hardened blood vessels (a process known as atherothrombosis) which can lead to events such as stroke, heart attack or cardiovascular death.

CoPlavix Clopidogrel 75mg/Acetylsalicylic acid 75mg

Aprovel® (Irbesartan) is indicated for the treatment of hypertension and renal disease in Type 2 diabetes. It acts by blocking the effect of angiotensin II, the hormone responsible for constriction of blood vessels, thereby permitting the normalization of arterial blood pressure.

CoAprovel® (Irbesartan + Hydrochlorothiazide) is indicated for treatment of hypertension. It may be used either alone or in combination with other antihypertensive agents. CoAprovel® may also be used as initial therapy in patients who are likely to need multiple drugs to achieve their blood pressure goals.

Cordarone® (Amiodarone hydrochloride) is an antiarrhythmic. It is used for the treatment of severe heart rhythm disorders, not responding to other therapy or when other treatments cannot be used. Cordarone® works by helping the heart to regain a normal rhythm.

Clexane® (Enoxaparin sodium) is the most widely studied and used low molecular weight heparin (LMWH) in the world & is approved for more clinical indications than any other LMWH. Clexane® is an anti-coagulant used to inhibit the formation of clots in veins and arteries, thereby preventing possible acute or chronic complications associated with deep vein or arterial thrombosis.

Tritace® contains the active ingredient Ramipril, which is an ACE inhibitor. It is used to treat high blood pressure and heart failure. It may also be used as treatment following a heart attack (myocardial infarction) complicated with heart failure or to reduce the risk of heart attack or stroke.

CoTritace® is a combination product with two active ingredients: Ramipril and Hydrochlorothiazide. It is used to lower blood pressure in essential hypertension when treatment with a combination product is needed.

Winstor® (Atorvastatin) is a member of the drug class known as statins, used for lowering cholesterol. This drug is indicated for prevention of cardiovascular disease (heart attack or stroke), to lower cholesterol and other harmful types of cholesterol in the body and to slow the progression of heart disease.

Lasix® (Furosemide)/ Lasoride® (Furosemide + Amiloride HCl) is a diuretic that improves the elimination of water and salts (electrolytes) in the urine. It is used to treat hypertension and fluid retention due to diseases of the heart, liver or kidneys.

ANTIBIOTICS

Introduced in 1979, Flagyl® (Metronidazole) is an established brand of Sanofi which has won the trust of millions of physicians over the years across Pakistan. It is indicated in the prophylaxis and treatment of infections in which anaerobic bacteria have been identified or are suspected to be the cause. It is also effective for the treatment of parasitic infections caused by trichomonas vaginalis or entamoeba histolytica known to cause diarrheal disease.

Tarivid® (Ofloxacin) is a Fluroquinolone antibiotic prescribed to adults in bacterial infections due to ofloxacin-susceptible micro-organisms including pyelonephritis, prostatitis, epididymitis, oprchitis, and pelvic inflammatory disease. Ofloxacin may be used as an alternative to other usual anti-infectives in uncomplicated cystitis and urethral infections, complicated skin and soft-tissue infections, bone and joint infections, acute sinusitis, acute exacerbation of chronic bronchitis, community acquired pneumonia and in prevention of infections due to ofloxacin susceptible pathogens.

Claforan® (Cefotaxime) is a third-generation cephalosporin injectable antibiotic for the treatment of a wide range of infections including those of the respiratory tract, skin and soft tissues, urinary tract, and meningitis due to susceptible pathogens in both adults and children. It is also indicated for surgical prophylaxis (i.e. prevention of surgical infections).

(Cefotaxime sodium)

Aventriax® (Ceftriaxone) is a third-generation cephalosporin antibiotic. Like other third-generation cephalosporins, it has broad spectrum activity against Gram-positive and Gram-negative bacteria. This drug is indicated for the treatment of lower respiratory tract infections, acute bacterial otitis media, skin infections, bone and joint infections, intra-abdominal and urinary tract infections, pelvic inflammatory disease (PID), uncomplicated gonorrhea, bacterial septicemia, and meningitis. Ceftriaxone injection is also given before certain types of surgery to prevent infections that may develop after the operation.

Orelox® (Cefpodoxime Proxetil) is an antibiotic for treatment of bacterial infections. It is a broad-spectrum antibiotic that kills a wide variety of bacteria that cause commonly-occurring infections of the upper and lower airways, skin and soft tissue. It may also be used to treat urinary tract infections.

Tavanic® (Levofloxacin) is used to treat bacterial infections. Levofloxacin works by killing the bacteria that are causing an infection. As levofloxacin is effective against a large number of bacteria, it is indicated for the treatment of infections due to levofloxacin-susceptible micro-organisms which includes hospital-acquired pneumonia, complicated urinary tract infections and pyelonephritis, prostatitis and anthrax inhalation (post exposure prophylaxis and curative treatment). Levofloxacin may be used as an alternative to other usual anti-infective in acute sinusitis, acute exacerbation of chronic bronchitis, uncomplicated cystitis, community-acquired pneumonia, complicated skin and soft tissue infections.

Targocid® (Teicoplanin) injection is an antibiotic. It is used to kill bacteria responsible for infections which can occur in your blood (sepsis), bones or joints. This antibiotic is generally used when the bacteria causing the infection are not satisfactorily eliminated by other antibiotics or when patients may be allergic to other antibiotics.

This antibiotic targets a wide range of bacterial infections and is commonly used to treat respiratory tract conditions such as acute bronchitis, tonsillitis and pneumonia. Rulid® (roxithromycin) also combats bacterial infections in the body's genitals, gastrointestinal tract and soft tissues.

ANTI-DIARRHEALS

Secnidal® Forte (Secnidazole) is a synthetic derivative of the group of Nitroimidazoles. It is indicated in Intestinal amoebiasis, hepatic amoebiasis, giardiasis, urethritis and vaginitis due to trichomonas vaginalis.

Enterogermina® (Bacillus clausii) is an oral suspension probiotic offered in single dose. It restores the balance of bacteria in the gut in case of an intestinal disorder. Enterogermina® can be used for management of diarrhea in children and adults.

EPILEPSY

Frisium® (Clobazam) belongs to a class of medications called benzodiazepines and is effective against all seizure types. It is used mainly as an add-on (adjunctive) medication for primary generalized and partial seizure disorders, but it also can be effective when used alone.

RARE DISORDERS

Myozyme® (Alglucosidase Alfa) contains an enzyme that naturally occurs in the body in healthy people. Some people lack this enzyme because of a genetic disorder. Myozyme® helps replace this missing enzyme to treat a glycogen storage disorder called Pompe disease, in adults and children who are at least 8 years old.

Myozyme® has been shown to improve ventilator-free survival in patients with infantile-onset Pompe disease.

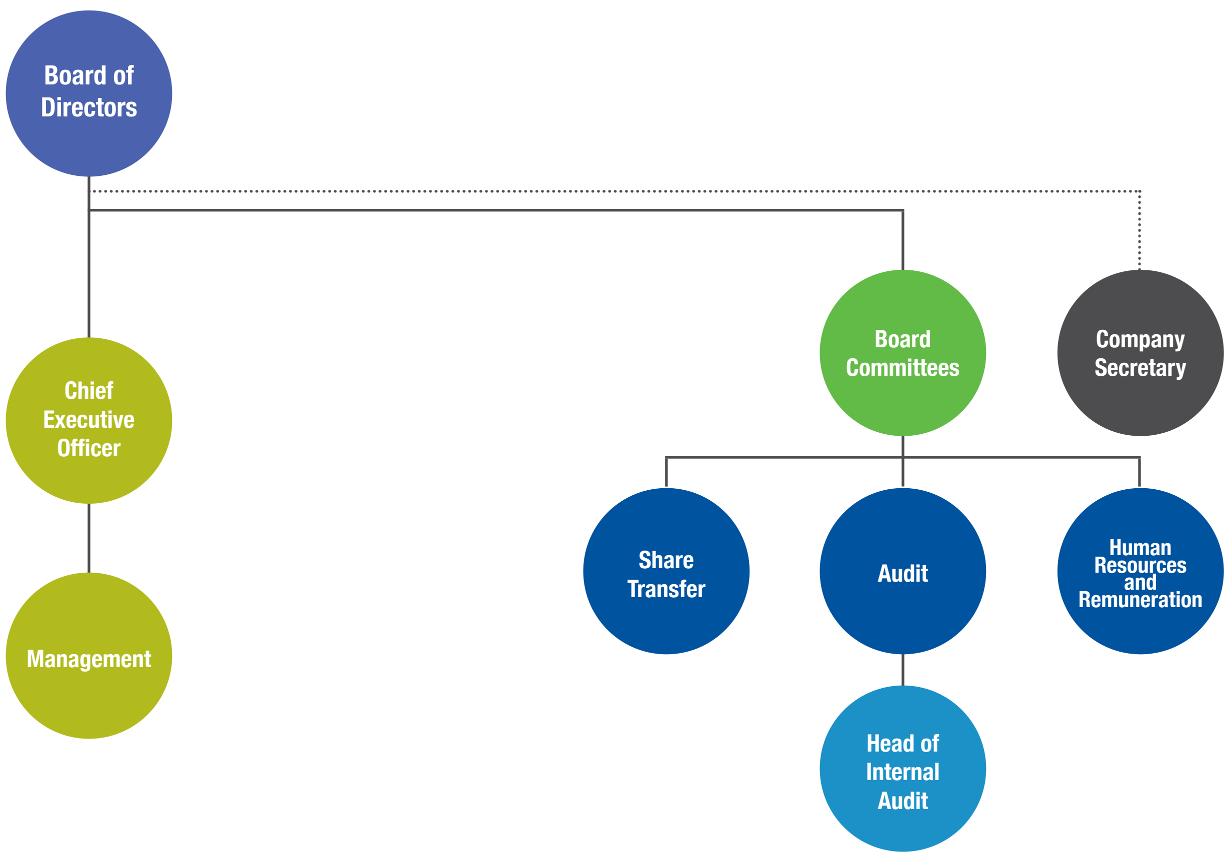
CONSUMER HEALTHCARE

Selsun Blue® contains Selenium sulfide and is used to treat dandruff and a certain scalp infection (Seborrheic dermatitis). It reduces itching, flaking, irritation, and redness of the scalp. Selsun Blue® shampoo targets the source to control dandruff, and leaves hair clean and healthy looking.

Governance

Corporate governance is a system of structures and processes for the direction and control of organizations. It is a process through which balance of duties and responsibilities between shareholders, management and the board are defined. Thus enabling an organization to maintain the right balance of power and accountability, while striving to achieve its objective of enhancing shareholder value. sanofi-aventis Pakistan limited fully implements the principles of Corporate Governance in general and the Code of Corporate Governance in specific.

Shareholders



Composition of Board and Directors' Independence

The Board comprises of 9 Directors out of which 6 are Non-Executive, 1 is Independent and 2 are Executive Directors. The Chairman of the Board is a Non-Executive Director representing minority interest. The roles of Chairman and the CEO have been segregated and responsibilities have been clearly defined. The CEO is responsible for operations of the Company, whereas the Board, under the Chairman, performs oversight responsibilities.

Board Committees

The Board has formed following Committees in line with the best practices and requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019:

Board Audit Committee

The Board Audit Committee assists the Board in fulfilling its responsibilities related to the financial reporting process, the system of internal control over financial reporting, risk management and internal controls assessment and the Company's process for monitoring compliance with laws and regulations.

The Board Audit Committee comprises of 3 Directors, 2 of whom are Non-Executive while 1 is Independent Director. The Chairman of the Board Audit Committee is a Non-Executive Director. The Head of Internal Audit & Controls, Muhammad AbuBakar is the secretary of the Board Audit Committee.

Human Resources and Remuneration Committee

This Committee assists the Board in fulfilling its responsibilities in the formulation and implementation of Human Resource Policies and in the appointment, remuneration and succession of CEO, CFO, Company Secretary, Head of Internal Audit & Controls and other senior positions reporting directly to the CEO.

The Committee comprises of two Non-Executive and one Executive Director. The Chairman of the Committee is a Non-Executive Director. The Director Human Resources, Shakeel Mapara is the Secretary of the Human Resources and Remuneration Committee.

Board Share Transfer Committee

The Board Share Transfer Committee has been authorized by the Board to approve transfer of shares. All share transfer resolutions are ratified by the Board in subsequent meetings.

Board Performance Evaluation

The Code of Corporate Governance stipulates that the Board should put in place a mechanism for an annual evaluation of its own performance. In line with this requirement, the Board has set a well-defined criteria for the evaluation of its performance, which focuses on the following areas:

- Board's Effectiveness
- Role of Non-Executive Directors
- Effectiveness of Board Committees
- Role of the Chairman

During the year, an evaluation was carried out on the above defined criteria and results thereof were discussed by the Board.

Performance Evaluation of the Chief Executive

The performance of the Chief Executive (CEO) is based on the criteria defined by Sanofi, which takes into account both qualitative as well as quantitative parameters. The Board is fully aware of the criteria and is involved in the performance assessment of the CEO.

EY Ford Rhodes
Chartered Accountants
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ey.com/pk

Independent Auditors' Review Report

Review Report on the Statement of Compliance contained in the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred to as 'the Regulations'), prepared by the Board of Directors of sanofi-aventis Pakistan Limited for the year ended 31 December 2019 in accordance with the requirements of Regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2019.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 17 March 2020

Statement of Compliance

with repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019

For the year ended December 31, 2019

The Company has complied with the requirements of the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as 'Regulations') in the following manner:

1. The total number of Directors are 9 as per the following composition:

Gender	Independent Director	Executive Directors	Non-Executive Directors
Male	1	2	4
Female	-	-	2

2. The Company encourages representation of Independent Non-Executive Directors and Directors representing minority interests on its Board. At present the Board composition is as follows:

Syed Babar Ali - Chairman, Non-Executive	Naira Adamyan – Non-Executive
Syed Hyder Ali - Non-Executive	Ana Arcos - Non-Executive
Asim Jamal - Chief Executive Officer	Thomas Rouckout - Non-Executive
Imtiaz Ahmed Husain Laliwala – Independent Director	Yasser Pirmuhammad – Chief Financial Officer
Arshad Ali Gohar - Non-Executive	

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed Companies, including this Company.

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/Shareholders as empowered by the relevant provisions of the Companies Act, 2017 and Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board of Directors have a formal policy and transparent procedure for remuneration of Directors in accordance with the Act and the Regulations.

9. The Board has duly complied with the Directors' Training Program requirements and the criteria as prescribed in the Regulations.

10. The Board approves the appointment, remuneration and terms & conditions of employment of the Chief Financial Officer (CFO), Company Secretary and the Head of Internal Audit and complies with the relevant requirements of Regulations.

11. The financial statements of the Company were duly endorsed and signed by CEO and CFO before approval of the Board.

12. The Board has formed an Audit Committee. It comprises of three members, out of which one is Independent, and the remaining are Non-Executive Directors including the Chairman of the Committee.

Syed Hyder Ali	Chairman	Non-Executive Director
Ana Arcos	Member	Non-Executive Director
Imtiaz Ahmed Husain Laliwala	Member	Independent Director

The Board has formed a Human Resources and Remuneration Committee. It comprises of three members, out of which two are Non-Executive Directors including the Chairman of the Committee. The Human Resources and Remuneration Committee meets once in a financial year.

Arshad Ali Gohar	Chairman	Non-Executive Director
Syed Hyder Ali	Member	Non-Executive Director
Asim Jamal	Member	Executive Director - CEO

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of the meetings of the committees were as follows:

Committee	Date of Meeting	Nature
Board Audit Committee	February 28, 2019	For the Year Ended December 31, 2018
Board Audit Committee	April 23, 2019	For the Quarter Ended March 31, 2019
Board Audit Committee	August 27, 2019	For the Half Year Ended June 30, 2019
Board Audit Committee	October 28, 2019	For the Quarter Ended September 30, 2019
Human Resources and Remuneration Committee	January 11, 2019	For the Year 2018
Human Resources and Remuneration Committee	April 23, 2019	For the Year 2019

15. The Board has setup an effective Internal Audit and Control function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance

with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been complied with; and

19. We confirm that all the requirements of repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 have been complied with.

Syed Babar Ali
Chairman

Asim Jamal
Chief Executive Officer

Karachi: March 03, 2020

Chairman's Review Report

It is my pleasure to present Chairman's Review Report for the year 2019. At Sanofi Pakistan, we continue to foster our mission of Empowering Life and to support people as a health journey partner.

The year 2019 has been a challenging year for the Country on account of devaluation of PKR, slowdown of economic activity, high inflation and overall environment of uncertainty. All these factors have adversely impacted your Company also.

Despite the economic slowdown, our performance has been encouraging in the last couple of years showing consistent growth with the focus on creating value for shareholders and achieving optimum results.

Review of Financial Performance

The net sales of the Company reached Rs.14.5 billion, growing by 11.9%. The growth was mainly driven by Flagyl®, Clexane® and Enterogermina® registering a growth of 26%, 37% and 43% respectively.

Gross profit margins in the current year dropped to 25.7% as compared to 30.5% last year mainly due to devaluation of PKR resulting in higher cost of imports.

Profit before taxation for the year stands at Rs.546m which declined by 41% as compared to last year due to reasons mentioned above.

Board's Function and Decision Making

The Board comprises of Directors with diverse and extensive experience who have performed their duties effectively and diligently.

The Board actively engages with the management to monitor the Company's performance against defined strategy, goals and targets. The Board and its associated Committees during the year ensured compliance with all statutory and regulatory requirements applicable upon the Company. The Board also provided appropriate direction and oversight on a timely basis to ensure optimal utilization of resources.

Board's Annual Performance Evaluation

As required by the Listed Companies (Code of Corporate Governance) Regulations, 2019, an annual performance evaluation to assess the Board's overall performance and effectiveness was carried out. The overall performance of the Board for the year was satisfactory.

Outlook

Going forward, persistent pricing pressure, risk of further devaluation of PKR, increasing cost of utilities and high inflation continues to be a challenge to the Company's bottom line. Favorable and consistent government policies are, therefore, imperative for sustained growth of the Company as well as for the pharmaceutical sector to ensure availability of quality medicines in Pakistan.

Acknowledgment

I would like to thank the Board and the employees for their commitment and contribution during the year. I would also like to thank our customers and suppliers for their support, and the shareholders for their trust in the Board and the management.

Syed Babar Ali

Karachi: March 03, 2020

چیئرمین کی جائزہ رپورٹ

بورڈ کی سالانہ کارکردگی کا جائزہ

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے تحت بورڈ کی مجموعی کارکردگی اور سرگرمی کا سالانہ جائزہ لیا گیا۔ رواں سال کے لیے بورڈ کی مجموعی کارکردگی اطمینان بخش قرار دی گئی ہے۔

مستقبل پر نظر

آنے والے دنوں میں قیمتوں کے تعین کا دباؤ، پاکستانی روپے کی قدر میں مزید کمی کا خطرہ، یوٹیلٹی بلز کے اخراجات میں اضافہ اور بڑھتی ہوئی مہنگائی کا تسلسل کمپنی کے منافع کے لیے مشکلات پیدا کر سکتے ہیں۔ حکومت کی جانب سے مددگار اور مستقل پالیسیاں کمپنی کے ساتھ ساتھ فارماسیوٹیکل سیکٹر کی ترقی کے تسلسل کو برقرار رکھنے کے لیے ضروری ہیں تاکہ پاکستان میں معیاری دواؤں کی دستیابی کو یقینی بنایا جا سکے۔

توثیق

میں بورڈ اور ملازمین کی جانب سے رواں سال کے دوران انتھک محنت اور تعاون پر شکر گزار ہوں۔ میں اپنے کسٹمرز اور سپلائرز کی معاونت پر بھی ان کا مشکور ہوں، اس کے علاوہ بورڈ اور انتظامیہ پر اعتماد کرنے پر شیئر ہولڈرز کا بھی شکریہ ادا کرنا چاہتا ہوں۔

سید بابر علی

کراچی: 03 مارچ، 2020

چیئرمین کی جائزہ رپورٹ

مجھے سال 2019 کے لیے چیئرمین کی جائزہ رپورٹ پیش کرتے ہوئے خوشی ہے۔سنوفی میں ہم زندگی کو بااختیار بنانے اور صحت کے سفر میں پارٹنر کی حیثیت سے لوگوں کی مدد کے مشن پر کاربند ہیں۔

سال 2019 پاکستانی روپے کی قدر میں کمی، معاشی سرگرمیوں میں سست روی، مہنگائی میں اضافے اور مجموعی طور پر غیر یقینی صورتحال کی وجہ سے انتہائی مشکل سال رہا۔ مذکورہ تمام عوامل کے باعث آپ کی کمپنی پر بھی منفی اثرات مرتب ہوئے۔

معاشی سرگرمیوں کی سست روی کے باوجود، گزشتہ چند سالوں میں ہماری کارکردگی بہتر رہی جس میں مسلسل ترقی کے ساتھ شیئر ہولڈرز کے لیے منافع کے حصول اور زیادہ سے زیادہ نتائج حاصل کرنے پر توجہ مرکوز ہے۔

مالیاتی کارکردگی کا جائزہ

کمپنی کی مجموعی سیلز 11.9% کے اضافے کے ساتھ 14.5 ارب روپے تک پہنچ گئی ہے۔اس اضافے میں اہم کردار ادا کرنے والی پروڈکٹس میں فلیجل® کلیکزین® اور انٹیروجرمینا® شامل ہیں جن کی سیلز میں بالترتیب 26%، 37% اور 43% اضافہ ریکارڈ کیا گیا۔

پاکستانی روپے کی قدر میں کمی کے نتیجے میں درآمدی اخراجات میں اضافہ ہوا جس کی وجہ سے رواں سال مجموعی منافع جات کی شرح گزشتہ سال 30.5% سے کم ہو کر 25.7% تک نیچے آ گئی۔

مذکورہ بالا وجوہات کی بنا پر رواں سال منافع قبل از ٹیکس 546 ملین روپے ریکارڈ کیا گیا جو گزشتہ سال کے مقابلے میں 41% کم ہے۔

بورڈ کی ذمے داری اور فیصلہ سازی

بورڈ میں شامل ڈائریکٹرز وسیع تجربے کے حامل ہیں اور انھوں نے اپنی ذمے داریاں مؤثر طور پر بخوبی انجام دی ہیں۔

بورڈ انتظامیہ کے ساتھ مل کر اپنی واضح حکمت عملی کے مطابق اہداف اور نتائج کے حصول کے لیے کمپنی کی کارکردگی کی نگرانی میں سرگرمِ عمل ہے۔ بورڈ اور اس سے منسلک کمیٹیوں نے رواں سال اس بات کو یقینی بنایا کہ کمپنی پر لاگو تمام قانونی ضابطوں پر عملدرآمد کیا جائے۔ بورڈ نے وسائل کے صحیح استعمال کو یقینی بنانے کے لیے مناسب اور بروقت ہدایات جاری کیں اور ان کی نگرانی بھی کی ہے۔

Directors' Report

The Board of Directors is pleased to present the Annual Report of sanofi-aventis Pakistan Limited (the "Company") along with the Company's audited financial statements for the year ended December 31, 2019. The Directors' Report has been prepared in accordance with section 227 of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019.

Being a partner in health journey of life, the Company is primarily engaged in supporting healthcare through manufacture and sale of pharmaceutical, consumer healthcare and vaccines products.

Company's Performance

The year 2019 was a challenging year for the Company as well as for the pharmaceutical industry, mainly on account of devaluation of PKR, slowdown of economic activity and high inflation in the Country. Significant dependence on imported raw material and APIs and fluctuation in exchange rates coupled with stiff price regulations directly affected the product margins.

Despite these challenges, the net sales of the Company for the year ended December 31, 2019 showed a significant growth of 11.9% over the last year. This includes sales from pharmaceutical, consumer healthcare and vaccines business.

Net sales of the Company's pharmaceutical business, which contributes 83.9% of the total net sales, increased by 12.3% over the last year reaching to Rs.12,161 million from Rs.10,831 million. Major products contributing to this growth included Flagyl®, Clexane® and Plavix® which grew by 26%, 37% and 32% respectively. During the year Flagyl® crossed Rs. 3 billion mark in net sales contributing 22% of the overall topline of the Company, while net sales of Clexane® crossed Rs. 1 billion mark.

During the year, sales from vaccines products increased to Rs. 493 million from Rs. 331 million in 2018. This growth was mainly contributed by Vaxigrip® and Hexaxim® which grew by 145% and 34% respectively.

Gross margin for the year declined to 25.7% from 30.5% last year, mainly due to continued devaluation of PKR resulting in higher cost of imports.

Distribution and marketing expenses declined to 16.1% of net sales from 16.4% last year. The improvement was mainly due to decline in travel costs. Administrative expenses, as a percentage of sales, remained flat at 3.6% as compared to last year.

Net exchange loss on foreign currency payments and liabilities amounted to Rs.117 million (2018: Rs.367 million), mainly due to better management of cash flow and FCY payment management.

Due to the reasons explained above, Profit After Tax for the year ended December 31, 2019 stands at Rs. 155 million (2018: Rs. 613 million).

