

2018 ANNUAL REPORT



**Abbott**

Abbott helps people around the world live their best lives through good health, with a diverse portfolio of products aligned with the most important demographic and technological trends in healthcare. Our breakthrough technologies keep hearts healthy, nourish bodies at every stage of life, help people feel and move better, and bring information, medicines and breakthroughs to manage peoples' health. With leadership positions in rapidly growing treatment areas, Abbott is well positioned to deliver continued above-market growth, strong cash flow and consistently solid shareholder returns.

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## LIFE. TO THE FULLEST.

All of us have a unique way of living that determines who we really are. It is what helps us become our best possible selves. How we get to that place is different for each of us. But the quest to achieve our best life is what we all have in common and good health is the foundation – because at our healthiest, we can unlock all that life has to offer. At Abbott, we're all about helping people live their best life through better health.

# VISION

To be the most admired healthcare company in Pakistan.

# MISSION

To deliver consistently superior products and services which contribute significantly to improve the quality of life of consumers.



## OUR VALUES

Values are the foundation for building a meaningful corporate identity. Abbott's core values of honesty, integrity and fairness describe a standard of behaviour expected of every employee.

Abbott has four differentiating values that speak of the unique strengths that have made our Company what it is today. The Company continues to build on these strengths to deliver our goals.

These values are a blueprint for our employee behaviour. They are the underpinnings of our brand promise, defining how we serve our constituents. These values are woven into all business processes company-wide over time, determining how we plan and run our businesses, how we serve our customers, how we measure and motivate performance, and how we communicate internally and externally. Aligning our organisation around this cohesive set of values has been critical to the achievement of Abbott's brand and business goals.

### PIONEERING

*Leading-edge science and innovative commercialisation*

We lead with solutions that address human needs by pioneering innovative treatments and solutions, lifesaving medical devices, and new approaches to managing health.

### ACHIEVING

*Customer-focused outcomes and world-class execution*

We drive for meaningful results, demanding of ourselves and each other, because our work impacts people's lives. We are committed to working together to deliver solutions that are effective and profitable. Our focus on execution and collaboration ensures that we keep our promises to each other and to those we serve.

### CARING

*Making a difference in people's lives*

Caring is central to the work that we do to help people live healthier lives. We have tremendous respect for the lives of everyone touched by our Company. Our respect for people is demonstrated in what we do and how we act.

### ENDURING

*Commitment and purpose*

Enduring means both honouring our history and maintaining our commitment to the future. We will always be here to help keep people healthy. We keep our promises, acting in accordance with all of our values.

## KEY PERFORMANCE INDICATORS

### SALES

**Rs. 29.72BN**

### SALES GROWTH

**13.9% ↑**

### MARKET SHARE\*

**6.1%**

### DIVIDEND PER SHARE\*\*

**Rs. 20.00**

### GROSS PROFIT MARGIN

**32.9%**

### NET PROFIT MARGIN

**9.1%**

### EARNINGS PER SHARE

**Rs. 27.52**

### RETURN ON EQUITY

**20.4%**

### METHODS AND ASSUMPTIONS USED IN COMPILING THE INDICATORS

A Key Performance Indicator (KPI) is a measurable value that demonstrates how effectively a company is achieving its business objectives. Both financial and non-financial KPIs are computed using formulae which are widely used in the industry and are relevant to different stakeholders such as shareholders, bankers and regulators.

For financial KPIs, the data used is generated through our internal management information systems, together with audited financial statements. Similarly, for non-financial KPIs, in addition to our internal management information systems, other tools are also used which include surveys and customer feedbacks.

\*As per IQVIA (formerly IMS) December 2018, MAT (including Nutrition).

\*\*Includes interim dividend paid and final dividend proposed for 2018 by the Board of Directors, subsequent to year end.

## OUR GLOBAL CITIZENSHIP PRIORITIES

Abbott has four strategic priorities that, we believe, best align our citizenship activities and resources with our business operations. We continue to work diligently in pursuit of these priorities:

- ***Innovating for the Future***
- ***Enhancing Access***
- ***Supporting Patients and Consumers***
- ***Safeguarding the Environment***

These four priorities provide a clear roadmap for pursuing our responsibilities as a socially responsible citizen, yet are flexible enough to enable creativity and innovation across our diverse mix of businesses.

### INNOVATING FOR THE FUTURE

Scientific discovery and innovation are the hallmarks of Abbott's business and the core of our commitment to advancing health and well-being. Our broad scientific expertise enables us to create new healthcare products, carry them through the critical stages of development and then deliver them to patients and healthcare providers around the world. Our diverse portfolio of pharmaceuticals, nutrition, diabetes and diagnostic devices share a common framework of excellence in science, research, development and engineering.

With increasing awareness and demands, we continue to run ICH-GCP (International Conference on Harmonisation - Good Clinical Practices) compliant clinical trials with the highest ethical standards to demonstrate clinical effectiveness and with robust



Pharmacovigilance system to establish the safety of Abbott products with our consumers. This ensures availability of healthcare solutions for doctors and highest quality products for patients.

### ENHANCING ACCESS

One of the most critical challenges facing our society is a broad lack of awareness about healthcare issues and treatments. Expanding access to healthcare for patients around the world is a key component of Abbott's commitment to citizenship and is integral to our core business strategy. Our expertise and resources help bridge gaps in healthcare access. We tailor our approach to specific patient needs in specific regions of the world. Expanding access to care requires addressing a complex array of challenges. Lack of awareness about healthcare issues and treatments, inadequate healthcare infrastructure and social stigmas make it difficult for patients to get the treatments they need. We work to address these and other obstacles as part of our core business strategy and as part of our commitment to enhancing global health and well-being.



Abbott continues to be committed towards improving the quality of life of the people it serves.

**Educating Healthcare Professionals** - We assist our healthcare professionals in continuing medical education, while maintaining ethical compliance.

**Reaching out to Under-Served Communities** – Abbott is also aware of its surroundings and is committed to giving back to the community where it operates.

### SUPPORTING PATIENTS & CONSUMERS

Our ability to create life-enhancing and life-preserving products is constantly bolstered by scientific advances, but delivering on our commitment to patients and consumers goes well beyond the laboratory. To deliver safe and effective products - at the right time and in the right dosage or formulation - we work to educate patients and healthcare professionals about potential risks and side effects. All medicines, healthcare interventions, procedures and products carry some degree of risk - which must be balanced against the often greater risks associated with the illnesses or injuries these interventions are designed to treat. Along with educating patients and healthcare professionals about the safe use of our products, we work hard to ensure safety and consumer protection throughout the manufacturing and distribution process.

Our obligation to protect patients and consumers goes beyond simply complying with regulatory requirements. It means earning and keeping the trust of all those who depend on our products by:

- Ensuring quality, safety and product integrity across the full spectrum of research, development and manufacturing of our products.

- Ensuring the quality, safety and authenticity of each product that bears the Abbott name through our distribution channels.
- Effectively identifying and targeting the most appropriate patient profiles for each Abbott product and ensuring that healthcare professionals are fully informed of the benefits and risks.

### SAFEGUARDING THE ENVIRONMENT

We work diligently to reduce our global environmental impacts - from the sourcing of raw materials, to the manufacture and distribution of our products, to the use of our products by consumers and healthcare providers. Our environmental stewardship initiatives help protect the planet while improving efficiency, reducing costs and preserving our ability to do business in the future. We have three environmental priorities:

- Climate change
- Water usage
- Product stewardship

We recognise the interrelated nature of these three priorities. Our work in one area inevitably affects the others. We have developed comprehensive management and governance systems to ensure that environmental considerations are fully integrated into our day-to-day planning and business processes. Our environmental stewardship initiatives help protect the planet while improving efficiency, reducing costs and preserving our ability to do business in the future.

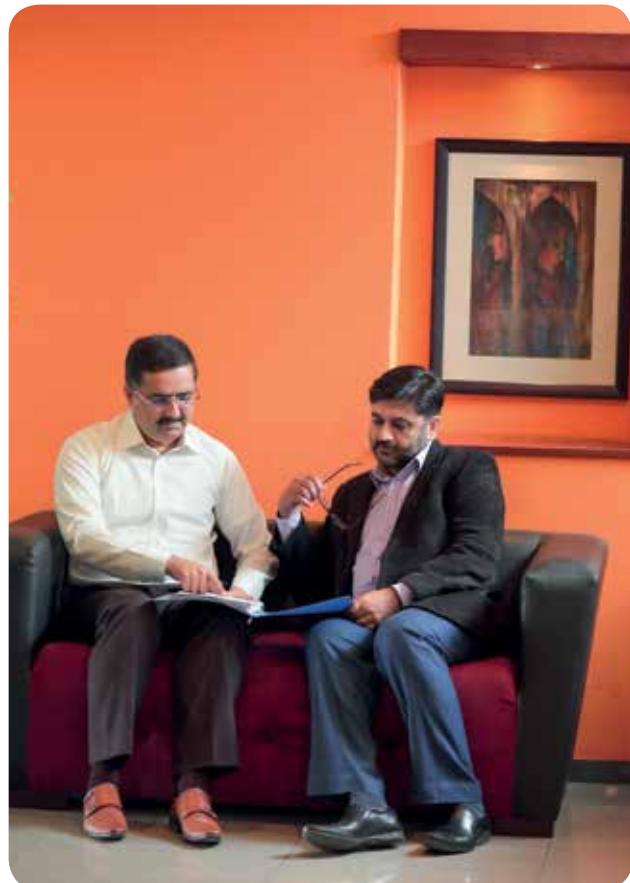
Our environmental policy achieves the following objectives:

- Improve the efficiency and sustainability of our business activities and products, reducing greenhouse gas emissions, water use and waste.



- Establish goals and strategies for the enterprise and report publicly on our progress.
- Integrate sound EHS practices consistent with our management system into all aspects of the business.

Our global standards include technical program requirements, metrics and audit & reporting mechanisms that serve as a baseline expectation for health and safety performance worldwide. Every Abbott manufacturing plant implements a plan based on these standards and is evaluated regularly.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

## AUDIT COMMITTEE

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

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

Zehra Naqvi (*Chairperson*)  
 Munir A. Shaikh  
 Kamran Y. Mirza  
 Shamim Ahmad Khan  
 Syed Anis Ahmed

## SHARE TRANSFER COMMITTEE

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

## BANKING COMMITTEE

Zehra Naqvi (*Chairperson*)  
 Syed Anis Ahmed  
 Seema Khan

## CHIEF FINANCIAL OFFICER

Jamshed Azhar

## COMPANY SECRETARY

Malik Saadatullah

## CHIEF INTERNAL AUDITOR

Fahad Rehman

## AUDITORS

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

## LEGAL ADVISORS

Orr, Dignam & Co.  
 Surridge & Beecheno

## BANKERS

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

## SHARE REGISTRAR

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

## REGISTERED OFFICE

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

## CITY OFFICE

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

## FACTORY LOCATIONS

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

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

## SALES OFFICES

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

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

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

## WAREHOUSES

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

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

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

## WEBSITE

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

## SENIOR MANAGEMENT TEAM

Syed Anis Ahmed  
*(Chief Executive Officer)*  
 Jamshed Azhar  
*(Chief Financial Officer)*  
 Rana A. Latif\*  
*(Director Operations)*  
 Asim Shafiq  
*(General Manager, Abbott Nutrition International Pakistan)*  
 Habib Ahmed  
*(Country Manager, Abbott Diagnostics Division Pakistan)*  
 Dr. Shaikh Adnan Lateef  
*(Head of Abbott Diabetes Care Pakistan)*  
 Asghar Huda  
*(Director Human Resource)*

\*Mr. Ihsan Ullah Khan Khattak was appointed as Director Operations subsequent to year end on 11<sup>th</sup> February, 2019.

## ABBOTT PAKISTAN AT A GLANCE

Founded in 1948, Abbott has been present in Pakistan for seven decades. Expanding its operations on a continuous basis through both organic growth and acquisitions, Abbott is a brand that is associated with quality and care. Today, more than 1,400 of us are working to help people live not just longer, but better, serving customers nationwide.

## OUR BUSINESS DIVISIONS

Our patient-centric solutions in Established Pharmaceuticals, Nutrition, Diagnostics and Diabetes Care divisions are addressing important health needs of people across Pakistan. Our diversity of expertise, technology and geography provides perspective that enables us to have enduring impact on the lives of millions of people across regions and cultures.

### ESTABLISHED PHARMACEUTICALS (EPD)

EPD offers high-quality, affordable and trusted branded-generic medicines to help treat some of the most pervasive and persistent health conditions nationwide. There are more than 150 products in EPD's portfolio and it operates in multiple therapeutic areas which include:

- Women's and men's health
- Gastroenterology
- Central nervous system
- Pediatrics
- Cardiovascular and metabolic
- Pain and fever relief
- Respiratory
- Hospital care



## NUTRITION (ANI)

ANI offers science-based products for every stage of life - from infant and pediatric to adult healthy living and therapeutic nutrition. Our formulations also support the unique nutritional needs of people with chronic illnesses such as Diabetes and Chronic Kidney Diseases (CKD).



## DIAGNOSTICS (ADD)

Our innovative instrument systems and tests help monitor a range of health conditions. From automated lab diagnostic systems and blood analysers to sophisticated molecular diagnostics and point-of-care devices, our technologies provide healthcare professionals with information they need to make the best treatment decisions.



## DIABETES CARE (ADC)

We are committed to develop products to reduce the discomfort and inconvenience of blood glucose monitoring; introducing systems that are easier to use, require less blood and provide faster results. Consistent and accurate glucose monitoring is the foundation of any diabetes management plan so we are committed to continuous improvement in the way patients and professionals measure, track and analyse glucose levels.

## OWNERSHIP AND OPERATING STRUCTURE

Abbott Laboratories (Pakistan) Limited is a public listed company that was incorporated in Pakistan in 1948 as a private marketing company. It gradually expanded its operations over the years and is currently one of the largest pharmaceutical companies in Pakistan, and has presently two state-of-the-art manufacturing facilities based in Karachi. The Company is listed on the Pakistan Stock Exchange with 77.9% of its shares being held by Abbott Asia Investments Limited, UK.

The ultimate holding company is Abbott Laboratories, USA which is headquartered in Abbott Park, Chicago – Illinois.

Key related parties with which the Company has had transactions during the year are disclosed in Note 33 of the financial statements.

## SIGNIFICANT CHANGES FROM PRIOR YEAR

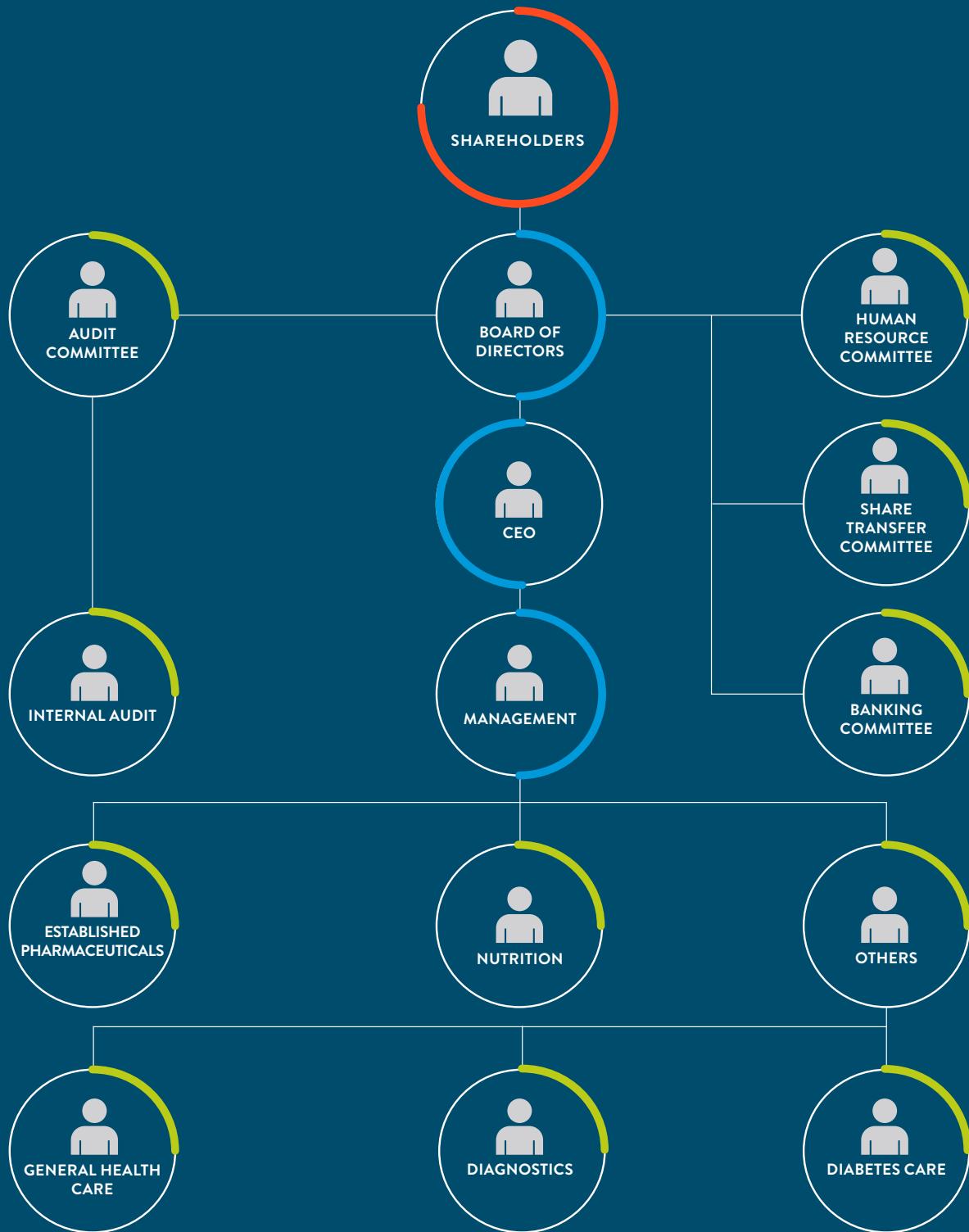
There were no significant changes from prior year.

## COMPOSITION OF LOCAL VERSUS IMPORTED MATERIALS

Abbott procures its materials from both local and international sources. Composition of local versus imported materials during the year ended December 31, 2018 was as follows:



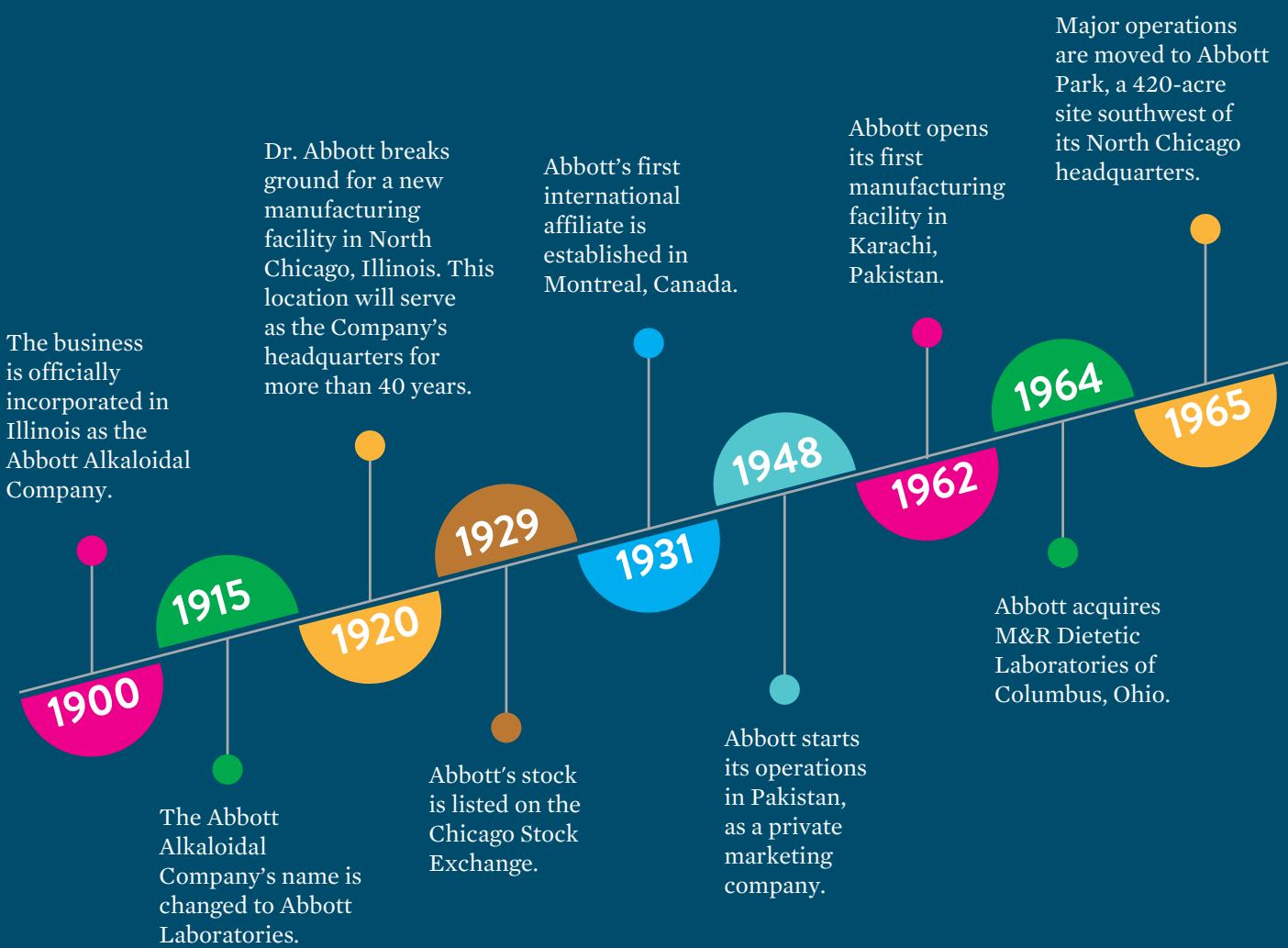
# CORPORATE STRUCTURE

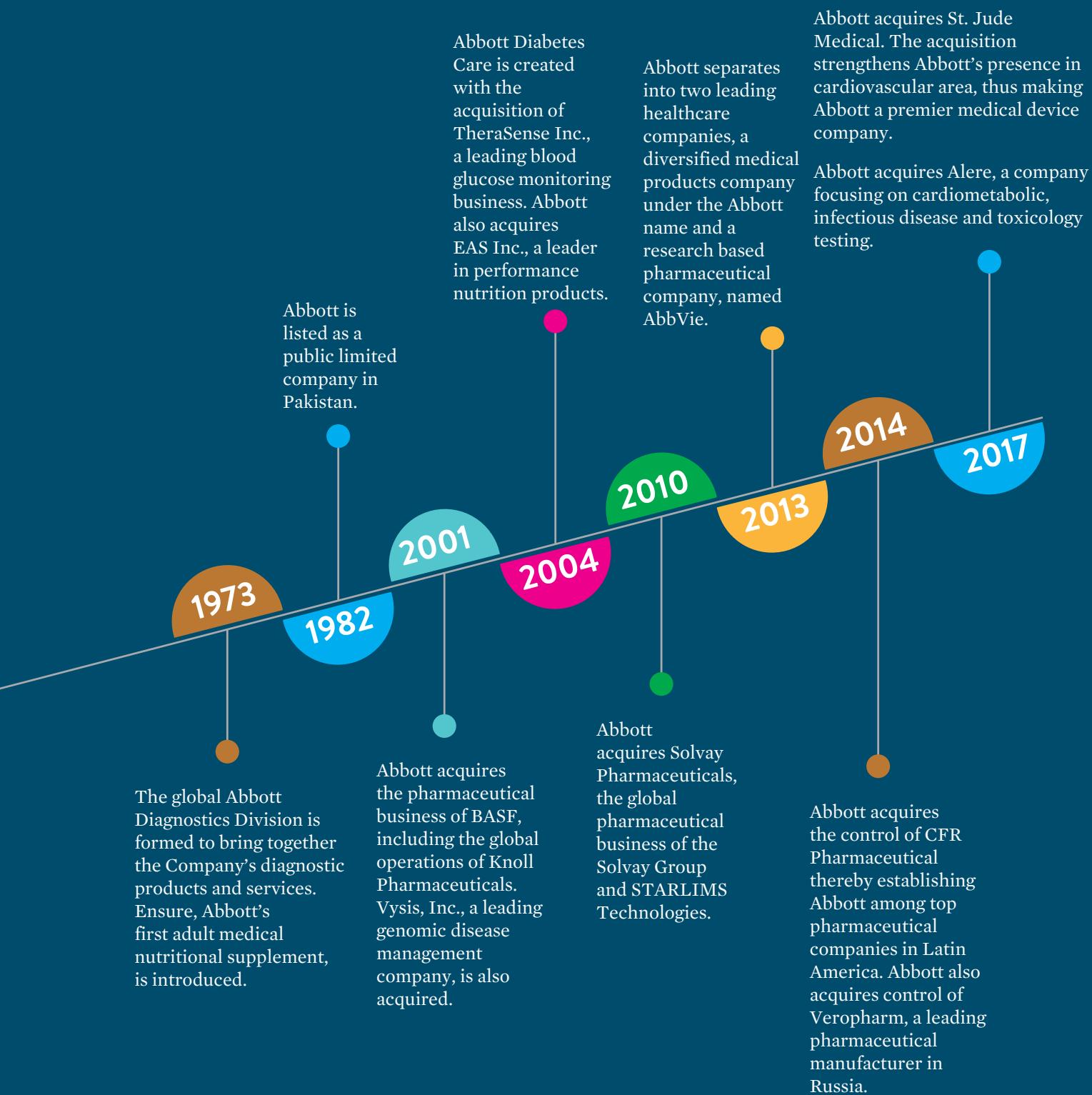


# HISTORY TIMELINE

## *A Tradition of Innovation*

More than 130 years ago, in the year 1888, 30-year-old Dr. Wallace C. Abbott, a practicing physician and pharmacy proprietor, founded the company that bears his name. Using the active part of a medicinal plant, known as the “alkaloid,” he formed tiny pills, called “dosimetric granules,” which provided more accurate and effective dosing for his patients than other treatments available at the time. The demand for these accurate granules soon far exceeded the needs of his own practice and, from these modest origins, was born Abbott, one of the world’s most broad-based healthcare company and a global leader in the discovery, development and manufacture of products that span the continuum of care.





# GEOGRAPHICAL PRESENCE

## ASIA PACIFIC

Australia	Japan	Singapore
China	Malaysia	South Korea
Hong Kong	New Zealand	Taiwan
India	<b>Pakistan</b>	Thailand
Indonesia	Philippines	Vietnam

## EUROPE

Albania	Germany	Russian Federation
Armenia	Greece	Slovakia
Austria	Hungary	Slovenia
Azerbaijan	Ireland	Spain
Belarus	Italy	Sweden
Belgium	Kazakhstan	Switzerland
Bosnia-Herzegovina	Latvia	Turkey
Bulgaria	Lithuania	Ukraine
Croatia	Moldova	United Kingdom
Czech Republic	Netherlands	Uzbekistan
Denmark	Norway	
Estonia	Poland	
Finland	Portugal	
France	Republic of Serbia	
Georgia	Romania	

## LATIN AMERICA AND CANADA

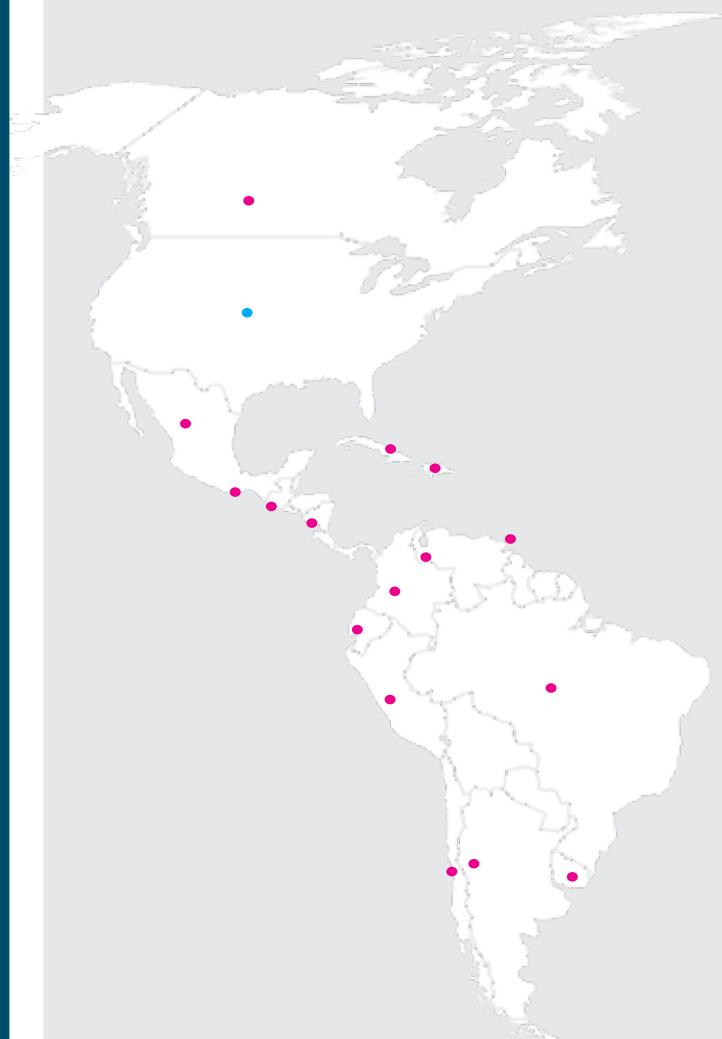
Argentina	Dominican Republic	Puerto Rico
Brazil	Ecuador	Trinidad and Tobago
Canada	El Salvador	Uruguay
Chile	Guatemala	Venezuela
Colombia	Mexico	
Costa Rica	Peru	

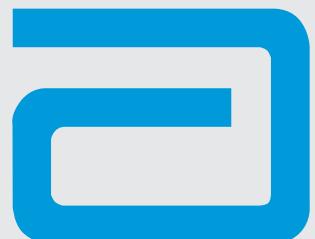
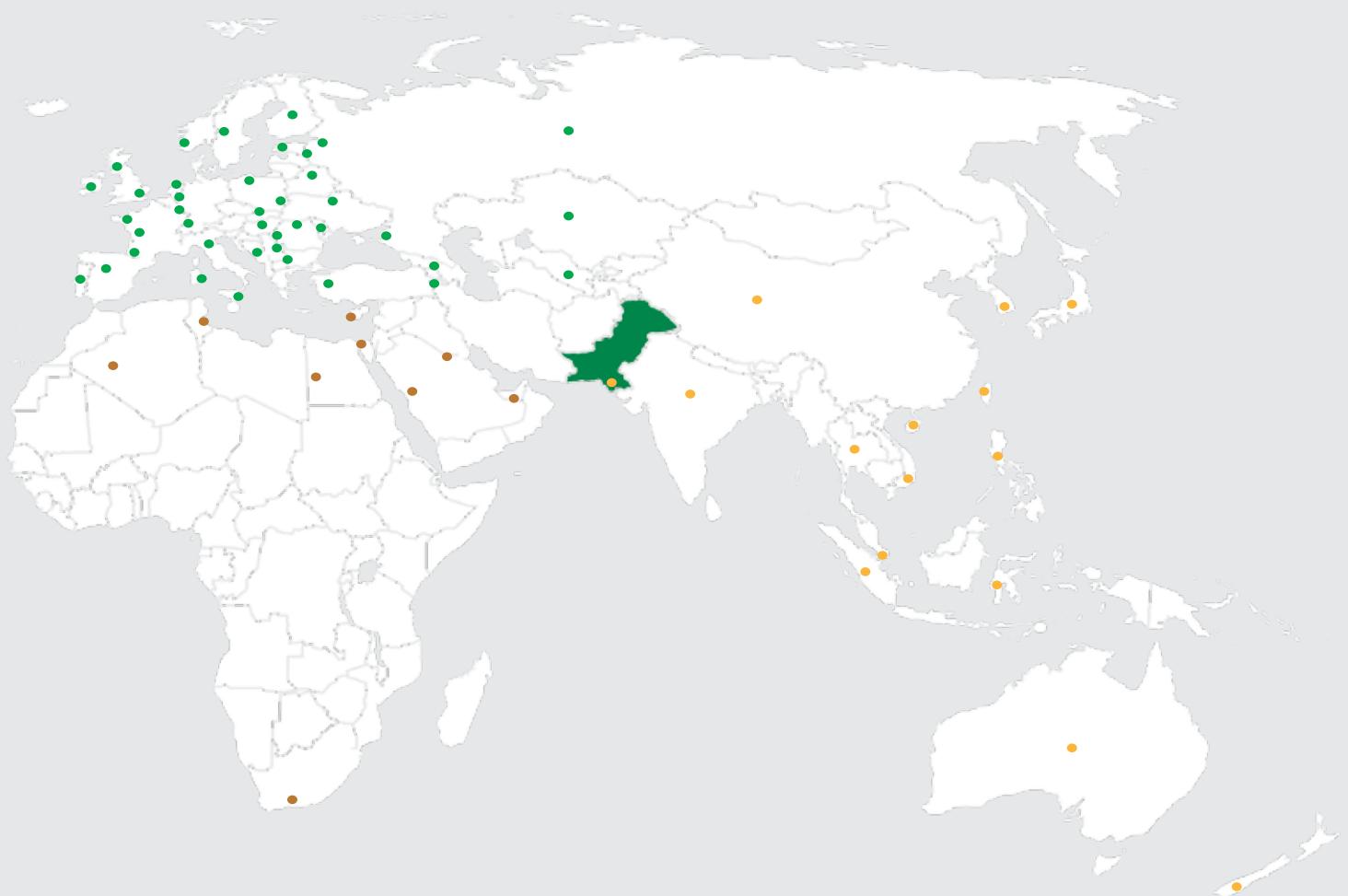
## MIDDLE EAST AND AFRICA

Algeria	Lebanon	Tunisia
Israel	Saudi Arabia	United Arab Emirates
Kuwait	South Africa	Egypt

## UNITED STATES

Illinois - Abbott Park - Head Office





THIS IS  
ABBOTT:

DIFFERENCE  
MAKING.





LIFE  
CHANGING.



GROWTH  
DRIVING.



## BALANCE

We've created a balanced mix of businesses, customer types and markets served.

## LEADERSHIP

We've developed, or are developing, leadership positions in every major market we serve.



# BUILT WITH INTENT.



## ALIGNMENT

We've aligned our business with important social, medical and demographic trends.

## PRESENCE

We have a long-established, visible presence in the largest and fastest-growing markets.



**Abbott has executed a focused strategy to build a company perfectly positioned for accelerated growth.**





**Abbott is in the business of life.  
The company we've built and the  
life-changing technologies we  
develop, help people of all ages live  
their best possible lives through  
better health.**

**TO THE FULLEST.**

## ESTABLISHED PHARMACEUTICALS

# TRUSTED BRANDS MEDICINES FOR THE FASTEST-GROWING MARKETS

In our branded-generics pharmaceutical business, high quality standards, reliable supply chain, clinical science and innovation allow us to differentiate ourselves from pure generic competition and provide value for patients. Every day, millions of people around the country use our medicines to help them live healthier lives.

We have a portfolio of more than 150 products across multiple therapeutic areas, including Gastroenterology, Women's and Men's Health, Cardiometabolic, Pain Management, Central Nervous System, Respiratory, Pediatrics and Hospital Care. Within this offering, we have created new ways of using existing medicines, new dosage combinations, new indications, different flavours, enhanced packaging, and digital solutions that improve patient adherence.

### LEADING TOP 5 BRANDS

#### BRUFEN

Pakistan's #1 brand in volume

#### ARINAC

Pakistan's #1 cough and cold preparation

#### KLARICID

Pakistan's #1 macrolide antibiotic

#### SURBEX Z

Pakistan's #1 Vitamin B Complex brand

#### DUPHASTON

Pakistan's #1 brand for progesterone deficiency



### MARKET LEADERSHIP

Abbott Pakistan is one of the fastest growing MNCs in the Pharmaceutical sector with 6 brands generating annual sales in excess of Rs. 1 billion each.

### ZAHIDA SHAHZAB KARACHI, PAKISTAN

After her marriage, Zahida's biggest dream was to start a family. However, due to certain medical issues, she needed help. She was referred to the IVF process, however, despite undergoing it twice, it did not result in any success. The disappointment and frustration for Zahida was overwhelming.

During the third round of IVF, she was given a medication from Abbott to support the Luteal phase at the time of egg pick up. The embryo was implanted and 10 days later, her gynecologist confirmed to her that she had begun the beautiful journey of motherhood.

She gave birth to her child in January, 2019. She believes that after Almighty's will, the new approach in IVF was the reason behind success. Becoming a mother has been the most rewarding and life-changing experience for her.



**>150 PRODUCTS**

Abbott's continually expanding portfolio covers diverse therapeutic areas.

**5**  
Products  
launched in  
2018



## NUTRITION

### PEDIASURE

Clinically proven to help kids grow, *PediaSure* is a nutrition supplement that complements a healthy diet for kids who lag behind in growth.



**>90%**  
PEOPLE IN THE  
ADULT NUTRITION  
MARKET RELY  
ON ABBOTT'S  
ADULT NUTRITION  
PRODUCTS

**#1**  
Nutrition Company  
in Pakistan

## BALANCED NUTRITION FOR ACTIVE LIVES

Abbott understands that proper nutrition is the foundation for living the best life possible. That's why we develop science-based products to meet a variety of health needs at every stage of life. Our broad range of products include *Ensure* that provides complete, balanced and targeted nutrition to help people stay active and healthy, as well as recover from illness. *PediaSure* our complete, balanced nutritional

supplement with the right balance of protein, carbohydrates, vitamins and minerals to support growth in children. *Glucerna* formulated for people with diabetes, *Nepro* for people with chronic kidney disease and *Prosure* which can help in maintaining or regaining weight in patients suffering from cancer-induced weight loss, offer specialised supplements.

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**KASHAF BABAR**  
KARACHI, PAKISTAN

Kashaf, an exuberant 6-year-old has always been very active. She was a picky eater so her mom was often worried if she was doing enough to provide her with adequate nutrition to match her growing needs. Her quest for the best nutrition for her daughter helped her discover *PediaSure* when Kashaf's Pediatrician recommended it to her. Now, Kashaf drinks *PediaSure* every day and her mother is relieved as her child's nutritional requirements for growth are on track.



## DIAGNOSTICS

# GAME-CHANGING SOLUTIONS FOR DIAGNOSTIC LABORATORIES



A UNIFIED FAMILY OF INTEGRATED SYSTEMS DESIGNED TO STREAMLINE LABORATORY OPERATIONS AND DELIVER MEASURABLY BETTER PERFORMANCE

### STRENGTHENING OUR LEADERSHIP IN LABORATORY TESTING

In 2018, Abbott strengthened its position in diagnostics with the roll-out of *Alinity*, Abbott's ground-breaking range of instrument platforms, tests and services. As testing volumes rise, health systems are facing pressures to perform testing as efficiently as possible with limited staff and space. The *Alinity* family addresses these challenges using analytics, informatics and automation to help standardise processes, reduce costs and manage labour constraints, helping laboratories deliver accurate and timely information to doctors as they make treatment decisions.

### THE INDUS HOSPITAL KARACHI, PAKISTAN



#1

DIAGNOSTICS  
SOLUTIONS  
PROVIDER  
IN PAKISTAN

During 2007, Indus started its journey with a purpose to provide indiscriminate, quality healthcare to all, in a paperless, 150-bed hospital. Indus has now evolved into the Indus Health Network (IHN) and is currently managing 12 hospitals across Pakistan.

In 2018, Abbott Diagnostics partnered with The Indus Hospital to provide it with a state-of-the-art total lab automation solution. With the introduction of *Alinity*, *a3600 Track* and *AlinIQ* informatics solutions, Indus is one of the first sites globally to have this unique combination installed in the lab set up. The Indus Hospital relies on Abbott's Total Lab Automation with *Alinity ci* systems, which integrate clinical chemistry and immunoassay testing, to help deliver timely, accurate and cost efficient results.

**Alinity**  
A TOTAL LABORATORY  
SOLUTION - PERSONALISED  
AND HARMONISED

**AlinIQ**  
LEVERAGING INSIGHTS  
FROM YOUR OWN DATA

**HARMONISED  
FAMILY OF  
INNOVATIVE  
SYSTEMS**

## DIABETES CARE

# LIFE-CHANGING INNOVATION FOR PEOPLE WITH DIABETES

### FREESTYLE OPTIUM NEO: INSULIN SUPPORT TOOLS AT YOUR FINGERTIPS

At Abbott, we believe people living with diabetes deserve every opportunity to live their lives to the fullest. We create life-changing technology to support their goals and ambitions - whatever they may be - while providing the right tools and insights for healthcare professionals to take diabetes care to the next level.

Abbott's *FreeStyle Optium Neo* System, provides patients with a system that is easy to use and also highly accurate. The *Optium Neo* passes the ISO 2013 blood glucose meter accuracy standards with 99% of results falling between the required limits. The touchscreen device is user friendly with several advanced features. Additionally, the *Optium Neo* blood glucose and *beta ketone* test strips are also foil wrapped which helps preserve the freshness of the strips.



### A GROWING CONCERN

Diabetes prevalence has been increasing in both developed and developing countries.

Global diabetes prevalence is expected to rise significantly.



- **352 MILLION**  
PEOPLE ARE AT RISK OF  
DEVELOPING TYPE II DIABETES
- **50% OF PEOPLE**  
WITH DIABETES ARE  
CURRENTLY UNDIAGNOSED

### LEADING IN CONNECTED CARE



The *Optium Neo* logs your glucose readings, and it can be used to record the insulin doses you take. By comparing these the meter can help spot trends in blood glucose levels and help correct them before they occur.





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**MADIHA MAHMOOD**  
KARACHI, PAKISTAN

Madiha was diagnosed with type 1 diabetes at the age of 22. She went to the doctor with symptoms like fatigue and weight loss. During the assessment it was highlighted that she has diabetes. She has been managing her diabetes with a balanced diet, regular exercise, insulin and more importantly through regular blood glucose testing with *FreeStyle Optium Neo* blood glucose & ketone monitoring system. She realised that healthy lifestyle with positive thinking can make life with diabetes easier.

## PRODUCT LAUNCHES

### Hidrasec

To further strengthen our Gastrointestinal portfolio, Abbott launched *Hidrasec*. *Hidrasec* is available in 3 SKUs (10mg sachet for infants, 30mg sachet for children & 100mg capsule for adults).



### Baby Bliss

*Rashnil* is one of our well-recognised brand with a history dating back to 1985. It is the biggest brand currently reported in IQVIA (*formerly IMS*) in the Emollients and Protectives Market. Being an old and a well-recognised brand, *Rashnil* required a line extension and an extended lifeline.

