



2019 ANNUAL REPORT



 **Abbott**  
*life. to the fullest.™*

Abbott is a company with a very simple purpose: making the world a better place by bringing life-changing health solutions to the people who need them. Our branded generic medicines help people get and stay healthy. Our nutrition products build and maintain health at all stages of life. Our diagnostics provide the information to guide effective treatment decisions. And our diabetes care systems give people with diabetes more freedom and less pain. With leadership positions in rapidly growing treatment areas, Abbott is well positioned to deliver continued above-market growth, strong cash flows and consistently solid shareholder returns.

## LIFE. TO THE FULLEST.

We at Abbott believe we're in the best business there is: we get to help people live fuller lives through better health. We recognise that as a privilege – one that comes with responsibilities. As healthcare needs grow and change, Abbott Pakistan works to stay ahead of those trends and respond with relevant, patient-centric solutions. We have built a sustainable growth platform that will continue to drive success for many years to come.

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# 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 is a company rooted in values and our 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.

## 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.

## 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.

## 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

2019 Financial Highlights

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## SALES

Rs. 30.16BN

## GROSS PROFIT MARGIN

28.3%

## NET PROFIT MARGIN

4.3%

## EARNINGS PER SHARE

Rs. 13.28

## MARKET SHARE\*

5.9%

### 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 2019, YTD (including Nutrition).*

## ABBOTT TODAY

### RELEVANT

A portfolio of diversified products, aligned with key health trends

### BALANCED

A broad mix of business segments and customers that helps to insulate from volatility in any one market

### TRUSTED

A brand that's trusted by healthcare professionals and patients alike

### DRIVEN

A high-performance culture, driven to succeed



### LEADING MARKET POSITIONS IN PAKISTAN

BRUFEN - #1 brand in volume

ARINAC - #1 Cough and Cold preparation

KLARICID - #1 Macrolide Antibiotic

SURBEX Z - #1 Vitamin B Complex brand

DUPHASTON - #1 Brand for Progesterone Deficiency

EPIVAL - #1 Anti-Epileptic Brand

DUPHALAC - #1 Laxative Brand

SERC - #1 Vertigo Brand

PEDIASURE - #1 Child Nutrition Supplement

ENSURE - #1 Adult Nutrition Supplement

GLUCERNA - #1 Diabetic Nutritional Supplement

ALINITY & ARCHITECT - #1 Infectious Disease Diagnostic Testing

8 Brands

> Rs. 1  
billion sales

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

## AUDIT COMMITTEE

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

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

Shamim Ahmad Khan (Chairman)  
 Syed Anis Ahmed  
 Zehra Naqvi  
 Kamran Y. Mirza

## SHARE TRANSFER COMMITTEE

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

## BANKING COMMITTEE

Zehra Naqvi (Chairperson)  
 Syed Anis Ahmed  
 Seema Khan

## CHIEF FINANCIAL OFFICER

Syed Tabish Aseem\*

## COMPANY SECRETARY

Humayun Altaf\*\*

## CHIEF INTERNAL AUDITOR

Fahad Rehman

## AUDITORS

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

## LEGAL ADVISORS

Orr, Dignam & Co.  
 Surridge & Beecheno

## BANKERS

Standard Chartered Bank (Pakistan) Limited  
 Deutsche Bank AG  
 Habib Bank Limited  
 National Bank of Pakistan  
 MCB Bank Limited  
 Faysal Bank Limited

## SHARE REGISTRAR

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

## FACTORY LOCATIONS

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

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

## SALES OFFICES

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

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

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

## WAREHOUSES

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

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

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

## WEBSITE

www.pk.abbott

## SENIOR MANAGEMENT TEAM

Syed Anis Ahmed  
 (Chief Executive Officer)  
 Syed Tabish Aseem\*  
 (Chief Financial Officer)  
 Ihsan Ullah Khan Khattak  
 (Director Operations)  
 Asim Shafiq  
 (General Manager, Abbott Nutrition International Pakistan)  
 Habib Ahmed  
 (Country Manager, Abbott Diagnostics Division Pakistan)  
 Dr. Shaikh Adnan Lateef  
 (Head of Abbott Diabetes Care Pakistan)  
 Asghar Huda  
 (Director Human Resource)

\*Syed Tabish Aseem was appointed as interim Chief Financial Officer on 1<sup>st</sup> November, 2019 and as Chief Financial Officer on 16<sup>th</sup> January, 2020.

\*\*Humayun Altaf was appointed as Company Secretary on 16<sup>th</sup> January, 2020.



# OUR GLOBAL CITIZENSHIP PRIORITIES

Being a responsible, sustainable and inclusive business is an essential foundation for helping people live fuller & healthier lives. We focus on operating responsibly, preserving healthy living environments and earning trust by doing the right things, for the long term, for the benefit of everyone who relies on our products. At the same time, we work hard to maximise the impact of our business in creating stronger communities around the world. Our sustainability work 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.

At Abbott, we constantly work to integrate our citizenship strategy with our core business strategy. Abbott has five strategic priorities that, we believe, best align our citizenship activities and resources with our business operations. These are the material areas where our core business can have the most significant impact on society and the environment. We continue to work diligently in pursuit of these priorities:

- ***Ensuring Quality and Safety***
- ***Safeguarding Our Environment***
- ***Strengthening our Supply Chain***
- ***Valuing Our People***
- ***Addressing Social Issues***

These five 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.

## ENSURING QUALITY AND SAFETY

Trust in Abbott depends on our business consistently delivering products that are safe, effective and of high quality. Everyone at Abbott is responsible for maintaining trust. We are subject to laws of varying nature and complexity. Operating in this environment requires continuous monitoring, as well as an ability to adapt quickly to changing laws and regulations.

In order to create the future of healthcare, we must move quickly to respond to emerging healthcare





needs and opportunities. We must be rigorous in anticipating, identifying and mitigating the risks involved in addressing those needs and investing in those opportunities. We are committed to embedding quality and safety throughout our value chain.

We take a holistic view of quality across our organisation and require our senior quality, regulatory and operations leaders to meet regularly to analyse trends and review best practices. This engagement helps maintain a leading quality management system in line with global industry standards and the changing regulatory landscape.

Our quality management system embeds the guiding principle of continuous improvement in all areas of quality and safety. As part of this system, we maintain a set of quality policies that incorporates regulatory requirements and ensures that we implement robust and compliant processes across our businesses.

Our One Abbott global commercial quality assurance (QA) initiative focuses on establishing common procedures and processes for quality management across our businesses, with a focus on four key areas:

- Organisation and professional development;
- Operational excellence;
- Customer satisfaction; and
- Supply chain assurance.



We require all Abbott employees with responsibility for product quality to be trained to the latest industry standards on good manufacturing, laboratory, clinical and distribution practices. A critical part of our process is ensuring that new employees receive quality training, expand their knowledge and receive development opportunities. This helps maintain a quality foundation throughout the organisation.

### SAFEGUARDING OUR ENVIRONMENT

Abbott is committed to safeguarding a healthy environment for everyone by reducing the environmental impacts of our business across our value chain. This commitment shapes the way we source, manufacture, design and distribute our products and forms the basis for our environmental management systems and governance.

Abbott's environmental governance and management systems are part of an integrated Environmental, Health and Safety (EHS) approach. Our long-term environmental strategy focuses on reducing and mitigating EHS risks, delivering cost efficiency, ensuring business continuity, and addressing our stakeholders' expectations to be a responsible and sustainable leader. This includes reducing our greenhouse gas (GHG) emissions, water use and waste impacts.

### Managing Climate Related Risks

Abbott is committed to identifying and mitigating climate-related risks that impact our operations, supply chain and distribution network. These risks include potential physical risks, as well as emerging

# OUR GLOBAL CITIZENSHIP PRIORITIES

transitional risks. Our integrated multi-disciplinary company-wide risk management process assesses and manages climate-related risks at various levels of our company to ensure that our businesses and operations are resilient. Our policies, standards and programs drive business resilience and are regularly updated to align with current and future global requirements.

## Reducing Energy and Emissions

To achieve a healthier planet and operate as a responsible corporate citizen, Abbott remains committed to help addressing climate-related issues



by reducing energy consumption and air emissions in our direct operations and throughout our value chain. This is demonstrated through efforts taken to increase energy efficiency in our manufacturing operations; investing in low-carbon energy; and encouraging a lower carbon footprint in our supply chain.

## Protecting Water Resources

Access to water is essential to Abbott's manufacturing operations and business continuity and also plays a critical role in the use of many of our products. We are committed to managing our water use in an efficient, responsible manner, as well as to improving access to clean water for our customers and the communities where we operate.

Our approach is based on three core principles:

- a) Reducing the amount of water our business consumes by working to improve water efficiency across our operations.
- b) Preventing adverse impacts to human health and the environment resulting from our water use and discharge.
- c) Educating employees, suppliers and customers about the importance of protecting water resources.

## Reducing Waste

Abbott is committed to minimising our waste impacts throughout the entire life cycle of our products and packaging. We recognise two key areas of responsibility in reducing waste:

- a) Our operational waste, which includes the waste that we directly generate; and
- b) Our extended-producer responsibility, which considers the environmental impacts associated with our products throughout their complete life cycle, including design, production, consumption and disposal.

Abbott strives to find ethical, economical and efficient ways to reduce the volume and toxicity of waste, to conserve and maximise the recovery of resources and to ensure proper waste disposal practices. Likewise, reducing waste toxicity, as well as the amount of waste that is classified as hazardous, is a priority for Abbott, as it prevents harmful environmental impacts and has direct benefits for human health.

## Producer Responsibility

Abbott is committed to minimising the environmental impact of our products on the environment and human health throughout a product's entire life cycle. This enables us to improve operating efficiency, and to reduce product and operational costs. This approach considers all components of our business value chain, including:

- a) Confirming ethical and sustainable procurement

and production of all Abbott products and operational input, such as raw materials, and processed goods and services.

- b) Designing, producing and distributing our products with consideration for their environmental and human health impact throughout the entire product life cycle.

### STRENGTHENING OUR SUPPLY CHAIN

We depend on a high-quality, sustainable and resilient supply chain to deliver products that millions of people depend on. We seek to build, maintain and strengthen a supply chain that ensures access to science-based healthcare products in the most efficient, effective and ethical manner while protecting and elevating Abbott's brand and minimising our shared sustainability impacts.

Our objective for a sustainable supply chain is to ensure that everything we make and that others make for us is sourced and produced in an ethical manner. We develop supplier contracts that embed standards aligned with our sustainability objectives and require

suppliers to uphold the principles outlined in our supplier guidelines.

When selecting suppliers, we consider environmental, social and governance factors, in addition to business capabilities and capacities, financial health and strategic alignment with Abbott's vision. Our critical suppliers include those supplying materials, components and services that can influence the safety and performance of our products, as well as those that are the only approved source of materials, components and services. Our assessment of risk and criticality also takes into account supply chain transparency and complexity and supplier certification.

### VALUING OUR PEOPLE

The sustainability of Abbott's business depends on attracting, engaging and developing talented people who share our vision and values. That's why we offer innovative programs, benefits and resources that address the diverse needs of our employees, reward their efforts, help them build their best careers at Abbott and provide solid financial security.





# OUR GLOBAL CITIZENSHIP PRIORITIES

We take a collaborative approach, listening to our employees to understand their needs and working with them to build a workplace environment that meets those needs. Our success depends on keeping employees and their loved ones safe, healthy and well; making sure that all feel valued; and building a talent pipeline that allows us to deliver life-changing solutions for years to come.

Abbott's promise to its employees is to provide a workplace environment that:

- a) Promotes diversity and inclusion
- b) Offers extensive professional development, mentoring and training programs
- c) Encourages and supports work-life harmony
- d) Offers competitive compensation and benefits tailored to each market
- e) Protects human rights
- f) Offers wellness programs
- g) Commits to employee health and safety

## Succession Planning

Abbott places a strong emphasis on succession planning process, as well as focus on talent development, and diversity and inclusion efforts. Talent Management Reviews (TMRs) are conducted annually to assess critical positions, identify succession plans and create development plans.

## Career Development

Our approach to talent management incorporates skill assessments, performance appraisals and career pathing. We have established an integrated global talent management process, so we can identify talented people across our organisation, assess them accurately and help them develop skills consistently. All employees participate in our annual performance management process and work with their managers to create talent profiles and development plans that support their particular career objectives.





### Recruitment

Abbott takes an integrated approach to building a diverse talent pipeline that can meet the needs of our businesses. This involves building a compelling employer brand, both through our own digital properties and through other channels.

### ADDRESSING SOCIAL ISSUES

As a healthcare leader, we have an inherently positive social impact on helping people to live longer and better. We apply our unique strengths to identify and invest in life-changing innovations, design new business models to meet emerging healthcare needs and find measurable ways to address social challenges through our scientific and technical expertise. When we prioritise systems-thinking and collaboration, we can grow our business, improve lives and create value in communities around the world.

Shared impact is an integral part of Abbott's strategy for delivering effective health solutions. Our approach is based on innovation: new products to meet healthcare needs, new business models that create value for communities and new systems that can deliver healthcare to those who need it most. Through this work, we tie the growth of our business to meeting social needs.





# VALUE CHAIN





We are involved in all stages of the value chain apart from wholesale and retail. Value chain of our Pharmaceutical business\* is depicted below:



*\*For our Nutrition, Diagnostics and Diabetes Care Businesses, Abbott Pakistan is only involved in the marketing and distribution of products.*

# ABBOTT PAKISTAN AT A GLANCE

Founded in 1948, Abbott Pakistan has been present in the country for over 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 1,500 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 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 common health conditions nationwide. There are more than 150 product SKUs 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)

Proper nutrition is the foundation for healthy lives, which is why Abbott Nutrition has been offering science-based nutrition products for several decades. Abbott Nutrition's goal is to support people through all stages of life, from infancy to childhood to adulthood, so that they are able to live the fullest life possible.



## 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 towards 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 head-quartered in Abbott Park, Chicago – Illinois.

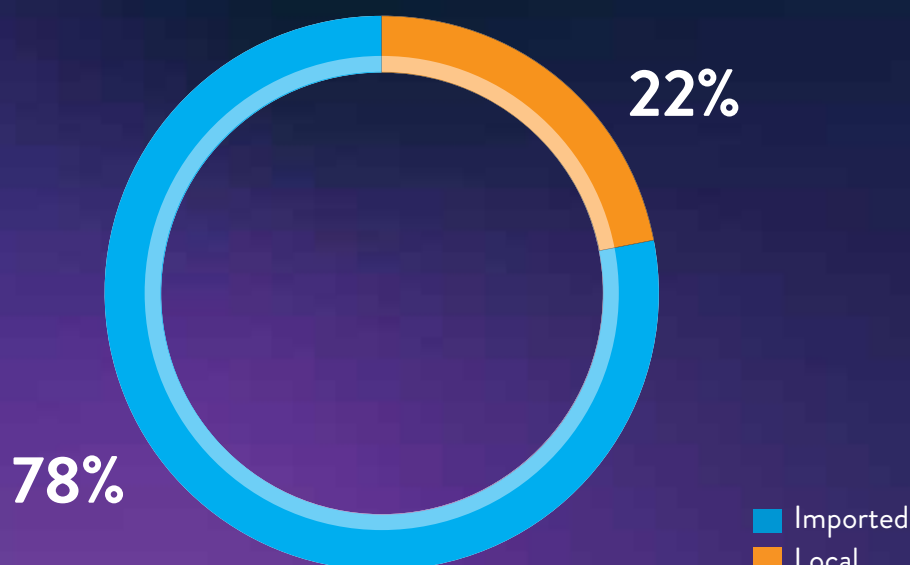
Key related parties with which the Company has had transactions during the year are disclosed in Note 33 of the financial statements.

## 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, 2019 was as follows:



# CORPORATE STRUCTURE



## 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.

### 1900

The business is officially incorporated in Illinois as the Abbott Alkaloidal Company.

### 1915

The Abbott Alkaloidal Company’s name is changed to Abbott Laboratories.

### 1920

Dr. Abbott breaks ground for a new manufacturing facility in North Chicago, Illinois. This location will serve as the Company’s headquarters for more than 40 years.

### 1929

Abbott’s stock is listed on the Chicago Stock Exchange.

### 1931

Abbott’s first international affiliate is established in Montreal, Canada.

# HISTORY TIMELINE





**1948**

Abbott starts its operations in Pakistan, as a private marketing company.

**1962**

Abbott opens its first manufacturing facility in Karachi, Pakistan.

**1964**

Abbott acquires M&R Dietetic Laboratories of Columbus, Ohio.

**1965**

Major operations are moved to Abbott Park, a 420-acre site southwest of its North Chicago headquarters.

**1973**

The global Abbott Diagnostics Division is formed to bring together the Company's diagnostic products and services. *Ensure*, Abbott's first adult medical nutritional supplement, is introduced.

**1982**

Abbott is listed as a public limited company in Pakistan.

**2001**

Abbott acquires the pharmaceutical business of BASF, including the global operations of Knoll Pharmaceuticals. Vysis, Inc., a leading genomic disease management company, is also acquired.

**2004**

Abbott Diabetes Care is created with the acquisition of TheraSense Inc., a leading blood glucose monitoring business. Abbott also acquires EAS Inc., a leader in performance nutrition products.

**2010**

Abbott acquires Solvay Pharmaceuticals, the global pharmaceutical business of the Solvay Group and STARLIMS Technologies.

**2013**

Abbott separates into two leading healthcare companies, a diversified medical products company under the Abbott name and a research based pharmaceutical company, named AbbVie.

**2014**

Abbott acquires the control of CFR Pharmaceutical thereby establishing Abbott among top pharmaceutical companies in Latin America. Abbott also acquires control of Veropharm, a leading pharmaceutical manufacturer in Russia.

**2017**

Abbott acquires St. Jude Medical. The acquisition strengthens Abbott's presence in cardiovascular area, thus making Abbott a premier medical device company.

Abbott also acquires Alere, a company focusing on cardiometabolic, infectious disease and toxicology testing.

# GEOGRAPHICAL PRESENCE

## UNITED STATES, LATIN AMERICA AND CANADA

### Illinois - Abbott Park - Head Office

Argentina

Brazil

Canada

Chile

Colombia

Costa Rica

Dominican Republic

Ecuador

El Salvador

Guatemala

Mexico

Peru

Puerto Rico

Trinidad and Tobago

Uruguay

Venezuela

## ASIA PACIFIC

Australia

China

Hong Kong

India

Indonesia

Japan

Malaysia

New Zealand

Pakistan

Philippines

Singapore

South Korea

Taiwan

Thailand

Vietnam

## MIDDLE EAST AND AFRICA

Algeria

Egypt

Israel

Kuwait

Lebanon

Saudi Arabia

South Africa

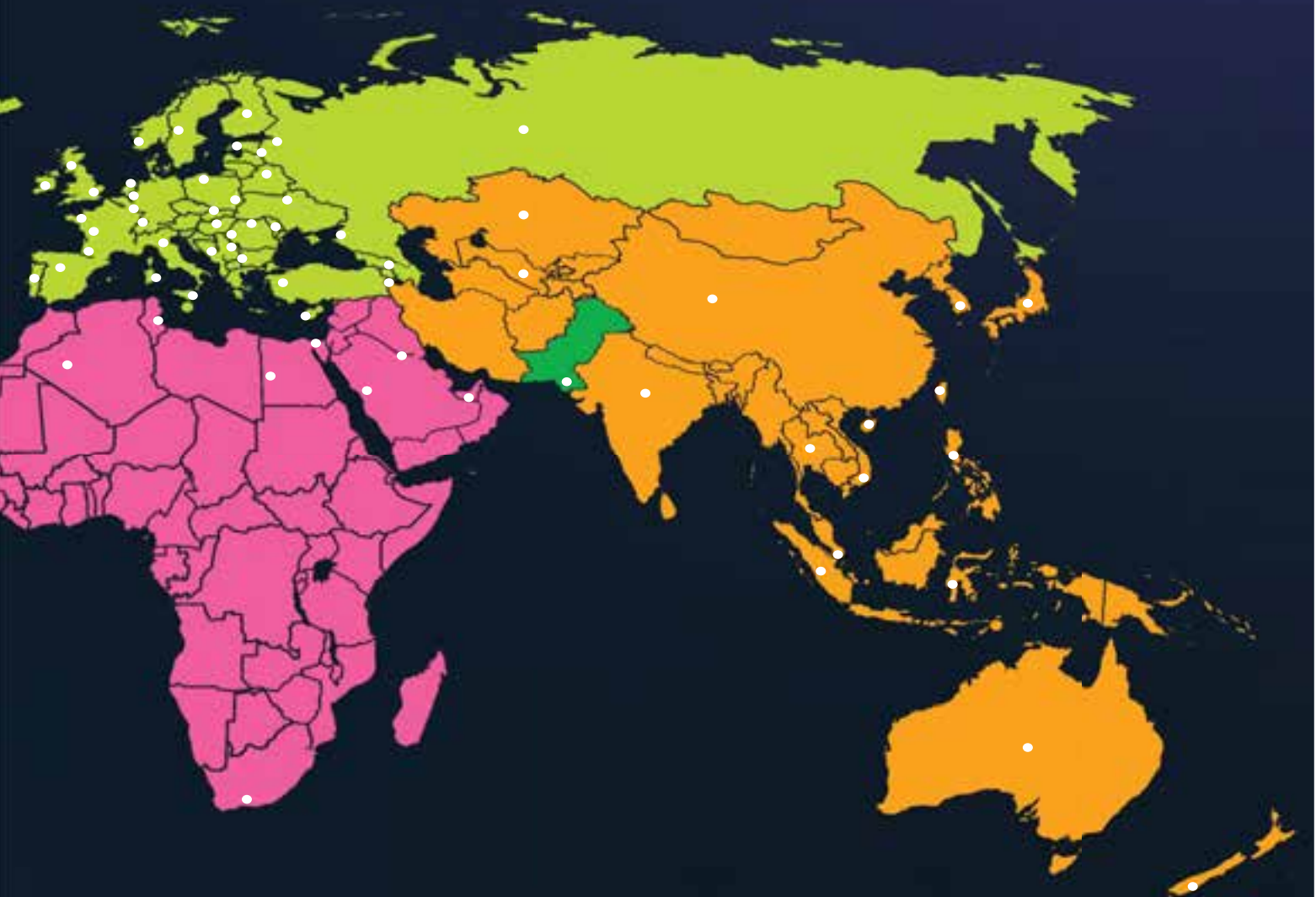
Tunisia

United Arab Emirates



## EUROPE

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





**At Abbott, we provide real answers to real problems, delivering breakthrough solutions to prevent, diagnose and treat health needs. We adapt quickly to changes, harnessing leading-edge science and technology to deliver the best possible solutions for some of the most important health challenges.**





THIS IS  
WHAT WE  
DO.







THIS IS  
WHY.





When people are at their healthiest, they have the potential to live not just longer, but better. This simple truth has been Abbott's guiding principle for more than 70 years. From the start, we've worked to create more possibilities, for more people, through the power of health. It's an idea that's summed up in four words that define our purpose:

**LIFE. TO THE FULLEST.**

ESTABLISHED PHARMACEUTICALS

# TARGETED PORTFOLIOS OF TRUSTED BRANDS

Every day, millions of people throughout the country use Abbott medicines — a broad portfolio of off-patent brands that help treat some of the most common health conditions. The company is continually innovating, building on its leadership positions with new products and indications and improved ways of using its medicines. These products are backed by Abbott's 70-year reputation for quality, a reliable supply chain, and a world-class scientific culture and expertise.