Amounts in millions	2019	2018
Total Net Sales	14,501	12,961
Gross Profit	3,725	3,947
Gross Profit %	25.7%	30.5%
Operating Profit	619	941
Operating Profit %	4.3%	7.3%
Finance Cost	72	15
Profit after Tax	155	613
Earnings Per Share (Rupees)	16.05	63.54

Cash Flow Management

The Company focuses on cash flow management and regularly monitors its day to day working capital requirements. During the year 2019, interest rates increased from 10% to 13.25%. Higher interest rates coupled with continued devaluation of PKR has put pressure on the Company's working capital as most of the raw material and some finished products are imported. As a result, finance cost of the Company has increased to Rs. 72 million (2018: Rs. 15 million) and short-term borrowings obtained from various banks reached to Rs. 448 million as at December 31, 2019.

Dividend

The Directors of the Company recommend a final dividend of Rs. 8 per share (80%), for approval by the shareholders in Annual General Meeting to be held on May 20, 2020.

Risk Management

The Company faces several legal, regulatory and operational risks. There is an Internal Controls and Risk Management Framework in place which ensures that appropriate risk mitigation plans are in place and are working effectively and any significant issues are escalated to higher management and the Board.

Strategic risks are managed by the Board of Directors with the assistance of Country Leadership while operational risks are managed by management with the assistance of Internal Audit and Controls function.

Some of the key areas which can impact Company's operations are:

- Pricing of pharmaceutical products
- Currency devaluation
- Counterfeit products
- Product liability claims
- Disruption in supplies of raw materials

Internal Audit and Controls

The Company has setup an effective internal audit and controls function, which provides independent assurance to the Board on the existence and effectiveness of internal controls. In compliance with the Company's risk governance framework, Audit Committee approves the annual internal audit plan to ensure effectiveness and independence of Internal Audit function. The Head of Internal Audit & Controls also acts as the Risk Management coordinator for the Company. The Directors are confident that the system of internal control is sound in design and was effectively implemented and monitored throughout the year.

Related Party Transactions

All related party transactions, during the year 2019, were placed before the Audit Committee and the Board for their review and approval. These transactions were duly reviewed by the Audit Committee and approved by the Board in their respective meetings. All these transactions were in line with the transfer pricing methods and the policy with related parties approved by the Board previously. The Company also maintains a full record of all such transactions, along with the terms and conditions. For further details please refer note 30 to the financial statements.

Recognition on Women Empowerment

Human Resources and External Affairs have been working closely to improve gender balance, resulting in significant improvement. Policies have been introduced to encourage recruitment and retention of females and make the environment more conducive for women.

The Company received a 'Special Recognition Award' in the 'Gender Balance Workforce' category at the 2nd Overseas Investors Chamber of Commerce and Industry (OICCI) Women Empowerment Awards held on December 10, 2019, in Karachi.

Corporate Social Responsibility

The Company has a long history of supporting and partnering with communities to improve lives across the Country. The Company recognizes that corporate social responsibility (CSR) initiatives creates positive impact for the people and improve their lives.

Details of CSR activities carried out during the year are given in CSR section of the Annual Report.

Health, Safety & Environment

The Company is committed to maintaining standards of Health, Safety and Environment (HSE). The Company's focus has been on identification and mitigation of hazards and risks within and outside the Company premises.

The Company has a dedicated HSE department to oversee the implementation of HSE objectives. The department not only ensures compliance with the best HSE practices but also carries out regular training of the staff.

Counterfeit Products Harm our Business

The prescription drugs supply has been increasingly challenged by vulnerability of distribution channels to illegal counterfeiting and the presence of counterfeit products in the market. Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in the genuine product and could harm the business as well as the image of the Company.

The Company has a dedicated anti-counterfeit function which aims to trace/identify fake drug manufacturing units across the country and dismantle the units in collaboration with law enforcement agencies.

Ethics and Compliance

Compliance is an integral part of the Sanofi way of doing business, which emanates from our Code of Ethics. The Code is communicated to employees and is available in both English and Urdu languages.

Training on compliance and ethics principles is mandatory for all employees, with additional specialized trainings for certain categories of employees. An eLearning platform, standardized across geographies, is also available to ensure trainings on the Code and other compliance policies. The Company has also implemented an effective whistle blowing program, which is easily accessible to all employees.

Composition of the Board of Directors

During the year, there was a change in the composition of the Board as David Khougazian, Non-Executive Director, resigned from the Board and the casual vacancy was filled by Naira Adamyan, Non-Executive Director. The Board consists of 1 Independent, 6 Non-Executive (including two female Directors) and 2 Executive Directors.

Syed Babar Ali - Chairman, Non-Executive Director	**Naira Adamyan*** – Non-Executive Director
Syed Hyder Ali - Non-Executive Director	**Ana Arcos*** – Non-Executive Director
Asim Jamal - Chief Executive Officer	**Thomas Rouckout** – Non-Executive Director
Imtiaz Ahmed Husain Laliwala - Independent Director	**Yasser Pirmuhammad** – Chief Financial Officer
Arshad Ali Gohar – Non-Executive Director	

**Female Directors*

During the year 2019, six meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Director	No. of meetings attended
Syed Babar Ali	5
Asim Jamal	5
Syed Hyder Ali	5
Arshad Ali Gohar	4
Imtiaz Ahmed Husain Laliwala	6
Yasser Pirmuhammad	6
David Khougazian*	-
Naira Adamyan**	-
Ana Arcos	-
Thomas Rouckout	-

** Resigned on April 5, 2019*

***Appointed on April 23, 2019*

Leave of absence was granted to Directors who could not attend the Board meetings. However, those Directors, who are based outside Pakistan were represented by their respective alternates.

Trading of shares by Directors, CFO, Company Secretary & Other Executives

No trade was carried out in the shares of the Company by the Directors, CEO, CFO, Company Secretary, other Executives or their spouses & minor children during the year.

Directors' Remuneration

The Company pays a standard fee to Non-Executive Directors for attending the meetings of the Company (including Board meetings and meetings of the Board Committees). The fee, decided by the Board, is aligned with market norms and is in no manner at a level that could be perceived to compromise their independence.

In addition, the Board has also approved payment of a fee to the Chairman in consideration of providing guidance and advice to the management over and above his duties as a Chairman of the Board. The details of the fees payable to the Non-Executive Directors and the Chairman are detailed in note 31 of the financial statements.

Audit Committee

The Board Audit Committee comprises of the following members:

Syed Hyder Ali	Chairman (Non-Executive Director)
Ana Arcos	Member (Non-Executive Director)
Imtiaz Ahmed Husain Laliwala	Member (Independent Director)
Muhammad AbuBakar	Secretary

Human Resources & Remuneration Committee

The Human Resources & Remuneration Committee comprises of the following members:

Arshad Ali Gohar	Chairman (Non-Executive Director)
Syed Hyder Ali	Member (Non-Executive Director)
Asim Jamal	Member (Executive Director - CEO)
Shakeel Mapara	Secretary

Share Transfer Committee

The Share Transfer Committee comprises of the following members:

Asim Jamal	(Executive Director - CEO)
Yasser Pirmuhammad	(Executive Director - CFO)

Holding Company

The Company is a subsidiary of Sanofi Foreign Participations B.V., registered in Netherlands (the Parent Company), holding 5,099,469 ordinary shares of Rs.10 each, constituting 52.87% of the issued share capital of the Company. The Ultimate Parent of the Company is Sanofi S.A., France.

Pattern of Shareholding

The pattern of shareholding along with categories of shareholders as at December 31, 2019 as required under section 227 of the Companies Act, 2017 is presented on page 106 to the financial statements.

Auditors

The present external auditors, M/s EY Ford Rhodes, Chartered Accountants, have completed the annual audit for the year ended December 31, 2019 and have issued an unqualified report. The auditors shall retire at the conclusion of Annual General Meeting on May 20, 2020 and being eligible, have offered themselves for reappointment for the year 2020. As suggested by the Audit Committee, the Board recommends their reappointment for the year ending December 31, 2020.

Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the accounts in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts regarding the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the Listed Companies (Code of Corporate Governance) Regulations, 2019.
- Significant deviations from last year in operating results have been explained in detail together with the reasons thereof in the Annual Report.

- Key operating and financial data for the last six years is shown on pages from 111 to 113.
- The value of investments of provident, gratuity and pension funds based on their accounts (audit in progress) as at December 31, 2019 was as follows:

	Rs. in '000
Provident Fund	555,796
Gratuity Fund	490,604
Pension Fund	704,235

- The outstanding duties, statutory charges and taxes, if any, have been duly disclosed in the financial statements.

Future Outlook

In September 2019, the reins of Sanofi were taken over by a new Global Chief Executive, Paul Hudson. At the end of 2019, Paul Hudson announced the future direction of the company. The plans include major cuts to research and development in diabetes and other metabolic conditions and a diversion of investment towards treatments that Paul Hudson and his leadership team see as "potential transformative therapies".

The pharmaceutical market in Pakistan is a growing market. With a large and growing population base, the Pakistan pharmaceutical market is poised to grow significantly. The Directors are confident that your Company will benefit from this opportunity and grow based on the following main strategic pillars:

Focus on Diabetes

The IDF Diabetes Atlas (9th Edition) reports that the prevalence of diabetes in Pakistan has reached 17.1%, now 148% higher than previously reported. The rise in the number of people with type 2 diabetes is driven by a complex interplay of socio- economic, demographic, environmental and genetic factors.

Diabetes has long been a priority area for the Company, and we have high ambitions for the future, particularly in insulins (glargine). We are in the unique position of having a comprehensive portfolio with both oral anti-diabetes products as well as insulins. In 2020, we will continue to build upon our strong heritage of research and development in diabetes by consolidating our footprint and expanding our market share through innovative access programs.

New launches to support growth

Product launches are the lifeblood of an organization as they provide new and enhanced value to the customer. It is this new and increasing value that gives impetus to Company growth. In 2019 we have launched 02 new brands; Toujeo® which further strengthened our Diabetes Franchise and reached PKR 100 million mark in first 12 months of launch and the second one was Thyrogen®- the first commercial launch of Sanofi Genzyme portfolio.

Company will continue to focus on bringing in new brands in 2020 and beyond. Sanofi Pakistan has assets in the process of regulatory approvals which will continue our growth in Diabetes market as well as open-up new therapeutic segments for the Company including but not limited to multiple sclerosis, lysosomal storage disorders (LSDs) and some line extensions in cardio-metabolic market.

Build on our Established Products:

The Company will continue to build on its existing strong portfolio of established products, which continues to grow and provides support to the new products and initiatives. Most of the Company's established brands are household names and continue to give Healthcare Practitioners the confidence that comes with the Sanofi quality promise.

General

The Board looks forward to the forthcoming Annual General Meeting of shareholders to discuss Company's performance during the year 2019 and is thankful for the trust and confidence reposed in the Board by the shareholders.

The Board would like to take this opportunity to acknowledge and thank all stakeholders, employees, customers, suppliers, shareholders, bankers and all others for their continued support and loyalty.

By order of the Board

Syed Babar Ali
Chairman

Asim Jamal
Chief Executive Officer

Karachi: March 3, 2020

ڈائریکٹرز رپورٹ

کمپنی ذیابیطس کے شعبے کو ترجیح دیتی رہی ہے اور مستقبل میں خاص طور پر انسولین (glargine) کے حوالے سے ہمارے عزائم بلند ہیں۔ ہمارے پاس اورل اینٹی ذیابیطس پروڈکٹس اور انسولین، دونوں کے اعتبار سے شاندار پورٹ فولیو ہے۔ 2020 میں، ہم ذیابیطس میں اپنی تحقیق کے شعبے کو مزید مستحکم بنائیں گے اور مارکیٹ میں اپنے حصے کو نئے رسائی پروگرامز کے ذریعے بڑھائیں گے۔

ترقی میں معاون نئی پروڈکٹس

نئی پروڈکٹس کا آغاز کسی بھی ادارے کے لیے انتہائی اہمیت کا حامل ہوتا ہے کیونکہ اس طرح صارفین کے لیے زیادہ آسانیاں پیدا ہو جاتی ہیں۔ نئی پروڈکٹس کی وجہ سے ادارے کی قدر بڑھتی ہے اور ترقی میں تیزی آتی ہے۔ 2019 میں ہم نے 02 نئی برانڈز متعارف کرادی ہیں؛ نئی انسولین (Toujeo®) نے ہماری ذیابیطس کی فرنچائز کو مزید مستحکم کیا ہے اور 12 مہینوں میں 100 ملین روپے سے تجاوز کر گئی ہے اس کے علاوہ سنوفی جنزائیم پورٹ فولیو نے اپنے پہلے کمرشل برانڈ ''تھائروجن®'' کو بھی متعارف کرادیا ہے۔

2020 میں اور اس کے بعد بھی کمپنی نئے برانڈز متعارف کرانے کا سلسلہ جاری رکھے گی۔ سنوفی پاکستان کے اثاثے قانونی اور ضابطے کی منظوری کے مراحل میں ہیں جس کے بعد ذیابیطس مارکیٹ میں ہماری ترقی کے سفر میں مزید اضافہ ہوگا اور کمپنی کے لیے علاج معالجے کے نئے شعبے کھل جائیں گے، ان پروڈکٹس کا تعلق ملٹی پل سلیروسس اور لائسوسومل اسٹوریج ڈس آرڈرز (LSDs) سے ہے، اس کے علاوہ کارڈیو۔میٹابولک مارکیٹ میں بھی وسعت کا ارادہ ہے۔

مستحکم پروڈکٹس پر توجہ

کمپنی اپنی موجودہ مستحکم پروڈکٹس کے مضبوط پورٹ فولیو پر بھی توجہ کو جاری رکھے گی، تاکہ انھیں بھی فروغ ملتا رہے اور اس کے ساتھ نئی پروڈکٹس اور اقدامات کو بھی تعاون فراہم کیا جائے۔ کمپنی کے زیادہ تر مستحکم برانڈز کے نام اب گھروں میں مشہور ہیں اور ڈاکٹرز کے مستقل بھروسے کا سبب ہیں جو کہ سنوفی کے معیار کے وعدے کو پورے کرنے کا ثبوت ہے۔

عمومی

بورڈ اپنے آنے والے سالانہ اجلاسِ عام برائے حصص یافتگان میں سال 2019 کے دوران کمپنی کی کارکردگی پر غور کرے گا، اور حصص یافتگان کی جانب سے بورڈ پر اعتماد اور بھروسے کے لیے شکر گزار ہے۔

بورڈ اس موقع پر اپنے تمام اسٹیک ہولڈرز، ملازمین، کسٹمرز، سپلائرز، شیئر ہولڈرز، بینکرز اور تمام دیگر افراد کا شکریہ ادا کرنا چاہتا ہے جنھوں نے اپنے تعاون اور وفاداری کا سلسلہ جاری رکھا۔

بحکم بورڈ

سید بابر علی
چیئرمین

عاصم جمال
چیف ایگزیکیٹو آفیسر

کراچی: 03 مارچ، 2020

- مالیاتی بیانات کی تیاری کے دوران پاکستان میں لاگو انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز پر عملدرآمد کو یقینی بنایا جاتا ہے اور کسی بھی روگردانی کو معقول انداز میں واضح کیا گیا ہے۔
- اندرونی ضابطے کا نظام تشکیل کے اعتبار سے مستحکم ہے اور اس پر عملدرآمد اور اس کی نگرانی کا کام بھی مئوثر طریقے سے کیا جاتا ہے۔
- اس بات میں کوئی شک وشبہ نہیں کہ کمپنی رو بہ عمل رہنے کی اہلیت رکھتی ہے۔
- لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورنس) ریگولیشنز 2019 میں شامل کارپوریٹ نظم ونسق کے ضابطوں سے کوئی قابلِ ذکر روگردانی نہیں کی گئی۔
- اس رپورٹ کے ابتدائی صفحات میں گزشتہ سال کے مقابلے میں کاروباری نتائج میں فرق کی تفصیل کے ساتھ وضاحت کی گئی ہے اور اس کے اسباب پر بھی روشنی ڈالی گئی ہے۔
- اہم آپریٹنگ اور فنانشل ڈیٹا برائے گزشتہ چھ سال صفحہ نمبر 111 سے 113 تک میں دیا گیا ہے۔
- پروویڈنٹ، گریجوئٹی اور پنشن فنڈز کی سرمایہ کاری کی مالیت جو کہ اکاؤنٹس کی بنیاد پر ہے (آڈٹ جاری ہے) 31 دسمبر، 2019 پر درجِ ذیل ہے:

	روپے 000 میں
پروویڈنٹ فنڈ	555,796
گریجوئٹی فنڈ	490,604
پنشن فنڈ	704,235

- واجب الاداڈیوٹیز، قانونی چارجز اور ٹیکسز، اگر کوئی ہیں، تو مالیاتی بیانات میں ظاہر کیے گئے ہیں۔

مستقبل کے منصوبے

ستمبر 2019 میں سنوفی کی سربراہی نئے گلوبل چیف ایگزیکٹو، پال ہڈسن نے سنبھالی۔ سال 2019 کے اختتام پر، پال ہڈسن نے کمپنی کے مستقبل کے بارے میں اعلان کیا۔ مستقبل کے منصوبوں میں ذیابیطس اور دیگر میٹابولک کنڈیشن سے متعلق ریسرچ اور ڈیویلپمنٹ میں بہت زیادہ کمی اور سرمایہ کاری کی منتقلی اس معالجے کی جانب شامل ہے جس کو پال ہڈسن اور ان کی لیڈرشپ ٹیم ''معالجے میں ممکنہ تبدیلی'' کے طور پر دیکھتی ہے۔

پاکستان میں فارماسیوٹیکل مارکیٹ ایک ترقی پذیر مارکیٹ ہے۔ زیادہ اور بڑھتی ہوئی آبادی کے پیشِ نظر، پاکستان میں فارماسیوٹیکل مارکیٹ تیزی سے ترقی کے لیے تیار ہے۔ ڈائریکٹرز بااعتماد ہیں کہ آپ کی کمپنی اس موقع سے فائدہ اٹھائے گی اور مستقبل میں حکمتِ عملی کے درجِ ذیل نکات کی بنیاد پر ترقی کی منازل طے کرے گی:

ذیابیطس پر توجہ

آئی ڈی ایف ذیابیطس اٹلس (9ویں ایڈیشن) کے مطابق پاکستان میں ذیابیطس میں مبتلا افراد کی شرح %17.1 ہے، اس وقت یہ تعداد گزشتہ رپورٹ سے %148 زیادہ ہے۔ ٹائپ 2 کے ذیابیطس میں مبتلا افراد کی تعداد تیزی کے ساتھ بڑھنے کی وجوہات میں سماجی، معاشی، آبادیاتی، ماحولیاتی اور جینیاتی عوامل شامل ہیں۔

ڈائریکٹرز رپورٹ

شیئر ٹرانسفر کمیٹی

شیئر ٹرانسفر کمیٹی میں درجِ ذیل ارکان شامل ہیں:

- عاصم جمال ---- (ایگزیکٹو ڈائریکٹر۔ سی ای او)
- یاسر پیر محمد ---- (ایگزیکٹو ڈائریکٹر۔ سی ایف او)

ہولڈنگ کمپنی

کمپنی سنوفی فارن پارٹی سی پیشنز بی۔وی۔ (بنیادی کمپنی) کا ذیلی ادارہ ہے، جو نیدرلینڈز میں رجسٹرڈ ہے، جس کے پاس 10 روپے فی شیئر کے حساب سے 5,099,469 عمومی شیئرز ہیں جو کہ کمپنی کے جاری شیئر کیپٹل کا 52.87% بنتا ہے۔ کمپنی کا سربراہ ادارہ سنوفی S.A. فرانس ہے۔

شیئر ہولڈنگ کا طریقہ

کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت شیئر ہولڈرز کی درجہ بندی کے ساتھ شیئر ہولڈنگ کے طریقہ کے لیے اسٹیٹمنٹ مالیاتی بیانات کا صفحہ 106 ملاحظہ کیجیے۔

آڈیٹرز

موجودہ بیرونی آڈیٹرز، میسرز ارنسٹ اینڈ ینگ فورڈ رہوڈس، چارٹرڈ اکاؤنٹنٹس نے 31 دسمبر، 2019 کو ختم ہونے والے سال کا سالانہ آڈٹ مکمل کر لیا ہے اور آڈٹ رپورٹ بھی جاری کر دی ہے۔ سالانہ جنرل اجلاس کے مطابق آڈیٹرز 20 مئی، 2020 کو سبکدوش ہو جائیں گے اور اہل ہونے کی وجہ سے انھوں نے خود کو دوبارہ برائے سال 2020 تقرری کے لیے پیش کیا ہے۔ آڈٹ کمیٹی کی جانب سے تجویز کے مطابق، بورڈ نے ان کے 31 دسمبر 2020 تک ختم ہونے والے سال کے لیے تقرری کی سفارش کر دی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ کا ضابطہ

- کمپنی انتظامیہ کی جانب سے تیار کردہ، مالیاتی بیانات شفاف طریقے سے پیش کیے گئے ہیں، ان میں تمام معاملات، پیداواری عمل کے نتائج، زرِ گردش نقدی اور ایکوئٹی میں تبدیلیاں شامل ہیں۔
- کمپنی کے کھاتوں کا حساب کتاب اچھی طرح سے رکھا گیا ہے۔
- مالیاتی بیانات کی تیاری کے دوران حساب کتاب میں اکاؤنٹنگ پالیسیز پر تسلسل کے ساتھ عملدر آمد کیا جاتا ہے اور اکاؤنٹنگ کے تخمینے مناسب اور محتاط فیصلوں پر مبنی ہوتے ہیں۔

غیر حاضری کی صورت میں ڈائریکٹرز کی چھٹی کی درخواست منظور کی گئی جو بورڈ اجلاسوں میں شرکت نہیں کرسکے۔ البتہ وہ ڈائریکٹرز جو پاکستان سے باہر ہیں ان کی جگہ متبادل نمائندوں نے شرکت کی تھی۔

ڈائریکٹرز، سی ایف او، کمپنی سیکریٹری اور دیگر ایگزیکٹوز کی جانب سے شیئرز کی ٹریڈنگ

گزشتہ سال کے دوران کمپنی کے شیئرز میں ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری، ایگزیکٹیوز اور ان کے شریکِ حیات اور چھوٹے بچوں نے کوئی تجارت نہیں کی۔

ڈائریکٹرز کا مشاہرہ

کمپنی نان ایگزیکٹو ڈائریکٹرز کو کمپنی کے اجلاسوں (بشمول بورڈ کے اجلاسوں اور بورڈ کی کمیٹیوں کے اجلاسوں) میں شرکت کے لیے مشاہرہ ادا کرتی ہے۔ مشاہرے کا فیصلہ بورڈ کرتا ہے اور بورڈ کی جانب سے طے شدہ فیس مارکیٹ کے حساب سے ہوتی ہے اور کسی بھی حوالے سے ڈائریکٹرز کی آزاد حیثیت کو متاثر نہیں کرتی۔

اس کے علاوہ، بورڈ نے چیئرمین کے مشاہرے کی بھی منظوری دی ہے کیونکہ وہ چیئرمین بورڈ کی ذمہ داریوں کے علاوہ انتظامیہ کو رہنمائی اور مفید مشورے بھی فراہم کرتے ہیں۔ نان ایگزیکٹو ڈائریکٹرز اور چیئرمین کو ادا کیے جانے والے مشاہرے کی تفصیلات مالیاتی بیانات کے نوٹ 31 میں موجود ہیں۔

آڈٹ کمیٹی

بورڈ کی آڈٹ کمیٹی درجِ ذیل ممبرز پر مشتمل ہے:

- سید حیدر علی ---- چیئرمین (نان۔ایگزیکٹو ڈائریکٹر)
- آنا آرکوس ---- رکن (نان۔ایگزیکٹو ڈائریکٹر)
- امتیاز احمد حسین لالی والا ---- رکن (آزاد ڈائریکٹر)
- محمد ابوبکر ----- سیکریٹری

ہیومن ریسورس اور مشاہرہ کے لیے کمیٹی

ہیومن ریسورس اور مشاہرے کے لیے کمیٹی میں درجِ ذیل ارکان شامل ہیں:

- ارشد علی گوہر --- چیئرمین (نان۔ایگزیکٹیو ڈائریکٹر)
- سید حیدر علی --- رکن (نان۔ایگزیکٹیو ڈائریکٹر)
- عاصم جمال --- رکن (ایگزیکٹیو ڈائریکٹر۔سی ای او)
- شکیل ماپارا --- سیکریٹری

ڈائریکٹرز رپورٹ

ضابطہ اخلاق کے قوانین اوران پر عملدرآمد کے لیے تربیت تمام ملازمین کے لیے لازمی ہے،اس کے علاوہ خاص ملازمین کے لیے مزید اضافی تربیت کا انتظام بھی ہے۔اس بات کو یقینی بنانے کے لیے ضابطہ اخلاق کی تربیت اور دیگر پالیسیز پر عملدرآمد کے لیے روبرو تربیت اور ایک ای لرننگ پلیٹ فارم بھی دستیاب ہے جو تمام جغرافیائی حدود کا احاطہ کرتا ہے۔کمپنی نے شکایات اور تجاویز درج کرانے کے لیے بھی موثر پروگرام متعارف کرایا ہے،جس تک تمام شعبہ جات کے ملازمین آسانی سے رسائی حاصل کر سکتے ہیں۔