*Baby Bliss*, therefore, has been launched and is available in a trendy 75 gm jar for infants and toddlers.



### Cofloz Ivy Leaf Drops

In order to complete *Cofloz* Ivy Leaf range it was important to add a pediatric solution, hence *Cofloz* Ivy Leaf drops were launched. This SKU is available in a 20ml dropper for infants and children.



### Cofloz Ivy Leaf Lozenges

*Cofloz* range currently includes *Cofloz* Herbal Lozenges (Mulberry, Honey Lemon, Icy Mint, Pineapple, Orange) and Ivy Leaf and Herbal Syrup. *Cofloz* Ivy Leaf Lozenges have been launched to further strengthen the *Cofloz* lozenges category and will complete the product range.



## AlinIQ CDS

*AlinIQ*, our portfolio for informatics enablers for the laboratory, witnessed an addition of a new product called *AlinIQ CDS* (Clinical Decision Support). Clinicians make diagnosis and treatment decisions by gathering and interpreting patient information. Majority of the time this results in accurate, timely diagnoses, but this can also result in errors such as missed, delayed or incorrect diagnoses.

Accurate results are critical; yet most errors occur in test selection and interpretation of results, leading to variability in care and impacting cost, efficiency, and patient outcomes.

Decision support technology is one way to reduce the risk of errors. The innovative *AlinIQ CDS* software enables clinical experts to automatically apply their decision-making process to individual patient cases, generating relevant, patient-specific insights at scale.



## Thyronorm 100s Packaging

*Thyronorm* is available to treat thyroid disorders. Since this is a chronic disease requiring treatment for longer duration, Abbott has now launched its 100 tablets pack for better patient compliance.



## Cell-Dyn Emerald 22 Auto Loader Hematology Analyzer

*Cell-Dyn Emerald 22 AL* is the latest addition in the Abbott family of *Cell-Dyn Series Hematology Analyzers*. This instrument is a full performance automated hematology analyzer that delivers smarter results for small to mid-sized laboratories as well as network labs.

Some of the salient features of this innovation include a much-refined ease of use due to reduced hands-on time with touch-free scheduled daily operations and decreased manual entry errors by complying with bar-coded reagents. The compact design also allows a smaller footprint to provide flexibility for any lab with space limitations. Another unique feature is the walk-away functionality for up to 75 minutes from the instrument, made possible by optimising hematology workflow with 50 tube load-up. User safety is also enhanced by introducing a specially developed open tube for samples.



## Freestyle Optium Neo H Beta Ketone Strips

Abbott Pakistan's Diabetes Care division launched *Freestyle Optium H Beta Ketone Strips*, which are easy to use and accurate blood ketone testing strips. These enable detection of elevated ketones and are also compatible with *FreeStyle Libre System*, *FreeStyle Optium* and *FreeStyle Optium Neo* blood glucometers.

The strips are individually foil-wrapped blood ketone test strips which help in safeguarding the integrity of the testing process by minimising contamination and influence from external factors. The fill trigger ensures reaction starts only when sufficient sample has been applied, and these strips only have a 10 second test time.



## OBJECTIVES AND STRATEGIES



OBJECTIVE	OBJECTIVE	OBJECTIVE
<b>MAINTAIN LEADERSHIP POSITION IN THE PHARMACEUTICAL SECTOR</b>	<b>PROFITABILITY &amp; SALES GROWTH</b>	<b>ACHIEVE OPERATIONAL EFFICIENCY AND UTILISE CROSS-DIVISIONAL EXPERTISE</b>
<b>STRATEGY</b> Continuously invest in new products and consolidate market shares of established brands.	<b>STRATEGY</b> Drive business growth and profitability initiatives through continued focus on optimisation and efficiency.	<b>STRATEGY</b> Utilise efficiencies available in different divisions to maximise synergies.
<b>TIMELINE</b> Long Term	<b>TIMELINE</b> Medium to Long Term	<b>TIMELINE</b> Medium to Long Term
<b>RESOURCE ALLOCATION PLAN</b> Abbott continues to lay strong emphasis on new product initiatives to identify opportunities in multiple therapeutic areas. In addition, the Company continually invests to retain / expand its market share.	<b>RESOURCE ALLOCATION PLAN</b> The Company continues to invest in capacity building by utilising latest technological advancements to minimise costs and simplify processes.	<b>RESOURCE ALLOCATION PLAN</b> With Abbott's presence in multiple segments through its business divisions, the Company is able to obtain in-depth market insights. This helps develop optimal strategies to avail opportunities in different segments including distribution arrangements and procurement strategies.
<b>RELEVANT KPIs</b> Market share and ranking in the relevant therapeutic classes as per IQVIA ( <i>formerly IMS</i> ).	<b>RELEVANT KPIs</b> Profitability margins and sales growth versus market growth as per IQVIA ( <i>formerly IMS</i> ).	<b>RELEVANT KPIs</b> Operating income growth.

### FUTURE RELEVANCE

The KPIs will remain relevant in the future

**OBJECTIVE****A GREAT PLACE TO WORK****STRATEGY**

Focus on employee motivation. Take initiatives that build value of trust and contribute in creating an enjoyable work environment, where employees exhibit positive energy.

**TIMELINE**

Medium to Long Term

**RESOURCE ALLOCATION PLAN**

Human capital is Abbott's core asset. The Company provides multiple avenues for employees to grow and learn while contributing towards organisational success. The Company ensures that its employees remain motivated and focused towards achieving the organisation's success by providing them with the tools for continuous self-development, together with market competitive salaries.

**RELEVANT KPIs**

Employee turnover rate, employee feedback on GPTW and other employee surveys.

**OBJECTIVE****HELPING PEOPLE LIVE THEIR BEST LIVES****STRATEGY**

Provide the best possible healthcare solutions coupled with diversity and innovation.

**TIMELINE**

Medium to Long Term

**RESOURCE ALLOCATION PLAN**

Abbott has strict quality guidelines in place. This ensures that products meet/exceed the required quality standards. Additionally, Abbott continuously strives to innovate so that its customers can benefit from the latest advancements in science.

**RELEVANT KPIs**

Product quality survey results.

**OBJECTIVE****ENVIRONMENTAL SUSTAINABILITY****STRATEGY**

Reduce greenhouse gas emission and contribute positively to protect the environment by investing in projects to reduce waste, conserve water and energy.

**TIMELINE**

Long Term

**RESOURCE ALLOCATION PLAN**

Abbott has a dedicated Environment, Health & Safety team which focuses on reducing greenhouse gas emission and the organisation's footprint on the environment. Measures taken include setting up a composting plant, installation of solar panels and drip irrigation system in the garden which have reduced the greenhouse gas emission, reduced overall waste and conserved water & energy.

**RELEVANT KPIs**

Waste recycled & reduced, water and energy conserved & consumed.

**FUTURE RELEVANCE**

The KPIs will remain relevant in the future

## OBJECTIVES AND STRATEGIES



### SIGNIFICANT CHANGES IN OBJECTIVES AND STRATEGIES VERSUS LAST YEAR

There have been no significant changes compared to last year.



### LIQUIDITY POSITION OF THE COMPANY

The Company is sufficiently liquid and has PKR 5,678.14 million of cash and cash equivalents as of 31<sup>st</sup> December 2018 to meet its investment and working capital requirements. There are no significant long-term or short-term debt obligations except for finance lease obligations.



### SIGNIFICANT PLANS

The Company has continually expanded its operations and has invested on capacity upgradation. Abbott Pakistan plans to continue to build and enhance its productivity and output going forward.



### STRATEGY TO OVERCOME ANY LIQUIDITY PROBLEMS

The Company has no liquidity problems and has insignificant debt against finance lease obligations.

## RISK MANAGEMENT AT ABBOTT



At Abbott, we believe risk management to be an ongoing process of continuously identifying and understanding the full spectrum of the organisation's risk and taking informed mitigating actions, if required.

The focus is on integrating risk management with existing management processes in a manner that probable future events with negative impacts may be assessed and dealt with proactively. Periodic review of processes transforms risk management to a proactive and value-based activity. It aligns strategy, people, processes, technology and knowledge. The emphasis is on strategy, and the application is enterprise-wide.

### RISK MANAGEMENT FRAMEWORK

The "Risk Assessment Process" is carried out by the Chief Internal Auditor in consultation with the senior management team, under the supervision of Audit Committee and Board of Directors. The key risks pertinent

to each department are identified, assessed and allocated to each function. These risks are mitigated through upgradation of SOPs and process revitalisation.

### STATEMENT BY THE BOARD ON RISK MANAGEMENT POLICIES AND ASSESSMENT OF RISKS

The statement by the Board may be read in the Directors' Report. Please refer page 72.

## ANALYSIS OF FINANCIAL AND NON-FINANCIAL PERFORMANCE AGAINST INDICATORS

### NON-FINANCIAL PERFORMANCE



#### LEADERSHIP POSITION IN THE PHARMACEUTICAL SECTOR

##### MANUFACTURED CAPITAL

##### STRATEGY

Continuously invest in new products and consolidate market shares of established brands.

##### INDICATORS

Market share and ranking in the relevant therapeutic classes as per IQVIA (*formerly IMS*).

#### ACHIEVING OPERATIONAL EXCELLENCE

##### MANUFACTURED CAPITAL

##### STRATEGY

Stay abreast of technological advancements and continuously upgrade production facilities to maximise efficiency.

##### INDICATORS

Reduced machine breakdown and labour idle time, improved productivity and efficiency.

#### MAXIMISE SYNERGIES BY UTILISING CROSS-DIVISIONAL EXPERTISE

##### MANUFACTURED CAPITAL

##### STRATEGY

Utilise efficiencies available in different divisions to maximise synergies.

##### INDICATORS

Information sharing between divisions and departments.

#### ANALYSIS

The Company rigorously monitors all KPIs to ensure that its objectives are achieved. During the current year, the Company continued to monitor all KPIs to ensure that the strategic direction of the Company was maintained and whether the KPIs are relevant for the purpose of measuring company's progress against desired objectives.

### FINANCIAL PERFORMANCE

Financial Performance against indicators is explained on page 88 and onwards.



### GREAT PLACE TO WORK

#### HUMAN CAPITAL

##### STRATEGY

Focus on employee motivation. Take initiatives that build value of trust and contribute in creating an enjoyable work environment, where employees exhibit positive energy.

##### INDICATORS

Employee turnover rate, employee feedback on GPTW and other employee surveys.



### HELPING PEOPLE LIVE THEIR BEST LIVES

#### SOCIAL & RELATIONSHIP CAPITAL

##### STRATEGY

Provide the best possible healthcare solutions coupled with diversity and innovation.

##### INDICATORS

Product quality survey results.



### ENVIRONMENTAL SUSTAINABILITY

#### NATURAL CAPITAL

##### STRATEGY

Reduce greenhouse gas emission and contribute positively to protect the environment by investing in projects to reduce waste, conserve water and energy.

##### INDICATORS

Waste recycled & reduced, water and energy conserved & consumed, awards and ratings by different environmental forums.

### ANALYSIS

The Company rigorously monitors all KPIs to ensure that its objectives are achieved. During the current year, the Company continued to monitor all KPIs to ensure that the strategic direction of the Company was maintained and whether the KPIs are relevant for the purpose of measuring company's progress against desired objectives.

## SIGNIFICANT FACTORS AFFECTING THE EXTERNAL ENVIRONMENT AND THE ORGANISATION'S RESPONSE

P

### POLITICAL

Political uncertainty and inconsistent policies.

#### ORGANISATIONAL RESPONSE

- Discussion and engagement with relevant authorities on future policies and measures.
- Industry issues are dealt through Pharma Bureau and other business associations.

E

### ECONOMIC

Increasing labour cost, rising interest rates, high inflation, low economic growth and exchange rate fluctuations impact profitability.

#### ORGANISATIONAL RESPONSE

- Reduce cost through cost containment initiatives.
- Price adjustment.

S

### SOCIAL

Corporate Social Responsibility (CSR) responsibilities, increasing attention in healthcare, charity and donation, safe and healthy environment.

#### ORGANISATIONAL RESPONSE

- Active participation in social work initiatives as part of CSR.

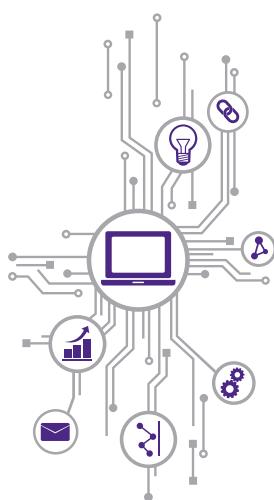


**T****TECHNOLOGICAL**

Technological obsolescence, competition capitalising on new opportunities created by technological advancements.

**ORGANISATIONAL RESPONSE**

- Actively invest in different projects to improve efficiency, build capacity and achieve operational excellence.

**L****LEGAL**

Drug Regulatory Authority of Pakistan Act, 2012, Companies Act 2017, Income Tax Ordinance 2001, Sales Tax Act 1990, Pakistan Stock Exchange listing regulations, SECP Act.

**ORGANISATIONAL RESPONSE**

- The Company ensures compliance with all the applicable laws and regulations. The Company's Finance, Compliance, Medical and Regulatory departments monitor any new legislation impacting the Company and ensures compliance.

**E****ENVIRONMENTAL**

Growing attention to environmental protection, climate changes, natural disasters and natural resource conservation.

**ORGANISATIONAL RESPONSE**

- The Company complies with Abbott Global Standards and local regulatory compliance requirements to environmental safety. The Zero waste to Landfill Certification has also played its role to improve the environment.



# CORPORATE SOCIAL RESPONSIBILITY

## EARTH DAY

At Abbott, we believe that it is everyone's responsibility to work towards making our environment more sustainable. In its continued commitment to reducing the carbon footprint, Abbott celebrated Earth Day and various other plantation drives. Through these initiatives, 500 plants were planted in collaboration with the local community and distributed amongst employees as well.

## EARTH DAY POSTER COMPETITION

Earth Day poster competition was arranged for Abbott Employees at both, Landhi and Korangi plants to raise awareness about the significance of healthy environment. More than 350 employees submitted posters on different environmental concerns. All posters were evaluated and winners were awarded prizes. An exhibition was later arranged and all posters were displayed for general awareness and motivation.

## ABBOTT ORGANISED "FLU AWARENESS CAMPAIGNS" TO HELP PEOPLE PROTECT THEMSELVES FROM FLU

The flu is a contagious respiratory illness caused by the "influenza virus". It infects the nose, throat and lungs. Yearly influenza epidemics can seriously affect all populations, generally during November to April in the northern hemisphere, and May to October in the southern hemisphere. Globally, about 5% of adults and 20% of children develop symptomatic influenza A or B each year.

Abbott organised flu awareness campaigns starting at the beginning of influenza season. The key objective of the program was to sensitise the healthcare professionals and general public to facilitate, strengthen and improve

the level of preparedness in prevention, control and management of the common flu. The initiative was well appreciated by the health community including doctors, paramedics and patients.

## THE CITIZENS FOUNDATION

The Citizens Foundation (TCF) is a professionally managed non-profit organisation, run by Pakistani citizens with the aim of providing quality education to underprivileged children. TCF presently has 1,482 schools nationwide with over 220,000 students.

As part of the Rahbar program, the Senior Management of Abbott Pakistan's Nutrition Division, along with Amer Haddadin (DVP of Abbott Nutrition - MEAP), visited The Citizens Foundations (TCF) school located in Korangi and spent a day with the students.

As part of the program, the visit started with an introduction to make the children feel comfortable. The team then participated in teaching different subjects to the students whilst also participating in different sports activities.

During the entire session, children showed a great deal of excitement, raising several questions and expressing their thoughts in the process. The efforts brought a genuine smile on the faces of students and motivated them to study further.





# SUPPORTING OUR COMMUNITIES

## EVIDENCE BASED CLINICAL STUDIES

Abbott executes Clinical Studies to generate local data on epidemiology to help the healthcare community in understanding the diseases, their implication on local population and local epidemiology in a better way. These epidemiological studies are conducted in collaboration with Abbott's Medical department with the country's well known therapeutic area specialists, institutions and clinical research organisations. We work together to find how common a disease in our part of the world is, how we can diagnose it better and how proper management can positively affect the quality of life of patients.

The VERTIGO Study, The PREEMPT Study and The PRECIOUS Study are few examples. The data and information generated is then disseminated to a much broader group of healthcare physicians through scientific seminars and symposia.

With the help of the data generated by The VERTIGO Study we found out that there is a considerable burden of Benign Postural Positional Vertigo in our population and that if the patient is managed with both therapeutic maneuvers and medicinal therapy, significant improvements can be brought in quality of life of such patients. We also introduced recorded maneuvers so that physicians can learn and implement the same for their patients.

The PREEMPT study showed that there is a significant number of cirrhotic patients suffering from Minimal Hepatic Encephalopathy (MHE) and if diagnosed earlier the subsequent progression to Hepatic Encephalopathy can be halted and patient's quality of life can also be improved. Patients with MHE have impairment in activities requiring attention, motor skills, and visual-spatial abilities (i.e. driving a car). The diagnostic tool used in the study will be the first ever tool which will be made readily available for the physicians so they can diagnose and manage their patients with ease and better understanding.

## AWARENESS CAMPAIGNS

Abbott organised "Heart Health Awareness Sessions" to create awareness on Heart Health. These sessions were held at both, Landhi and Korangi plants in which employees were briefed about different heart diseases and how they could be better managed.

## NUTRINATION 5.0

Nutrition 5.0 by our Nutrition Division (ANI) is the pioneer and single largest platform imparting awareness on importance of Nutrition to healthcare professionals.

ANI has been organising this event for the past five years wherein participating opinion leaders deliver keynote presentations and discuss their action plans to enhance and empower nutrition based lifestyle among people in

Pakistan. This year's event in Islamabad saw more than 300 healthcare professionals come under one roof from 10 major cities and diverse specialities including Pediatrics, Internal Medicine, Surgery, Nutrition, Neonatology, Diabetology and Food Sciences.

## SEHAT DOST - "FREE MEDICAL CHECKUPS FOR THE UNDERPRIVILEGED OF PAKISTAN"

During 2018, Abbott introduced a social program for the underprivileged. With the keen perspective on positive impact on health of underprivileged, our team developed means of providing free consultancy to those who are unable to afford it in their daily lives. Hence the program "Sehat Dost" was launched. The program was launched across rural and sub-urban belts of Pakistan where more than 5,000 individuals were provided with free medical consultancy.

## ROAD TO NUTRITION

Under the program, mobile nutritional clinics braved the summer heat and went across 10 cities in Pakistan, covering 1,400+ kms for over a month; evaluating more than 14,000 people for more than 8,000 signs of nutritional deficiencies, along with providing them with useful advice on how they can better manage such deficiencies. The mobile clinics were equipped with tools to ascertain nutritional indicators and were manned by qualified nutritionists.

## NUTRI CAMPS

With the overarching objective of raising nutritional awareness, close to 100,000 people were assessed for nutritional deficiencies and given consultation by qualified nutritionists in more than 1,000 Nutri Camps, set up at different areas across Pakistan.

## SCHOOL AND SURE MOM PROGRAMS

Abbott lived up to its commitment of nurturing nutritional growth in children by organising school health assessments for over 25,000 children. Aligned to these assessments and with an eye on raising nutritional awareness amongst mothers, close to 8,000 mothers were imparted education on the importance of complete and balanced nutrition for children.



## ENVIRONMENT, HEALTH AND SAFETY

As a global healthcare company, Abbott is dedicated to safeguarding human health and operating as a responsible corporate citizen globally. We seek to identify and mitigate climate-related challenges and risks that are posed to our supply-chain, operations and distribution network through our management and policies. Reducing our environmental footprint in our operations and throughout the value chain is a core part of Abbott's business strategy as we respond to global external pressures, such as climate change, extreme weather events and growing resource scarcity. Through developing policies and making responsible choices that allow us to react quickly and be flexible when responding to such events, we ensure that our businesses and operations are resilient, and that we operate in an environmentally and socially responsible manner.

Our environmental impacts are closely interconnected and our approach to managing them must be integrated as well. We have developed comprehensive management and governance systems that reflect our priorities and ensure they are fully incorporated within our day-to-day planning and business processes.

Our manufacturing plants and commercial operations are designed to achieve the objective of reducing our environmental footprint. We work towards a sustainable future whilst keeping the Company's interest in mind.

Our Global environment, health and safety strategy – Our People, Our Planet and Our Values – commits us to advancing Abbott Environment, Health and Safety (EHS) by:

- **Protecting our people:** Fostering a work environment that promotes employee health and productivity and strives to be injury-free.
- **Protecting our planet:** Respecting our natural resources by improving the efficiency and sustainability of our business and products, reducing greenhouse gas emissions and water use and minimising waste.
- **Adding value:** Continuing to strengthen EHS practices across all aspects of the business, in addition to maintaining compliance with applicable requirements.

### EFFORTS MADE TO MITIGATE THE ADVERSE IMPACTS OF INDUSTRIAL EFFLUENTS

The world's resources are finite, and even renewable resources are being used faster than they can regenerate. Waste continues to increase, landfill space is rapidly

shrinking, and access to acceptable waste disposal facilities is limited. This makes improving waste management a priority, both for our business and for the planet. It improves operating efficiency, reduces costs and cuts demand for scarce resources, reducing our environmental impact.

#### **Zero Waste to Landfill Initiative (ZWL)**

Zero waste to landfill is a process whereby a site finds ethical, economical and efficient means to manage processes in order to avoid and eliminate the volume and toxicity of waste and materials and to conserve and recover all resources. ZWL works towards eliminating all waste sent to a landfill and diverts it to become a resource for other beneficial uses.

ZWL remains a key component of Abbott's overall waste management strategy. The Company achieved Zero Waste to Landfill Certification in 2017 and both plants continued ZWL initiative during the year.

#### **Composting**

As concern about landfill space increases, worldwide interest in recycling by means of composting is growing. Composting is a process for converting organic material into useful products. This is also one of the only ways to revitalise soil vitality due to phosphorus depletion. This initiative supports Abbott's '**Zero Waste to Landfill**' initiative. The Composting machine installed at our Landhi facility is a benchmark for the industry. The machine at site is a fully automated in-vessel composting system that converts organic waste to compost in just 24 hours. It has a capacity to produce 400 kgs of material as compost per day, utilising garden waste and left over food from site canteen to turn into fertiliser.

### WATER CONSERVATION

Clean water is a critical resource, essential for human health and for the health of economies and ecosystems. Climate change, increasing water scarcity, population growth, demographic changes and urbanisation all pose challenges to our global water supply. The world needs better management of all water resources, and re-use of waste water to recover water, nutrients and energy.

Access to water is essential for our manufacturing operations. It also plays a critical role in the use of many of our products. Abbott is committed to managing its water use in an efficient and sustainable manner and to improve access to clean water for communities, wherever possible.

Internal engagement is vital for reducing our environmental impact. Abbott strives to help our employees understand how they can contribute to reducing energy and water use and to empower actions at all levels of our organisation. The Company, in recent years, has taken various initiatives to reduce its water usage. Some water conservation projects include use of water sprinklers in gardens, drip irrigation system that uses 30% – 50% less water than conventional watering methods, installation of fixed volume water tanks for watering in gardens to limit the water use and installation of water flow meters at various locations to monitor actual use.

#### **ENVIRONMENT, HEALTH AND SAFETY (EHS) MONTH**

Global EHS month was celebrated in April at both, Landhi and Korangi plants at a large scale in which different EHS

campaigns were initiated and multiple floor sessions were conducted at all workplaces. More than 1,100 employees participated in these sessions. The senior leadership team participated and addressed the employees in awareness sessions.

#### **INTERNATIONAL CERTIFICATIONS**

Abbott has established its own environmental, technical, quality and management standards that closely mirror ISO standards. This ensures that our management systems operate in accordance with recognised environmental practices and regulatory requirements. In addition, the global and local management also supports the pursuance of external certifications where there is recognisable business value. As part of this initiative, we have obtained “Zero Waste to Landfill Certification”.



## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

Operating responsibly and sustainably is the foundation of our business. At Abbott, operating responsibly means earning trust in our products through our commitment to quality, reducing our environmental impact and enabling healthy living environments – ensuring environmental and social responsibility throughout our supply chain, and protecting the health and well-being of our employees.

Our sustainability strategy focuses on the areas where opportunities for our business intersect with positive social impact: we aim to achieve sustainable growth, deliver innovative solutions and build stronger communities to help more people live their best lives.

**Educating Healthcare Professionals** – We assist our healthcare professionals in continuing medical education, while maintaining ethical compliance.

**Reaching out to Under-Served Communities** – Abbott is also aware of its surroundings and is committed to giving back to the community where it operates.

The Company engaged in various CSR initiatives during the year, details of which can be found on page number 42.

Abbott Pakistan also has a formally documented policy on Environment, Health and Safety (EHS) which governs all operations and employee behaviour to ensure that the Company conducts its business in a manner which is protective of human health, safety and the environment. The policy is designed to achieve the following objectives:

- Maintain a safe and healthy workplace and environment;
- Continuously reduce the use of materials or practices that may have a negative impact on human health and the environment;
- Conserve energy and other natural resources;
- Integrate health, safety and environmental concepts into business and operations planning and decision making;
- Educate and engage employees to optimise health, safety and environmental performance and provide other stakeholders with relevant information on these efforts; and
- Comply with all applicable laws and affiliate policies and standards designed to protect human health, safety and the environment.





## HUMAN RESOURCES

Abbott Pakistan continues to deliver on its commitment to develop an organisation that is not only ready to address the challenges of continuously changing market dynamics of the present, but is also equipped and ready to take on challenges of the future as well. Disruption is the key word in today's business environment and the human resource function at Abbott is striving its best to prepare our people to build and develop a mindset that not only responds, but also leads in the disruptive environment as a futuristic and future-ready organisation.

Through concerted efforts, your management is making sure that mechanisms and systems are in place whereby company's vision, goals and strategies are well cascaded and well understood at all levels across the organisation. Our people continue to deliver on the commitments made to the stakeholders which is reflected in the continued achievement of targets year-on-year. The team is working hard with a high degree of commitment so that we deliver at the optimum.

### ORGANISATION DEVELOPMENT

In partnership with business leaders, we continued our focus on effective resource utilisation through putting in improved organisational structures that can bring about better efficiencies and optimal impacts. Simultaneously, robust career paths and succession pipelines were developed for high performing and high potential talents with particular focus on critical roles. All the activities were done through robust, well defined criteria and

processes ensuring transparency which in turn enhanced the level of trust of employees in your management. These efforts, contributed significantly towards improved performance in a healthy and competitive environment. We are especially proud to report that the Abbott field force has been recognised as number one by both General Practitioners and Consultants in a third party survey carried out by IQVIA (*formerly IMS*). Your Company has also been recognised as a 'Best Place to Work' in Pakistan through an independent survey carried out by Pakistan Society of Human Resource Management and Engage Consulting. These recognitions are a strong reflection on the focus and efforts that your management is putting in making Abbott the number one company in Pakistan and among the most preferred employers.

### SUCCESSION PLANNING AND TALENT MANAGEMENT

At Abbott Pakistan, we continue to invest in the development of people at all levels. Several initiatives have been introduced for senior management and teams at mid and junior levels where employees have opportunities to learn and add value to their respective roles while also preparing themselves for challenges of roles of higher responsibilities, hence ensuring a robust succession pipeline. We are pleased to report that several of our mid to senior level managers have been selected for Abbott Global's leadership and skills development programs which they have successfully completed. Colleagues at lower levels are being provided with continuous



opportunities on-job and externally, to ensure that they are well prepared and ready to take on challenges of higher levels of responsibility.



A robust, detailed and highly professional succession planning system is in place for all critical roles through which we are ensuring that there are multiple successors ready for each critical position. This will ensure continuity of quality delivery from these roles if and when an incumbent moves to a different or higher role. In particular, a rigorous process has been developed to identify high-potential talents in the field-force whereby, the individuals go through a healthy competitive process to be selected to the succession talent pool. This way, we are ensuring that not a single First Line Manager position in the field force remains vacant for even a single day; something which is unique to your company in the entire industry. Simultaneously, we are also continuously working towards providing a highly motivating, competitive environment where people can apply their ongoing learnings and attain even better results in addition to remaining engaged and motivated. Several of our talent has been requested for and is now working in regional offices of Abbott. These talents when returning will bring along added wealth of knowledge which is going to contribute even better to the success of our organisation. These moves continue to be a testament to the quality of our succession and talent development programs.

#### **INTERNSHIP PROGRAM**

As a responsible corporate citizen, your Company continued to provide management traineeship and internship experience to students from various academic institutions. The internship program is being made more and more rigorous; creating high value for students that come to learn and seek experience from us. Structured implementation, featuring a strong selection and screening

process, well designed placements, regular assessments, followed by an impactful closure through direct interaction with the leadership provides an experience to interns that lead us to transforming Abbott as a preferred employer in Pakistan. Once back to schools and later in the industry, interns continue to use their learning from Abbott to create value for the society at large. Abbott Internships opportunities remains welcoming and supportive for applicants with special needs, which is another feature unique to our internship program. Like previous year, this year we also provided internship opportunities to candidate with special needs.

#### **WINNING TOGETHER BEHAVIOUR AND CULTURE**

Winning Together was again taken up as the core theme for the year 2018. All the major events and celebrations themed and compounded on Winning Together Behaviour & Culture as a reinforcement tool. Regular appreciations for displayed behaviours was done through certificates and award distributions at various occasions by the Leadership team. Abbott Pakistan is marked as the leading affiliate that exemplified cultural transformation through this drive. Launch of EPD Strategy was also led by HR as core business partner across Pakistan.



With continued growth and expansion in businesses, and concerted efforts in Human Resource development, your Company continues to provide additional employment and learning opportunities while delivering business results. The Human Resources function continues to strive its best to ensure that people who work with us are provided with a congenial and enabling work environment while inculcating a high sense of responsibility and creating a culture of high-performance. And, in doing that, we continue to contribute to elevating to the quality of Human Resources and business practices in Pakistan.

## QUALITY ASSURANCE

Abbott satisfies all aspects of quality maintenance and assures that the system governing production is robust, such that every unit of output is as per the desired standard. Our quality system operates to achieve a culture of continuous improvement and focuses on patients and product safety.

### **Lean Transformation**

Lean Transformation was launched by senior management and is expected to further improve the following aspects:

- Capacity management system will increase analyst utilisation i.e. more tests assigned per day;
- Lean documentation and test standardisation will reduce analyst test times; and
- Performance management system which will place focus on meeting targets and resolving issues.

### **Data Integrity Roll Out**

Data Integrity refresher training session was conducted for employees who handle GMP data at both Korangi and Landhi plants to ensure adherence of practices as per requirements. Various sessions were held in groups for nominated representatives of quality assurance, manufacturing, warehouse and engineering. Further, employee evaluation was also conducted through the questionnaire.

A session on Data Integrity was also conducted for our service providers to focus on Good Documentation Practices and ALCOA++ requirements.

### **Behaviour Based Quality (BBQ) Program**

An initiative of Behaviour Based Quality was set forth in 2018 which focuses on observing personnel actions to improve overall quality culture. Identification and mitigation of behaviours which were deemed to be at risk through BBQ program constituted of the following steps:

- Identification and training of BBQ lead, coordinators and observers from Operations and Quality Assurance at sites;
- Practice rounds of BBQ teams at sites;
- Schedule regular follow up meetings of BBQ coordinators and observers for feedback and challenges;
- Adjust and improve program and checklist based on the experience and trend from Operations and Quality Assurance; and
- Continuous monitoring of at-risk behaviours and major observations through management review meetings.

A site lead was selected from each site and coordinators were assigned from each function. 46 observers were trained on BBQ program selected from various functions through classroom sessions. This program greatly contributed in transforming our at-risk behaviours into quality behaviours at work.

### **Improvement Drive in Quality Control Lab**

Advanced equipment and technologies are continuously acquired to enhance the quality standards and compliance levels. Examples include, implementation of Empower Chromatographic System in Quality Control unit to meet Data Integrity requirements in High Performance Liquid Chromatography (HPLC) and Gas Chromatography. Under Phase-I, a total of five HPLCs have been successfully connected to the Empower Chromatographic System. Procurement of latest equipment and upgrading the existing ones is also a part of continuous improvement initiatives which include purchasing of high-precision and state-of-the-art instruments as per their relevant usage.



## AWARDS AND RECOGNITIONS

### ABBOTT PAKISTAN WINS CORPORATE SOCIAL RESPONSIBILITY AWARD

On the basis of various CSR initiatives, Abbott Pakistan was presented an award at the 7<sup>th</sup> International Corporate Social Responsibility Summit and Awards under the category of "Stakeholder/Employee Engagement." The event was organised by "The Professionals Network" in collaboration with various NGOs.

### ABBOTT PAKISTAN WINS THE AWARD FOR "BEST FUEL EFFICIENCY"

Abbott Pakistan was presented an award under the category of "Best Fuel Efficiency" in The Climate Change Adaptation Awards conducted in collaboration with "The Future Forum of Pakistan."

### ABBOTT PAKISTAN WINS THE AWARD FOR "ENVIRONMENT, HEALTH AND SAFETY"

Abbott Pakistan was presented an award in the 4<sup>th</sup> International Summit and Awards to acknowledge its proven track record and performance on Environment, Health and Safety. The event was organised by "The Professionals Network."

### ABBOTT PAKISTAN WINS THE AWARD FOR "ANNUAL FIRE, SAFETY AND SECURITY"

Abbott Pakistan was presented an award in 8<sup>th</sup> Annual Fire, Safety and Security Convention and Awards held in collaboration with National Forum of Environment and Health (NFEH) and Fire Protection Association of Pakistan (FPAP) due to its practices and arrangements with regards to fire protection, fire detection, firefighting and emergency response arrangements. A panel of experts visited the plant and reviewed the arrangements in place.

### IQVIA MEDICAL REPRESENTATIVE SATISFACTION SURVEY

Abbott Pakistan, for the second consecutive year, retained 1<sup>st</sup> position at the general practitioner and specialists survey carried out by IQVIA (*formerly IMS*).

Every year, IQVIA conducts a survey to assess level of satisfaction with the services of pharmaceutical medical representatives from a doctor's perspective. The respondents are asked to rate company's representatives on different attributes which include technical knowledge, integrity, professionalism and honesty amongst others.



## ETHICS AND COMPLIANCE

It is up to every person working for Abbott to uphold the Abbott's values of Pioneering, Achieving, Caring and Enduring and operate with honesty, fairness, and integrity. It is our firm belief that Abbott's long-term success depends upon the choices and decisions, whether large or small, that our employees make each day at every level of the Company.

Our deep rooted Ethics and Compliance Program underpins our commitment to ethical conduct and compliance with laws. It serves as a principles based guidance mechanism for our employees, workers, vendors and all other groups we do business with, to report concerns over possible misconduct and potential conflicts.

### CODE OF BUSINESS CONDUCT

Abbott has lived up to its commitment of doing business the right way for decades. Dr. Wallace C. Abbott, our founder more than 130 years ago, was one of the creators of the ethical pharmaceutical industry, which first established the high standards of safety and efficacy that are the foundation of the modern healthcare business. Our Code crystallises and builds on those principles to carry this great tradition around the world and into the future.

Abbott's Code of Business Conduct (Code) consists of a framework which all Abbott employees must adhere to. The employees are also required to provide an annual certification that they understand and will act in accordance with the Code, including the commitment of reporting potential violations.

Our Code strictly defines zero tolerance for illegal or unethical behaviour in any of Abbott's business proceedings. It emphasises on the importance of ethical conduct and integrity, maintaining confidentiality of information, avoiding conflicts of interest and authenticity of Abbott's books and records. It also stresses on timely and accurate public disclosure and compliance with relevant laws.

An ethical workplace is a blend of impartiality and morality and either of these are incomplete without the other. Abbott's employees are solely accountable for maintaining Abbott's reputation: be it writing professional emails, managing external relationships, working through ethical dilemmas or interpreting a regulation. To ensure that all Abbott employees possess the most up-to-date knowledge about the required level of compliance, the Office of Ethics and Compliance (OEC) has come up with

a comprehensive list of courses and resources that provide guidance and training on ethics and compliance topics most relevant to our business.

### WHISTLEBLOWING POLICY - "SPEAK UP"

At Abbott, each employee has the liberty to acquire assistance, challenge and report any suspected unethical business conduct, violation of the Code or violation of policies and procedures. In case of such circumstances Abbott has nurtured the "**SPEAK UP**" program which provides employees with an opportunity to communicate, through several channels, any breach or potential violation of the Code. It also enables employees to raise complaints or concerns with respect to their work, or seek guidance or advice in understanding the applicability of the Code. Being skeptic, reporting concerns and actively pursuing clarity about our choices or actions helps us identify and avoid problems more effectively.

There is an appropriate mechanism to handle all reports of potential Code violations via follow up steps i.e. investigation, remediation and corrective actions, furthermore the identity of the reporter remains undisclosed.

The Code also strictly prohibits retaliation against any individual who raises concerns. Alleged retaliation can be reported to the OEC or Human Resources.

Abbott proposes multiple avenues for its employees to "**Speak Up**". Employees who wish to learn more about our program can either visit our website or call on the designated numbers. In order to clear any further doubts about the right choices, actions or potential violations, employees are also encouraged to ask their respective managers or the OEC.

### MATTERS REPORTED TO THE AUDIT COMMITTEE

In compliance with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017, the Board of Directors and the Audit Committee were apprised on the type of matters which were reported during the year and their conclusion.

### EQUAL OPPORTUNITIES

Abbott makes employment decisions based on business needs, skills, experience and relative work performance, and prohibits any type of discrimination. We are committed to following the laws that impact our relationship with our employees globally.

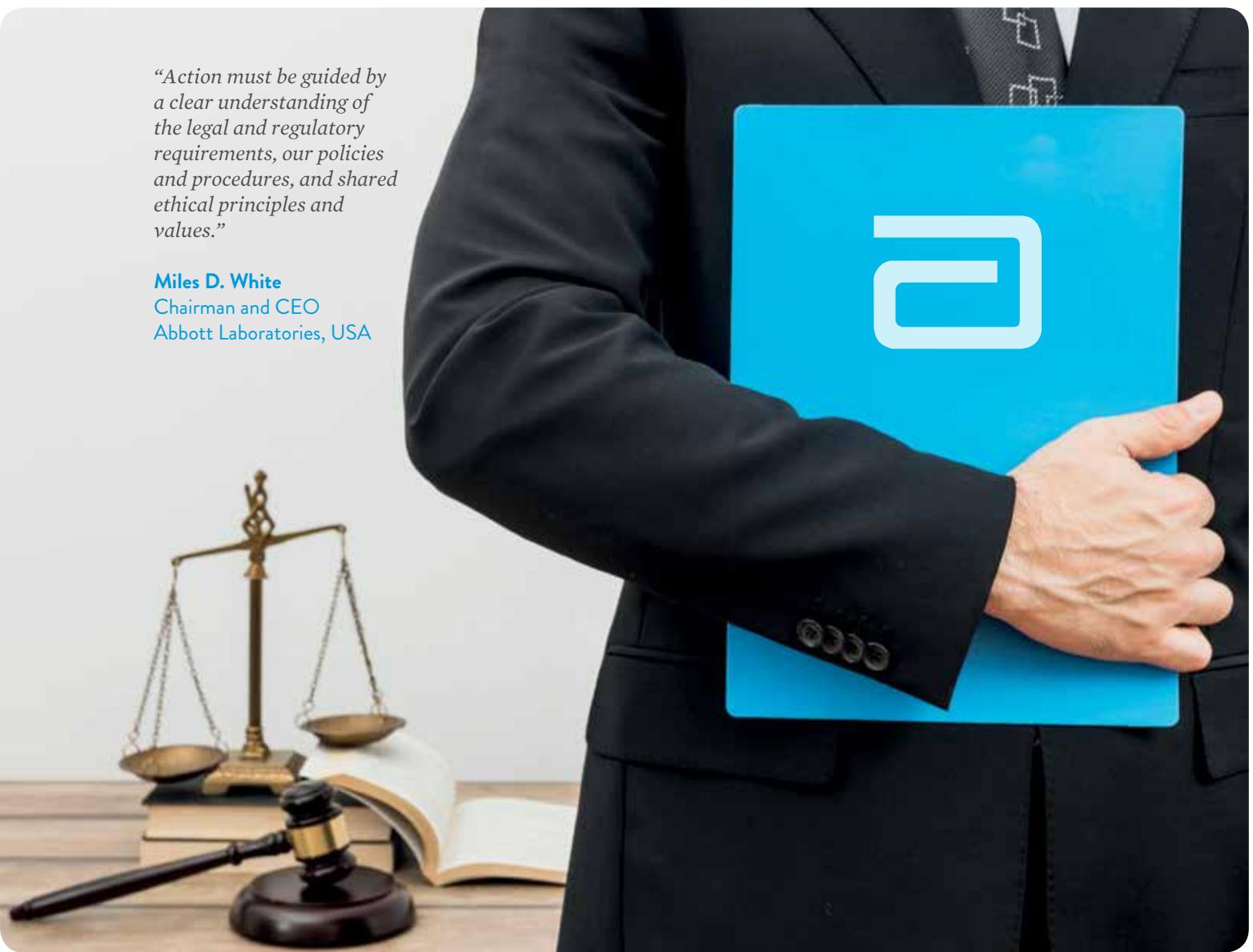
## LEGAL & ETHICS RESOURCE NETWORK – “LERN”

The LERN Training Program is an online program designed to educate Abbott employees on a broad range of ethics and compliance topics. LERN courses are designed to provide employees with the practical knowledge needed to recognise legal and ethical issues that may be encountered on the job, to make sound decisions, and to know when to seek assistance from the OEC and other resources. These courses are assigned to employees using the system annually which include courses on Code of Business Conduct, Code re-certification, Overview of Abbott's Ethics and Compliance Program, Anti-

Corruption, Ethical Awareness and Decision Making and Ethical Speaking. Its assignment, notification and progress are managed and tracked at employee level through system reports which is part of top leadership review on a periodic basis.

*“Action must be guided by a clear understanding of the legal and regulatory requirements, our policies and procedures, and shared ethical principles and values.”*

**Miles D. White**  
Chairman and CEO  
Abbott Laboratories, USA



# CORPORATE GOVERNANCE

## STRUCTURE OF THE BOARD

The Board consists of seven directors, out of which two are executive and five are non-executive directors. Amongst the non-executive directors, two are also independent, each of which chair the Audit Committee and the HR&R Committee.

## DIVERSITY ON THE BOARD

The Board of Directors of Abbott acknowledges diversity and ensures that employment decisions are based on business needs, skills, experience and relative work performance. Discrimination of any type is strictly prohibited in our Code of Conduct and we strive to provide equal opportunities to all irrespective of gender, religion or ethnicity. This is also evident by the representation of two female directors on the Board (*29% of total directors*) of Abbott since August 2016, long before the Code of Corporate Governance required female representation on the Board.