Abbott understands that better patient care requires innovation and value. As such, the company tailors its product offerings to meet the specific needs of the people we serve. This can mean increasing access to existing products through expansion, expanding the reach of product portfolios through partnerships and alliances, or advancing the quality of care through targeted initiatives.



## >150

Abbott offers a broad portfolio of high-quality products across multiple therapeutic areas:

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

## A LIFE, CHANGED

### Asif Uddin Baig

*Karachi, Pakistan*

Asif, a hard working man with a family of four, is one of the main bread earners for his family. However, his personal and professional life was hampered when he developed symptoms of vertigo which aggravated on movements. Asif was unable to work on a regular basis. Upon consultation, he was prescribed one of Abbott's world-leading anti-vertigo medicine. After having recovered from vertigo, Asif is now able to spend quality time with his family. Asif firmly believes that Abbott provided him a chance at a better, fuller, and healthier life.





## NUTRITION

# WORLD-LEADING PEDIATRIC & ADULT NUTRITION

Our science-based nutritional products help people build and maintain health from infancy onwards.

**Ensure** supports the continuous pursuit of physical and mental vitality for ageing adults with its 40 years of medical heritage and supporting clinical evidence. Our **Ensure** portfolio is designed for adults who are beginning to feel the signs of ageing (physical and mental) and are motivated to make lifestyle changes and include specialised nutrition to better manage their ageing process. It aspires to be the most trusted, science-based, HCP-recommended nutritional choice of adults who are seeking to prevent or overcome age-related health conditions so that they can continue doing the things they love, by maintaining a healthy body and mind.

**PediaSure** is formulated specifically for children who need to improve their nutritional in-take. **PediaSure** provides complete and balanced nutrition, including all macro and

micro-nutrients necessary for children to achieve optimal growth and development.

**PediaSure's** vision is to be the nutrition solution partner of mothers concerned about their children's eating behaviour. We believe that when children are offered a clinically proven, complete and balanced nutrition supplement, they are not only nourished, but their mothers are also given peace of mind.

**Glucerna** Triple Care has been scientifically designed to directly help manage blood glucose levels as part of a diabetes management plan.



**#1**  
NUTRITION  
COMPANY IN  
PAKISTAN

**>90%**  
MARKET SHARE  
IN ADULTS AND  
PEDIATRIC SEGMENTS  
(IQVIA DEC-2019)

## A LIFE, CHANGED

### Ms. Shabana Saeed

*Karachi, 53 years*

Shabana, a housewife, does not like the idea of taking a break in life. For her, family always comes first. Every day is a hectic routine, starting from the kitchen early in the morning and continuing till late in the night. Despite ageing, there is no respite from her daily chores. For the last few years, she had been complaining of fatigue, joint pain and difficulty in mobility. Upon consultation, her family physician recommended that she should start taking a glass of *Ensure* daily. She has been taking *Ensure* daily for the last two years, and now feels more active, vibrant and continues to do the things she loves to do. She loves spending time and playing with her granddaughter, who is also part of the Abbott Nutrition family, as she is an ardent user of *PediaSure*; that helps nourish her growth and development in these most critical early years of life.

---

*“I’m more energetic than  
I’ve been in years.”*



## DIAGNOSTICS

# SHIFTING THE PARADIGM IN LABORATORY DIAGNOSTICS

*Mr. Latif Malik  
values Abbott's  
commitment in  
providing better  
healthcare  
performance.*





## LIVES CHANGED

### NORTHWEST GENERAL HOSPITAL & RESEARCH CENTER

*Peshawar, Pakistan*

Northwest General Hospital and Research Center (NWGH), a 500-bed hospital, was inaugurated in January 2009. The center accommodates a medical college, nursing school and center of excellence for paramedics.

#### STRENGTHENING OUR LEADERSHIP IN LABORATORY TESTING

Abbott partnered with NWGH since its inception, when our Immunoassay Analysers (AxSYM) & Hematology Analysers (CD3200) were placed at their pathology lab in 2009.

In 2010, in order to cater for growing volumes of laboratory testing, NWGH upgraded its laboratory with Abbott's integrated *Architect ci4100 Immunochemistry Analyser* along with the Automated Hematology Analyser - *Cell-Dyn Ruby*.

In 2018, in order to enhance uniformity, flexibility and operational productivity, Abbott's *Alinity* and innovative informatics solutions, *AlinIQ AMS* were installed at NWGH. *Alinity* represents a breakthrough in the diagnostics industry, as they are designed to be inter-connected, with common hardware and software platforms and work together seamlessly while using less space in today's smaller labs.

NWGH's entire immunoassays and Hematology testing is performed on Abbott's solutions. The hospital is proud of its long-standing partnership with Abbott and continues to rely on Abbott's best-in-class and prompt services and solutions.

#1

DIAGNOSTICS  
SOLUTIONS  
PROVIDER IN  
PAKISTAN

~70%

OF CRITICAL CLINICAL  
DECISIONS ARE  
INFLUENCED BY  
DIAGNOSTIC TEST  
RESULTS

**Alinity**

A TOTAL LABORATORY  
SOLUTION -  
PERSONALISED AND  
HARMONISED



## DIABETES CARE

# SHAPING THE FUTURE OF DIABETES MANAGEMENT

### **FREESTYLE BLOOD GLUCOSE MONITORING SYSTEMS**

*Minimising the pain and  
inconvenience of testing*

Self-testing is a fundamental part of staying on top of your diabetes. That's why we are dedicated to making it simple and easy. The *FreeStyle* family of products helps to minimise the pain and inconvenience of testing by delivering fast and highly accurate results that require just a tiny drop of blood.

From setup and testing to tracking and gaining insights, the *FreeStyle* family of products contains all the features required to make glucose monitoring as easy and convenient as possible. By providing the right tools and insights for healthcare professionals, we are enabling them to take diabetes care to the next level.



### **FREESTYLE OPTIUM NEO** *Insulin support at your fingertips*

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

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 LIFE, CHANGED

**Habibullah Khan**  
Karachi, 69 years

Habibullah was diagnosed with Type 2 diabetes at the age of 45 as he experienced symptoms of fatigue. He has been managing his diabetes with a balanced diet, lifestyle modifications, regular exercise, medication and more importantly through regular blood glucose testing with *FreeStyle Optium Neo* blood glucose & ketone monitoring system.



*Diabetes Prevalence  
Expected to  
Rise Significantly\**

	<b>2019</b>
No. of people with diabetes in Pakistan	19.4M
	<b>2045</b>
	37.1M

**>50%**

OF PEOPLE WITH  
DIABETES ARE CURRENTLY  
UNDIAGNOSED

***“Healthy lifestyle with  
positive thinking can make  
life with diabetes easier.”***

\*Source: IDF Diabetes Atlas, Table 3.5



# PRODUCT LAUNCHES

## DESLAVID

DESLOMATADINE 5 MG

To further strengthen our respiratory portfolio, Abbott launched Deslavid (Desloratadine) tablets.

Deslavid is a newer generation anti-histamine that offers a convenient once a day dosage.

Deslavid is available in 30s blister pack.



## ABICLOT

CLOPIDOGREL 75 MG

Abbott introduced AbiClot in cardio-metabolic therapeutic area.

AbiClot is available in 10s blister pack.





## ABICLOT PLUS

CLOPIDOGREL 75 MG + ASPIRIN 75 MG

AbiClot Plus is a fixed-dose combination product. It is intended as continuation of therapy in patients with acute coronary syndrome.

AbiClot Plus is available in 10s blister pack.



## SIMILAC GAIN

Similac Gain is a scientifically designed, superior and complete stage 3 growing up formula specially formulated to provide optimum nutrition to children from 1 to 3 years. It is currently available in a 400g tin pack.



# PRODUCT LAUNCHES

## GLP SYSTEM

Abbott's End-to-End Automation Solution for the High-Volume Laboratory

### A Changing Environment Magnifies Hidden Inefficiencies

Multiple factors like disconnected workflows, multiple processes and performance reliability impact laboratory's productivity. To cope, many laboratories have already automated their high-volume departments. While this is a step in the right direction, the future healthcare environment demands more.

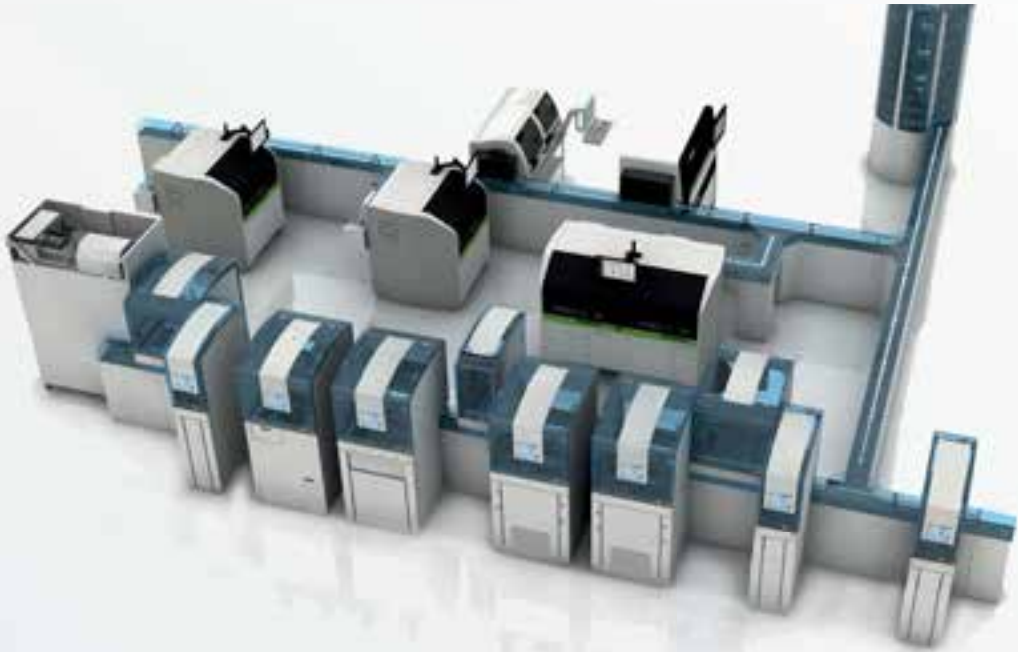
Laboratories must evolve their capabilities today to prepare for a changing tomorrow. That's why, at Abbott, we believe in collaborating with laboratories to break down barriers to achieve and sustain operational excellence.

GLP System is an innovative Total Laboratory Automation solution by Abbott, offering you proven technology with greater flexibility and options to meet your high-volume needs. GLP provides you with:

**FREEDOM TO CHANGE:** Easily modify your track for future changes, maximise floor space while transforming from 2D to 3D and create a solution personalised to your need.

**SIMPLICITY THROUGH INTUITIVE DESIGN:** Minimise track implementation time and receive more efficient service and training through pre-assembled modules, standardised components and consistent user experience.

**EXCELLENCE IN PERFORMANCE:** Maximise up-time with infinite redundancy, optimise workflow, and decrease turnaround time through unique & intelligent CAR technology and smart software infrastructure.





# OBJECTIVES AND STRATEGIES

## OBJECTIVE

Maintain leadership position in the pharmaceutical sector

## STRATEGY

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

## RESOURCE ALLOCATION PLAN

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.

## OBJECTIVE

Profitability & sales growth

## STRATEGY

Drive business growth and profitability initiatives through continued focus on optimisation and efficiency.

## RESOURCE ALLOCATION PLAN

The Company continues to invest in capacity building by utilising latest technological advancements to minimise costs and simplify processes.

## OBJECTIVE

Achieve operational efficiency and utilise cross-divisional expertise

## STRATEGY

Utilise efficiencies available in different divisions to maximise synergies.

## RESOURCE ALLOCATION PLAN

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.

## RELEVANT KPIs

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

## TIMELINE

Long Term



## RELEVANT KPIs

Profitability margins and sales growth versus market growth as per IQVIA (*formerly IMS*).

## TIMELINE

Medium to Long Term



## RELEVANT KPIs

Operating income growth.

## TIMELINE

Medium to Long Term



## FUTURE RELEVANCE

The KPIs will remain relevant in the future

# OBJECTIVES AND STRATEGIES

## 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.

## 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.

## OBJECTIVE

Helping people live their best lives

## STRATEGY

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

## 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.

## OBJECTIVE

Environmental sustainability

## STRATEGY

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

## RESOURCE ALLOCATION PLAN

Abbott has a dedicated environment, health & safety team which focuses on reducing greenhouse gas emissions and the organisation's footprint on the environment. Measures taken include setting up a composting plant, installation of solar panels and drip irrigation system.



## RELEVANT KPIs

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

## TIMELINE

Medium to long term



## RELEVANT KPIs

Product quality survey results.

## TIMELINE

Medium to long term



## RELEVANT KPIs

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

## TIMELINE

Long Term



## 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 2,758 million of cash and cash equivalents as of 31<sup>st</sup> December, 2019 to meet its investment and working capital requirements. There are no significant long-term or short-term debt obligations except for lease liabilities.

## 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 in the form of lease liabilities. There have been no defaults in payments of any debts during the year.



# 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 88.

The key risks identified as part of the risk management framework are detailed on the next page along with their sources and mitigating plans.





# KEY RISKS AND OPPORTUNITIES REPORT

	RISK	TYPE OF CAPITAL EFFECTED	SOURCE
	<b>CURRENCY RISK</b> The risk that the currency devaluation will negatively impact the Company's return.	Financial	External – devaluation of currency and current account deficit.
	<b>RISK OF COUNTERFEIT PRODUCTS</b> Erosion of margins, loss of market share and reputational risk as a result of the Company's products being copied / smuggled.	Intellectual	External – smuggled or counterfeit products in the local market.
	<b>CATASTROPHIC RISK AND LOSS OF ASSETS</b> The risk of disruption in operations due to any natural disaster, including inability to recover operational capacity.	Manufactured and Financial	External – natural disasters.
	<b>LEGAL AND REGULATORY RISK</b> Risk of non-compliance with applicable laws and regulations and being adversely affected due to enactment / imposition of new laws.	Financial	External – non-compliance with laws and regulations / new laws.
	<b>LIQUIDITY RISK</b> The risk of inability to meet financial obligations as and when they fall due.	Financial	Internal – mismanagement of cash flows.

<b>H</b>	High
<b>M</b>	Medium
<b>L</b>	Low

<div> <div>LIKELIHOOD</div> <div>MAGNITUDE</div> </div>	RELATED OPPORTUNITIES	MITIGATION MEASURES
<div> <div>H</div> <div>M</div> <div>L</div> </div> <div> <div>H</div> <div>M</div> <div>L</div> </div>	Insulation from the adverse effects of currency devaluation can help the Company to sustain and improve its profitability.	The Company actively seeks to identify local sources for its raw materials in order to reduce its exposure to currency fluctuations. Further, the Company also has a natural hedge in place since it has both foreign currency denominated receivables and payables.
<div> <div>H</div> <div>M</div> <div>L</div> </div> <div> <div>H</div> <div>M</div> <div>L</div> </div>	Maximise market share and augment presence.	The Company continually engages with the regulators to highlight and identify any counterfeit products to prevent future penetration in the market.
<div> <div>H</div> <div>M</div> <div>L</div> </div> <div> <div>H</div> <div>M</div> <div>L</div> </div>	Not applicable.	The Company has Business Continuity Plans (BCP) and Disaster Recovery Plan (DRP) in place to ensure that any adverse or unforeseen events / disasters cause minimum disruption. These plans help to ensure that there is a rapid and smooth transition to a backup mode of operations and expeditious recovery of the normal operations.
<div> <div>H</div> <div>M</div> <div>L</div> </div> <div> <div>H</div> <div>M</div> <div>L</div> </div>	Investment in training of resources can aid the Company in becoming the best-in-class in adoption of laws and regulations.	Our regulatory, medical and compliance departments collaboratively mitigate the risk by monitoring changes in the applicable legal and regulatory requirements to ensure timely compliances.
<div> <div>H</div> <div>M</div> <div>L</div> </div> <div> <div>H</div> <div>M</div> <div>L</div> </div>	Planning and monitoring cash flows could result in significant cost-savings and investment opportunities.	Regular monitoring of liquidity status, cash flow projections, and liaising cross functionally assists in timely fulfilment of funding requirements.

# 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 all its objectives are achieved. During the current year, the Company continued monitoring each KPI ensuring 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 104 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 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 emissions and contribute positively to protect the environment by investing in projects to reduce waste, conserve water and energy.

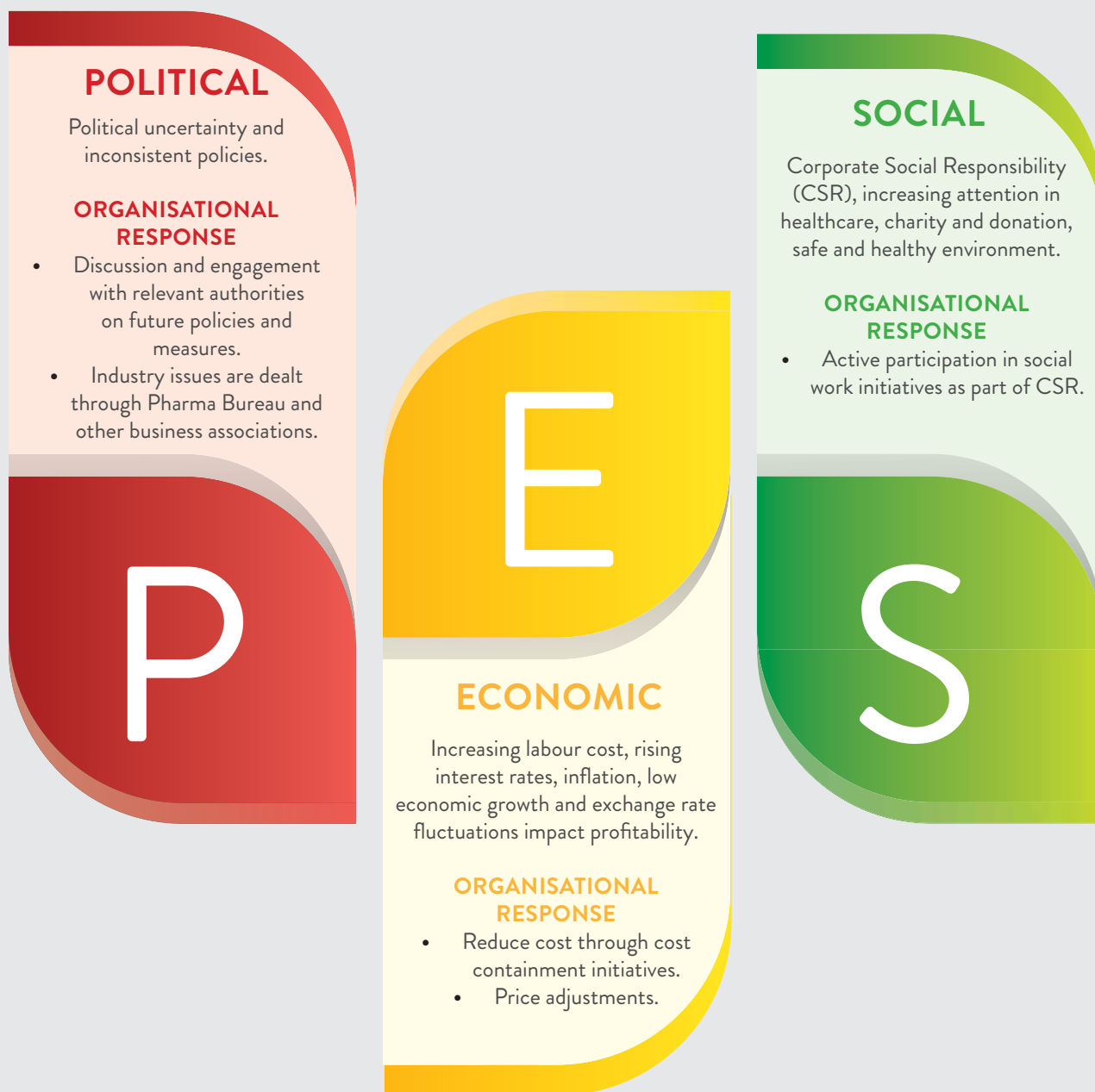
#### INDICATORS

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 all its objectives are achieved. During the current year, the Company continued monitoring each KPI ensuring 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





## TECHNOLOGICAL

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

**ORGANISATIONAL RESPONSE**

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



## LEGAL

Drug Regulatory Authority of Pakistan Act, 2012, Companies Act 2017, Income Tax Ordinance 2001, Sales Tax Act 1990, PSX Rulebook, SECP Act and others.

**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 ensure compliance.



## 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 in improving the environment.



# CORPORATE SOCIAL RESPONSIBILITY

As a socially responsible healthcare Company, we are committed towards taking part in benevolent causes, adding positive social value and helping people live their best lives.

In pursuance of its commitment to have a positive social impact, Abbott Pakistan joined hands with several nonprofit organisations, working for the welfare of underprivileged populations.

## THE CITIZENS FOUNDATION (TCF)

TCF is a professionally managed nonprofit organisation, run by Pakistani citizens with the aim of providing quality education to underprivileged children. Abbott Pakistan has sponsored two classrooms of TCF school in Dhoke Chaudrian, Rawalpindi campus. These two classrooms have an enrolment of 64 students.

## THE INDUS HOSPITAL (TIH)

TIH network is a group of hospitals committed to providing free healthcare to the masses. With over 12 healthcare facilities, this 1,595-bed hospital network is running several healthcare programs across the country. Abbott Pakistan partnered with TIH to support its chronic dialysis program which is intended to support patients who require regular dialysis sessions. Currently, Abbott Pakistan is sponsoring 200 dialysis sessions under this program.

## THE LAYTON RAHMATULLA BENEVOLENT TRUST (LRBT)

LRBT, a not-for-profit organisation, has been engaged in providing free treatment to patients with eye

diseases since 1985. LRBT has treated 3 million underprivileged patients and performed over 2.7 million eye surgeries. Abbott Pakistan has joined hands with LRBT by sponsoring cataract surgeries in adults and squint correction surgeries in children.

## PROFESSIONAL EDUCATIONAL FOUNDATION (PEF)

PEF is working towards building a skilled and productive workforce, improving livelihoods and developing sustainable communities through funding the education costs of deserving students. Abbott Pakistan is sponsoring full expenses of two deserving students through their professional education program.

## THE PATIENTS' BEHBUD SOCIETY FOR AGA KHAN UNIVERSITY HOSPITAL (PBS)

PBS is engaged in collecting and disbursing donations to the needy patients under treatment in The Aga Khan University Hospital. Abbott Pakistan has contributed towards providing healthcare to patients under its Congenital Heart Program aimed at providing high quality healthcare to children with congenital heart diseases.

## FIELD TRIP FOR CHILDREN OF EDHI HOME ORPHANAGES TO PAF MUSEUM

Abbott Pakistan organised a field trip to PAF museum for children of Edhi home orphanages aged between 4-10. Our team spent time with the children and took them to the museum where they had lunch with our team. Goodie bags were also distributed amongst the children.