بورڈ آف ڈائریکٹرز کی تشکیل

رواں سال بورڈ کے نان ایگزیکٹو ڈائریکٹر ڈیوڈ خوگازیان نے سال کے دوران استعفٰی دے دیا اور ان کی جگہ نان ایگزیکٹو ڈائریکٹر نائرا ایڈامیان کو خالی نشست پر مقرر کیا گیا۔بورڈ میں ایک آزاد، 6 نان ایگزیکٹو (بشمول دو خواتین ڈائریکٹرز) اور 2 ایگزیکٹو ڈائریکٹرز شامل ہیں۔

سید بابر علی۔چیئرمین،نان ایگزیکٹو ڈائریکٹر
سید حیدر علی۔نان ایگزیکٹو ڈائریکٹر
عاصم جمال۔چیف ایگزیکٹو آفیسر
امتیاز احمد حسین لالی والا۔آزاد ڈائریکٹر
ارشد علی گوہر۔نان ایگزیکٹو ڈائریکٹر

*نائرا ایڈامیان۔نان ایگزیکٹو ڈائریکٹر
*آنا آرکوس۔نان ایگزیکٹو ڈائریکٹر
تھامس روکوٹ۔نان ایگزیکٹو ڈائریکٹر
یاسر پیر محمد۔سی ایف او

*خواتین ڈائریکٹرز

سال 2019 کے دوران بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ہر ڈائریکٹر کی حاضری درج ذیل تھی:

ڈائریکٹر کا نام	اجلاس میں حاضر ہونے کی تعداد
سید بابر علی	5
عاصم جمال	5
سید حیدر علی	5
ارشد علی گوہر	4
امتیاز احمد حسین لالی والا	6
یاسر پیر محمد	6
*ڈیوڈ خوگازیان	-
**نائرا ایڈامیان	-
آنا آرکوس	-
تھامس روکوٹ	-

*5 اپریل 2019 کو مستعفی ہو گئے
**23 اپریل 2019 کو مقرر کیا گیا

کمپنی نے 10 دسمبر، 2019 کو کراچی میں دوسرے اوورسیز انویسٹرز چیمبر آف کامرس اینڈ انڈسٹری (OICCI) کی جانب سے منعقدہ ویمن ایمپاورمنٹ ایوارڈز کے تحت 'جینڈر بیلنس ورک فورس' کیٹگری میں 'اسپیشل ریکگنیشن ایوارڈ' حاصل کیا۔

کارپوریٹ سماجی ذمہ داری (CSR)

کمپنی سماجی ذمہ داری کے حوالے سے اپنی سرگرمیاں بخوبی انجام دیتی ہے اور کارپوریٹ روایات کے اعلیٰ معیار کو برقرار رکھنے کے لیے پرعزم ہے۔ کمپنی اس بات سے آشنا ہے کہ سماجی ذمے داری کے تحت کیے گئے اقدامات لوگوں کی زندگیوں پر مثبت اثرات مرتب کرتے ہیں۔ 2019 کے دوران منعقد کی جانے والی سی ایس آر سرگرمیاں سالانہ رپورٹ کے CSR سیکشن میں شامل ہیں۔

صحت، حفاظت اور ماحولیات (HSE)

کمپنی صحت، حفاظت اور ماحولیات (HSE) کے معیار کو انتہائی اعلیٰ سطح پر برقرار رکھنے کے لیے پرعزم ہے۔ کمپنی کی توجہ اس بات مرکوز ہے کہ صحت کے لیے نقصان دہ عوامل کی کمپنی کے اندر اور کمپنی حدود سے باہر نشاندہی اور خاتمے کے لیے اقدامات کیے جائیں۔

کمپنی کے پاس HSE کا ایک فعال شعبہ ہے جو کہ HSE کے مقاصد پر عملدرآمد کی نگرانی اور اعلیٰ انتظامیہ کو رپورٹ کرنے کا ذمے دار ہے۔ یہ شعبہ نہ صرف صحت، حفاظت اور ماحولیات پر عملدرآمد کی بہترین روایات کی یقین دہانی کراتا ہے بلکہ عملے کی مستقل بنیادوں پر تربیت کا بھی انتظام کرتا ہے۔

جعلی دوائیں ہمارے کاروبار کو نقصان پہنچاتی ہیں

ڈاکٹروں کی جانب سے تجویز کردہ دواؤں کے مقابلے میں غیر مستند ڈسٹری بیوشن چینلز کے ذریعے غیر قانونی جعلی دواؤں اور مارکیٹ میں جعلی پروڈکٹس کی دستیابی کا مسئلہ تیزی کے ساتھ بڑھتا جا رہا ہے۔ جعلی دواؤں کے مضر اثرات کی رپورٹس اور جعلی دواؤں کی بڑھتی ہوئی تعداد کے باعث اصلی دواؤں سے بھی مریضوں کا اعتماد ختم ہونے کا خطرہ ہے اور اس طرح کاروباری نقصان کے ساتھ ساتھ کمپنی کی ساکھ بھی متاثر ہو سکتی ہے۔

کمپنی کا جعلی دواؤں کے خلاف ایک شعبہ مصروف عمل ہے جس کا مقصد ملک بھر میں جعلی دوائیں بنانے والے مینوفیکچرنگ یونٹس کی نشاندہی اور قانون نافذ کرنے والے اداروں کے ساتھ مل کر ایسی یونٹس کو ختم کرنا ہے۔

ضابطہ اخلاق اور عملدرآمد

قوانین پر عملدرآمد کا کمپنی کے کاروبار میں انتہائی اہم حصہ ہے جو کہ ہمارے ضابطہ اخلاق سے اخذ کیا جاتا ہے۔ ضابطہ اخلاق ملازمین کی آسانی کے لیے انگریزی اور اردو زبانوں میں دستیاب ہے۔

ڈائریکٹرز رپورٹ

رسک مینجمنٹ

کمپنی کومختلف قانونی اورآپریشنل خطرات کا سامنا ہے۔کمپنی میں انٹرنل کنٹرولزاینڈ رسک مینجمنٹ فریم ورک مصروفِ عمل ہے جوکہ یقینی بناتا ہے کہ خطرات سے نمٹنے کے لیے مناسب منصوبہ بندی کی گئی ہےاور یہ فریم ورک مئوثر طریقے سے کام کرر ہا ہےاورکسی بھی اہم مسئلے کی نشاندہی کر کے اعلیٰ انتظامیہ اور بورڈ تک پہنچایا جاتا ہے۔
اسٹرٹیجک خطرات سے کنٹری لیڈرشپ کی مدد سے بورڈ آف ڈائریکٹرز کے ذریعے نمٹا جاتا ہے جبکہ آپریشنل خطرات سے انٹرنل آڈٹ اینڈ کنٹرولز کی مدد سے انتظامیہ کے ذریعے نمٹا جاتا ہے۔

کچھ معاملات جو آپ کی کمپنی کے آپریشنز پر اثر انداز ہوسکتے ہیں:

- فارماسیوٹیکل پروڈکٹس کی قیمتیں
- کرنسی کی قدر میں کمی
- جعلی پروڈکٹس
- پروڈکٹ کی مد میں ادائیگی کے دعوے
- خام مال کی فراہمی میں رکاوٹ

انٹرنل آڈٹ اور اندرونی ضابطے

کمپنی کے پاس انٹرنل آڈٹ اور اندرونی ضابطوں کا موثر انتظام ہے، جو بورڈ کو موجودہ انٹرنل کنٹرولز کی موثر کارکردگی کی آزاد یقین دہانی کراتا ہے۔کمپنی کے رسک گورننس فریم ورک پر کاربند رہتے ہوئے، آڈٹ کمیٹی انٹرنل آڈٹ کے عمل کے مئوثر اور غیر جانبدار ہونے کی یقین دہانی کے لیے سالانہ انٹرنل آڈٹ پلان کی منظوری دیتی ہے۔انٹرنل آڈٹ کے سربراہ کمپنی کے لیے رسک مینجمنٹ کوآرڈی نیٹر کے طور پر بھی کام کرتے ہیں۔ڈائریکٹرز پر اعتماد ہیں کہ انٹرنل کنٹرول کا نظام تشکیل کے اعتبار سے مستحکم ہے اور اس پر پورا سال موثر عملدرآمد اور نگرانی کی گئی۔

متعلقہ فریق کی ٹرانزیکشنز

سال 2019، کے دوران تمام متعلقہ فریق کی ٹرانزیکشنز کا جائزہ لینے اور ان کی منظوری کے لیے آڈٹ کمیٹی اور بورڈ کے سامنے پیش کیا گیا۔ٹرانزیکشنز کا آڈٹ کمیٹی نے جائزہ لیا اور بورڈ نے ان کے متعلقہ اجلاسوں میں منظوری دی۔تمام ٹرانزیکشنز ٹرانسفر پالیسی پرائسنگ کے طریقہ کار اور متعلقہ فریقوں کے ساتھ منسلک بورڈ کی پہلے سے منظور شدہ پالیسی کے تحت کی گئیں۔ کمپنی ایسی تمام ٹرانزیکشنز کا مکمل ریکارڈ، بمع شرائط وضوابط محفوظ رکھتی ہے۔مزید تفصیلات کے لیے براہِ مہربانی مالیاتی بیانات کا نوٹ 30 ملاحظہ فرمائیں۔

خواتین کو بااختیار بنانے پر اعزاز

ہیومن ریسورسز اور ایکسٹرنل افیئرز ڈپارٹمنٹ، جنسی توازن کو بہتر بنانے کے لیے مشترکہ لائحہ عمل پر کام کررہے ہیں، جس کے نتیجے میں خاطر خواہ بہتری نظر آئی ہے۔خواتین ملازمین کی بھرتی اور انھیں بہتر ماحول فراہم کرنے اور ادارے کے ماحول کو خواتین کے لیے سازگار بنانے کے لیے پالیسیاں متعارف کرادی گئی ہیں۔

فارن کرنسی میں ادائیگیوں اور واجبات کی مد میں نیٹ زرِمبادلہ کا خسارہ 117 ملین روپے ہوگیا (2018 : 367 ملین روپے) جس کی بنیادی وجہ کیش فلو کا بہتر انتظام اور فارن کرنسی میں ادائیگی کے معاملات احسن طریقے سے نمٹانا تھے۔

مذکورہ بالا وجوہات کی بناپر، 31 دسمبر، 2019 کو ختم شدہ سال کے لیے منافع بعد از ٹیکس 155 ملین روپے رہا (2018 : 613 ملین روپے)۔

رقم ملین میں	2019	2018
مجموعی نیٹ سیلز	**14,501**	**12,961**
مجموعی منافع	3,725	3,947
مجموعی منافع %	25.7%	30.5%
آپریٹنگ منافع	619	941
آپریٹنگ منافع %	4.3%	7.3%
فنانس اخراجات	72	15
منافع بعد از ٹیکس	**155**	**613**
فی شیئر آمدنی (روپے)	16.05	63.54

کیش فلو کا انتظام

کمپنی کیش فلو کے انتظام پر خصوصی توجہ دیتی ہے روزمرہ ورکنگ کیپٹل ضروریات کی نگرانی کی جاتی ہے۔ مالی سال 2019 کے دوران شرحِ سود 2018 کے 10% سے بڑھ کر 13.25% ہوگئی۔ شرحِ سود میں اضافے کے ساتھ پاکستانی روپے کی قدر میں مسلسل کمی کی وجہ سے کمپنی کے ورکنگ کیپٹل پر دباؤ بڑھ گیا، جیسا کہ زیادہ تر خام مال اور کچھ تیار پروڈکٹس درآمد کی جاتی ہیں۔ اس کے نتیجے میں، کمپنی کے فنانسنگ اخراجات 72 ملین روپے تک جا پہنچے (2018 : 15 ملین روپے) اور مختلف بینکوں سے حاصل کیے گئے قلیل مدتی قرضے 31 دسمبر، 2019 کو 448 ملین روپے تک جا پہنچے۔

منافع منقسمہ

کمپنی کے ڈائریکٹرز نے 8 روپے فی شیئر (80%) کے حساب سے حتمی منافع منقسمہ کی سفارش کی ہے، جس کی منظوری 20 مئی، 2020 کو منعقد ہونے والے سالانہ اجلاسِ عام میں شیئر ہولڈرز دیں گے۔

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز 31 دسمبر، 2019 کو ختم شدہ سال کے لیے سنوفی۔ایونٹس پاکستان لمیٹڈ (''کمپنی'') کی سالانہ رپورٹ اور کمپنی کے آڈٹ شدہ مالیاتی بیانات پیش کرتے ہوئے خوشی محسوس کرتا ہے۔ڈائریکٹرز رپورٹ کمپنیز ایکٹ، 2017 کے سیکشن 227 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے تحت تیار کی گئی ہے۔

صحت مند زندگی کے سفر میں شراکت دار کی حیثیت سے کمپنی بنیادی طور پر فارماسیوٹیکل، کنزیومر ہیلتھ کیئر اور ویکسین پروڈکٹس کی تیاری اور فروخت میں مصروفِ عمل ہے۔

کمپنی کی کارکردگی

سال 2019 کمپنی کے ساتھ ساتھ فارماسیوٹیکل انڈسٹری کے لیے بھی انتہائی مشکل سال رہا، جس کی بنیادی وجوہات میں پاکستانی روپے کی قدر میں کمی، معاشی سرگرمیوں میں سست روی اور ملک میں بڑھتی ہوئی مہنگائی شامل ہیں۔

ان مشکلات کے باوجود، 31 دسمبر، 2019 کو ختم شدہ سال کے دوران کمپنی کی نیٹ سیلز میں گزشتہ سال کے مقابلے میں 11.9% کا شاندار اضافہ ریکارڈ کیا گیا۔ اس میں فارماسیوٹیکل، کنزیومر ہیلتھ کیئر اور ویکسین بزنس کی سیلز شامل ہے۔ درآمد شدہ خام مال پر انحصار اور روپے کی قدر میں تبدیلی کے ساتھ ساتھ قیمتوں کے تعین کے ضوابط، پروڈکٹس کی شرح منافع پر براہِ راست اثر انداز ہوئے۔

کمپنی کی فارماسیوٹیکل سیلز جو کہ مجموعی نیٹ سیلز کا 83.9% ہے، میں گزشتہ سال کے مقابلے میں 12.3% اضافہ ریکارڈ کیا گیا اور یہ 10,831 ملین روپے سے بڑھ کر 12,161 ملین روپے تک جا پہنچی۔اس سیلز کو بڑھانے میں بنیادی کردار ادا کرنے والی پروڈکٹس میں فلیجل®، کلیکزین® اور پلیوکس® شامل ہیں جن کی سیلز میں بالترتیب 26%، 37% اور 32% اضافہ ہوا۔رواں سال کے دوران فلیجل® کی نیٹ سیلز نے 3 ارب روپے کا سنگِ میل عبور کرلیا، اور اس کا حصہ کمپنی کی نیٹ سیلز میں 22% رہا، جبکہ کلیکزین® کی نیٹ سیلز نے بھی 1 ارب روپے کا سنگِ میل عبور کرلیا۔

2018 کے 331 ملین روپے کے مقابلے میں رواں سال کے دوران، ویکسین پروڈکٹس کی سیلز 493 ملین روپے تک جا پہنچی۔مذکورہ اضافے کی وجوہات میں ویکسی گرپ® اور ہیگزازائم® کی سیلز شامل ہیں جن میں بالترتیب 145% اور 34% اضافہ ریکارڈ کیا گیا۔

پاکستانی روپے کی قدر میں مسلسل کمی کے نتیجے میں درآمدات پر اخراجات بڑھنے سے مجموعی منافع کی شرح گزشتہ سال کے 30.5% سے کم ہو کر 25.7% تک آگئی۔

ڈسٹری بیوشن اور مارکیٹنگ کے اخراجات گزشتہ سال نیٹ سیلز کے 16.4% کے مقابلے میں کم ہو کر 16.1% ہو گئے۔اس بہتری کی بنیادی وجہ سفری اخراجات میں کمی تھی۔سیلز کی شرح فیصد کے اعتبار سے انتظامی اخراجات گزشتہ سال کے 3.6% تک برقرار رہے۔

EY Ford Rhodes
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Independent Auditors' Report

To the members of sanofi-aventis Pakistan Limited

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of **sanofi-aventis Pakistan Limited** (the Company), which comprise the statement of financial position as at **31 December 2019**, and the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit and other comprehensive loss, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants as* adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How the matter was addressed in our audit
1. First time adoption of IFRS 16	
As referred to in note 2.3.1 to the financial statements, the Company has adopted IFRS 16 'Leases' (the standard) with effect from January 1, 2019. The standard has introduced a new accounting model for operating lease contracts from the standpoint of a lessee. As per the new requirements, the Company is required to recognise right-of-use assets for leased assets and liabilities for the lease payments over the lease term. The impacts of the adoption of the standard are disclosed in note 2.3.1 to these financial statements. The application of the new standard requires management to make significant estimates and judgements such as in related to determination of lease term and appropriate discount rate for measurement of lease liability. We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgements in respect of the application of the new standard.	Our audit procedures to review the application of IFRS 16, amongst others, include the following: - We evaluated the appropriateness of the new accounting policies for recognition, measurement, presentation and disclosure of lease contracts in the financial statements; - We obtained an understanding of the process and controls in place for identification of in-scope lease contracts (considering recognition exemption available under the standard i.e. short-term leases and leases of low value assets); - We corroborated the completeness of leases identified by the management by reviewing and analysing the existing lease arrangements as of the date of initial application and reviewing the rent expense ledgers for the year; - We performed independent checks of lease accounting computations for a sample of lease contracts through reperformance of such computations and tracing the terms with the relevant contracts; - We evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate, lease term etc.; and - We assessed the adequacy and appropriateness of disclosures in the financial statements as required under the standard and applicable financial reporting framework.

Key audit matter	How the matter was addressed in our audit
2. Tax contingencies	
As disclosed in note 19 to the financial statements, various tax matters are pending adjudication at various levels with the taxation authorities and other legal forums. The tax contingencies requires the management to make judgements and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies. Due to inherent uncertainties, management judgements and estimates involved in relation to such contingencies may be complex and can impact the financial statements. For reasons defined above, we have considered tax contingencies as a key audit matter.	Our key audit procedures in this area included, amongst others, a review of the correspondence of the Company with the relevant tax authorities and tax advisors including judgments or orders passed by the competent authorities. We also obtained and reviewed confirmations from the Company's external tax and legal advisors for their views on the status of such contingencies. Further, we have also received the tax position summary as at 31 December 2019 prepared by the management and vetted by the tax consultants to assess its reasonableness. We have also involved internal tax experts to assess and review the management's conclusions on the above matters and evaluated whether adequate disclosures have been made in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is **Arif Nazeer**.

Chartered Accountants

Place: Karachi

Date: 17 March 2020

SANOFI

Financial Statements

SANOFI

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Statement of Financial Position

As at December 31, 2019

	Note	December 31, 2019	December 31, 2018
		--------- Rupees in '000 --------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	3	1,650,113	1,661,132
Right-of-use asset	4	2,828	-
Intangible assets	5	5,646	2,706
		1,658,587	1,663,838
Long-term loans	6	4,742	5,572
Long-term deposits		13,643	13,643
Deferred taxation - net	7	108,183	39,388
		1,785,155	1,722,441
CURRENT ASSETS			
Stores and spares	8	62,165	52,020
Stock-in-trade - net	9	2,544,188	2,879,645
Trade debts - net	10	691,325	582,001
Loans and advances	11	119,103	133,735
Trade deposits and short-term prepayments	12	330,674	399,052
Other receivables - net	13	583,916	31,095
Taxation - net		1,548,734	1,751,093
Cash and bank balances	14	30,779	254,648
		5,910,884	6,083,289
TOTAL ASSETS		7,696,039	7,805,730
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	96,448	96,448
Reserves	16	3,993,004	4,201,217
		4,089,452	4,297,665
NON-CURRENT LIABILITIES			
Lease liability	4	1,592	-
CURRENT LIABILITIES			
Contract liabilities		79,594	-
Trade and other payables	17	3,054,420	3,499,761
Current maturity of lease liability	4	1,407	-
Accrued mark-up		12,883	339
Unclaimed dividend		9,138	7,965
Short-term borrowings	18	447,553	-
		3,604,995	3,508,065
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		7,696,039	7,805,730

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Babar Ali	Asim Jamal	Yasser Pirmuhammad
Chairman	Chief Executive Officer	Chief Financial Officer

Statement of Profit or Loss

For the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		--------- Rupees in '000	--------
NET SALES	20	14,500,678	12,960,839
Cost of sales	21	(10,775,718)	(9,014,226)
GROSS PROFIT		3,724,960	3,946,613
Distribution and marketing costs	21	(2,328,707)	(2,121,042)
Administrative expenses	21	(519,540)	(467,589)
Other expenses	22	(350,404)	(463,400)
Other income	23	92,442	46,056
		(3,106,209)	(3,005,975)
OPERATING PROFIT		618,751	940,638
Finance costs	24	(72,372)	(14,793)
PROFIT BEFORE TAXATION		546,379	925,845
Taxation	25	(391,543)	(313,053)
PROFIT AFTER TAXATION		154,836	612,792
EARNINGS PER SHARE - basic and diluted (Rupees)	26	16.05	63.54

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Babar Ali	Asim Jamal	Yasser Pirmuhammad
Chairman	Chief Executive Officer	Chief Financial Officer

Statement of Other Comprehensive Income

For the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	--------- Rupees in '000 --------	
Profit after taxation	**154,836**	612,792
Other comprehensive loss		
Items that will not be reclassified to profit or loss in subsequent periods:		
Actuarial loss on defined benefit plans	**(148,346)**	(80,032)
Deferred tax on actuarial loss on defined benefit plans	**43,020**	22,378
	(105,326)	(57,654)
Total comprehensive income for the year	**49,510**	555,138

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Asim Jamal
Chief Executive Officer

Yasser Pirmuhammad
Chief Financial Officer

Statement of Cash Flows

For the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		--------- Rupees in '000	--------
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	503,710	1,962,488
Finance costs paid		(59,387)	(15,889)
Interest on lease liability paid		(442)	-
Income tax paid		(368,471)	(617,167)
Retirement benefits paid		(107,298)	(82,262)
Long-term loans - net		830	907
Net cash (used in) / generated from operating activities	28	(31,058)	1,248,077
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(392,009)	(338,199)
Sale proceeds from disposal of operating fixed assets		41,040	31,578
Interest received		18	16
Net cash used in investing activities		(350,951)	(306,605)
CASH FLOWS FROM FINANCING ACTIVITIES*			
Dividends paid		(288,170)	(431,372)
Repayment of lease liability		(1,243)	-
Net cash used in financing activities		(289,413)	(431,372)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(671,422)	510,100
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		254,648	(255,452)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29	(416,774)	254,648

*No non-cash items are included in these activities

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Babar Ali	Asim Jamal	Yasser Pirmuhammad
Chairman	Chief Executive Officer	Chief Financial Officer

Statement of Changes in Equity

For the year ended December 31, 2019

		Capital Reserves			Revenue Reserves		
	Issued, subscribed and paid-up share capital	Long-term liabilities forgone	Difference of share capital under scheme of arrangement for amalgamation	Other	General reserve	Unappro-priated profit	Total
	---------- Rupees in '000 ----------						
Balance as at January 1, 2018	96,448	5,935	18,000	238,109	2,735,538	1,054,588	4,148,618
Transfer to general reserve	-	-	-	-	600,000	(600,000)	-
Final dividend @ Rs.45.00 per ordinary share of Rs. 10 each for the year ended December 31, 2017	-	-	-	-	-	(434,014)	(434,014)
Employee benefit cost under IFRS 2 - "Share-based Payment" (notes 2.17 and 16.1)	-	-	-	27,923	-	-	27,923
Profit after taxation	-	-	-	-	-	612,792	612,792
Other comprehensive loss	-	-	-	-	-	(57,654)	(57,654)
Total comprehensive income for the year	-	-	-	-	-	555,138	555,138
Balance as at December 31, 2018	96,448	5,935	18,000	266,032	3,335,538	575,712	4,297,665
Transfer to general reserve	-	-	-	-	200,000	(200,000)	-
Final dividend @ Rs. 30.00 per ordinary share of Rs. 10 each for the year ended December 31, 2018	-	-	-	-	-	(289,343)	(289,343)
Employee benefit cost under IFRS 2 - "Share-based Payment" (notes 2.17 and 16.1)	-	-	-	31,620	-	-	31,620
Profit after taxation	-	-	-	-	-	154,836	154,836
Other comprehensive loss	-	-	-	-	-	(105,326)	(105,326)
Total comprehensive income for the year	-	-	-	-	-	49,510	49,510
Balance as at December 31, 2019	96,448	5,935	18,000	297,652	3,535,538	135,879	4,089,452

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Asim Jamal
Chief Executive Officer

Yasser Pirmuhammad
Chief Financial Officer

Notes to the Financial Statements

For the year ended December 31, 2019

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated in Pakistan in 1967 as a Public Limited Company. The shares of the Company are listed on Pakistan Stock Exchange Limited. The Company is a subsidiary of Sanofi Foreign Participations B.V., registered in Netherlands (the Parent Company). The Ultimate Parent of the Company is Sanofi S.A., France (carrying shareholding of 52.87% and incorporated in France). The Company is engaged in the manufacturing and selling of pharmaceutical, consumer healthcare products and vaccines. The registered office of the Company is located at Plot 23, Sector 22, Korangi Industrial Area, Karachi.