## DECISIONS TAKEN BY THE BOARD

As per requirements of the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017, Board meetings of the Company are held on a quarterly basis where all matters that are considered significant or material are approved. In cases where urgent approvals are required, these are approved through circular resolutions, duly signed by each director.

The policy of materiality specifies which transactions are considered as significant or material and are to be presented to the Board for their approval or ratification.

Certain tasks are also delegated by the Board of Directors to its Committees in line with the approved Terms of References. The Chief Executive Officer together with the senior management carry out the day to day operational matters.

## ROLE OF CHAIRMAN

The Chairman of the Board has the responsibility to lead the Board and ensure its effective functioning and continuous development. The Chairman represents the non-executive directors of the Board and is entrusted with the overall supervision and direction of the Board's proceedings, and has the power to set the agenda, give directions and sign the minutes of the Board meetings.

### **Role of Chairman of the Board is to:**

- Ensure that the Board is operating effectively and all matters relevant to the effective functioning of the Company are placed on the agenda of Board meetings;

- Conduct the Board meetings including fixing the agenda; and
- Ensure that all the Directors are enabled and encouraged to fully participate in the deliberations and decisions of the Board.

## ROLE OF CHIEF EXECUTIVE

The Chief Executive is the senior most executive on the Board and is primarily responsible for the management of the Company and its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Companies Act, 2017.

The responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that all the resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

## EVALUATION OF THE PERFORMANCE OF THE BOARD

The Board of Directors act as governing trustees of the Company on behalf of the shareholders while carrying out the Company's mission and goals.

As per the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017, the Board of Directors are required to put in place an effective mechanism for annual evaluation of its own performance, its members and of its committees.

The Company, during the year, appointed Pakistan Institute of Corporate Governance (PICG) to carry out the evaluation.

Following major criteria was set out by PICG to evaluate the performance of the Board of Directors, along with its committees and its members including the Chairman:

- a. Composition of the Board of Directors and its committees and whether their size and structure contains sufficient range of expertise to make it an effective governing body;
- b. Review of the strategic plans and business risks, monitoring Company's performance against the planned objectives and advise the management on strategic initiatives;
- c. Compliance with the legislative system in which Abbott Pakistan operates, particularly the Companies Act, 2017, Listed Companies (Code of Corporate Governance) Regulations, 2017, and the

- Memorandum and Articles of Association of the Company;
- d. Ensuring required quorum of Board meeting is present, in order to have detailed deliberation and quality decisions on matters of significance;
- e. Ensuring effective communication between the Board and its stakeholders which include auditors, management, business heads etc.;
- f. Ensuring effective management of shareholder meetings and promoting sense of participation amongst all shareholders by the Chairman;
- g. Establishing adequate internal controls system in the Company and its regular assessment through self-assessment mechanism and internal audit activities; and
- h. Whether the number of Board meetings conducted during the year are sufficient and whether they are conducted in a manner that encourages open communication and meaningful participation.

### EVALUATION OF THE PERFORMANCE OF THE CHIEF EXECUTIVE

The Chief Executive Officer, being part of the Board, is present in every meeting of the Board. The CEO provides an overview of the Company's performance to the Board and addresses any specific questions by the Board members.

The performance of the CEO is assessed through the evaluation system set by Abbott Pakistan which is based on both qualitative and quantitative objectives. These objectives include financial performance, business processes improvement, business excellence, compliance, sustainability and people management.

### POLICY FOR REMUNERATION OF NON-EXECUTIVE DIRECTORS

In line with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Articles of Association of the Company, the policy for remuneration of non-executive directors has been approved by the Board of Directors.

Non-Executive Directors are only entitled to meeting fees together with travelling and lodging costs borne by the Company.

### PRESENCE OF EXECUTIVE DIRECTORS ON OTHER BOARDS AND POLICY ON FEE RETENTION

The Executive Directors of Abbott Pakistan are not currently serving as non-executive directors of any other company and hence no fee is earned against attendance of Board meetings.

### DIRECTORS' TRAINING PROGRAM

As per the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017, at-least half of the directors on the Board are required to be trained by June 30<sup>th</sup>, 2019 from SECP approved institutions.

As disclosed in the statement of compliance, five out of our seven directors have either obtained training from SECP approved institutions or are exempt from the training program, whereas the remaining directors will be trained by the prescribed time. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.

### FORMAL ORIENTATION COURSES OF DIRECTORS

During the current year, the Company arranged workshops on Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017 for the Directors' through its legal counsel on August 17<sup>th</sup>, 2018.

### COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Abbott Pakistan is fully compliant with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017. Please refer the review report on the statement of compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017, issued by the auditors of the Company.

## GOVERNANCE PRACTICES EXCEEDING LEGAL REQUIREMENTS

Abbott Pakistan not only ensures adequate compliance with the prevailing laws and regulations of the country but also strives to be the best in class. Our internal controls are focused on ensuring that the Company does not suffer any damage to its repute or suffers any financial loss.

Abbott in the past has proactively complied with many additional legal requirements, which were not mandatory at that time. Some of the examples are:

1. The Board of Directors of the Company comprises of two female directors since August 2016 one of which is an independent director. This requirement was not mandatory in the past and has been introduced by the Listed Companies (Code of Corporate Governance) Regulations, 2017, which requires each listed company to have at least one female director.
2. The requirement for the Chief Executive Officer and the Chairman to be separate individuals was introduced through Code of Corporate Governance, 2012 whereas the Chief Executive Officer and Chairman of Abbott Pakistan have been separate persons since 20<sup>th</sup> August, 2004.
3. The Company has two independent directors since 16<sup>th</sup> April, 2014, whereas the Code of Corporate Governance, 2012 required the Company to have at least one independent director.
4. The Directors' Training Program requires at-least 50% of the directors to be trained by 30<sup>th</sup> June, 2019. Presently, as of 31<sup>st</sup> December, 2018, more than 50% of the Directors are either trained or exempted from the program.

## RELATED PARTY TRANSACTIONS

Details of related party transactions are disclosed by the Company in note 33 of the financial statements. All related party transactions are carried on an arm's length basis and subject to review and recommendation by the Audit Committee for approval of the Board.

## PREPARATION OF 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 controls

as management determines 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.

## DATE OF AUTHORISATION OF THE FINANCIAL STATEMENTS

The financial statements were authorised by the Board of Directors for issue on 21<sup>st</sup> February, 2019.

## BOARD MEETINGS HELD OUTSIDE PAKISTAN

No Board meetings were held outside Pakistan during the year.

## MATERIAL INTERESTS OF BOARD MEMBERS AND CONFLICT OF INTEREST

Directors are required to disclose, at the time of appointment and on an annual basis, the directorships or memberships they hold in other corporate bodies. This is in pursuance with section 205 of the Companies Act, 2017, which also requires Directors to disclose all material interests. We use this information to help us maintain an updated list of related parties.

Any conflict of interest relating to members of Board of Directors is managed as per provisions of Companies Act, 2017 and rules and regulations of SECP and Pakistan Stock Exchange.

## SECURITY CLEARANCE OF FOREIGN DIRECTORS

Abbott Pakistan does not have any foreign directors on its Board.

## SHARES HELD BY SPONSORS, DIRECTORS AND EXECUTIVES

A detailed breakdown on the number of shares held is presented in the pattern of shareholding disclosed on page 166 of this annual report.

Our share capital comprises only of ordinary shares. No other class of shares has been issued by the Company.

## STAKEHOLDERS' ENGAGEMENT

At Abbott, a robust engagement takes place to understand and respond to our stakeholder concerns. Our key stakeholders are:

- Shareholders
- Customers and suppliers
- Banks
- Employees
- Government and regulatory authorities

The frequency of engagements is based on business needs and corporate requirements as specified by the Listed Companies (Code of Corporate Governance) Regulations, 2017 or as contracted, under defined procedures.

## POLICY FOR SAFEGUARDING OF RECORDS

Abbott effectively ensures the safety of records. All records are retained as long as they are required to meet legal, administrative, operational and other requirements of the Company.

## IT GOVERNANCE AT ABBOTT

Abbott Pakistan has put into place governance arrangements to align IT related decisions and actions with the organisation's strategic and operational priorities.

## BUSINESS CONTINUITY PLANNING

Abbott Pakistan puts significant efforts in ensuring uninterrupted business operations. Business Continuity Plans (BCP) are in place to ensure that any adverse or unforeseen events cause minimum disruption.

## DISASTER RECOVERY PLANNING

Abbott Pakistan has adopted an effective disaster recovery plan to minimise and contain any disaster, to provide a rapid and smooth transition to a backup mode of operation and expeditiously recover the normal operations in the data center. Such planning ensures that essential/critical functions are supported with minimum disruption following a disaster.

## ISSUES RAISED AT LAST AGM

Apart from general clarifications requested by the shareholders about the Company's financial performance and published financial statements during the 69<sup>th</sup> Annual General Meeting held on April 23<sup>rd</sup>, 2018, no significant issues were raised.

## PRESENCE OF CHAIRMAN OF AUDIT COMMITTEE AT THE AGM

Along with the other directors, the Chairman of the Audit Committee – Mr. Ehsan Ali Malik was also present in the Annual General Meeting to respond to any queries, from the shareholders.

## STEPS TO ENCOURAGE MINORITY SHAREHOLDERS TO ATTEND GENERAL MEETINGS

The Company treats all its shareholders equally – including minority shareholders. Annual Report of the Company containing the notice for AGM is sent out to minority shareholders in the same manner as the majority shareholders. To encourage minority shareholders to attend general meetings and participate in the affairs of the Company, proxy form is also attached along with the notices of general meetings to ensure their representation and participation in the general meetings, even if they are unable to attend, personally.

## INVESTORS' SECTION ON WEBSITE

To ensure transparency and ease of access to Company's latest financial information for existing and potential investors, the "Investors' Information" section on the Company's website (<https://www.pk.abbott/investor/investor-information.html>) is updated from time to time with the latest financial information which could impact decision making of existing and potential investors.

# AUDIT COMMITTEE REPORT

The members of the Audit Committee are pleased to present their report to the shareholders for the year ended December 31, 2018. We would like to make the following submissions:

## COMPOSITION OF THE COMMITTEE

The Audit Committee comprises of three members all of whom are either non-executive or independent directors. The Chairman of the Committee is an independent director who is a fellow of the Institute of Chartered Accountants in England and Wales and is an alumni of the Wharton and Harvard Business Schools.

## EVALUATION OF THE COMMITTEE

Evaluation of the audit committee performance was carried out during the year by Pakistan Institute of Corporate Governance (PICG).

## COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 (REGULATIONS)

The Company has complied with the mandatory requirements specified under the Regulations. The Committee would like to further state that:

- The Company has issued a Statement of Compliance with the Regulations which has also been reviewed and certified by the external auditors of the Company.
- The Company's Code of Conduct has been disseminated across the organisation. The Company ensures that every year a compliance refresher session is arranged throughout the organisation highlighting the Company's Code of Conduct.
- The Committee has reviewed the Annual Report and concluded that it is fair, balanced and understandable. The Annual Report discloses and provides information to shareholders to assess the Company's position and performance and its business model and strategy. Similarly, it has also reviewed all related party transactions carried out during the year, which were subsequently approved by the Board.
- The Audit Committee also reviewed preliminary announcements of results prior to publication.

## INTERNAL AUDIT AND RISK MANAGEMENT

The Board of Directors have set up effective internal financial controls across all functions. The independent Internal Audit function of the Company regularly monitors the implementation of financial controls, whereas the Audit Committee reviews the effectiveness of the internal control framework. The Audit Committee would further like to state that:

- The Internal Audit department carries out its audits in

accordance with the approved audit plan which is presented annually to the Audit Committee.

- Internal Audit function plays a vital role in improving the overall control environment. It also acts as an advisor to other functions for streamlining processes and ensuring implementation of the Company's policies.
- The Internal Audit department has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen. The performance appraisal of the Chief Internal Auditor is also carried out directly by the Audit Committee.
- The Chief Internal Auditor has the required qualifications as prescribed under the Regulations.
- As per the requirements of the Regulations, the Audit Committee also undertook an overall review of the business risks to ensure that the management maintained a sound system of risk identification. The summary of the risks together with the mitigation plan was presented to the Board for its review.

## EXTERNAL AUDIT

- The external auditors were allowed direct access to the Audit Committee and also met the Audit Committee once a year without the presence of the management.
- All internal audit reports were made available for review to the external auditors during the year.
- The external auditors M/s EY Ford Rhodes, Chartered Accountants have been engaged as the external auditors of the Company since 2014 and have completed their audit assignment and review of the Statement of Compliance with the Regulations. They shall retire on the conclusion of the 70<sup>th</sup> Annual General Meeting.
- Being eligible for reappointment as auditors of the Company, the Audit Committee has recommended the appointment of M/s EY Ford Rhodes, Chartered Accountants as external auditors of the Company for the year ending December 31, 2019.
- The Company also obtains taxation related services from M/s EY Ford Rhodes, Chartered Accountants. The firm has sound policies and procedures to ensure compliance of independence which includes separate engagement partners and separate teams for both audit and taxation work.

On behalf of the Audit Committee

Ehsan Ali Malik  
Chairman - Audit Committee  
February 21<sup>st</sup>, 2019

## INTEGRATED REPORTING FRAMEWORK

An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. It is to be prepared in accordance with the Integrated Reporting Framework (the framework) issued by the International Integrated Reporting Council (IIRC).

The integrated reporting framework follows a principles-based approach, including the following guiding principles:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

Integrated Report is to be presented by those charged with governance acknowledging the integrity and compliance with the framework, including the following content:

- Organisational overview and external environment
- Governance
- Business model
- Risks and opportunities
- Strategy and resource allocation
- Performance
- Outlook
- Basis of preparation and presentation

At present, the requirement to publish an integrated report is not mandatory in Pakistan. The Company is reviewing the reporting requirements of an integrated report mandated by the local authorities, so that compliance can be ensured timely, when required.

## UNRESERVED STATEMENT OF COMPLIANCE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Abbott Pakistan prepares its financial statements in accordance with IFRS issued by IASB as adopted and notified by Securities and Exchange Commission of Pakistan (SECP) under section 225 of the Companies Act, 2017, in addition to the local requirements of the Act under the Third and Fourth Schedules.

There are certain recent amendments which have not been notified by SECP under the Companies Act, 2017, which are mentioned as follows:

- IFRS 14 - Regulatory Deferral Accounts
- IFRS 17 - Insurance Contracts

In addition, the Companies Act, 2017 has notified adoption dates of certain recent amendments and standards, mentioned in note 2.1.5 to the financial statements, which will be implemented on their respective dates as notified by SECP under the Act. The Company is currently evaluating the impact of these standards.

## BOARD OF DIRECTORS



From left to right

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**SEEMA KHAN**  
Director

**EHSAN ALI MALIK**  
Director

**KAMRAN Y. MIRZA**  
Director

**MUNIR A. SHAIKH**  
Chairman

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**SYED ANIS AHMED**  
Chief Executive Officer

**ZEHRA NAQVI**  
Director

**SHAMIM AHMAD KHAN**  
Director

## DIRECTORS' PROFILE



**MUNIR A. SHAIKH**  
Chairman

Munir Shaikh is currently Chairman of the Board of Directors of Abbott Laboratories (Pakistan) Limited and also Chairman of the Board of Directors of Abbott India Ltd. and Sunshine Holdings Ltd. Sri Lanka. All of these companies are listed with their shares quoted on Pakistan, Mumbai and Colombo Stock Exchanges respectively.

Mr. Shaikh has held several management positions with Abbott in Asia, Middle East and the United States. He was the Managing Director of Abbott Pakistan, Regional Manager, Caribbean based in Puerto Rico, Director of Business Development based in Chicago, Vice President, Middle East and Africa based in Dubai and Vice President Pacific, Asia Africa based in Singapore. Mr. Shaikh is a Fellow of the Institute of Chartered Accountants in England and Wales.



**SYED ANIS AHMED**  
Chief Executive Officer

Syed Anis Ahmed is the Chief Executive Officer of Abbott Laboratories (Pakistan) Limited. Previously he has served as the Chief Financial Officer of Abbott Pakistan. He has over 20 years of experience in senior commercial and finance roles where he has provided his guidance and leadership across different functions. Anis is also the Chairman of Pharma Bureau and is a member of Executive Committee of Overseas Investors' Chamber of Commerce & Industry (OICCI) where he plays a key role in highlighting different issues faced by the Pharmaceutical industry. He was previously associated with A.F. Ferguson & Co. and Philips Pakistan. Anis is a Fellow member of the Institute of Chartered Accountants of Pakistan.



**KAMRAN Y. MIRZA**  
Director

Kamran Mirza is part of the Board of Directors of Abbott Laboratories (Pakistan) Limited. Previously, he has also served as the Chief Executive Officer of Abbott Pakistan for 29 years. He currently serves as Director on the Boards of Safari & Outdoor Club of Pakistan, International Steel Ltd. and Education Fund for Sindh (EFS). He is also Chairman & Director of Unilever Pakistan Foods Limited, Karwan-e-Hayat and Philip Morris (Pakistan) Limited. In the past, he has also served as Director, Bank Alfalah, Chief Executive, Pakistan Business Council, Chairman, Karachi Stock Exchange (KSE), President, Overseas Investors' Chamber of Commerce & Industry (OICCI), President, American Business Council (ABC) and Chairman, Pharma Bureau. He is a qualified Chartered Accountant from the United Kingdom.



**EHSAN ALI MALIK**  
Director

Ehsan Ali Malik is part of the Board of Directors of Abbott Laboratories (Pakistan) Limited. He is currently serving as Director on Board of National Foods Limited, Gul Ahmed Textile Mills Limited and International Industries Limited. He is also serving as the Chief Executive of Pakistan Business Council. Previously he was the Chief Executive Officer/Director of Unilever Pakistan Limited. He was also a Director of Unilever Pakistan Foods Limited. Further, he had also served as the Chief Executive/ Director of Lever Chemical (Private) Limited, Lever Associated Pakistan Trust (Private) Limited, Unilever Birds Eye Foods Pakistan (Private) Limited and Sadiq (Private) Limited. His earlier international appointments covered Unilever's regional business in Sri Lanka, Egypt, Lebanon, Jordan, Syria and Sudan as well as Unilever's Head Office in UK. Ehsan is a Fellow of the Institute of Chartered Accountants in England and Wales and alumni of the Wharton and Harvard Business Schools.



**SHAMIM AHMAD KHAN**  
Director

Shamim Ahmad Khan is part of the Board of Directors of Abbott Laboratories (Pakistan) Limited. He also serves on the Boards of Packages Limited, IGI Insurance Limited, Attock Refinery Ltd, and Karandaaz (Pvt.) Limited (a non-profit company sponsored by DFID). He is also Chairman & Director of IGI Life Insurance Limited. He is also a Member of the Board of Governors Sustainable Development Policy Institute (SDPI). After joining the Civil Service of Pakistan in 1962, Mr. Shamim Ahmad Khan served in various senior positions in Government of Pakistan retired as Secretary, Ministry of Commerce. For ten years he worked as Member and later as Chairman of the Corporate Law Authority, the regulatory body for the corporate sector in Pakistan. He was the founder Chairman of the Securities and Exchange Commission of Pakistan.



**ZEHRA NAQVI**  
Director

Zehra Naqvi is the Director of Chubb Insurance Pakistan Limited (formerly ACE Insurance Ltd.) a wholly owned subsidiary of Chubb-INNA International Holdings Limited, Delaware, USA (part of the Chubb Group). She is also serving as a Director on the Board of Atlas Asset Management Limited. Previously, she was the Chief Executive Officer of Chubb Insurance Pakistan Limited. She has over 36 years of experience in the Insurance sector. Prior to joining Chubb, she worked with Guardian Royal Exchange Assurance and Adamjee Insurance Company in Pakistan. Ms. Naqvi has served as a member of the Executive Committee of the American Business Council. She has also been a member of the Punjab Board of Investment & Trade and has served on the Managing Committee of the Overseas Investors' Chamber of Commerce & Industry (OICCI) and the Executive Committee of Insurance Association of Pakistan. She is a Council member of the Pakistan Insurance Institute, where, in the past she was the Chairperson and has also been a visiting faculty member. She is a Chartered Insurer from the Chartered Insurance Institute, UK and is a Certified Director from the Institute of Chartered Accountants of Pakistan (ICAP). She has a B.Sc. Degree from Karachi University and an MBA Degree from the Institute of Business Administration, Karachi.



**SEEMA KHAN**  
Director

Seema Khan is part of the Board of Directors of Abbott Laboratories (Pakistan) Limited. Seema holds a Bachelors in Pharmacy degree from Karachi University. She has extensive experience over 25 years in pharmaceutical sector, directing and leading multidisciplinary teams. Currently, she is working as a lead of Regulatory Affairs and is part of Executive Management at Abbott Laboratories (Pakistan) Limited. She is an expert on Regulatory Affairs with extensive experience in Pharmaceutical Industry which includes dealing with government at the highest level for resolution of regulatory and policy issues. Seema also represents Abbott on the technical committee of Pharma Bureau. She is also present on the Intellectual Property Rights (IPR), Legal & Government relations subcommittee of American Business Council.

# BRIEF TERMS OF REFERENCE OF BOARD COMMITTEES

## AUDIT COMMITTEE

The Audit Committee comprises of three members, all of whom are Non-Executive Directors. The committee is chaired by an independent director. The Audit Committee meets at least four times a year. The Company Secretary acts as the secretary to the Audit Committee. The brief terms of reference of the Audit Committee are as follows:

- Review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors;
- Review of preliminary announcements of results prior to external communication and publication;
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- Review of management letter issued by the external auditors and management's response thereto;
- Review of scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Company by the external auditors in addition to the audit of its financial statements;
- Determination of appropriate measures to safeguard the Company's assets; and
- Consideration of any other issue or matter as may be assigned to the Committee by the Board of Directors.

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Committee consists of five members four of which are non-executive directors and the Chief Executive Officer. The committee is chaired by an independent director. The brief terms of reference of the Human Resource & Remuneration Committee are as follows:

- Adopt the Company's Corporate HR and remuneration policies as applicable; while ensuring that these remain within the framework of country laws and regulations;

- Make recommendations to the Board regarding selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary, Head of Internal Audit & Compliance, and any other key officers of the Company which shall normally be the direct reports of the CEO; and
- Ensure remuneration approach is consistent with performance assessment and compensation framework of the Company.

## BANKING COMMITTEE

The Committee comprises of a Non-Executive Director, one Executive Director and Chief Executive Officer. The Banking Committee approves matters relating to opening, closing and day-to-day operations of bank accounts, issuing such instructions to the Company's bankers with regards to the Company's banking transactions and business, as it may consider appropriate.

## SHARE TRANSFER COMMITTEE

The Committee comprises of Chief Executive Officer, one Executive Director and one Non-Executive Director. The Company Secretary acts as the secretary to the Committee. The Committee approves registration, transfer and transmission of shares. Moreover, it also issues and cancels share certificates including duplicate share certificates.

## BOARD COMMITTEES ATTENDANCE

### AUDIT COMMITTEE

Name	Category	Meetings	
		Held	Attended
Ehsan Ali Malik	Chairman - Independent Director	4	4
Shamim Ahmad Khan	Member - Non Executive Director	4	3
Kamran Y. Mirza	Member - Non Executive Director	4	4
Jamshed Azhar	By invitation - Chief Financial Officer	4	4
Fahad Rehman	By invitation - Chief Internal Auditor	4	4
Malik Saadatullah	Secretary	4	4

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

Name	Category	Meetings	
		Held	Attended
Zehra Naqvi	Chairperson - Independent Director	3	3
Munir A. Shaikh	Member - Non Executive Director	3	3
Kamran Y. Mirza	Member - Non Executive Director	3	3
Shamim Ahmad Khan	Member - Non Executive Director	3	2
Syed Anis Ahmed	Member - Chief Executive Officer	3	3
Asghar Huda	Secretary / Director Human Resource	3	3

## REVIEW REPORT BY THE CHAIRMAN



It is a pleasure to present the Chairman's report.

In spite of achieving double digit sales growth, income was negatively impacted by devaluation and inflation without adequate price adjustments. The Regulators have recently recognised the need for some price

adjustments. The effort of your Company is to continue to provide good quality and effective pharmaceuticals.

### REVIEW OF OVERALL PERFORMANCE OF THE BOARD

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

The objective of the Board is to provide strategic direction to the Company and to oversee the management. The Board performed its duties as required under the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 (Regulations), including approval of significant policies, establishing a sound system of internal controls, approving budgets and financial results.

Owing to the Listed Companies (Code of Corporate Governance) Regulations, 2017 which requires evaluation of the Board, the Pakistan Institute of Corporate Governance (PICG) was appointed by the Board during the year to carry out its evaluation and its committees performance.

As required by the Regulations, the Board has constituted the following four committees which are operating effectively and within the framework of the law:

### 1. AUDIT COMMITTEE

The Audit Committee plays a key role in ensuring that effective and efficient systems and procedures of internal controls are in place.

### 2. BANKING COMMITTEE

The responsibilities of the Banking Committee are managing the overall relationship with the banks, credit limits, approval of authorized signatories and wise investment of surplus funds.

### 3. HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR&R)

The HR&R committee is responsible for reviewing the personnel policies, remuneration and benefits of the Chief Executive Officer, Chief Financial Officer, Company Secretary and Chief Internal Auditor. It is also engaged in recommendation of Human Resource policies to the Board and determination of policy framework for the remuneration of directors in accordance with its Terms of Reference.

### 4. SHARE TRANSFER COMMITTEE

The committee approves registration, transfer and transmission of shares.

I would like to thank all our shareholders, customers, bankers and employees for their continued hard-work and support. I would also like to thank the Board members, CEO and his team for their dedication and hard-work.

A handwritten signature in black ink, appearing to read "Munir A. Shaikh".

Munir A. Shaikh  
Chairman

February 21<sup>st</sup>, 2019

# چیئر مین کی طرف سے جائزہ

## ۲۔ بینگ کمیٹی

بینگ کمیٹی کی ذمہ داریاں بینکوں کے ساتھ مجموعی تعلقات کو آگے بڑھانا، کریڈٹ کی حد بندیوں کا انتظام کرنا، معاهدے کے مجاز فریقوں کی منظوری لینا اور فاضل رقوم کی سمجھداری سے سرمایہ کاری کرنا ہے۔

## ۳۔ ہیومن ریسورس اینڈ ریونیریشن کمیٹی (اتق آر اینڈ آر)

اتق آر اینڈ آر کمیٹی پر سنیل پالیسیوں، چیف ایگزیکٹو آفیسر، چیف فائیل آفیسر، کمپنی سیکرٹری اور چیف ائٹرل آئیٹر کے حوالے سے مشاہرے اور فوائد کا جائزہ لینے کی ذمہ دار ہے۔ یہ بورڈ کو انسانی وسائل کے بارے میں پالیسیوں کی سفارش کرنے اور ٹرمز آف ریفرنس کے مطابق ڈائریکٹرز کے مشاہرے تعین کرنے کے فریم ورک پر مامور ہیں۔

## ۴۔ شیئر ٹرانسفر کمیٹی

کمیٹی شیئرز کی رجسٹریشن، ٹرانسفر اور ٹرانسمیشن کی منظوری دیتی ہے۔

میں سخت محنت اور حمایت برقرار رکھنے پر اپنے شیئر ہولڈرز، صارفین، بینکوں اور کارکنوں کا شکریہ ادا کرتا ہوں۔ میں عزم و اخلاص اور سخت محنت پر بورڈ کے ارکان، سی ای او اور ان کی ٹیم کو بھی خراچ تحسین پیش کرتا ہوں۔

منیر اے شخ  
چیئر مین

21 فروری 2019ء

چیئر مین کی رپورٹ پیش کرنا میرے لئے باعثِ سرست ہے۔

اس سال سیز میں دو ہندسی نمو کے باوجود، قیمتوں میں ناکافی روکودبل، روپے کی قدر میں مسلسل کمی اور مہنگائی کے سبب منافع متاثر ہوا۔ ریگولیٹر نے حالیہ لائلگت میں روکودبل کی ضرورت کو تسلیم کیا ہے۔ آپ کی کمپنی اعلیٰ معیار کی موثر فارماسوٹیکل مصنوعات فراہم کرنے میں کوشش ہے۔

## بورڈ کی مجموعی کارکردگی کا جائزہ

بورڈ متنوعی و سعی تجربے کے ڈائریکٹران پر مشتمل ہے۔ ڈائریکٹروں نے اپنی ذمہ داریاں موثر طریقے اور جاں فشانی سے انجام دی ہیں۔

بورڈ کے مقاصد میں کمپنی کو اسٹریچ ہجک سمت دکھانا اور انتظامیہ کی نگرانی کرنا شامل ہے۔ بورڈ نے لمپنیز ایکٹ 2017ء اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017ء کے تحت اپنے فرائض پورے کے جن میں ذیل شامل ہیں: اہم پالیسیوں کی منظوری، ائٹرل ٹنزولز کا ایک مستحکم نظام قائم کرنا، بجٹ اور مالی نتائج کی منظوری دینا۔

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017ء کے تحت بورڈ کی جانچ کی ضرورت ہے۔ دورانی سال بورڈ نے اپنی اور کمپنیوں کی کارکردگی کی جانچ کے لئے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کا تقرر کیا۔

ریگولیشنز کے تقاضوں کے مطابق، بورڈ نے چار کمیٹیاں بنائی ہیں، جو موثر طریقہ سے قانون کے ضابطے میں رہتے ہوئے کام کر رہی ہیں۔

## ۱۔ آڈٹ کمیٹی

آڈٹ کمیٹی کمپنی کے مجموعی انصباطی ماحول کی نگرانی میں ایک کلیدی کردار ادا کرتی ہے۔

## DIRECTORS' REPORT

The Directors are pleased to present their Report and the audited financial statements of the Company for the financial year ended December 31, 2018.

### OPERATING RESULTS

	Rs. in '000
Profit for the year before taxation	4,343,769
Taxation	<u>(1,649,436)</u>
Profit after taxation	2,694,333
Other comprehensive income - net of tax	26,833
Un-appropriated profit brought forward	<u>7,578,649</u>
Profit available for appropriation	10,299,815
<b>APPROPRIATIONS:</b>	
Final dividend 2017 Rs. 30.0 per share	(2,937,009)
Interim dividend 2018 Rs. 10.0 per share	<u>(979,003)</u>
Un-appropriated profit carried forward	<u>6,383,803</u>

### FINANCIAL PERFORMANCE

Net sales increased by 13.9% over the previous year. Gross margin declined to 32.9% from 38.7% mainly due to devaluation and inflation. Other charges increased by 30.6% mainly due to exchange loss. As a result of these factors, profit after tax for the year declined by 35.9% over the previous year. Earnings per Share was Rs. 27.52 (2017: Rs. 42.95).

### DIVIDEND

The Directors are recommending a final cash dividend of Rs. 10.0 per share (2017: Rs. 30.0 per share), which is in addition to an interim cash dividend of Rs. 10.0 per share (2017: Rs. 10.0 per share) paid to the shareholders during 2018.

### SEGMENT-WISE SALES AND MARKET PERFORMANCE

Pharmaceutical sales increased by 12.0% mainly because of volume growth in established brands. Nutritional sales increased by 23.6% mainly due to volume growth in *PediaSure* and *Ensure*. Others (General Health Care, Diagnostic and Diabetes Care) grew by 12.1%.

### INDUSTRY OVERVIEW

According to global pharma market research company – IQVIA (previously known as IMS) published data, pharmaceutical industry in Pakistan is estimated at US\$ 3.25 billion. The market share of multinational companies has been gradually declining over the years and at present is 32%. There are a total of 616 active pharmaceutical companies in Pakistan with only 27 multinational companies. Several of these have scaled back their operations due to factors impeding their profitability. Abbott Pakistan's market share is 6.1% and it is ranked 3rd in the total market.

### CAPITAL EXPENDITURE

In order to expand manufacturing capacity, enhancement of productivity and improvement of plant efficiency, the Company made capital investment of Rs. 2,539 million during the year.

### LIQUIDITY MANAGEMENT AND CASH FLOW STRATEGY

Rs. 2,937 million was generated from operating activities during the year. At year end, the Company had liquid funds comprising cash/bank balances and short-term investments amounting to Rs. 5,678 million, net of investments on capital projects and dividend payments.

Your Company has developed and implemented a formal cash flow monitoring system whereby cash inflows and outflows are projected and monitored on a regular basis. This ensures sufficient availability of funds at all times while generating optimum returns through placement of surplus funds in various investment avenues.

The Company follows prudent investment strategy for placement of surplus funds which are generally placed in short-term bank deposits.

### EVALUATION OF COMPANY'S PERFORMANCE

For the purpose of evaluating the performance of the Company, the management uses various indicators like industry growth, position of peer companies in relevant therapeutic areas, prior years' performance, macro-economic indicators and business environment impacting the Company.

Budgets are formulated and actual performance measured against the budget, at regular intervals during the year enabling remedial actions on a timely basis.

### PRINCIPAL RISKS AND THEIR MANAGEMENT

The Company's overall risk management program focuses on minimising potential adverse effects on its performance. This is carried out by the Company's senior management team and the results are shared with the Board of Directors. This entails identifying, evaluating and addressing strategic, financial, commercial and operational risks faced by the Company.

During the year, as per requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Audit Committee also undertook an overall review of the business risks and its mitigation plan to ensure that management maintained a sound system of risk identification and mitigation. A summary of the risks together with the mitigation plan is presented to the Board for its review.

The key risks currently being faced by the Company include increasing cost of doing business due to devaluation of the Pakistani rupee and continued inflation.

## ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Board of Directors have set up effective internal financial controls across all functions. The independent Internal Audit function of your Company regularly monitors the implementation of financial controls, whereas the Audit Committee reviews the effectiveness of the internal control framework.

## CONTRIBUTION TO NATIONAL EXCHEQUER

Your Company has contributed Rs. 4,988 million (2017: Rs. 3,761 million) to the Government on account of various Government levies including Income Tax, Customs Duties and Sales Tax.

## ENVIRONMENT, HEALTH AND SAFETY (EHS)

Abbott is conscious of its responsibility to the environment. Your Company strives to find economical and efficient ways to reduce the volume and toxicity of waste and to conserve and recover resources to the greatest extent possible. One of the initiatives taken to achieve this goal was “Composting” – which is a process for converting organic materials into useful products. This is also one of the ways to revitalise soil vitality due to phosphorus depletion. This supports Abbott’s zero-waste-to-landfill initiative. Other efforts also include installation of 1,972 solar panels at Korangi production facility during 2017 – being the largest panels installed by any healthcare company in Pakistan.

Our brands have earned trust as there is no compromise on quality and safety. We subscribe to highest standards of integrity and ethics.



## CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company realises its social responsibility towards society. As a responsible corporate citizen, the Company has contributed to different social segments of the economy in various ways for improving quality of life. Your Company, has

taken multiple CSR initiatives which included health awareness campaigns, medical health camps for patients and Earth-day campaigns. Our senior leadership team members also volunteered at The Citizens Foundation as part of the Rahbar program.

## BUSINESS PROCESS IMPROVEMENT

The Company continues to focus on improving the quality of its products and compliance with regulatory, safety and environmental requirements. We maintained our focus on safety and delivered our commitment to high quality Good Manufacturing Practice (GMP) standards. We have continued to invest in increasing capacity, updating older facilities and building new capacity to support our long-term growth ambitions. Examples include a state-of-the-art new granulation suite with integrated operations and installation of high speed machines.



## HUMAN RESOURCES

People are our greatest resource and assets. At Abbott Pakistan, we continue to invest in the development of employees at all levels. Several programmes have been introduced for senior management and teams at mid and junior levels providing them opportunities to upgrade their professional and management skills, thus, ensuring a robust succession pipeline. It is a matter of great pride for us that there is an increasing demand in Abbott affiliates outside Pakistan for services of our employees for assuming senior management roles. As a responsible corporate citizen, your Company continues to participate in career fairs in various academic institutions and provide traineeship and internship experiences to students. We thus contribute to developing and elevating quality of human resource and business practices in Pakistan.

## GLOBAL CITIZENSHIP

Abbott Pakistan subscribes to the values of Abbott Global that responsible, sustainable businesses have an important role to play in building a healthy, thriving society. This commitment

to global citizenship shapes the way we operate, the people we hire, the activities we support and the relationships we develop. To transform our global citizenship ambitions into sustainable ideas, Abbott focuses on four key priorities: Innovating for the Future, Enhancing Access, Protecting Patients and Consumers and Safeguarding the Environment.

## SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have taken place between the end of the year and the date of this report.

## BUSINESS CHALLENGES AND FUTURE OUTLOOK

The Pakistani pharmaceutical industry continues to play a pivotal role in welfare of the society, not only by providing affordable healthcare but also by contributing to national economy through taxes and creating opportunities for both direct and indirect employment.

The Company continues to face challenges of rapid escalation in costs owing to inflation and devaluation of the Pak Rupee. During the current year, the Company suffered exchange losses amounting to Rs. 951.84 million. This has severely impacted the Company's cost base and margin.

The Drug Regulatory Authority (Authority) plays a significant role in the regulation and development of pharmaceutical industry. The role of the Authority in realising the long-standing hardship pricing issue is welcome. We trust that the Authority will consider to include an automatic mechanism and policy to off-set the impact of devaluation. We look forward to working with the regulators in the future to ensure that pragmatic steps are taken to ensure availability and access of high quality medicines to the patients. Your Company is continuing to make all efforts to improve productivity through innovation, improving efficiency and effective cost containment initiatives.

As we look to the year ahead with added vigour, we will continue to build on our competencies and review our strategies to ensure that they remain relevant, in line with changing dynamics in the local marketplace.

## AUDITORS

The present Auditors M/s EY Ford Rhodes, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Board of Directors endorse the recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year ending December 31, 2019.

## PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding in the Company and additional information as at December 31, 2018 is given on page 165.

Mr. Ehsan Ali Malik, Director acquired 2,300 shares during January 2018 out of which 1,800 shares were acquired at the rate

of Rs. 670.35 whereas remaining 500 were acquired at the rate of Rs. 655.35. Subsequently, 5,700 shares out of his holding, were transferred to his spouse at the rate of Rs. 679.98.

Kamran Y. Mirza, Director inherited 1,269 shares at the rate of Rs. 666.00 during March 2018 which were later disposed off at the rate of Rs. 681.01.

Other directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

## HOLDING COMPANY

As at December 31, 2018 Abbott Asia Investments Limited, UK held 76,259,454 shares. The ultimate holding Company is Abbott Laboratories, USA.

## UNDERSTANDING VIEWS OF MAJOR SHAREHOLDERS

The Board has always been keen to solicit and understand views of the shareholders, and in turn take measures to incorporate suggestions of the shareholders wherever possible. All questions by shareholders in the Annual General Meeting are addressed.

## COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

As required by the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Directors are pleased to state as follows:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results 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 preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The Company maintains a sound internal control system which gives reasonable assurance against material misstatement or loss. The internal control system is regularly reviewed.
- We affirm the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance.

- Key operating and financial data for the last six years is summarised on page 88.
- Outstanding taxes, statutory charges and duties, if any, have been duly disclosed in the financial statements.
- Significant deviations, from last year in the operating results of the Company have been highlighted and explained.
- In accordance with the criteria specified in the Regulations, three directors have certification under Directors' Training Program, two Directors of the Company are exempt from the requirement of Directors' training program and the remaining Directors will be trained by June 30, 2020 and June 30, 2021 in accordance with the time prescribed by the Listed Companies (Code of Corporate Governance) Regulations, 2017. All the Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Company arranged an orientation course covering the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Companies Act, 2017 for its Directors in the current year.
- Outstanding debts, if any, have been duly disclosed in the financial statements.
- The value of investments made by the staff retirement funds as per their financial statements are as follows:

Value (Rs. in millions)

- |   |       |
|---|-------|
| • ALPL Pension Fund (Based on year ended December 31, 2017) – audited   | 3,552 |
| • ALPL Provident Fund (Based on year ended December 31, 2017) – audited   | 946   |
| • During the year, four meetings of the Board of Directors were held. Attendance by each Director/CFO/Company Secretary was as follows: |       |

Name of Directors/CFO/Co. Secretary	Number of Board Meetings Attended
1 Mr. Munir A. Shaikh	4
2 Syed Anis Ahmed	4
3 Ms. Seema Khan	2
4 Mr. Kamran Y. Mirza	4
5 Mr. Shamim Ahmad Khan	3
6 Mr. Ehsan Ali Malik	4
7 Ms. Zehra Naqvi	4
8 Mr. Jamshed Azhar (CFO)	4
9 Mr. Malik Saadatullah (Company Secretary)	4

Number of Board Committees' meetings and attendance therein is included on page 69.

## DIRECTORS' REMUNERATION

In line with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Articles of Association of the Company, the policy for remuneration of non-executive directors (including independent directors) has been approved by the Board of Directors.

The salient features of the policy are:

- The Company will not pay any remuneration to its non-executive directors (including independent directors) except as meeting fee for attending the Board and its Committee meetings.
- The remuneration of a director for attending meetings of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.
- All non-executive directors (including independent directors) shall be provided or reimbursed all travelling, boarding, lodging and other expenses incurred by him for attending meetings of the Board, its Committees and/or General Meetings of the Company.

## BOARD EVALUATION

During the year, the Board of Directors have appointed Pakistan Institute of Corporate Governance (PICG) to carry out evaluation of the Board with its committees and its members including the Chairman.

### Particulars of the External Consultant

The PICG is a not-for-profit company engaged in promoting good corporate governance practices in Pakistan. Their founding shareholders include the Securities and Exchange Commission of Pakistan (SECP), State Bank of Pakistan (SBP), Pakistan Stock Exchange and leading business and educational institutions.

Their faculty comprises professionals from diverse experiences and backgrounds. Additional details are available on their website at <https://www.picg.org.pk/faculty-profile/>.

## DIRECTORS' TRAINING

Majority Board members have the prescribed qualifications and experience required for exemption from training programs of Directors pursuant to Regulation 20 of the Regulations. All Directors are fully conversant with their duties and responsibilities as Directors of corporate bodies. The Company engaged its legal advisors to provide orientation courses to its Directors covering the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Companies Act, 2017.

## COMPOSITION OF THE BOARD

In line with the requirements of the Regulations, the Company encourages representation of independent and non-executive directors, as well as gender diversity on its Board. The current composition of the Board is as follows:

### Total number of Directors:

- Male: 5
- Female: 2

### Composition:

- Independent Directors: 2
- Non-Executive Directors: 3
- Executive Directors: 2

## COMMITTEES OF THE BOARD

### Audit Committee

Ehsan Ali Malik - Chairman  
Shamim Ahmad Khan - Member  
Kamran Y. Mirza – Member

### Human Resource and Remuneration Committee

Zehra Naqvi - Chairperson  
Kamran Y. Mirza - Member  
Munir A. Shaikh - Member  
Shamim Ahmad Khan – Member  
Syed Anis Ahmed - Member

### Share Transfer Committee

Syed Anis Ahmed - Chairman  
Kamran Y. Mirza - Member  
Seema Khan – Member

### Banking Committee

Zehra Naqvi - Chairperson  
Syed Anis Ahmed - Member  
Seema Khan – Member

### ACKNOWLEDGEMENT

I would like to thank my senior colleagues on the Board for their valuable guidance and support. I would also like to place on record my sincere appreciation for the tireless efforts, dedication and commitment of our employees and to our customers for reposing confidence in our products. I also wish to extend my gratitude to our shareholders for their continued support.