### **FAMILY EDUCATIONAL SERVICES FOUNDATION (FESF)**

FESF is a nonprofit educational organisation dedicated to enhancing the quality of life for the underprivileged members of the community. Abbott Pakistan partnered with FESF to support its Deaf Reach Program which is striving towards improving deaf education in Pakistan.

### **MUHAMMADI BLOOD BANK & THALASSEMIA CENTER (MBBTC)**

MBBTC was established in 2003 as a nonprofit organisation with a mission to provide exemplary care in diagnosis, treatment and prevention of blood related diseases. Abbott Pakistan has sponsored four patients of thalassemia who would be provided free of cost screened blood and chelating therapy for the entire year.

### **FIELD TRIP FOR CHILDREN OF AL-KHIDMAT FOUNDATION, ISLAMABAD (AKF)**

AKF has almost 11 orphanages across the country which provides shelter to orphans, fulfils their necessities and nurtures them with love, care and attention. Abbott always looks forward to supporting such organisations to bring happiness in lives of these children. We took these children to a mall where they were able to play different games and had lunch with our employees.



# 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.

Our environmental strategy informs how we operate our day-to-day business in a manner that safeguards the environment and helps improve the efficiency and sustainability of our business. We have developed comprehensive management and governance systems that reflect our priorities and ensure that they are fully incorporated within our day-to-day planning and business processes.

Our EHS strategy in Abbott commits us to advancing our environment, health and safety by Protecting our People, Protecting our Planet and Adding Value.

## 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 acquired Zero Waste to Landfill Re-certification in 2019 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.

## EHS INITIATIVES

To achieve our key objectives and foster continuous improvement, Abbott Pakistan has initiated programs, procedures and training that include:

- Driving safety training sessions (Behind the Bar-BTB & Behind the Wheel-BTW).





- General EHS Awareness Module.
- Ergonomic Awareness Training.
- Developed & Communicated 'Work-related Injuries Reporting and Post-investigation System', promoting zero incident EHS culture throughout the organisation.
- Emergency Response Plan (ERP) is in place for all building locations which are occupied by commercial sales or service personnel.

### SWITCH TO ECO

Abbott Pakistan has a proud history of being committed to its core value of 'Caring' and promoting sustainable practices. Keeping in line with this philosophy, Abbott Pakistan started its journey of 'SWITCH TO ECO'.

This campaign features a range of awareness sessions & activities that will help us all live more sustainable and green lives. Few examples of such sessions and activities included activity on 'Plastic or Planet' which involved tree plantation by our commercial employees and distribution of 'paper seeds' amongst our employees in order to re-emphasize our key message on the campaign, 'Go Green before Green Goes'.

### 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" and Good Manufacturing Practices (GMP) certificates from Drug Regulatory Authority of Pakistan for our manufacturing facilities.



# 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 implications 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 patients' life.

## PREEMPT STUDY

The study concluded that there are 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. The study was published in Saudi Journal of Medicine and Pharmaceutical Sciences in November 2019. The results will now be disseminated to general health care physicians from different societies of gastroenterology of Pakistan so that they can diagnose and manage their patients with ease and better understanding.

## PRECIOUS STUDY

A prospective, multi-center, observational, non-interventional, epidemiological study, conducted to estimate the incidence of Sub-Clinical Hypothyroidism (SCH) in early pregnancy in Pakistan. Hypothyroidism, if untreated leads to complications in pregnancy. SCH and inadequate treatment are common during pregnancy. The results will be disseminated in collaboration with the Societies of Obstetrics and Gynecology in the year 2020.

## ENSURE GRANDPARENTS' DAY

Abbott rolled out "Ensure Grandparents' Day" program in schools to celebrate the love and warmth of grandparents for their grandchildren, which establishes a strong bonding between them. Under this program, Abbott requested children to invite their grandparents to their schools, show them their classes and introduce them to their teachers.

Abbott assessed the grandparents' health and provided them with important information on how to maintain their health through proper practices. Dietician and Physical Rehab experts educated them on importance of nutrition and exercise to maintain active lifestyle. Lectures by qualified nutritionist and physiotherapist were also organised. The number of grandparents assessed and made aware through this program was estimated at 4,000 in 2019.



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

During 2019, Abbott continued with its 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. The program continues to operate across rural and sub-urban belts of Pakistan, where more than 5,000 individuals were provided with free medical consultancy.

## SOS - EXPOSURE TRIP FOR ORPHANS

SOS is a nonprofit organisation working for the welfare of orphan children through its network of villages across the country in order to give these children a better chance at life.

Abbott Pakistan organised a trip to an indoor theme park for the children of SOS Village Lahore. The trip provided these children with an opportunity to experience and enjoy life to the fullest. Gifts were distributed amongst the children which included goodie bags, caps and T-shirts. The children enjoyed the rides and video games at the facility and had lunch with Abbott employees.



# SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

## MAKING A POSITIVE IMPACT

As a healthcare leader, we have an inherently positive social impact on helping people to live longer and better. We apply our unique strengths to identify and invest in life-changing innovations, design new business models to meet emerging healthcare needs and find measurable ways to address social challenges through our scientific and technical expertise. When we prioritise systems-thinking and collaboration, we can grow our business, improve lives and create value for the people we serve.

The Company engaged in various CSR initiatives during the year, details of which can be found on page number 50.

## PROTECTING A HEALTHY ENVIRONMENT

Abbott is committed to safeguarding a healthy environment for everyone by reducing the environmental impacts of our business across our value chain. This commitment shapes the way we source, manufacture, design and distribute our products and forms the basis for our environmental management systems and governance.

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 for 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.

*“Our approach to making a positive social impact starts with a question: how can we apply our unique technologies, expertise and business mindset to solve challenges in new ways? And then we listen and collaborate closely with the people we serve to build a better and lasting response, together.”*

**JENNA DAUGHERTY**

Divisional Vice President,  
Global citizenship and sustainability



# HUMAN RESOURCES





The Human Resource function at Abbott continues to serve as an important strategic business partner; helping achieve organisational objectives through organisational development, and culture and productivity related interventions.

The volatile business and economic environment during the year had multifold adverse impacts on multinational pharma companies that posed several challenges to our company as well. We are pleased to report that through ensuring an enabling environment, based on strong cultural values and ethical ways of working, we were able to minimise employee retention risk and maximise productivity.

In all areas of work, the office of Human Resources firmly upholds confidentiality, accountability and trust. Our service-oriented HR team, constantly strives to ensure that an environment based on merit, performance and mutual respect prevails and employees achieve excellence in whatever they do. Our ongoing investment in people development complimented businesses' efforts in high employee motivation and

productivity despite some very tough challenges during the year.

2019 was the year of HR initiatives and interventions at Abbott Pakistan. In order to maintain and boost employee motivation and morale, several initiatives were taken during the year in all areas of HR including policy and governance, compensation and benefits, to name a few.

## CULTURE AND ORGANISATION

A 'Winning Together' mindset remains the most important element in Abbott Pakistan's culture across all divisions. To optimise on resources and to ensure that our organisational structures are in line with business needs, several structural improvements were made in different departments, particularly in areas of Marketing, Sales, and Trade along with Corporate Finance Services. Not only the resources were optimised but these changes, along with other focused activities, led to talent development as well which in turn helped employees grow horizontally, as well as in several cases, vertically up the ladder in the organisational hierarchy.







### SUCCESSION PLANNING AND TALENT MANAGEMENT

We continued to develop a robust succession pipeline where alongside the internal talent, external talents available in the market were also mapped for all critical roles. This enables us to have readily available resources, internally and externally, when and where the vacancy arises. Talent Management Reviews (TMRs) and initiatives remained key highlights through which we continued to place talents internally and were also able to provide opportunities to employees outside Pakistan. Launch



of Career Connect was also a key initiative where employees across Pakistan were introduced to the global tool. They had the opportunity to explore their own potential, develop themselves through multiple interventions and finally explore several global and regional development opportunities where they got exposure of international projects and avenues to work with international teams.

### INTERNSHIP PROGRAM

As a responsible corporate citizen, your Company continues developing and elevating quality of human resource and business practices in Pakistan through partnering with academic institutions, participation in their seminars as speakers, and by participating in career fairs. Providing traineeship and internship experiences to students from various academic institutions also remains part of our ongoing contribution. 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 leads us to transforming Abbott as a preferred employer in Pakistan. Once back to schools and later in the industry, interns continue to use their learnings from Abbott to create value for the society at large. Abbott internships opportunities continue to remain welcoming and supportive for applicants with special needs, which is another feature unique to our internship program. Highlight of 2019 Internship program was the eventual placement of several interns into full time roles at Abbott.

### AWARDS AND ACCOLADES

Your Company has once again 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 reflect the focus and efforts that your management is putting in making Abbott the number one company in Pakistan and amongst the most preferred employers.

Your Company was also recognised by Employee Old-age Benefits Institution (EOBI) among "The Most Compliant Employer". EOBI is governed by Government of Pakistan and operates under the Ministry of Overseas Pakistanis and Human Resource Development. These awards are a testament to your Company's compliant and efficient contribution and extension of benefits through EOBI scheme to Employees.

We are also proud to report that your Company's field force has been chosen as Number One Field-force in the industry by both General Practitioners and Consultants in an independent, third-party survey carried out by IQVIA (*formerly IMS*).

We are humbled by the awards, recognitions and appreciations that we received both by independent third parties as well as the government bodies. This is a testament to your Company's winning culture, and highly compliant and ethical ways of working.



# QUALITY ASSURANCE





Abbott satisfies all aspects of quality maintenance and assures to deliver consistently superior products and services which contribute significantly to improve the quality of life of consumers. Our quality system operates to achieve a culture of continuous improvement and focuses on patients and product safety.

### BEHAVIOUR BASED QUALITY (BBQ) PROGRAM

An initiative of Behaviour Based Quality was launched last year which focused on observing personnel actions to improve the overall quality culture. Identification and mitigation of behaviours which were deemed to be at-risk through the BBQ program greatly contributed in transforming our at-risk behaviours into quality behaviours at work. This program was successfully implemented at all sites during 2019.

### DOCUMENT AND REGULATORY INFORMATION UNIVERSAL SYSTEM (DARIUS)

In order to eliminate manual handling of documents and improve good documentation practices, DARIUS was implemented during the year at Landhi and Korangi sites. DARIUS has contributed significantly towards improving the documentation quality at Abbott.



### COST OF POOR QUALITY (COPQ) INITIATIVE

This initiative is aimed at identifying potential cost reduction opportunities through analysing different sources of information. Improvement plans are devised with established targets which are communicated to the employees together with providing them with the relevant trainings so that they are able to implement the improvement plans.

### MOST IMPROVED SITE – ABBOTT GLOBAL

Our commitment towards quality was further reaffirmed during the year when our manufacturing site was awarded the 'Most Improved Site' in terms of quality amongst all 32 pharmaceutical manufacturing sites globally. This award is a great testament to our quality culture.





# AWARDS AND RECOGNITIONS

## ABBOTT PAKISTAN WON BEST CORPORATE REPORT AWARD 2018

Abbott Pakistan was awarded 1<sup>st</sup> position in the Pharmaceuticals category of the 2018 Best Corporate Report Awards organised by the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). The objective of the award is to encourage and give recognition to companies showing excellence in annual corporate reporting that promotes corporate accountability and transparency through the publication of timely, qualitative and reader-friendly annual reports. This achievement of the Company is a manifestation of Abbott's unrelenting drive towards excellence in all domains.



## ABBOTT PAKISTAN WON CORPORATE SOCIAL RESPONSIBILITY AWARD

On the basis of various CSR initiatives and activities for its employees, Abbott Pakistan was presented with an award at the 8<sup>th</sup> International Corporate Social Responsibility Summit and Awards 2019.

## ABBOTT PAKISTAN WON HEALTH AND SAFETY EXCELLENCE AWARD

Abbott Pakistan was presented an award in the 5<sup>th</sup> International Environment, Health & Safety (EHS) Summit and Awards to acknowledge its proven track record and performance on EHS particularly with regards to engaging employees in related initiatives.





# AWARDS AND RECOGNITIONS

## ABBOTT PAKISTAN WON MAP 34<sup>TH</sup> CORPORATE EXCELLENCE AWARD

Abbott Pakistan was awarded the First Prize by the Management Association of Pakistan (MAP) in Pharmaceutical sector for the sixth consecutive year. MAP annually organises the 'Corporate Excellence Awards' to recognise and honour the best managed companies in Pakistan that follow guidelines and principles of latest management techniques through an extensive and transparent process. The evaluation process entails management practices appraisal based on questionnaires and top management meetings and detailed financial evaluation based on the Company's Annual Report.

## ABBOTT PAKISTAN WON EHS AFFILIATE OF THE YEAR

Abbott Pakistan's commitment towards workplace safety and its core value of caring was reaffirmed when Abbott Pakistan was chosen as the EHS Affiliate of the year amongst all the Asia-Pacific countries in order to recognise the initiatives taken during the year.



## ABBOTT PAKISTAN WON ANNUAL ENVIRONMENTAL EXCELLENCE AWARD

Abbott Pakistan contributions towards environmental preservation were recognised at the Annual Environmental Excellence Award organised by M/s. National Forum for Environment and Health. Contributions highlighted included drip irrigations system, periodic monitoring of emissions etc.

## ABBOTT PAKISTAN WON CLIMATE CHANGE ADAPTATION AWARD

Abbott Pakistan's initiatives to improve, maintain and preserve the environment were recognised at the Climate Change Adaptation Award 2019 organised by M/s. Future Forum. Initiatives recognised included Zero Waste to Landfill – recertification, installation of 500kW Grid Tied Solar Panel system etc.

## IQVIA MEDICAL REPRESENTATIVE SATISFACTION AWARD

Abbott Pakistan, for the third 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.

## BEST PLACE TO WORK

Abbott Pakistan has once again 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.

The award is considered among the most coveted and respected recognition across industries in Pakistan due to its robustness of assessment and transparency of results.





# ETHICS AND COMPLIANCE

As a global healthcare business, Abbott works to make a positive impact on healthcare decisions throughout the world to advance people's ability to live full and healthy lives. We must demonstrate that this advocacy is always maintained ethically and responsibly. We are committed to adhering to all applicable laws and regulations and to always operate honestly, fairly and with integrity.

We have devised channels and structures through which we embed ethical behaviour at all levels of our organisation, building a culture of compliance that engages all of our employees and enables us to detect and address emerging ethical issues and compliance risks.

## CODE OF BUSINESS CONDUCT

Our Code of Business Conduct is the foundation for ethical conduct at Abbott and every Abbott employee is required to read the Code and certify his or her adherence annually.

The Code embodies our Company's values and expectations. It establishes the principle that it is every employee's responsibility to live Abbott's values every day, including: holding themselves to the highest ethical standards, keeping a watchful eye on our activities, reporting concerns in good faith and always operating with honesty, fairness and integrity. Key areas highlighted in the Code include adhering to policies and procedures, treating confidential information appropriately, avoiding conflicts of interest and maintaining accurate books and records. The Code clearly states that Abbott does not tolerate illegal or unethical behaviour in any aspect of our business and that employees are required to ask questions and/or report any concerns.

Our Code strictly defines zero tolerance for illegal or unethical behaviour in any of Abbott's business proceedings. It also stresses on timely and accurate public disclosure and compliance with relevant laws, including food and drug laws relating to government healthcare programs and anti-trust laws.

An ethical workplace is a blend of impartiality & morality and either of these are incomplete without the other. Abbott's employees are solely accountable for maintaining Abbott's reputation be it writing a professional email, managing external relationships, working through ethical dilemmas or interpreting a regulation etc. To ensure 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 a "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, seek guidance or advice in understanding the applicability of the Code. Being skeptical, 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 & corrective actions, furthermore the identity of the reporter remains undisclosed.

Our Code strictly prohibits retaliation against any individual who raises concerns. Alleged retaliation can be reported to the Office of Ethics and Compliance or Human Resources.

"At Abbott, ethics and compliance are a critical part of how we do business every day. Our most important job in the Ethics and Compliance organisation is to work closely with Abbott leaders to continuously build this culture throughout all levels of our global organisation."

**JAMES YOUNG**  
VICE PRESIDENT,  
CHIEF ETHICS AND  
COMPLIANCE OFFICER  
ABBOTT LABORATORIES, USA

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 Office of Ethics and Compliance.

### **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 relationships with our employees around the world.

### **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, Cyber Security 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.





# CORPORATE GOVERNANCE

## STRUCTURE OF THE BOARD

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

## INDEPENDENT DIRECTORS

As disclosed above, there are two independent directors on the Board, both of whom meet the criteria for independence as required under S.166 of Companies Act, 2017.

## 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 Business 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 & 2019, 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 carries 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 & 2019, 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 & 2019, and the Memorandum and Articles of Association of the Company;
- d. Ensuring required quorum of Board meeting is available, 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. Establishing adequate internal control system in the Company and its regular assessment through self-assessment mechanism and internal audit activities; and



- g. 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, 2019 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, 2019, it is encouraged that at least half of the Directors on the Board are trained by June 30<sup>th</sup>, 2020 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. 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 past 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.

The Company also arranged a workshop on Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019 for the Directors' through its legal counsel.

### COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 & 2019

Abbott Pakistan is fully compliant with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017 & 2019. Please refer the review report on the statement of compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017 & 2019, issued by the external auditors of the Company.

### 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.

### DATE OF AUTHORISATION OF THE FINANCIAL STATEMENTS

The financial statements were authorised by the Board of Directors for issue on 02<sup>nd</sup> March, 2020.

### BOARD MEETINGS HELD OUTSIDE PAKISTAN

No Board meetings were held outside Pakistan during the year.

### STAKEHOLDERS' ENGAGEMENT POLICY






The Board of Directors of Abbott believe in having an open communication with its stakeholders and ensuring that all information is disclosed to promote transparency and visibility. We have developed a stakeholder engagement process that drives our

engagement strategies. Through our engagement, we aim to stay well informed of the major issues and concerns of all our stakeholders.

Shareholders have the opportunity to ask questions at the AGM or can also send questions via email on the investor relations email address. Similarly, other stakeholders which include our customers, suppliers, banks, employees or government authorities are provided with the required information from time to time unless prohibited to be disclosed by law.

During the year, the Company conducted a Corporate Briefing Session in which shareholders and analysts were apprised of operational and financial performance for the financial year 2018 and 2019.

The frequency of engagements is based on business needs and corporate requirements as specified by the Listed Companies (Code of Corporate Governance) Regulations, 2017 & 2019 or as contracted, under defined procedures. Information regarding the modes of engagement and their related frequency is presented below:

STAKEHOLDER	MODES OF ENGAGEMENT		FREQUENCY
<b>SHAREHOLDERS/ INVESTORS</b> 	<ul style="list-style-type: none"> <li>Annual General Meetings</li> <li>Corporate Briefing Sessions</li> <li>Annual Reports</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly Financial Statements</li> <li>Directors' Report</li> <li>Investors' section on website</li> </ul>	<b>Quarterly, Semi-annually and Annually</b>
<b>CUSTOMERS &amp; SUPPLIERS</b> 	<ul style="list-style-type: none"> <li>Clinical Trials</li> <li>Strategic Partnerships</li> <li>Surveys</li> </ul>	<ul style="list-style-type: none"> <li>Focus Groups</li> <li>Field Services Representatives</li> </ul>	<b>On-going process, as and when required</b>
<b>EMPLOYEES</b> 	<ul style="list-style-type: none"> <li>Business and functional townhall meetings</li> <li>Employee Networks</li> <li>Learning Gigs</li> </ul>	<ul style="list-style-type: none"> <li>Abbott World Today (daily email)</li> <li>Employee Volunteering – CSR activities</li> </ul>	<b>On-going process, as and when required</b>
<b>GOVERNMENT &amp; REGULATORY AUTHORITY</b> 	<ul style="list-style-type: none"> <li>Trade associations / organisations</li> <li>Meetings with policy makers</li> </ul>	<ul style="list-style-type: none"> <li>Participation in different surveys through forums such as Pharma Bureau OICCI, ABC etc.</li> </ul>	<b>On-going process, as and when required</b>
<b>LOCAL COMMUNITY</b> 	<ul style="list-style-type: none"> <li>CSR activities</li> <li>Tree plantation drives</li> </ul>	<ul style="list-style-type: none"> <li>Sehat Dost Program</li> <li>Clinical Trials</li> </ul>	<b>On-going process</b>





### **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 189 of this annual report. Our share capital

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

### **POLICY FOR SAFEGUARDING OF RECORDS**

Abbott effectively ensures the safety of its records. Physical records of documents, files etc. are maintained in designated store rooms at our Landhi and Korangi facilities. Access to these rooms is only granted to specific individuals who are responsible for safekeeping and maintenance of records. Proper logs are maintained in respect of records which are issued to different employees.

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

### **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 operations 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.

### 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.

### 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 70<sup>th</sup> Annual General Meeting held on April 23<sup>rd</sup>, 2019, no significant issues were raised.

### CORPORATE BRIEFING SESSION

In pursuance of the requirements laid out by the Pakistan Stock Exchange, the Company conducted a Corporate Briefing Session on 26<sup>th</sup> November 2019. The session was attended by various analysts and shareholders. The Chief Financial Officer of the Company gave a detailed presentation on the financial performance of the Company. This was followed by a Q&A session in which our Chief Executive Officer, Syed Anis Ahmed answered the queries of the attendees.



### STEPS TO ENCOURAGE MINORITY SHAREHOLDERS TO ATTEND GENERAL MEETINGS

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.

The Company ensures that there is dedicated time-slot for questions and answers session in its general meetings so that the minority shareholders, in particular, can engage with the Board of Directors, and raise any queries that they may have with regards to the Company's performance. This encourages a healthy attendance from the minority shareholders in the Company's meetings.

### 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.

### GOVERNANCE PRACTICES EXCEEDING LEGAL REQUIREMENTS

Abbott's commitment towards excellence inculcates a culture where compliance with the prevailing laws and regulations is the bare minimum standard. Abbott actively strives to adopt the best practices in industry and governance in order to ensure that it remains the best-in-class. Our internal controls are focused on ensuring that the Company does not suffer any damage to its reputation 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 consists 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 Listed Companies (Code of Corporate) Governance Regulations, 2019 encourages at least 50% of the directors to be trained by 30<sup>th</sup> June, 2020. Presently, as of 31<sup>st</sup> December, 2019, more than 50% of the Directors are either trained or exempted from the program.