1.2 Geographical location and address of head office and manufacturing plants are as follows:

Address	Purpose
Plot 23, Sector 22, Korangi Industrial Area Karachi	Head Office and Manufacturing Plants

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except, provision for staff gratuity and pension fund which are stated at present value.

2.3 New standards, amendments to approved accounting standards and new interpretations

2.3.1 Adoption of standards and amendments effective during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except as described below:

New / amended standards and interpretation

IFRS 9	Financial Instruments
IFRS 9	Prepayment Features with Negative Compensation (Amendments)
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23	Uncertainty over income tax treatments

Improvements to accounting standards issued by IASB (Annual improvements 2015-2017 Cycle)

IFRS 3	Business combinations - previously held interests in a joint operation
IFRS 11	Joint Arrangement previously held interests in a joint operation
IAS 12	Income Taxes - Income Taxes consequences of payment on financial instruments classified as equity
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalisation

The adoption of above standards, amendments, interpretations and improvement to standards did not have any material effect on the financial statements of the Company, except for the changes related to adoption of IFRS 15 'Revenue From Contracts with Customers', IFRS 9 'Financial Instruments' and IFRS 16 'Leases' as described below:

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It has replaced IAS 18 'Revenue Recognition', IAS 11 'Construction Contracts' and related interpretations for annual periods beginning on or after January 1, 2019. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when a customer obtains control of the goods or services and the determination of timing of the transfer of control – at a point in time or over time requires judgement. Further, revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The Company enters into contracts with customers for sale of goods and related variable consideration (i.e. discounts /rebates) and has concluded that the first-time application of IFRS 15 by the Company does not have any significant effect with regards to the amount and timing of revenue and variable consideration recognised. The effect of adopting IFRS 15 as at January 1, 2019 was, as follows:

	Reference	Increase / (Decrease) Rupees in '000
Trade and other payables - Refund liabilities	(a)	46,143
Trade and other payables - Accrued liabilities	(a)	(46,143)
Contract liabilities	(b)	23,358
Trade and other payables - Advances from customers	(b)	(23,358)

(a) Refund liabilities

Provision for sales return in respect of returns of near expiry products have been reclassified as "Refund liabilities" under trade and other payables. Refer note 2.18.1 for accounting policy.

(b) Contract liabilities

Advances from customers, being advances received from customers as per the terms and conditions of the contract against future sales, have been reclassified as "Contract liabilities" and the same has been recognised in the statement of financial position.

Accordingly, opening reserves as at January 1, 2019 are not required to be restated. As allowed under IFRS 15, the Company has adopted the new standard on the required effective date using a modified retrospective method, therefore, the information presented for prior periods has not been restated, i.e. it is presented, as previously reported, under IAS 18 and related interpretations and additional disclosure requirements in IFRS 15 have not been applied to comparative information.

In general, the contracts for the sale of goods do not provide customers with volume rebates. Accordingly, the application of the constraint on variable consideration did not have any impact on the revenue recognised by the Company.

Based on the above assessment, the Company considers that its existing accounting policies are substantially in compliance with the requirements of IFRS 15.

The accounting policy in respect of revenue recognition is stated in note 2.18.1 to these financial statements.

IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments', has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) for annual periods beginning on or after July 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

IFRS 9 categorizes financial assets at (a) amortized cost; (b) fair value through other comprehensive income (FVTOCI); and (c) fair value through profit or loss (FVTPL) and their classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 has changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires to recognize a loss allowance for ECLs on debt instruments measured subsequently at amortized cost or at FVTOCI. There are no significant changes in the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

As allowed under IFRS 9, the Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements and therefore, the information presented for prior periods does not reflect the requirements of IFRS 9, but rather those of IAS 39. Further, as initial application of IFRS 9 did not have any significant impact on the classification, measurement and impairment of the Company's existing financial assets and liabilities as at January 1, 2019, accordingly, the opening revenue reserves as of January 1, 2019 have not been restated in these financial statements.

(a) Classification and measurement

At transition date to IFRS 9, the Company has financial assets (i.e. loans, deposits, trade debts, other receivables and bank balances) previously classified as 'loans and receivables' under IAS 39 that were measured at amortised cost continue to be classified and measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist of Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. Therefore, the classification and measurement requirements of IFRS 9 does not have any material impact on the Company's statement of financial position, statement of profit or loss, statement of other comprehensive income or total comprehensive income in the period of initial application.

(b) Impairment

For trade debts, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The adoption of the ECL requirements of IFRS 9 did not result in any difference in the existing impairment allowances of the Company's debt financial assets.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach for trade debts and has calculated ECL based on life time ECL. The Company has applied the general approach for other financial assets.

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

The accounting policy in respect of financial instruments and impairment of financial assets is stated in note 2.12 to these financial statements.

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessee to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Whereas, for lessee all leases will be classified as finance leases only.

The Company adopted IFRS 16 using the modified retrosepctive method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 as of January 1, 2019.

The Company assessed its existing and new contracts and concluded that a right of use asset shall be recognised along with its related lease liability, as disclosed in note 4 to financial statements. For all existing contracts, as of January 1, 2019, the Company elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). For such contracts, the management has competitive options available in the market and the replacement costs are estimated to be minimal. Accordingly, initial application of IFRS 16 did not have any impact on the assets, liabilities and opening retained earnings as of January 1, 2019 and on these financial statements.

The accounting policy in respect of leases is stated in note 2.5 to these financial statements.

2.3.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or amendments		Effective date (annual periods beginning on or after)
IFRS 3	Definition of a Business (Amendments)	January 1, 2020
IFRS 7 / IFRS 9 / IAS 39	Interest Rate Benchmark Reform (Amendments)	January 1, 2020
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IFRS 14	Regulatory Deferral Accounts	July 1, 2019
IAS 1 / IAS 8	Definition of Material (Amendments)	January 1, 2020

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition, IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 1, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standard has been issued by IASB which is yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard		IASB Effective date
IFRS 17	Insurance Contracts	January 1, 2021

The Company expects that above new standards will not have any material impacts on the Company's financial statements in the period of initial application.

2.4 Property, plant and equipment

(i) Operating fixed assets

These are stated at cost less accumulated depreciation / amortisation and impairment in value, if any.

Leasehold land is amortised over the period of the lease. Depreciation on all other assets is charged to statement of profit or loss applying the straight-line method whereby the cost of an asset less residual value, if not insignificant, is written off over its estimated useful life. The rates used are stated in note 3.1 to these financial statements.

In respect of additions, depreciation is charged from the month in which asset is available for use and on disposal up to the month the asset is in use. Additional depreciation at the rate of fifty percent of the normal rate is charged on such machinery which is operated on double shift during the year.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods is recognised prospectively as a change of accounting estimate.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company accounts for impairment by reducing its carrying value to the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of profit or loss in the year the asset is derecognised.

Subsequent costs are not recognised as assets unless it is probable that future economic benefits associated with these costs will flow to the Company and the cost can be measured reliably.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred.

(ii) Capital work-in-progress

These are stated at cost less impairment in value, if any and consist of expenditure incurred and advances made in respect of tangible fixed assets in the course of their construction and installation.

2.5 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income (license fee) arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature.

2.5.1 Right-of-use assets

The Company recognises right-of-use assets (ROU assets) at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Unless the Company is reasonably certain to obtain ownership of the leased asset or the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The ROU assets are also subject to impairment.

2.5.2 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option (if any) reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2.6 Intangible assets

Computer software licenses acquired by the Company are stated at cost less accumulated amortization and impairment in value, if any. Cost represents the cost incurred to acquire the software licenses and bring them to use. The cost of computer software is amortised over the estimated useful life as disclosed in note 5 to these financial statements. Separately acquired product licenses are shown at historical cost. These have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of product licenses over their estimated useful lives as disclosed in note 5 to the financial statements. Cost associated with maintaining computer software are charged to statement of profit or loss.

The useful lives of intangible assets are reviewed at each reporting date. The effect of any adjustment to useful lives is recognised prospectively as a change of accounting estimate.

2.7 Stores and spares

These are valued at cost less provision for slow moving and obsolete stores and spares. Cost is determined on weighted average basis, except for the stores and spares in transit, which are stated at invoice price plus other charges incurred thereon up to the reporting date. Value of items are reviewed at each reporting date to record provision for any slow moving items, where necessary.

2.8 Stock-in-trade

These are valued at lower of weighted average cost and estimated net realisable value. Goods in transit are valued at cost, comprising invoice price plus other charges incurred thereon up to the reporting date. Cost signifies standard costs adjusted by variances. Cost in relation to work-in-process and finished goods represent direct cost of materials, direct wages and appropriate manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is recorded for slow moving and expired stock where necessary.

2.9 Employees benefits

Defined benefit plans

The Company operates an approved funded gratuity scheme and an approved funded non-contributory pension scheme in respect of all permanent employees and senior management staff respectively, excluding expatriates. The schemes define the amounts of benefit that an employee will receive on or after retirement subject to a minimum qualifying period of service under the schemes. The gratuity and pension obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. The most recent valuations in this regard were carried out as at December 31, 2019.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in equity through the statement of other comprehensive income in the period in which they arise. All past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Company has recognised related retirement or termination benefits.

Defined contribution plan

The Company also operates a recognised provident fund scheme for all permanent employees excluding expatriates. Equal monthly contributions are made to the fund at the rate of 10 percent of basic salary, by employees and the Company.

Compensated absences

The Company accounts for the accrual in respect of employees' compensated absences in the year in which these are earned. Provisions to cover the obligations are made using the current salary levels of employees.

2.10 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognised using the liability method, on all major temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and / or carry-forward of unused tax losses can be utilized.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the statement of profit or loss except for deferred tax arising on recognition of actuarial loss or gain which is charged to the statement of other comprehensive income.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and current accounts held with banks. Short-term finance facilities (running finance) availed by the Company, which are payable within a year and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

2.12 Financial instruments

2.12.1 Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

(ii) Subsequent measurement

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

The Company does not have any financial assets designated at FVTOCI with recycling of cumulative gains and losses (debt instruments), FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVTPL, during the current and last year and as of the reporting date.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Disclosures relating to impairment of financial assets are provided under disclosures for significant accounting judgements and estimates and trade debts, as disclosed in notes 2.22 and 2.18.1 to these financial statements respectively.

2.12.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liablities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through statement of profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

(b) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.12.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle liabilities simultaneously. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

2.13 Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for asset is required then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining the fair value less cost of disposal, recent market transaction are taken into account, if no such transaction can be identified appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or available fair value budgets. The Company bases its impairment calculation on detailed budget and forecast calculation, which are prepared separately for each of the Company CGU to which individual assets are allocated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

2.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed out in the period they occur. Borrowing costs consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

2.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Provisions are reviewed at each reporting date to reflect the current best estimate.

2.16 Foreign currency translation

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the reporting date. Gains and losses on translation are taken to statement of profit or loss currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.17 Share-based compensation

The economic cost of awarding shares of group companies to employees is reflected by recording a charge as employee benefit expense in the statement of profit or loss, equivalent to the fair value of shares on the grant date over the vesting period, with a corresponding reserve created to reflect the equity component (other capital reserves).

2.18 Revenue recognition

2.18.1 Revenue from contracts with customers

The Company is engaged in the manufacturing and selling of pharmaceutical, consumer healthcare products and vaccines. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term varies depending on the customer type.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. right of returns). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non cash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. In general, the contracts for the sale of goods provides customer with a right to return near expiry products.

Right of return

In general, the contracts for sales of goods provides a customer with a right to return near expiry products. The Company uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Company will not be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For products that are expected to be returned, the Company recognises a provision under refund liability and a corresponding adjustment in sales return.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade debts

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Accounting policies of financial assets have been disclosed in note 2.12.1 - Financial Instruments.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. Returns for the Company comprise of expired products or near expiry products (i.e. within 6 months of expiry), which are of nil value by the time of return and are subject to destructions as per statutory laws.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

2.18.2 Others

License fee / other income is recorded on accrual basis. Interest income is accounted for using the effective interest rate method.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved. However, if these are approved after the reporting period but before the financial statements are authorised for issue, disclosure is made in the financial statements.

2.20 Operating segments

For management purposes, the activities of the Company are organised into one operating segment. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure, and internal financial reporting systems. Accordingly, the figures reported in the financial statements are related to the Company's only reportable segment.

2.21 Accounting policies applicable to the Company ended on or before December 31, 2018

2.21.1 Long-term loans and deposits

These are stated at cost less an allowance for uncollectible amounts, if any.

2.21.2 Trade debts and other receivables

These are recognised and carried at original invoice amount, being the fair value, less an allowance for any uncollectible amounts, if any. An estimate for doubtful debts is made when collection is no longer probable. Bad debts are written-off when identified.

2.21.3 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

2.21.4 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.21.5 Revenue recognition

Sales and toll manufacturing income are recorded when the risks and rewards are transferred to the customer.

License fee / other income is recognised on accrual basis.

2.21.6 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to statement of profit or loss.

2.22 Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(i) Determining the lease term of contracts with renewal and termination options - Company as a lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under its lease arrangements to lease the assets for additional terms of one to three years. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. a change in business strategy). Any change is accounted for change in estimate and applied prospectively with corresponding change in ROU assets and lease liabilities.

(ii) Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) and incorporate applicable spread.

(iii) Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

(iv) Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values and also review the inventories for obsolescence.

(v) Allowance for expected credit losses on financial assets

The Company uses a provision matrix to calculate ECLs for trade debts. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's financial assets exposed to credit risk is disclosed in note 32.3.2.

(vi) Revenue recognition - Estimating variable consideration for returns

Refer to note 2.18.1 to these financial statements for estimates relating to esimates with respect to right of return assets and related refund liabilities.

(vii) Retirement benefits

The cost of the retirement benefit plan and the present value of the obligation are determined using acturial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These includes the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(viii) Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities while recognizing provision for income tax.

(ix) Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence / non-occurrence of the uncertain future event(s).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future event that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Other disclosures relating to the Company's exposure to risks and uncertainties includes capital risk management, Financial instruments risk management and policies and sensitivity analyses disclosures, as disclosed in notes 32.3, 32.3.1 and 33 to these financial statements.

	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000	--------
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	1,546,805	1,563,910
Capital work-in-progress	3.2 & 3.3	103,308	97,222
		1,650,113	1,661,132

3.1 Operating fixed assets

	Leasehold land	Buildings on leasehold land	Plant and machinery	Furniture and fixtures	Factory and office equipment	Motor vehicles	Total
	---------------------	---------------------	---------------------	Rupees in '000	---------------------	---------------------	---------------------
Year ended December 31, 2019							
Opening net carrying value	285	513,375	633,383	20,287	172,533	224,047	1,563,910
Additions / transfers from capital work-in-progress	-	9,189	119,268	3,404	76,053	173,269	381,183
Disposals	-	-	-	-	(2,243)	(38,499)	(40,742)
Write-off	-	-	-	-	-	(4,643)	(4,643)
Amortization / depreciation charge	(6)	(46,986)	(195,560)	(4,508)	(63,524)	(42,319)	(352,903)
Closing net carrying value	279	475,578	557,091	19,183	182,819	311,855	1,546,805
Gross carrying value basis							
As at December 31, 2019							
Cost	480	1,032,180	2,663,945	70,840	464,755	413,395	4,645,595
Accumulated depreciation	(201)	(556,602)	(2,106,854)	(51,657)	(281,936)	(101,540)	(3,098,790)
Net carrying value	279	475,578	557,091	19,183	182,819	311,855	1,546,805
Year ended December 31, 2018							
Opening net carrying value	291	547,500	658,401	20,175	129,743	228,353	1,584,463
Additions / transfers from capital work-in-progress	-	12,661	181,400	4,483	90,638	65,958	355,140
Disposals	-	-	-	-	(165)	(32,521)	(32,686)
Write-off	-	-	-	-	-	(2,160)	(2,160)
Amortization / depreciation charge	(6)	(46,786)	(206,418)	(4,371)	(47,683)	(35,583)	(340,847)
Closing net carrying value	285	513,375	633,383	20,287	172,533	224,047	1,563,910
Gross carrying value basis							
As at December 31, 2018							
Cost	480	1,022,991	2,547,322	67,436	412,194	334,933	4,385,356
Accumulated depreciation	(195)	(509,616)	(1,913,939)	(47,149)	(239,661)	(110,886)	(2,821,446)
Net carrying value	285	513,375	633,383	20,287	172,533	224,047	1,563,910
Depreciation rate % per annum	1.23	5	10 to 15	10	10 to 33	20	

Notes to the Financial Statements

For the year ended December 31, 2019

3.1.1 The Company granted two exclusive licenses to Bayer Pakistan (Private) Limited, Karachi, for the use of the land for a period of 20 years, commencing April 12, 1997 and October 1, 1997, respectively. The fee for each license for the first three years was Rs. 2.6 million and Rs. 0.8 million, respectively. Thereafter, the fee is being enhanced every year on the anniversary of the agreements on the basis of the rate of inflation in Pakistan calculated on a twelve months moving average published in the official Consumer Price Index prior to the relevant anniversary of the agreement. The licences have expired during the year 2017 and the management is in negotiations with Bayer Pakistan (Private) Limited to buy the buildings built on leased land. The Company being a lessor, has recongnized rental income (license fee) during the year amounting to Rs. 30.4 million (2018: Rs. 31.1 million).

3.1.2 Particulars of the immovable assets of the Company are as follows:

Location	Address	Usage of Immovable Property	Covered Area (Sq. Meters)
Karachi	Plot 23, Sector 22 Korangi Industrial Area, Karachi	Head Office & Manufacturing Plants	22,185

3.1.3 The depreciation / amortization charge including intangible assets and right-of-use asset for the year has been allocated as follows:

	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000	--------
Cost of sales	21	258,907	274,448
Distribution and marketing costs	21	50,152	39,451
Administrative expenses	21	47,058	27,942
		356,117	341,841

3.1.4 The details of operating fixed assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Net carrying value	Sale proceeds	Gain/(loss)	Mode of disposal	Particulars of buyers
	-------------------------	-------------------------	(Rupees in '000)	-------------------------	-------------------------		
Plant and machinery	2,645	2,645	-	375	375	Negotiation	Tri-Circle Engineering
Factory and office equipment	23,492	21,249	2,243	1,081	(1,162)	Negotiation / Company Policy	Various
Motor vehicles	4,300	2,590	1,710	1,348	(362)	Bidding	Asad Mirza (Employee)
	2,643	768	1,875	1,676	(199)	Company Policy	Munawar Uqaili (Ex-Employee)
	2,534	1,520	1,014	1,014	-	Company Policy	Syed Ahmed Iqbal (Employee)
	2,303	1,174	1,129	921	(208)	Company Policy	Munzir Ishaq (Employee)
	2,303	1,151	1,152	921	(231)	Company Policy	Irfan Ul Haq Siddiqui (Employee)
	2,303	1,059	1,244	576	(668)	Company Policy	Saifullah Khan (Ex-Employee)
	1,988	1,193	795	99	(696)	Company Policy	Javed Majeed (Employee)
	1,824	1,094	730	730	-	Company Policy	Ahsen Zeshan (Employee)
	1,824	1,094	730	730	-	Company Policy	Arfan Ahmed Rana (Employee)
	1,824	948	876	730	(146)	Company Policy	Ahsan Rizvi (Employee)
	1,703	1,022	681	681	-	Company Policy	Muhammad Tahir (Employee)
	1,663	998	665	665	-	Company Policy	Nazzar Hussain (Employee)
	1,663	981	682	665	(17)	Company Policy	Alia Aziz-Ur-Rehman (Employee)
	1,663	931	732	665	(67)	Company Policy	Haroon Hamid (Employee)
	1,663	915	748	665	(83)	Company Policy	Arshad Hussain (Employee)
	1,648	989	659	659	-	Company Policy	Abdul Waheed (Employee)
	1,648	989	659	659	-	Company Policy	Shaheryar Kazi (Employee)
	1,628	879	749	651	(98)	Company Policy	Jawad Shabbir (Employee)
	1,628	846	782	651	(131)	Company Policy	Irfan Ali Zeb (Employee)
	1,560	936	624	1,305	681	Bidding	Noman Ahmed Jan (Employee)
	1,558	872	686	623	(63)	Company Policy	Asad Mirza (Employee)
	1,543	926	617	617	-	Company Policy	Muhammad Amir Jilani (Employee)
	1,478	886	592	1,226	634	Bidding	Afzal Yaar Khan (Employee)
	1,094	591	503	438	(65)	Company Policy	Rumman Khan (Ex-Employee)
	1,094	656	438	855	417	Bidding	Muhammad Umair (Employee)
	1,094	591	503	438	(65)	Company Policy	Muhammad Khalid (Employee)
	1,049	629	420	672	252	Bidding	Noman Shaikh (Employee)
	1,039	623	416	807	391	Bidding	Amir Jilani (Employee)
	1,039	623	416	851	435	Bidding	Munir Khan (Employee)
	1,039	623	416	831	415	Bidding	Irfan Kalwar (Employee)
	1,039	623	416	416	-	Company Policy	Ehsan Malik (Employee)
	1,039	623	416	416	-	Company Policy	Muhammad Umair (Employee)
	1,039	623	416	416	-	Company Policy	Hassan Kashmiri (Employee)
	1,039	623	416	416	-	Company Policy	Kamran Ali (Employee)
	1,039	623	416	416	-	Company Policy	Arsalan Zahid (Employee)
	1,039	623	416	416	-	Company Policy	Mohsin Ali (Employee)
	1,039	623	416	416	-	Company Policy	Danish Shah Tariq (Employee)
	1,039	623	416	416	-	Company Policy	Salman Zaffar (Employee)
	1,039	623	416	416	-	Company Policy	Haider Abbas (Employee)
	1,039	623	416	416	-	Company Policy	Faiz Ul Hasan (Employee)
	1,039	623	416	416	-	Company Policy	Azhar Mahmood (Employee)
	1,039	623	416	416	-	Company Policy	Zuhair Ansari (Employee)
	1,039	623	416	416	-	Company Policy	Syed Amir Ali (Employee)
	1,039	623	416	416	-	Company Policy	Muhammad Bashir (Employee)
	1,039	603	436	416	(20)	Company Policy	Ali Ahmed (Employee)
	1,039	540	499	416	(83)	Company Policy	Saba Abbasi (Employee)
	1,034	527	507	831	324	Bidding	Fahim Ali (Employee)
	1,034	620	414	414	-	Company Policy	Hira Fatima Rizvi (Employee)
	1,034	620	414	414	-	Company Policy	Sarfraz Khan (Employee)
	1,034	610	424	414	(10)	Company Policy	Zia Ahmed (Employee)
	1,034	620	414	414	-	Company Policy	Tariq Ali (Employee)
	1,034	527	507	414	(93)	Company Policy	Samar Abbas (Employee)
	1,034	486	548	241	(307)	Company Policy	Muhammad Iqbal (Ex-Employee)
	1,029	583	446	412	(34)	Company Policy	Imran Masood (Employee)
	1,029	607	422	412	(10)	Company Policy	Ather Hussain (Employee)
	1,019	611	408	762	354	Bidding	Waheedullah (Employee)
	1,014	608	406	406	-	Company Policy	Shoaib Ahmed Khan (Employee)
	1,010	606	404	651	247	Bidding	Ehsan Malik (Employee)
	1,010	606	404	413	9	Company Policy	Azeem Akram (Employee)
	1,010	606	404	404	-	Company Policy	Nabeea Junaid (Employee)
	1,010	606	404	414	10	Company Policy	Shahid Khan (Employee)
	1,010	606	404	51	(353)	Company Policy	Iqbal Ahmed (Ex-Employee)
	990	594	396	655	259	Bidding	Umaid Ali (Employee)
	990	594	396	741	345	Bidding	Nasir Ali (Employee)
	776	466	310	515	205	Bidding	Muhammad Amir (Employee)
	683	410	273	273	-	Company Policy	Rizwan Khan (Employee)
	679	487	192	308	116	Bidding	Rizwan Mughal (Employee)
	89,461	50,962	38,499	39,584	1,085		
2019	**115,598**	**74,856**	**40,742**	**41,040**	**298**		
2018	88,112	55,426	32,686	31,578	(1,108)		

Notes to the Financial Statements
For the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000	--------
3.2 Capital work-in-progress			
Buildings on leasehold land		41,294	12,826
Plant and machinery		40,417	51,320
Others		21,597	33,076
		103,308	97,222
3.3 Movement in capital work-in-progress is as follows:			
Opening balance		97,222	116,822
Additions during the year	3.3.1	88,337	81,436
Transferred to operating fixed assets	3.3.2	(82,251)	(101,036)
Closing balance		103,308	97,222

3.3.1 Represents additions to buildings on leasehold land amounting to Rs. 36.9 million (2018: Rs. 10.4 million), plant and machinery amounting to Rs. 35.9 million (2018: Rs. 38.9 million) and others amounting to Rs. 15.5 million (2018: Rs. 32.1 million).

3.3.2 Represents transfers to buildings on leasehold land amounting to Rs. 8.4 million (2018: Rs. 10.9 million), plant and machinery amounting to Rs. 46.8 million (2018: Rs. 71.5 million) and others amounting to Rs. 27 million (2018: Rs. 18.6 million).