Syed Anis Ahmed  
Chief Executive



Ehsan Ali Malik  
Director

February 21<sup>st</sup>, 2019

## بنگ کمیٹی

زہرا نقوی – چیئر پرسن  
سید انیس احمد – رکن  
سمیا خان – رکن

## اعتراف

میں قابل قدر رہنمائی اور حمایت فراہم کرنے پر بورڈ کے ساتھیوں کا پُر خلوص شکریہ ادا کرتا ہوں۔ اپنے تمام کارکنوں کو اُن کی انتہک محنت، عزم اور استقلال پر سراہتا ہوں اور اس تعریف کو ریکارڈ پر لانا چاہتا ہوں، اور صارفین کی جانب سے ہماری مصنوعات پر مسلسل اعتماد کرنے پر ان کی ستائش کرنا چاہتا ہوں۔ میں اعتماد برقرار رکھنے پر اپنے شیئر ہولڈرز کا بھی شکریہ ادا کرنا چاہتا ہوں۔

## بورڈ کی کمیٹیاں

آڈٹ کمیٹی  
احسان علی ملک – چیئر مین  
شمیم احمد خان – رکن  
کامران واٹی مرزا – رکن

## ہیومن ریسورس اینڈ ریکارڈنگز کمیٹی

زہرا نقوی – چیئر پرسن  
کامران واٹی مرزا – رکن  
میراء شخ – رکن  
سید انیس احمد – رکن  
شمیم احمد خان – رکن

## شیئرز ٹرانسفر کمیٹی

سید انیس احمد – چیئر مین  
کامران واٹی مرزا – رکن  
سمیا خان – رکن

احسان علی ملک  
ڈائریکٹر

سید انیس احمد  
چیف ایگزیکٹو

افراد شامل ہیں۔ مزید معلومات اس کمپنی کی ویب سائٹ پر دستیاب ہیں

## ڈائریکٹروں کی ٹریننگ

بورڈ کے اکثر ارکان مطلوبہ اپلپت اور تجربہ رکھتے ہیں جس کی بنا پر وہ ریگولیشنز کے ضابطہ نمبر 20 کے تحت ڈائریکٹروں کو ملنے والے ٹریننگ پروگراموں سے مستثنی ہیں۔ تمام ڈائریکٹرز کارپوریٹ اداروں کے ڈائریکٹروں کی حیثیت سے اپنے فرائض اور ذمہ داریوں سے بخوبی آگاہ ہیں۔ رواں سال کمپنی نے اپنے لیگل ایڈوائزرز کی خدمات حاصل کیں تاکہ کمپنی کے ڈائریکٹروں کے لیے لسٹ کمپنیز ریگولیشنز 2017ء (کوڈ آف کارپوریٹ گورننس) اور کمپنیز ایکٹ 2017ء کا احاطہ کرنے والا ایک اور پیشہ شن کورس کا اہتمام کیا جائے۔

## بورڈ کی تفصیل

ریگولیشنز کے تقاضوں کے مطابق کمپنی اپنے بورڈ میں آزاد اور نان ایگزیکٹو ڈائریکٹروں کی نمائندگی کے ساتھ ساتھ صنفی تنوع کی بھی حوصلہ افزائی کرتی ہے۔ بورڈ کی موجودہ تشکیل اس طرح سے ہے:

ڈائریکٹروں کی مجموعی تعداد:

- |            |                |                             |
|------------|----------------|-----------------------------|
| (i) مرد: 5 | (ii) خواتین: 2 | (iii) ایگزیکٹو ڈائریکٹرز: 2 |
| تشکیل:     |                | آزاد ڈائریکٹرز: 2           |
|            |                | نان ایگزیکٹو ڈائریکٹرز: 3   |

اس پالیسی کی خاص نکات یہ ہیں:

- کمپنی اپنے نان ایگزیکٹو ڈائریکٹروں (بشوں آزاد ڈائریکٹرز) کو کوئی مشاہرہ ادا نہیں کرے گی مساوئے اس میٹنگ فیس کے جو بورڈ اور اس کی کمیٹیوں کی میٹنگوں میں شرکت پر ادا کی جائے گی۔
- بورڈ آف ڈائریکٹرز یا اس کی کمیٹیوں کے اجلاسوں میں شرکت پر کسی ڈائریکٹر کا مشاہرہ وقتاً فوقاً طے کیا جائے گا اور اس کی منظوری بورڈ آف ڈائریکٹرز دے گا۔
- تمام نان ایگزیکٹو ڈائریکٹروں (بشوں آزاد ڈائریکٹرز)، بورڈ اس کی کمیٹیوں کے اجلاسوں اور / یا کمپنی کے سالانہ اجلاس عام میں شرکت کی بنا پر کسی ڈائریکٹر کو سفر، قیام و غذام اور دیگر جو اخراجات برداشت کرنے پڑیں وہ پورے reimburse کے جائیں گے یا ادا کیے جائیں گے۔

## بورڈ کی قدر پہچانی

سال کے دوران بورڈ آف ڈائریکٹرز نے بورڈ اور اس کی کمیٹیوں اور اس کے ارکان بشوں چیئرمین کی قدر پہچانی کرنے کے لیے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کا تقریر کیا۔

## بیرونی کنسلنٹ کی خصوصیات

پی آئی سی جی ایک منافع نہ کمانے والی کمپنی ہے جسے پاکستان میں کارپوریٹ نظم و نسق کی عمدہ روایات کو فروغ دیتے کام سونپا گیا ہے۔ اس کے باñی شیئر ہولڈرز میں سیکورٹیز اینڈ ایچیجن کمیشن آف پاکستان (ایس ای سی پی)، اسٹیٹ بینک آف پاکستان، پاکستان اسٹاک ایچیجن اور صفت اول کے کاروباری ادارے اور تعلیمی ادارے شامل ہیں۔

اس کی فیکٹری میں متنوع تجربے اور پس منظر کے حامل پیشہ ور

- عملے کے پیٹاٹر منٹ فنڈ سے کی جانے والی سرمایہ کاری کی مالیت کی تفصیل مالی گوشاروں کے مطابق درج ذیل ہیں۔
- اے لیل پی ایل پیش فنڈ (31 دسمبر 2017ء کو 3,552 نئم ہونے والے سال کی بنیاد پر)۔ آٹھ شدہ 946 اے لیل پی ایل پروایڈنٹ فنڈ (31 دسمبر 2017ء کو ختم ہونے والے سال کی بنیاد پر)۔ آٹھ شدہ سال کے دوران بورڈ آف ڈائریکٹرز کے 4 اجلاس ہوئے۔ جن میں ڈائریکٹرز، سی ایف او، کمپنی سیکریٹری کی حاضری کی تفصیلات درج ذیل ہیں:

**بورڈ کے اجلاسوں ڈائریکٹرز، سی ایف او، کمپنی سیکریٹری کے نام میں شرکت کی تعداد**

4	۱ جناب منیر اے شخ
4	۲ سید انیس احمد
2	۳ محترمہ سیما خان
4	۴ جناب کیاران والی مرزا
3	۵ جناب سمیم احمد خان
4	۶ جناب احسان علی ملک
4	۷ محترمہ زہرہ نقوی
4	۸ جناب جمشید انہر (سی ایف او)
4	۹ جناب ملک سعادت اللہ (کمپنی سیکریٹری)

بورڈ کیمیٹیوں کے اجلاسوں کی تعداد اور حاضری کی تفصیل صفحہ نمبر 69 پر درج ہے۔

### ڈائریکٹروں کا مشاہرہ

لستہ کمپنیز ریگولیشنز 2017ء (کوڈ آف کارپوریٹ گورننس) اور کمپنی کی ایسوی ایشن کے آرٹیکلز کے تقاضوں کے مطابق نان ایگزیکٹو ڈائریکٹروں (بشمل آزاد ڈائریکٹرز) کے مشاہرے کی پالیسی بورڈ آف ڈائریکٹرز نے منظور کی ہے۔

- کمپنی کا ایک مستحکم انٹریول کنٹرول سسٹم موجود ہے، جس سے نقصان یا حقیقی غلط بیانیوں کا خاتمه یقینی ہو جاتا ہے۔ انٹریول سسٹم کا باقاعدہ سے جائزہ لیا جاتا ہے۔
- ہم کمپنی کے روہہ عمل رہنے کی اہلیت کا وثوق کے ساتھ اعلان کرتے ہیں۔
- کارپوریٹ نظم و نصت کی بہترین روایات کی کوئی خلاف ورزی نہیں کی گئی ہے۔
- گذشتہ 6 برس کے کلیدی مالی اور آپریٹنگ اعداد و شمار کا خلاصہ صفحہ نمبر 88 پر درج ہے۔
- واجب الادائیکس، قانونی چارجز اور ڈیوٹیز کو، جہاں موجود ہوں تو، مالی گوشاروں میں ظاہر کیا گیا ہے۔
- کمپنی کے آپریٹنگ نتائج میں گذشتہ برس کے مقابلے میں ہونے والی بڑی تبدیلیوں کی نشاندہی اور وضاحت کردی گئی ہے۔
- کہ لسٹہ کمپنیز ریگولیشنز 2017ء (کوڈ آف کارپوریٹ گورننس) میں دے گئے معیار کے مطابق ڈائریکٹرز ٹریننگ پروگرام کے تحت تین ڈائریکٹر سند یافتہ ہیں، کمپنی کے 2 ڈائریکٹرز، ڈائریکٹرز ٹریننگ پروگرام کی شرط سے مستثنی ہیں، جبکہ باقی ماںڈہ ڈائریکٹرز 30 جون 2020ء اور 30 جون 2021ء کے مقرہ عرصے تک، جو مذکورہ ضوابط میں تجویز کیا گیا ہے، تربیت حاصل کر لیں گے۔ بورڈ کے تمام ڈائریکٹرز ایک کارپوریٹ ادارے کے ڈائریکٹرز کے طور پر اپنے فرائض و ذمہ داریوں سے پوری طرح لگا ہیں۔ رواں سال کمپنی نے اپنے ڈائریکٹرز کے لیے لسٹہ کمپنیز ریگولیشنز 2017ء (کوڈ آف کارپوریٹ گورننس) اور کمپنیز ایک 2017ء کا احاطہ کرنے والے ایک اور یعنیشن کورس کا اہتمام کیا۔

واجب الادا قرضے، جہاں موجود ہوں، مالی گوشاروں میں مناسب طور پر ظاہر کر دیے گئے ہیں۔

سال کے دوران دیگر ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری، ان کی ازواج اور کم عمر بچوں نے کمپنی کے حصہ کا کوئی لین دین نہیں کیا۔

## ہولڈنگ کمپنی

مورخہ 31 دسمبر 2018ء تک ایبٹ ایشنا انویسٹمنٹس لمیٹڈ، برطانیہ کے پاس 76,259,454 حصہ تھے۔ حتیٰ ہولڈنگ کمپنی ایبٹ لیبارٹریز، امریکہ ہے۔

## اہم شیئر ہولڈرز کی آرا

بورڈ شیئر ہولڈرز کی آرا جاننے اور سمجھنے کا ہمیشہ مشتاق رہا ہے، اور ان کی تجویز کو شامل کرنے کے لیے اقدامات کرتا رہا ہے۔ سالانہ اجلاسِ عام میں شیئر ہولڈرز کے تمام سوالات سنے جاتے ہیں۔

## لستڈ کمپنیز ریپوورٹ 2017ء (کوڈ آف کارپوریٹ گورننس) کی تعمیل

جیسا کہ لستڈ کمپنیز ریپوورٹ 2017ء (کوڈ آف کارپوریٹ گورننس) کا تقاضا ہے، ڈائریکٹرز بہ مرتب درج ذیل بیان کرتے ہیں:

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے کمپنی کے معاملات، آپریشنز کے نتائج، تقدیر قوم کے بہاؤ اور ایکوئیٹ میں تبدیلیوں کی صحیح طور پر عکاسی کرتے ہیں۔
- کمپنی کے کھاتوں کو باقاعدگی سے مرتب کیا گیا ہے۔
- مالی گوشواروں کی تاری میں مناسب اکاؤنٹنگ، پالیسیاں تسلسل سے اختیار کی گئی ہیں۔ اکاؤنٹنگ کے طبقیے مناسب اور داشمندانہ فیصلوں کی بنیاد پر لگائے گئے۔
- مالی تفصیلات مرتب کرنے میں پاکستان میں نافذ العمل مالی رپورٹنگ کے بین الاقوامی معیارات (آئی ایف آر ایس) کی پابندی کی گئی، اور اس ضمن میں کسی بھی پہلو تھی کو معقول انداز میں مخفف اور واضح کر دیا گیا ہے۔

بات ہے۔ ہمیں امید ہے کہ روپے کی قدر میں کمی کے اثرات کا خود کار ازالہ کرنے کا طریقہ کار اور پالیسی کا معاملہ بھی احتارمند زیر غور لائے گی۔ ہمیں امید ہے کہ مستقبل میں ریگولیٹریز کے ساتھ مل کر کام کرتے رہیں گے تاکہ یہ یقینی بنایا جائے کہ اعلیٰ معمار کی دواؤں کی دستیابی اور مرضیوں تک ان کی رسائی کی غاطر عملی اقدامات کیے جائیں۔ آپ کی کمپنی مسلسل جدت طرازی اپنا کر، کار گزاری بہتر بنانا اور اخراجات کم کرنے کے اقدامات کے ذریعے پیداواریت بہتر بنانے کی بھی ہر ممکن کوشش کر رہی ہے۔

ہم جوش و جذبے کے ساتھ نئے سال میں داخل ہوئے ہیں، ہم اپنی اہلیت بڑھاتے رہیں گے، اور حکمتِ عملیوں کا جائزہ لیتے رہیں گے تاکہ انسین ملکی مارکیٹ میں تبدیل ہوتے ہوئے عوامل کے مطابق ڈھال سکیں۔

## آڈیٹریز

وجودہ آڈیٹریز میسرز ای وائے فورڈ روڈز، چارٹرڈ اکاؤنٹنٹس ریٹائر ہوئے، اور چونکہ یہ ممکن تھا اس لئے انہوں نے دوبارہ تقریر کے لئے خود کو پیش کیا۔ بورڈ آف ڈائریکٹرز نے 31 دسمبر 2019ء کو ختم ہونے والے مالی سال کے لیے کمپنی کے آڈیٹریز کے طور پر ان کے نئے تقریر کی آڈٹ کمیٹی کی سفارش تلیم کر لی۔

## حصہ داری کا طریق

کمپنی کے حصہ داری کے طریق اور اضافی معلومات ظاہر کرنے والا مورخہ 31 دسمبر 2018ء تک کا بیان صفحہ 165 پر درج ہے۔

جنوری 2018ء کے دوران ڈائریکٹر جناب احسان علی ملک نے 2,300 شیئرز حاصل کیے جس میں سے 1,800 شیئر 670.35 روپے کی شرح پر لیے گئے جبکہ بقیے 500 شیئرز 655.35 روپے کی شرح پر لیے گئے۔ ان کی تحویل میں سے 5,700 شیئرز بعد میں ان کی شریک حیات کو 679.98 روپے کی شرح پر منتقل کر دیے گئے۔

ڈائریکٹر کامران واپی مارچ 2018ء کے دوران 1,269 شیئرز 666.00 روپے کی شرح سے وراشت میں ملے جو بعد میں 681.01 روپے کی شرح سے فروخت کر دیے گئے۔

## عالیٰ حیثیت

ایبٹ پاکستان اپنی گلوبل کمپنی کی ان اقدار پر عمل پیرا ہے کہ ایک صحت مند، فعال معاشرے کی تعمیر میں ذمہ دار اور مستحق کاروباری ادارے اہم کردار ادا کرتے ہیں۔ عالیٰ حیثیت کے حوالے سے ہمارے عزم ہی نے ہمیں وہ راستہ دکھایا ہے جس کے ذریعے ہم کام کرتے ہیں، اسی عزم کی پدولت ہم لوگوں کو ملازمت پر رکھتے ہیں، اسی کی بنیاد پر ہم سرگرمیوں میں تعاون کرتے ہیں، اور اسی کی بنیاد پر ہم تعلقات استوار کرتے ہیں۔ عالیٰ حیثیت کے حصول کی امنتوں کو مستحق تصورات میں ڈھانے کے لیے ایبٹ چار بنیادی ترجیحات پر توجہ رکھتا ہے: مستقبل کے لیے جدت طرازی، رسانی میں اضافہ، مریضوں اور صارفین کو تحفظ، اور ماحول کی حفاظت۔

## ما بعد واقعات

سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کوئی ایسی قابل ذکر تبدیلی رونما نہیں ہوئی، نہ ہی کمپنی کی مالی پوزیشن کو متاثر کرنے والے منصوبہ جات کئے گئے۔

## کاروباری دشواریاں اور مستقبل کا منظر

ہم اس بات پر یقین برقرار رکھتے ہیں کہ پاکستان کی فارماسیوٹیکل صنعت معاشرے کی بھلائی میں ایک مرکزی کردار ادا کرتی رہے گی، نہ صرف صحت عامہ کی کم خرچ سہولتیں فراہم کر کے، بلکہ ٹیکس کی ادائیگی کے ذریعے ملکی معیشت میں اپنا حصہ ڈال کر، اور روزگار کے براہ راست اور بالواسطہ دونوں طرح کے موقع پیدا کر کے۔

کمپنی کو مہنگائی اور پاکستانی روپے کی قدر میں کمی کی بنا پر لaggت میں تیزی سے اضافے کی مشکلات کا پدستور سامنا ہے۔ رواں سال کے دوران کمپنی کو شرح مبادلہ کی بنا پر 951.84 ملین روپے کے نقصانات برداشت کرنے پڑے جس سے کمپنی کے اخراجات اور منافع پر شدید منفی اثرات پڑے۔

ڈرگ ریگولیٹری اتحاری ملک میں دوا سازی کی صنعت کی ترقی کے لیے ایک اہم کردار ادا کرتی ہے۔ اتحاری کی جانب سے، طویل عرصے سے موجود نرخوں کے معاملات کا ادراک ایک خوش آئند

فراءہم کی ہے تاکہ ان کا معیارِ زندگی بہتر ہو سکے۔ کمپنی نے سی ایس آر کے تحت کئی اقدامات کے ہیں جن میں صحت سے اگاہی کی مہمات، مریضوں کے لیے طبی صحت کے یکمپ اور یوم ارض کی مہمات شامل ہیں۔ ہماری سینئر قیادت نے، 'رہبر' پروگرام کے سلسلے میں شیئر فاؤنڈیشن کے لیے رضاکارانہ کام بھی انجام دیے۔

## برنس پروسیس میں بہتری

کمپنی نے اپنی مصنوعات کا معیار بہتر بنانے اور ضوابطی، حفاظتی اور ماحولیاتی تقاضوں کی تعمیل پر مستقبل توجہ مرکوز رکھی ہے۔ چنانچہ ہم نے حفاظت پر اپنی توجہ رکھی اور بلند معیار والی اشیاء سازی کے بہترین طریقوں (جی ایم پی) سے اپنا اخلاص ثابت کیا۔ اس کے ساتھ ساتھ استعداد بڑھانے پر بھی سرمایہ کاری کی گئی، پرانی مشینوں کو اپنے ٹیکس کیا گیا اور طویل مدتی ترقی کی خواہش کو پورا کرنے کے لیے نئی استعداد حاصل کی گئی۔ اس کی مثالوں میں مربوط آپریشنز کے ساتھ جدید ترین نئی granulation suite کی تیاری کے علاوہ تیز رفتار مشینوں کی تنصیب شامل ہے۔

## انسانی وسائل

انسانی وسائل ہمارا سب سے بڑا سرمایہ ہیں۔ ہم ایبٹ پاکستان میں ہر سطح پر افراد کی صلاحیتیں بڑھانے پر مسلسل سرمایہ کاری کر رہے ہیں۔ سینئر انتظامیہ اور درمیانی اور جو نیئر سطحیوں پر ٹیکس کے لیے کئی اقدامات متعارف کرائے گئے ہیں جن میں ملازمین کو یہ موقع دیے گئے کہ وہ اپنی پیشہ وراثہ اور انتظامی صلاحیتوں میں اضافہ کریں۔ اس طرح مستقبل میں ذمہ داری سنبھالنے والوں کی تاری کا عمل زور و شور سے جاری ہے۔ ہمارے لیے یہ بات قابل تفخر ہے کہ ایبٹ سے منسلک افراد کی پاکستان سے باہر مانگ بڑھ رہی ہے جہاں ہمارے افراد جا کر سینئر انتظامیہ میں ذمہ داریاں سنبھال رہے ہیں۔ ایک ذمہ دار کارپوریٹ ادارے کے طور پر آپ کی کمپنی نے مختلف تعلیمی اداروں میں career fairs میں شرکت کا سلسلہ جاری رکھا ہوا ہے جس کے ذریعے طلبہ کو ٹرینی شپ اور انٹرن شپ کا تجربہ فراہم کیا جاتا ہے۔ چنانچہ ہماری سرگرمیوں کا ایک پہلو یہ بھی ہے کہ ہم پاکستان میں انسانی وسائل اور بہترین کاروباری روایات کی تیکشیل اور ان کا معیار بلند کرنے کے لیے کوشش ہیں۔

## اندرونی مالی کنٹرولز کا موزوں ہونا

بورڈ آف ڈائریکٹرز نے تمام فناشنز میں موثر اندرونی مالی کنٹرولز تشکیل دیے ہیں۔ آپ کی کمپنی کا آزادانہ اندرونی آٹھ انر مالی کنٹرولز پر عمل درآمد کا باقاعدگی سے جائزہ لیتا ہے جبکہ آٹھ کمپنی اندرونی کنٹرول فریم ورک کی اثر انگیزی کا جائزہ لیتی ہے۔

## قومی خزانے میں ہمارا حصہ

آپ کی کمپنی نے انکم ٹیکس، سشم ڈیوٹی اور سیلز ٹیکس سمیت مختلف سرکاری لیویز کی مدد میں حکومت کو 4,988 ملین روپے (2017ء: 3,761 ملین روپے) ادا کیے ہیں۔

## ماحول، صحت اور حفاظت (ای ایچ ایس)

ایبٹ ماہول کے لیے اپنی ذمہ داری سے آگاہ ہے۔ آپ کی کمپنی اس بات کی کوشش کرتی ہے کہ کچھے کے جسم اور اس کا زہریلا پن کم کرنے کے لیے کافیتی اور موثر طریقے تلاش کئے جائیں، اور جس حد تک ممکن ہو وسائل کو محفوظ کیا جائے اور انہیں ریساۓکل کیا جائے۔ اس مقصد کو پورا کرنے کا ایک اقدام "کمپوستنگ" ہے، جو تحملیں کے قابل نامیاتی مواد کو مفید پروڈکٹس میں تبدیل کرنے کا ایک عمل ہے۔ مٹی میں فاسفورس کی کمی سے مٹی کی زرخیزی رفتہ رفتہ کم ہونے لگتی ہے، اس کی کو پورا کرنے کا ایک طریقہ لمپوستنگ ہے۔ اس سے ایبٹ کے، زیر و یہٹ ٹولینڈ فل اقدام کو سہارا ملا۔

ایبٹ کی دیگر کوششوں میں 2017ء کے دوران کو رنگی پروڈکشن فیسلٹی پر 1,972 سولہ پیٹنیز کی تنصیب بھی شامل ہے جو پاکستان میں صحت عامہ کی کسی کمپنی کی طرف سے نصب کیے گئے سب سے بڑے پیٹنل ہیں۔

ہماری مصنوعات نے معیار اور حفاظت کے اصولوں پر سمجھوتا نہ کر کے اعتناد حاصل کیا ہے۔ ہم ایمانداری اور دیانتداری کے اعلیٰ ترین مقام پر فائز ہیں۔

## کارپوریٹ کی سماجی ذمہ داری (سی ایس آر)

آپ کی کمپنی معاشرے کے حوالے سے اپنی سماجی ذمہ داری کو بھتی ہے۔ ایک ذمہ دار کارپوریٹ ادارے کی جیشیت سے کمپنی نے معیشت کے مختلف سماجی طبقوں کو مختلف طریقوں سے مدد

جاتا ہے جبکہ فاضل رقم کو سرمایہ کاری کے مختلف موزوں طریقوں میں رکھ کر بہتر سے بہتر مناقع حاصل کیا جاتا ہے۔

کمپنی فاضل رقم استعمال کرنے کے حوالے سے ایک ممتاز حکمتِ عملی اختیار کرتی ہے۔ یہ رقم عموماً شارت ٹرم بینک ڈپازٹس میں لگائی جاتی ہیں۔

## کمپنی کی کارکردگی کی قدر پیمائی

کمپنی کی کارکردگی کی قدر پیمائی کے لئے انتظامیہ کئی طرح کے اظہار یہ استعمال کرتی ہے جیسے صنعت کی نمو، ہمسر کمپنیوں کی متعلقہ معا Jacaci شعبوں میں پوزیشن، گذشتہ سالوں کی کارکردگی، کلی معاشی اظہار یہ اور کمپنی پر اثر انداز ہونے والا کاروباری ماحول شامل ہیں۔

بجٹ بنائے جاتے ہیں اور سال کے دوران بجٹ کے حوالے سے حقیقی کارکردگی کا باقاعدگی سے جائزہ لیا جاتا ہے تاکہ اصلاح کے لیے بروقت اقدامات کیے جاسکیں۔

## بنیادی خطرات اور ان کا بندوبست

کمپنی کے انتظام خطر (risk management) کے مجموعی پروگرام کا مقصد یہ ہے کہ کمپنی کی کارکردگی پر ممکنہ منفی اثر ڈالنے والے عوامل کم سے کم کیے جائیں۔ کمپنی کا مجموعی انتظام خطر کمپنی کی سینٹر انتظامیہ کے پاس ہوتا ہے اور اس کے نتائج بورڈ آف ڈائریکٹرز کے قلم میں لائے جاتے ہیں۔ اس کے نتیجے میں کمپنی کو درپیش اسٹریچج، مالی، کاروباری اور اپریشل خطرات کی نشاندہی، ان کی قدر پیمائی اور ازالہ کیا جاتا ہے۔

اس سال کے دوران لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017ء کی شرائط کے تحت آٹھ کمیٹی نے کاروباری خطرات اور انہیں دور کرنے کے منصوبے کا مجموعی جائزہ لیا تاکہ یہ یقینی بنایا جائے کہ خطرات کی شاخت اور ان سے تحفظ کا ایک مستحکم نظام انتظامیہ کے پاس موجود ہے۔ خطرات اور انہیں دور کرنے کے منصوبے کا ایک خلاصہ جائزے کی غرض سے بورڈ کو پیش کیا جاتا ہے۔

کمپنی کو اس وقت جن خطرات کا سامنا ہے ان میں پاکستانی روپے کی قدر میں کمی کی بنا پر کاروباری لاغت کا بڑھنا اور مشکل مہنگائی شامل ہیں۔

# ڈائریکٹر ان کی رپورٹ

## زمرے کے لحاظ سے سیلز اور مارکیٹ کی کارکردگی

فارماسوٹیکل کی سیلز مستحکم برانڈز کے جم میں نمو کی بنا پر 12 فیصد بڑھی۔ نیوٹرینشن کی سیلز میں بنیادی طور پر پیڈیاشرور اور انشور کی فروخت کے جم میں نمو کی بنا پر 23.6 فیصد اضافہ ہوا۔ دیگر ڈوپرشن (جزل، ہیلتھ کیئر، ڈائلنائٹ اور ذیابطس کیئر) میں 12.1 فیصد نمو ہوئی۔

## صنعت کا عمومی جائزہ

فارما مارکیٹ ریسرچ کے عالمی ادارے آئی کیو وی آئی اے (جسے قبل ازیں آئی ائم ایس کہا جاتا تھا) کے جاری کردہ ڈیٹا کے مطابق پاکستان میں دوا سازی کی صنعت کا جم 3.25 ارب ڈالر ہے۔ کثیر القومی کپنیوں کا مارکیٹ شیئر گذشتہ چند برسوں سے بتدرج گھٹ رہا ہے اور اس وقت 32 فیصد ہے۔ پاکستان میں 616 فارما کپنیاں کام کر رہی ہیں جن میں سے صرف 27 کثیر القومی کپنیاں ہیں۔ کئی کثیر القومی کپنیوں نے ان اسباب سے جو ان کی نفع یاں میں رکاوٹ تھے، اپنے آپریشنز سمیٹ لیے ہیں۔ ملکی دوا ساز مارکیٹ میں ایبٹ پاکستان تیسرے نمبر پر ہے اور اس کا موجودہ مارکیٹ شیئر 6.1 فیصد ہے۔

## سرمایہ جاتی اخراجات

کمپنی نے اشیا سازی کی استعداد بڑھانے، پیداواریت میں اضافے اور پیلانٹ کی کارگزاری بہتر بنانے کے لیے سال کے دوران 2,539 ملین روپے کی سرمایہ کاری کی ہے۔

## لیکوڈٹی مینجنمنٹ اور رقم کے بہاؤ کی حکمتِ عملی

اس سال کے دوران عملی سرگرمیوں سے 2,937 ملین روپے حاصل کیے گئے۔ سال کے اختتام پر کمپنی کے پاس 5,678 ملین روپے کے لیکوڈٹی فنڈز تھے جس میں نقد رقم / بینک بیلنس اور قلیل مدتی سرمایہ کاریاں شامل ہیں جبکہ سرمایہ جاتی منصوبوں پر لگائی گئی رقم اور منافع منقسمہ کی ادائیگی اس کے علاوہ ہے۔

آپ کی کمپنی نے نقد رقم کے بہاؤ کی باضابطہ نگرانی کا ایک نظام تیار کر کے نافذ کیا ہے جس کے تحت نقد رقم کی آمد اور اخراج کا یقینی نامہ لگایا جاتا ہے اور باقاعدگی کے ساتھ اس کی نگرانی کی جاتی ہے۔ اس طرح رقم کی ہر وقت بہ کفاالت دستیابی کو یقینی بنایا

ڈائریکٹر ان کمپنی کے ۳۱ دسمبر ۲۰۱۸ء کو ختم ہونے والے مالی سال کے آٹھ شدہ مالی گوشوارے اور اس پر اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالی منابع	سال کا منافع قبل از ٹکسٹ	سال کا منافع بعد از ٹکسٹ
4,343,769	(1,649,436)	2,694,333
26,833	7,578,649	10,299,815
2,937,009	(979,003)	6,383,803
عبوری منافع منقسمہ 2018ء فی حصہ 10.0 روپے	آئندہ سال کے لیے غیر منقص منافع	

## اختصاص:

حتیٰ منافع منقسمہ 2017ء فی حصہ 30.0 روپے  
عبوری منافع منقسمہ 2018ء فی حصہ 10.0 روپے  
آئندہ سال کے لیے غیر منقص منافع

## مالی کارکردگی

مجموعی سیلز میں گذشتہ سال کے مقابلے میں 13.9 فیصد اضافہ ہوا۔ خام منافع کی شرح 38.7 فیصد سے کم ہو کر 32.9 فیصد رہ گئی جس کی بنیادی وجہ پاکستانی روپے کی قدر میں کمی اور مہنگائی کے اثرات تھے۔ دیگر اخراجات 30.6 فیصد بڑھے جس کی بنیادی وجہ شرح مبادلہ میں کمی تھی۔ ان تمام وجوہات کی بنا پر سال کا منافع بعد از ٹکسٹ گذشتہ سال کی نسبت 35.9 فیصد گر گیا۔ فی حصہ آمدی 27.52 روپے رہی (2017ء: 42.95 روپے)۔

## منافع منقسمہ

ڈائریکٹر ان کمپنی نقد منافع منقسمہ فی حصہ 10.0 روپے کا سفارش کرتے ہیں (2017ء: 30.0 روپے فی حصہ)، جو کہ 2018ء کے دوران شیئر ہولڈرز کو ادا کیے گئے عبوری نقد منافع منقسمہ 10.0 روپے فی حصہ کے علاوہ ہے (2017ء: 10.0 روپے فی حصہ)۔

## FORWARD LOOKING STATEMENT



Our primary objective is to provide high quality and effective pharmaceutical products in both local and export markets. We remain committed towards enhancing shareholder value while balancing profitability and investments into projects of long-term significance. Abbott has achieved double digit sales growth this year, however, it continues to face challenges of rapid escalation in costs owing to inflation and currency devaluation. In the absence of corresponding price adjustments, the Company is making concerted efforts to improve its operational efficiencies and optimise the use of available resources.

The Drug Regulatory Authority (Authority) plays a significant role in the development of the pharmaceutical industry. The role of the Authority in resolving the long-standing hardship pricing issue is appreciated. We trust that the Authority will consider to devise a mechanism and policy to account for the impact of devaluation.

The Company has made significant capital expenditure during the year for the purpose of expanding manufacturing capacity, enhancing productivity and improving plant efficiency, demonstrating its commitment to high quality Good Manufacturing Practice (GMP) standard. The Company plans to continue to invest in projects that help it to achieve its desired objectives.

Overall the business continued to progress, however the pharmaceutical industry is in dire need of a proper pricing mechanism which takes into account impact of currency devaluation to support future sector growth along with business friendly tax policies to maximise re-investment opportunities.

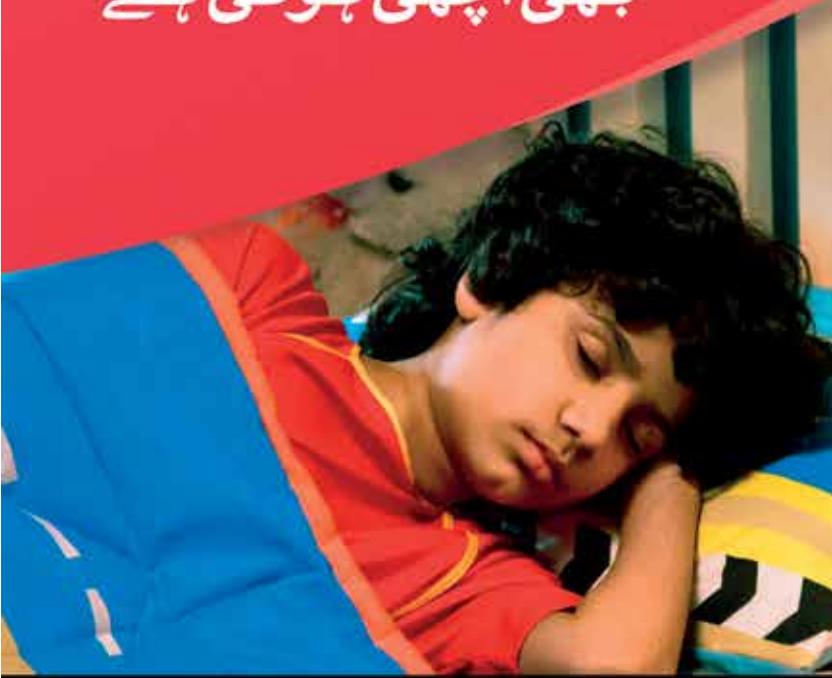
### Sources of Information and Assumptions Used for Forecasts

The Company prepares its annual plans and forecasts in line with the overall strategic direction of the Company. These plans are approved by the Boards of Directors annually. Periodic reviews of performance are carried out against these plans to ensure adequate monitoring and control.

A number of different sources are used in preparing the plans, including, but not limited to, historical data and figures, market growth rates, APIs availability etc. Macro-economic indicators such as inflation, GDP growth rate etc. are also taken into account to ensure that factors which are beyond the Company's control are also considered while drawing up the Company's plans.

Assumptions used in these plans and the related rationale behind these assumptions are thoroughly documented and reviewed. Sensitivity analysis is also carried out to determine the impact of changes in assumptions on the financial performance of the Company.

کبھی کبھار خاموشی  
بھی اچھی ہوتی ہے



MACHAR AAP SE DUUR  
REHNE PAR MAJBOOR

#MOSPELKHAMOSHI



# 2018 FINANCIAL REPORT

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## KEY FINANCIAL INDICATORS

		2018	2017
Sales Revenue	Rs. in million	29,719	26,088
Return on Equity	%	20.4%	29.3%
Earnings per share	Rs.	27.52	42.95
Shareholders' Equity	Rs. in million	13,235	14,356
Total Assets Turnover Ratio*	Times	1.51	1.42
Current Ratio	Times	1.96	2.98
Market Capitalisation	Rs. in million	61,780	68,296

\* Calculated on the basis of average assets.

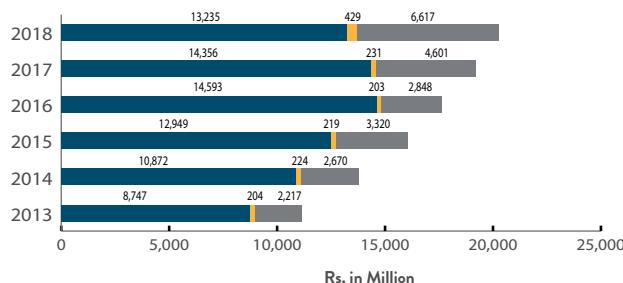
## KEY OPERATING AND FINANCIAL DATA

	December 31,					
	2018	2017	2016	2015	2014	2013
(Rupees in '000)						

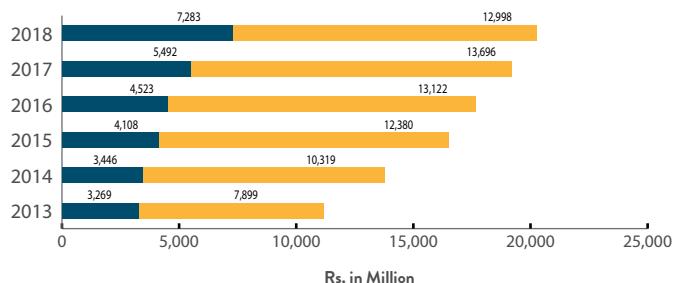
### Statement of Financial Position

Fixed Assets	2018	2017	2016	2015	2014	2013
- property, plant and equipment	7,191,606	5,419,054	4,443,019	4,017,403	3,359,092	3,183,735
- intangible assets	24,879	10,650	16,250	21,983	24,395	41,615
Other Non-Current Assets	66,641	62,618	63,764	68,797	62,980	44,064
Current Assets	12,998,131	13,695,788	13,122,151	12,380,092	10,319,128	7,898,590
<b>Total Assets</b>	<b>20,281,257</b>	<b>19,188,110</b>	<b>17,645,184</b>	<b>16,488,275</b>	<b>13,765,595</b>	<b>11,168,004</b>
Issued, subscribed and paid-up capital	979,003	979,003	979,003	979,003	979,003	979,003
Capital Reserves	533,783	459,761	414,380	381,945	339,481	300,030
Revenue Reserves	11,722,225	12,917,071	13,199,857	11,588,299	9,553,116	7,468,232
<b>Total Equity</b>	<b>13,235,011</b>	<b>14,355,835</b>	<b>14,593,240</b>	<b>12,949,247</b>	<b>10,871,600</b>	<b>8,747,265</b>
Non-Current Liabilities	429,124	231,147	203,477	219,144	223,953	203,562
Current Liabilities	6,617,122	4,601,128	2,848,467	3,319,884	2,670,042	2,217,177
<b>Total Liabilities</b>	<b>7,046,246</b>	<b>4,832,275</b>	<b>3,051,944</b>	<b>3,539,028</b>	<b>2,893,995</b>	<b>2,420,739</b>
<b>Total Equity and Liabilities</b>	<b>20,281,257</b>	<b>19,188,110</b>	<b>17,645,184</b>	<b>16,488,275</b>	<b>13,765,595</b>	<b>11,168,004</b>

### Statement of Financial Position Analysis - Equity and Liabilities



### Statement of Financial Position Analysis - Assets



■ Total Equity ■ Non-Current Liabilities ■ Current Liabilities

■ Non-Current Assets ■ Current Assets

## OPERATING AND FINANCIAL TRENDS

	December 31,					
	2018	2017	2016	2015	2014	2013
	(Rupees in '000)					
<b>Statement of Profit or Loss</b>						
Net sales including toll manufacturing service fee	29,719,279	26,088,233	23,387,915	21,170,446	19,692,354	17,217,258
Gross profit	9,775,265	10,088,986	9,367,499	8,227,233	7,550,142	6,621,646
Operating profit	4,359,375	5,852,005	5,593,900	5,012,361	4,323,341	3,689,179
Profit before taxation	4,343,769	5,841,945	5,587,141	5,006,477	4,318,567	3,686,223
Taxation	1,649,436	1,636,713	1,565,349	1,419,741	1,502,255	1,157,374
Profit after taxation	2,694,333	4,205,232	4,021,792	3,586,736	2,816,312	2,528,849
Ordinary cash dividends*	1,958,006	3,916,012	3,916,012	2,937,009	763,622	685,302
EBITDA**	5,096,544	6,459,090	6,128,490	5,496,717	4,758,663	4,087,276

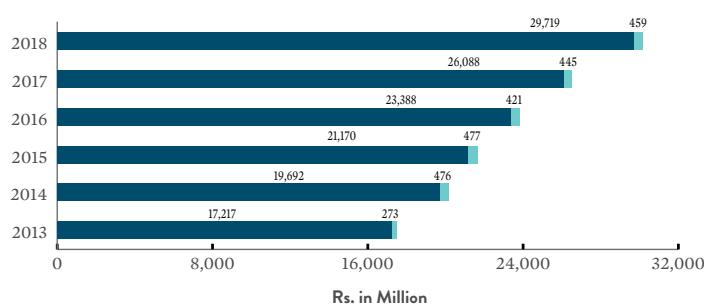
### Statement of Cash Flows

Operating activities	2,937,218	5,764,509	3,119,545	4,062,034	3,331,081	2,483,858
Investing activities	(2,146,519)	(1,222,232)	(558,237)	(672,470)	(159,370)	(690,491)
Financing activities	(3,684,284)	(3,914,985)	(2,937,792)	(1,450,032)	(687,381)	(686,528)
Cash and cash equivalents at the end of the year	5,678,136	8,571,721	7,944,429	8,320,913	6,381,381	3,897,051

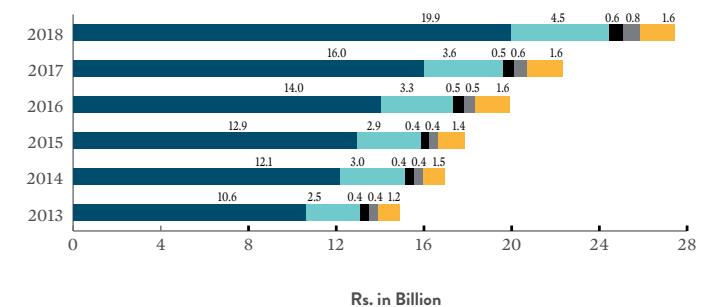
\* Includes final dividend amounting to Rs. 979.003 million proposed by the Board of Directors subsequent to the year end.