#### IT GOVERNANCE POLICY

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

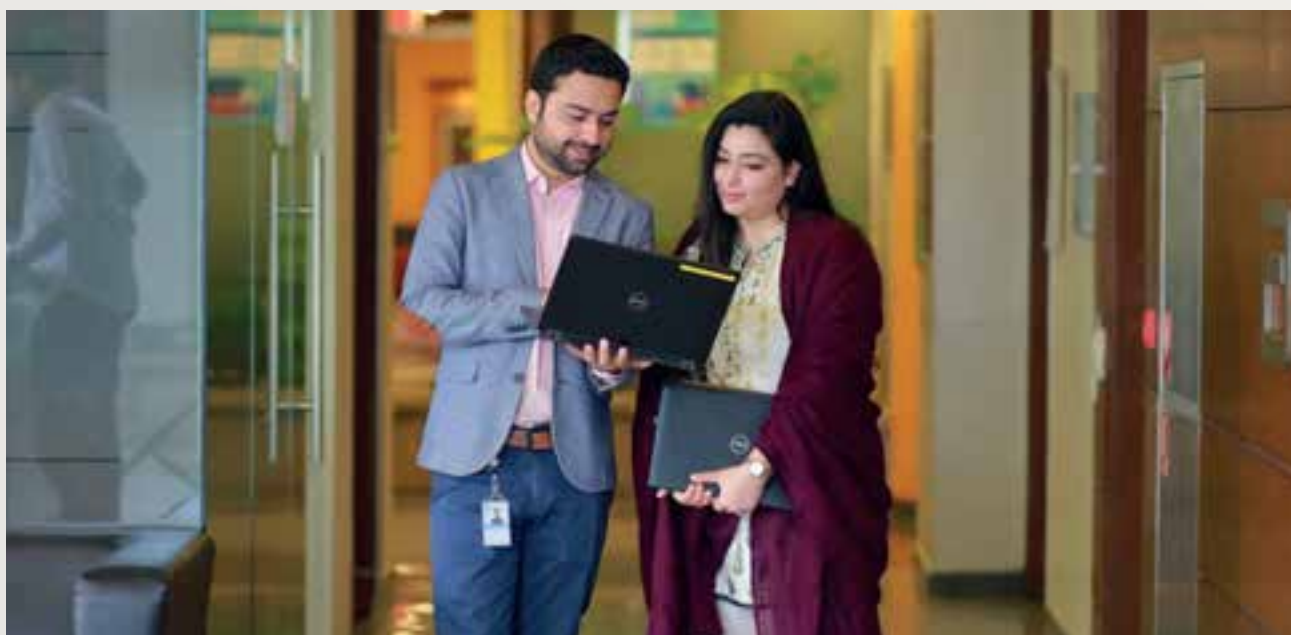
#### INVESTORS GRIEVANCE POLICY

The Company has a dedicated section on its website where shareholders can register their grievances. An email address has also been provided on the website whereby shareholders can contact the relevant person in the Company. All queries including grievances received are resolved in line with the legal requirements.

#### 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.





## 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, leads 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 principle-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

The Annual Report of the Company for 2019 is in compliance with the International Integrated Reporting Framework issued by the International Integrated Reporting Council. All of the afore-mentioned content has been disclosed under various sections of this Report.

## 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 Fourth Schedule. There are certain recent standards / amendments which have not been notified by SECP under the Companies Act, 2017, which are mentioned as follows:

- IFRS 1 - First time adoption of IFRSs
- IFRS 17 - Insurance Contracts

In addition, as mentioned in note 2.1.4 to the financial statements, certain recent amendments and standards, will be effective on their respective dates as notified by SECP under the Act.

## AUDIT COMMITTEE REPORT

The members of the Audit Committee are pleased to present their report to the shareholders for the year ended December 31, 2019. 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 alumni of the Wharton and Harvard Business Schools.

### EVALUATION OF THE COMMITTEE

Evaluation of the Audit Committee's 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 & 2019 (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 compliance refresher sessions are 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 Company has developed a sound mechanism for identification of risks and devising appropriate mitigation measures which are regularly monitored and implemented by the management across all major functions of the Company.
- 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.
- 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.

### 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.
- The audit committee facilitates coordination between the internal and external auditors of the

Company to ensure they contribute effectively towards the achievement of company's objectives and to promote a transparent financial reporting mechanism.

- 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 71<sup>st</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, 2020.
- 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.

The Audit Committee believes that it has carried out responsibilities to the full, in accordance with Terms of Reference approved by the Board and as stipulated under the Regulations.

On behalf of the Audit Committee



Ehsan Ali Malik

Chairman - Audit Committee

March 02<sup>nd</sup>, 2020



# BOARD OF DIRECTORS

FROM LEFT TO RIGHT

**ZEHRA NAQVI**  
Director

**KAMRAN Y. MIRZA**  
Director

**EHSAN ALI MALIK**  
Director

**MUNIR A. SHAIKH**  
Chairman

**SYED ANIS AHMED**  
Chief Executive Officer

**SEEMA KHAN**  
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 the Senior Vice President for American Business Council. He is also 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.



## **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.





### 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 Board of 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, Director, International Steel Ltd., Director, Safari & Outdoor Club of Pakistan, 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.



### 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.). 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.

### RISK MANAGEMENT COMMITTEE

The terms of reference of the Risk Management Committee are in the process of being finalised and approved.

## BOARD COMMITTEES ATTENDANCE

### AUDIT COMMITTEE

Name	Category	Meetings	
		Held	Attended
Ehsan Ali Malik	Chairman - Independent Director	4	4
Kamran Y. Mirza	Member - Non Executive Director	4	3
Shamim Ahmad Khan	Member - Non Executive Director	4	3
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	2	2
Munir A. Shaikh	Member - Non Executive Director	2	2
Kamran Y. Mirza	Member - Non Executive Director	2	2
Shamim Ahmad Khan	Member - Non Executive Director	2	2
Syed Anis Ahmed	Member - Chief Executive Officer	2	2
Asghar Huda	Secretary / Director Human Resource	2	2

\*Resigned as the Chief Financial Officer effective October 31<sup>st</sup>, 2019.

\*\*Retired as the Company Secretary effective January 12<sup>th</sup>, 2020.



## REVIEW REPORT BY THE CHAIRMAN



2019 was a turbulent year faced with great economic uncertainty and a challenging regulatory environment. Herculean efforts to control costs by your management team and the approved price adjustments were inadequate to offset the impact of

massive devaluation and rampant inflation. Effective cost containment programs and a stable exchange rate with a pragmatic pricing policy by the Government gives us hope for the future.

### 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 & 2019 (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 & 2019, which requires evaluation of the Board, the Pakistan Institute of Corporate Governance (PICG) was appointed by the Board during the year to carry out evaluation of the performance of the Board, its members and its committees.

As required by the Regulations, the Board has constituted the following 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.

#### 5. RISK MANAGEMENT COMMITTEE

The committee is responsible for the overall risk management of the Company, including establishment and implementation of a risk management framework and reviewing the effectiveness of all controls in place to mitigate the identified risks.

### HUMAN RESOURCES

We continue to focus on the training and development of our people, our greatest resource, which is the key for our future success.

### ACKNOWLEDGEMENT

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.

Munir A. Shaikh  
Chairman  
March 02<sup>nd</sup>, 2020

## چیمبرمیں کی طرف سے جائزہ

### 3- ہیومن ریسورس اینڈ ریمونیریشن کمیٹی (ایچ آر اینڈ آر):

ایچ آر اینڈ آر کمیٹی چیف ایگزیکٹو آفیسر، چیف فنانس افسر، کمپنی سیکرٹری اور چیف انٹرئل آڈیٹر کے حوالے سے پرسنل پالیسیوں، مشاہرے اور فوائد کے جائزے کی ذمہ دار ہے۔ یہ بورڈ کو انسانی وسائل کے بارے میں پالیسیوں کی سفارش کرنے کے علاوہ اس کے ریفرنس کی شرائط کے مطابق ڈائریکٹروں کے مشاہرے کے لیے پالیسی فریم ورک متعین کرنے پر بھی مامور ہے۔

### 4- شیئر ٹرانسفر کمیٹی:

کمیٹی کا بنیادی کام شیئرز کی رجسٹریشن، ٹرانسفر اور ٹرانسمیشن کی منظوری دینا ہے

### 5- رسک مینجمنٹ کمیٹی:

یہ کمیٹی کمپنی کی بحیثیت مجموعی رسک کی ذمہ دار ہے، جس میں رسک فریم ورک کی تشکیل، اور نفاذ اور اُن تمام کنٹرولز کی اثر انگیزی کا جائزہ لینا شامل ہے جو شناخت کئے گئے خطرات کم کرنے کے لئے نافذ ہیں۔

### انسانی وسائل

ہم نے اپنے مستقبل کی کامیابی کو یقینی بنانے کے لئے، اپنے لوگوں، جو کہ ہمارے سب سے بڑے اثاثے ہیں، ان کی ترقی اور تربیت پر اپنی توجہ مرکوز رکھی۔

### اعتراف

میں اپنے شیئر ہولڈرز، صارفین، بینکرز اور کارکنوں کا مسلسل سخت محنت اور تعاون کرنے پر شکریہ ادا کرتا ہوں۔ میں عزم و اخلاص اور سخت محنت پر بورڈ کے ارکان، سی ای او اور ان کی ٹیم کا بھی شکریہ ادا کرتا ہوں۔



منیر اے شیخ

چیمبرمیں

02 مارچ 2020ء

معاشی بے یقینی اور دشوار ضوابطی حالات کی وجہ سے 2019ء ایک مشکل سال رہا۔ روپے کی قدر میں زبردست کمی اور شدید مہنگائی کے اثرات کا ازالہ کرنے کی خاطر آپ کی انتظامی ٹیم نے اخراجات قابو میں رکھنے کے لئے ہر ممکن کوشش کی تاہم یہ کوشش اور قیمتوں کی منظور شدہ ایڈجسٹمنٹ ناکافی ثابت ہوئیں۔ مستقبل کے لئے امید کی کرن یہ ہے کہ لاگت محدود رکھنے کے لیے موثر منصوبے اور ایک مستحکم شرح مبادلہ موجود ہے جبکہ حکومت قیمتوں کے تعین کے لئے حقیقت پسندانہ سوچ رکھتی ہے۔

### بورڈ کی مجموعی کارکردگی کا جائزہ

بورڈ متنوع اور وسیع تجربے کے حامل ڈائریکٹروں پر مشتمل ہے جنہوں نے اپنی ذمہ داریاں موثر طریقے سے اور جاں فشانی سے انجام دی ہیں۔

بورڈ کے مقاصد میں کمپنی کو اسٹریٹجک سمت دکھانا اور انتظامیہ کی نگرانی کرنا شامل ہے۔ بورڈ نے کمپنیز ایکٹ 2017ء اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017ء اور 2019ء کے تحت اپنے فرائض انجام دیئے جن میں یہ چیزیں شامل ہیں: اہم پالیسیوں کی منظوری دینا، انٹرئل کنٹرولز کا ایک مستحکم نظام قائم کرنا، بجٹ اور مالی نتائج کی منظوری دینا۔

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017ء اور 2019ء کے تحت بورڈ کی جانچ کی ضرورت ہے۔ پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کو بورڈ نے اس امر کے لئے مقرر کیا کہ وہ بورڈ، اس کے ارکان اور اس کی کمیٹیوں کی کارکردگی کی قدر پیمانی انجام دے۔

ریگولیشنز کے تقاضوں کے مطابق بورڈ نے درج ذیل کمیٹیاں بنائی ہیں جو موثر طریقے سے قانون کے ضابطہ میں رہتے ہوئے اپنا کردار ادا کر رہی ہیں:

### 1- آڈٹ کمیٹی:

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

### 2- بینکنگ کمیٹی:

بینکنگ کمیٹی کی بنیادی ذمہ داریاں بینکوں کے ساتھ مجموعی تعلقات کو آگے بڑھانا، کریڈٹ کی حد بندیوں کا انتظام کرنا، معاہدے کے مجاز فریقوں کی منظوری لینا اور فاضل رقوم کی دانشمندانہ سرمایہ کاری کرنا ہیں۔

## DIRECTORS' REPORT

Your Directors would like to present their Report and the audited financial statements of the Company for the financial year ended December 31, 2019.

### OPERATING RESULTS

	Rs. in '000
Profit for the year before taxation	2,510,741
Taxation	(1,210,856)
Profit after taxation	1,299,885
Other comprehensive loss - net of tax	(304,130)
Un-appropriated profit brought forward	6,388,746
Profit available for appropriation	7,384,501

### APPROPRIATIONS:

Final dividend 2018 Rs. 10.0 per share	(979,003)
Un-appropriated profit carried forward	6,405,498

### FINANCIAL PERFORMANCE

Net sales increased by 1.5% over the previous year. Gross Profit margin declined from 33% to 28.3% mainly due to the devaluation of Pakistani rupee and inflation. Price adjustments were not sufficient to offset the impact of these two adverse factors. Selling and Distribution expenses increased due to inflation, higher salaries and increase in advertising and sales promotion expenditure. Other charges declined by 33.5% mainly due to lower exchange losses and reduced statutory charges. As a result of these factors, profit after tax for the year declined by 51.8% over the previous year. Earnings per share was Rs. 13.28 (2018: Rs. 27.52).

### DIVIDEND

The Directors are recommending a final cash dividend of Rs. 7.5 per share (2018: Rs. 10.0 per share).

### SEGMENT-WISE SALES AND MARKET PERFORMANCE

Pharmaceutical sales declined by 3.1% due to current challenging economic and regulatory environment. Nutritional sales increased by 16% while General Health Care, Diagnostic and Diabetes Care cumulatively grew by 10.4%.

### INDUSTRY OVERVIEW

According to global pharma research company – IQVIA (previously known as IMS) published data, pharmaceutical industry in Pakistan is currently estimated at US\$ 3.03 billion. The market share of multinational companies has been gradually declining over the years and at present is only 31%. There are a total of 640 active pharmaceutical companies in Pakistan with only 26 multinational

companies. Several of these have scaled back their operations due to declining profitability. Abbott Pakistan's market share is 5.9% and it is ranked 3<sup>rd</sup> in the industry in terms of market share.

### CAPITAL EXPENDITURE

The Company made capital investment of Rs. 1,868 million during the year in order to expand manufacturing capacity, enhancement of productivity and improvement of plant efficiency.



### LIQUIDITY MANAGEMENT AND CASH FLOW STRATEGY

Rs. 160 million was utilised in operating activities during the year. At year end, the Company had liquid funds comprising cash/bank balances and short term investments amounting to Rs. 2,758 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 and generally places surplus funds 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 aims at minimising potential adverse effects on its performance. This exercise 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 recommended by the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Audit Committee also undertook an overall review of the business risks and its mitigation plan which was presented to the Board. During the year, the Board formulated a Risk Management Committee.

The key risks currently being faced by the Company include increasing cost due to depreciation of Pakistan rupee and inflation.

### ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Board of Directors have established effective internal financial controls across all functions. The independent Internal Audit function of your Company regularly monitors the implementation of financial controls, and the Audit Committee reviews it.

### CONTRIBUTION TO NATIONAL EXCHEQUER

Your Company has contributed Rs. 5,211 million (2018: Rs. 4,988 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 towards environment. The Company during the year was awarded climate change adaption award on account of its initiatives to reduce emissions and improve overall environment. Previously, the Company also installed 500kW Grid tied solar panel system, waste water treatment plant and composting machine.

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

Being conscious of its Corporate Social Responsibilities, your Company made significant contributions to multiple nonprofit organizations during the year. These included donations to Layton Rahmatulla Benevolent Trust (LRBT), Indus Hospital, the Citizens Foundation (TCF), Professional Education Foundation, Patients' Behbud Society for Aga Khan University Hospital, Family Education Services Foundation (FESF) and Muhammadi Blood Bank & Thalassemia Center. Our Nutrition division also conducted field trips for children in Edhi home orphanage and SOS Children's Villages.

### BUSINESS PROCESS IMPROVEMENT

Your Company is focused on delivering safe and effective products of high quality standards. During the year, we continued to invest for improvement of quality of our products as well as for meeting compliance with regulatory, safety and environmental requirements. Such initiatives include lean transformation, top gear campaign and technical skill development forum. Efforts are also being made to further enhance our quality standards as benchmarked against the World Health Organization and other international guidelines.

With a view to achieve our growth objectives, your Company has invested for expansion of and upgradation of capacity. Other examples include installation of high-speed machines and serialization project.



### HUMAN RESOURCES

We are pleased to report that our ongoing investment and focus on human development has enabled your Company to successfully address the challenges posed by the highly disruptive and volatile business environment. We are also pleased to report that your Company was once again recognized as a 'Best Place to Work' through a

survey conducted by Pakistan Society of Human Resource Management / Engage HR. Moreover, Employees Old-age Benefits Institution has also recognized us as among “Best Compliant Employer” by Employee Old Age Benefits Institute (EOBI), Government of Pakistan. We have also been partnering with academic institutions in various ways and have provided traineeship and internship experiences to students.

## GLOBAL CITIZENSHIP

Abbott Pakistan subscribes to the values of our parent company recognising 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 five key priorities: ensuring quality and safety, safeguarding our environment, strengthening our supply chain, valuing our people and addressing social issues.

## SUBSEQUENT EVENTS

The Company Secretary of the company has retired and ceased to hold the position effective January 12<sup>th</sup>, 2020. Subsequently, the Board of Directors have appointed Humayun Altaf as ‘Company Secretary’ from January 16<sup>th</sup>, 2020.

## BUSINESS CHALLENGES AND FUTURE OUTLOOK

We continue to believe that Pakistan’s pharmaceutical industry has a great potential for contributing to the economy, not only by paying taxes, generating employment, earning foreign exchange but also by 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. The Rupee during the current year weakened further by 12% which has severely impacted the Company’s cost base and margin. The recent stability of the exchange rate is welcome, however should the scenario change, any further devaluation would impact the financial outlook.

The Drug Regulatory Authority (Authority) plays a significant role in the regulation and development of pharmaceutical industry. The role of the Authority in resolving the long-standing hardship pricing issue is appreciated. The new Drug Pricing Policy notified during 2018 has pricing reviews to meet such exceptional situations such as extraordinary devaluation which is welcome. We hope that the Authority will continue

conducting such pricing reviews and remain affirmative in helping the Industry in speedy registration of new products.

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 and most suited, in line with changing dynamics in the local and global marketplace. Your Company is making all efforts to improve profitability through innovation, improving efficiency and effective cost containment initiatives.

## 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 endorses the recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year ending December 31, 2020.

## MANAGEMENT CHANGES

Syed Tabish Aseem was appointed “Interim – Chief Financial Officer” of the Company effective November 01<sup>st</sup>, 2019 and was appointed as the Chief Financial Officer effective January 16<sup>th</sup>, 2020.

## PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding in the Company and additional information as at December 31, 2019 is given on page 189.

The 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, 2019 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 welcomed views of the shareholders. All questions by shareholders in the Annual General Meeting are attended to, further, shareholders are also encouraged to submit any queries or concerns at the contact information provided on the website.

The Company during the year conducted a Corporate Briefing Session in which shareholders and analysts were apprised of operational and financial performance for the financial year 2018 and 2019.

## COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 & 2019 (REGULATIONS)

As required by the Listed Companies (Code of Corporate Governance) Regulations 2017 & 2019, 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 summarized on page 104.
- 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. All the Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.
- Outstanding debts, if any, have been duly disclosed in the financial statements.

- The value of investments made by the staff retirements funds as per their financial statements are as follows:

	Value (Rs. in millions)
- ALPL Pension Fund (Based on year ended December 31, 2018) – audited	3,518
- ALPL Provident Fund (Based on year ended December 31, 2018) – audited	919

- 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	3
4	Mr. Kamran Y. Mirza	3
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

\* Resigned as the Chief Financial Officer effective October 31<sup>st</sup>, 2019.

\*\* Retired as the Company Secretary effective January 12<sup>th</sup>, 2020.

Number of Board Committees' meetings and attendance therein is included on page 85.

## DIRECTORS' REMUNERATION

In line with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017 & 2019 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.



- A director 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 either obtained training program or have the prescribed qualifications and experience required for exemption from training programs of Directors pursuant to Regulation 19 of the Regulations. All Directors are fully conversant with their duties and responsibilities as Directors of corporate bodies.

## 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:

- (a) Male: 5
- (b) Female: 2



Syed Anis Ahmed  
Chief Executive

March 02<sup>nd</sup>, 2020

### Composition:

- (i) Independent Directors: 2
- (ii) Non-Executive Directors: 3
- (iii) 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  
Munir A. Shaikh - Member  
Kamran Y. Mirza - Member  
Syed Anis Ahmed - Member  
Shamim Ahmad Khan - Member

### Risk Management Committee

Shamim Ahmad Khan - Chairman  
Kamran Y. Mirza - Member  
Syed Anis Ahmed - Member  
Zehra Naqvi - 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


The Board of Directors would like to take this opportunity to express its deep appreciation of the commitment, loyalty and dedication of employees. We would also like to acknowledge the continued support and cooperation received from our esteemed customers, suppliers, bankers and shareholders and thank them for reposing confidence in our Company and products.