4. RIGHT-OF-USE ASSET AND LEASE LIABILITY

During the current year, the Company entered into a lease contract with respect to its sales office located in Faisalabad for a period of 3 years, ending January 5, 2022, carrying mark-up of 12.46% per annum. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased asset. The contract includes an option to extend and the Company does not expect to exercise the option.

The Company also has certain leases for sales offices in other cities with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.

Set out below is the carrying amount of right-of-use asset recognised and the movement during the year:

	Rupees in '000
As at January 1, 2019	-
Additions	4,242
Depreciation expense	(1,414)
As at December 31, 2019	2,828

Set out below is the carrying amount of lease liability and the movement during the year:

	Rupees in '000
As at January 1, 2019	-
Additions	4,242
Accretion of interest	442
Payments	(1,685)
As at December 31, 2019	2,999

	Rupees in '000
Current maturity of lease liability	1,407
Non-current lease liability	1,592
	2,999

The following are the amounts recognised in statement of profit or loss:

Depreciation expense of right-of-use asset	1,414
Interest expense on lease liability	442
Expenses related to short-term leases (included in distribution and marketing costs)	18,040

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000	--------
5. INTANGIBLE ASSETS - computer software and product license			
Net carrying value basis			
Opening net carrying value		2,706	1,041
Additions		4,740	2,659
Amortization charge		(1,800)	(994)
Closing net carrying value		5,646	2,706
Gross carrying value basis			
Cost		82,914	78,174
Accumulated amortization		(77,268)	(75,468)
Net carrying value		5,646	2,706
Amortization rate per annum		33% & 80%	33% & 80%
6. LONG-TERM LOANS - considered good, unsecured			
Employees	6.1	8,390	9,594
Less: Current maturity	11	(3,648)	(4,022)
		4,742	5,572
6.1 Reconciliation of carrying amount of long-term loans to employees:			
Opening balance		9,594	11,056
Disbursements		3,369	3,711
Repayments		(4,573)	(5,173)
Closing balance		8,390	9,594

Represent loans for the purchase of motor cars, motor cycles and personal expenses, in accordance with the Company's policy. Loans for the purchase of motor cars and motor cycles are interest free whereas personal loans, representing capital goods fund, carry interest at the rate of 9% (2018: 9%) per annum, respectively. These are repayable within five years in equal monthly installments, except for capital goods fund which are repayable over a period of three years. These are not discounted to present value since the impact is not considered to be material in the overall context of the financial statements.

Notes to the Financial Statements
For the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000	--------
7. DEFERRED TAXATION			
Debit balances arising from:			
- provisions	7.1	165,061	122,742
Credit balances arising from:			
- accelerated tax depreciation allowance		(56,878)	(83,354)
		108,183	39,388

7.1 Includes Rs. 43 million (2018: Rs. 22.4 million) routed through statement of other comprehensive income relating to remeasurement of defined benefit plans.

	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000	--------
8. STORES AND SPARES			
Stores		14,375	15,116
Spares			
In hand		41,991	36,904
In transit		5,799	-
		47,790	36,904
		62,165	52,020
9. STOCK-IN-TRADE - net			
Raw and packing material			
In hand		1,091,279	1,029,298
In transit		81,996	517,042
		1,173,275	1,546,340
Provision against raw and packing material	9.1	(151,162)	(130,155)
		1,022,113	1,416,185
Work-in-process		62,973	94,040
Finished goods			
In hand		1,290,156	1,307,235
In transit		348,562	247,342
		1,638,718	1,554,577
Provision against finished goods	9.2 & 9.3	(179,616)	(185,157)
		1,459,102	1,369,420
		2,544,188	2,879,645

9.1 Movement of provision against raw and packing material

	Note	December 31, 2019	December 31, 2018
Opening balance		130,155	118,992
Charge for the year	21	21,007	15,869
Write-off during the year		-	(4,706)
Closing balance		151,162	130,155

9.2 Includes write down of finished goods costing Rs. 341.5 million (2018: Rs.195.2 million), to their net realizable value of Rs. 264.5 million (2018: Rs.172.4 million).

Notes to the Financial Statements

For the year ended December 31, 2019

		Note	December 31, 2019	December 31, 2018
			-------- Rupees in '000	--------
9.3	Movement of provision against finished goods			
	Opening balance		185,157	162,181
	Charge for the year	21	121,150	60,355
	Write-off during the year		(126,691)	(37,379)
	Closing balance		179,616	185,157
9.4	Details of stock-in-trade held (net of provision) with major third party is as follows:			
	Stancos (Private) Limited		18,920	33,597
10.	**TRADE DEBTS - net, unsecured**			
	Considered good		691,325	582,001
	Considered doubtful		931	931
			692,256	582,932
	Allowance for expected credit loss		(931)	(931)
			691,325	582,001
11.	**LOANS AND ADVANCES - unsecured, considered good**			
	Loans			
	Current maturity of long-term loans	6	3,648	4,022
	Advances			
	Executives		688	13,136
	Employees		8,396	5,442
	Contractors and suppliers		106,371	111,135
			115,455	129,713
			119,103	133,735
12.	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Tender deposits - unsecured			
	Considered good		245,781	331,747
	Considered doubtful		18,966	19,496
			264,747	351,243
	Allowance for expected credit loss	12.1	(18,966)	(19,496)
			245,781	331,747
	Margin against letters of credit		71,758	56,437
	Short-term prepayments		13,135	10,868
			330,674	399,052
12.1	Movement of allowance for expected credit loss			
	Opening balance		19,496	20,911
	Reversal during the year		(530)	(1,415)
	Closing balance		18,966	19,496

13. OTHER RECEIVABLES - net

	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000 --------	
Considered good - unsecured			
Due from - related parties	13.1-13.3	554,649	8,414
- others		29,267	22,681
		583,916	31,095
Considered doubtful			
Sales tax refundable		5,918	5,918
Provision against sales tax refundable		(5,918)	(5,918)
		-	-
		583,916	31,095

13.1 Due from related parties

	December 31, 2019	December 31, 2018
Sanofi-Aventis Singapore Pte Limited	539,354	-
Sanofi-Aventis Groupe, France	15,095	4,192
Sanofi-Aventis Gulf, UAE	200	4,222
	554,649	8,414

13.2 The maximum aggregate amount outstanding at any time during the year by reference to month end balances and receivables from following related parties:

	Maximum aggregate amount outstanding	
	December 31, 2019	December 31, 2018
	-------- Rupees in '000 --------	
Sanofi-Aventis Singapore Pte Limited	539,354	-
Sanofi-Aventis Groupe, France	15,095	4,192
Sanofi-Aventis Gulf, UAE	4,166	4,222

13.3 The aging analysis of unimpaired receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			1-90 Days	91-180 Days	> 181 Days
	------------	------------	Rupees in '000	------------	------------
Related party - 2019	**554,649**	**551,553**	**-**	**-**	**3,096**
Related party - 2018	8,414	-	1,555	-	6,859

14. CASH AND BANK BALANCES

	December 31, 2019	December 31, 2018
	-------- Rupees in '000 --------	
Cash in hand	**60**	92
Cash at banks		
In current accounts - local currency	**14,635**	247,289
- foreign currency	**16,084**	7,267
	30,719	254,556
	30,779	254,648

15. SHARE CAPITAL

No. of shares December 31, 2019	No. of shares December 31, 2018		December 31, 2019	December 31, 2018
			-------- Rupees in '000 --------	
		Authorized share capital		
10,000,000	10,000,000	Ordinary shares of Rs. 10/- each	**100,000**	100,000
		Issued, subscribed and paid-up capital		
		Ordinary shares of Rs. 10/- each		
2,757,783	2,757,783	Issued for cash	**27,578**	27,578
3,359,477	3,359,477	Issued as fully paid bonus shares	**33,595**	33,595
687,500	687,500	Issued against plant and equipment	**6,875**	6,875
140,000	140,000	Issued against loan	**1,400**	1,400
2,700,000	2,700,000	Issued in persuant to merger with Rhone Poulenc Rorer Pakistan (Private) Limited	**27,000**	27,000
9,644,760	9,644,760		**96,448**	96,448

The Parent Company held 5,099,469 (2018: 5,099,469) ordinary shares of Rs. 10/- each, aggregating to Rs. 50,994,690, constituting 52.87% of issued share capital of the Company, as at the reporting date.

15.1 Voting and other shareholders' rights are in proportion to their shareholding.

16. RESERVES

	December 31, 2019	December 31, 2018
	-------- Rupees in '000 --------	
Capital reserves		
Long-term liabilities forgone	**5,935**	5,935
Difference of share capital under scheme of arrangement for amalgamation	**18,000**	18,000
Other	**297,652**	266,032
	321,587	289,967
Revenue reserves		
General reserve	**3,535,538**	3,335,538
Un-appropriated profit	**135,879**	575,712
	3,671,417	3,911,250
	3,993,004	4,201,217

Notes to the Financial Statements

For the year ended December 31, 2019

16.1 Share-based compensation plans

As at December 31, 2019, the Company has following equity settled share-based compensation plans:

Stock Option Plans:

The Ultimate Parent Company granted a number of equity-settled share-based payment plans (stock option plans) to some of its employees, including employees of the Company. These plans entitled the eligible employees to acquire shares of the Ultimate Parent by exercising options granted to them, subject to the fulfilment of the vesting conditions.

In accordance with IFRS-2 (Share-based Payment), services received from employees as consideration for stock options are recognised as an expense in the statement of profit or loss, with the corresponding entry recorded as equity. The expense corresponds to the fair value of the stock option plans of the shares of the Ultimate Parent Company and is charged against income on a straight-line basis over the four-year vesting period of the plan.

The fair value of stock option plans is measured at the date of grant, using the Black-Scholes valuation model, taking into account the expected life of the options.

The benefit cost recognised, therefore, relates to rights that vested during the reporting period for all plans granted by the Ultimate Parent Company.

The table below shows stock subscription option plans granted by the Ultimate Parent Company to the employees of the Company which are still outstanding.

Date of grant	Vesting period (years)	Options granted (number)	Start date of exercise period	Expiration Date	Exercise price (€)	Options outstanding at December 31, 2019 (number)
01/03/2010	4	8,035	03/03/2014	01/03/2020	54.12	1,110

The exercise of each option will result in the issuance of one share of the Ultimate Parent Company to the employees of the Company.

Summary of stock option plans:	Number of options	Weighted average exercise price per share (€)
Options outstanding at January 1, 2018	3,035	51.62
Of which exercisable	3,035	51.62
Options granted	-	-
Options exercised	-	-
Options cancelled	(380)	(47.47)
Options outstanding at December 31, 2018	2,655	52.22
Of which exercisable	2,655	52.22
Options granted	-	-
Options exercised	(1,370)	(50.43)
Options cancelled	(175)	(54.12)
Options outstanding at December 31, 2019	1,110	54.13
Of which exercisable	1,110	54.13

The expense recognized for the stock option plans with the corresponding effect on the equity amounted to Nil (2018: Nil).

Restricted share plan:

The Board of Directors of Sanofi S.A. (France), in a meeting held on April 30, 2019, decided to award a restricted share plan comprising 2,445 shares to some of the employees of the Company, which will vest after a three year service period.

In compliance with IFRS-2, the Company has measured the fair value of this plan by reference to the fair value of the equity instruments awarded, representing the fair value of the services rendered during the period.

The plans were measured as of the date of grant. The fair value of each share awarded is equal to the listed market price of the share as of that date, adjusted for dividends expected during the vesting period. The fair value of each share awarded as on April 30, 2019 amounted to € 77.49.

The number of restricted shares outstanding as of December 31, 2019 were 11,961 (2018: 12,213).

The expense recognised for restricted share plan with the corresponding effect on the equity (other capital reserve) amounted to Rs. 31.6 million (2018: Rs. 27.9 million).

The table below shows restricted shares plan granted by the Ultimate Parent Company to the employees of the Company which are still outstanding.

Date of grant	Vesting period (years)	Shares granted (number)	End of vesting period	Fair value of shares (€)	Shares outstanding at December 31, 2019 (number)
04/05/2016	4	3,250	05/05/2020	61.06	2,950
10/05/2017	4	3,505	10/05/2021	81.50	3,235
02/05/2018	3	3,438	02/05/2021	65.86	3,331
30/04/2019	3	2,445	30/04/2022	77.49	2,445
		12,638			11,961

17. TRADE AND OTHER PAYABLES

	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000	--------
Trade creditors			
Related parties		858,171	1,638,149
Other trade creditors		312,422	191,887
		1,170,593	1,830,036
Other payables			
Accrued liabilities		939,769	921,570
Refund liabilities		36,330	46,143
Provision for Infrastructure Development Cess	17.1	353,695	306,669
Employees' Pension Fund	17.2	263,229	161,545
Employees' Gratuity Fund	17.2	110,292	32,986
Advances from customers		-	23,358
Workers' Profit Participation Fund	17.3	31,112	40,968
Workers' Welfare Fund		96,941	83,621
Central Research Fund		5,326	9,147
Compensated absences		27,228	23,494
Security deposits	17.4	775	775
Contractors' retention money		2,662	2,356
Sales tax payable		16,468	17,093
		1,883,827	1,669,725
		3,054,420	3,499,761

Notes to the Financial Statements

For the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	-------- Rupees in '000 --------	

17.1 Provision for Infrastructure Development Cess

	December 31, 2019	December 31, 2018
Opening balance	306,669	222,009
Provision for the year	47,026	84,660
Closing balance	353,695	306,669

17.2 The status of the funds and principal assumptions used in the actuarial valuation as of December 31, 2019 were as follows:

	Pension Fund		Gratuity Fund	
	2019	2018	2019	2018
	-------- Rupees in '000 --------		-------- Rupees in '000 --------	
Statement of financial position reconciliation as at December 31				
Fair value of plan assets	704,235	706,365	490,604	495,132
Present Value (PV) of defined benefit obligation	(967,464)	(867,910)	(600,896)	(528,118)
Net liability in statement of financial position	(263,229)	(161,545)	(110,292)	(32,986)
Movement in net liability				
Payable as at January 1	(161,545)	(88,812)	(32,986)	(15,453)
Charge for the year	(81,787)	(49,387)	(56,155)	(43,109)
Employer contribution	60,526	42,203	46,772	40,059
Actuarial loss recognised in equity	(80,423)	(65,549)	(67,923)	(14,483)
Payable as at December 31	(263,229)	(161,545)	(110,292)	(32,986)
Expense recognised				
Current service cost	43,160	33,988	48,471	43,532
Past service cost	16,218	9,136	-	-
Interest cost	91,232	65,463	54,888	41,733
Expected return on plan assets	(68,823)	(59,200)	(47,204)	(42,156)
	81,787	49,387	56,155	43,109
Actual return on plan assets	24,177	62,538	(20,737)	47,554
Movement in the defined benefit obligation				
Obligation as at January 1	867,910	724,980	528,118	479,354
Current service cost	43,160	33,988	48,471	43,532
Past service cost	16,218	9,136	-	-
Interest cost	91,232	65,463	54,888	41,733
Benefits paid	(38,479)	(34,545)	(30,563)	(56,382)
Actuarial (gain) / loss	(12,577)	68,888	(18)	19,881
Obligation as at December 31	967,464	867,910	600,896	528,118
Movement in fair value of plan assets				
Fair value as at January 1	706,365	636,168	495,132	463,901
Expected return on plan assets	68,823	59,200	47,204	42,156
Employer contributions	60,526	42,203	46,772	40,059
Benefits paid	(38,479)	(34,545)	(30,563)	(56,382)
Actuarial (loss) / gain	(93,000)	3,339	(67,941)	5,398
Fair value as at December 31	704,235	706,365	490,604	495,132
Key actuarial assumptions used are as follows				
Discount factor used	14.50%	10.75%	14.50%	10.75%
Expected rate of return per annum on plan assets	14.50%	10.75%	14.50%	10.75%
Expected rate of increase in future salaries per annum	14.50%	10.75%	14.50%	10.75%
Indexation of pension	10.00%	6.25%	-	-
Retirement age (years)	60 years	60 years	60 years	60 years

Notes to the Financial Statements

For the year ended December 31, 2019

	2019		2018	
	Rs. in '000	% change	Rs. in '000	% change
Sensitivity analysis for pension fund				
Current liability as at the reporting date	967,464	-	867,910	-
Following shall be the PV under various sensitivities:				
+0.5% Discount rate	904,685	-6.49%	809,518	-6.73%
-0.5% Discount rate	1,037,228	7.21%	933,022	7.50%
+0.5% Salary increase rate	989,655	2.29%	888,868	2.41%
-0.5% Salary increase rate	946,419	-2.18%	848,062	-2.29%
+0.5% Pension indexation	1,016,772	5.10%	913,676	5.27%
-0.5% Pension indexation	921,661	-4.73%	825,502	-4.89%
Sensitivity analysis for gratuity fund				
Current liability as at the reporting date	600,896	-	528,118	-
Following shall be the PV under various sensitivities:				
+0.5% Discount rate	577,076	-3.96%	506,247	-4.14%
-0.5% Discount rate	626,412	4.25%	551,599	4.45%
+0.5% Salary increase rate	627,647	4.45%	552,701	4.65%
-0.5% Salary increase rate	575,731	-4.19%	505,040	-4.37%
+5% Withdrawal rates	600,523	-0.06%	527,744	-0.07%
-5% Withdrawal rates	601,271	0.06%	528,497	0.07%
0.5 year mortality age set back	600,866	-	528,143	-
0.5 year mortality age set forward	600,924	-	528,093	-
Maturity profile of gratuity fund				
Year 1	46,953	-	49,201	-
Year 2	47,238	-	47,238	-
Year 3	39,844	-	39,844	-
Year 4	30,263	-	30,263	-
Year 5	54,669	-	54,669	-
Year 6 to Year 10	290,253	-	290,253	-
Year 11 and above	1,354,981	-	1,354,981	-

	2019		2018	
Plan assets comprise of:	Rs. in '000	%	Rs. in '000	%
Funded pension plan				
Debt	469,854	66.72	367,254	51.99
Equity	86,493	12.28	93,594	13.25
Others (includes cash and bank balances)	147,888	21.00	245,517	34.76
	704,235	100.00	706,365	100.00
Funded gratuity plan				
Debt	327,472	66.75	278,908	56.33
Equity	59,627	12.15	66,657	13.46
Others (includes cash and bank balances)	103,505	21.10	149,567	30.21
	490,604	100.00	495,132	100.00

Notes to the Financial Statements

For the year ended December 31, 2019

Comparison for five years:	2019	2018	2017	2016	2015
	---------- Rupees in '000 ----------				
Funded pension plan					
Fair value of plan assets	**704,235**	706,365	636,168	576,115	522,249
Present value of defined benefit obligation	**(967,464)**	(867,910)	(724,980)	(638,063)	(549,838)
Deficit	**(263,229)**	(161,545)	(88,812)	(61,948)	(27,589)
Experience adjustment					
Actuarial gain / (loss) on obligation	**12,577**	(68,888)	(24,609)	(26,765)	4,822
Actuarial gain / (loss) on plan assets	**(93,000)**	3,339	(3,296)	(4,541)	12,988
Funded gratuity plan					
Fair value of plan assets	**490,604**	495,132	463,901	412,864	387,756
Present value of defined benefit obligation	**(600,896)**	(528,118)	(479,354)	(440,771)	(425,634)
Deficit	**(110,292)**	(32,986)	(15,453)	(27,907)	(37,878)
Experience adjustment					
Actuarial gain / (loss) on obligation	**18**	(19,881)	11,093	10,197	(25,859)
Actuarial (loss) / gain on plan assets	**(67,941)**	5,398	3,503	100	9,732

17.2.1 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan at the beginning of the period.

17.2.2 Based on the actuarial advice, the amount of expected contribution to gratuity and pension funds during the year 2020 will be Rs. 63.2 million and Rs. 87.3 million respectively.

17.3 Workers' Profit Participation Fund	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000 --------	
Opening balance		**40,968**	80,909
Allocation for the year	22	**30,509**	50,059
		71,477	130,968
Amount paid to the Fund		**(40,365)**	(90,000)
Closing balance		**31,112**	40,968

17.4 This represents unutilized security deposits received from various vendors / contractors, kept in a separate bank account.

18. SHORT-TERM BORROWINGS	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000 --------	
Running finance utilized under mark-up arrangements	18.1	**447,553**	-

18.1 Represents utilized portion of running finance facilities from various commercial banks under mark-up arrangements. The total running finance facilities available aggregates to Rs. 3,350 million (2018: Rs. 4,250 million). These facilities are secured against first registered joint pari passu charge over current assets of the Company, inclusive but not limited to stock-in-trade and book debts of the Company. These facilities carry mark-up rates ranging between KIBOR + 0.15% to KIBOR + 0.40% (2018: KIBOR + 0.35% to KIBOR + 0.40%) per annum and will expire latest by December 31, 2020.

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 The Deputy Commissioner Inland Revenue (DCIR), issued an order on December 28, 2017, for the year ended December 31, 2013 increasing the tax liability by Rs.275.7 million by disallowing certain expenses. The Company was required to pay an amount of Rs.110.6 million being the short payment on account of reassessed tax liability. The Company paid the said amount under protest and filed an appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] against the said order. The CIR(A) decided on the above issue against the Company vide order dated May 6, 2019. The Company filed an appeal with the Apellate Tribunal Inland Revenue (ATIR) on the issue which is pending to be heard.

19.1.2 The DCIR passed an order under section 122(5) of the Income Tax Ordinance, 2001 for the year ended December 31, 2012, increasing the tax liability by Rs.131.1 million on the contention that the Company understated the gain on sale of WAH Site and disallowance of certain expenses related to sales promotion and advertisement. The Company filed an appeal before the CIR(A), wherein the CIR(A) vide order dated July 19, 2018, has deleted the addition for gain on disposal of WAH Site while remanded back on the additions relating to sales promotion and advertisements. An appeal has been filed with the ATIR against the said decision of the CIR(A) on the issue remanded back.

19.1.3 During the year ended December 31, 2016, Inland Revenue, Enforcement & Collection had framed the assessment for Tax Year 2014 on the alleged contention that the Company had short deducted income tax from payments made to vendors under various heads of expenditures. Total tax demand raised under the order was Rs. 123.4 million. The Company had filed an appeal before CIR(A). During the year 2018, the CIR(A) had remanded back the proceedings for fresh consideration to the DCIR. The Company has filed an appeal before the ATIR against the directions of CIR(A) for remand back proceeding which is pending.

19.1.4 During the year ended December 31, 2016, after conducting monitoring proceedings under section 161 of the Income Tax Ordinance, 2001. Additional Commissioner Inland Revenue (ACIR) raised a demand of Rs. 44.6 million. The Company paid the said amount under protest and filed an appeal before the CIR(A). During the year 2018, the CIR(A) remanded back to (ACIR) for fresh proceedings. However, the Company has filed an appeal before the ATIR against the directions of CIR(A) for remand back proceeding which is pending.

The management, based on tax advise is confident for a favourable outcome on the above mentioned cases, hence, no provision is made in these financial statements in respect of these orders.

19.1.5 The Company disposed off its Wah Site to M/s COMSATS in June 2012 for an amount of Rs. 240 million and the possession of property was transferred to the buyer subsequent to the signing of an Agreement to Sell. The Company also obtained a 'No Tax Demand' Certificate from the Wah Cantonment Board (WCB) before the sale was finalised. However, WCB revised its assessment of the rental value of the property retrospectively from July 1, 2011 resulting in the levy of an additional amount of house tax on the Company amounting to Rs. 28.7 million. Further, WCB levied composition tax, TIP tax, building drawings fee and miscellaneous charges amounting to Rs. 71.2 million on grounds that the construction / upgrading of buildings that took place in 1991 had been undertaken without prior approval from the cantonment authorities. The Company challenged this unjustified revision in the rental value at the Director Military Lands and Cantonments (DMLC), Rawalpindi Region and filed a civil suit against the demand of composition fee/TIP tax.

In the matter of the Civil Suit where WCB levied composition tax, TIP tax, building drawing fee and miscellaneous charges, judgement was passed in favour of the Company in October 2018. However, WCB has filed an appeal before Rawalpindi Bench of the Lahore High Court against the said order. The Company has filed its rejoinder in the appeal in February 2019, the hearing for which is due to be held.

The judgement regarding the revision of rental value of the property resulting in increased house tax was announced in favour of the Company by DMLC. However, fresh demand notified by WCB on February 13, 2019 was not in line with DMLC directions. The Company lawyer has submitted application noting the same to the DMLC and if no corrective action is taken, then the Company will file for injunction and suit.

19.1.6 The Company is defending various suits, other than those disclosed above, filed against it in various courts in Pakistan. The Company's management is confident, based on the advice of its legal advisors, that these suits, including the aforementioned case in note 19.1.5, will be decided in Company's favor.