\*\*EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation).

#### Statement of Profit or Loss Analysis - Sales and Other Income



#### Statement of Profit or Loss Analysis - Expenses



■ Net sales including toll manufacturing service fee

■ Other income

■ Cost of sales

■ Selling and distribution expenses

■ Other charges

■ Taxation

■ Administrative expenses

#### Statement of Cash Flows Analysis



■ Operating activities

■ Investing activities

■ Financing activities

		December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
<b>Ratios</b>							
<b>Profitability Ratios</b>							
Gross profit margin	%	32.9%	38.7%	40.1%	38.9%	38.3%	38.5%
Net profit margin	%	9.1%	16.1%	17.2%	16.9%	14.3%	14.7%
EBITDA* margin	%	17.1%	24.8%	26.2%	26.0%	24.2%	23.7%
EBIT margin	%	14.7%	22.4%	23.9%	23.7%	22.0%	21.4%
Return on equity	%	20.4%	29.3%	27.6%	27.7%	25.9%	28.9%
Return on capital employed	%	20.0%	29.3%	27.6%	27.7%	25.9%	28.9%
Return on capital employed (average equity and debt)	%	19.4%	29.1%	29.2%	30.1%	28.7%	32.7%
Return on assets	%	13.3%	21.9%	22.8%	21.8%	20.5%	22.6%
<b>Liquidity Ratios</b>							
Current ratio	Times	1.96	2.98	4.61	3.73	3.86	3.56
Quick / Acid test ratio	Times	1.27	2.19	3.31	2.81	2.76	2.27
Cash to Current Liabilities	Times	0.86	1.86	2.79	2.51	2.39	1.76
Cash flows from operations to Sales	Times	0.10	0.22	0.13	0.19	0.17	0.14
<b>Activity / Turnover Ratios</b>							
No. of days in inventory	Days	72.28	80.40	84.72	80.75	83.91	89.46
No. of days in receivables	Days	12.64	12.56	10.61	8.27	9.54	11.80
No. of days in payables	Days	76.68	61.14	55.54	54.89	47.59	48.15
Inventory Turnover	Times	5.05	4.54	4.32	4.52	4.35	4.08
Debtors Turnover	Times	28.88	29.06	34.48	44.14	38.28	30.94
Creditors Turnover	Times	4.76	5.97	6.59	6.65	7.67	7.58
Operating Cycle	Days	8.24	31.82	39.79	34.13	45.86	53.11
Total assets turnover ratio (average assets)	Times	1.51	1.42	1.37	1.40	1.58	1.68
Total assets turnover ratio	Times	1.47	1.36	1.33	1.28	1.43	1.54
Fixed assets turnover ratio (average assets)	Times	4.70	5.28	5.50	5.70	5.96	5.82
Fixed assets turnover ratio	Times	4.12	4.80	5.24	5.24	5.82	5.34
<b>Investment / Market Ratios</b>							
Basic / Diluted Earnings per share	Rs.	27.52	42.95	41.08	36.64	28.77	25.83
Price earnings ratio	Times	22.93	16.24	23.30	17.33	24.70	15.23
Dividend yield ratio	%	3.2%	5.7%	4.2%	4.7%	1.1%	1.8%
Dividend pay out ratio	Times	0.73	0.93	0.97	0.82	0.27	0.27
Dividend cover ratio	Times	1.38	1.07	1.03	1.22	3.69	3.69
Cash dividend per share**	Rs.	20.00	40.00	40.00	30.00	7.80	7.00
Break-up value per share with / without surplus on revaluation of fixed assets	Rs.	135.19	146.64	149.06	132.27	111.05	89.35
No. of shares at end of year	Number	97,900,302	97,900,302	97,900,302	97,900,302	97,900,302	97,900,302
Market Capitalisation	Rs. in million	61,780	68,296	93,699	62,167	69,576	38,524
Market value per share at the end of the year	Rs.	631.05	697.61	957.09	635.00	710.68	393.50
Market value per share (High)	Rs.	750.00	1,145.00	984.90	744.42	913.50	456.00
Market value per share (Low)	Rs.	475.00	610.00	575.00	473.19	355.00	197.25
Contribution to National Exchequer	Rs. in million	4,988	3,761	3,728	3,043	2,765	2,479
<b>Capital Structure Ratios</b>							
Interest cover ratio	Times	279.34	581.71	827.62	851.86	905.60	1,248.03
Finance leverage ratio	%	1.6%	-	-	-	-	-
Weighted Average cost of debt (after tax)***	%	5.4%	-	-	-	-	-
Debt to equity ratio	%	1.3%	-	-	-	-	-

\*EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation).

\*\*Includes final dividend amounting to Rs. 10.00 per share proposed by the Directors subsequent to the year end.

\*\*\*Grossed-up on a pro-rata basis, since debt was acquired during the year.

## COMMENTS ON FINANCIAL RATIOS



### PROFITABILITY RATIOS

Profitability ratios of the Company, in general, have declined versus last year, mainly on account of currency devaluation, inflation, advertising and sales promotion expenditure and inadequate price adjustments in the pharmaceutical segment.

Profit after Tax decreased by 35.9% compared to prior year. **Gross profit margin** declined to 32.9% versus 38.7% last year. **Net profit margin** declined to 9.1% versus 16.1% during 2017 in line with the reasons mentioned above.

### LIQUIDITY RATIOS

Cash inflows from operating activities declined versus last year primarily on account of decrease in profitability and working capital changes. The Company, however, remains sufficiently liquid and has Rs. 5,678.14 million of cash and cash equivalents as of 31<sup>st</sup> December 2018 to meet its investment and operational cash requirements.

**Current ratio** (2018: 1.96, 2017: 2.98), **quick / acid test ratio** (2018: 1.27, 2017: 2.19) and **cash to current liabilities** (2018: 0.86, 2017: 1.86) have declined versus last year mainly on account of higher payable balances.

### ACTIVITY / TURNOVER RATIOS

**Operating cycle** has decreased to 8.24 days in 2018 from 31.82 days in 2017 mainly due to higher payable balances as compared to last year.

**Total assets turnover ratio (average assets)** increased to 1.51 in 2018 from 1.42 in 2017 mainly due to increase in sales during the year.

**Fixed assets turnover ratio (average assets)** declined to 4.70 in 2018 from 5.28 in 2017 mainly due to significant capital expenditure during the year.

### INVESTMENT / MARKET RATIOS

**Earnings per share** declined to Rs. 27.52 in 2018 from Rs. 42.95 in 2017 as a result of decrease in profit after tax by 35.9% as mentioned above.

**Price Earnings ratio** improved to 22.93 in 2018 from 16.24 in 2017, mainly due to decrease in earnings per share.

**Dividend yield ratio** declined to 3.2% in 2018 from 5.7% in 2017 due to decrease in dividend per share.

**Dividend pay-out ratio** decreased to 0.73 (times) in 2018 from 0.93 (times) in 2017, on account of decrease in dividend per share partially offset by decrease in profit after tax.

**Break-up value per share** has decreased to Rs. 135.19 in 2018 from Rs. 146.64 in 2017 due to decrease in total equity by Rs. 1,121 million as compared to prior year on account of final (2017) and interim (2018) dividends and decrease in profitability.

**Market capitalisation** has decreased to Rs. 61,780 million in 2018 from Rs. 68,296 million in 2017 due to decrease in market price per share to Rs. 631.05 in 2018 from Rs. 697.61 in 2017.

### CAPITAL STRUCTURE ADEQUACY ANALYSIS

Total equity decreased by 7.8% to Rs. 13.24 billion comprising of share capital amounting to Rs. 979.003 million which consists of issued share capital of 97,900,302 shares of Rs. 10.00 each. Abbott Asia Investments Limited, UK is the major shareholder of the Company, having 76,259,454 shares being 77.90% of total paid-up capital.

The Company entered into a finance lease arrangement during the year, which carries markup at the rate of 6-month KIBOR plus 0.5% per annum.

**Financial leverage ratio** is 1.6% representing the amount of lease obligation of Rs. 214.3 million. The **weighted average cost of debt** (after tax) of 5.4% has been grossed up on pro-rata basis, since debt was acquired during the year.

**Interest cover ratio** has declined versus last year on account of decrease in profit before interest and tax and increase in interest costs due to finance lease.

# COMMENTS ON FINANCIAL STATEMENTS

## STATEMENT OF PROFIT OR LOSS

### SALES

Net sales for the year increased by 13.9% over previous year. Pharmaceutical sales increased by 12.0% driven by sustained volume growth of established brands. Nutritional sales increased by 23.6% mainly due to volume growth in *PediaSure* and *Ensure*. General Health Care (GHC), Diagnostic and Diabetes Care cumulatively grew by 12.1%.

### COST OF SALES

Cost of sales of the Company increased primarily on account of increase in volumes, currency devaluation and inflation.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses during the year increased by 25.3% mainly attributable to advertising and sales promotion expenditure.

### OTHER CHARGES

Increase in other charges during the current year by 30.6% is primarily on account of higher exchange losses due to currency devaluation. This was partially offset by decrease in stamp duty and other statutory charges (WWF, WPPF and CRF) in line with decrease in profitability of the Company.

## STATEMENT OF FINANCIAL POSITION

### NON-CURRENT ASSETS

Property, plant and equipment have witnessed an increase over prior year due to investment in production facilities and infrastructure to support growing scale of business. Major capital expenditure incurred during the year was for expanding manufacturing capacity, enhancement of productivity, and improvement of plant efficiency.

### CURRENT ASSETS

The decrease in current assets is mainly due to lower cash and bank balances primarily on account of decrease in profitability. This has been partially offset by increase in inventory balances to cater for future sales requirements.

## CURRENT LIABILITIES

Trade and other payables have increased over prior year mainly on account of increase in bills payable due to timing of imports as well as currency devaluation.

### EQUITY

Equity declined from prior year primarily due to final (2017) and interim (2018) dividends paid during the year, partially offset by profit for the year.

## STATEMENT OF CASH FLOWS

### CASH FLOWS FROM OPERATING ACTIVITIES

There has been a decrease in net cash flows from operating activities mainly due to lower profitability and unfavourable working capital changes versus last year.

### CASH FLOWS FROM INVESTING ACTIVITIES

Net cash outflows from investing activities have increased from prior year primarily due to increase in capital expenditure.

### CASH FLOWS FROM FINANCING ACTIVITIES

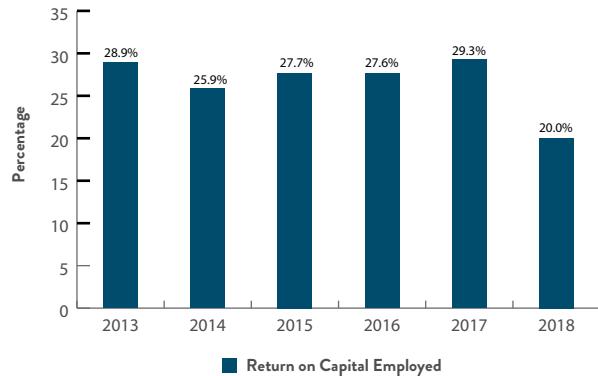
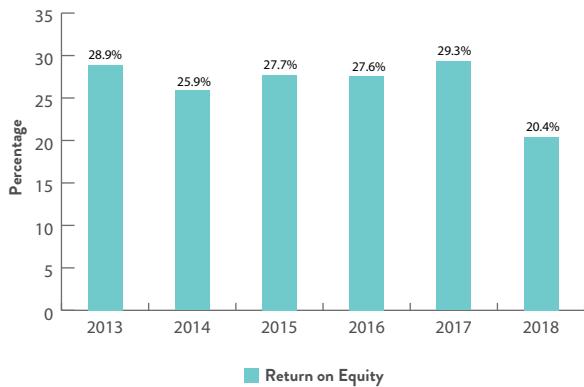
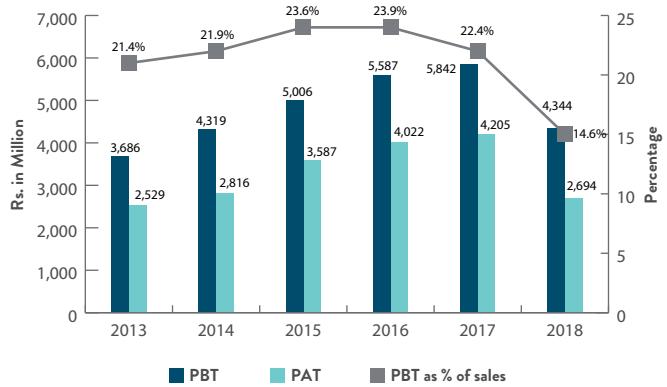
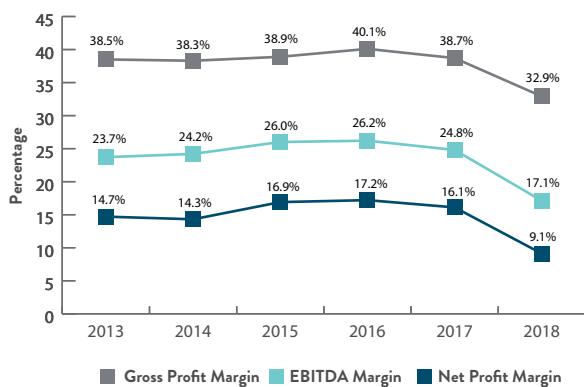
Net cash outflow from financing activities decreased during the current year primarily on account of finance lease facility utilised during 2018.

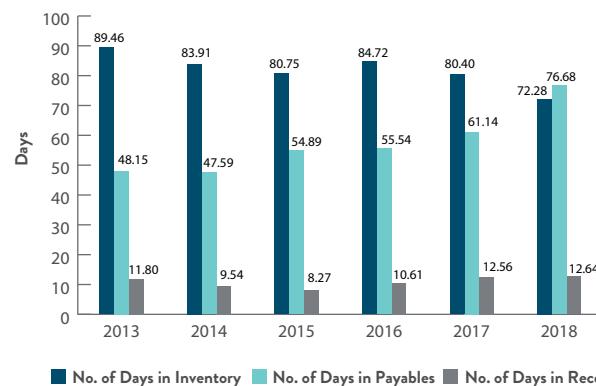
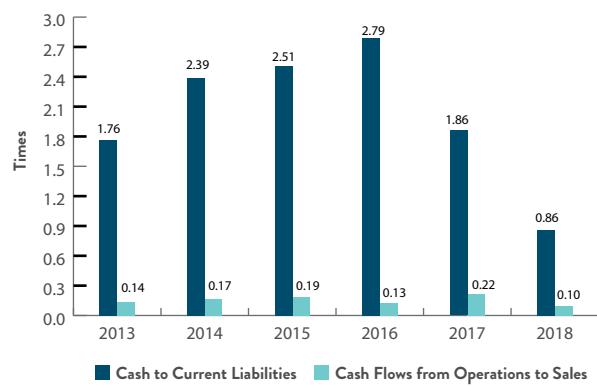
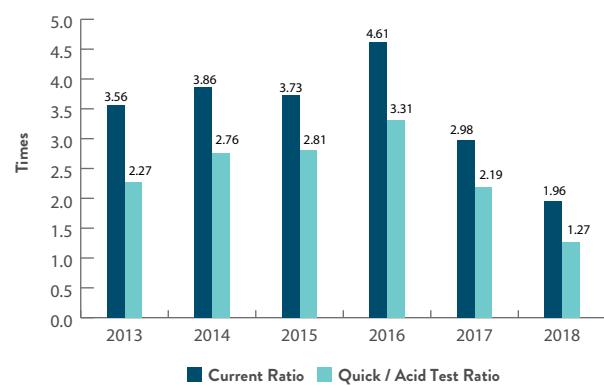
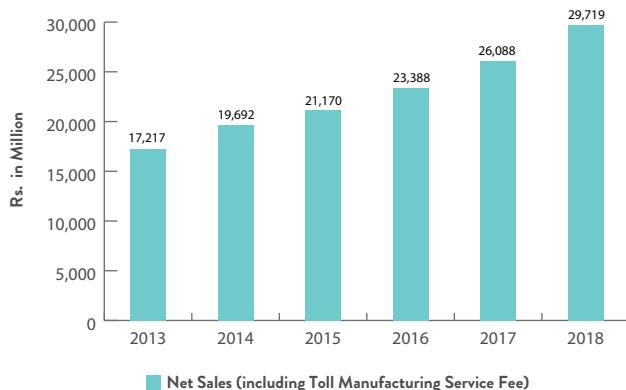
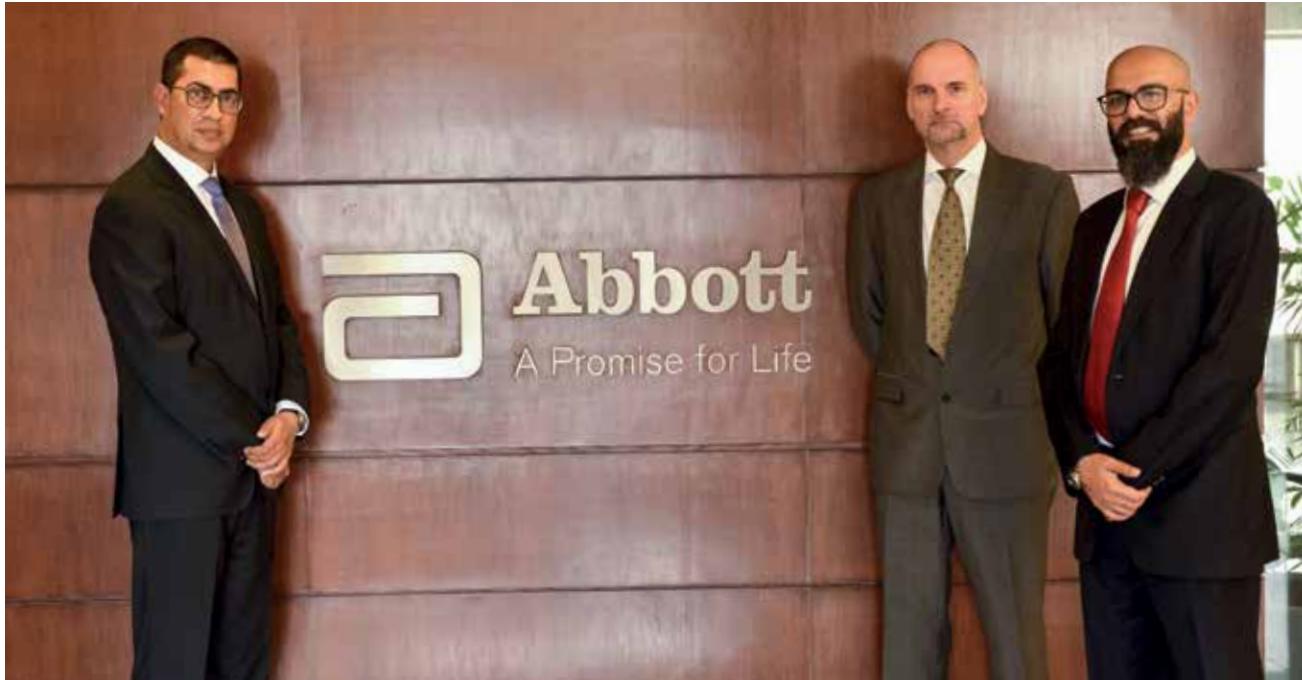
# STATEMENT OF CASH FLOWS - DIRECT METHOD

For The Year Ended December 31, 2018

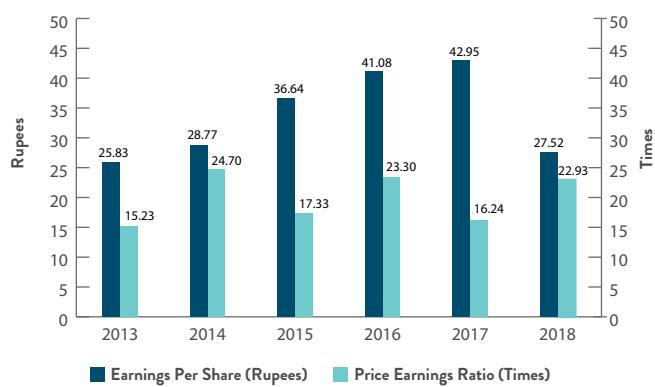
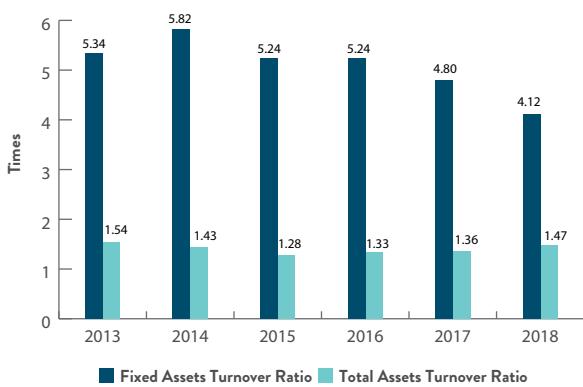
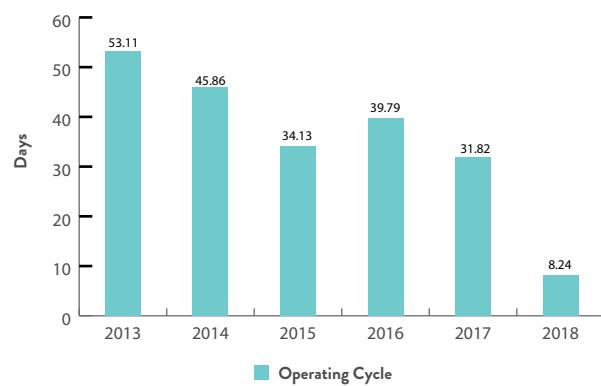
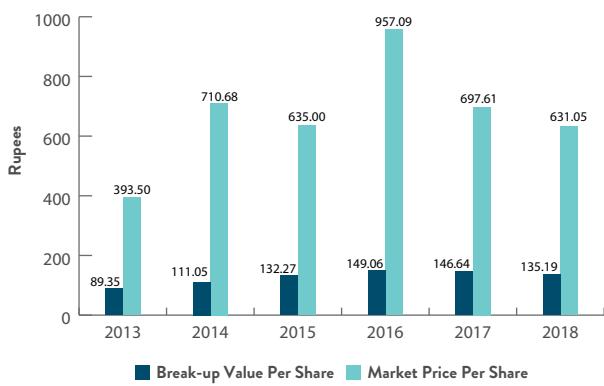
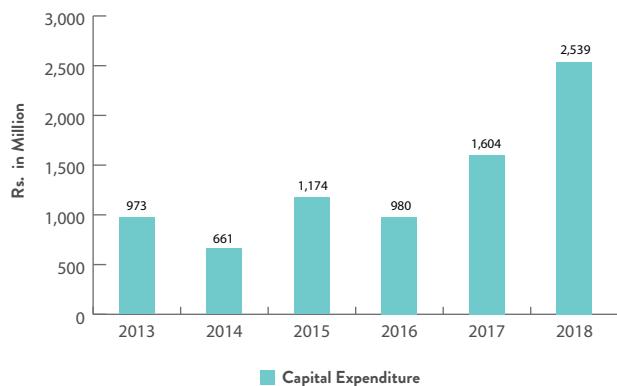
	2018	2017
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	29,436,297	25,978,277
Cash paid to suppliers / service providers	(20,337,774)	(15,049,434)
Cash paid to employees	(3,367,910)	(2,768,900)
Payment of royalty and technical service fee	(172,692)	(173,649)
Payment to retirement funds	(307,214)	(307,237)
Income taxes paid	(2,039,277)	(1,556,561)
Payment of other statutory charges	(274,210)	(360,467)
Long-term deposits - net	-	(38)
Long-term prepayments - net	(2)	2,518
Net cash inflow from operating activities	<u>2,937,218</u>	<u>5,764,509</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(2,538,833)	(1,604,089)
Acquisition of intangible asset	(24,280)	-
Sale proceeds from disposal of property, plant & equipment	41,465	11,219
Interest income	375,129	370,638
Net cash outflow from investing activities	<u>(2,146,519)</u>	<u>(1,222,232)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Finance costs paid	(12,801)	(10,060)
Increase in liabilities against assets subject to finance lease	211,447	-
Dividends paid	(3,882,930)	(3,904,925)
Net cash outflow from financing activities	<u>(3,684,284)</u>	<u>(3,914,985)</u>
Net (decrease) / increase in cash and cash equivalents	(2,893,585)	627,292
Cash and cash equivalents at the beginning of the year	8,571,721	7,944,429
Cash and cash equivalents at the end of the year	<u>5,678,136</u>	<u>8,571,721</u>

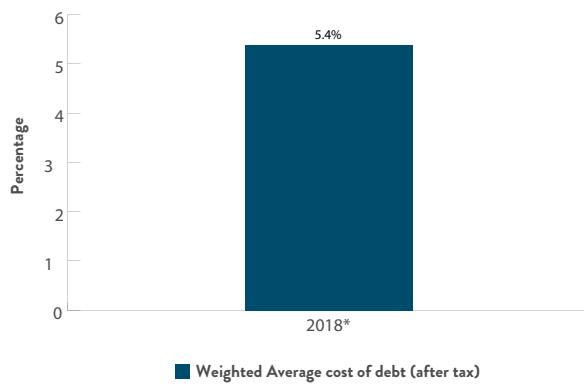
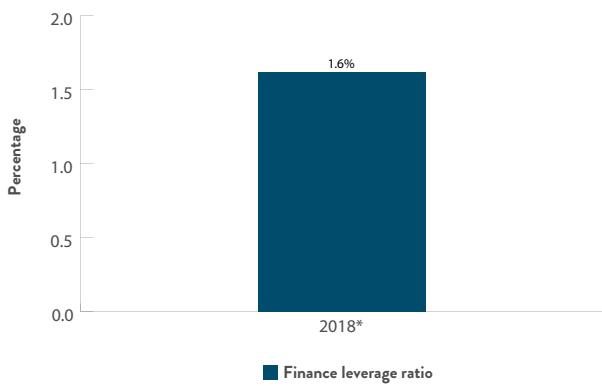
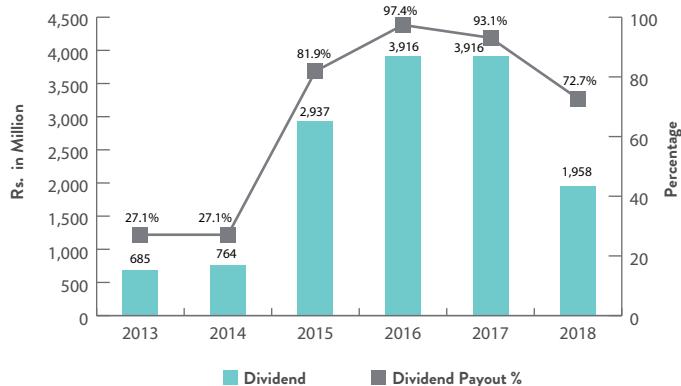
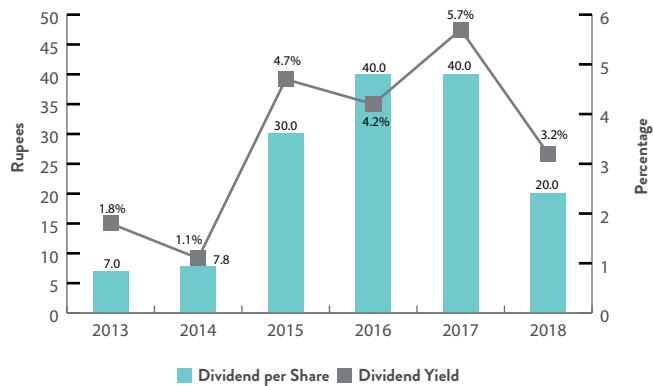
## GRAPHICAL PRESENTATION





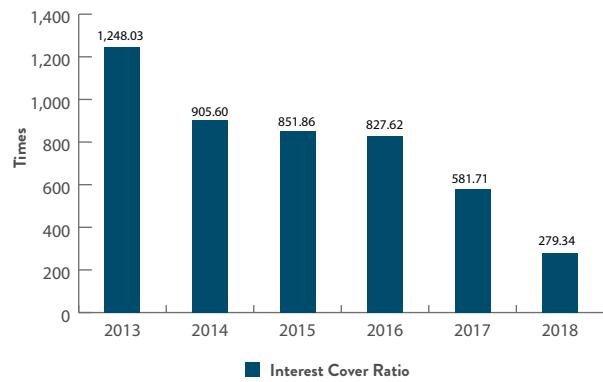
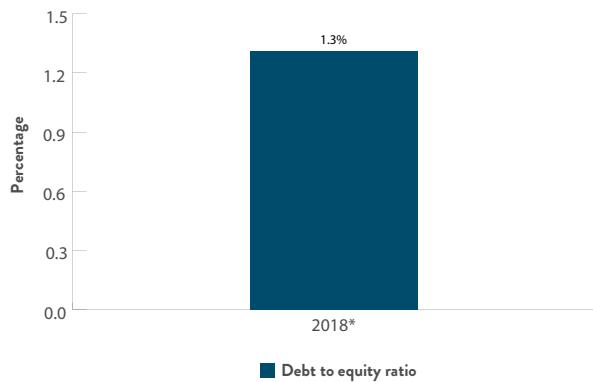
## GRAPHICAL PRESENTATION





\* The Company did not have any long-term debt before 2018.

## GRAPHICAL PRESENTATION



\* The Company did not have any long-term debt before 2018.



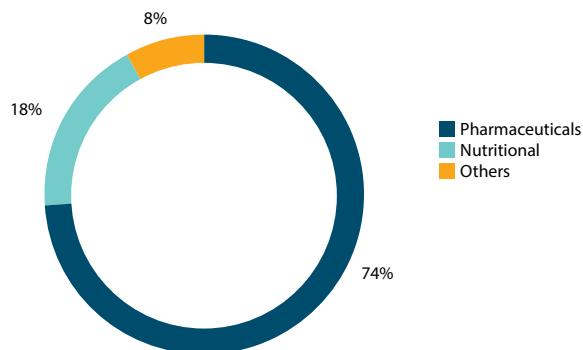
## SEGMENTAL REVIEW

For The Year Ended December 31, 2018

During 2018, overall sales for the Company increased by Rs. 3.63 billion resulting in an increase of 13.9%. Gross profit margin for 2018 declined to 32.9% as compared to 38.7% in the preceding year primarily driven by the impact of devaluation of Pakistani Rupee and inflation. Profit After Tax for the year was Rs. 2.69 billion resulting in an EPS of Rs. 27.52 per share.

The chart below shows the segment wise breakdown of the Company on the basis of revenue:

### ANALYSIS OF COMPANY'S SEGMENTS



#### PHARMACEUTICALS (EPD)

Pharmaceutical business grew by 12.0% whereby total revenue for the division amounted to Rs. 21.88 billion. Gross profit margin for the business declined to 34.7% from 40.0% driven by devaluation of the Pakistani rupee and inflation. Selling and Distribution expenses increased by 14.9% driven primarily by increase in sales.

Operating margin for EPD declined to 18.6% from 24.3% due to the reasons mentioned above.

#### NUTRITIONAL (ANI)

Revenue for the Nutrition business during 2018 grew by 23.6% driven primarily by growth in *PediaSure* and *Ensure*. Gross profit margin for the division declined to 25.9% driven by devaluation of the Pakistani rupee. The operating margin of the division declined to 6.7% from 20.3% during 2018.

#### OTHERS

Revenue for Others which consists of Diagnostics, Diabetes Care and General Health Care representing 8% of total company revenue increased by Rs. 268.98 million. It achieved a cumulative Gross profit margin of 32.2% versus 36.7% during the preceding year.

The operating margin of the division declined to 10.6% versus 16.9% last year primarily contributed by decline in gross profit margin as mentioned above.

Detailed segment-wise operating results are presented in Note 35 of the financial statements.

## VERTICAL ANALYSIS

	December 31, 2018	December 31, 2017		
	Rupees in '000	%	Rupees in '000	%
<b>Statement of Financial Position</b>				
Total Equity	13,235,011	65.3	14,355,835	74.8
Non-Current Liabilities	429,124	2.1	231,147	1.2
Current Liabilities	6,617,122	32.6	4,601,128	24.0
<b>Total Equity and Liabilities</b>	<b>20,281,257</b>	<b>100.0</b>	19,188,110	100.0
Non-Current Assets	7,283,126	35.9	5,492,322	28.6
Current Assets	12,998,131	64.1	13,695,788	71.4
<b>Total Assets</b>	<b>20,281,257</b>	<b>100.0</b>	19,188,110	100.0
	December 31, 2018	December 31, 2017		
	Rupees in '000	%	Rupees in '000	%
<b>Statement of Profit or Loss</b>				
Sales - net	29,719,279	100.0	26,088,233	100.0
Cost of sales	19,944,014	67.1	15,999,247	61.3
Gross Profit	9,775,265	32.9	10,088,986	38.7
Selling and distribution expenses	4,525,458	15.2	3,611,882	13.9
Administrative expenses	562,771	1.9	468,172	1.8
	4,687,036	15.8	6,008,932	23.1
Other income	458,654	1.5	445,317	1.7
Other charges	786,315	2.6	602,244	2.3
	4,359,375	14.7	5,852,005	22.4
Finance costs	15,606	0.1	10,060	0.0
Profit before taxation	4,343,769	14.6	5,841,945	22.4
Taxation	1,649,436	5.5	1,636,713	6.3
<b>Profit for the year</b>	<b>2,694,333</b>	<b>9.1</b>	4,205,232	16.1

Note: Graphical presentation of the Statement of Financial Position and Statement of Profit or Loss is given on Page No. 88-89.

### COMMENT ON VERTICAL ANALYSIS

**Statement of Financial Position:** Equity of the Company has declined on account of dividends paid during the year partially offset by profit for the year. Non-current liabilities have increased mainly on account of the finance lease liability. Current liabilities have increased mainly on account of higher import liability due to volume, timing as well as the impact of currency devaluation. Non-current assets are 35.9% (2017: 28.6%) of the total assets, which increased primarily on account of increased capital expenditure during the year for expanding manufacturing capacity, enhancement of productivity and improvement of plant efficiency. Current assets are 64.1% (2017: 71.4%) of the Company which decreased mainly due to lower cash and bank balances versus last year.

December 31, 2016		December 31, 2015		December 31, 2014		December 31, 2013	
Rupees in '000	%						
14,593,240	82.7	12,949,247	78.6	10,871,600	79.0	8,747,265	78.3
203,477	1.2	219,144	1.3	223,953	1.6	203,562	1.8
2,848,467	16.1	3,319,884	20.1	2,670,042	19.4	2,217,177	19.9
<b>17,645,184</b>	<b>100.0</b>	<b>16,488,275</b>	<b>100.0</b>	<b>13,765,595</b>	<b>100.0</b>	<b>11,168,004</b>	<b>100.0</b>
4,523,033	25.6	4,108,183	24.9	3,446,467	25.0	3,269,414	29.3
13,122,151	74.4	12,380,092	75.1	10,319,128	75.0	7,898,590	70.7
<b>17,645,184</b>	<b>100.0</b>	<b>16,488,275</b>	<b>100.0</b>	<b>13,765,595</b>	<b>100.0</b>	<b>11,168,004</b>	<b>100.0</b>
December 31, 2016		December 31, 2015		December 31, 2014		December 31, 2013	
Rupees in '000	%						
23,387,915	100.0	21,170,446	100.0	19,692,354	100.0	17,217,258	100.0
14,020,416	60.0	12,943,213	61.1	12,142,212	61.7	10,595,612	61.5
9,367,499	40.0	8,227,233	38.9	7,550,142	38.3	6,621,646	38.5
3,258,175	13.9	2,876,407	13.6	2,965,120	15.0	2,471,404	14.4
450,297	1.9	383,612	1.8	367,379	1.9	366,938	2.1
5,659,027	24.2	4,967,214	23.5	4,217,643	21.4	3,783,304	22.0
420,937	1.8	476,868	2.2	475,693	2.4	273,059	1.6
486,064	2.1	431,721	2.0	369,995	1.9	367,184	2.1
5,593,900	23.9	5,012,361	23.7	4,323,341	21.9	3,689,179	21.4
6,759	0.0	5,884	0.1	4,774	0.0	2,956	0.0
5,587,141	23.9	5,006,477	23.6	4,318,567	21.9	3,686,223	21.4
1,565,349	6.7	1,419,741	6.7	1,502,255	7.6	1,157,374	6.7
<b>4,021,792</b>	<b>17.2</b>	<b>3,586,736</b>	<b>16.9</b>	<b>2,816,312</b>	<b>14.3</b>	<b>2,528,849</b>	<b>14.7</b>

## COMMENT ON VERTICAL ANALYSIS

**Statement of Profit or Loss:** Gross profit margin of the Company declined to 32.9% from 38.7% in 2017 on account of currency devaluation and inflation. Net profit margin of the Company decreased to 9.1% from 16.1% in 2017 mainly on account of depleting gross profit margin (as explained above), sales and promotion expenditure and exchange losses.

## HORIZONTAL ANALYSIS

	December 31,					
	2018	2017	2016	2015	2014	2013
(Rupees in '000)						
<b>Statement of Financial Position</b>						
Total Equity	13,235,011	14,355,835	14,593,240	12,949,247	10,871,600	8,747,265
Non-Current Liabilities	429,124	231,147	203,477	219,144	223,953	203,562
Current Liabilities	6,617,122	4,601,128	2,848,467	3,319,884	2,670,042	2,217,177
<b>Total Equity and Liabilities</b>	<b>20,281,257</b>	<b>19,188,110</b>	<b>17,645,184</b>	<b>16,488,275</b>	<b>13,765,595</b>	<b>11,168,004</b>
Non-Current Assets	7,283,126	5,492,322	4,523,033	4,108,183	3,446,467	3,269,414
Current Assets	12,998,131	13,695,788	13,122,151	12,380,092	10,319,128	7,898,590
<b>Total Assets</b>	<b>20,281,257</b>	<b>19,188,110</b>	<b>17,645,184</b>	<b>16,488,275</b>	<b>13,765,595</b>	<b>11,168,004</b>

	December 31,					
	2018	2017	2016	2015	2014	2013
(Rupees in '000)						
<b>Statement of Profit or Loss</b>						
Sales - net	29,719,279	26,088,233	23,387,915	21,170,446	19,692,354	17,217,258
Cost of sales	19,944,014	15,999,247	14,020,416	12,943,213	12,142,212	10,595,612
<b>Gross Profit</b>	<b>9,775,265</b>	<b>10,088,986</b>	<b>9,367,499</b>	<b>8,227,233</b>	<b>7,550,142</b>	<b>6,621,646</b>
Selling and distribution expenses	4,525,458	3,611,882	3,258,175	2,876,407	2,965,120	2,471,404
Administrative expenses	562,771	468,172	450,297	383,612	367,379	366,938
	4,687,036	6,008,932	5,659,027	4,967,214	4,217,643	3,783,304
Other income	458,654	445,317	420,937	476,868	475,693	273,059
Other charges	786,315	602,244	486,064	431,721	369,995	367,184
	4,359,375	5,852,005	5,593,900	5,012,361	4,323,341	3,689,179
Finance costs	15,606	10,060	6,759	5,884	4,774	2,956
<b>Profit before taxation</b>	<b>4,343,769</b>	<b>5,841,945</b>	<b>5,587,141</b>	<b>5,006,477</b>	<b>4,318,567</b>	<b>3,686,223</b>
Taxation	1,649,436	1,636,713	1,565,349	1,419,741	1,502,255	1,157,374
<b>Profit for the year</b>	<b>2,694,333</b>	<b>4,205,232</b>	<b>4,021,792</b>	<b>3,586,736</b>	<b>2,816,312</b>	<b>2,528,849</b>

Note: Graphical presentation of the Statement of Financial Position and Statement of Profit or Loss is given on Page No. 88-89.

### COMMENT ON HORIZONTAL ANALYSIS

**Statement of Financial Position:** Non-current assets increased as compared to last year on account of capital expenditure for expanding manufacturing capacity, enhancement of productivity and improvement of plant efficiency. Increase in non-current liabilities is attributable to finance lease liability. Current liabilities increased primarily on account of higher import liability due to currency devaluation, timing of shipments and increased volume.

December 31,					
2018	2017	2016	2015	2014	2013
% increase / (decrease) over preceding year					
(7.8)	(1.6)	12.7	19.1	24.3	30.4
85.6	13.6	(7.1)	(2.1)	10.0	7.4
43.8	61.5	(14.2)	24.3	20.4	(8.9)
5.7	8.7	7.0	19.8	23.3	19.7
<hr/>					
32.6	21.4	10.1	19.2	5.4	19.2
(5.1)	4.4	6.0	20.0	30.6	19.9
5.7	8.7	7.0	19.8	23.3	19.7

December 31,					
2018	2017	2016	2015	2014	2013
% increase / (decrease) over preceding year					
13.9	11.5	10.5	7.5	14.4	13.2
24.7	14.1	8.3	6.6	14.6	11.4
(3.1)	7.7	13.9	9.0	14.0	16.1
25.3	10.9	13.3	(3.0)	20.0	11.7
20.2	4.0	17.4	4.4	0.1	6.5
(22.0)	6.2	13.9	17.8	11.5	20.3
3.0	5.8	(11.7)	0.2	74.2	48.9
30.6	23.9	12.6	16.7	0.8	17.3
(25.5)	4.6	11.6	15.9	17.2	22.3
55.1	48.8	14.9	23.3	61.5	32.8
(25.6)	4.6	11.6	15.9	17.2	22.3
0.8	4.6	10.3	(5.5)	29.8	25.3
(35.9)	4.6	12.1	27.4	11.4	21.0

## COMMENT ON HORIZONTAL ANALYSIS

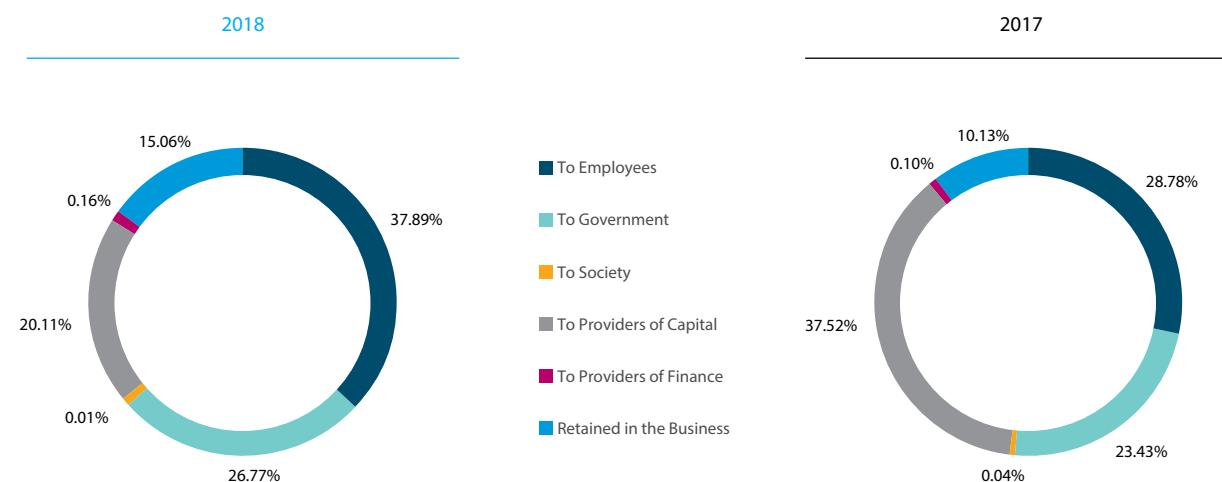
**Statement of Profit or Loss:** Net sales for the year increased by 13.9% over previous year driven mainly by sustained volume growth of established brands. Cost of sales increased by 24.7% mainly on account of currency devaluation and inflation. Selling and distribution expenses increased by 25.3% mainly due to advertising and sales promotion expenditure. Other charges increased by 30.6% mainly on account of currency devaluation. The profit after tax of the Company decreased by 35.9% in line with the reasons mentioned above.

## STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

For The Year Ended December 31, 2018

	2018	%	2017	%
	Rupees '000		Rupees '000	
<b>Wealth Generated</b>				
Total revenue inclusive of sales tax and other income				
Brought-in-materials and services	30,771,066		27,068,263	
	21,036,504		16,631,911	
	<u>9,734,562</u>	<u>100%</u>	<u>10,436,352</u>	<u>100%</u>
<b>Wealth Distribution</b>				
<b>To Employees</b>				
Salaries, wages, allowances and staff welfare	3,688,332	37.89%	3,003,168	28.78%
<b>To Government</b>				
Income Tax	1,657,623	17.03%	1,475,941	14.14%
Workers' Funds and Central Research Fund	355,553	3.65%	435,278	4.17%
Sales tax and excise duty	593,133	6.09%	534,713	5.12%
	<u>2,606,309</u>	<u>26.77%</u>	<u>2,445,932</u>	<u>23.43%</u>
<b>To Society</b>				
Donations	1,000	0.01%	4,103	0.04%
<b>To Providers of Capital</b>				
Dividends*	1,958,006	20.11%	3,916,012	37.52%
<b>To Providers of Finance</b>				
Finance costs	15,606	0.16%	10,060	0.10%
<b>Retained in the Business</b>				
Depreciation and amortisation	737,169	7.58%	607,085	5.82%
Actuarial (Gain) / Loss	(35,020)	-0.36%	732,778	7.02%
Added to / (Utilised from) Unappropriated profit for distribution	763,160	7.84%	(282,786)	-2.71%
	<u>1,465,309</u>	<u>15.06%</u>	<u>1,057,077</u>	<u>10.13%</u>
	<u><u>9,734,562</u></u>	<u><u>100.00%</u></u>	<u><u>10,436,352</u></u>	<u><u>100.00%</u></u>

\* Dividends include final dividend amounting to Rs. 979.003 million proposed by the Board of Directors subsequent to the year end.



## FREE CASH FLOWS

	December 31,					
	2018	2017	2016	2015	2014	2013
	(Rupees in '000)					
Profit before taxation	4,343,769	5,841,945	5,587,141	5,006,477	4,318,567	3,686,223
<b>Adjustment for non-cash items</b>						
Depreciation	727,118	601,485	522,357	463,444	418,102	380,877
Amortisation	10,051	5,600	12,233	20,912	17,220	17,220
(Gain) / Loss on disposal and write-off of property plant & equipment	(2,302)	15,350	(4,354)	(10,857)	(7,547)	1,695
Interest income	(370,491)	(371,598)	(394,844)	(448,150)	(437,971)	(249,611)
Expense recognised in statement of profit or loss in respect of equity-settled share-based compensation	74,022	45,381	32,435	42,464	39,451	37,722
Pension retirement benefit	23,457	(31,427)	42,312	30,358	31,753	50,749
Finance costs	15,606	10,060	6,759	5,884	4,774	2,956
	477,461	274,851	216,898	104,055	65,782	241,608
Working capital changes	159,288	1,203,128	(974,650)	477,382	375,287	(338,649)
Income taxes paid	(2,039,277)	(1,556,561)	(1,714,877)	(1,520,063)	(1,409,639)	(1,115,769)
Long-term loans and advances	(4,021)	(1,334)	2,058	(5,508)	(14,308)	12,385
Long-term deposits	-	(38)	-	130	(3,502)	(366)
Long-term prepayments	(2)	2,518	2,975	(439)	(1,106)	(1,574)
	(1,884,012)	(352,287)	(2,684,494)	(1,048,498)	(1,053,268)	(1,443,973)
Net cash generated from operating activities	2,937,218	5,764,509	3,119,545	4,062,034	3,331,081	2,483,858
Capital expenditure	(2,538,833)	(1,604,089)	(980,258)	(1,174,097)	(661,443)	(972,520)
Acquisition of intangible assets	(24,280)	-	(6,500)	(18,500)	-	-
Free cash flows	<b>374,105</b>	<b>4,160,420</b>	<b>2,132,787</b>	<b>2,869,437</b>	<b>2,669,638</b>	<b>1,511,338</b>

## GRAPHICAL PRESENTATION OF FREE CASH FLOWS



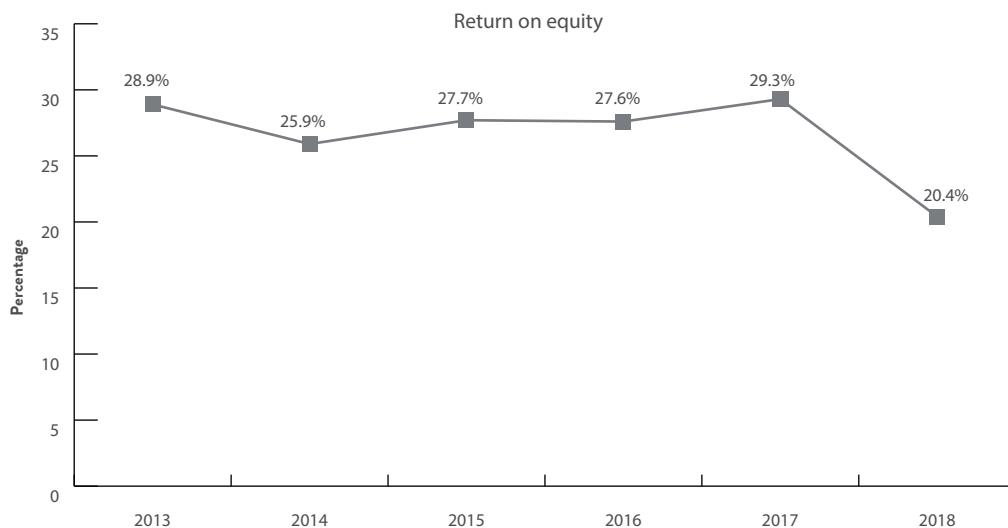
## COMMENT ON FREE CASH FLOWS

Company's free cash flows declined versus last year mainly on account of decrease in cash flows from operating activities contributed primarily by decline in profit before taxation, working capital changes and higher income taxes paid. Increase in capital expenditure also contributed towards decline in free cash flows versus last year.

## DUPONT ANALYSIS

	December 31,					
	2018	2017	2016	2015	2014	2013
EBIT Margin	14.7%	22.4%	23.9%	23.7%	22.0%	21.4%
Asset turnover	1.51	1.42	1.37	1.40	1.58	1.68
Interest burden / efficiency	99.6%	99.8%	99.9%	99.9%	99.9%	99.9%
Tax burden / efficiency	62.0%	72.0%	72.0%	71.6%	65.2%	68.6%
Leverage	1.49	1.28	1.17	1.17	1.15	1.17
Net profit margin	9.1%	16.1%	17.2%	16.9%	14.3%	14.7%
Return on equity	20.4%	29.3%	27.6%	27.7%	25.9%	28.9%

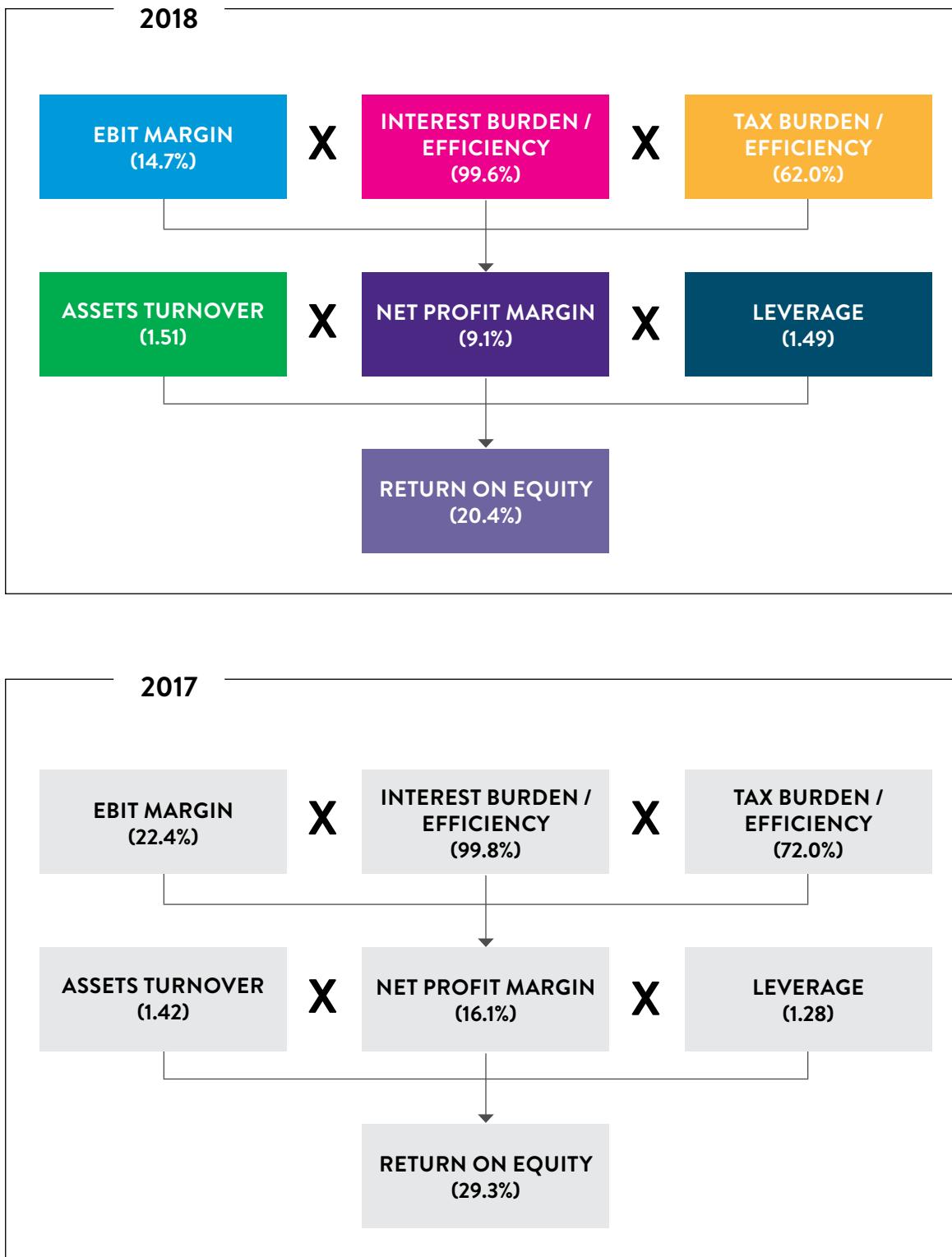
## GRAPHICAL PRESENTATION OF DUPONT ANALYSIS



## COMMENT ON DUPONT ANALYSIS

Return on equity has declined to 20.4% from 29.3% during 2018 driven by devaluation of Pakistani Rupee coupled with inflation. Interest burden / efficiency remained relatively stable since the Company has a very minor portion of debt in its capital structure. Tax efficiency has deteriorated on account of the impact of Super tax charges for Tax year 2018 and 2019 and higher tax under the final tax regime. Assets turnover increased to 1.51 in 2018 from 1.42 in 2017 mainly due to increase in sales during the year.

## DUPONT ANALYSIS

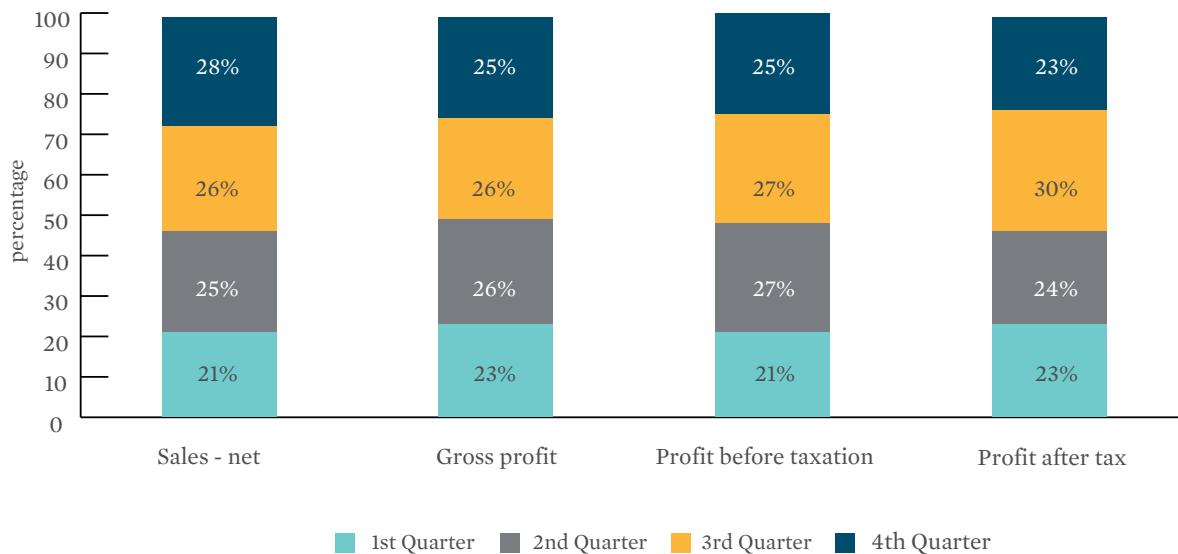


## QUARTERLY ANALYSIS

For The Year Ended December 31, 2018

	2018				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
----- (Rupees '000) -----					
Sales - net	6,332,524	7,445,246	7,816,598	8,124,911	29,719,279
Cost of sales	4,048,114	4,911,216	5,337,993	5,646,691	19,944,014
<b>Gross profit</b>	<b>2,284,410</b>	<b>2,534,030</b>	<b>2,478,605</b>	<b>2,478,220</b>	<b>9,775,265</b>
Selling and distribution expenses	1,233,696	1,154,306	1,117,684	1,019,772	4,525,458
Administrative expenses	128,342	125,306	138,635	170,488	562,771
Other income	118,651	118,100	92,357	129,546	458,654
Other charges	135,764	194,249	150,068	306,234	786,315
	1,379,151	1,355,761	1,314,030	1,366,948	5,415,890
Finance costs	905,259	1,178,269	1,164,575	1,111,272	4,359,375
	3,323	2,215	4,064	6,004	15,606
<b>Profit before taxation</b>	<b>901,936</b>	<b>1,176,054</b>	<b>1,160,511</b>	<b>1,105,268</b>	<b>4,343,769</b>
Taxation	281,704	543,344	342,578	481,810	1,649,436
<b>Profit after tax</b>	<b>620,232</b>	<b>632,710</b>	<b>817,933</b>	<b>623,458</b>	<b>2,694,333</b>

## GRAPHICAL PRESENTATION OF QUARTERLY PERFORMANCE ANALYSIS



## COMMENT ON QUARTERLY PERFORMANCE ANALYSIS

Sales during the fourth quarter represented 28% of total revenue, whereas profit during the same period was 23% of total profit after tax mainly due to devaluation of the Pakistani Rupee and inflation.

## SHARE PRICE SENSITIVITY ANALYSIS

Share price in the stock market moves due to various factors such as company performance, general market sentiment, economic events and interest rates, etc. Being a responsible and law-compliant Company, Abbott circulates price sensitive information to stock exchanges in accordance with the requirements of the relevant regulations on a timely manner. During 2018, Abbott's highest share price was of Rs. 750.00 while the lowest recorded price was Rs 475.00 with a closing price of Rs. 631.05 at the end of the year.



# STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (Regulations) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 (seven) with the following composition:
  - a. Male: 5
  - b. Female: 2
2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Ehsan Ali Malik
	Ms. Zehra Naqvi
Other Non-Executive Directors	Mr. Munir A. Shaikh (Chairman)
	Mr. Kamran Y. Mirza
	Mr. Shamim Ahmad Khan
Executive Directors	Syed Anis Ahmed
	Ms. Seema Khan

3. The directors have confirmed that none of them is serving as a director on more than five 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 the Board as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act 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 these Regulations.
9. Three directors have a certification under Directors' Training Program, two directors of the Company are exempt from the requirement of Directors' Training Program and the rest of the directors will be trained by June 30, 2020 and June 30, 2021 in accordance with the time prescribed by the Regulations. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Company arranged an orientation course covering the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Companies Act, 2017 for its directors in the current year.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Category	Names
Audit Committee	Mr. Ehsan Ali Malik (Chairman)
	Mr. Kamran Y. Mirza
	Mr. Shamim Ahmad Khan
HR & Remuneration Committee	Ms. Zehra Naqvi (Chairperson)
	Mr. Kamran Y. Mirza
	Mr. Munir A. Shaikh
	Mr. Shamim Ahmad Khan
	Syed Anis Ahmed

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/yearly) of the committees were as per following:
  - a) Audit Committee: 4
  - b) HR and Remuneration Committee: 3
15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these 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 other requirements of the Regulations have been complied with.

By order of the Board



Munir A. Shaikh  
Chairman



Syed Anis Ahmed  
Chief Executive Officer

Karachi: February 21<sup>st</sup>, 2019



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: +9221 111 11 39 37 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Abbott Laboratories (Pakistan) Limited (the Company)

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Abbott Laboratories (Pakistan) Limited** for the year ended **31 December 2018** in accordance with the requirements of regulation 40 of the Regulations.

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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 2018**.

*EY Ford Rhodes*

Chartered Accountants

Place: Karachi

Date: 21 February 2019



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: +9221 111 11 39 37 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITOR'S REPORT

**To the members of Abbott Laboratories (Pakistan) Limited**

**Report on the Audit of Financial Statements**

### Opinion

We have audited the annexed financial statements of **Abbott Laboratories (Pakistan) Limited** (the Company), which comprise the statement of financial position as at **31 December 2018**, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and 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, the statement of 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 2018 and of the profit, the comprehensive income, the 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 our audit addressed the key audit matter
<b>1. Estimates and assumptions involved in Staff Retirement Benefits</b> <p>As disclosed in note 22.1.1 to the financial statements, the Company operates a funded pension scheme for all its permanent employees with liabilities amounting to Rs. 655.699 million, which were significant in the context of the overall statement of financial position of the Company.</p> <p>In determining the obligation in respect of staff retirement benefits, the Company engaged an actuarial expert to perform the actuarial valuation of the present value of the defined benefit obligation, which involves use of key assumptions including discount rate and expected rates of increase in future salaries and pension. Changes in any of these key assumptions can have a material impact on the calculation of the liability.</p> <p>Accordingly we have identified this area as a key audit matter.</p>	<p>We obtained an understanding of the process for recognition of defined benefit plan and Company's control in this area relevant to our audit.</p> <p>We evaluated the competence and objectivity of the qualified actuary engaged by the Company to value the defined benefit obligation under International Accounting Standard 19 'Employee Benefits'.</p> <p>We engaged our external expert to assess the appropriateness of the methodology and assumptions used to determine the obligation in respect of defined benefit plan.</p> <p>We tested data provided by the Company to actuary for purpose of valuation.</p> <p>We have also assessed the adequacy of the Company's disclosures in accordance with applicable financial reporting framework.</p>
<b>2. Existence and valuation of Stock-in-trade</b> <p>As of the date of statement of financial position, the Company held stock-in-trade balances of Rs. 4,428.893 million which constitutes 22% of total assets, as disclosed in note 14 to the financial statements.</p> <p>We have considered this area to be a key audit matter due to its materiality and judgments involved in estimating the NRV of underlying stock-in-trade as well as the management judgment in determining an appropriate costing basis and assessing its valuation.</p>	<p>We performed a range of audit procedures with respect to stock-in-trade including amongst others, physical observation of stock-in-trade, test of valuation methods and their appropriateness in accordance with the applicable accounting standards, and an evaluation of the usability of the stock-in-trade based on management reports for slow moving, expired and obsolete items and the impact of the same on the net realizable value of the stock-in-trade.</p> <p>Further, we assessed the adequacy of the related disclosures in accordance with the applicable financial reporting standards.</p>



Key audit matter	How our audit addressed the key audit matter
<p><b>3. Preparation of financial statements under Companies Act, 2017</b></p> <p>As referred to in note 2.1.1 to the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the financial statements for the year ended 31 December 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In the case of the Company, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 2.1.1 to the accompanying financial statements.</p> <p>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p>	<p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.</p>

#### 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, the statement of 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 Tariq Feroz Khan.

*EY Ford Rhodes*

Chartered Accountants

**Place:** Karachi

**Date:** 21 February 2019

**STATEMENT OF FINANCIAL POSITION**

As At December 31, 2018

	Note	2018 (Rupees '000)	2017
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital	3	<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital	4	979,003	979,003
Reserves - capital		533,783	459,761
- revenue		11,722,225	12,917,071
<b>Total Equity</b>		<u>13,235,011</u>	<u>14,355,835</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	5	255,405	231,147
Liability against assets subject to finance lease	6	173,719	-
<b>Total Non-current Liabilities</b>		<u>429,124</u>	<u>231,147</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	6,510,381	4,568,002
Unclaimed dividends		66,208	33,126
Current maturity of assets subject to finance lease	6	40,533	-
<b>Total Current Liabilities</b>		<u>6,617,122</u>	<u>4,601,128</u>
<b>Total Liabilities</b>		<u>7,046,246</u>	<u>4,832,275</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>20,281,257</u>	<u>19,188,110</u>

	Note	2018 (Rupees '000)	2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
- Property, plant and equipment	9	7,191,606	5,419,054
- Intangible assets	10	24,879	10,650
Long-term loans and advances	11	55,009	50,988
Long-term deposits	12	7,513	7,513
Long-term prepayments		4,119	4,117
<b>Total Non-current Assets</b>		<b>7,283,126</b>	<b>5,492,322</b>
<b>CURRENT ASSETS</b>			
Stores and spares	13	178,815	129,521
Stock-in-trade	14	4,428,893	3,475,745
Trade debts	15	1,143,015	914,972
Loans and advances	16	147,183	159,591
Trade deposits and short-term prepayments	17	620,876	252,905
Interest accrued		7,857	12,495
Other receivables	18	383,054	174,448
Taxation - net		410,302	4,390
Cash and bank balances	19	5,678,136	8,571,721
<b>Total Current Assets</b>		<b>12,998,131</b>	<b>13,695,788</b>
<b>TOTAL ASSETS</b>		<b>20,281,257</b>	<b>19,188,110</b>

The annexed notes 1 to 40 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

**STATEMENT OF PROFIT OR LOSS**

For The Year Ended December 31, 2018

	Note	2018 (Rupees '000)	2017
Sales - net	20	29,719,279	26,088,233
Cost of sales	21	19,944,014	15,999,247
Gross profit		9,775,265	10,088,986
Selling and distribution expenses	23	4,525,458	3,611,882
Administrative expenses	24	562,771	468,172
Other charges	25	786,315	602,244
Other income	26	458,654	445,317
		5,415,890	4,236,981
		4,359,375	5,852,005
Finance costs	27	15,606	10,060
Profit before taxation		4,343,769	5,841,945
Taxation	28	1,649,436	1,636,713
Profit for the year		2,694,333	4,205,232
		(Rupees)	
Earnings per share - basic / diluted	29	27.52	42.95

The annexed notes 1 to 40 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

**STATEMENT OF COMPREHENSIVE INCOME**

For The Year Ended December 31, 2018

	Note	2018 (Rupees '000)	2017
Profit for the year		<b>2,694,333</b>	4,205,232
Other comprehensive income for the year			
- Actuarial gains / (losses) on defined benefit pension plan	22.1.2	35,020	(732,778)
- Tax on actuarial gains / (losses)		(8,187)	160,772
Other comprehensive income / (loss) - net of tax		<b>26,833</b>	(572,006)
Total comprehensive income for the year		<b>2,721,166</b>	<b>3,633,226</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

**STATEMENT OF CASH FLOWS**

For The Year Ended December 31, 2018

	Note	2018 (Rupees '000)	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	30	4,980,518	7,319,924
Income taxes paid		(2,039,277)	(1,556,561)
Long-term loans and advances		(4,021)	(1,334)
Long-term deposits		-	(38)
Long-term prepayments		(2)	2,518
Net cash inflow from operating activities		2,937,218	5,764,509
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(2,538,833)	(1,604,089)
Acquisition of intangible assets		(24,280)	-
Sale proceeds from disposal of property, plant and equipment		41,465	11,219
Interest income		375,129	370,638
Net cash outflow from investing activities		(2,146,519)	(1,222,232)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance costs paid		(12,801)	(10,060)
Increase in liabilities against assets subject to finance lease		211,447	-
Dividends paid		(3,882,930)	(3,904,925)
Net cash outflow from financing activities		(3,684,284)	(3,914,985)
Net (decrease) / increase in cash and cash equivalents		(2,893,585)	627,292
Cash and cash equivalents at the beginning of the year		8,571,721	7,944,429
Cash and cash equivalents at the end of the year		5,678,136	8,571,721

The annexed notes 1 to 40 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

**STATEMENT OF CHANGES IN EQUITY**

For The Year Ended December 31, 2018

	Reserves						(Rupees '000)
	Capital Reserves			Revenue Reserves			
	Share Capital	Reserve Arising on Merger	Other- (Note 2.23)	General Reserve	Un-appropriated Profit	Total	Total Equity
Balance as at January 1, 2017	979,003	46,097	368,283	5,338,422	7,861,435	13,614,237	14,593,240
<b>Transactions with owners, recorded directly in equity</b>							
Final dividend for the year ended December 31, 2016 @ Rs. 30 per share	-	-	-	-	(2,937,009)	(2,937,009)	(2,937,009)
Interim dividend for the year ended December 31, 2017 @ Rs. 10 per share	-	-	-	-	(979,003)	(979,003)	(979,003)
Capital contribution from Abbott Laboratories, USA	-	-	45,381	-	-	45,381	45,381
<b>Total comprehensive income for the year ended December 31, 2017</b>							
Profit for the year	-	-	-	4,205,232	4,205,232	4,205,232	4,205,232
Other comprehensive income for the year, net of tax	-	-	-	(572,006)	(572,006)	(572,006)	(572,006)
Total comprehensive income for the year	-	-	-	3,633,226	3,633,226	3,633,226	3,633,226
Balance as at December 31, 2017	<u>979,003</u>	<u>46,097</u>	<u>413,664</u>	<u>5,338,422</u>	<u>7,578,649</u>	<u>13,376,832</u>	<u>14,355,835</u>
Balance as at January 1, 2018	<u>979,003</u>	<u>46,097</u>	<u>413,664</u>	<u>5,338,422</u>	<u>7,578,649</u>	<u>13,376,832</u>	<u>14,355,835</u>
<b>Transactions with owners, recorded directly in equity</b>							
Final dividend for the year ended December 31, 2017 @ Rs. 30 per share	-	-	-	-	(2,937,009)	(2,937,009)	(2,937,009)
Interim dividend for the year ended December 31, 2018 @ Rs. 10 per share	-	-	-	-	(979,003)	(979,003)	(979,003)
Capital contribution from Abbott Laboratories, USA	-	-	74,022	-	-	74,022	74,022
<b>Total comprehensive income for the year ended December 31, 2018</b>							
Profit for the year	-	-	-	2,694,333	2,694,333	2,694,333	2,694,333
Other comprehensive income for the year, net of tax	-	-	-	26,833	26,833	26,833	26,833
Total comprehensive income for the year	-	-	-	2,721,166	2,721,166	2,721,166	2,721,166
Balance as at December 31, 2018	<u>979,003</u>	<u>46,097</u>	<u>487,686</u>	<u>5,338,422</u>	<u>6,383,803</u>	<u>12,256,008</u>	<u>13,235,011</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

  
 Chief Executive

  
 Director

  
 Chief Financial Officer

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

**1. THE COMPANY AND ITS OPERATIONS**

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

The geographical location and addresses of all business units of the Company are as follows:

Business Unit	Address
- Registered address / Manufacturing facility	Plot No. 258 & 324, Opposite Radio Pakistan Transmission Centre, Hyderabad Road, Landhi, Karachi.
- Manufacturing facility	Plot No. 13, Sector 20, Korangi Industrial Area, Karachi.
- City Office	8th Floor, Faysal House, ST-02, Shahrah-e-Faisal, Karachi.
- Sales Office Peshawar	House No. 25/III/B, Jamrud Lane, University Town, Peshawar.
- Sales Office Lahore	House No. 187, Aurangzeb Block, Near Garden Town, Lahore.
- Sales Office Rawalpindi	House No. 168-F, Adamjee Road, Near Panj Sarki Chowk, Rawalpindi Cantt.
- Warehouse Islamabad	Plot No. 136, Street # 9, Sector 1-10/3, Industrial Area, Islamabad 44800.
- Warehouse Lahore	16 KM Shahpur Kanjan, Multan Road, Lahore.
- Warehouse Multan	Hasanabad Gate # 2, Near Pak Arab Fertilizers, Khanewal Road, Multan 60650.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of preparation****2.1.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017, shall prevail.

The fourth schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time for the preparation of these financial statements. The Act (including its fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst other, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional / amended disclosures as mentioned in notes 1, 2.1.2, 4.1, 9.4, 9.6, 11.2, 15.2, 15.3, 18.1.1, 18.1.2, 21.2, 22.5, 23.2, 25.3, 26.1, 28.1, 32 and 33.4.

**2.1.2 Significant transactions and events affecting the Company's financial position and performance**

The financial position and performance of the Company was affected by the following events and transactions during the year:

- The Company has suffered a net exchange loss of Rs. 951.836 million in respect of its purchases and liabilities denominated in foreign currencies.
- Other significant transactions and events have been adequately described in these financial statements. Detailed performance review of the Company is available in the Directors' Report.

### 2.1.3 Accounting convention

These financial statements have been prepared under the historical cost convention except for defined benefit pension plan which is carried at present value of defined benefit obligation net of fair value of plan assets.

### 2.1.4 Adoption of standards and amendments effective during the year

#### New Standards, Interpretations and Amendments

The Company has adopted the following accounting standards and the amendments and interpretations of IFRSs which became effective for the current year:

#### Standard or Interpretation:

- IFRS 2 - Share-based Payments: Classification and Measurement of Share-based Payments Transactions (Amendments)
- IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
- IAS 40 - Investment property: Transfers of Investment Property (Amendments)
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration

#### Improvements to Accounting Standards Issued by the IASB in December 2016

- IFRS 1 First-time adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters.
- IAS 28 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

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

### 2.1.5 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 Interpretation	Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 July 2018
IFRS 15 - Revenue from Contracts with Customers	01 July 2018
IFRS 16 - Leases	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23 - Uncertainty over income tax treatments	01 January 2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 3 - Definition of a Business (Amendments)	01 January 2020
IAS 1 / IAS 8 - Definition of Material (Amendments)	01 January 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

## NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2018

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 except for IFRS 15 - 'Revenue from Contracts with Customers', IFRS 9 - 'Financial Instruments' and IFRS 16 - 'Leases'. The Company is currently evaluating the impact of these standards.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

The 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 01 January 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, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

### 2.1.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affects the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

- i) Useful lives of items of property, plant and equipment (note 2.3 and note 9.1);
- ii) Provision for slow moving and obsolete stock-in-trade (note 2.6 and note 14);
- iii) Provision for slow moving and obsolete stores and spares (note 2.5 and 13);
- iv) Provision for doubtful trade debts (note 2.7 and 15);
- v) Provision for doubtful other receivables (note 2.7 and 18);
- vi) Provision for doubtful trade deposits (note 2.8 and 17);
- vii) Estimates of receivables and payables in respect of staff retirement benefit schemes (note 2.15 and note 22);
- viii) Provision for taxation (note 2.10, note 5 and note 28);
- ix) Share based compensation (note 2.23 and 31);
- x) Contingencies (note 8); and
- xi) Leases (note 6).

### **2.1.7 Shariah related disclosures**

As per notification issued by the Pakistan Stock Exchange dated January 16, 2019, the Company has been listed in the PSX-KMI All Share Index. The Company accordingly, as per requirements specified in the Sub-clause 10 of Clause VI of Part 1 of the 4th Schedule to the Companies Act, 2017, has provided disclosures applicable to it in notes 25.3 and 26.1 respectively.

### **2.2 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Pakistani Rupees, which is also the Company’s functional currency.

### **2.3 Property, plant and equipment**

#### **a) Owned**

These are stated at cost less accumulated depreciation and impairment loss, if any, except freehold land, which is stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### **b) Leased**

Leased assets comprises of leasehold land and buildings which is stated at cost less accumulated amortisation and accumulated impairment, if any.

#### **c) Leased assets acquired under finance lease**

Fixed assets acquired under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of the lower of fair value of assets and the present value of Minimum Lease Payments. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

#### **d) Depreciation / amortisation**

Depreciation is charged to statement of profit or loss applying the straight line method whereby the cost less residual value of an asset is allocated over its estimated useful life at the rates given in note 9.1. Depreciation on assets is charged from the month of addition to the month of disposal. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. Amortisation on leasehold land is charged to statement of profit or loss equally over the period of the lease.

#### **e) Gains or losses on disposal of fixed assets**

Gains or losses on disposal of fixed assets are taken to the statement of profit or loss in the period in which they arise.

#### **f) Subsequent costs**

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements which increase the assets’ remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

**g) Capital work-in-progress**

This is stated at cost less impairment loss, if any, and consists of expenditure incurred and advances made in the course of construction and installation. These are transferred to specific assets as and when the assets are available for use.

**2.4 Intangible assets**

An intangible asset is recognised if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost can be measured reliably. An Intangible asset with finite life is measured initially at cost and subsequently stated at cost less accumulated amortisation and impairment losses, if any. It is amortised on a straight line basis over its estimated useful life at the rates given in note 10. The amortisation period for intangible assets with finite useful lives is reviewed and adjusted at each financial year-end.

**2.5 Stores and spares**

These are valued at cost determined on weighted average basis. Cost in relation to items in transit comprises of invoice value and other charges incurred thereon upto the statement of financial position date. Provision is made in the financial statements for obsolete and slow moving items based on estimates regarding their usability.

**2.6 Stock-in-trade**

Stock of raw and packing materials, work-in-process and finished goods are valued at the lower of cost, calculated on first-in-first-out basis, and net realisable value. Cost in relation to work-in-process and finished goods represents direct cost of materials, direct wages and an appropriate portion of production overheads. Cost in relation to items in transit represents invoice value and other charges incurred thereon upto the statement of financial position date. Provision is made in the financial statements for obsolete and slow moving items based on estimates.

Net realisable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

**2.7 Trade debts and other receivables**

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade debts is estimated when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of profit or loss within 'other charges'. When a trade debt is uncollectible, it is written off against the allowance account for trade debts. Subsequent recoveries of amounts previously written off are credited to 'other income' in the statement of profit or loss.

**2.8 Loans, advances, trade deposits and short-term prepayments**

Loans, advances, trade deposits and short-term prepayments are initially recognised at cost, which is the fair value of the consideration given. Subsequent to initial recognition, assessment is made at each statement of financial position date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.

## 2.9 Sample inventory

Sample inventory is classified as prepayment in the statement of financial position and is carried at cost. The cost of sample inventory is charged to statement of profit or loss on issuance of samples to medical practitioners. Provision is made in the financial statements for obsolete and slow moving items based on estimates regarding their usability.

## 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 provided in full using the balance sheet liability method on all temporary differences arising at the statement of financial position date, between the tax bases of the assets and the liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the statement of financial position date and recognised after adjusting the impact of tax under FTR.

## 2.11 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand, bank balances and short-term investments with a maturity of three months or less from the date of acquisition, net of short-term borrowings. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

## 2.12 Trade and other payables

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

## 2.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

## 2.14 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 statement of financial position date to reflect the current best estimate.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

**2.15 Staff retirement benefits****Defined contribution plan**

The Company operates a recognised provident fund (defined contribution plan) for all permanent employees who have completed six months' service. Equal monthly contributions are made by the Company and its employees at the rate of 10% of basic salary. The contribution of the Company is charged to statement of profit or loss as and when incurred.

**Defined benefit plan**

The Company operates an approved funded pension scheme covering all its permanent employees who have completed minimum qualifying period of service. The Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". The latest actuarial valuation was carried out at 31 December 2018 and based on this, the Company has recognised the liability for retirement benefits and the corresponding expenses. Actuarial gains and losses that arise are recognised in statement of comprehensive income in the year in which they arise. Past service costs are recognised immediately in statement of profit or loss irrespective of the fact that the benefits are vested or non-vested. Current service costs and any past service costs together with the effect of the unwinding of the discount on plan liabilities are charged to statement of profit or loss.

The amount recognised in the statement of financial position represents the present value of defined benefit obligation as reduced by the fair value of plan assets.

**2.16 Liability for employees' compensated absences**

The Company accounts for the liability 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. No actuarial valuation of compensated absences is carried out as the management considers that the financial impact is not material.

**2.17 Foreign currency transactions**

Transactions denominated in foreign currencies are recorded in Pakistani Rupees at the foreign currency rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange approximating those at the statement of financial position date. Exchange differences are taken to the statement of profit or loss.

**2.18 Revenue recognition**

- Local sales are recognised as revenue upon transfer of significant risk and rewards of ownership, which generally coincides with delivery of goods to customers.
- Export sales are recognised as revenue upon transfer of significant risks and rewards of ownership, which generally coincides with date of shipment.
- Income on investments / deposits is accrued on a time proportionate basis, taking into account the interest rates.

**2.19 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.

### Non-financial assets

The carrying amount of non-financial assets other than inventories are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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, net of depreciation or amortisation, if no impairment had been recognised.

### 2.20 Financial instruments

All 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 the statement of profit or loss currently.

### 2.21 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.22 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is an identifiable component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets / liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are as follows:

#### Pharmaceutical

The Pharmaceutical segment is engaged in the manufacture, import and marketing of research based pharmaceutical products registered with the Drug Regulatory Authority of Pakistan.

**NOTES TO THE FINANCIAL STATEMENTS** For The Year Ended December 31, 2018**Nutritional**

The Nutritional segment is engaged in the import and marketing of nutritional products.

**Others**

The Others segment represents the import and marketing of diagnostic equipment, diabetes care, molecular devices, their testing kits and general healthcare products.

**2.23 Share based compensation**

The cost of awarding shares to employees is reflected by recording a charge in the statement of profit or loss equivalent to the fair value of shares on the grant date over the vesting period. Since awarded shares relate to the ultimate holding company, a corresponding reserve is created to reflect the equity component.

**3. AUTHORISED CAPITAL**

2018 Number of shares	2017 Number of shares		2018 (Rupees '000)	2017 (Rupees '000)
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each	<u>2,000,000</u>	<u>2,000,000</u>

**4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

2018 Number of shares	2017 Number of shares		2018 (Rupees '000)	2017 (Rupees '000)
5,832,196	5,832,196	Ordinary shares of Rs. 10 each issued as fully paid for cash	58,322	58,322
18,479,640	18,479,640	Ordinary shares of Rs. 10 each, determined pursuant to merger of Abbott Laboratories (Pakistan) Limited with Knoll Pharmaceutical Limited in accordance with the swap ratio stipulated therein	184,796	184,796
73,588,466	73,588,466	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	735,885	735,885
<u>97,900,302</u>	<u>97,900,302</u>		<u>979,003</u>	<u>979,003</u>

As at December 31, 2018, Abbott Asia Investments Limited, UK (the holding company) held 76,259,454 shares (77.90%). The ultimate holding company is Abbott Laboratories, USA.

**4.1 Voting rights, board selection, right of first refusal and block voting of all shareholders are in proportion to their shareholding.**

**2018**  
**(Rupees '000)**

**2017**

## 5. DEFERRED TAXATION

Deferred tax liability arising due to accelerated tax depreciation allowance

**342,170**

**311,649**

Deferred tax asset arising in respect of provisions

**(86,765)**

**(80,502)**

**255,405**

**231,147**

## 6. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into a finance lease arrangement with a commercial bank for the purchase of vehicles. The utilisation under the arrangement cannot exceed Rs. 270 million (December 31, 2017: Rs. Nil). The finance lease arrangement carries mark-up at the rate of 6-month KIBOR plus 0.5% per annum (December 31, 2017: Nil). The Company has utilised Rs. 217.564 million from the finance lease arrangement as at December 31, 2018.