Ehsan Ali Malik  
Director

## اعتراف

بورڈ آف ڈائریکٹرز اس موقع پر کارکنوں کے عزم، وفاداری اور اخلاص کا پُر خلوص جذبات کے ساتھ اعتراف کرتے ہیں۔ ہم اپنے باوقار صارفین، سپلائرز، مینکریز اور حصص یافتگان کی طرف سے ملنے والے مسلسل تعاون کا بھی اعتراف کرنا چاہیں گے کہ انہوں نے ہماری کمپنی اور مصنوعات پر اپنا اعتماد برقرار رکھا۔



احسان علی ملک  
ڈائریکٹر



سید انیس احمد  
چیف ایگزیکٹو

02 مارچ 2020ء

## بورڈ کی کمیٹیاں

### اڈٹ کمیٹی

احسان علی ملک - چیئرمین  
ستیم احمد خان - رکن  
کامران وائی مرزا - رکن

### ہیومن ریسورس اینڈ ریسونریشن کمیٹی

زہرا نقوی - چیئرمین  
منیر اے شیخ - رکن  
کامران وائی مرزا - رکن  
سید انیس احمد - رکن  
ستیم احمد خان - رکن

### ریسک مینجمنٹ کمیٹی

ستیم احمد خان - چیئرمین  
کامران وائی مرزا - رکن  
سید انیس احمد - رکن  
زہرا نقوی - رکن

### شیئر ٹرانسفر کمیٹی

سید انیس احمد - چیئرمین  
کامران وائی مرزا - رکن  
سیما خان - رکن

### بینکنگ کمیٹی

زہرا نقوی - چیئرمین  
سید انیس احمد - رکن  
سیما خان - رکن

اس کے بانی شیئر ہولڈرز میں سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی)، اسٹیٹ بینک آف پاکستان (ایس بی پی)، پاکستان اسٹاک ایکسچینج اور صف اول کے کاروباری ادارے اور تعلیمی ادارے شامل ہیں۔

اس کی فیکلٹی میں متنوع تجربوں اور پس منظر کے حامل پیشہ ور افراد شامل ہیں۔ مزید معلومات اس کمپنی کی ویب سائٹ پر دستیاب ہیں  
[/https://www.picg.org.pk/faculty-profile](https://www.picg.org.pk/faculty-profile)

## ڈائریکٹروں کی ٹریننگ

بورڈ کے اکثر ارکان نے یا تو تربیتی پروگرام مکمل کیا ہے یا پھر وہ مطلوبہ اہلیت اور تجربہ رکھتے ہیں جس کی بنا پر وہ ضوابط کے ضابطہ نمبر 19 کے تحت ڈائریکٹروں کو ملنے والے ٹریننگ پروگراموں سے مستثنیٰ ہیں۔ تمام ڈائریکٹرز کارپوریٹ اداروں کے ڈائریکٹروں کی حیثیت سے اپنے فرائض اور ذمہ داریوں سے بخوبی آگاہ ہیں۔

## 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

تشکیل:

آزاد ڈائریکٹرز: 2

نان ایگزیکٹو ڈائریکٹرز: 3

ایگزیکٹو ڈائریکٹرز: 2



گوشواروں میں ظاہر کیا گیا ہے۔

\* چیف فنانس افسر کی حیثیت سے 31 اکتوبر 2019ء سے مستعفی ہوئے۔

\* کمپنی سیکرٹری کی حیثیت سے 12 جنوری 2020ء سے ریٹائر ہوئے۔

بورڈ کمیٹیوں کے اجلاسوں کی تعداد اور حاضری کی تفصیل صفحہ نمبر 85 پر درج ہے۔

### ڈائریکٹروں کا مشاہرہ

لسٹڈ کمپنیز ریگولیشنز 2017ء اور 2019ء (کوڈ آف کارپوریٹ گورننس) اور کمپنی کی آرٹیکلز آف ایسوسی ایشن کے تقاضوں کے مطابق نان ایگزیکٹو ڈائریکٹروں (بشمول آزاد ڈائریکٹرز) کے مشاہرے کی پالیسی بورڈ آف ڈائریکٹرز نے منظور کی ہے۔

### اس پالیسی کے خاص نکات یہ ہیں:

- کمپنی اپنے نان ایگزیکٹو ڈائریکٹروں (بشمول آزاد ڈائریکٹرز) کو کوئی مشاہرہ ادا نہیں کرے گی ماسوائے اس مینٹنگ فیس کے جو بورڈ اور اس کی کمیٹیوں کی مینٹنگوں میں شرکت پر ادا کی جائے گی۔
- بورڈ آف ڈائریکٹرز یا اس کی کمیٹیوں کے اجلاسوں میں شرکت پر کسی ڈائریکٹر کا مشاہرہ وقتاً فوقتاً طے کیا جائے گا اور اس کی منظوری بورڈ آف ڈائریکٹرز دے گا۔
- بورڈ، اس کی کمیٹیوں کے اجلاسوں اور/یا کمپنی کے سالانہ اجلاس عام میں شرکت کی بنا پر کسی ڈائریکٹر کو سفر، قیام و طعام اور دیگر جو اخراجات برداشت کرنے پڑیں گے وہ فراہم کئے جائیں گے یا ادا کئے جائیں گے۔

### بورڈ کی قدر پیمائی

سال کے دوران بورڈ آف ڈائریکٹرز نے بورڈ اور اس کی کمیٹیوں اور اس کے ارکان بشمول چیئرمین کی قدر پیمائی کرانے کے لئے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کا تقرر کیا۔

### بیرونی کنسلٹنٹ کی تفصیلات

پی آئی سی جی ایک غیر منافع بخش کمپنی ہے جو پاکستان میں کارپوریٹ نظم و نسق کی عمدہ روایت کو فروغ دینے کے کام میں مشغول ہے۔

- کمپنی کے آپریٹنگ نتائج میں گزشتہ برس کے مقابلے میں ہونے والی بڑی تبدیلیوں کی نشاندہی اور وضاحت کردی گئی ہے۔

- ضوابط برائے کارپوریٹ نظم و نسق میں دیئے گئے معیار کے مطابق ڈائریکٹرز ٹریننگ پروگرام کے تحت تین ڈائریکٹر سند یافتہ ہیں، کمپنی کے 2 ڈائریکٹرز، ڈائریکٹرز ٹریننگ پروگرام کی شرط سے مستثنیٰ ہیں۔ بورڈ کے تمام ڈائریکٹرز ایک کارپوریٹ ادارے کے ڈائریکٹرز کے طور پر اپنے فرائض و ذمہ داریوں سے پوری طرح آگاہ ہیں۔

- واجب الادا قرضے، اگر ہوں تو، مالی گوشواروں میں مناسب طور پر ظاہر کر دیئے گئے ہیں۔

- عملے کے ریٹائرمنٹ فنڈ سے کی جانے والی سرمایہ کاری کی مالیت کی تفصیل مالی گوشواروں کے مطابق درج ذیل ہیں۔

مالیت (ملین روپے میں)

- اے ایل پی ایل پنشن فنڈ  
(31 دسمبر 2018ء کو ختم ہونے والے سال کی بنیاد پر) - آڈٹ شدہ 3,518

- اے ایل پی ایل پراویڈنٹ فنڈ  
(31 دسمبر 2018ء کو ختم ہونے والے سال کی بنیاد پر) - آڈٹ شدہ 919

- سال کے دوران بورڈ آف ڈائریکٹرز کے 4 اجلاس ہوئے۔ جن میں ڈائریکٹرز، سی ایف او، کمپنی سیکرٹری کی حاضری کی تفصیلات درج ذیل ہیں:

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

1	جناب منیر اے شیخ	4
2	سید انیس احمد	4
3	محترمہ سیما خان	3
4	جناب کامران وائی مرزا	3
5	جناب نسیم احمد خان	3
6	جناب احسان علی ملک	4
7	محترمہ زہرہ نقوی	4
8	* جناب جمشید اظہر (سی ایف او)	4
9	** جناب ملک سعادت اللہ (کمپنی سیکرٹری)	4

کمپنی نے دوران سال کارپوریٹ بریفنگ کا ایک سیشن بھی منعقد کیا جس میں حصص یافتگان اور اینالسٹ حضرات کو سوالات کرنے کا موقع دیا گیا، اور انہیں مالی سال 2018ء اور 2019ء کی آپریشنل اور مالی کارکردگی کے بارے میں آگاہ کیا گیا۔

## لسٹڈ کمپنیز ریگولیشنز 2017ء اور 2019ء (کوڈ آف کارپوریٹ گورننس) کی تعمیل

جیسا کہ لسٹڈ کمپنیز ریگولیشنز 2017ء اور 2019ء (کوڈ آف کارپوریٹ گورننس) کا تقاضا ہے، ڈائریکٹرز بہ مسرت درج ذیل بیان کرتے ہیں:

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے کمپنی کے معاملات، آپریشنز کے نتائج، نقد رقوم کے بہاؤ اور ایکویٹی میں تبدیلیوں کی بے لاگ انداز میں تصویر کشی کرتے ہیں۔
- کمپنی کے کھاتوں کو باقاعدگی سے مرتب کیا گیا ہے۔
- مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں مستقلاً اختیار کی گئی ہیں۔ اکاؤنٹنگ کے تخمینے مناسب اور دانشمندانہ 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 تہی کو معقول انداز میں منکشف اور واضح کر دیا گیا ہے۔
- کمپنی کا ایک مستحکم انٹرئل کنٹرول سسٹم موجود ہے، جس سے نقصان یا حقیقی غلط بیانیوں کا خاتمہ یقینی ہو جاتا ہے۔ انٹرئل کنٹرول سسٹم کا باقاعدگی سے جائزہ لیا جاتا ہے۔
- ہم کمپنی کے رو بہ عمل رہنے کی اہلیت کا وثوق کے ساتھ اعلان کرتے ہیں۔

- کارپوریٹ نظم و نسق کی بہترین روایات کی کوئی خلاف ورزی نہیں کی گئی ہے۔

- گذشتہ 6 برس کے کلیدی مالی اور آپریشنل اعداد و شمار کا خلاصہ صفحہ نمبر 104 پر درج ہے۔

- واجب الادا ٹیکس، قانونی چارجز اور ڈیویڈنڈز کو، اگر ہوں تو، مالی

لاگت محدود کرنے کے مؤثر اقدامات کے ذریعے نفع یابی بہتر بنانے کے لئے تمام ممکن کوششیں کر رہی ہے۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز ای وائے فورڈ روڈز، چارٹرڈ اکاؤنٹنٹس ریٹائر ہوئے، اور انہوں نے دوبارہ تقرر کے لئے خود کو پیش کیا۔ بورڈ آف ڈائریکٹرز نے 31 دسمبر 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کے آڈیٹرز کے طور پر ان کے نئے تقرر کی آڈٹ کمیٹی کی سفارش تسلیم کر لی۔

## انتظامیہ میں تبدیلی

سید تابش عصیم کو یکم نومبر 2019ء سے کمپنی کا ”عبوری چیف فنانشیل آفیسر“ مقرر کیا گیا تھا اور 16 جنوری 2020ء سے انہیں چیف فنانشیل آفیسر مقرر کر دیا گیا۔

## حصص داری کا طریق

کمپنی کے حصص داری کے طریق اور اضافی معلومات ظاہر کرنے والا مورخہ 31 دسمبر 2019ء تک کا بیان صفحہ 189 پر درج ہے۔

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

## ہولڈنگ کمپنی

مورخہ 31 دسمبر 2019ء تک ایبٹ ایشیا انویسٹمنٹس لمیٹڈ، برطانیہ کے پاس 76,259,454 حصص تھے۔ حتیٰ ہولڈنگ کمپنی ایبٹ لیبارٹریز، امریکہ ہے۔

## اہم شیئر ہولڈرز کی آراء

بورڈ شیئر ہولڈرز کی آراء جاننے کا ہمیشہ مشتاق رہا ہے۔ سالانہ اجلاس عام میں شیئر ہولڈرز کے تمام سوالات سنے گئے، اور مزید یہ سوالات یا تشویش سے ہمیں آگاہ کرنے کے لئے ویب سائٹ پر دیئے گئے رابطہ نمبروں پر رابطہ کرنے کی حوصلہ افزائی کی جاتی ہے۔

اپنی سپلائی چین کو مستحکم کرنا، اپنے لوگوں کی قدر کرنا اور سماجی مسائل حل کرنا۔

## بزنس پروسیس میں بہتری

آپ کی کمپنی اعلیٰ معیار کی حامل محفوظ اور موثر مصنوعات فراہم کرنے کے لئے کوشاں ہے۔ دوران سال ہم نے اپنی مصنوعات کا معیار بہتر بنانے اور ضوابطی، حفاظتی اور ماحولیاتی تقاضوں کی تعمیل پر توجہ مرکوز رکھی۔ ان اقدامات میں lean transformation، ٹاپ گیئر کمپین اور ٹیکنیکل اسکل ڈیولپمنٹ فورم شامل ہیں۔ اس کے ساتھ ساتھ ہماری یہ کوششیں بھی جاری ہے کہ ہم اپنے معیار کو مزید بلند کرتے ہوئے عالمی ادارہ صحت اور دیگر بین الاقوامی رہنما ہدایات کے عین مطابق کر لیں۔ آپ کی کمپنی نے طویل مدتی ترقی کے پیش نظر استعداد بڑھانے کے لئے سرمایہ کاری کی۔ مزید مثالوں میں تیز رفتار مشینوں کی تنصیب اور سیریلائزیشن پروجیکٹ شامل ہے۔

## مابعد واقعات

کمپنی سیکرٹری کی ریٹائرمنٹ اور 12 جنوری 2020ء سے اس عہدے پر اُن کے نہ ہونے کی بنا پر بورڈ آف ڈائریکٹرز نے ہمایوں الطاف کو 16 جنوری 2020ء سے، کمپنی سیکرٹری مقرر کیا ہے۔

## کاروباری دشواریاں اور مستقبل کا منظر

ہماری بدستور یہی رائے ہے کہ پاکستان کی فارماسیوٹیکل صنعت ملکی معیشت میں حصہ ڈالنے کی بھرپور صلاحیت رکھتی ہے، اور یہ تعاون محض ٹیکس ادائیگی، ملازمتوں کے مواقع کی فراہمی، زر مبادلہ کے حصول تک محدود نہیں ہے بلکہ براہ راست اور بالواسطہ دونوں طرح کے روزگار کے مواقع پیدا کرنا بھی اس میں شامل ہے۔

کمپنی کو مہنگائی اور پاکستانی روپے کی قدر میں کمی کی بنا پر لاگتوں میں تیزی سے اضافے کی دشواری کا بدستور سامنا ہے۔ رواں سال کے دوران پاکستانی روپے کی قدر میں 12 فیصد مزید کمی واقع ہوئی جس سے کمپنی کی لاگت اور منافع پر شدید منفی اثرات پڑے۔ شرح مبادلہ میں حالیہ استحکام خوش آئند ہے، تاہم اگر منظر نامہ بدلا تو روپے کی قدر میں مزید کمی مالی امکانات کو متاثر کرے گی۔

ڈرگ ریگولیٹری اتھارٹی ملک میں دوا سازی کی صنعت کے ضوابط اور ترقی کے لئے ایک اہم کردار ادا کرتی ہے۔ طویل عرصے سے حل طلب نزخوں کے مسئلے کے حل میں اتھارٹی کا کردار خوش آئند ہے۔ نئی ڈرگ پرائسنگ پالیسی جس کا 2018ء کے دوران اعلان کیا گیا، اس میں قیمت بندی (pricing) کے ایسے جائزے شامل ہیں جن میں روپے کی قدر میں غیر معمولی کمی جیسے استثنائی حالات کو بھی مد نظر رکھا گیا ہے جو کہ خوش آئند ہے۔ ہمیں امید ہے کہ ضرورت پڑنے پر اتھارٹی قیمت بندی کے ایسے جائزے بروقت منعقد کرے گی اور نئی مصنوعات کی تیزی سے رجسٹریشن میں صنعت کی مدد کے لئے مستعد رہے گی۔

ہم جوش و جذبے کے ساتھ نئے سال میں داخل ہوئے ہیں، ہم اپنی اہلیت بڑھاتے رہیں گے، اور حکمت عملیوں کا جائزہ لیتے رہیں گے تاکہ انہیں ملکی اور عالمی مارکیٹ میں تبدیل ہوتے ہوئے عوامل کے مطابق ڈھال سکیں۔ آپ کی کمپنی اختراعات، کارگزاری بہتر بنا کر اور

## انسانی وسائل

ہمیں یہ بتاتے ہوئے خوشی محسوس ہوئی ہے کہ آپ کی کمپنی نے باصلاحیت افراد کی development کرنے کے لئے جو اقدامات کرے ہیں، ان سے آپ کی کمپنی کو ناسازگار اور متغیر کاروباری ماحول سے نمٹنے میں آسانی ہوئی۔ یہ بتا کر ہمیں خوشی ہو رہی ہے کہ ملازمت کے لئے بہترین ادارہ (Best Place to Work) کے طور پر ایک بار پھر آپ کی کمپنی کا اعتراف کیا گیا، اور یہ اعزاز پاکستان سوسائٹی آف ہیومن ریسورس مینجمنٹ / انجی ایچ آر کے ایک سروے کے نتیجے میں ملازمین برآں، ایمپلائز اولڈ ایچ مینٹنس انسٹی ٹیوشن (ای او بی آئی)، حکومت پاکستان نے بھی ہمیں ”بہترین تعمیل کرنے والے ایمپلائر“ اداروں میں شامل کیا۔ آپ کی کمپنی نے مختلف تعلیمی اداروں کے ساتھ شراکت بنا کر طلبہ کو ٹرینی شپ اور انٹرن شپ کے تجربات فراہم کئے ہیں۔

## عالمی حیثیت

لیٹ اپنی پیرنٹ کمپنی کی ان اقدار پر عمل پیرا ہے کہ ایک صحت مند، فعال معاشرے کی تعمیر میں ذمہ دار اور مستحکم کاروباری ادارے اہم کردار ادا کرتے ہیں۔ عالمی حیثیت کے حوالے سے ہمارے عزم ہی نے ہمیں وہ راستہ دکھایا ہے جس کے ذریعے ہم کام کرتے ہیں، اسی عزم کی بدولت 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۔ عالمی حیثیت کے حصول کی امنگوں کو مستحکم تصورات میں ڈھالنے کے لئے لیٹ پانچ بنیادی ترجیحات پر توجہ رکھتا ہے: معیار اور تحفظ یقینی بنانا، اپنے ماحول کی حفاظت کرنا،

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

### اندرونی مالی کنٹرولز کا موزوں ہونا

بورڈ آف ڈائریکٹرز نے تمام فنکشنز میں موثر اندرونی مالی کنٹرولز تشکیل دئے ہیں۔ آپ کی کمپنی کا آزادانہ اندرونی آڈٹ ان مالی کنٹرولز پر عمل درآمد کا باقاعدگی سے جائزہ لیتا ہے جبکہ آڈٹ کمیٹی اس کا جائزہ لیتی ہے۔

### قومی خزانے میں ہمارا حصہ

آپ کی کمپنی نے انکم ٹیکس، سسٹم ڈیوٹی اور سیلز ٹیکس سمیت مختلف سرکاری لیویز کی مد میں حکومت کو 5,211 ملین روپے (2018ء : 4,988 ملین روپے) ادا کئے ہیں۔

### ماحول، صحت اور حفاظت (ای ایچ ایس)

ایسٹ ماحول کے لئے اپنی ذمہ داری سے آگاہ ہے۔ دوران سال کمپنی کو فضلے کا اخراج گھٹانے اور مجموعی ماحول بہتر بنانے کے اقدامات کرنے پر climate change adaption ایوارڈ بھی دیا گیا۔ ماضی میں کمپنی نے شمسی توانائی کے پینل سسٹم کے 500 کلو واٹ گرڈ کی تنصیب، فضلاتی پانی کی ٹریٹمنٹ کا پلانٹ اور کمپوسٹنگ مشین بھی لگائی ہیں۔

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

آپ کی کمپنی نے اپنی کارپوریٹ کی سماجی ذمہ داری سے آگاہ رہتے ہوئے، دوران سال کئی غیر منافع بخش فلاحی تنظیموں کو عطیات فراہم کئے۔ ان تنظیموں اور اداروں میں لیٹن رحمت اللہ بٹنی وولنٹ ٹرسٹ (ایل آر بی ٹی)، انڈس اسپتال، سٹین فائونڈیشن (ٹی سی ایف)، پروفیشنل لہجوکیشن فائونڈیشن، پینشنٹ بہبود سوسائٹی برائے آغا خان یونیورسٹی اسپتال، فیملی لہجوکیشن سروسز فائونڈیشن (ایف ای ایس ایف) اور محمدی بلڈ بینک اینڈ تھیلیسیما سینٹر شامل ہیں۔ ہمارے نیوٹریشن ڈویژن نے بچوں کے لئے کئی فلاحی دورے کئے جن میں ایدھی ہوم کے یتیم خانے اور ایس او ایس چلڈرن ولجیز شامل ہیں۔

طرح رقوم کی ہر وقت بہ کفایت دستیابی کو یقینی بنایا جاتا ہے جبکہ فاضل رقم کو سرمایہ کاری کے مختلف طریقوں میں رکھ کر بہتر سے بہتر منافع حاصل کیا جاتا ہے۔

کمپنی فاضل رقوم استعمال کرنے کے حوالے سے محتاط حکمت عملی اختیار کرتی ہے۔ یہ رقوم عموماً شارٹ 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 اظہاریے استعمال کرتی ہے جن میں صنعت کی نمو، ہمسر کمپنیوں کی متعلقہ معیاراتی شعبوں میں پوزیشن، گزشتہ سالوں کی کارکردگی، کلی معاشی اظہاریے اور کمپنی پر اثر انداز ہونے والا کاروباری ماحول شامل ہیں۔

بجٹ بنائے جاتے ہیں اور دوران سال بجٹ کے حوالے سے حقیقی کارکردگی کا باقاعدگی سے جائزہ لیا گیا تاکہ اصلاح کے لئے بروقت اقدامات کئے 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 کئے جائیں۔ کمپنی کا مجموعی انتظام خطر کمپنی کی سینئر انتظامیہ کے پاس ہوتا ہے اور اس کے نتائج بورڈ آف ڈائریکٹرز کے علم میں لائے جاتے ہیں۔ اس کے نتیجے میں کمپنی کو درپیش اسٹریٹجک، مالی، کاروباری اور آپریشنل خطرات کی نشاندہی، ان کی قدر پیمائی اور ازالہ کیا جاتا ہے۔

اس سال کے دوران لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019ء کی سفارشات کے تحت آڈٹ کمیٹی نے کاروباری خطرات اور انہیں دور کرنے کے منصوبے کا مجموعی جائزہ لیا۔ خطرات اور انہیں دور کرنے کے منصوبے کا ایک خلاصہ جائزے کی غرض سے بورڈ کو پیش کیا گیا تھا۔ دوران سال بورڈ نے ایک رسک مینجمنٹ کمیٹی بھی بنائی۔



# ڈائریکٹران کی رپورٹ

## زمرے کے لحاظ سے سیلز اور مارکیٹ کی کارکردگی

فارماسوٹیکل کی سیلز 3.1 فیصد گر گئی جس کا سبب دشوار معاشی اور ضوابطی حالات تھے۔ نیوٹریشنل کی سیلز میں 16 فیصد اضافہ ہوا جبکہ جزل ہیلتھ کیئر، ڈاگناسٹک اور ڈیابٹیس کیئر میں 10.4 فیصد اضافہ ہوا۔

## صنعت کا عمومی جائزہ

فارما ریسرچ کے عالمی ادارے آئی کیو وی آئی اے (جسے پہلے آئی ایم ایس کہا جاتا تھا) کے جاری کردہ ڈیٹا کے مطابق پاکستان میں دوا سازی کی صنعت کا موجودہ حجم 3.03 ارب ڈالر ہے۔ کثیر القومی کمپنیوں کا مارکیٹ شیئر گزشتہ چند برسوں سے بتدریج گھٹ رہا ہے اور اس وقت صرف 31 فیصد ہے۔ پاکستان میں 640 فارما کمپنیاں کام کر رہی ہیں جن میں سے صرف 26 کثیر القومی کمپنیاں ہیں۔ کئی کثیر القومی کمپنیوں نے ان اسباب سے جو ان کی نفع یابی میں رکاوٹ تھے، اپنے آپریشنز سمیٹ لئے ہیں۔ ملکی دوا ساز مارکیٹ میں ایبٹ پاکستان تیسرے نمبر پر ہے اور اس کا موجودہ مارکیٹ شیئر 5.9 فیصد ہے۔

## سرمایہ جاتی اخراجات

کمپنی نے اشیاء سازی کی استعداد بڑھانے، پیداواریت میں اضافے اور پلانٹ کی کارگزاری بہتر بنانے کے لئے سال کے دوران 1,868 ملین روپے کی سرمایہ کاری کی۔

## لیکویڈٹی مینجمنٹ اور رقم کے بہاؤ کی حکمت عملی

اس سال کے دوران عملی سرگرمیوں میں 160 ملین روپے استعمال کئے گئے۔ سال کے اختتام پر کمپنی کے پاس 2,758 ملین روپے کے لیکویڈ فنڈز تھے جس میں نقد رقم / بینک بیلنس اور قلیل مدتی سرمایہ کاریاں شامل ہیں جبکہ سرمایہ جاتی منصوبوں پر لگائی گئی رقوم 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 رقوم کی آمد اور اخراج کا تخمینہ لگایا جاتا ہے اور باقاعدگی کے ساتھ اس کی نگرانی کی جاتی ہے۔ اس

آپ کے ڈائریکٹرز کمپنی کے 31 دسمبر 2019ء کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالی گوشوارے اور اس پر اپنی رپورٹ پیش کرتے ہیں۔

## مالی نتائج

سال کا منافع قبل از ٹیکس	2,510,741
ٹیکس	(1,210,856)
منافع بعد از ٹیکس	1,299,885
دیگر جامع خسارہ - بعد از ٹیکس	(304,130)
گزشتہ سال کا غیر مختص منافع	6,388,746
دستیاب منافع برائے اختصاص	7,384,501

## اختصاص:

حتمی منافع منقسمہ 2018ء فی حصہ 10.0 روپے	(979,003)
آئندہ سال کے لئے غیر مختص منافع	6,405,498

## مالی کارکردگی

مجموعی سیلز میں گزشتہ سال کے مقابلے میں 1.5 فیصد اضافہ ہوا۔ خام منافع کی شرح 33 فیصد سے کم ہو کر 28.3 فیصد رہ گئی جس کا بنیادی سبب پاکستانی روپے کی قدر میں کمی اور مہنگائی کے اثرات تھے۔ قیمتوں کی منظور شدہ ایڈجسٹمنٹ ان دونوں منفی اثرات کو آئینی کرنے کے لئے ناکافی رہیں۔ فروخت اور تقسیم کے اخراجات بڑھنے کا بنیادی سبب مہنگائی، تنخواہوں میں اضافہ اور اشتہارات اور سیلز پروموشن کے اخراجات تھے۔ دیگر اخراجات 33.5 فیصد گر گئے جس کی بنیادی وجہ شرح مبادلہ کے سبب کم نقصانات اور قانونی (statutory) اخراجات میں تخفیف تھی۔ ان تمام وجوہات کی بنا پر سال کا منافع بعد از ٹیکس گزشتہ سال کی نسبت 51.8 فیصد گر گیا۔ فی حصہ آمدنی 13.28 روپے رہی (2018ء : 27.52 روپے)۔

## منافع منقسمہ

ڈائریکٹرز حتمی نقد منافع منقسمہ فی حصہ 7.50 روپے کی سفارش کرتے ہیں (2018ء : 10.00 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.