	December 31, 2019	December 31, 2018
19.2 Commitments	-------- Rupees in '000 --------	
Commitments for capital expenditure	145,626	90,300
Post-dated cheques issued to Collector of Customs	-	20,613
Outstanding letters of credit	249,635	241,063
Outstanding bank guarantees	408,950	392,443
Outstanding bank contracts	1,033,502	2,289,595
Commitments for lease rentals: within one year	3,662	18,040

20. NET SALES

	December 31, 2019	December 31, 2018
Gross Sales		
Local	15,597,190	13,849,384
Export	378,095	208,328
	15,975,285	14,057,712
Toll manufacturing	138,305	82,078
	16,113,590	14,139,790
Less:		
Discounts	(1,450,864)	(1,084,702)
Returns	(111,888)	(44,386)
Sales tax	(50,160)	(49,863)
	(1,612,912)	(1,178,951)
	14,500,678	12,960,839

21. OPERATING COSTS

	Cost of sales		Distribution and marketing costs		Administrative expenses		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees in '000							
Raw and packing material consumed	5,127,694	4,920,667	-	-	-	-	5,127,694	4,920,667
Raw and packing material written-off	287	2,169	-	-	-	-	287	2,169
Provision against raw and packing material (note 9.1)	21,007	15,869	-	-	-	-	21,007	15,869
Stores and spares consumed	27,328	18,791	-	-	-	-	27,328	18,791
Stationery and supplies consumed	7,253	5,665	8,160	7,344	4,121	7,451	19,534	20,460
Staff costs (note 21.1)	652,487	559,242	949,679	787,683	346,503	314,874	1,948,669	1,661,799
Fuel and power	327,062	267,371	5,744	4,857	23,577	15,239	356,383	287,467
Rent, rates and taxes	18,135	17,856	18,840	19,272	305	687	37,280	37,815
Insurance	6,750	4,818	12,643	11,530	4,178	2,628	23,571	18,976
Repairs and maintenance	109,978	102,657	9,930	8,756	19,842	20,738	139,750	132,151
Depreciation / amortisation	258,907	274,448	50,152	39,451	47,058	27,942	356,117	341,841
Travelling and conveyance	62,503	56,984	318,000	396,793	38,765	35,516	419,268	489,293
Handling, freight and transportation	-	-	192,043	201,224	-	-	192,043	201,224
Communication	64,647	53,067	22,889	26,086	9,081	8,433	96,617	87,586
Security and maintenance	41,358	31,343	3,669	6,111	13,371	13,689	58,398	51,143
Publication and subscription	537	527	6,602	7,721	3,578	8,786	10,717	17,034
Electronic and print media	-	-	127,127	116,957	-	-	127,127	116,957
Conferences and exhibitions	-	-	253,487	209,829	-	-	253,487	209,829
Market research	-	-	28,969	22,677	-	-	28,969	22,677
Clinical trials	-	-	11,550	4,412	-	-	11,550	4,412
Patient care	-	-	54,400	53,628	-	-	54,400	53,628
Samples	-	-	4,884	7,530	-	-	4,884	7,530
Sales promotion	-	-	60,228	59,640	-	-	60,228	59,640
Sales commission	-	-	176,512	105,791	-	-	176,512	105,791
Software license / maintenance fee	269	255	2,653	13,643	1,498	4,469	4,420	18,367
Other expenses	11,476	9,604	10,546	10,107	7,663	7,137	29,685	26,848
	6,737,678	6,341,333	2,328,707	2,121,042	519,540	467,589	9,585,925	8,929,964
Recovery of service charges from outside parties	(16,655)	(17,031)	-	-	-	-	(16,655)	(17,031)
	6,721,023	6,324,302	2,328,707	2,121,042	519,540	467,589	9,569,270	8,912,933
Opening work-in-process	94,040	37,598						
Closing work-in-process	(62,973)	(94,040)						
Cost of goods manufactured	6,752,090	6,267,860						
Opening stock of finished goods	1,554,577	1,503,811						
Finished goods purchased	3,934,109	2,732,455						
Cost of samples included under distribution and marketing expenses	(4,884)	(7,530)						
Finished goods written-off	57,394	11,852						
Provision against finished goods (note 9.3)	121,150	60,355						
Closing stock of finished goods	(1,638,718)	(1,554,577)						
	10,775,718	9,014,226						

21.1 Staff Costs

	Cost of sales 2019	Cost of sales 2018	Distribution and marketing costs 2019	Distribution and marketing costs 2018	Administrative expenses 2019	Administrative expenses 2018	Total 2019	Total 2018
Salaries, wages and other benefits	607,143	521,385	821,263	673,903	274,557	259,141	1,702,963	1,454,429
Training expenses	523	2,873	12,121	24,953	2,909	3,280	15,553	31,106
Defined benefit plan	25,472	17,402	72,442	49,045	40,028	26,049	137,942	92,496
Defined contribution plan	14,623	13,361	33,785	31,497	12,183	10,987	60,591	55,845
Share-based payments	4,726	4,221	10,068	8,285	16,826	15,417	31,620	27,923
	652,487	559,242	949,679	787,683	346,503	314,874	1,948,669	1,661,799

Notes to the Financial Statements
For the year ended December 31, 2019

22. OTHER EXPENSES

	Note	December 31, 2019	December 31, 2018
		-------- Rupees in '000 --------	
Auditors' remuneration	22.1	2,506	3,065
Workers' Profit Participation Fund	17.3	30,509	50,059
Workers' Welfare Fund		13,320	16,351
Central Research Fund		6,199	9,607
Legal and consultancy charges		22,629	11,747
Donations		150	2,624
Exchange loss - net		116,560	366,524
Provision for tax receivable		153,513	-
Loss on sale of operating fixed assets		-	1,108
Operating fixed assets written-off		4,643	2,160
Others		375	155
		350,404	463,400

22.1 Auditors' remuneration

		December 31, 2019	December 31, 2018
Audit fee		1,544	1,544
Review of half yearly financial statements		432	432
Report on Code of Corporate Governance		162	151
Other certifications and reporting		152	756
Out-of-pocket expenses		216	182
		2,506	3,065

23. OTHER INCOME

	Note	December 31, 2019	December 31, 2018
Income from financial assets			
Interest on loans to employees		18	16
Liabilities no longer payable written back	23.1	5,667	-
		5,685	16
Income from non-financial assets			
License fee		30,422	31,083
Insurance claim recovery	23.2	48,367	5,452
Scrap sales		7,670	9,505
Gain on sale of operating fixed assets		298	-
		86,757	46,040
		92,442	46,056

23.1 Includes Rs. 4.9 million written back against liabilities no longer payable to related party.

23.2 Includes insurance claims of Rs.42.1 million received against temperature excursions of stock-in-trade and Rs.6.3 million received against theft of stock-in-trade and motor vehicles.

	December 31, 2019	December 31, 2018
	-------- Rupees in '000 --------	
24. FINANCE COSTS		
Mark-up on short-term borrowings	57,979	3,333
Bank charges	13,951	11,460
Interest on lease liability	442	-
	72,372	14,793
25. TAXATION		
Current	407,132	386,943
Prior	10,186	(61,986)
	417,318	324,957
Deferred	(25,775)	(11,904)
	391,543	313,053
25.1 Relationship between accounting profit and tax expense:		
Accounting profit before taxation	546,379	925,845
Tax at the applicable tax rate of 29% (2018: 29%)	158,450	268,495
Tax effects of:		
- Income charged at different rates	222,907	100,051
- Tax credits	-	(19,745)
- Super Tax	-	26,238
- Prior year	10,186	(61,986)
	391,543	313,053
26. EARNINGS PER SHARE - basic and diluted		
Profit after taxation	154,836	612,792
	Number of shares	
Weighted average number of ordinary shares	9,644,760	9,644,760
	--------------- Rupees ------------	
Earnings per share - basic and diluted	16.05	63.54

26.1 There is no dilutive effect on the basic earnings per share of the Company.

Notes to the Financial Statements

For the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
27. CASH GENERATED FROM OPERATIONS		-------- Rupees in '000	--------
Profit before taxation		**546,379**	925,845
Adjustment for non-cash charges and other items:			
Depreciation / amortization		**356,117**	341,841
(Gain) / Loss on sale of operating fixed assets		**(298)**	1,108
Operating fixed assets written-off		**4,643**	2,160
Expenses arising from equity settled share-based payment plans		**31,620**	27,923
Retirement benefits		**137,942**	92,496
Provision for tax receivable		**153,513**	-
Interest income		**(18)**	(16)
Finance costs		**72,372**	14,793
Working capital changes	27.1	**(798,560)**	556,338
		503,710	1,962,488

27.1 Working capital changes

	December 31, 2019	December 31, 2018
(Increase)/Decrease in current assets:		
Stores and spares	**(10,145)**	(847)
Stock-in-trade	**335,457**	(473,310)
Trade debts	**(109,324)**	101,931
Loans and advances	**14,632**	(73,796)
Trade deposits and short-term prepayments	**68,378**	(200,825)
Other receivables	**(552,821)**	(7,920)
	(253,823)	(654,767)
(Decrease)/Increase in current liabilities:		
Contract liabilities	**79,594**	(10,983)
Trade and other payables (excluding liabilities for employees' pension & gratuity fund)	**(624,331)**	1,222,088
	(798,560)	556,338

28. CASH FLOWS FROM OPERATING ACTIVITIES (DIRECT METHOD)

	December 31, 2019	December 31, 2018
Cash receipts from customers	**14,391,354**	13,062,770
Cash paid to suppliers / service providers and employees	**(13,887,644)**	(11,100,282)
Finance costs paid	**(59,387)**	(15,889)
Interest on lease liability paid	**(442)**	-
Income tax paid	**(368,471)**	(617,167)
Retirement benefits paid	**(107,298)**	(82,262)
Long-term loans - net	**830**	907
Net cash (used in)/generated from operating activities	**(31,058)**	1,248,077

29. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash and bank balances	**30,779**	254,648
Short-term borrowings (running finance)	**(447,553)**	-
	(416,774)	254,648

30. TRANSACTIONS WITH RELATED PARTIES

30.1 The related parties of the Company comprise of group companies, associated undertakings, employees' retirement funds, directors and key management personnel. All transactions with related parties are executed into at agreed terms duly approved by the Board of Directors of the Company. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

	December 31, 2019					December 31, 2018				
	Parent Company	Group companies	Associated undertakings	Employees' Retirement funds	Total	Parent Company	Group Companies	Associated undertakings	Employees' Retirement funds	Total
	Rupees in '000									
Sales	-	29,001	-	-	29,001	-	15,160	-	-	15,160
Purchase of goods	-	5,316,212	21,634	-	5,337,846	-	5,037,444	15,777	-	5,053,221
Purchase of services	-	56,105	13,255	-	69,360	-	147,317	11,853	-	159,170
Insurance claim received	-	-	48,367	-	48,367	-	-	5,452	-	5,452
Dividend paid	152,984	-	61,400	-	214,384	229,476	-	89,230	-	318,706
Contribution paid										
- Provident fund	-	-	-	60,590	60,590	-	-	-	55,669	55,669
- Gratuity fund	-	-	-	46,772	46,772	-	-	-	40,059	40,059
- Pension fund	-	-	-	60,526	60,526	-	-	-	42,203	42,203

30.2 Following are the related parties including Parent Company, Associated Companies with whom the Company had entered into transactions:

Name of the Company	Country of Incorporation	Basis of Association	Aggregate percentage of shareholding
Sanofi Foreign Participations B.V.	Netherlands	Parent Company	52.87%
Sanofi-Aventis Groupe, France	France	Group Company	-
Sanofi-Aventis Singapore Pte Limited	Singapore	Group Company	-
Sanofi India Limited	India	Group Company	-
Sanofi Pasteur Inc.	USA	Group Company	-
Sanofi-Aventis Deutschland GmbH	Germany	Group Company	-
Sanofi Chimie	France	Group Company	-
IGI General Insurance Limited	Pakistan	Common Directorship	-
Packages Limited	Pakistan	Common Directorship	-
Ali Gohar & Company (Private) Limited	Pakistan	Common Directorship/ Shareholding	0.53%
IGI Investments (Private) Limited	Pakistan	Common Directorship/ Shareholding	19.10%
Lahore University of Management Sciences	Pakistan	Common Directorship	-
Pak-France Business Alliance	Pakistan	Common Directorship	-

31. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND OTHER EXECUTIVES

	Chief Executive		Director		Other Executives		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees in '000							
Managerial remuneration	**19,287**	17,394	**7,813**	7,355	**266,951**	234,985	**294,051**	259,734
Profit sharing bonus	**8,885**	8,088	**2,422**	2,158	**55,049**	49,426	**66,356**	59,672
Retirement benefits	**3,502**	3,188	**1,432**	1,293	**45,866**	39,894	**50,800**	44,375
Rent, utilities & others	**10,586**	9,646	**4,359**	5,907	**145,491**	129,317	**160,436**	144,870
Medical expenses	**1,481**	382	**79**	136	**9,825**	8,208	**11,385**	8,726
	43,741	38,698	**16,105**	16,849	**523,182**	461,830	**583,028**	517,377
Number of persons	**1**	1	**1**	1	**90**	83	**92**	85

In addition to the above remuneration, the Chief Executive, Director and certain Executives are also provided with free use of Company maintained cars and household equipment in accordance with the terms of employment.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Other Executives includes remuneration paid to Key Management Personnel amounting to Rs.144.7 million (2018: Rs.128.7 million).

Aggregate amount charged in the financial statements in respect of fee to 3 Non-Executive Directors and 1 Independent Director amount to Rs. 6 million (2018: Rs. 6.9 million).

Further, the impact of benefits available to the Chief Executive, Director and certain Executives recognised by the Company on account of share-based payment plans aggregated to Rs. 11.2 million (2018: Rs. 9.4 million), Rs. 1.5 million (2018: Rs. 1.2 million) and Rs. 18.9 million (2018: Rs. 17.3 million), respectively.

As per requirement of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

32.1 Financial assets

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
Loans to employees	6	**8,390**	9,594
Long-term deposits		**13,643**	13,643
Trade debts - net	10	**691,325**	582,001
Trade deposits - net		**317,539**	388,184
Other receivables	13	**583,916**	31,095
Cash and bank balances	14	**30,779**	254,648
Total financial assets		**1,645,592**	1,279,165

32.2 Financial liabilities

	Note	Interest Rate	Maturity	December 31, 2019	December 31, 2018
				-------- Rupees in '000 --------	
Current interest-bearing financial liabilities					
Lease liability	4	12.46%	2020	1,407	-
Short-term borrowing	18	KIBOR + 0.15% to KIBOR + 0.40%	2020	447,553	-
Total current interest-bearing financial liabilities				448,960	-
Non-current interest-bearing financial liabilities					
Lease liability	4	12.46%	2021	1,592	-
Other financial liabilities at amortized cost					
Trade and other payables				2,177,357	2,778,231
Accrued mark-up				12,883	339
Total other financial liabilities				2,190,240	2,778,570

32.3 Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise of short-term borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets includes trade debts, trade deposits and other receivables that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's overall risk management program focuses on minimizing potential adverse effects on the Company's financial performance. The overall risk management of the Company is carried out by the Company's senior management team under policies approved by the Board of Directors. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

32.3.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk, such as equity price risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range, and the management manages these risks as explained in the following paragraphs.

32.3.1.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign currency risk due to transactions denominated in foreign currencies primarily relating to its operating activities. When the management expects future depreciation of reporting currency, the Company manages its foreign currency risk in accordance with the Company's treasury policy.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk in major currencies is as follows:

	December 31,		December 31,		December 31,	
	2019	2018	2019	2018	2019	2018
	GBP in '000		Euro in '000		USD in '000	
Other receivables	-	-	3,181	42	12	12
Bank balances	-	-	-	-	104	52
Trade and other payables	(11)	(5)	(5,332)	(10,257)	(86)	(433)
	(11)	(5)	(2,151)	(10,215)	30	(369)

Significant exchange rates applied during the year were as follows:

	Average rate		Spot rate	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	PKR		PKR	
GBP	192.9	162.8	205.5	178.3
EUR	168.8	144.3	173.8	160.3
USD	151.0	122.7	155.0	139.7

Sensitivity analysis

The following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of all major currencies applied to assets and liabilities as at December 31, 2019 represented in foreign currencies, with all other variables held constant, of the Company's profit before tax.

		December 31, 2019	December 31, 2018
Change in exchange rate	±	1%	1%
Effect on profit before tax (Rs.000's)	±	3,715	16,973
Effect on equity (Rs.000's)	±	1,053	11,234

32.3.1.2 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Company's exposure to the risk of change in market interest rate relates primarily to the Company's liability against short-term borrowings with floating interest rates. The Company manages its net working capital by keeping it at an optimum level to ensure minimal utilization of running finance facilities.

Interest rate profile of financial instruments

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments were as follows:

	December 31, 2019	December 31, 2018
	-------- Rupees in '000 --------	
Financial assets		
Loans to employees	117	235
Financial liabilities		
Short-term borrowings	447,553	-
	447,553	-

Sensitivity analysis

A change of 100 basis points (1%) in interest rate at the reporting date would have changed Company's profit before tax for the year and equity by the amounts shown below, with all other variables held constant.

		December 31, 2019	December 31, 2018
Change in interest rate	±	1%	1%
Effect on profit before tax (Rs.000's)	±	4,476	-
Effect on equity (Rs.000's)	±	1,268	-

32.3.1.3 Equity price risk

Equity price risk is the risk of loss arising from movements in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares.

32.3.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economical, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises principally from the trade debts, loans and advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk on trade debts, the Company has developed a formal approval process, whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and records an allowance for expected credit loss. The credit risk on liquid funds such as balances with banks is limited because the counter parties are banks with reasonably high credit ratings.

Notes to the Financial Statements
For the year ended December 31, 2019

Exposure to credit risk

The Company's maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2019	December 31, 2018
	------- Rupees in '000 -------	
Financial assets at amortized cost		
Long-term deposits	13,643	13,643
Trade debts - net	691,325	582,001
Loans to employees	8,390	9,594
Trade deposits - net	317,539	388,184
Other receivables	583,916	31,095
Cash at banks	30,719	254,556
	1,645,532	1,279,073

Quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings or default history of counter parties as shown in notes 32.3.2.1 and 32.3.2.2 of these financial statements.

32.3.2.1 Trade debts

Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The carrying values of trade debts that are neither past due nor impaired are analyzed as follows:

	December 31, 2019	December 31, 2018
	------- Rupees in '000 -------	
Amounts not yet due	384,462	395,843
The ageing of trade debts past due but not impaired at the reporting date is as under. These relate to a number of independent customers from whom there is no history of default.		
1 – 30 days	55,514	50,512
31 – 60 days	52,902	23,342
61 – 90 days	34,989	5,056
91 – 120 days	15,507	35,310
121 – 150 days	41,113	42,601
151 – 180 days	20,722	4,106
181 – 365 days	78,339	21,089
Over 365 days	8,708	5,073
	307,794	187,089
Less: Allowance for expected credit loss	(931)	(931)
	691,325	582,001

	December 31, 2019	December 31, 2018
	------- Rupees in '000 -------	
The maximum exposure to credit risk for trade debts as at the reporting date by type of counter parties were:		
Government institutions and hospitals	441,386	343,114
Private institutions and hospitals	58,532	49,018
Credit distributors	192,338	190,800
	692,256	582,932
Allowance for expected credit loss	(931)	(931)
	691,325	582,001

32.3.2.2 Cash at banks

The carrying values of bank balances are analyzed as follows:

	December 31, 2019	December 31, 2018
A1+	13,959	93,438
A-1	-	144
A-1+	-	72,739
P-1	676	583
P-2	16,084	87,652
	30,719	254,556

32.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company maintains flexibility in funding by maintaining availability under control committed credit lines.

The table below summarizes the maturity profile of the Company's financial liabilities, carried at amortized cost, as at reporting date.

	Carrying amount	less than 12 months
	------- Rupees in '000 ------	
December 31, 2019		
Trade and other payables	2,177,357	2,177,357
Accrued mark-up	12,883	12,883
Short-term borrowings	447,553	447,553
Lease liability	2,999	1,407
	2,640,792	2,639,200
December 31, 2018		
Trade and other payables	2,778,231	2,778,231
Accrued mark-up	339	339
	2,778,570	2,778,570

Notes to the Financial Statements

For the year ended December 31, 2019

32.5 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As of the reporting date, the carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

33. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may regulate the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings less cash and bank balances. Total capital is calculated as equity, as shown in the statement of financial position plus net debt.

The gearing ratio as at December 31, 2019 and 2018 were as follows:

	Note	December 31, 2019	December 31, 2018
		----------Rupees in '000	-----------
Short-term borrowings	18	447,553	-
Less: Cash and bank balances	14	(30,779)	(254,648)
Net debt		416,774	(254,648)
Total capital	15 & 16	4,089,452	4,297,665
		4,506,226	4,043,017
Gearing ratio		9%	0%

34. ENTITY WIDE INFORMATION

34.1 The Company constitutes a single reportable segment. Information about geographical areas of the Company are as follows:

Sales to external customers, net of returns and discounts	December 31, 2019	December 31, 2018
	----------Rupees in '000	-----------
Pakistan	14,194,661	12,812,328
Afghanistan	277,016	133,351
Other exports	29,001	15,160
	14,500,678	12,960,839

Notes to the Financial Statements
For the year ended December 31, 2019

34.2 Information about major customers

There were four major customers of the Company who contributed 34.72% of the Company's net sales.

35. CAPACITY AND PRODUCTION

The capacity and production of the Company's manufacturing facility is not determinable as it is a multiproduct plant involving varying processes of manufacture.

36. PROVIDENT FUND

Investments out of provident fund have been made in accordance with the provisions of the section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 3, 2020 by the Board of Directors of the Company.

38. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended December 31, 2019, the Board of Directors in its meeting held on March 3, 2020 proposed final cash dividend @ Rs. 8.00/- per share amounting to Rs. 77.2 million for approval of the members at the Annual General Meeting.

The financial statements for the year ended December 31, 2019 do not include the effect of the final cash dividend which will be accounted for in the financial statements for the year ending December 31, 2020.

39. GENERAL

39.1 Total number of employees as at December 31, 2019 was 1,099 (2018: 1,094) and average number of employees during the year was 1,144 (2018: 1,157).