	2018			2017		
	(Rupees in '000)					
	Minimum lease payments	Financial charge for future periods	Present value of minimum lease payments	Minimum lease payments	Financial charge for future periods	Present value of minimum lease payments
Not later than one year	58,143	17,610	40,533	-	-	-
Later than one year but not later than five years	<u>206,314</u>	<u>32,595</u>	<u>173,719</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>264,457</u>	<u>50,205</u>	<u>214,252</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 7. TRADE AND OTHER PAYABLES

	Note	2018	2017
		(Rupees '000)	
Creditors		930,787	628,603
Accrued liabilities		1,808,962	1,397,519
Bills payable	7.1	2,131,489	1,127,904
Advances from customers		134,801	189,740
Payable to related parties	7.2	249,245	103,797
Central Research Fund		56,098	58,374
Workers' Welfare Fund		162,292	92,550
Staff pension fund	22.1.1	655,699	667,262
Provision for Gas Infrastructure Development Cess	7.3	365,203	289,305
Others		15,805	12,948
		<u>6,510,381</u>	<u>4,568,002</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

	2018 (Rupees '000)	2017
<b>7.1 Bills payable include the following amounts payable to related parties:</b>		
Abbott Diagnostics GmbH	838,323	341,303
Abbott Logistics B.V.	164,271	191,427
Abbott Laboratories (Singapore) PTE Limited	3,520	19
Abbott Products Operation AG	551,844	19,463
Abbott Laboratories International Co.	101,216	154,644
Abbott GmbH & Co. KG.	24,788	11,913
Abbott Argentina S.A.	345	274
Abbott S.R.L Italy	5,762	-
Abbott Diabetes Care Inc.	36,380	18,928
Abbott Diabetes Care Limited, UK	84,059	62,263
	<b>1,810,508</b>	<b>800,234</b>

**7.2 Payable to related parties represents the following amounts payable to:**

Abbott International LLC., USA	50,540	49,692
ALSA MERO Office	5,101	2,060
Abbott B.V. Netherlands	141,484	34,376
Abbott Ireland	158	-
Abbott GmbH & Co. KG.	10,958	6,890
Abbott Products Operation AG	41,004	10,779
	<b>249,245</b>	<b>103,797</b>

**7.3 Provision for Gas Infrastructure Development Cess:**

Opening provision	289,305	221,135
Charge for the year	75,898	68,170
Closing provision	<b>365,203</b>	<b>289,305</b>

**8. CONTINGENCIES AND COMMITMENTS****8.1 Contingencies**

- 8.1.1** The taxation officer has contended that the Company has not deducted tax under the law on certain expenses. The orders were passed and demands amounting to Rs. 13.313 million and Rs. 20.070 million were raised against the Company for tax years 2011 and 2014 respectively. Appeal has been filed by the Company with the Appellate Tribunal Inland Revenue for tax year 2014 whereas, a writ petition has been filed by the Company in the Honourable Sindh High Court (SHC) for tax year 2011 on the grounds that the tax year selected for monitoring proceedings is time barred. The appeal and the petition are pending for adjudication.

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

- 8.1.2** The Deputy Commissioner Inland Revenue (DCIR) while finalizing the Income tax audit proceedings for tax year 2016 has issued an order raising a demand of Rs. 106.007 million on various contentions, the most significant of which is that the Company has allegedly paid excessive amounts for importing certain raw materials. The Company has filed an appeal with the Commissioner Inland Revenue (Appeals) (CIRA) against the order of DCIR. In addition to this, on the Company's appeal, the SHC has granted stay against the recovery proceedings.

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

- 8.1.3** The Additional Commissioner Inland Revenue (ACIR) while finalizing the amendment of assessment proceedings u/s 122(5A) of the Income Tax Ordinance, 2001 for tax year 2017 has issued an order raising a demand of Rs. 5.731 million on the contention that the Company had allegedly claimed excess amount of exchange loss in its income tax return. The Company has filed an appeal with the CIRA against the order of ACIR. Subsequent to the year end, the Company has paid 10% of the demanded amount to obtain an automatic stay against recovery of the remaining amount.

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

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

## 8.2 Commitments

- 8.2.1** Commitments for capital expenditure outstanding amounted to Rs. 517.096 million (2017: Rs. 234.129 million).
- 8.2.2** Commitments in respect of letters of credit outstanding as of statement of financial position date amounted to Rs. 946.384 million (2017: Rs. 705.693 million).
- 8.2.3** The Company has given bank guarantees of Rs. 212.758 million (2017: Rs. 232.795 million) to the Customs Department, a utility company and other institutions against tenders.
- 8.2.4** The Company has obtained short-term financing facilities from various commercial banks amounting to Rs. 1,320 million (2017: Rs. 1,120 million). These facilities can be utilised for letters of credit, guarantees and running finance / short-term loans. However, the running finance / short-term loan utilisation cannot exceed Rs. 250 million (2017: Rs. 250 million). The running finance / short-term loan carries markup at rates ranging from KIBOR plus 1% to KIBOR plus 2% (2017: KIBOR plus 1% to KIBOR plus 2%) per annum and are secured against first joint pari passu hypothecation charge over stocks and book debts of the Company, ranking hypothecation charge over stocks and book debts of the Company, promissory notes, and counter guarantees. The Company has not utilized any amount against running finance / short-term loan facilities as at the statement of financial position date.
- 8.2.5** The Company has entered into operating lease arrangements with various vendors for warehouses, sales and commercial offices. The total lease rentals due under these lease arrangements are payable annually. The future aggregate lease payments due under these lease arrangements are as follows:

	2018 (Rupees '000)	2017 (Rupees '000)
Note		
Not later than 1 year	81,909	74,971
Later than 1 year and no later than 5 years	<u>28,863</u>	<u>106,015</u>
	<u>110,772</u>	<u>180,986</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	9.1	5,943,548	4,678,815
Capital work-in-progress	9.5	<u>1,248,058</u>	<u>740,239</u>
		<u>7,191,606</u>	<u>5,419,054</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2018

### 9.1 Operating fixed assets

The following is a statement of operating fixed assets:

	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Vehicles - owned	Vehicles - leased	Office equipment	Computers	Service equipment- note 9.2	Total
	(Rupees '000)										
<b>At December 31, 2016</b>											
Cost	20,679	2,718	445,737	68,573	4,349,466	444,862	-	125,079	289,675	1,431,671	7,178,460
Accumulated depreciation / amortisation	-	921	233,677	67,040	2,030,669	138,437	-	98,865	236,541	732,684	3,538,834
<b>Net book value</b>	<b>20,679</b>	<b>1,797</b>	<b>212,060</b>	<b>1,533</b>	<b>2,318,797</b>	<b>306,425</b>	<b>-</b>	<b>26,214</b>	<b>53,134</b>	<b>698,987</b>	<b>3,639,626</b>
<b>Year ended December 31, 2017</b>											
Opening net book value	20,679	1,797	212,060	1,533	2,318,797	306,425	-	26,214	53,134	698,987	3,639,626
Additions / transfers	-	-	18,506	-	1,183,566	46,458	-	9,390	11,000	398,323	1,667,243
Reclassification - cost	-	-	-	-	581	-	-	886	(1,467)	-	-
Disposals / write offs											
Cost											
Depreciation											
	-	-	2,673	-	151,700 137,229	21,085 11,134	-	21,998 20,170	114,834 114,689	45,438 45,438	357,728 331,159
	-	-	2,499	-	14,471	9,951	-	1,828	145	-	26,569
	-	-	174	-							
Depreciation / amortisation charge for the year	-	28	17,890	102	294,189 1,336	64,048	-	6,014 283	27,628 (1,441)	191,586	601,485
Reclassification - depreciation	-	-	(178)	-	295,525	64,048	-	6,297	26,187	191,586	601,485
	-	28	17,712	102							
<b>Closing net book value</b>	<b>20,679</b>	<b>1,769</b>	<b>212,680</b>	<b>1,431</b>	<b>3,192,948</b>	<b>278,884</b>	<b>-</b>	<b>28,365</b>	<b>36,335</b>	<b>905,724</b>	<b>4,678,815</b>
<b>At December 31, 2017</b>											
Cost	20,679	2,718	461,570	68,573	5,381,913	470,235	-	113,357	184,374	1,784,556	8,487,975
Accumulated depreciation / amortisation	-	949	248,890	67,142	2,188,965	191,351	-	84,992	148,039	878,832	3,809,160
<b>Net book value</b>	<b>20,679</b>	<b>1,769</b>	<b>212,680</b>	<b>1,431</b>	<b>3,192,948</b>	<b>278,884</b>	<b>-</b>	<b>28,365</b>	<b>36,335</b>	<b>905,724</b>	<b>4,678,815</b>
<b>Year ended December 31, 2018</b>											
Opening net book value	20,679	1,769	212,680	1,431	3,192,948	278,884	-	28,365	36,335	905,724	4,678,815
Additions / transfers	-	-	-	-	680,961	42,342	161,589	-	19,008	1,127,114	2,031,014
Reclassification - cost	-	-	-	-	(12,072)	-	-	12,072	-	-	-
Disposals / write offs											
Cost											
Depreciation											
	-	-	-	-	23,797 21,766	86,979 51,130	-	-	-	4,574 3,291	115,350 76,187
	-	-	-	-	2,031	35,849	-	-	-	-	1,283
	-	-	-	-							
Depreciation / amortisation charge for the year	-	29	18,328	100	363,177 (11,032)	50,161	4,477	6,586 11,032	20,537	263,723	727,118
Reclassification - depreciation	-	-	18,328	100	352,145	50,161	4,477	17,618	20,537	263,723	727,118
	-	29	18,328	100							
<b>Closing net book value</b>	<b>20,679</b>	<b>1,740</b>	<b>194,352</b>	<b>1,331</b>	<b>3,507,661</b>	<b>235,216</b>	<b>157,112</b>	<b>22,819</b>	<b>34,806</b>	<b>1,767,832</b>	<b>5,943,548</b>
<b>At December 31, 2018</b>											
Cost	20,679	2,718	461,570	68,573	6,027,005	425,598	161,589	125,429	203,382	2,907,096	10,403,639
Accumulated depreciation / amortisation	-	978	267,218	67,242	2,519,344	190,382	4,477	102,610	168,576	1,139,264	4,460,091
<b>Net book value</b>	<b>20,679</b>	<b>1,740</b>	<b>194,352</b>	<b>1,331</b>	<b>3,507,661</b>	<b>235,216</b>	<b>157,112</b>	<b>22,819</b>	<b>34,806</b>	<b>1,767,832</b>	<b>5,943,548</b>

Annual rate of depreciation / amortisation %

2017	-	1.06	2-10	5-10	5-20	20-25	-	10-33	20-33	11-33
2018	-	1.06	2-10	5-10	5-20	20-25	25	10-33	20-33	11-33

### 9.2 Service equipment of the Company is in the possession of various hospitals and clinics.

2018  
(Rupees '000)

Note

**9.3 The depreciation / amortisation charge for the year has been allocated as follows:**

Cost of sales	21	380,927	320,746
Selling and distribution expenses	23	324,940	255,494
Administrative expenses	24	21,251	25,245
		<u>727,118</u>	<u>601,485</u>

**9.4 Details of disposals of operating fixed assets having book value exceeding Rs. 500,000:**

Description	Cost	Book value	Sale proceeds	Gain / (loss) (Rupees '000)	Mode of disposal	Particulars of purchaser and relationship
<b>Vehicles</b>						
	2,513	1,571	1,759	188	Company Policy	Ejaz Ahmed
	1,733	693	1,411	718	Open Market Auction	Ittehad Motors
	1,663	686	665	(21)	Company Policy	Nouman Ahmed
	1,953	1,026	1,098	72	Company Policy	Mirza Amir Beg
	1,648	659	1,190	531	Open Market Auction	Waqas Hussain
	1,703	681	681	-	Company Policy	Dr. Dilbar Saeed
	1,663	665	665	-	Company Policy	Azhar Saeed
	1,703	681	681	-	Company Policy	Dr. Muhammad Usman
	1,498	599	599	-	Company Policy	Shahzad Hussain
	1,648	659	659	-	Company Policy	Faizan Haseeb
	1,552	621	621	-	Company Policy	Ahmed Waheed
	1,663	665	665	-	Insurance Claim	Atif Zaheer
	1,683	673	673	-	Company Policy	Asif Iqbal
	1,773	709	709	-	Company Policy	Saad Siddiqui
	1,673	669	1,308	639	Company Policy	Waqas Ahmed Khan
	1,552	621	621	-	Company Policy	Syed Akif Shoaib
	1,661	664	664	-	Company Policy	Umar Ishaque
	1,653	661	661	-	Company Policy	Kamran Rauf
	1,683	673	673	-	Company Policy	Humayun Altaf
	1,683	673	673	-	Company Policy	Nausheen Amin
	1,703	681	681	-	Company Policy	Farhan Siddiqui
	1,663	665	665	-	Company Policy	Shakeel Ahmed Mithaba
	1,558	623	623	-	Company Policy	Mazhar Abbas
	1,542	617	617	-	Company Policy	Ayaz Khan
	1,663	665	665	-	Company Policy	Waqas Ahmed
	10,667	4,267	4,267	-	Company Policy	Asim Shafiq
	1,608	643	643	-	Company Policy	Saeed Ahmed
	2,504	1,002	1,002	-	Company Policy	Zahid Hussain
	1,663	665	1,428	763	Open Market Auction	Maaz Saleem Siddiqui
	1,522	837	1,408	571	Open Market Auction	Maaz Saleem Siddiqui
	1,538	615	615	-	Company Policy	Farooq Ali
	1,683	673	673	-	Company Policy	Abid Ijaz
	1,552	621	621	-	Company Policy	Naveed Siddiqui
	1,663	665	665	-	Company Policy	Dr. Farheen Mohtasim Khan
	1,653	661	661	-	Company Policy	M. Salman
	1,572	629	629	-	Company Policy	Amir Hashmi
	2,156	862	862	-	Company Policy	Suleman Alvi
	1,703	681	681	-	Company Policy	Dr. M. Saif Ullah
	1,703	681	681	-	Company Policy	Tabish Aseem Farid
	1,663	665	665	-	Company Policy	Khaldoon Alvi
	1,639	656	656	-	Company Policy	Asif Raza
	1,639	656	656	-	Company Policy	Zaigham Raza
	1,648	659	659	-	Company Policy	Saleem Ul Haq
	1,663	665	665	-	Company Policy	Usman Ali
	1,558	623	623	-	Company Policy	Javaid Ashraf
	1,558	623	623	-	Company Policy	Rafi Akhter Sultan
<b>Service equipment</b>	<b>4,574</b>	<b>1,283</b>	<b>2,155</b>	<b>872</b>	<b>Company Policy</b>	<b>Sharif Medical Lahore</b>
<b>Items having book value less than Rs.500,000 each</b>	<b>23,791</b>	<b>2,031</b>	<b>-</b>	<b>(2,031)</b>	<b>Write-off</b>	
<b>Total - 2018</b>	<b>115,350</b>	<b>39,163</b>	<b>41,465</b>	<b>2,302</b>		
<b>- 2017</b>	<b>357,728</b>	<b>26,569</b>	<b>11,219</b>	<b>(15,350)</b>		

**NOTES TO THE FINANCIAL STATEMENTS** For The Year Ended December 31, 2018**9.5 Capital work-in-progress**

	Plant and machinery	Vehicles	Buildings, office equipment and computers (Rupees '000)	Total
At December 31, 2016	672,718	24,477	106,198	803,393
Additions	789,386	53,740	362,640	1,205,766
Transferred to operating fixed assets	(1,183,566)	(46,458)	(38,896)	(1,268,920)
At December 31, 2017	278,538	31,759	429,942	740,239
Additions	700,811	229,090	481,818	1,411,719
Transferred to operating fixed assets	(680,961)	(203,931)	(19,008)	(903,900)
<b>At December 31, 2018</b>	<b>298,388</b>	<b>56,918</b>	<b>892,752</b>	<b>1,248,058</b>

**9.6 Particulars of immovable property in the name of the Company are as follows:**

Location	Usage of immovable property	Total area (Sq. ft)	
		Note	2018 (Rupees '000)
Landhi, Karachi	Manufacturing facility		499,264
Korangi, Karachi	Manufacturing facility		339,765

**10. INTANGIBLE ASSETS****Cost**

Opening balance		111,100	111,100
Additions		24,280	-
<b>Balance as at December 31,</b>		<b>135,380</b>	<b>111,100</b>

**Accumulated amortisation**

Opening balance		100,450	94,850
Amortisation charge	23	10,051	5,600
<b>Balance as at December 31,</b>		<b>110,501</b>	<b>100,450</b>

**Net book value**

Cost		135,380	111,100
Accumulated amortisation		(110,501)	(100,450)
<b>Balance as at December 31,</b>		<b>24,879</b>	<b>10,650</b>

**Years**

Useful life		4-5	4-5
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	Note	2018 (Rupees '000)	2017
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**11. LONG-TERM LOANS AND ADVANCES - considered good, secured**

**Long-term loans**

Due from:

- Executives	1,276	299
- Employees	87,106	83,613
	11.1	88,382

**Less: recoverable within one year**

- Executives	548	182
- Employees	35,480	35,161
	16	36,028
		35,343
		52,354
		48,569

**Long-term advances**

- Employees	2,655	2,419
		<u>55,009</u>

**11.1** Loans given to executives and employees are in accordance with the Company policy. These loans are interest free and are repayable in equal monthly installments within a maximum period of four years. These loans are carried at cost due to practicality and materiality of the amounts involved. These loans are for the purpose of purchase of refrigerators, scooters, vehicles and television sets. The loans for purchase of vehicles are secured by way of registration of vehicles purchased in the name of the Company.

**11.2** Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

**12. LONG-TERM DEPOSITS**

Represents deposits paid for utilities and gas cylinders. These deposits are interest free.

	Note	2018 (Rupees '000)	2017
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**13. STORES AND SPARES**

Stores	75,420	74,837
Spares [including spares-in-transit of Rs. 41.931 million (2017: Rs. 3.001 million)]	134,170	98,733
	<u>209,590</u>	<u>173,570</u>

Less: Provision for slow moving and obsolete items	13.1	30,775	44,049
		<u>178,815</u>	<u>129,521</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

	Note	2018 (Rupees '000)	2017
<b>13.1 Provision for slow moving and obsolete items</b>			
Opening provision		<b>44,049</b>	40,793
Charge for the year		<b>3,566</b>	3,256
Write offs during the year		<b>(16,840)</b>	-
Closing provision		<b>30,775</b>	<b>44,049</b>

**14. STOCK-IN-TRADE**

Raw and packing materials [including stock-in-transit of Rs. 366.351 million (2017: Rs. 334.411 million)]	21	<b>2,207,683</b>	1,915,370
Work-in-process	21	<b>338,289</b>	312,100
Finished goods [including stock-in-transit of Rs. 183.666 million (2017: Rs. 203.197 million)]	21	<b>2,017,732</b>	<b>1,540,436</b>
		<b>4,563,704</b>	<b>3,767,906</b>
Less: Provision for slow moving and obsolete items	14.2	<b>134,811</b>	<b>292,161</b>
		<b>4,428,893</b>	<b>3,475,745</b>

**14.1** Stock-in-trade includes items costing Rs. 870.215 million (2017: Rs. 135.881 million) valued at net realisable value of Rs. 742.416 million (2017: Rs. 122.926 million) resulting in a write down of Rs. 127.799 million (2017: Rs. 12.955 million).

		2018 (Rupees '000)	2017
<b>14.2 Provision for slow moving and obsolete items</b>			
Opening provision		<b>292,161</b>	166,430
Charge for the year		<b>164,639</b>	218,591
Write offs during the year		<b>(321,989)</b>	<b>(92,860)</b>
Closing provision		<b>134,811</b>	<b>292,161</b>

	Note	2018 (Rupees '000)	2017
<b>15. TRADE DEBTS</b>			
Considered good:			
Secured		26,036	24,026
Unsecured			
- Due from a related party	15.1	82,118	-
- Others		1,034,861	890,946
		1,116,979	890,946
		<u>1,143,015</u>	<u>914,972</u>
Considered doubtful:			
Unsecured		45,418	28,152
		<u>1,188,433</u>	<u>943,124</u>
Less: Provision for doubtful debts	15.4	<u>45,418</u>	<u>28,152</u>
		<u>1,143,015</u>	<u>914,972</u>

**15.1** Represents receivable from Abbott Products Operations AG, which is not yet due.

**15.2** The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 82.118 million (2017: Rs. 64.004 million).

**15.3** The Company has made export sales amounting to Rs. 1,718.595 million (2017: Rs. 1,541.033 million) out of which Rs. 108.154 million (2017: Rs. 24.026 million) is outstanding at reporting date. Jurisdiction wise breakup of outstanding debts from exports sales is as follows:

	Terms	2018 (Rupees '000)	2017
Switzerland	Bank contract - 30 days	82,118	-
Sri Lanka	L/C - 90 days	<u>26,036</u>	<u>24,026</u>
		<u>108,154</u>	<u>24,026</u>

**15.4 Provision for doubtful debts** Note

Opening provision		28,152	18,788
Charge for the year	25	17,266	9,364
Closing provision		<u>45,418</u>	<u>28,152</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

	Note	2018 (Rupees '000)	2017
<b>16. LOANS AND ADVANCES - unsecured</b>			
<b>Considered Good</b>			
Current portion of long-term loans	11	36,028	35,343
Advances to:			
- Executives		5,090	5,476
- Employees		17,637	11,708
- Suppliers		88,428	107,064
		111,155	124,248
		147,183	159,591
<b>Considered doubtful</b>			
		794	794
		147,977	160,385
Less: Provision for doubtful advances		794	794
		147,183	159,591
<b>16.1</b> These loans and advances are interest free.			
<b>17. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
<b>Considered good</b>			
Trade deposits	17.1	435,759	161,369
Prepayments [including sample inventory Rs. 46.601 million (2017: Rs. 30.934 million)]		185,117	91,536
		620,876	252,905
<b>Considered doubtful</b>			
Trade deposits		25,827	16,434
		646,703	269,339
Less: Provision for doubtful trade deposits	17.2	25,827	16,434
		620,876	252,905
<b>17.1</b> These trade deposits are interest free.			
<b>17.2</b> <b>Provision for doubtful trade deposits</b>			
Opening provision		16,434	2,161
Charge for the year	25	9,393	14,273
Closing provision		25,827	16,434

	Note	2018 (Rupees '000)	2017
<b>18. OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Due from related parties	18.1	<b>90,498</b>	58,218
Receivable from customers		<b>74,351</b>	62,127
Insurance claim receivable		<b>3,792</b>	2,253
Workers' Profit Participation Fund	18.3	<b>17,104</b>	21,691
Sales tax receivable		<b>172,494</b>	25,242
Others		<b>24,815</b>	4,917
		<b>383,054</b>	174,448
<b>Considered doubtful</b>			
		<b>4,628</b>	4,182
		<b>387,682</b>	178,630
Less: Provision for doubtful other receivables	18.2	<b>4,628</b>	4,182
		<b>383,054</b>	174,448
<b>18.1 Due from related parties</b>			
Abbott International LLC., USA		<b>2,320</b>	-
Abbott Products Operation AG		<b>27,882</b>	-
ALSA MERO Office		<b>8,252</b>	-
Abbott Laboratories (Malaysia) SDN BHD		<b>-</b>	2,384
Abbott Laboratories B.V.		<b>-</b>	152
Abbott Laboratories Trading (Shanghai) Co. Ltd.		<b>-</b>	9,461
Abbott Laboratories Limited UK		<b>-</b>	1,105
Abbott GmbH & Co. KG.		<b>52,012</b>	45,116
Abbott Laboratories SA Egypt		<b>32</b>	-
		<b>90,498</b>	58,218
<b>18.1.1</b> The maximum aggregate amount due from the related parties at the end of any month during the year was Rs. 90.498 million (2017: Rs. 113.801 million).			
<b>18.1.2</b> As at December 31, 2018, the gross amount of other receivables due from related parties is Rs. 90.498 million (2017: Rs. 58.218 million) out of which Rs. 37.686 million (2017: Rs. 10.718 million) were past due but not impaired. The age analysis of these balances is as follows:			
		2018 (Rupees '000)	2017
Not yet due		<b>52,812</b>	47,500
Upto 3 months		<b>24,287</b>	-
3 to 6 months		<b>13,399</b>	1,105
More than 6 months		<b>-</b>	9,613
		<b>90,498</b>	58,218

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

	Note	2018 (Rupees '000)	2017
<b>18.2 Provision for doubtful other receivables</b>			
Opening provision	25	4,182	3,673
Charge for the year		446	509
Closing provision		<u>4,628</u>	<u>4,182</u>
<b>18.3 Workers' Profit Participation Fund</b>			
Opening balance	25	21,691	10,968
Allocation for the year		(232,666)	(293,309)
		(210,975)	(282,341)
Payment made during the year - net		228,079	304,032
Closing balance		<u>17,104</u>	<u>21,691</u>
<b>19. CASH AND BANK BALANCES</b>			
<b>With banks</b>			
Savings accounts:			
- Local currency	19.1	575,088	282,727
Term Deposit Receipts	19.2	4,500,000	7,800,000
Current accounts:			
- Local currency		6,638	2,210
- Foreign currency		475,271	426,180
		<u>481,909</u>	<u>428,390</u>
<b>In hand</b>			
- Foreign currency		2,435	3,013
- Local currency		1,707	2,596
		<u>4,142</u>	<u>5,609</u>
Cheques and drafts in hand and in transit		116,997	54,995
		<u>5,678,136</u>	<u>8,571,721</u>

19.1 These savings accounts carry markup rate of 8.00% (2017: 3.75%) per annum.

19.2 These deposit accounts carry markup rate of 6.70% (2017: 5.25%) per annum.

	Note	2018 (Rupees '000)	2017
<b>20. SALES – NET</b>			
Local		28,806,117	25,261,420
Export			
- to related parties	33	416,647	331,689
- to others		1,301,948	1,209,344
		1,718,595	1,541,033
		30,524,712	26,802,453
Less:			
Sales returns and discounts		212,300	179,507
Sales tax and excise duty		593,133	534,713
		805,433	714,220
		29,719,279	26,088,233
<b>21. COST OF SALES</b>			
Opening raw and packing materials		1,915,370	1,962,457
Purchases		11,202,727	8,781,015
Closing raw and packing materials	14	13,118,097	10,743,472
Raw and packing materials consumed		(2,207,683)	(1,915,370)
Opening work-in-process		10,910,414	8,828,102
		312,100	226,490
		11,222,514	9,054,592
<b>Manufacturing expenses:</b>			
Salaries, wages, allowances and staff welfare	21.1	1,749,058	1,520,095
Stores and spares consumed		121,908	82,957
Fuel and power		473,130	389,729
Depreciation	9.3	380,927	320,746
Repairs and maintenance		126,678	240,751
Technical service fee	21.2 & 33	173,540	161,285
Insurance		15,046	15,767
Printing and stationery		7,971	13,303
Travelling and entertainment		22,697	9,784
Rent, rates and taxes		6,383	1,946
Laboratory testing supplies		58,187	37,805
Computer expenses		22,496	17,183
Postage, telephone and telegram		7,576	12,529
Fees and purchased services		95,212	84,954
Recruitment and training expenses		1,227	1,350
Membership and subscription		1,993	782
Other expenses		87,676	81,814
		3,351,705	2,992,780
		14,574,219	12,047,372
Closing work-in-process	14	(338,289)	(312,100)
Cost of goods manufactured		14,235,930	11,735,272

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

	Note	2018 (Rupees '000)	2017
<b>Finished goods</b>			
Opening stock		1,540,436	1,553,410
Purchases		6,185,380	4,251,001
		<u>21,961,746</u>	<u>17,539,683</u>
Closing stock	14	(2,017,732)	(1,540,436)
		<u>19,944,014</u>	<u>15,999,247</u>

**21.1** These include a charge of Rs. 145.312 million - note 22.3 (2017: charge of Rs. 108.923 million) in respect of staff retirement benefits.

**21.2** Technical service fee is paid to Abbott International LLC., USA. Its registered address is 100 Abbott Park Road, Abbott Park, Illinois 60064-3500, USA. Abbott International LLC., USA is a related party of the Company by virtue of both companies being members of the same group.

**22 STAFF RETIREMENT BENEFITS****22.1 Defined benefit scheme**

As mentioned in note 2.15, the Company operates a funded pension scheme for all its permanent employees. The actuarial valuation was carried out as at December 31, 2018 using the Projected Unit Credit Method.

	Note	2018 (Rupees '000)	2017
<b>22.1.1 Amounts recognised in the statement of financial position:</b>			
Present value of the defined benefit obligation	22.1.2	4,190,545	4,231,334
Less: Fair value of the plan assets	22.1.3	3,534,846	3,564,072
Deficit	7	<u>655,699</u>	<u>667,262</u>
<b>22.1.2 As at January 1, 2018</b>			
Current service cost		4,231,334	(3,564,072)
Interest cost / (income)		170,481	-
Company contributions		369,217	(318,015)
Benefits paid		-	(198,226)
		(257,739)	257,739
Remeasurements recognised in statement of comprehensive income:			
- Loss due to changes in experience adjustment		291,815	291,815
- Gain due to changes in financial assumptions		(614,563)	(614,563)
- Remeasurement of fair value of plan assets		-	287,728
		(322,748)	287,728
<b>As at December 31, 2018</b>		<b>4,190,545</b>	<b>(3,534,846)</b>
			<b>655,699</b>

	Present value of defined benefit obligation	Fair value of plan assets	Total
	(Rupees '000)		
As at January 1, 2017	3,819,153	(3,853,242)	(34,089)
Current service cost	157,734	-	157,734
Interest cost / (income)	347,627	(359,297)	(11,670)
Company contributions	-	(177,491)	(177,491)
Benefits paid	(319,837)	319,837	-
Remeasurements recognised in statement of comprehensive income:			
- Loss due to changes in experience adjustment	141,277	-	141,277
- Loss due to changes in financial assumptions	85,380	-	85,380
- Remeasurement of fair value of plan assets	-	506,121	506,121
	226,657	506,121	732,778
As at December 31, 2017	<u>4,231,334</u>	<u>(3,564,072)</u>	<u>667,262</u>

#### 22.1.3 Plan assets are comprised as follows:

	2018	2017
	Note	(Rupees '000)
Debt instruments		2,064,873
Equity instruments		1,389,356
Bank balances		80,617
		<u>3,534,846</u>
		<u>3,564,072</u>

#### 22.1.4 Amount recognised in statement of profit or loss:

	2018	2017
	Note	(Percent per annum)
Current service cost		170,481
Net interest		51,202
		<u>221,683</u>
		<u>146,064</u>

#### 22.1.5 Actual return / (loss) on plan assets

	2018	2017
	Note	(Percent per annum)
		30,287
		<u>(146,824)</u>

#### 22.1.6 Principal actuarial assumptions used were as follows:

	2018	2017
	Note	(Percent per annum)
Discount rate		12.25
Future salary increases		10.25
Future pension increases		0.00
		9.00
		7.00
		0.00

22.1.7 Pension plan assets include the Company's ordinary shares with a fair value of Rs. 276.835 million (2017: Rs. 306.034 million).

22.1.8 The discount rate of 12.25% is representative of yields on long-term Government Bonds.

22.1.9 Expected contributions to the plan for the year ending December 31, 2019 is Rs. 262.861 million.

## NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2018

**22.1.10** The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	(Rupees in '000)		
Discount rate	1%	(376,007)	440,521
Salary growth rate	1%	281,238	(253,338)
Pension growth rate	1%	189,079	(169,484)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

**22.1.11** Expected maturity analysis of undiscounted retirement benefit plan

	At December 31, 2018				
	Less than one year	Between one to two years	Between two to five years	Between five to ten years	Total
	(Rupees in '000)				
Retirement benefit plan	224,724	286,124	950,322	2,963,128	4,424,298

### 22.2 Defined contribution scheme

An amount of Rs. 95.394 million (2017: Rs. 84.761 million) has been contributed during the year in respect of the contributory provident fund maintained by the Company.

	Note	2018 (Rupees '000)	2017
<b>22.3 Staff retirement benefit cost recognised in the statement of profit or loss</b>			
Pension cost	22.1.4	221,683	146,064
Less: Reimbursement from related party		(454)	(1,662)
Provident fund contribution	33	95,394	84,761
Employees Old-Age Benefits Institution		14,048	12,558
		330,671	241,721

#### Allocated as:

Cost of sales	21.1	145,312	108,923
Selling and distribution expenses	23.1	150,631	107,120
Administrative expenses	24.1	34,728	25,678

**22.4** As at December 31, 2018, investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

		2018	2017
		No. of employees	
<b>22.5</b>	<b>Number of employees</b>		
	The detail of number of employees are as follows:		
Average number of employees during the year		1,457	1,407
Number of employees as at year end		1,465	1,416
Average number of employees working in the Company's factories during the year		505	520
Number of employees working in the Company's factories at year end		497	514
		<b>2018</b>	<b>2017</b>
		Note	(Rupees '000)
<b>23.</b>	<b>SELLING AND DISTRIBUTION EXPENSES</b>		
Salaries, wages, allowances and staff welfare	23.1	1,606,563	1,322,557
Rent, rates and taxes		57,603	53,688
Repairs and maintenance		34,291	29,852
Royalty	23.2	25,224	31,328
Insurance		7,312	11,126
Depreciation	9.3	324,940	255,494
Amortisation of intangible assets	10	10,051	5,600
Legal, professional and other services		36,761	30,708
Postage, telephone and telegram		35,995	35,487
Printing and stationery		6,489	9,629
Travelling and conveyance		319,113	269,484
Advertising, samples and sales promotion		1,246,567	856,368
Forwarding expenses		513,778	454,443
Utilities		32,341	25,677
Computer expenses		25,674	26,569
Training and development expenses		42,838	43,163
Packing and miscellaneous supplies		48,237	26,447
Distributors commission		131,650	94,044
Fees and purchased services		55,928	44,280
Warehousing services		45,181	55,690
Security expenses		24,360	22,433
Membership and subscription		2,565	1,388
Other expenses		29,620	27,712
		<hr/>	<hr/>
		4,663,081	3,733,167
Less: Reimbursement from related party		137,623	121,285
		<hr/>	<hr/>
		4,525,458	3,611,882

- 23.1** These include a charge of Rs. 150.631 million - note 22.3 (2017: charge of Rs. 107.120 million) in respect of staff retirement benefits.
- 23.2** Royalty is paid to Hospira Inc. Its registered address is 275 N. Field Drive, Lake Forest, Illinois 60045, USA. The Company and its directors have no relationship with Hospira Inc.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

	Note	2018 (Rupees '000)	2017 (Rupees '000)
<b>24. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages, allowances and staff welfare	24.1	332,711	270,670
Rent, rates and taxes		17,058	14,876
Repairs and maintenance		6,988	7,159
Insurance		14,926	16,112
Depreciation	9.3	21,251	25,245
Legal, professional and other services		32,180	10,464
Postage, telephone and telegram		5,925	6,568
Printing and stationery		3,709	3,930
Travelling and conveyance		19,391	15,437
Utilities		6,988	5,828
Computer expenses		56,033	57,668
Training and development expenses		436	1,532
Miscellaneous office supplies		3,641	6,268
Fees and purchased services		11,476	5,699
Security expenses		14,136	15,582
Membership and subscription		8,577	8,084
Other expenses		16,827	7,208
		<u>572,253</u>	<u>478,330</u>
Less: Reimbursement from related party		<u>9,482</u>	<u>10,158</u>
		<u>562,771</u>	<u>468,172</u>

- 24.1** These include a charge of Rs. 34.728 million - note 22.3 (2017: charge of Rs. 25.678 million) in respect of staff retirement benefits.

	Note	2018 (Rupees '000)	2017 (Rupees '000)
<b>25. OTHER CHARGES</b>			
Workers' Profit Participation Fund	18.3	232,666	293,309
Auditors' remuneration	25.1	7,630	6,631
Donations	25.2	1,000	4,103
Workers' Welfare Fund		79,032	86,548
Central Research Fund		43,855	55,421
Provision for doubtful trade debts	15.4	17,266	9,364
Provision for doubtful trade deposits	17.2	9,393	14,273
Provision for doubtful other receivables	18.2	446	509
Exchange loss - net	25.3	380,973	63,762
Property, plant and equipment written off - net		-	15,350
Stamp duty		14,054	52,974
		<u>786,315</u>	<u>602,244</u>

**25.1 Auditors' remuneration**

Statutory audit fee	2,412	2,193
Tax advisory services	3,730	3,240
Special certifications	1,258	998
Out of pocket expenses	230	200
	<u>7,630</u>	<u>6,631</u>

- 25.2** Recipients of donations do not include any donee in which any director or his/her spouse had any interest.
- 25.3** This includes exchange gain earned amounting to Rs. 4.961 million (2017: Rs. 1.209 million) which has been offset against exchange losses incurred during the year.

	Note	2018 (Rupees '000)	2017 (Rupees '000)
<b>26. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Income from savings and deposits accounts	26.1	<b>370,491</b>	371,598
<b>Income from non-financial assets</b>			
Other income	26.2	56,898	37,808
Gain on disposal of property, plant and equipment - net		2,302	-
Scrap sales		<u>28,963</u>	<u>35,911</u>
		<u>88,163</u>	<u>73,719</u>
		<b>458,654</b>	<b>445,317</b>

- 26.1** Income is derived from savings and deposit accounts maintained in conventional accounts.
- 26.2** This represents income earned from Abbott GmbH & Co. KG., a related party at the rate of 10% (2017: 10%) of half of the written down value of assets deployed by the Company on their behalf in the Company's Diagnostic Division in Pakistan.

		2018 (Rupees '000)	2017 (Rupees '000)
<b>27. FINANCE COSTS</b>			
Bank charges			
Mark-up on finance lease		9,407	10,060
		<u>6,199</u>	<u>-</u>
		<b>15,606</b>	<b>10,060</b>
<b>28. TAXATION</b>			
Current			
- For the year		1,472,636	1,452,005
- Prior year		<u>152,542</u>	<u>157,038</u>
		<b>1,625,178</b>	<b>1,609,043</b>
Deferred		24,258	27,670
		<u>1,649,436</u>	<u>1,636,713</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2018

- 28.1** The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is available. In view of the management, sufficient tax provision has been made in the Company's financial statements. Comparison of tax provision as per the financial statements viz-a-viz tax assessments for the last three years is as follows:

Tax years	2018	2017 (Rupees '000)	2016
Tax assessed as per submitted income tax return - note 28.1.1	<b>1,468,136</b>	1,626,722	1,385,802
Revisions in tax assessed - note 28.1.2	-	5,731	106,007
Tax assessed as per most recent tax assessment	<b>1,468,136</b>	1,632,453	1,491,809
Provision in financial statements for income tax	<b>1,291,233</b>	1,629,353	1,273,669

- 28.1.1** Tax assessed as per the submitted income tax return for tax year 2016 and 2018 includes the impact of Super Tax, which was levied for each tax year through the Finance Acts of subsequent year, hence, the impact of Super Tax is not reflected in the provision for income tax in the financial statements. Super Tax has been recorded as a prior year charge in the financial statements of the relevant subsequent years.

- 28.1.2** Tax assessments for tax year 2016 and tax year 2017 have been amended / revised as disclosed in note 8.1.2 and note 8.1.3 respectively.

28.2 Relationship between tax expense and accounting profit	2018 (Rupees '000)	2017 (Rupees '000)
Accounting profit before taxation	<b>4,343,769</b>	<b>5,841,945</b>
Tax rate	29%	30%
Tax on accounting profit	1,259,693	1,752,584
Tax for prior years	152,542	157,038
Super Tax - tax year 2019	101,295	-
Tax effect of:		
- Expenses that are not deductible in determining taxable profit	21,756	14,845
- Applying lower tax rates to certain income	230,994	(173,780)
- BMR tax credit	(68,096)	(118,357)
- Tax rate adjustment	(13,096)	(34)
- Others (including the impact arising as a consequence of reversal of deferred tax liability and change in allocation ratio of revenue chargeable under FTR and Non-FTR)	(35,652)	4,417
	<b>1,649,436</b>	<b>1,636,713</b>

## 29. EARNINGS PER SHARE - BASIC / DILUTED

Profit for the year	<b>2,694,333</b>	<b>4,205,232</b>
Number of shares		
Weighted average number of ordinary shares in issue during the year	<b>97,900,302</b>	<b>97,900,302</b>
(Rupees)		
Earnings per share	<b>27.52</b>	<b>42.95</b>

- 29.1** There is no dilutive effect on the basic earnings per share of the Company.

	2018	2017
	(Rupees '000)	
<b>30. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	<b>4,343,769</b>	5,841,945
Adjustments for:		
Depreciation / amortisation	727,118	601,485
Amortisation on intangible assets	10,051	5,600
Gain on disposal of property, plant and equipment - net	(4,333)	(1,268)
Property, plant and equipment written off	2,031	16,618
Interest income	(370,491)	(371,598)
Expense recognised in statement of profit or loss in respect of equity-settled share-based compensation	74,022	45,381
Pension retirement benefit	23,457	(31,427)
Finance costs	15,606	10,060
Working capital changes	<u>159,288</u>	<u>1,203,128</u>
	<b>4,980,518</b>	<b>7,319,924</b>

**30.1 Working capital changes**

(Increase) / decrease in current assets net of provision

Stores and spares	(49,294)	(25,755)
Stock-in-trade	(953,148)	100,182
Trade debts	(228,043)	(34,675)
Loans and advances	12,408	797
Trade deposits and short-term prepayments	(367,971)	(40,853)
Other receivables	<u>(208,606)</u>	<u>(22,929)</u>
	<b>(1,794,654)</b>	<b>(23,233)</b>

## Increase in current liabilities

Trade and other payables - net	<u>1,953,942</u>	<u>1,226,361</u>
	<b>159,288</b>	<b>1,203,128</b>

**31. SHARE BASED COMPENSATION****Share-based compensation plan**

As at December 31, 2018, the Company's equity settled share-based compensation plan includes restricted stock units plan.

Under the plan, the Company employees, eligible as per policy are awarded restricted stock units of Abbott Laboratories, USA (the ultimate holding company). The plan entitles eligible employees shares of the ultimate holding company which are vested equally over next three years, subject to certain vesting conditions.

In accordance with IFRS 2 (Share-Based Payments), services received from employees as consideration for stock units 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 unit of the Abbott Laboratories, USA and is charged against income on a straight-line basis over the vesting period of the plan.

An expense of Rs. 74.022 million (2017: Rs. 45.381 million) was recognised for this plan during the year.

**NOTES TO THE FINANCIAL STATEMENTS** For The Year Ended December 31, 2018

The fair value of restricted stock units plan is measured at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2017	2016	2015
Volatility	18.00%	17.00%	17.00%
Dividend yield	2.40%	2.70%	2.00%
Risk free interest rate	2.10%	1.40%	1.80%

Expected volatility is based on implied volatilities from traded options on Abbott Laboratories, USA's stock and historical volatility of Abbott Laboratories, USA's stock over the expected life of the option.

A summary of units outstanding is given below:

	2018		2017	
	Average exercise price per stock unit (USD)	Stock units	Average exercise price per stock unit (USD)	Stock units
At January 1,	42.98	12,910	40.55	7,821
Granted	59.72	14,632	44.29	15,120
Exercised / cancelled	48.75	13,227	43.06	10,031
At December 31,	<u>54.75</u>	<u>14,315</u>	<u>42.98</u>	<u>12,910</u>

Stock units outstanding at the end of the year have the following expiry date and exercise prices:

Vesting date	2018		2017	
	Stock units	Exercise Price (USD)	Stock units	Exercise Price (USD)
2018	-	-	8,030	42.12
2019	9,474	52.22	4,880	44.38
2020	4,841	59.72	-	-
	<u>14,315</u>	<u>54.75</u>	<u>12,910</u>	<u>42.98</u>

	2018	2017
	(Million units)	

### 32. PLANT CAPACITY AND PRODUCTION

#### Actual production

Packs solids	103.49	92.69
Packs liquids	150.89	131.73
Packs injectables	1.82	7.98
Packs cream	13.38	12.09
Packs GHC	4.44	4.05
Total units	<u>274.02</u>	<u>248.54</u>

The production capacity of the Company's plants is indeterminable as these are multi-product plants involving varying processes of manufacture. The Company's production was according to market demand.