This year has been marred by a challenging regulatory and economic environment, which saw multiple policy changes relating to policy rate, exchange rate, taxation reforms, custom duties etc., all of which contributed towards the slow down of economic growth. Despite the economic slow down, our 'Nutrition' and 'Others' segments were able to deliver double digits sales growth. Pharmaceuticals sales declined due to current challenging economic and regulatory environment. Our margins continued to be adversely impacted by Rupee devaluation and inflation, though your Company is actively striving 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. The new Drug Pricing Policy notified during 2018 has pricing reviews for exceptional situations such as devaluation which is welcomed. We hope that the Authority will continue conducting such pricing reviews and remain affirmative in helping the industry in speedy registration of new products.

The external factors (PESTLE) that might affect the Company are detailed on page 48. Overall the business continued to progress albeit at a slower pace versus previous years due to reasons mentioned above. We hope that the policy reforms introduced by the Government yield economic stability in the future. Your Company remains committed in making all efforts to improve profitability through innovation, improving efficiency and effective cost-containment initiatives.

### ANALYSIS AND STATUS OF LAST YEAR'S FORWARD LOOKING STATEMENT AND PROJECTS

As stated earlier, the Company during the year faced challenges due to devaluation and inflation which impacted its profitability.

The Company has made significant capital expenditure during the year for the purpose of expanding manufacturing capacity, enhancing productivity and improving plant efficiency. Brief details of the major projects are as follows:

- Liquid and tablet manufacturing capacity upgrades;
- Serialization project to comply with the bar-coding requirement introduced by DRAP; and
- Capital expenditure incurred to enhance GMP compliance.

The Company plans to continue to invest in projects that help it to achieve its desired objectives.

### 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. Macroeconomic indicators 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

**a**  
Abbott



**MACHAR AAP SE DUUR  
REHNE PAR MAJBOOR**

**#MOSPELKHAMOSHI**





# 2019 FINANCIAL REPORT

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## KEY FINANCIAL INDICATORS

		2019	2018
Sales Revenue	Rs. in million	30,156	29,719
Return on Equity	%	9.7%	20.4%
Earnings per share	Rs.	13.28	27.52
Shareholders' Equity	Rs. in million	13,372	13,235
Total Assets Turnover Ratio*	Times	1.47	1.51
Current Ratio	Times	1.80	1.96
Market Capitalisation	Rs. in million	43,740	61,780

\*Calculated on the basis of average assets.

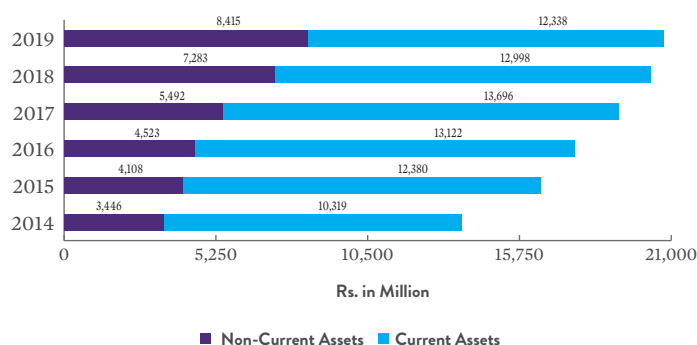
## KEY OPERATING AND FINANCIAL DATA

	December 31,					
	2019	2018	2017	2016	2015	2014
(Rupees in '000)						

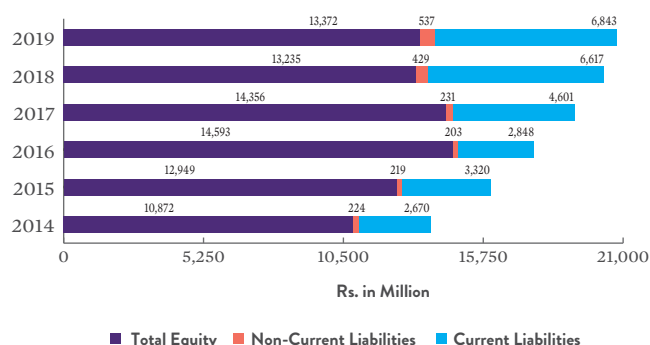
### Statement of Financial Position

Fixed Assets						
- property, plant and equipment	8,267,557	7,191,606	5,419,054	4,443,019	4,017,403	3,359,092
- intangible assets	78,372	24,879	10,650	16,250	21,983	24,395
Other Non-Current Assets	68,889	66,641	62,618	63,764	68,797	62,980
Current Assets	12,337,862	12,998,131	13,695,788	13,122,151	12,380,092	10,319,128
Total Assets	20,752,680	20,281,257	19,188,110	17,645,184	16,488,275	13,765,595
Issued, subscribed and paid-up capital	979,003	979,003	979,003	979,003	979,003	979,003
Capital Reserves	649,470	533,783	459,761	414,380	381,945	339,481
Revenue Reserves	11,743,920	11,722,225	12,917,071	13,199,857	11,588,299	9,553,116
Total Equity	13,372,393	13,235,011	14,355,835	14,593,240	12,949,247	10,871,600
Non-Current Liabilities	537,336	429,124	231,147	203,477	219,144	223,953
Current Liabilities	6,842,951	6,617,122	4,601,128	2,848,467	3,319,884	2,670,042
Total Liabilities	7,380,287	7,046,246	4,832,275	3,051,944	3,539,028	2,893,995
Total Equity and Liabilities	20,752,680	20,281,257	19,188,110	17,645,184	16,488,275	13,765,595

Statement of Financial Position Analysis - Assets



Statement of Financial Position Analysis - Equity and Liabilities



## OPERATING AND FINANCIAL TRENDS

	December 31,					
	2019	2018	2017	2016	2015	2014

(Rupees in '000)

### Statement of Profit or Loss

Net sales	30,155,875	29,719,279	26,088,233	23,387,915	21,170,446	19,692,354
Gross profit	8,527,740	9,801,442	10,088,986	9,367,499	8,227,233	7,550,142
Operating profit	2,563,831	4,359,375	5,852,005	5,593,900	5,012,361	4,323,341
Profit before taxation	2,510,741	4,343,769	5,841,945	5,587,141	5,006,477	4,318,567
Taxation	1,210,856	1,649,436	1,636,713	1,565,349	1,419,741	1,502,255
Profit after taxation	1,299,885	2,694,333	4,205,232	4,021,792	3,586,736	2,816,312
Ordinary cash dividends	734,252*	1,958,006	3,916,012	3,916,012	2,937,009	763,622
EBITDA**	3,573,887	5,096,544	6,459,090	6,128,490	5,496,717	4,758,663

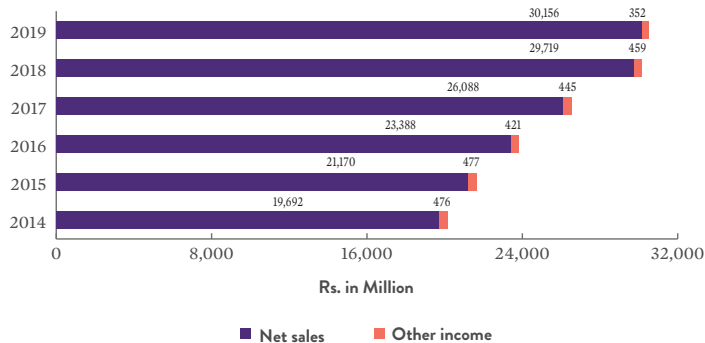
### Statement of Cash Flows

Operating activities	(160,128)	2,937,218	5,764,509	3,119,545	4,062,034	3,331,081
Investing activities	(1,588,010)	(1,928,955)	(1,222,232)	(558,237)	(672,470)	(159,370)
Financing activities	(1,172,479)	(3,901,848)	(3,914,985)	(2,937,792)	(1,450,032)	(687,381)
Cash and cash equivalents at the end of the year	2,757,519	5,678,136	8,571,721	7,944,429	8,320,913	6,381,381

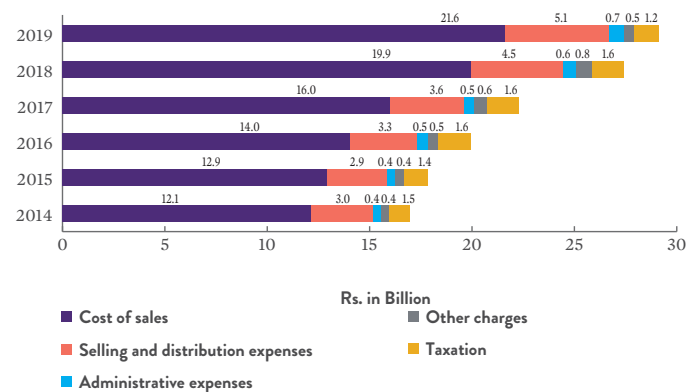
\*Represents final dividend proposed by the Board of Directors subsequent to the year end.

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

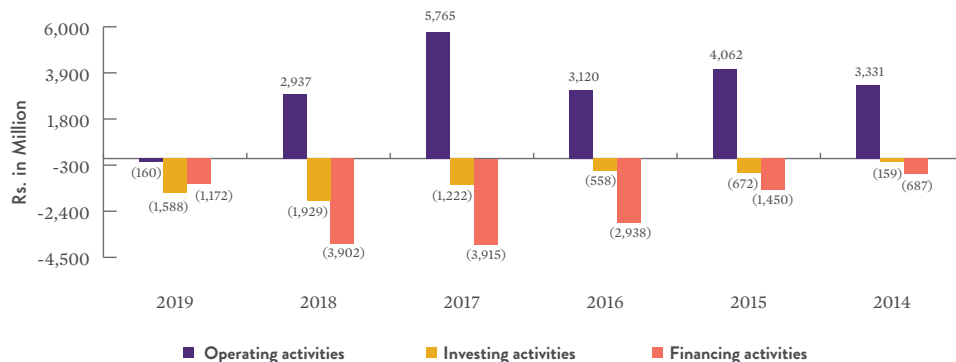
#### Statement of Profit or Loss Analysis - Sales and Other Income



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



#### Statement of Cash Flows Analysis



		December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Ratios							
Unit							
Profitability Ratios							
Gross profit margin	%	28.3%	33.0%	38.7%	40.1%	38.9%	38.3%
Net profit margin	%	4.3%	9.1%	16.1%	17.2%	16.9%	14.3%
EBITDA* margin	%	11.9%	17.1%	24.8%	26.2%	26.0%	24.2%
EBIT margin	%	8.5%	14.7%	22.4%	23.9%	23.7%	22.0%
Return on equity	%	9.7%	20.4%	29.3%	27.6%	27.7%	25.9%
Return on capital employed	%	9.5%	20.0%	29.3%	27.6%	27.7%	25.9%
Return on capital employed (average equity and debt)	%	9.6%	19.4%	29.1%	29.2%	30.1%	28.7%
Return on assets	%	6.3%	13.3%	21.9%	22.8%	21.8%	20.5%
Liquidity Ratios							
Current ratio	Times	1.80	1.96	2.98	4.61	3.73	3.86
Quick / Acid test ratio	Times	0.92	1.30	2.22	3.35	2.85	2.81
Cash to Current Liabilities	Times	0.40	0.86	1.86	2.79	2.51	2.39
Cash flows from operations to Sales	Times	0.05	0.17	0.28	0.21	0.26	0.24
Activity / Turnover Ratios							
No. of days in inventory	Days	88.38	72.42	80.40	84.72	80.75	83.91
No. of days in receivables	Days	12.39	12.64	12.56	10.61	8.27	9.54
No. of days in payables	Days	82.58	76.84	61.14	55.54	54.89	47.59
Inventory Turnover	Times	4.13	5.04	4.54	4.32	4.52	4.35
Debtors Turnover	Times	29.47	28.88	29.06	34.48	44.14	38.28
Creditors Turnover**	Times	4.42	4.75	5.97	6.59	6.65	7.67
Operating Cycle	Days	18.19	8.22	31.82	39.79	34.13	45.86
Total assets turnover ratio (average assets)	Times	1.47	1.51	1.42	1.37	1.40	1.58
Total assets turnover ratio	Times	1.45	1.47	1.36	1.33	1.28	1.43
Fixed assets turnover ratio (average assets)	Times	3.88	4.70	5.28	5.50	5.70	5.96
Fixed assets turnover ratio	Times	3.61	4.12	4.80	5.24	5.24	5.82
Investment / Market Ratios							
Basic / Diluted Earnings per share	Rs.	13.28	27.52	42.95	41.08	36.64	28.77
Price earnings ratio	Times	33.64	22.93	16.24	23.30	17.33	24.70
Dividend yield ratio	%	1.7%	3.2%	5.7%	4.2%	4.7%	1.1%
Dividend payout ratio	Times	0.56	0.73	0.93	0.97	0.82	0.27
Dividend cover ratio	Times	1.77	1.38	1.07	1.03	1.22	3.69
Cash dividend per share	Rs.	***7.50	20.00	40.00	40.00	30.00	7.80
Break-up value per share with / without surplus on revaluation of fixed assets	Rs.	136.59	135.19	146.64	149.06	132.27	111.05
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	43,740	61,780	68,296	93,699	62,167	69,576
Market value per share at the end of the year	Rs.	446.78	631.05	697.61	957.09	635.00	710.68
Market value per share (High)	Rs.	710.00	750.00	1,145.00	984.90	744.42	913.50
Market value per share (Low)	Rs.	302.10	475.00	610.00	575.00	473.19	355.00
Contribution to National Exchequer	Rs. in million	5,211	4,988	3,761	3,728	3,043	2,765
Capital Structure Ratios							
Interest cover ratio	Times	48.29	279.34	581.71	827.62	851.86	905.60
Finance leverage ratio	%	2.9%	1.6%	-	-	-	-
Weighted Average cost of debt	%	11.3%	****6.9%	-	-	-	-
Debt to equity ratio	%	2.2%	1.3%	-	-	-	-

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

\*\*For average accounts payable, the sum of creditors, accrued liabilities, bills payable and payable to related parties has been used.

\*\*\*Represents final dividend 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 and higher selling and distribution expenses.

Profit after Tax decreased by 51.8% compared to prior year. **Gross profit margin** declined to 28.3% versus 33% last year. Net profit margin declined to 4.3% versus 9.1% during 2018.

### 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. 2,757.52 million of cash and cash equivalents as of 31<sup>st</sup> December 2019 to meet its investment and operational cash requirements.

**Current ratio** (2019: 1.80, 2018: 1.96), **quick / acid test ratio** (2019: 0.92, 2018: 1.30) and **cash to current liabilities** (2019: 0.40, 2018: 0.86) have declined versus last year mainly on account of lower cash and bank balances.

### ACTIVITY / TURNOVER RATIOS

**Operating cycle** has increased to 18.19 days in 2019 from 8.22 days in 2018 mainly due to higher stock-in-trade balances as compared to last year.

**Total assets turnover ratio (average assets)** decreased slightly to 1.47 (times) in 2019 from 1.51 (times) in 2018 mainly due to increase in stock-in-trade and fixed assets during the year.

**Fixed assets turnover ratio (average assets)** declined to 3.88 (times) in 2019 from 4.70 (times) in 2018 mainly due to significant capital expenditure during the year.

### INVESTMENT / MARKET RATIOS

**Earnings per share** declined to Rs. 13.28 in 2019 from Rs. 27.52 in 2018 as a result of decrease in profit after tax by 51.8% as mentioned above.

**Price Earnings ratio** improved to 33.64 (times) in 2019 from 22.93 (times) in 2018, mainly due to decrease in earnings per share.

**Dividend yield ratio** declined to 1.7% in 2019 from 3.2% in 2018 due to decrease in dividend per share.

**Dividend payout ratio** decreased to 0.56 (times) in 2019 from 0.73 (times) in 2018, on account of decrease in dividend per share partially offset by decrease in profit after tax.

**Break-up value per share** has increased slightly to Rs. 136.59 in 2019 from Rs. 135.19 in 2018 due to increase in total equity by Rs. 137 million as compared to prior year on account of lower dividends paid during the year.

**Market capitalisation** has decreased to Rs. 43,740 million in 2019 from Rs. 61,780 million in 2018 due to decrease in market price per share to Rs. 446.78 in 2019 from Rs. 631.05 in 2018.

### CAPITAL STRUCTURE ADEQUACY ANALYSIS

Total equity increased by 1.0% to Rs. 13.37 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's capital structure includes lease arrangements, which carries markup at rates ranging from 6-month KIBOR plus 0.5% per annum to 6-month KIBOR plus 3.75% per annum. The long term component is only 1.4% of the total equity and liabilities of the Company.

**Financial leverage ratio** is 2.9% representing the amount of lease obligation of Rs. 381.1 million. The **weighted average cost of debt** of 11.3% has increased over last year driven primarily by increase in interest rates during the year. Additionally, for 2018 the rate was calculated on a pro-rata basis as leasing arrangement was entered into 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 leasing arrangements.

## COMMENTS ON FINANCIAL STATEMENTS

### STATEMENT OF PROFIT OR LOSS

#### SALES

Net sales for the year increased by 1.5% over previous year. Pharmaceutical sales decreased by 3.1% due to a challenging economic and regulatory environment. Nutritional sales increased by 16.0%. General Health Care (GHC), Diagnostic and Diabetes Care cumulatively grew by 10.4%.

#### COST OF SALES

Cost of sales of the Company increased primarily on account of currency devaluation and inflation.

#### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses during the year increased by 12.4% mainly attributable to inflation, higher salaries and increase in advertising and sales promotion expenditure.

#### OTHER CHARGES

Decrease in other charges during the current year by 33.5% is primarily on account of lower exchange losses versus last year and lower statutory charges (WWF, WPPF and CRF).

### STATEMENT OF FINANCIAL POSITION

#### NON-CURRENT ASSETS

Property, plant and equipment has 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 and unfavourable working capital changes. This has been partially offset by increase in inventory balances to cater for future sales requirements.

#### CURRENT LIABILITIES

Trade and other payables have increased slightly over prior year mainly on account of higher accrued liabilities in respect of various goods and services and increase in liability of pension fund due to actuarial loss during the current year.

#### EQUITY

Equity increased slightly from prior year primarily due to profit for the year, partially offset by final dividend for 2018 (Rs. 10.0 per share).

### 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 decreased from prior year primarily due to lower capital expenditure.

#### CASH FLOWS FROM FINANCING ACTIVITIES

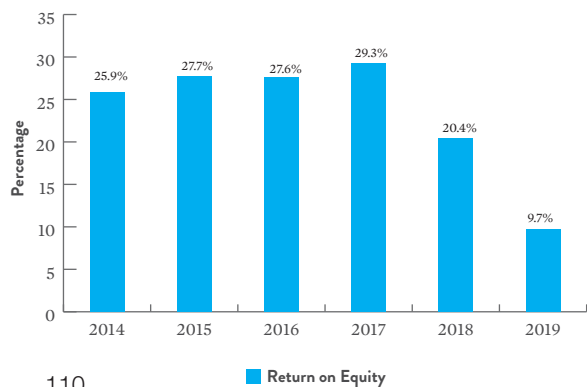
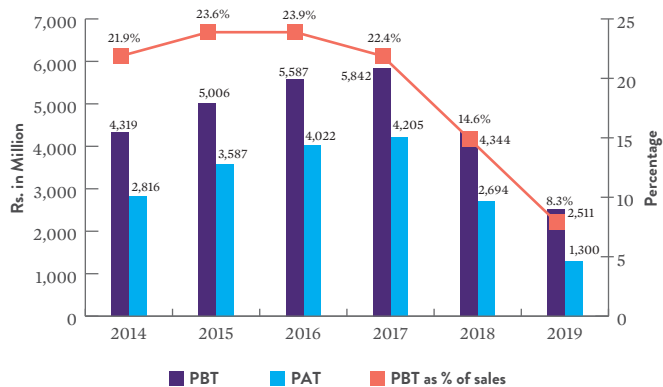
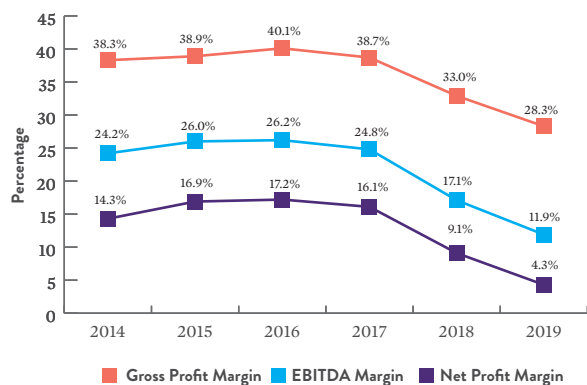
Net cash outflow from financing activities decreased during the current year primarily on account of lower dividend paid during the year.