39.2 Figures presented in these financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

Syed Babar Ali	Asim Jamal	Yasser Pirmuhammad
Chairman	Chief Executive Officer	Chief Financial Officer

Pattern of Shareholding

As at December 31, 2019

No. of Shareholders	No. of Shareholdings From	To	Total Shares
637	1	100	24,106
359	101	500	105,810
72	501	1,000	54,290
73	1,001	5,000	125,721
10	5,001	10,000	67,181
4	15,001	20,000	73,223
2	20,001	25,000	43,668
2	50,001	55,000	105,442
1	60,001	65,000	63,777
1	85,001	90,000	89,700
1	200,001	205,000	204,099
1	225,001	230,000	228,461
1	255,001	260,000	255,700
1	445,001	450,000	446,435
1	815,001	820,000	815,939
1	1,840,001	1,845,000	1,841,739
1	5,095,001	5,100,000	5,099,469
1,168			9,644,760

S. No.	Shareholders Category	No. of Shareholders	No. of Shares	Percentage
1.	Directors, Chief Executive Officer, and their spouse and children	6	1,328,126	13.77
2.	Associated Companies, Undertakings and Related Parties	5	7,146,127	74.09
3.	Banks, Development Financial Institutions, Non Banking Financial Institutions	2	169	0.00
4.	Insurance Companies	2	223,299	2.32
5.	Modarabas and Mutual Funds	3	230,941	2.39
6.	General Public	1,129	416,331	4.32
7.	Others	21	299,767	3.11
	Total	1,168	9,644,760	100.00

Pattern of Shareholding

As at December 31, 2019

Directors, Chief Executive Officer, and their spouse and children

Name	Holding
Syed Babar Ali	446,435
Mrs. Perwin Babar Ali	22,690
Syeda Henna Babar Ali	18,714
Syed Hyder Ali	16,914
Mrs. Naiyar Zamani Gohar	7,434
Arshad Ali Gohar	815,939
Total	1,328,126

Associated Companies, Undertakings and Related Parties

Name	Holding
Ali Gohar & Company (Private) Limited	51,442
Sanofi Foreign Participations B.V.	5,099,469
AGT Holdings (Private) Limited	89,700
IGI Investments (Private) Limited	1,841,739
Babar Ali Foundation	63,777
Total	7,146,127

Banks, Development Financial Institutions, Non Banking Financial Institutions

Name	Holding
National Bank of Pakistan	129
MCB Bank Limited	40
Total	169

Insurance Companies

Name	Holding
State Life Insurance Corporation of Pakistan	204,099
EFU General Insurance Limited	19,200
Total	223,299

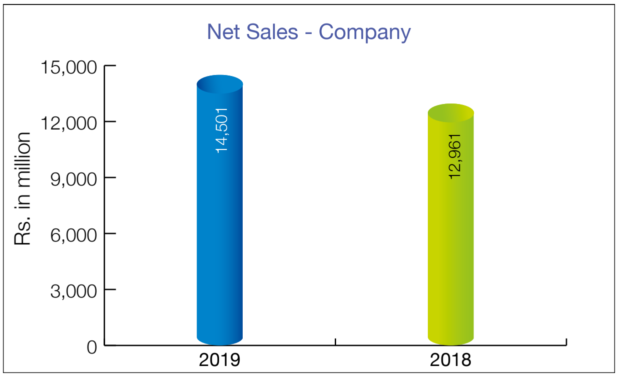
Modarabas and Mutual Funds

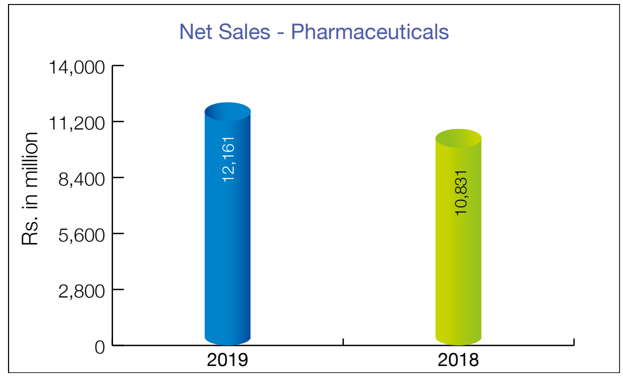
Name	Holding
CDC - Trustee JS Pension Savings Fund	1,220
CDC - Trustee JS Islamic Pension Savings Fund	1,260
CDC - Trustee National Investment (Unit) Trust	228,461
Total	230,941

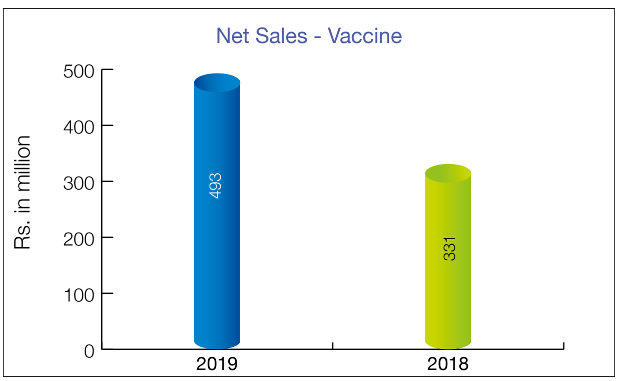
Shareholders Holding five percent or more voting Rights in the Company

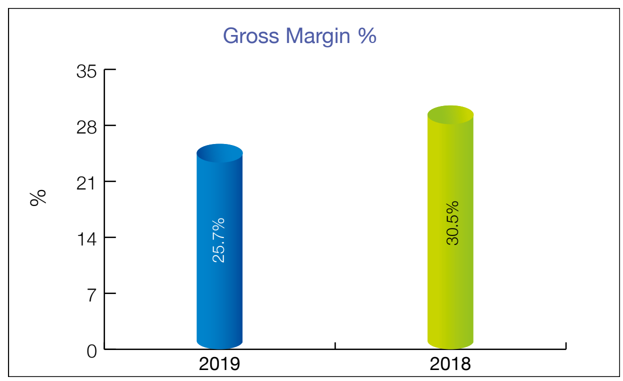
Name	Holding
Arshad Ali Gohar	815,939
IGI Investments (Private) Limited	1,841,739
Sanofi Foreign Participations B.V.	5,099,469
Total	7,757,147

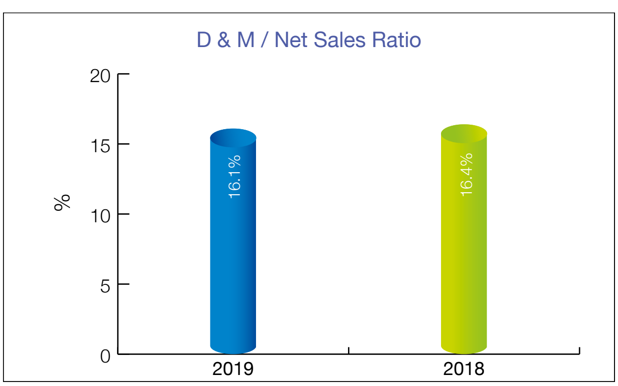
Analytical Review

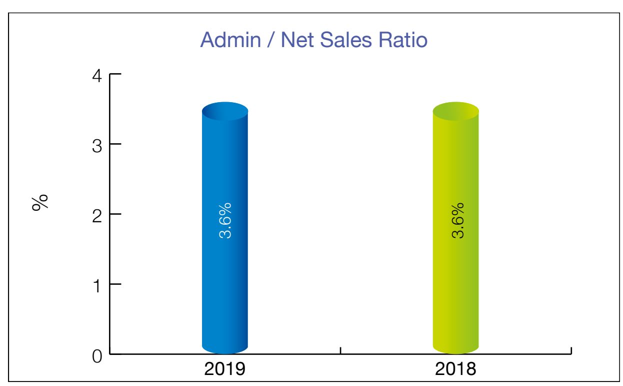


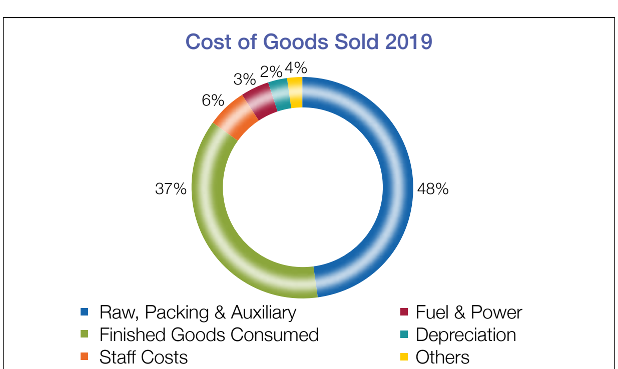


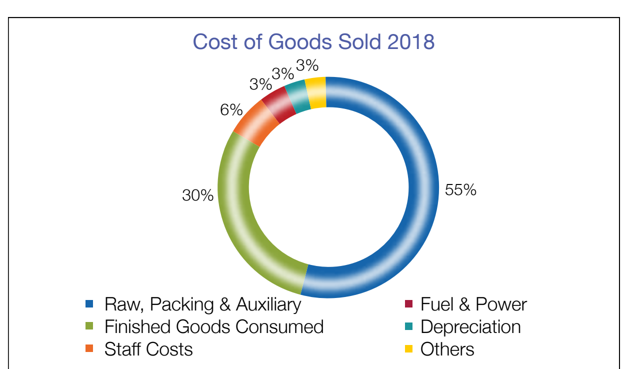




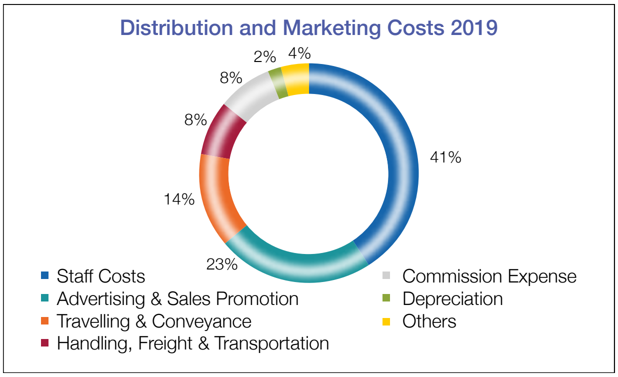


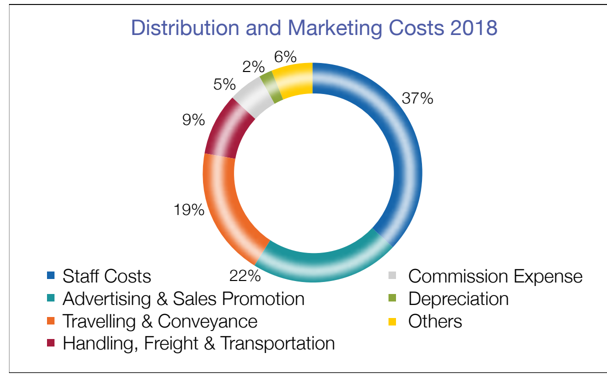


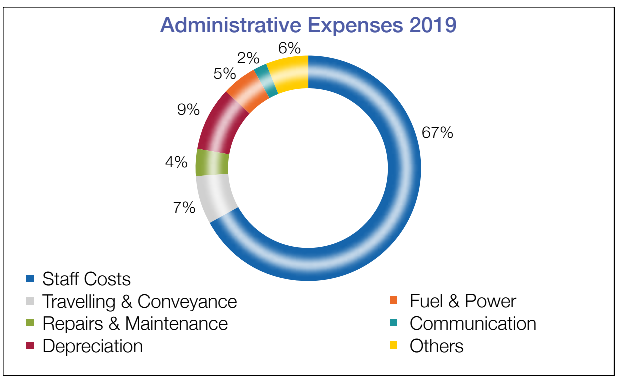


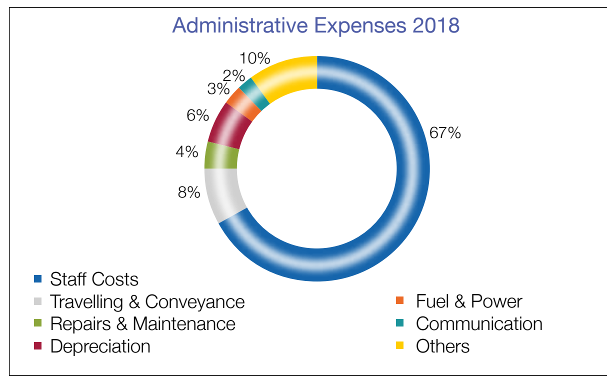


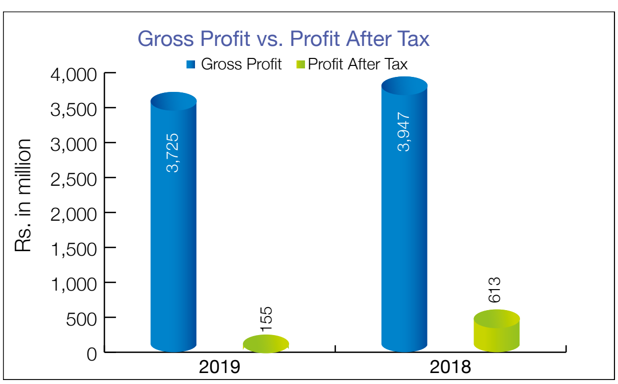
Analytical Review

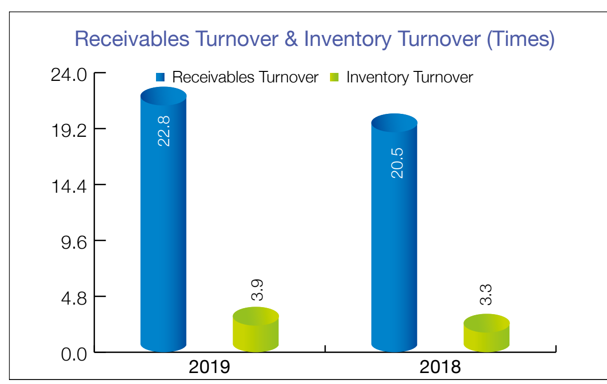






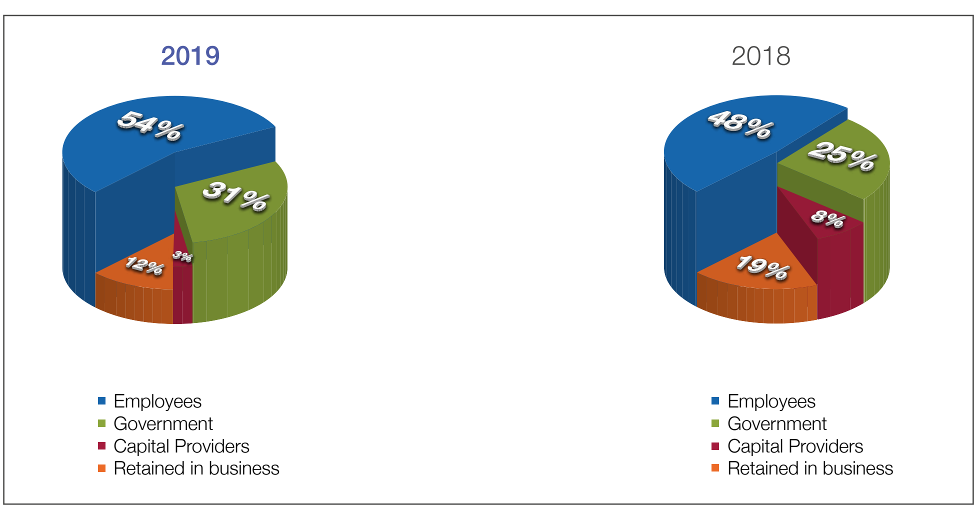






Statement of Value Added

	2019 Rs. in 000	2019 %	2018 Rs. in 000	2018 %
Net sales	14,500,678	100	12,960,839	100
Materials and services	(10,796,895)	(74)	(9,388,278)	(72)
	3,703,783	26	3,572,561	28
DISTRIBUTED AS FOLLOWS:				
Employees				
Staff cost	1,948,669	53	1,661,799	47
Workers' Profit Participation Fund	30,509	1	50,059	1
	1,979,178	54	1,711,858	48
Government				
Income tax	391,543	11	313,053	9
Custom duty, Sales tax & Others	744,611	20	563,726	16
Central Research Fund	6,199	-	9,607	-
Workers' Welfare Fund	13,320	-	16,351	-
	1,155,673	31	902,737	25
Capital Providers				
Dividend to shareholders	77,158	2	289,343	8
Mark-up on borrowed funds	57,979	1	3,333	-
	135,137	3	292,676	8
Retained in business				
Depreciation / amortisation	356,117	10	341,841	10
Net Earnings	77,678	2	323,449	9
	433,795	12	665,290	19
	3,703,783	100	3,572,561	100

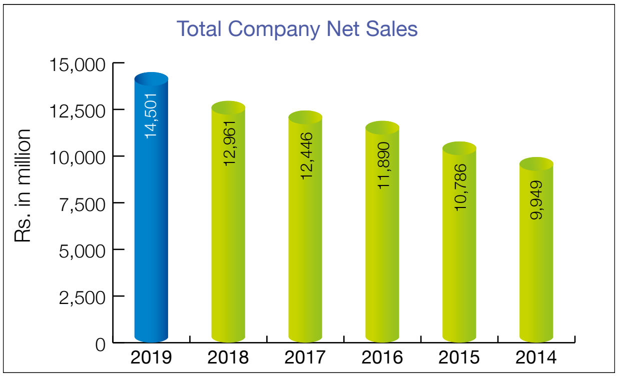


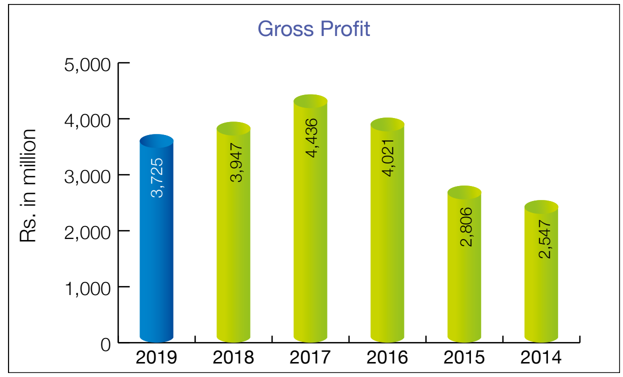
Operating & Financial Highlights

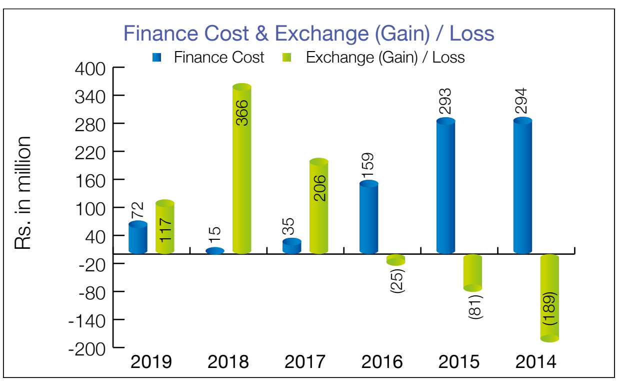
		2019	2018	2017	2016	2015	2014
Liquidity Ratios							
Current Ratio	Times	**1.6**	1.7	2.0	1.7	1.2	1.2
Quick Ratio	Times	**0.9**	0.9	1.0	0.8	0.6	0.4
Cash to Current Liabilities	Times	**(0.12)**	0.07	(0.10)	(0.04)	(0.01)	(0.4)
Cash Flow from Operations to Sales	%	**3.5**	15.1	18.4	23.1	14.8	2.6
Net Working Capital	Rs. M	**2,306**	2,575	2,421	2,082	973	994
Net Assets	Rs. M	**4,089**	4,298	4,149	3,412	2,410	2,392
Operating Cycle	Days	**26**	40	66	82	107	107
Current Assets to Total Assets	%	**76.8**	77.9	73.9	72.3	72.5	74.1
Inventory / Current Assets	%	**44.1**	48.2	50.2	54.6	54.1	65.6
Inventory to Total Assets	%	**33.9**	37.6	37.1	39.5	39.2	48.6
Activity Ratios							
Inventory Turnover	Times	**3.9**	3.3	3.1	2.8	2.4	2.3
Average No. of Days Inventory in Stock	Days	**94**	109	117	130	154	156
Accounts Receivable Turnover	Times	**22.8**	20.5	17.9	13.9	12.4	12.1
Average Collection Period	Days	**16**	18	20	26	29	30
Creditors Turnover	Times	**4.4**	4.2	5.1	4.9	4.8	4.6
Average Payment Period	Days	**84**	87	72	74	76	79
Fixed Assets Turnover	Times	**8.7**	7.8	7.3	6.4	5.4	4.9
Operating Fixed Assets Turnover	Times	**9.4**	8.3	7.9	7.0	5.9	5.5
Total Assets Turnover	Times	**1.9**	1.7	1.9	1.7	1.5	1.3
Leverage							
Interest Coverage Ratio	Times	**8.5**	63.6	44.7	9.8	1.6	2.1
Fixed Assets to Equity	Times	**0.4**	0.4	0.4	0.5	0.8	0.8
Profitability Ratios							
Sales Growth	%	**11.9**	4.1	4.7	10.2	8.4	13.2
COGS to Net Sales	%	**74.3**	69.5	64.4	66.2	74.0	74.4
EBITDA* to Net Sales	%	**6.7**	9.9	15.4	15.9	7.3	8.8
Profit Before Tax to Net Sales	%	**3.8**	7.1	12.4	11.8	1.6	3.4
Profit After Tax Margin	%	**1.1**	4.7	8.1	8.6	0.6	2.4
Gross Profit Margin	%	**25.7**	30.5	35.6	33.8	26.0	25.6
Operating Profit Margin	%	**4.3**	7.3	12.7	13.2	4.3	6.3
Return on Assets	%	**2.0**	7.9	15.2	14.9	0.9	3.0
Return on Equity	%	**3.8**	14.3	24.3	29.9	2.8	10.0
Return on Capital Employed	%	**14.8**	22.3	39.0	44.9	15.5	21.1
Admin. Dist. & Mktg. Exp. to Net Sales	%	**19.7**	20.0	20.6	20.1	22.9	21.0
Admin. Dist. & Mktg. Exp. Variance	%	**10.0**	0.9	7.2	(2.9)	17.8	23.4
Financial Charges to Net Income	%	**46.7**	2.4	3.5	15.6	440.3	123.2
Market Value							
Market Value Per Share	Rs.	**800**	750	1,244	2,856	670	750
Market / Book Ratio	Times	**1.9**	1.7	2.9	8.1	2.7	3.0
Earnings per Share (before tax)	Rs.	**56.7**	96.0	160.3	145.9	18.3	34.8
Earnings per Share (after tax)	Rs.	**16.1**	63.5	104.3	105.6	6.9	24.7
Price Earning Ratio	Times	**49.8**	11.8	11.9	27.0	97.2	30.3
Dividend per Share	Rs.	**8.00**	30.00	45.00	30.00	3.00	7.00
Dividend Yield	%	**1.0**	4.0	3.6	1.1	0.4	0.9
Dividend Cover	Times	**0.6**	1.9	2.3	3.5	2.3	3.4
Payout Ratio (after tax)	%	**49.8**	47.2	43.1	28.4	43.5	28.3
Market Capitalisation	Rs.M	**7,716**	7,234	11,993	27,545	6,462	7,234
Break-up Value per Share	Rs.	**424.0**	445.6	430.1	353.8	249.9	248.0

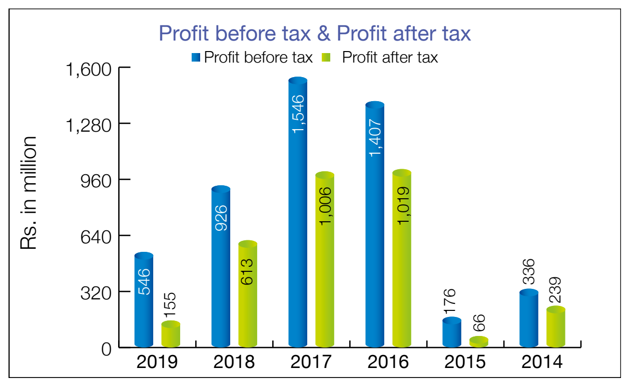
*EBITDA = Earnings before interest, taxes and depreciation & amortization