### 33. TRANSACTIONS WITH RELATED PARTIES

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

	Note	2018 (Rupees '000)	2017
<b>Group companies</b>			
Sale of goods	20	416,647	331,689
Purchase of materials		7,136,674	4,388,401
Technical service fee	21	173,540	161,285
Reimbursements of expenses - net		192,604	213,907
Other income	26.2	56,898	37,808
<b>Retirement fund:</b>			
Contribution to Pension Fund	22.1.2	198,226	177,491
Contribution to Provident Fund	22.3	95,394	84,761
<b>Key management personnel:</b>			
Short-term employee benefits		306,001	247,517
Post-employment benefits		30,928	28,085

- 33.1 Disposals of property, plant and equipment to key management personnel are disclosed in note 9.4.
- 33.2 Outstanding balances in respect of related party sales and purchases, reimbursements and staff retirement benefits are included in notes 7, 15, 18 and 22.
- 33.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Company considers all members of their executive management team, including the chief executive and directors, to be key management personnel. Outstanding balances of loans and advances to key management personnel are disclosed in notes 11 and 16.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

- 33.4** Following are the related parties including associated companies with whom the Company had entered into transactions or have arrangements / agreements in place:

S. No.	Name of undertaking	Registered address	Country of incorporation
1	Abbott Asia Investments Limited, U.K. - note 33.4.1	Abbott House, Vanwall Business Park, Vanwall Road, Maidenhead, Berkshire, United Kingdom, SL6 4XE.	United Kingdom
2	Abbott Laboratories, USA - note 33.4.1	100 Abbott Park Road, Abbott Park, Illinois 60064-3500.	USA
3	Abbott GmbH & Co. K.G. - note 33.4.1	Max-Planck-Ring 2, 65205 Wiesbaden, Germany	Germany
4	Abbott Diagnostics GmbH - note 33.4.1	Max-Planck-Ring 2, 65205 Wiesbaden, Germany	Germany
5	Abbott Logistics B.V. - note 33.4.1	Postbus 365, 8000 AJ Zwolle, Meeuwenlaan 4, 8011 BZ, Zwolle, Netherlands	Netherlands
6	Abbott International LLC., USA - note 33.4.1	AP30 Building 3rd Floor, One Abbott Park Road, Abbott Park, North Chicago USA.	USA
7	Abbott Diabetes Care Inc. - note 33.4.1	1360 - 1380, South Loop Road, Alameda, USA.	USA
8	Abbott Diabetes Care Limited, UK - note 33.4.1	Range Road, Whitney, United Kingdom	United Kingdom
9	Abbott Products Operation AG - note 33.4.1	Hegenheimermattweg 127, 4123 Allschwil, Switzerland	Switzerland
10	Abbott Laboratories (Singapore) PTE Limited - note 33.4.1	1, Maritime Square # 11-12, World Trade Centre, Singapore.	Singapore
11	Abbott Argentina S.A. - note 33.4.1	Casilla De Correo No 5196, Correo Central 1000, Buenos Aires.	Argentina
12	Abbott Laboratories (Malaysia) SDN BHD - note 33.4.1	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1, leboh Ampang, 50100 Kuala Lumpur	Malaysia
13	Abbott Laboratories Trading (Shanghai) Co. Ltd. - note 33.4.1	28/F Ciro's Plaza, 388 Nan Jing West Road Shanghai, China.	China
14	Abbott Laboratories Limited UK - note 33.4.1	Queensborough, Kent ME11 5EL, United Kingdom	United Kingdom
15	Abbott Laboratories SA Egypt - note 33.4.1 and 33.4.2	13 El Sheikh Metwally, El Sharaway Sheraton Area, Heliopolis, Egypt	Switzerland
16	Abbott Laboratories International Co. - note 33.4.1	AP34 Building 1st Floor, One Abbott Park Road, Abbott Park, North Chicago, USA.	USA
17	Abbott B.V. Netherlands - note 33.4.1	P.O. Box 727, 2130 AS Hoofddorp, Netherlands.	Netherlands
18	Abbott S.R.L Italy - note 33.4.1	104010 Campoverde DI APR, Italy.	Italy
19	Abbott Laboratories BV. - note 33.4.1	P.O. Box 626, 8000 AP Zwolle, Netherlands.	Netherlands
20	ALSA MERO Office - note 33.4.1 and 33.4.2	5WA 801, Dubai Airport Free Zone, UAE.	Switzerland
21	Abbott Ireland - note 33.4.1	Block B, Liffey Valley Office Campus, Quarryvale, Dublin, 22, Ireland	Ireland

- 33.4.1** The Company has obtained exemption from the Securities and Exchange Commission of Pakistan (SECP) in respect of the information not available with it in respect of the associated companies incorporated outside Pakistan.

- 33.4.2** These entities are branch offices of Abbott Laboratories S.A., incorporated in Switzerland.

Basis of association	Aggregate percentage of shareholding	Name of CEO	Operational Status	Auditors' opinion on latest FS
Holding Company	77.90%	Not Available	Active	Unmodified
Ultimate Holding Company	Not Available	Miles D. White	Active	Unmodified
Associated Company	Not Applicable	Not Available	Not Available	Not Available
Associated Company	Not Applicable	Not Available	Not Available	Not Available
Associated Company	Not Applicable	Not Available	Not Available	Not Available
Associated Company	Not Applicable	Not Available	Not Available	Not Available
Associated Company	Not Applicable	Not Available	Not Available	Not Available
Associated Company	Not Applicable	Not Available	Not Available	Not Available
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Associated Company	Not Applicable	Not Available	Not Available	Not Available
Associated Company	Not Applicable	Not Available	Not Available	Not Available
Associated Company	Not Applicable	Not Available	Not Available	Not Available
Associated Company	Not Applicable	Not Available	Not Available	Not Available

**NOTES TO THE FINANCIAL STATEMENTS** For The Year Ended December 31, 2018**34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES**

The aggregate amounts charged in the financial statements in respect of remuneration, including all benefits to the chief executive, directors and executives of the Company were as follows:

	2018			2017		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
(Rupees '000)						
<b>Short-term employee benefits</b>						
Managerial remuneration	37,251	10,597	543,996	33,836	9,115	509,267
Leave passage / encashment	2,075	719	36,090	1,751	787	32,469
Medical expenses	237	10	13,378	244	6	10,764
Rent / utility / maintenance / furnishing	-	-	3,140	1,635	343	8,202
	39,563	11,326	596,604	37,466	10,251	560,702
Retirement benefits	5,132	1,574	77,056	4,361	1,406	77,546
	44,695	12,900	673,660	41,827	11,657	638,248
Number of persons	1	1	128	1	1	122

- 34.1** In addition, Rs. 74.022 million (2017: Rs. 45.381 million) has been charged in the statement of profit or loss in respect of share-based payments to chief executive, directors and certain executives of the Company as mentioned in notes 2.23 and 31.
- 34.2** Managerial remuneration includes Rs. 93.450 million (2017: Rs. 90.844 million) charged in the statement of profit or loss in respect of bonus to chief executive, directors and certain executives of the Company.
- 34.3** Directors and certain other executives are provided with free use of Company maintained cars, club membership and telephone facilities as per terms of employment.
- 34.4** The aggregate amount charged in these financial statements for fees to non-executive directors is Rs. 2.075 million (2017: Rs. 1.080 million).

### 35. SEGMENT WISE OPERATING RESULTS

	2018				2017			
	Pharma-ceutical	Nutritional	Others	Total	Pharma-ceutical	Nutritional	Others	Total
(Rupees '000)								
Sales	21,993,132	5,889,318	2,642,262	30,524,712	19,687,162	4,805,839	2,309,452	26,802,453
Less: Sales returns and discounts	114,083	17,693	80,524	212,300	150,270	12,291	16,946	179,507
Less: Sales tax and excise duty	-	522,050	71,083	593,133	-	463,881	70,832	534,713
Sales - net	21,879,049	5,349,575	2,490,655	29,719,279	19,536,892	4,329,667	2,221,674	26,088,233
Cost of sales	14,291,183	3,963,697	1,689,134	19,944,014	11,728,904	2,863,021	1,407,322	15,999,247
Gross profit	7,587,866	1,385,878	801,521	9,775,265	7,807,988	1,466,646	814,352	10,088,986
Selling and distribution expenses	3,032,744	971,045	521,669	4,525,458	2,639,136	543,564	429,182	3,611,882
Administrative expenses	491,229	55,864	15,678	562,771	413,564	44,152	10,456	468,172
Segment result	4,063,893	358,969	264,174	4,687,036	4,755,288	878,930	374,714	6,008,932
Unallocated corporate expenses / income								
Other income				458,654				445,317
Other charges				786,315				602,244
Profit before finance costs and taxation				4,359,375				5,852,005
Finance costs				15,606				10,060
Profit before taxation				4,343,769				5,841,945
Taxation				1,649,436				1,636,713
				2,694,333				4,205,232
Other Information								
Segment assets employed	9,517,008	1,263,188	2,839,381	13,619,577	7,733,726	578,343	1,602,678	9,914,747
Unallocated corporate assets				6,661,680				9,273,363
Total assets				20,281,257				19,188,110
Segment liabilities	3,508,996	731,776	993,424	5,234,196	1,936,923	334,275	449,230	2,720,428
Unallocated corporate liabilities				1,812,050				2,111,847
Total liabilities				7,046,246				4,832,275
Capital expenditure during the year	1,346,492	34,575	1,157,766	2,538,833	1,201,926	3,840	398,323	1,604,089
Unallocated corporate capital expenditure				-				-
Total capital expenditure				2,538,833				1,604,089
Depreciation / amortisation	449,419	4,520	273,179	727,118	386,462	9,657	205,366	601,485
Unallocated depreciation / amortisation				-				-
Total depreciation / amortisation				727,118				601,485

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2018

	Note	2018 (Rupees '000)	2017
<b>35.1 Geographical information</b>			
Sales to external customers, net of returns, discounts, sales tax and excise duty			
Pakistan		<b>28,000,684</b>	24,547,200
Afghanistan		<b>1,215,913</b>	1,146,989
Sri Lanka		<b>79,845</b>	62,355
Bangladesh		<b>6,190</b>	-
Switzerland	33	<b>416,647</b>	<b>331,689</b>
		<b>29,719,279</b>	<b>26,088,233</b>

- 35.2** Segment assets consist primarily of property, plant and equipment, trade debts and stock-in-trade. Segment liabilities comprise of trade creditors and an apportionment of accrued expenses. Assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

**36. FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management programme focuses on minimising 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. Such policies entail identifying, evaluating and addressing financial risks of the Company.

The Company's overall risk management procedures to minimise the potential adverse affects of financial market on the Company's performance are as follows:

**36.1 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 makes provision against those balances considered doubtful of recovery. The credit risk on liquid funds such as balances with banks is limited because the counter parties are banks with reasonably high credit ratings.

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

	Note	2018 (Rupees '000)	2017 (Rupees '000)
Loans and advances	11 & 16	113,764	103,515
Deposits	12 & 17	443,272	168,882
Trade debts	15	1,143,015	914,972
Interest accrued		7,857	12,495
Other receivables	18	308,703	112,321
Balances with banks	19	5,556,997	8,511,117
		<u>7,573,608</u>	<u>9,823,302</u>

The Company is not significantly exposed to concentrations of credit risk in respect of trade debts and bank balances because the Company's sales are primarily against advance payment / collection on delivery (COD) terms.

As at December 31, 2018, trade debts of Rs. 105.856 million (2017: Rs. 113.258 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging of trade debts past due but not impaired is as follows:

	2018 (Rupees '000)	2017 (Rupees '000)
61-90 days	42,598	48,974
91-180 days	47,265	28,931
181-360 days	15,993	35,353
	<u>105,856</u>	<u>113,258</u>

The impaired trade debts and the basis of impairment are disclosed in notes 15 and 2.7 respectively.

The credit quality of balances with banks can be assessed with reference to external credit ratings as follows:

Name of Bank	Rating Agency	Short-term	Ratings Long-term	Date of Rating	2018 (Rupees '000)	2017 (Rupees '000)
Deutsche Bank AG	Moody's S&P Fitch	P-2 A-2 F2	BAA2 BBB+ BBB+	Dec 2017 Jun 2018 Sep 2017	61,804	37,092
MCB Bank Limited	PACRA	A1+	AAA	Jun 2018	200	192
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	Jun 2018	2,880,315	2,453,687
The Bank of Tokyo-Mitsubishi UFJ Limited	S & P Moody's Fitch	A-1 P-1 F1	A A1 A	Nov 2017 Nov 2017 Nov 2017	2,601,885	6,000,032
Citibank N.A.	Moody's	P-1	A1	Mar 2018	-	63
National Bank of Pakistan	JCR-VIS PACRA	A-1+ A1+	AAA AAA	Jun 2018 Jun 2018	4,753	2,115
Faysal Bank Limited	PACRA JCR-VIS	A1+ A-1+	AA AA	Jun 2018 Jun 2018	522	206
Habib Bank Limited	JCR-VIS	A-1+	AA+	Jun 2018	7,518	17,730

Financial assets other than trade debts and bank balances, are not exposed to any material credit risk.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2018

### 36.2 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or encounters difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Company manages liquidity risk by maintaining sufficient cash / bank balance and the availability of funding through an adequate amount of committed credit facilities. As at December 31, 2018, the Company's financial liabilities of Rs. 5,608.231 million (2017: Rs. 3,593.024 million) are all current and due in next financial year.

### 36.3 Market risk

Market risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is not exposed to other price risk whereas the exposure to currency risk and interest rate risk is given below:

#### 36.3.1 Currency risk

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 and arises where transactions are done in foreign currency. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company's exposure to foreign currency risk at the reporting date was as follows:

	2018		2017	
	Rupees	US Dollars	Rupees	US Dollars
	('000)		('000)	
Cash and cash equivalents	<b>477,706</b>	<b>3,439</b>	429,193	3,884
Due from related parties	172,616	1,243	58,218	527
Bills payable	(2,131,489)	(15,343)	(1,127,904)	(10,207)
Payable to related parties	(249,245)	(1,794)	(103,797)	(939)
	<b>(1,730,412)</b>	<b>(12,455)</b>	<b>(744,290)</b>	<b>(6,735)</b>

The following significant exchange rates were applied during the year:

	Statement of Financial Position date rate		Average rate	
	2018	2017	2018	2017
	(Rupees)			
US Dollars	138.92	110.50	120.04	105.07

A ten percent strengthening / weakening of the Pakistani Rupee against the US Dollar at the reporting date would increase / decrease post tax profit for the year by Rs. 107.333 million (2017: Rs. 53.577 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the previous year.

### 36.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from savings and deposit accounts with banks.

	2018 (Rupees '000)	2017 (Rupees '000)
<b>Fixed rate instruments</b>		
Financial assets	<u>5,075,088</u>	<u>8,082,727</u>

As of the statement of financial position date, the Company is not significantly exposed to any interest rate risk.

### 36.4 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. As of the statement of financial position date, the carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

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

## 37. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The current capital structure of the Company is equity based with only vehicles being procured through a lease facility.

## 38. NON - ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

In their meeting held on February 21, 2019, the Board of Directors of the Company have proposed a final cash dividend for the year ended December 31, 2018 of Rs. 10.0 per share (2017: cash dividend of Rs. 30.0 per share). This is in addition to interim cash dividend of Rs. 10.0 per share (2017: Rs. 10.0 per share). The total dividend declared during the year and dividend per share have been summarised below:

	2018 (Rupees '000)	2017 (Rupees '000)
Cash dividend	1,958,006	3,916,012
Cash dividend per share	20.00	40.00

The financial statements for the year ended December 31, 2018 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, 2019.

**NOTES TO THE FINANCIAL STATEMENTS** For The Year Ended December 31, 2018**39. RECLASSIFICATION**

Following corresponding figures have been reclassified for better presentation:

From	To	Rupees in '000
Trade deposits and short-term prepayments	Other receivables	73,391
Trade and other payables	Other receivables	48,149
Trade and other payables	Unclaimed dividends	33,126

**40. DATE OF AUTHORISATION**

These financial statements were authorised for issue on February 21, 2019 by the Board of Directors of the Company.



Chief Executive



Director



Chief Financial Officer

**PATTERN OF SHAREHOLDING**

As At December 31, 2018

Size of Holding Rs. 10 Shares	Number of Shareholders	Total Shares
1	100	38,879
101	500	176,335
501	1,000	208,730
1,001	5,000	1,059,372
5,001	10,000	728,288
10,001	15,000	282,525
15,001	20,000	116,893
20,001	25,000	174,280
25,001	30,000	110,000
30,001	35,000	99,004
35,001	40,000	179,627
40,001	45,000	171,251
45,001	50,000	143,850
60,000	65,000	121,950
65,001	70,000	66,100
75,000	80,000	154,350
85,001	90,000	88,650
100,000	105,000	100,000
105,001	110,000	106,956
115,001	120,000	119,450
140,001	145,000	141,900
145,001	150,000	147,203
225,001	230,000	227,390
240,001	245,000	241,450
265,001	270,000	266,700
335,001	340,000	336,834
340,001	345,000	342,889
365,001	370,000	369,400
380,001	385,000	380,122
435,001	440,000	438,689
440,001	445,000	442,105
485,001	490,000	487,950
490,001	495,000	490,926
515,001	520,000	515,345
715,001	720,000	717,943
720,001	725,000	720,200
745,001	750,000	746,093
830,001	835,000	830,624
1,075,001	1,080,000	1,077,418
1,080,001	1,085,000	1,081,977
1,085,001	1,090,000	2,176,914
2,600,001	2,605,000	2,602,688
2,610,001	2,615,000	2,611,601
76,255,001	76,260,000	76,259,451
<b>TOTAL</b>	<b>2,547</b>	<b>97,900,302</b>

**CATEGORIES OF SHAREHOLDERS**

As At December 31, 2018

S.No.	Shareholder's category	Number of shareholders	Number of shares held	%
1	Associated Companies, Undertakings and Related Parties	3	77,189,066	78.84
2	Mutual Funds	22	3,149,201	3.22
3	Directors, Chief Executive Officer and their spouse(s) and minor children	8	43,941	0.05
4	Executives	2	312	0.00
5	Public Sector Companies and Corporations	1	830,624	0.85
6	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	40	2,525,512	2.58
7	Others	112	4,956,401	5.06
8	General Public - Local	2,359	9,205,245	9.40
<b>Total:</b>		<b>2,547</b>	<b>97,900,302</b>	<b>100.00</b>

## List of Associated Companies, Undertakings and Related Parties

S.No.	Folio	Name	Holding
1	4502	M/S. ABBOTT ASIA INVESTMENTS LIMITED	76,259,451
2	03277-2083	TRUSTEES ABBOTT LABORATORIES (PAKISTAN) LIMITED STAFF PENSION FUND	438,689
3	03277-7217	TRUSTEES ABBOTT LABORATORIES (PAKISTAN) LIMITED STAFF PROVIDENT FUND	490,926
<b>Total:</b>			<b>77,189,066</b>

## List of Mutual Funds

S.No.	Folio	Name	Holding
1	3031	M/S. GOLDEN ARROW SELECTED STOCK	48
2	05991-23	CDC - TRUSTEE MEEZAN BALANCED FUND	2,350
3	06130-25	CDC - TRUSTEE JS ISLAMIC FUND	15,600
4	06411-21	CDC - TRUSTEE AKD INDEX TRACKER FUND	4,515
5	07062-23	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	4,200
6	07070-22	CDC - TRUSTEE MEEZAN ISLAMIC FUND	266,700
7	09480-21	CDC - TRUSTEE NAFA STOCK FUND	46,600
8	10108-22	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	500
9	10397-29	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	35,600
10	10801-27	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	24,450
11	12120-28	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	40,350
12	12278-21	MCBFSL-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	2,350
13	12310-25	CDC - TRUSTEE FIRST HABIB STOCK FUND	550
14	13813-23	CDC - TRUSTEE ASKARI EQUITY FUND	1,850
15	13961-26	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	7,500
16	14902-21	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	2,602,688
17	14977-24	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	400
18	15974-23	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	22,150
19	16139-23	CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	61,950
20	16162-20	CDC - TRUSTEE NIT-IPF EQUITY SUB-FUND	4,300
21	16402-20	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	4,500
22	16501-27	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	50
<b>Total:</b>			<b>3,149,201</b>

## List of Directors, Chief Executive Officer and their spouse(s) and minor children

S.No.	Folio	Name	Holding
1	4487	MR. MUNIR A. SHAIKH	1
2	4607	SYED ANIS AHMED	1
3	4775	MS. SEEMA KHAN	1
4	03277-144	MR. KAMRAN Y. MIRZA	36,098
5	04002-39038	MS. ZEHRA NAQVI	500
6	06122-5280	MR. SHAMIM AHMAD KHAN	1,140
7	03277-90453	MR. EHSAN ALI MALIK	500
8	12690-1374	MRS. MARIAM EHSAN ALI MALIK (Spouse of Mr. Ehsan Ali Malik)	5,700
<b>Total:</b>			<b>43,941</b>

## List of Executives

S.No.	Folio	Name	Holding
1	2270	RIAZ UL HASAN	112
2	4616	MOHIUDDIN ANSARI	200
<b>Total :</b>			<b>312</b>

**CATEGORIES OF SHAREHOLDERS**

As At December 31, 2018

## Public Sector Companies and Corporations

S.No.	Folio	Name	Holding
1	02683-23	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	830,624
		Total :	830,624

## Shareholders Holding 5% or more Voting Rights in the Listed Company

S.No.	Folio	Name	Holding
1	4502	M/S. ABBOTT ASIA INVESTMENTS LIMITED	76,259,451
		Total :	76,259,451

## Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds

S.No.	Folio	Name	Holding
1	2405	NATIONAL BANK OF PAKISTAN (TRUSTEE DEPARTMENT)	100
2	3137	UNITED INSURANCE CO. OF PAK LIMITED	2
3	4171	NBP TRUSTEE DEPARTMENT	880
4	00307-40281	INNOVATIVE INVESTMENT BANK LIMITED	1,000
5	00547-8677	UNILEVER PAKISTAN DC PENSION FUND (SUB FUND A)	9,850
6	00547-8685	UNILEVER PAKISTAN DC PENSION FUND (SUB FUND B)	5,650
7	00547-8693	UNILEVER PENSION PLAN	474
8	00695-10718	TRUSTEE - PAK TOBACCO CO LIMITED STAFF DEFINED CONTRIBUTION PENSION FUND (1384-I)	4,500
9	00695-10759	TRUSTEE - PAK TOBACCO CO LIMITED STAFF PENSION FUND [1390-2]	66,100
10	00695-14108	TRUSTEE - SHELL PAKISTAN DC PENSION FUND	13,500
11	00695-14116	TRUSTEE - SHELL PAKISTAN STAFF PENSION FUND	243
12	00695-14132	TRUSTEE - SHELL PAKISTAN MANAGEMENT STAFF PENSION FUND	17,900
13	01446-866	TRUSTEE - MCB EMPLOYEES PENSION FUND	500
14	02295-39	FAYSAL BANK LIMITED	119,450
15	02832-32	MEEZAN BANK LIMITED	141,900
16	03277-10526	HABIB INSURANCE CO. LIMITED	42,775
17	03277-1651	FIRST UDL MODARABA	100
18	03277-2538	EFU LIFE ASSURANCE LIMITED	487,950
19	03277-71690	ADAMJEE LIFE ASSURANCE COMPANY LIMITED	100,000
20	03277-78335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	227,390
21	03277-8372	EXCEL INSURANCE CO. LIMITED	15,000
22	03277-90405	DAWOOD FAMILY TAKAFUL LIMITED	11,650
23	03277-90406	DAWOOD FAMILY TAKAFUL LIMITED	10,500
24	03889-28	NATIONAL BANK OF PAKISTAN	1,397
25	03889-44	NATIONAL BANK OF PAKISTAN	29,600
26	04010-28907	PAK QATAR INVESTMENT (PVT.) LIMITED	1,500
27	04127-28	MCB BANK LIMITED	720,200
28	05132-26	ASKARI BANK LIMITED	33,650
29	07450-521	BRR GUARDIAN MODARABA	43,126
30	12666-882	HABIB INSURANCE COMPANY LIMITED	12,925
31	12690-1077	TRUSTEES SANOFI-AVENTIS PAK. SENIOR EXECUTIVE PENSION FUND	3,400
32	12690-1341	TRUSTEES PAKISTAN REFINERY LIMITED MANAGEMENT STAFF PENSION FUND	6,700
33	12690-830	TRUSTEES INDUS MOTOR COMPANY LIMITED EMPLOYEES PENSION FUND	4,000
34	12690-889	TRUSTEES ENGRO CORP LIMITED MPT EMPLOYEES DEFINED CONTRIBUTION PENSION FUND	6,000
35	12690-996	IGI LIFE INSURANCE LIMITED	350
36	13748-667	TRUSTEE-THE KOT ADDU POWER CO. LIMITED EMPLOYEES PENSION FUND	100
37	13755-21	ADAMJEE INSURANCE COMPANY LIMITED	369,400
38	14415-21	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	5,500
39	14431-29	CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	9,650
40	16329-20	MCB ISLAMIC BANK LIMITED	600
		Total:	2,525,512

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 70<sup>th</sup> Annual General Meeting of the Members of the Company will be held on Tuesday, April 23<sup>rd</sup>, 2019, at 10:45 a.m. at the Amber Hall, Ramada Karachi Creek, Zulfiqar Street 1, Phase VIII, DHA, Karachi to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' Reports thereon for the year ended December 31<sup>st</sup>, 2018.
2. To approve a cash dividend of Rs. 10.00 per share.
3. To appoint the Auditors (M/s EY Ford Rhodes, Chartered Accountants) of the Company up to the next Annual General Meeting and to authorise the Directors to fix their remuneration.

By Order of the Board



Malik Saadatullah  
Company Secretary

Karachi: dated February 21<sup>st</sup>, 2019

### Notes:

1. The Share Transfer books of the Company will remain closed from Tuesday, April 16<sup>th</sup>, 2019 to Tuesday, April 23<sup>rd</sup>, 2019 (both days inclusive) and the dividend will be paid to the Members whose names will appear in the Register of Members on Monday, April 15, 2019. Members (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s FAMCO Associates (Private) Ltd., 8-F, Next to Hotel Faran, Nursery, Block-6, PECHS, Shahrah-e-Faisal, Karachi. Tel: 009-21-34380101-5, 0092-21-34384621-3 (Ext-103) Fax: 0092-21-34380106. All the Members holding the shares through the CDC are requested to please update their addresses and Zakat status with their participants.
2. A Member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote instead of him/her. Proxies in order to be effective must be received at the Company's registered office not less than 48 hours before the time of holding the meeting. In calculating the aforesaid period, no account shall be taken of any day that is not a working day. A proxy need, not be a Member of the Company. The proxy shall produce his/her original CNIC or Passport to prove his/her identity.
3. Form of proxy is attached in the Annual Report.
4. Shareholders are requested to notify the Company of any change in their addresses, if any immediately.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

## NOTICE OF ANNUAL GENERAL MEETING

### A. For Attending the Meeting:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of 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 the Meeting.

### B. For Appointing Proxies:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC or the passport of the beneficial owners and of the Proxy shall be furnished with the proxy form.
- (iv) The Proxy shall produce his/her original CNIC or original passport at the time of the Meeting.
- (v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

### 6. Withholding Tax on Dividend under Section 150 the Income Tax Ordinance, 2001

- (i) Pursuant to the provisions of the Finance Act 2017 effective July 1, 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
  1. Rate of tax deduction for filer of income tax return 15%.
  2. Rate of tax deduction for non-filers of income tax return 20%.

Shareholders who are filers, are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 15%.
- (ii) As per FBR Circulars C. No.1 (29) WHT/2006 dated 30 June 2010 and C. No.1 (43) DG (WHT)/2008-Vol. II-66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of Part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar FAMCO Associates (Private) Limited before book closure otherwise tax will be deducted on dividend as per applicable rates.
- (iii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding 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 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).

- (iv) For any query/problem/information, the investors may contact the Company and/or the Share Registrar, FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)
- (v) The corporate shareholders having CDC accounts 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 or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

## 7. Electronic Transmission of Audited Financial Statements & Notices

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its Members through e-mail. Accordingly, Members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail. In order to avail this facility a Standard Request Form is available at the Company's website <https://www.pk.abbott>.

Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice. Annual Financial Statements will be sent at your registered address, as per normal practice.

## 8. Payment of Cash Dividend Electronically

The Securities and Exchange Commission of Pakistan (SECP) had earlier initiated e-dividend mechanism through its letter No: 8(4)SM/CDC/2008 dated April 05, 2013. The Companies Act 2017 also now provides in section 242 that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. As such, the Company will only be able to make payment of cash dividend to its shareholder through electronic mode. Therefore shareholders are advised that in order for them to receive their dividends through electronic mode, the details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address be provided as soon as possible, to the Share Registrar of the Company, M/s FAMCO Associates (Private) Limited.

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## CALENDAR OF FINANCIAL EVENTS

Tentative dates for announcement of financial results for the Financial Year 2019:

1 <sup>st</sup> quarter ending March 31, 2019	3 <sup>rd</sup> week of April, 2019
2 <sup>nd</sup> quarter ending June 30, 2019	2 <sup>nd</sup> week of August, 2019
3 <sup>rd</sup> quarter ending September 30, 2019	3 <sup>rd</sup> week of October, 2019
Year ending December 31, 2019	3 <sup>rd</sup> week of February, 2020

Actual dates for announcement of financial results for the financial year 2018:

1 <sup>st</sup> quarter ended March 31, 2018	April 23, 2018
2 <sup>nd</sup> quarter ended June 30, 2018	August 17, 2018
3 <sup>rd</sup> quarter ended September 30, 2018	October 19, 2018
Year ended December 31, 2018	February 21, 2019

## GLOSSARY

- ABC** – American Business Council of Pakistan
- ADC** - Abbott Diabetes Care
- ADD** - Abbott Diagnostics Division
- ALCOA++** - Attributable, Legible, Contemporaneous, Original and Accurate.
- ANI** - Abbott Nutrition International
- Annual General Meeting (AGM)** - Annual General Meeting of Shareholders of the Company
- API** – Active Pharmaceutical Ingredient
- ATL** - Active Taxpayer List
- BBQ** - Behaviour Based Quality
- BMR** - Balancing, Modernisation and Replacement
- CDS** – Clinical Decision Support
- CEO** - Chief Executive Officer
- CFO** - Chief Financial Officer
- CIR** - Commissioner Inland Revenue
- CIR(A)** - Commissioner Inland Revenue (Appeals)
- CODM** - Chief Operating Decision Maker
- Companies Act** - Companies Act, 2017
- Company** - Abbott Laboratories (Pakistan) Limited (ALPL)
- CSR** - Corporate Social Responsibility
- DCIR** - Deputy Commissioner Inland Revenue
- Earnings Per Share (EPS)** - Calculated by dividing the profit after interest, tax by the weighted average number of Ordinary Shares in issue
- EBIT** - Earnings before Interest and Taxes
- EBITDA** - Earnings before Interest, Taxes, Depreciation and Amortisation
- EHS** - Environment, Health and Safety
- EPD** - Established Pharmaceuticals Division
- EPO** - Established Pharmaceuticals Operations
- FBR** - Federal Board of Revenue
- FTR** - Final Tax Regime
- GHC** - General Healthcare
- GMP** – Good Manufacturing Practices
- GPTW** - Great Place to Work
- HCP** - Healthcare Professional
- IAS** - International Accounting Standards
- IASB** - International Accounting Standards Board
- ICAP** - Institute of Chartered Accountants of Pakistan
- ICMAP** - Institute of Cost & Management Accountants of Pakistan
- IFAC** - International Federation of Accountants
- IFRS** - International Financial Reporting Standards
- IIRC** - International Integrated Reporting Council
- IQVIA** – A global market research company (formerly known as IMS)
- KIBOR** - Karachi Inter Bank Offer Rate
- KPI** - Key Performance Indicator
- MAP** - Management Association of Pakistan
- OICCI** - Overseas Investors' Chamber of Commerce & Industry
- PAT** - Profit After Tax
- PBC** - Pakistan Business Council
- PICG** - Pakistan Institute of Corporate Governance
- Regulations** – Listed Companies (Code of Corporate Governance) Regulations, 2017
- SECP** - Securities and Exchange Commission of Pakistan
- SKU** - Stock Keeping Unit
- SOP** - Standard Operating Procedure
- SRO** - Statutory Regulatory Order
- ZWL** - Zero Waste to Landfill



ABBOTT LABORATORIES (PAKISTAN) LIMITED  
P.O. Box 7229, Landhi Karachi-74400

## Proxy Form

(Name)

of \_\_\_\_\_  
or falling him \_\_\_\_\_

(Name)

as my / our proxy to vote for me/us and on my/our behalf at the 70<sup>th</sup> Annual General Meeting of the Company to be held on Tuesday, April 23, 2019 at 10:45 a.m. and at any adjournment thereof.

As witnessed given under my/our hand(s) \_\_\_\_\_ day of \_\_\_\_\_ 2019

1. Witness:  
Signature:

Name: \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_

Affix Revenue  
stamps of Rs. 5/-

2. Witness:  
Signature:

**Signature of Member**

Name: \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Shareholder's Folio No. \_\_\_\_\_  
CDC A/c No. \_\_\_\_\_  
CNIC No. \_\_\_\_\_

**Note:**

1. Proxies in order to be effective, must be received by the Company Secretary, Abbott Laboratories (Pakistan) Limited P.O. Box 7229, Landhi, not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
  2. Attested copies of CNIC or Passport of the Beneficial Owner of the shares of the Company in the Central Depository System of the Central Depository Company (CDC) and the proxy, entitled to attend and vote at this meeting, shall be furnished along with the proxy form to the Company.
  3. The Beneficial Owner of share of the Company in the Central Depository System of the Central Depository Company (CDC) of his/her proxy entitled to attend and vote at this meeting, shall produce his/her original CNIC or passport to prove his/her identity.
  4. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be submitted with the proxy form to the Company and the same shall be produced in original at the meeting to authenticate the identity.





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**لیبٹ لیبارٹریز (پاکستان) لمیڈیا**  
**پی او بکس ۷۲۹، لانڈھی، کراچی ۷۳۴۰۰**

## پرائی فارم

میں / ہم

صلح

بختیت ممبر لیبٹ لیبارٹریز (پاکستان) لمیڈیا اور عمومی شرکت کے حصہ دار بھاطباق شرکت رجسٹر فولیو نمبر اور / یا سی ڈی سی کے شرکتی آئی ڈی نمبر اور ذیلی کھانہ نمبر بذریعہ ہذا

(نام)

صلح

سکنه

(نام)

اور مزید

کو اپنا پرائی مقرر کرتا ہوں / کرتے ہیں کہ وہ میری / ہماری جگہ کمپنی کے ۷۰ ویں سالانہ اجلاس عام میں، جو منگل ۲۳ اپریل ۲۰۱۹ کو دن ۱۰:۳۵ بجے منعقد ہوگا یا اس سے متعلق کسی اجلاس میں شرکت کرے / اکریں۔  
میری / ہماری جانب سے درج ذیل گواہان نے تصدیق کی، بتاریخ ۲۰۱۹

۵ روپے کے رسیدی  
ٹکٹ چسپاں کریں

۱۔ گواہ

وستخط

نام

سی این آئی سی نمبر

پتہ

نمبر کے وستخط

۲۔ گواہ

وستخط

نام

سی این آئی سی نمبر

پتہ

شیر ہولڈر فولیو نمبر

سی ڈی سی کھانہ نمبر

سی این آئی سی نمبر

نوٹ:  
۱۔ پرائی کے موثر ہونے کیلئے ضروری ہے کہ اس کی تحریری اطلاع کمپنی سکریٹری لیبٹ لیبارٹریز (پاکستان) لمیڈیا پی او بکس ۷۲۹، لانڈھی کو اجلاس شروع ہونے کے وقت سے زیادہ سے زیادہ ۲۸ گھنٹے قبل موصول ہو جائے اور اس پر اسٹیپ، وستخط اور گواہ کی تصدیق موجود ہو۔

۲۔ سینفل ڈپاٹری کمپنی (سی ڈی سی) کے سینفل ڈپاٹری سسٹم میں شامل کمپنی کے شیر کے فائدہ حاصل کرنے والے ماک اور اجلاس میں شرکت کرنے اور ووٹ دینے کے اہل پرائی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ نقل پرائی فارم کے ہمراہ کمپنی میں جمع کرائی جائیں۔

۳۔ سینفل ڈپاٹری کمپنی (سی ڈی سی) کے سینفل ڈپاٹری سسٹم میں شامل کمپنی کے شیر کے فائدہ حاصل کرنے والے ماک اور اجلاس میں شرکت کرنے اور ووٹ دینے کے اہل پرائی کو شناخت کی تصدیق کیلئے شرکت کے وقت اپنا اصل سی این آئی سی یا پاسپورٹ پیش کرنا ہوگا۔

۴۔ کارپوریٹ اکاؤنٹ کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف ادارنی مع نامزد کردہ فرد کے وستخط کے نمونے، کمپنی کے پرائی فارم کے ساتھ جمع کرائے جائیں اور شناخت کی تصدیق کیلئے اجلاس میں شرکت کے وقت ان کی اصل کاپی پیش کرنا ہوگی۔



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## CONTACT DETAILS

### Registered Office

Plot No. 258 & 324,  
Opposite Radio Pakistan  
Transmission Centre,  
Hyderabad Road, Landhi,  
P.O. Box. 7229, Karachi, Pakistan.  
Tel: (92-21) 111-ABBOTT (111-222-688)  
Fax: (92-21) 35001903

### City Office

8th Floor, Faysal House  
St-02, Shahrah-e-Faisal, Karachi, Pakistan.  
Tel: (92-21) 32799018, 32799019  
Fax: (92-21) 32800244

### Distribution Offices

#### Multan

Hassan Abad Gate # 2  
Near Pak Arab Fertilizers  
Khanewal Road  
Multan 60650, Pakistan.  
Tel: (92-61) 4551818, (92-61) 4556145  
Fax: (92-61) 4551817

#### Lahore

16-Km Shah Pur Kanjran Multan Road  
Lahore 53700, Pakistan.  
Tel: (92-42) 37512188, (92-42) 37512199  
Fax: (92-42) 37511171

#### Islamabad

Plot # 136  
Street # 9, 1-10/3  
Industrial Area  
Islamabad 44800, Pakistan.  
Tel: (92-51) 34445020, (92-51) 34447464, (92-51) 34448278  
Fax: (92-51) 34449868

#### Website

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

### Sales Offices

#### Peshawar

House No. 25/III/B,  
Jamrud Lane, University Town,  
Peshawar, Pakistan.  
Tel: (92-91) 5840024  
Fax: (92-91) 5840024

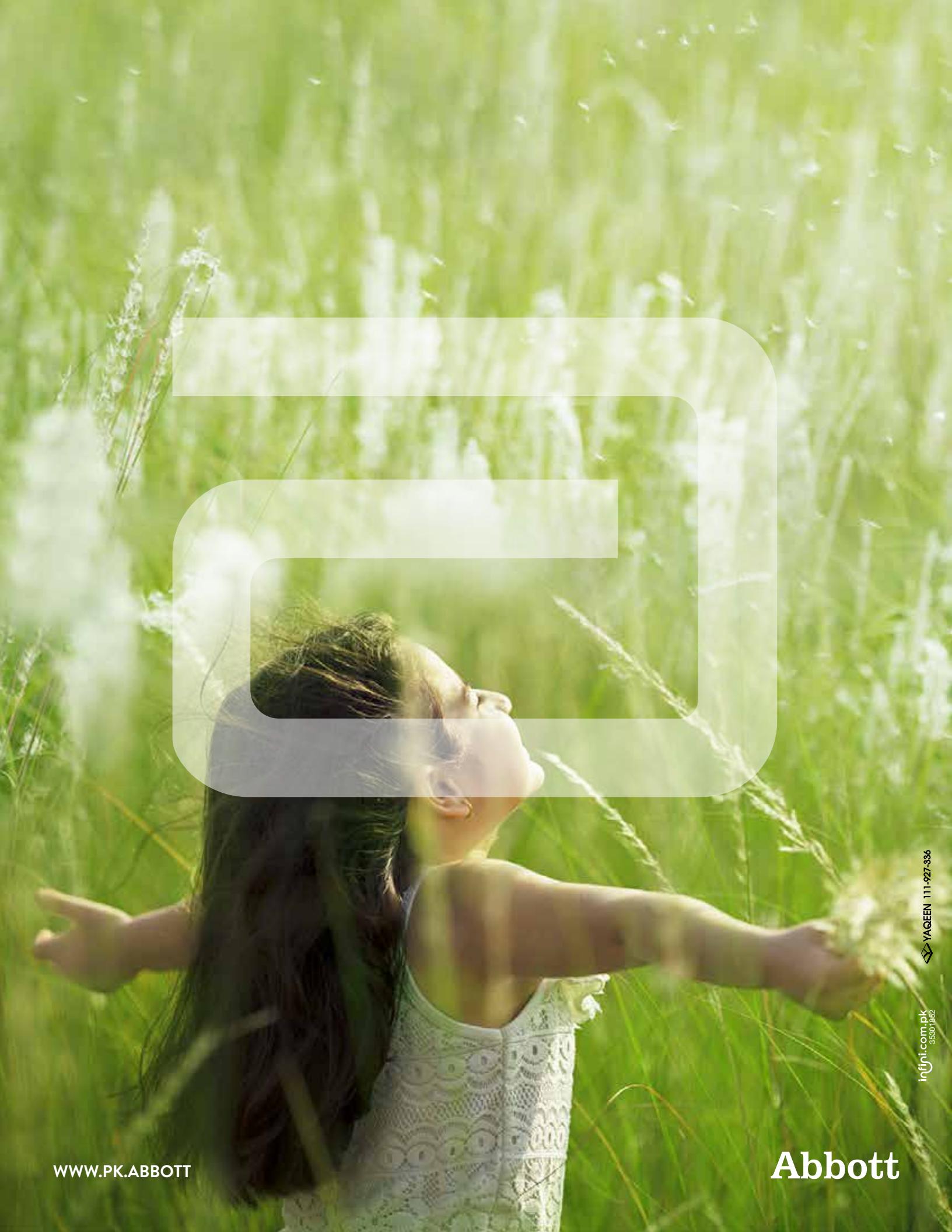
#### Lahore

House No. 187, Aurangzeb Block,  
Near Garden Town,  
Lahore, Pakistan.  
Tel: (92-42) 35854141  
Fax: (92-42) 35844737

#### Rawalpindi

House No. 168-F, Adamjee Road,  
Near Panj Sarki Chowk,  
Rawalpindi Cantt, Pakistan.  
Tel: (92-51) 35130132  
Fax: (92-51) 35130126





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