# STATEMENT OF CASH FLOWS - DIRECT METHOD

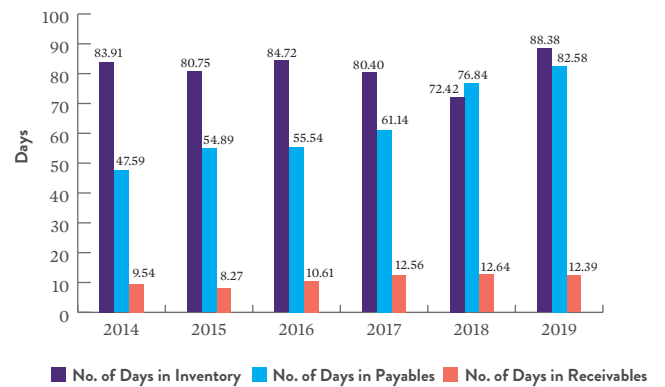
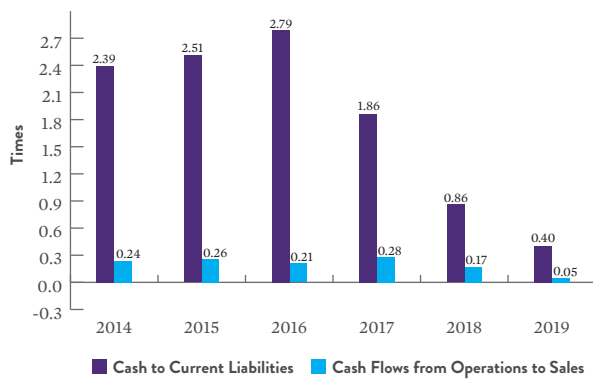
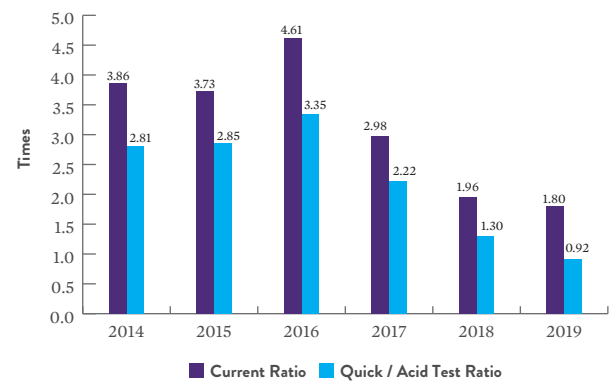
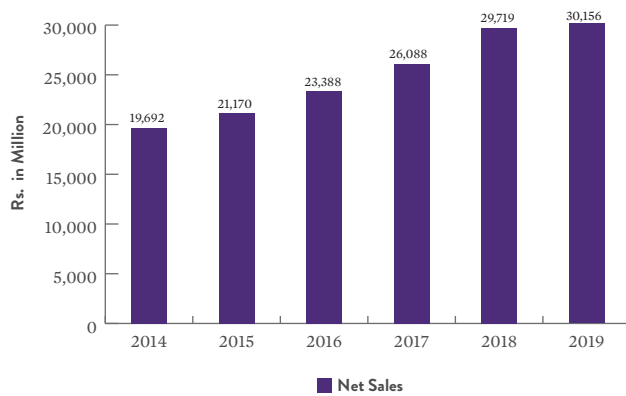
For The Year Ended December 31, 2019

	2019	2018
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	30,538,320	29,436,297
Cash paid to suppliers / service providers	(24,643,198)	(20,337,774)
Cash paid to employees	(3,581,333)	(3,367,910)
Payment of royalty and technical service fee	(164,247)	(172,692)
Payment to retirement funds	(341,733)	(307,214)
Income taxes paid	(1,759,041)	(2,039,277)
Payment of other statutory charges	(209,135)	(274,210)
Long-term prepayments - net	239	(2)
Net cash (outflow) / inflow from operating activities	(160,128)	2,937,218
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,867,504)	(2,321,269)
Acquisition of intangible asset	(63,568)	(24,280)
Sale proceeds from disposal of fixed assets	81,008	41,465
Interest income	262,054	375,129
Net cash outflow from investing activities	(1,588,010)	(1,928,955)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Finance costs paid	(43,001)	(12,801)
Lease rentals paid	(133,092)	(6,117)
Dividends paid	(996,386)	(3,882,930)
Net cash outflow from financing activities	(1,172,479)	(3,901,848)
Net decrease in cash and cash equivalents	(2,920,617)	(2,893,585)
Cash and cash equivalents at the beginning of the year	5,678,136	8,571,721
Cash and cash equivalents at the end of the year	2,757,519	5,678,136

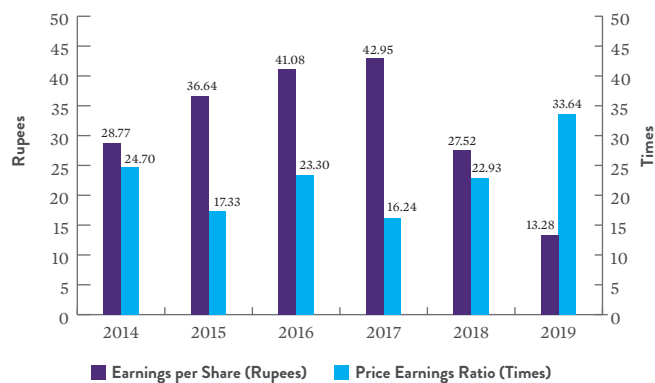
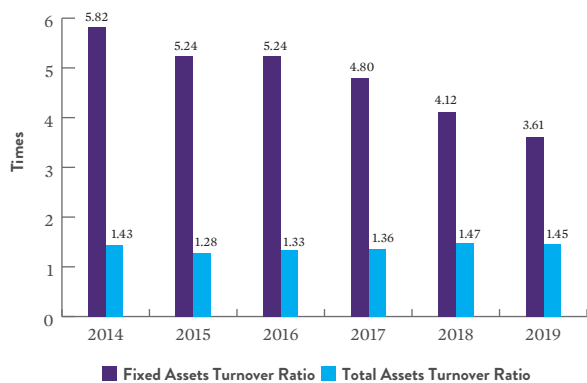
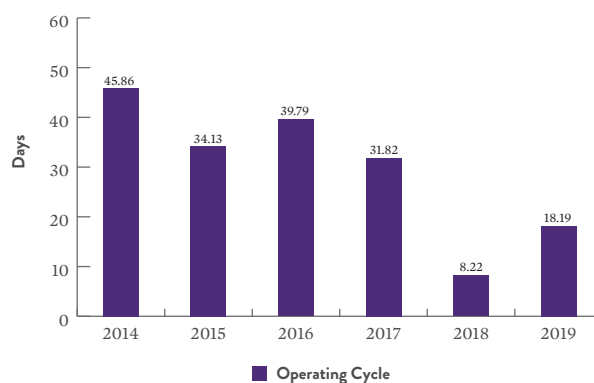
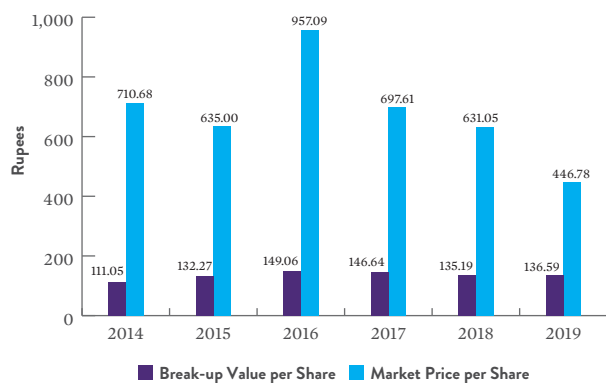
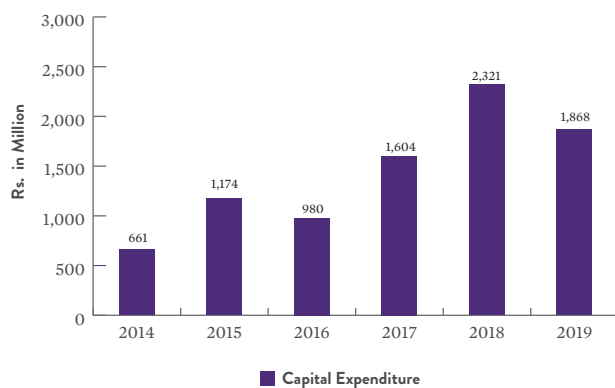
## GRAPHICAL PRESENTATION

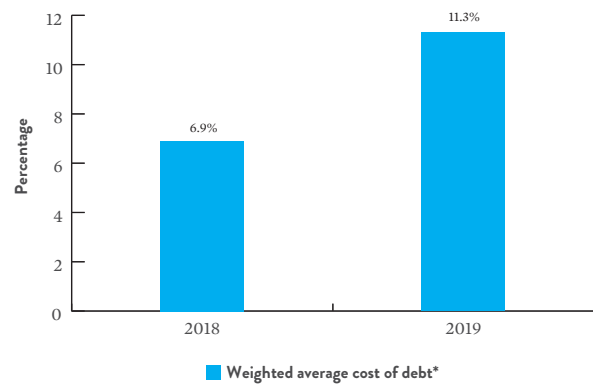
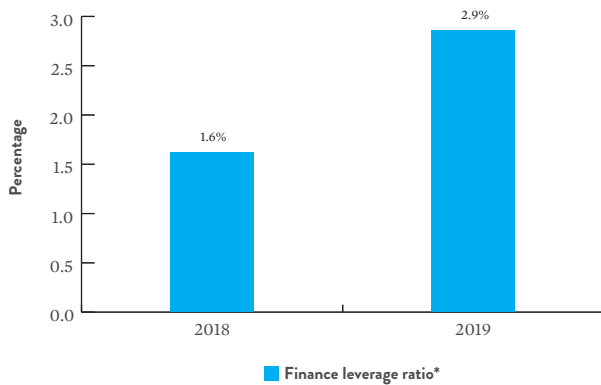
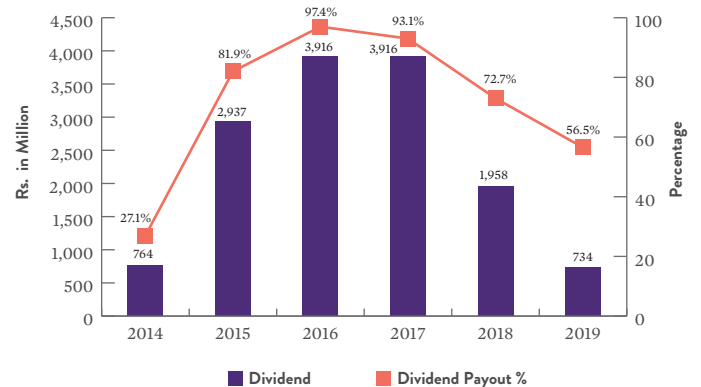
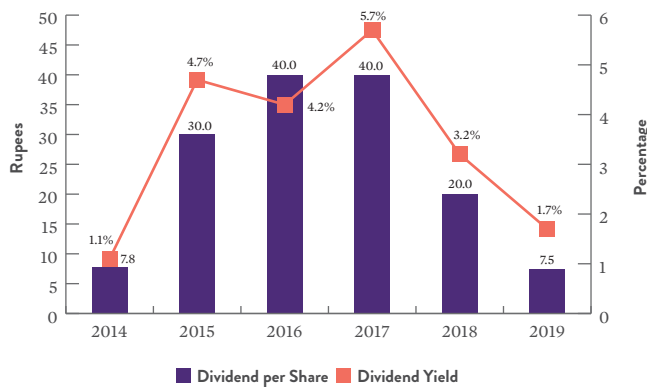






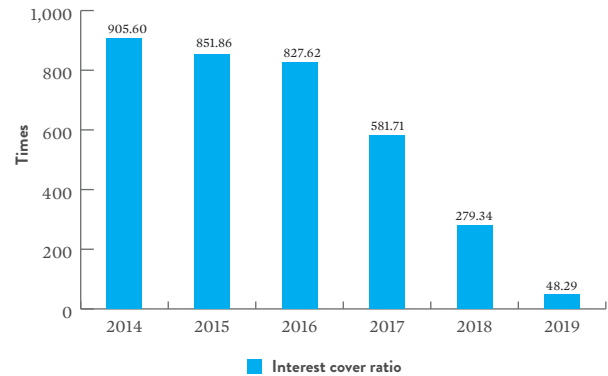
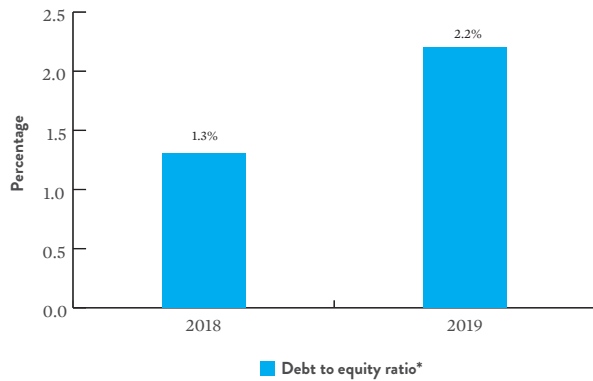
## GRAPHICAL PRESENTATION





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

## GRAPHICAL PRESENTATION



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





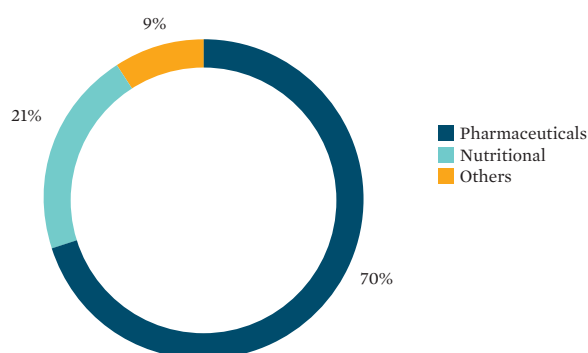
## SEGMENTAL REVIEW

For The Year Ended December 31, 2019

During 2019, overall sales for the Company increased by 1.5%. Gross profit margin for 2019 declined to 28.3% as compared to 33.0% in the preceding year primarily driven by the impact of devaluation of Pakistani Rupee and inflation. Profit After Tax for the year was Rs. 1.30 billion resulting in an EPS of Rs. 13.28 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)

Sales of Pharmaceutical products declined by 3.1% whereby total revenue for the division amounted to Rs. 21.20 billion. Gross profit margin for the business declined to 28.6% from 34.8% driven by devaluation of the Pakistani rupee and inflation. Selling and Distribution expenses increased by 9.7% driven primarily by inflation, higher salaries and sales promotion expenses.

Operating margin for EPD declined to 9.9% from 18.5% due to the reasons mentioned above.

### NUTRITION (ANI)

Revenue for the Nutrition business during 2019 grew by 16.0%. Gross profit margin for the division declined slightly to 24.9% driven by devaluation of the Pakistani rupee. The operating margin of the division declined to 6.3% from 6.8% during 2018.

### OTHERS

Revenue for Others which consists of Diagnostics, Diabetes Care and General Health Care representing 9% of total Company revenue increased by Rs. 259.66 million. It achieved a cumulative Gross profit margin of 33.6% versus 32.2% during the preceding year.

The operating margin of the division declined to 8.5% versus 10.8% last year primarily contributed by increase in selling and distribution expenses.

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

## VERTICAL ANALYSIS

	December 31, 2019		December 31, 2018	
	Rupees in '000	%	Rupees in '000	%
<b>Statement of Financial Position</b>				
Total Equity	13,372,393	64.4	13,235,011	65.3
Non-Current Liabilities	537,336	2.6	429,124	2.1
Current Liabilities	6,842,951	33.0	6,617,122	32.6
Total Equity and Liabilities	20,752,680	100.0	20,281,257	100.0
Non-Current Assets	8,414,818	40.5	7,283,126	35.9
Current Assets	12,337,862	59.5	12,998,131	64.1
Total Assets	20,752,680	100.0	20,281,257	100.0

	December 31, 2019		December 31, 2018	
	Rupees in '000	%	Rupees in '000	%
<b>Statement of Profit or Loss</b>				
Sales - net	30,155,875	100.0	29,719,279	100.0
Cost of sales	21,628,135	71.7	19,917,837	67.0
Gross Profit	8,527,740	28.3	9,801,442	33.0
Selling and distribution expenses	5,061,510	16.8	4,503,521	15.2
Administrative expenses	731,620	2.4	610,885	2.0
Other income	2,734,610	9.1	4,687,036	15.8
Other charges	352,023	1.2	458,654	1.5
Finance costs	53,090	0.2	15,606	0.1
Profit before taxation	2,510,741	8.3	4,343,769	14.6
Taxation	1,210,856	4.0	1,649,436	5.5
Profit for the year	1,299,885	4.3	2,694,333	9.1

Note: Graphical presentation of the Statement of Financial Position and Statement of Profit or Loss is given on Page No. 104-105.

## COMMENT ON VERTICAL ANALYSIS

**Statement of Financial Position:** Equity of the Company has increased slightly on account of profit for the year partially offset by dividend. Non-current liabilities are 2.6% (2018: 2.1%) of the total equity and liabilities and have increased mainly on account of the lease liability. Current liabilities have increased mainly on account of higher accrued liabilities in respect of various good and services and due to the increase in liability for pension fund due to actuarial loss in the current year. Non-current assets are 40.5% (2018: 35.9%) of the total assets, which increased primarily on account of capital expenditure during the year for expanding manufacturing capacity, enhancement of productivity and improvement of plant efficiency. Current assets are 59.5% (2018: 64.1%) of total assets of the Company which decreased mainly due to lower cash and bank balances versus last year.

December 31, 2017		December 31, 2016		December 31, 2015		December 31, 2014	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
14,355,835	74.8	14,593,240	82.7	12,949,247	78.6	10,871,600	79.0
231,147	1.2	203,477	1.2	219,144	1.3	223,953	1.6
4,601,128	24.0	2,848,467	16.1	3,319,884	20.1	2,670,042	19.4
19,188,110	100.0	17,645,184	100.0	16,488,275	100.0	13,765,595	100.0
5,492,322	28.6	4,523,033	25.6	4,108,183	24.9	3,446,467	25.0
13,695,788	71.4	13,122,151	74.4	12,380,092	75.1	10,319,128	75.0
19,188,110	100.0	17,645,184	100.0	16,488,275	100.0	13,765,595	100.0

December 31, 2017		December 31, 2016		December 31, 2015		December 31, 2014	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
26,088,233	100.0	23,387,915	100.0	21,170,446	100.0	19,692,354	100.0
15,999,247	61.3	14,020,416	60.0	12,943,213	61.1	12,142,212	61.7
10,088,986	38.7	9,367,499	40.0	8,227,233	38.9	7,550,142	38.3
3,611,882	13.9	3,258,175	13.9	2,876,407	13.6	2,965,120	15.0
468,172	1.8	450,297	1.9	383,612	1.8	367,379	1.9
6,008,932	23.0	5,659,027	24.2	4,967,214	23.5	4,217,643	21.4
445,317	1.7	420,937	1.8	476,868	2.2	475,693	2.4
602,244	2.3	486,064	2.1	431,721	2.0	369,995	1.9
5,852,005	22.4	5,593,900	23.9	5,012,361	23.7	4,323,341	21.9
10,060	0.0	6,759	0.0	5,884	0.1	4,774	0.0
5,841,945	22.4	5,587,141	23.9	5,006,477	23.6	4,318,567	21.9
1,636,713	6.3	1,565,349	6.7	1,419,741	6.7	1,502,255	7.6
4,205,232	16.1	4,021,792	17.2	3,586,736	16.9	2,816,312	14.3

## COMMENT ON VERTICAL ANALYSIS

**Statement of Profit or Loss:** Gross profit margin of the Company declined to 28.3% from 33.0% in 2018 on account of currency devaluation and inflation. Selling and distribution expenses increased as a percentage of sales mainly driven by inflation, higher salaries and increase in advertising and sales promotion expenditure. Net profit margin of the Company decreased to 4.3% from 9.1% in 2018 mainly on account of depleting gross profit margin (as explained above) and higher selling and distribution expenses.

# HORIZONTAL ANALYSIS

	December 31,					
	2019	2018	2017	2016	2015	2014
(Rupees in '000)						
<b>Statement of Financial Position</b>						
Total Equity	13,372,393	13,235,011	14,355,835	14,593,240	12,949,247	10,871,600
Non-Current Liabilities	537,336	429,124	231,147	203,477	219,144	223,953
Current Liabilities	6,842,951	6,617,122	4,601,128	2,848,467	3,319,884	2,670,042
Total Equity and Liabilities	20,752,680	20,281,257	19,188,110	17,645,184	16,488,275	13,765,595
Non-Current Assets	8,414,818	7,283,126	5,492,322	4,523,033	4,108,183	3,446,467
Current Assets	12,337,862	12,998,131	13,695,788	13,122,151	12,380,092	10,319,128
Total Assets	20,752,680	20,281,257	19,188,110	17,645,184	16,488,275	13,765,595

	December 31,					
	2019	2018	2017	2016	2015	2014
(Rupees in '000)						
<b>Statement of Profit or Loss</b>						
Sales - net	30,155,875	29,719,279	26,088,233	23,387,915	21,170,446	19,692,354
Cost of sales	21,628,135	19,917,837	15,999,247	14,020,416	12,943,213	12,142,212
Gross Profit	8,527,740	9,801,442	10,088,986	9,367,499	8,227,233	7,550,142
Selling and distribution expenses	5,061,510	4,503,521	3,611,882	3,258,175	2,876,407	2,965,120
Administrative expenses	731,620	610,885	468,172	450,297	383,612	367,379
	2,734,610	4,687,036	6,008,932	5,659,027	4,967,214	4,217,643
Other income	352,023	458,654	445,317	420,937	476,868	475,693
Other charges	522,802	786,315	602,244	486,064	431,721	369,995
	2,563,831	4,359,375	5,852,005	5,593,900	5,012,361	4,323,341
Finance costs	53,090	15,606	10,060	6,759	5,884	4,774
Profit before taxation	2,510,741	4,343,769	5,841,945	5,587,141	5,006,477	4,318,567
Taxation	1,210,856	1,649,436	1,636,713	1,565,349	1,419,741	1,502,255
Profit for the year	1,299,885	2,694,333	4,205,232	4,021,792	3,586,736	2,816,312

Note: Graphical presentation of the Statement of Financial Position and Statement of Profit or Loss is given on Page No. 104-105.

## COMMENT ON HORIZONTAL ANALYSIS

**Statement of Financial Position:** Non-current liabilities have increased by 25.2% as compared to last year on account of lease liabilities. Non-current assets have increased by 15.5% over last year on account of capital expenditure for expanding manufacturing capacity, enhancement of productivity and improvement of plant efficiency. Decrease in current assets by 5.1% is mainly on account of lower cash and bank balances.