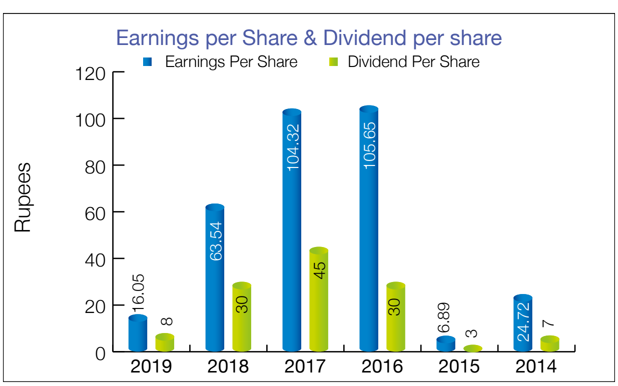
Operating & Financial Highlights

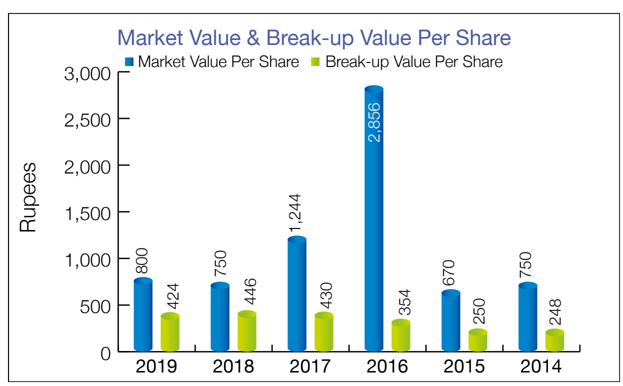




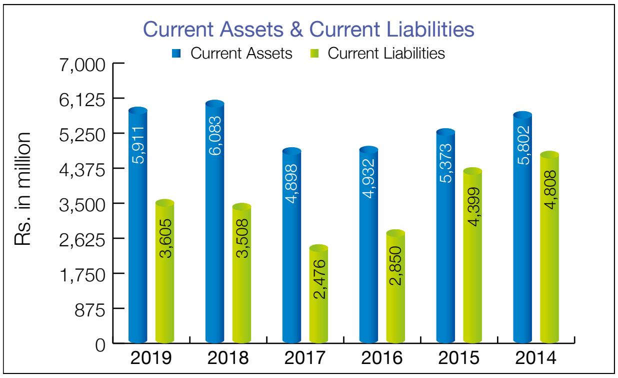


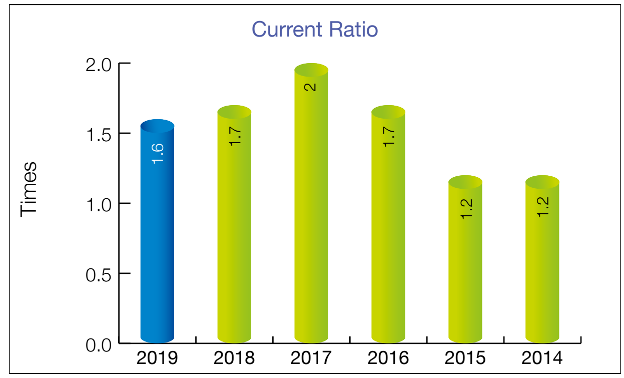


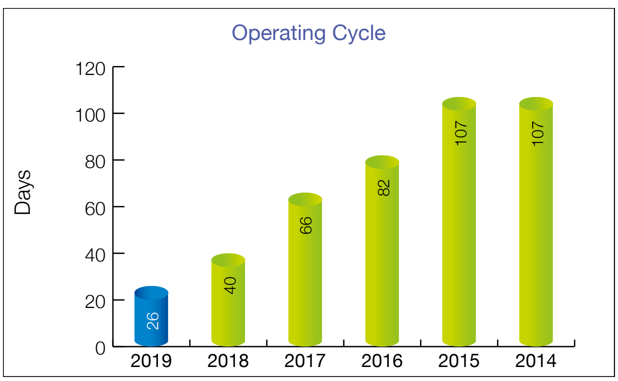


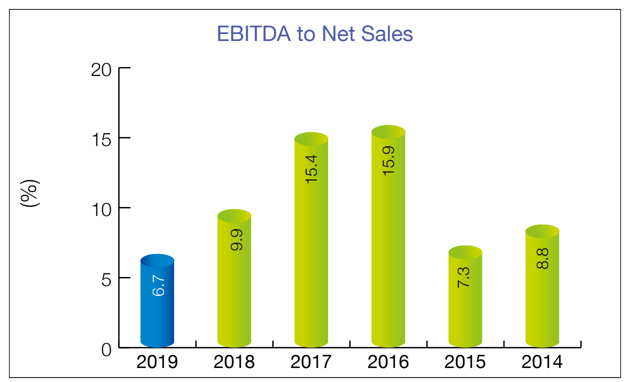


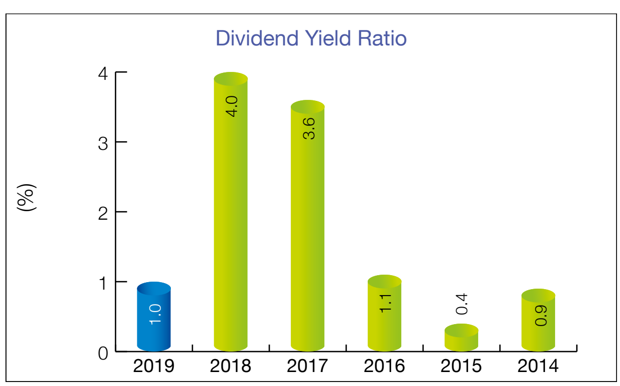
Operating & Financial Highlights











Horizontal Analysis

	2019 Amount	19 Vs. 18 %	2018 Amount	18 Vs. 17 %	2017 Amount	17 Vs. 16 %	2016 Amount	16 Vs. 15 %	2015 Amount	15 Vs. 14 %	2014 Amount	14 Vs. 13 %
Operating Results (Rupees in million)												
Net sales	14,501	11.9	12,961	4.1	12,446	4.7	11,890	10.2	10,786	8.4	9,949	13.2
Cost of sales	(10,776)	19.5	(9,014)	12.5	(8,010)	1.8	(7,869)	(1.4)	(7,980)	7.8	(7,402)	21.1
Gross profit	3,725	(5.6)	3,947	(11.0)	4,436	10.3	4,021	43.3	2,806	10.2	2,547	(4.9)
Distribution,selling and administrative expenses	(2,848)	10.0	(2,589)	0.9	(2,566)	7.2	(2,394)	(2.8)	(2,464)	17.7	(2,093)	23.5
Other expenses	(350)	(24.4)	(463)	31.2	(353)	157.7	(137)	291.4	(35)	(23.9)	(46)	(81.6)
Other income	92	100.7	46	(29.2)	65	(14.5)	76	(53.1)	162	(27.0)	222	455.0
Operating profit	619	(34.2)	941	(40.5)	1,582	1.0	1,566	233.9	469	(25.6)	630	(18.5)
Finance costs	(72)	389.2	(15)	(57.1)	(35)	(77.7)	(159)	(45.7)	(293)	(0.3)	(294)	26.2
Profit before taxation	546	(41.0)	926	(40.1)	1,546	9.9	1,407	699.4	176	(47.6)	336	(37.8)
Taxation	(392)	25.1	(313)	(42.0)	(540)	39.2	(388)	252.7	(110)	13.4	(97)	(57.8)
Profit after taxation	155	(74.7)	613	(39.1)	1,006	(1.3)	1,019	1,443.9	66	(72.4)	239	(22.9)
Statement of financial position (Rupees in million)												
Fixed assets	1,659	(0.3)	1,664	(2.2)	1,702	(8.8)	1,867	(7.3)	2,015	(0.2)	2,019	9.4
Other non-current assets	127	116.0	59	136	25	26.1	20	5.3	19	58.3	12	-
Current assets	5,911	(2.8)	6,083	24.2	4,898	(0.7)	4,932	(8.2)	5,373	(7.3)	5,798	24.0
Total assets	7,696	(1.4)	7,806	17.8	6,625	(2.8)	6,819	(7.9)	7,407	(5.4)	7,829	19.8
Ordinary share capital	96	-	96	-	96	0.5	96	-	96	-	96	-
Reserves	3,993	(5.0)	4,201	3.7	4,052	22.2	3,316	43.3	2,314	0.8	2,296	7.8
Non-current liabilities	2	100.0	-	-	-	(100.0)	557	(6.9)	598	(5.4)	632	(0.8)
Current liabilities	3,605	2.8	3,508	41.7	2,476	(13.1)	2,850	(35.2)	4,399	(8.4)	4,805	30.9
Total equity and liabilities	7,696	(1.4)	7,806	17.8	6,625	(2.8)	6,819	(7.9)	7,407	(5.4)	7,829	19.8
Cash Flows (Rupees in thousand)												
Cash generated from operations	503,710	(74.3)	1,962,488	(14.4)	2,293,943	(16.5)	2,747,015	72.3	1,594,235	521.2	256,633	72.9
Cash flows used in operating activities	(534,768)	(25.1)	(714,411)	(25.9)	(964,452)	15.2	(837,329)	4.4	(802,179)	53.0	(524,181)	4.8
Cash flows used in investing activities	(350,951)	14.5	(306,605)	78.4	(171,843)	(3.7)	(178,452)	(42.9)	(312,671)	(25.0)	(416,965)	(6.6)
Cash flows (used in) / generated from financing activities	(289,413)	(32.9)	(431,372)	(66.5)	(1,288,099)	(29.6)	(1,828,844)	(212.0)	1,632,811	1,472.1	103,863	(84.1)
Net (decrease) / increase in cash and cash equivalents	(671,422)	231.6	510,100	491.0	(130,451)	(33.6)	(97,610)	104.6	2,112,196	463.8	(580,650)	299.2
Number of Employees												
Number of permanent employees at year end	908		941		964		988		1,000		1,014	

Vertical Analysis

	2019		2018		2017		2016		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Operating Results (Rupees in million)												
Net sales	14,501	100.0	12,961	100.0	12,446	100.0	11,890	100.0	10,786	100.0	9,949	100.0
Cost of sales	(10,776)	(74.3)	(9,014)	(69.5)	(8,010)	(64.4)	(7,869)	(66.2)	(7,980)	(74.0)	(7,402)	(74.4)
Gross profit	3,725	25.7	3,947	30.5	4,436	35.6	4,021	33.8	2,806	26.0	2,547	25.6
Distribution,selling and administrative expenses	(2,848)	(19.6)	(2,589)	(20.0)	(2,566)	(20.6)	(2,394)	(20.1)	(2,464)	(22.8)	(2,093)	(21.0)
Other expenses	(350)	(2.4)	(463)	(3.6)	(353)	(2.8)	(137)	(1.2)	(35)	(0.3)	(46)	(0.5)
Other income	92	0.6	46	0.4	65	0.5	76	0.6	162	1.5	222	2.2
Operating profit	619	4.3	941	7.3	1,582	12.7	1,566	13.1	469	4.4	630	6.3
Finance costs	(72)	(0.5)	(15)	(0.1)	(35)	(0.3)	(159)	(1.3)	(293)	(2.7)	(294)	(3.0)
Profit before taxation	546	3.8	926	7.2	1,546	12.4	1,407	11.8	176	1.7	336	3.3
Taxation	(392)	(2.7)	(313)	(2.4)	(540)	(4.3)	(388)	(3.3)	(110)	(1.0)	(97)	(1.0)
Profit after taxation	155	1.1%	613	4.7	1,006	8.1	1,019	8.5	66	0.7	239	2.3
Statement of financial position (Rupees in million)												
Fixed assets	1,659	21.6	1,664	21.3	1,702	25.7	1,867	27.4	2,015	27.2	2,019	25.7
Other non-current assets	127	1.6	59	0.8	25	0.4	20	0.3	19	0.3	12	0.2
Current assets	5,911	76.8	6,083	77.9	4,898	73.9	4,932	72.3	5,373	72.5	5,798	74.1
Total assets	7,696	100.0	7,806	100.0	6,625	100.0	6,819	100.0	7,407	100.0	7,829	100.0
Ordinary share capital	96	1.3	96	1.2	96	1.5	96	1.4	96	1.3	96	1.2
Reserves	3,993	51.9	4,201	53.8	4,052	61.1	3,316	48.6	2,314	31.2	2,296	29.3
Non-current liabilities	2	-	-	-	-	-	557	8.2	598	8.1	632	8.1
Current liabilities	3,605	46.8	3,508	45.0	2,476	37.4	2,850	41.8	4,399	59.4	4,805	61.4
Total equity and liabilities	7,696	100.0	7,806	100.0	6,625	100.0	6,819	100.0	7,407	100.0	7,829	100.0
Cash Flows (Rupees in thousand)												
Cash generated from operations	503,710	(75.0)	1,962,488	384.7	2,293,943	(1,758.5)	2,747,015	(2,814.3)	1,594,235	75.5	256,633	(44.2)
Cash flows used in operating activities	(534,768)	79.6	(714,411)	(140.1)	(964,452)	739.4	(837,329)	857.8	(802,179)	(38.0)	(524,181)	90.3
Cash flows used in investing activities	(350,951)	52.3	(306,605)	(60.1)	(171,843)	131.7	(178,452)	182.9	(312,671)	(14.8)	(416,965)	71.8
Cash flows (used in) / generated from financing activities	(289,413)	43.1	(431,372)	(84.5)	(1,288,099)	987.4	(1,828,844)	1,873.6	1,632,811	77.3	103,863	(17.9)
Net (decrease) / increase in cash and cash equivalents	(671,422)	100.0	510,100	100.0	(130,451)	100.0	(97,610)	100.0	2,112,196	100.0	(580,650)	100.0
Number of Employees												
Number of permanent employees at year end	908		941		964		988		1,000		1,014	

Notice of Annual General Meeting

Notice is hereby given that the 52nd Annual General Meeting of sanofi-aventis Pakistan Limited will be held on Wednesday, May 20, 2020 at 10:00 a.m., electronically through video link arrangement to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 51st Annual General Meeting held on April 23, 2019.
2. To receive, consider and adopt the audited financial statements for the year ended December 31, 2019 together with the Directors' and Auditors' reports thereon.
3. To approve and declare final cash dividend on the ordinary shares of the Company. The directors have recommended a cash dividend of Rs.8.00 (80%) per share for the year ended December 31, 2019 which will be payable to the Members whose names appear in the register of the Members on May 12, 2020 close of business.
4. To appoint External Auditors for the year ending December 31, 2020 and to fix their remuneration. The present auditors, M/s. EY Ford Rhodes, Chartered Accountants being eligible, have offered themselves for re-appointment. The Audit Committee and Board of Directors have also recommended appointment of M/s. EY Ford Rhodes, Chartered Accountants as auditors for the year ending December 31, 2020.
5. To elect eleven directors as fixed by the Board in accordance with the provision of section 159 of the Companies Act, 2017 for a term of three years, in place of the retiring directors namely Syed Babar Ali, Syed Hyder Ali, Arshad Ali Gohar, Asim Jamal, Yasser Pirmuhammad, Imtiaz Ahmed Husain Laliwala, Ana Arcos, Thomas Rouckout and Naira Adamyan.
6. To transact any other business with the permission of the Chair.

SPECIAL BUSINESS:

7. To consider, and if thought fit, to pass the following resolution as a Special Resolution with or without modification to amend the Memorandum of Association and Articles of Association of the Company to bring these in conformity with the Companies Act, 2017:

"**RESOLVED** that the existing Memorandum of Association and Articles of Association of the Company be and are hereby amended to bring them in conformity with the Companies Act, 2017 and for that purpose, the revised Memorandum of Association and Articles of Association of the Company, as initialed by the Company Secretary for the purpose of identification, be and are hereby adopted as Memorandum of Association and Articles of Association of the Company, in substitution of and to the exclusion of the existing Memorandum of Association and Articles of Association".

By order of the Board

Yousuf

Muhammad Yousuf
Company Secretary

Karachi, April 28, 2020

Notes:

1. The Share Transfer Books of the Company shall remain closed from May 13, 2020 to May 20, 2020 (both days inclusive). Transfers received at Company's Share Registrar namely FAMCO Associates (Pvt.) Ltd., 8-F, Near Hotel Faran, Nursery, Block 6, P.E.C.H.S, Shahra-e-Faisal, Karachi, by the close of business on May 12, 2020 will be considered in time, to entitle the transferees to the final cash dividend and to attend the Annual General Meeting.

2. Any person who seeks to contest the election to the office of a Director, whether he/she is a retiring director or otherwise, shall file the following documents with the Company Secretary, at the Registered Office of the Company, situated at Plot 23, Sector 22, Korangi Industrial Area, Karachi, Pakistan not later than 14 days before the day of Annual General Meeting:

   a) Notice of his/her intention to offer him/her self for the election to the office of Director in terms of Section 159(3) of the Companies Act, 2017;

   b) Consent to Act as Director in Form-28, as prescribed under the Companies (General Provisions and Forms) Regulations, 2018;

   c) A detailed profile along with his/her office address;

   d) Declaration in respect of being compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the eligibility criteria, as set out in Section 153 of the Companies Act, 2017 to act as director or an independent director of a listed company;

   e) Attested copy of valid CNIC and NTN;

   f) Independent Director(s) will be elected through the process of election of director in terms of section 159 of the Act and they shall meet the criteria laid down in Section 166 of the Act, and the Companies (Manner and Selection of Independent Directors) Regulations, 2018. A declaration by Independent Director(s) under Clause 6(3) of the Listed Companies (Code of Corporate Governance) Regulations, 2019 shall be submitted.

   The final list of contesting directors will be circulated not later than seven days before the date of said meeting, in terms of section 159(4). Further, the website of the Company will also be updated with the required information.

3. For attending the AGM and appointing proxies

   i) Members whose names are appearing in the register of members as of May 12, 2020 are entitled to attend and vote at the meeting.

   ii) Due to outbreak of COVID-19 pandemic, the federal and provincial government authorities have placed and advised stringent restrictions on public gatherings in the interest of safety of public at large. Similarly, the Securities and Exchange Commission of Pakistan (SECP) has issued guidelines in this regard, vide Circular No. 5, dated March 17, 2020, specifically with respect to the holding of annual general meetings.

   In view of SECP's aforementioned circular, the Meeting will be attended by the Directors of sanofi-aventis Pakistan Limited and by shareholders including holders of proxies, electronically through video link arrangement, in the best health interest of our valued shareholders and to ensure maximum participation.

   The shareholders are requested to get themselves registered by sending their particulars at the designated email address (pk.agm@sanofi.com), mentioning their names, CNIC number, Folio number, cell phone number and email address by the close of business hours (5:00 PM) on May

15, 2020. The webinar link would be provided to the registered shareholders who have provided all the requested information. The shareholders are also encouraged to send their comments/ suggestions, related to the agenda items of the AGM on the above-mentioned email address by the close of business hours (5:00 PM) on May 15, 2020.

iii) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his behalf. No person shall act as a proxy (except for a corporation) unless he is entitled to be present and vote in his own right. Instrument appointing proxy must be deposited at the registered office of the Company at least 48 hours before the time of the Meeting.

iv) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

v) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

vi) The proxy shall produce his original CNIC/SNIC or original passport at the time of the meeting.

vii) In case of corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature shall be submitted along with proxy form to the Company.

viii) Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their original CNIC and CDC account number for verification.

ix) In case of a corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

x) Shareholders holding shares in physical form are requested to notify the change of their addresses, if any and provide the copy of their CNIC to Share Registrar, FAMCO Associates (Pvt.) Ltd., 8-F, Near Hotel Faran, Nursery, Block 6, P.E.C.H.S, Shahra-e-Faisal, Karachi, if not already provided. Those holding shares in electronic form with CDC must notify change of address to their participants or CDC Investor Accounts Services with whom account is maintained.

xi) CDC account holders will have to follow further guidelines as laid down in Circular No.1, dated January 26, 2000 issued by the SECP for attending the meeting and appointment of proxies.

4. Annual audited financial statements of the Company for the financial year ended December 31, 2019 have been uploaded on the Company's website i.e. www.sanofi.com.pk.

5. Members are hereby informed that pursuant to SECP's S.R.O. 787(1)/2014 dated September 8, 2014 regarding electronic transmission of Annual Report, we have uploaded the request form on our Company's website. Members who want to avail this facility are requested to submit the request form duly filled to the Share Registrar.

6. In accordance with the provisions of Section 242 of the Companies Act, 2017, and Regulation 4 of the Companies (Distribution of Dividends) Regulations, 2017, a listed company is required to pay cash dividend to its Shareholders ONLY through electronic mode directly into the bank account designated by the entitled Shareholders. In compliance with the above law and in order to receive dividends directly in bank account, Shareholders are requested to provide the information mentioned in Dividend Mandate Form available on the Company's website www.sanofi.com.pk, otherwise the Company would be constrained to withhold payment of dividend (if any) in terms of Regulation 6 of the Companies (Distribution of Dividends) Regulations, 2017. Shareholders shall submit the information directly to their Brokers/CDC Investor Account Service if the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in physical form.

7. As per SECP directives the dividend of Shareholders whose CNIC/SNIC are not available with the Share Registrar could be withheld. Shareholders are, therefore, requested to submit a copy of their valid CNIC/ SNIC (if not already provided) to the Company's Shares Registrar, FAMCO Associates (Pvt.) Ltd. 8-F, Near Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahra-e-Faisal, Karachi. In the absence of a Member's valid CNIC/SNIC, the Company will be constrained to withhold payment of dividend to such Members.

8. Withholding tax on dividend

Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001:

i) As per the provisions of section 150 of the Income Tax Ordinance, 2001 ("Ordinance"), different rates are prescribed for deduction of tax on the amount of dividend paid by the companies. The current tax rates are as under:

   a. Rate of tax deducted for persons appearing in active taxpayers list (ATL) is 15%.

   b. Rate of tax deducted for persons not appearing in ATL is 30%.

ii) To enable the Company to make tax deductions on the amount of dividend @ 15% instead of 30%, all the Shareholders whose names are not entered into ATL provided on the website of FBR, despite the fact that they are filers, are requested to ensure that their names are entered into ATL before the first day of book closure, otherwise tax on their dividend will be deducted @ 30% instead of 15%.

iii) Withholding tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to FAMCO Associates (Pvt.) Ltd., before the first day of book closure.

iv) Members desiring non-deduction of zakat are requested to submit a valid declaration for non-deduction of zakat.

v) The corporate shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or FAMCO Associates (Pvt.) Ltd. The shareholders while sending NTN certificates must quote company name and their respective folio numbers.

Tax in case of Joint Shareholders

According to clarification received from FBR, withholding tax will be determined separately on 'Filer/ Non-Filer' status of Principal shareholder as well as Joint-Holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all Shareholders, either holding shares in physical form or in CDC, who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-Holder(s) in respect of shares held by them (only if not already provided) to our Share Registrar, in writing as follows:

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach our Share Registrar within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

9. Consent for video conference facility

Pursuant to section 132(2) of the Companies Act, 2017, if the Company receives consent from members holding in aggregate 10% or more of shareholding residing in a geographical location to participate in the meeting through video conferencing at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conferencing facility in that city subject to availability of such facility in that city. To avail this facility such members are requested to provide the following information to the Share Registrar Office of the Company i.e. FAMCO Associates (Pvt.) Ltd. 8-F, Near Hotel Faran, Nursery, Block 6, P.E.C.H.S, Shahra-e-Faisal, Karachi and email address info.shares@famco.com.pk.

I/We, being member(s) of sanofi-aventis Pakistan Limited, holder of Ordinary Shares as per Register Folio No. ________ hereby opt for video conference facility at (Please insert name of City)   __________________ Signature of member

10. E-Voting

Members can also exercise their right of E-voting subject to the requirements of Section 143 - 145 of the Companies Act, 2017 and the applicable clauses of the Companies (Postal Ballot) Regulations, 2018.

11. For any query/problem/information, the investors may contact the Company Secretary at phone: +92 21 35060221-35 and email address: company.secretary@sanofi.com and / or FAMCO Associates (Pvt.) Ltd. at phone +92 21 34380101-5 and email address: info.shares@famco.com.pk.

Statement under section 134(3) of the Companies Act, 2017

Alteration in the Memorandum of Association and Articles of Association of the Company is necessary in light of the Companies Act, 2017. The proposed changes in the Memorandum of Association and Articles of Association of the Company are being made to bring them in conformity with the Companies Act, 2017.

A comparative statement of proposed changes is being sent to the Members along with this Notice.

The Directors have no personal interest in the above business.

Proxy Form

I/We_______________________________________of_____________________________________

________________________________ (full address) being a member of sanofi-aventis Pakistan Limited holding ____ ordinary shares hereby appoint ____ of _________________________________

_____ (full address) or failing him ____

____ of _____________________________________ (full address) as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 52nd Annual General Meeting of the Company to be held on Wednesday, May 20, 2020 and at any adjournment thereof.

As witness my / our hand this __________ day of __________ 2020.

Witness No.1

Name ____________________________________

Address __________________________________

C.N.I.C. No. ______________________________

Rs. 10/-
Revenue
Stamp

____

Signature of Member(s)

Witness No.2

Name ____________________________________

Address __________________________________

C.N.I.C. No. ______________________________

____

(Name in Block Letters)

Shareholder's Folio No. ____________________

Participant ID No. ________________________

Account No. in CDS ______________________

C.N.I.C. No. ____________________________

Important

1. CDC Account Holders are requested to strictly follow the guidelines mentioned in Circular No.1 of 2000 of SECP.
2. A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her, no person shall act as a proxy, who is not a member of the Company except that a Corporation may appoint a person who is not a member.
3. The instrument appointing a proxy, together with the Board of Directors' resolution/Power of Attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office.
4. The instrument appointing a proxy should be signed by the member or by his attorney duly authorized in writing.
5. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, not less than 48 hours before the time of holding the meeting. The proxy shall produce his original CNIC or original passport at the time of meeting.
6. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

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The Company Secretary

sanofi-aventis Pakistan limited
Plot 23, Sector 22, Korangi Industrial Area,
Karachi - 74900 Pakistan

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پراکسی فارم

میں مسّمی/مسّماۃ---

------------- (مکمل پتہ) سنوفی۔ ایونٹس پاکستان لمیٹڈ کے رکن کی حیثیت سے یہاں پر مقرر کرتا ہوں/کرتی ہوں/ کرتے ہیں

(مکمل پتہ) یا اس کی غیر موجودگی میں---

(مکمل پتہ) کو میرے / ہمارے پراکسی کے طورپر مقررکرتا ہوں/کرتی ہوں/ کرتے ہیں تاکہ وہ میرے/ ہماری جانب سے کمپنی کے ۵۲ ویں سالانہ اجلاسِ عام، منعقدہ بدھ، ۲۰ مئی، ۲۰۲۰ میں شریک ہوکر میری/ ہماری جانب سے ووٹ دے سکے اور دیگر کسی التوا میں بھی شامل ہوسکے۔

میرے /ہمارے سامنے-------بروز ------- ۲۰۲۰کو دستخط کئے گئے۔

گواہ نمبر ۱

دستخط --------------------

نام ---------------------

پتہ ---------------------

سی این آئی سی نمبر -------------

۱۰ روپے
کا ریونیو
اسٹامپ

رکن(ارکان) کے دستخط

(نام جلی حروف میں)

گواہ نمبر ۲

دستخط ---------------------

نام ---------------------

پتہ ---------------------

سی این آئی سی نمبر -------------

شئیر ہولڈر کا فولیو نمبر ----------------

آئی ڈی نمبر ------------------------

سی ڈی ایس میں اکاؤنٹ نمبر ---------

سی این آئی سی نمبر -----------------

ضروری

۱۔ سی ڈی سی اکاؤنٹ ہولڈرز سے درخواست ہے کہ ایس ای سی پی کے سرکلر نمبر 1 آف ۲۰۰۰کے رہنما اصولوں کی سختی سے پیروی کریں۔

۲۔ اجلاسِ عام میں شرکت کرنے والے رکن کو اختیارہے کہ وہ اپنی جگہ اجلاس میں شرکت اور ووٹ دینے کے لئے پراکسی مقرر کرسکتا/کر سکتی ہے، کمپنی کے رکن کے علاوہ کوئی بھی شخص پر اکسی کی حیثیت سے مقرر نہیں ہوسکتا، تاہم کارپوریشن کسی ایسے شخص کومقرر کرسکتی ہے جو رکن نہیں ہے۔

۳۔ پراکسی مقرر کرنے کی دستاویز کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی (اگر کوئی ہو) جس کے تحت اس پر دستخط کئے گئے ہیں یا پھر نوٹری پبلک سے تصدیق شدہ کاپی، رجسٹرڈ آفس میں جمع کرانی ہوگی۔

۴۔ پراکسی کو مقرر کرنے کی دستاویز پر رکن یا اٹارنی کے تحریری دستخط ہونے چاہئیں۔

۵۔ مکمل اور دستخط شدہ پراکسی فارم اجلاس شروع ہونے سے ۴۸ گھنٹے پہلے کمپنی کے رجسٹرڈ آفس پر موصول ہو جانا چاہیے۔پراکسی کو اجلاس کے وقت اپنا اصل شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔

۶۔ اگر کوئی رکن ایک سے زیادہ پراکسی یا پراکسی کے ایک سے زیادہ دستاویزات کمپنی کے پاس جمع کراتا ہے تو یہ تمام invalid تصوّر کیے جائیں گے۔

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SANOFI

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