December 31,					
2019	2018	2017	2016	2015	2014
% increase / (decrease) over preceding year					
1.0	(7.8)	(1.6)	12.7	19.1	24.3
25.2	85.6	13.6	(7.1)	(2.1)	10.0
3.4	43.8	61.5	(14.2)	24.3	20.4
2.3	5.7	8.7	7.0	19.8	23.3
15.5	32.6	21.4	10.1	19.2	5.4
(5.1)	(5.1)	4.4	6.0	20.0	30.6
2.3	5.7	8.7	7.0	19.8	23.3

December 31,					
2019	2018	2017	2016	2015	2014
% increase / (decrease) over preceding year					
1.5	13.9	11.5	10.5	7.5	14.4
8.6	24.5	14.1	8.3	6.6	14.6
(13.0)	(2.9)	7.7	13.9	9.0	14.0
12.4	24.7	10.9	13.3	(3.0)	20.0
19.8	30.5	4.0	17.4	4.4	0.1
(41.7)	(22.0)	6.2	13.9	17.8	11.5
(23.2)	3.0	5.8	(11.7)	0.2	74.2
(33.5)	30.6	23.9	12.6	16.7	0.8
(41.2)	(25.5)	4.6	11.6	15.9	17.2
240.2	55.1	48.8	14.9	23.3	61.5
(42.2)	(25.6)	4.6	11.6	15.9	17.2
(26.6)	0.8	4.6	10.3	(5.5)	29.8
(51.8)	(35.9)	4.6	12.1	27.4	11.4

## COMMENT ON HORIZONTAL ANALYSIS

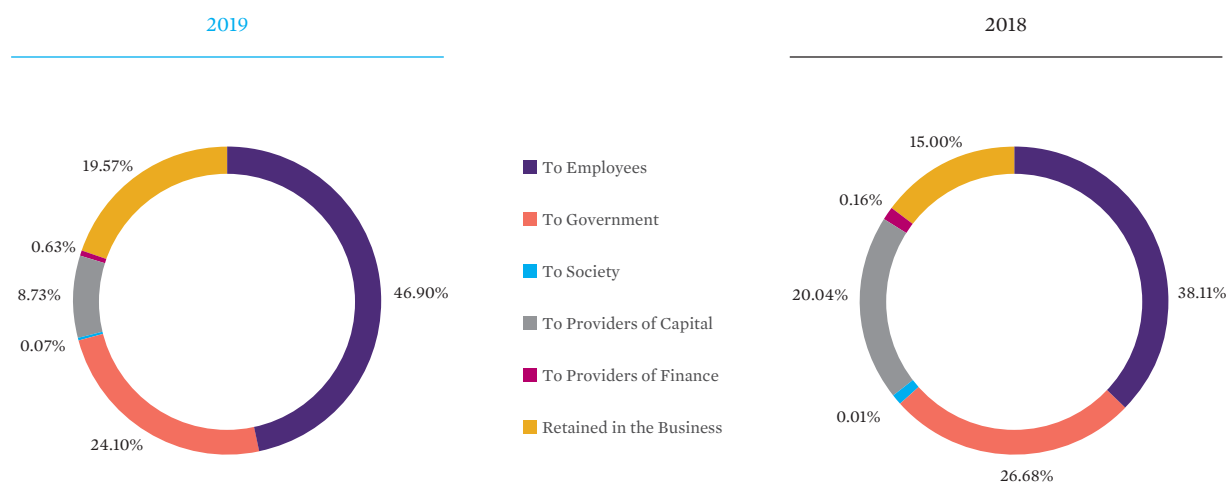
**Statement of Profit or Loss:** Net sales for the year increased by 1.5% over previous year. Cost of sales increased by 8.6% mainly on account of currency devaluation and inflation. Selling and distribution expenses increased by 12.4% mainly driven by inflation, higher salaries and increase in advertising and sales promotion expenditure. Other charges decreased by 33.5% mainly on account of lower exchange losses and statutory charges versus last year. The profit after tax of the Company decreased by 51.8% in line with the reasons mentioned above.

# STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

For The Year Ended December 31, 2019

	2019 Rupees '000	%	2018 Rupees '000	%
<b>Wealth Generated</b>				
Total revenue inclusive of sales tax and other income	31,170,091		30,771,066	
Brought-in-materials and services	22,759,135		21,002,107	
	<u>8,410,956</u>	<u>100%</u>	<u>9,768,959</u>	<u>100%</u>
<b>Wealth Distribution</b>				
<b>To Employees</b>				
Salaries, wages, allowances and staff welfare	3,944,936	46.90%	3,722,729	38.11%
<b>To Government</b>				
Income Tax	1,140,396	13.56%	1,657,623	16.97%
Workers' Funds and Central Research Fund	224,200	2.67%	355,553	3.64%
Sales tax and excise duty	662,193	7.87%	593,133	6.07%
	<u>2,026,789</u>	<u>24.10%</u>	<u>2,606,309</u>	<u>26.68%</u>
<b>To Society</b>				
Donations	5,740	0.07%	1,000	0.01%
<b>To Providers of Capital</b>				
Dividends	*734,252	8.73%	1,958,006	20.04%
<b>To Providers of Finance</b>				
Finance costs	53,090	0.63%	15,606	0.16%
<b>Retained in the Business</b>				
Depreciation and amortisation	1,010,056	12.01%	737,169	7.55%
Actuarial (Gain) / Loss	374,590	4.45%	(35,020)	-0.36%
Added to / (Utilised from) Unappropriated profit for distribution	261,503	3.11%	763,160	7.81%
	<u>1,646,149</u>	<u>19.57%</u>	<u>1,465,309</u>	<u>15.00%</u>
	<u>8,410,956</u>	<u>100.00%</u>	<u>9,768,959</u>	<u>100.00%</u>

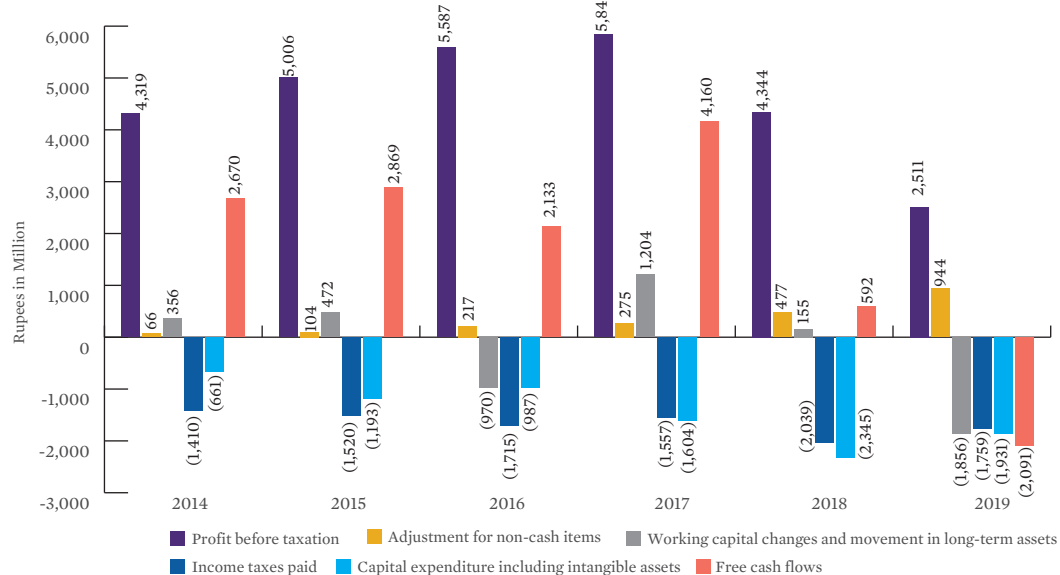
\*Dividends represents final dividend proposed by the Board of Directors subsequent to the year end.



## FREE CASH FLOWS

	December 31,					
	2019	2018	2017	2016	2015	2014
	(Rupees in '000)					
Profit before taxation	2,510,741	4,343,769	5,841,945	5,587,141	5,006,477	4,318,567
<b>Adjustment for non-cash items</b>						
Depreciation	881,746	722,641	601,485	522,357	463,444	418,102
Right-of-use assets	107,339	4,477	-	-	-	-
Amortisation	10,075	10,051	5,600	12,233	20,912	17,220
(Gain) / Loss on disposal and write-off of property plant & equipment	11,350	(2,302)	15,350	(4,354)	(10,857)	(7,547)
Interest income	(260,485)	(370,491)	(371,598)	(394,844)	(448,150)	(437,971)
Expense recognised in statement of profit or loss in respect of equity-settled share-based compensation	115,687	74,022	45,381	32,435	42,464	39,451
Pension retirement benefit	25,115	23,457	(31,427)	42,312	30,358	31,753
Finance costs	53,090	15,606	10,060	6,759	5,884	4,774
	943,917	477,461	274,851	216,898	104,055	65,782
Working capital changes	(1,853,497)	159,288	1,203,128	(974,650)	477,382	375,287
Income taxes paid	(1,759,041)	(2,039,277)	(1,556,561)	(1,714,877)	(1,520,063)	(1,409,639)
Long-term loans and advances	(2,487)	(4,021)	(1,334)	2,058	(5,508)	(14,308)
Long-term deposits	-	-	(38)	-	130	(3,502)
Long-term prepayments	239	(2)	2,518	2,975	(439)	(1,106)
	(3,614,786)	(1,884,012)	(352,287)	(2,684,494)	(1,048,498)	(1,053,268)
Net cash generated from operating activities	(160,128)	2,937,218	5,764,509	3,119,545	4,062,034	3,331,081
Capital expenditure	(1,867,504)	(2,321,269)	(1,604,089)	(980,258)	(1,174,097)	(661,443)
Acquisition of intangible assets	(63,568)	(24,280)	-	(6,500)	(18,500)	-
Free cash flows	(2,091,200)	591,669	4,160,420	2,132,787	2,869,437	2,669,638

## GRAPHICAL PRESENTATION OF FREE CASH FLOWS



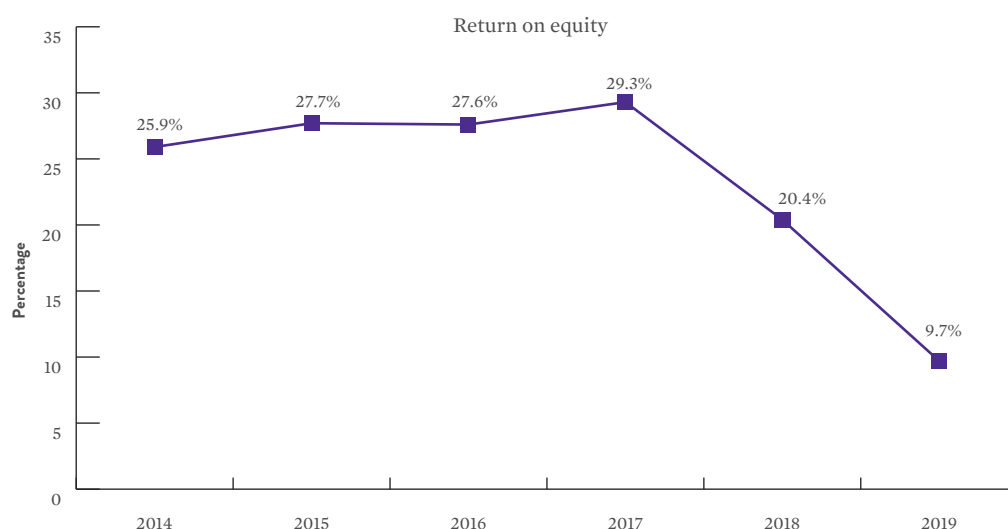
## COMMENT ON FREE CASH FLOWS

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 and unfavourable working capital changes, driven primarily by increase in stock-in-trade.

## DUPONT ANALYSIS

	December 31,					
	2019	2018	2017	2016	2015	2014
EBIT Margin	8.5%	14.7%	22.4%	23.9%	23.7%	22.0%
Asset turnover (average assets)	1.47	1.51	1.42	1.37	1.40	1.58
Interest burden / efficiency	97.9%	99.6%	99.8%	99.9%	99.9%	99.9%
Tax burden / efficiency	51.8%	62.0%	72.0%	72.0%	71.6%	65.2%
Leverage	1.53	1.49	1.28	1.17	1.17	1.15
Net profit margin	4.3%	9.1%	16.1%	17.2%	16.9%	14.3%
Return on equity	9.7%	20.4%	29.3%	27.6%	27.7%	25.9%

## GRAPHICAL PRESENTATION OF DUPONT ANALYSIS

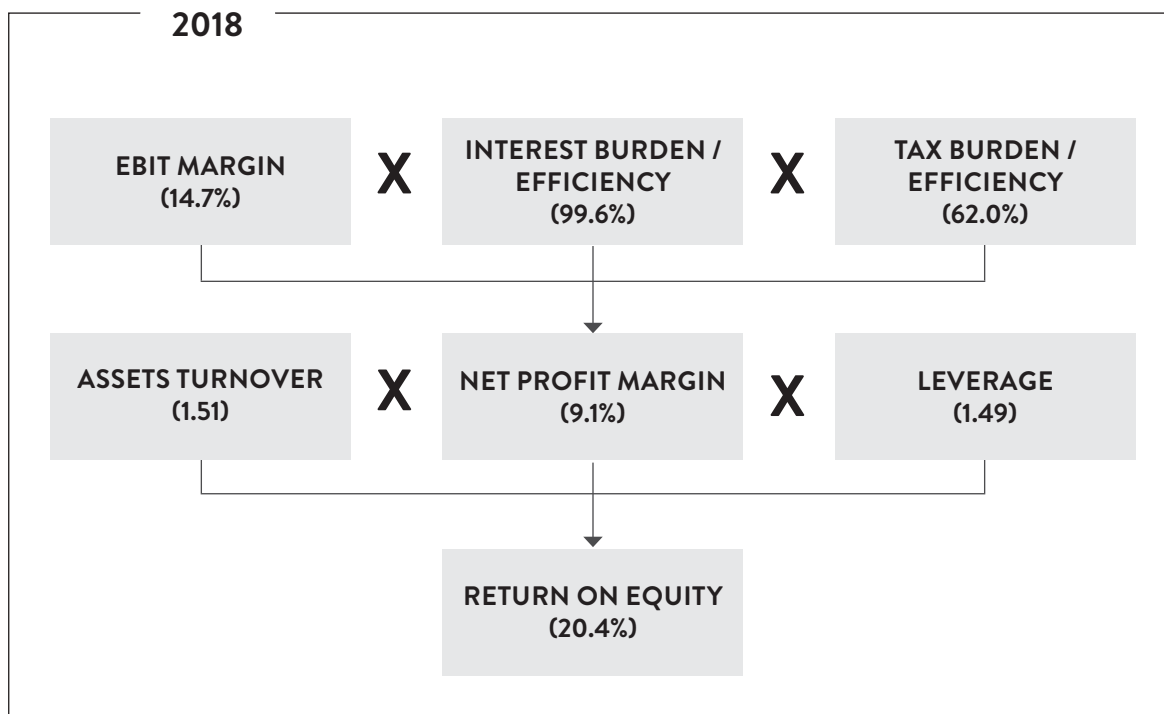
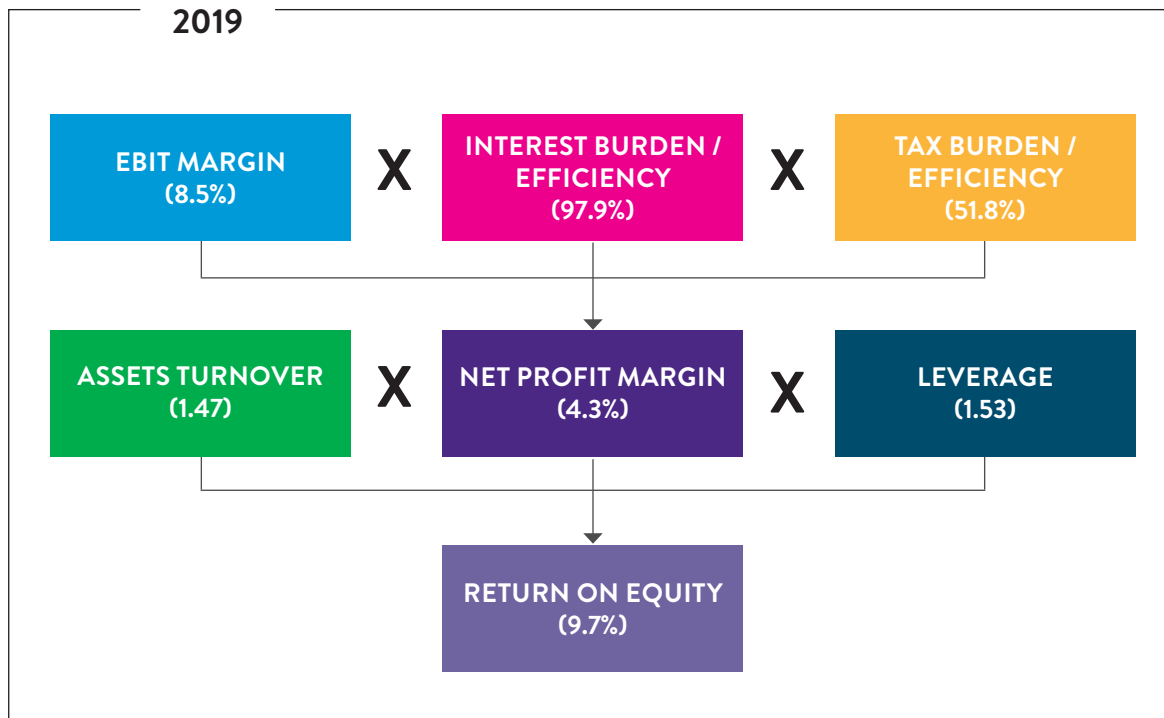


## COMMENT ON DUPONT ANALYSIS

Return on equity has declined to 9.7% from 20.4% during 2019 driven by devaluation of Pakistani Rupee coupled with inflation. Interest burden / efficiency deteriorated on account of increasing proportion of lease liabilities in the Company's capital structure versus last year. Tax efficiency has deteriorated mainly on account of the higher tax under the final tax regime. Assets turnover decreased to 1.47 in 2019 from 1.51 in 2018 mainly due to increase in stock-in-trade and capital expenditure incurred during the year.



## DUPONT ANALYSIS

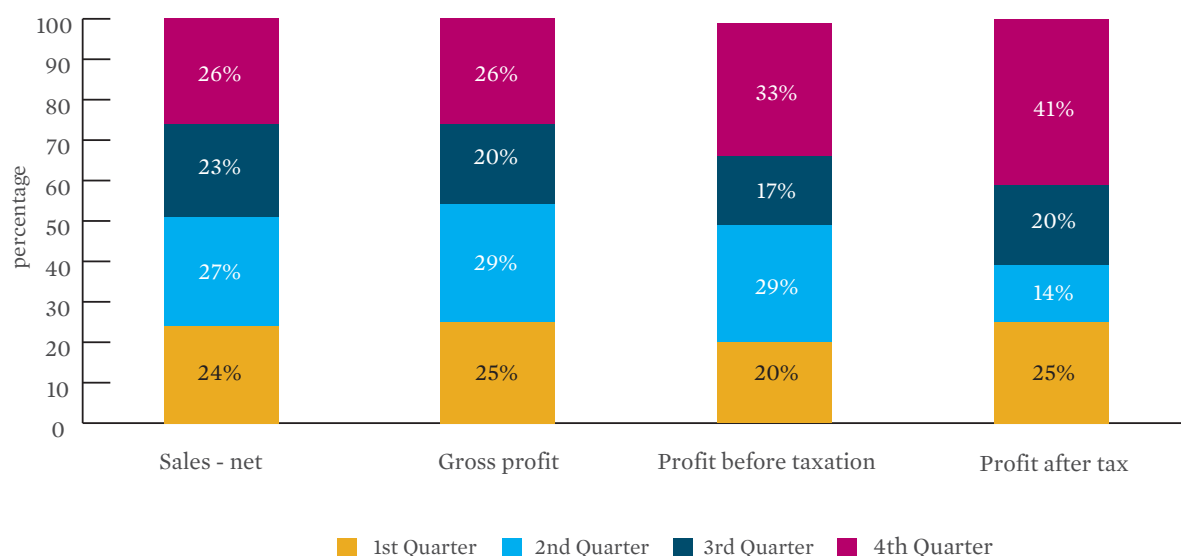


## QUARTERLY ANALYSIS

For The Year Ended December 31, 2019

	2019				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
----- (Rupees '000) -----					
Sales - net	7,215,799	8,089,723	6,974,831	7,875,522	30,155,875
Cost of sales	5,053,980	5,654,956	5,255,613	5,663,586	21,628,135
<b>Gross profit</b>	<b>2,161,819</b>	<b>2,434,767</b>	<b>1,719,218</b>	<b>2,211,936</b>	<b>8,527,740</b>
Selling and distribution expenses	1,509,108	1,154,764	1,263,603	1,134,035	5,061,510
Administrative expenses	167,560	173,684	135,858	254,518	731,620
Other income	108,293	84,712	54,816	104,202	352,023
Other charges	72,278	442,658	(64,958)	72,824	522,802
	1,640,653	1,686,394	1,279,687	1,357,175	5,963,909
	521,166	748,373	439,531	854,761	2,563,831
Finance costs	8,073	13,403	13,325	18,289	53,090
<b>Profit before taxation</b>	<b>513,093</b>	<b>734,970</b>	<b>426,206</b>	<b>836,472</b>	<b>2,510,741</b>
Taxation	185,424	556,193	160,415	308,824	1,210,856
<b>Profit after tax</b>	<b>327,669</b>	<b>178,777</b>	<b>265,791</b>	<b>527,648</b>	<b>1,299,885</b>

## GRAPHICAL PRESENTATION OF QUARTERLY PERFORMANCE ANALYSIS

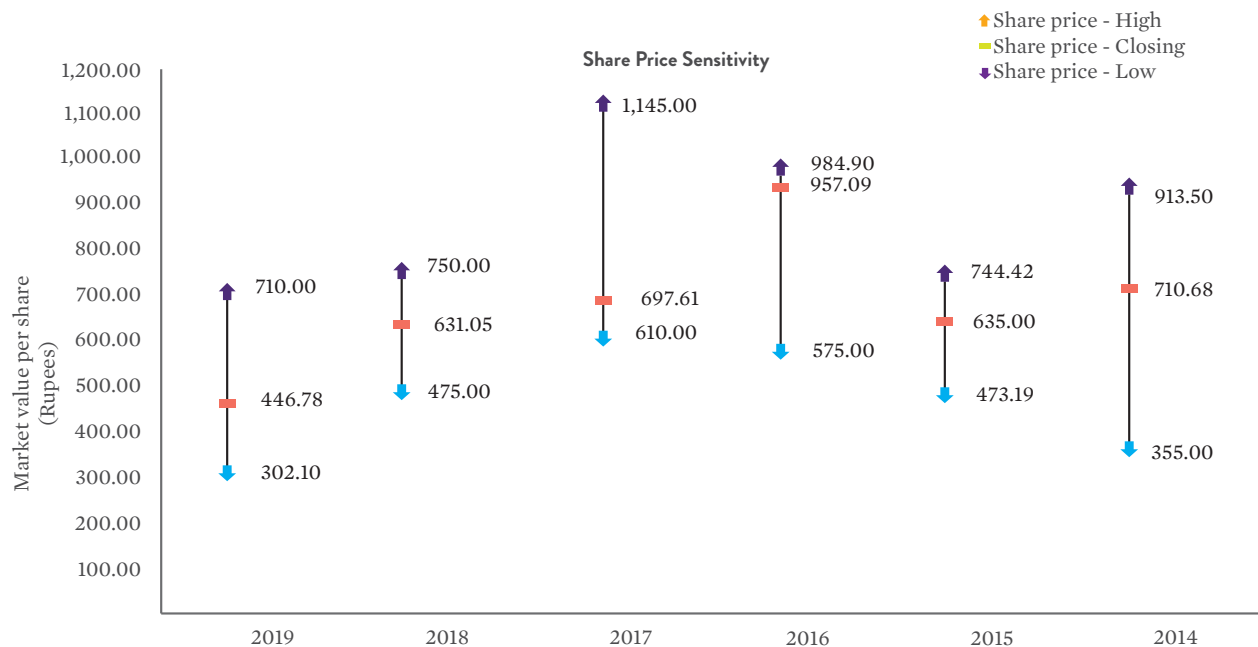


## COMMENT ON QUARTERLY PERFORMANCE ANALYSIS

Sales during the second quarter represented 27% (highest) of total revenue, whereas profit during the same period was only 14% of total profit after tax mainly due to devaluation of the Pakistani Rupee and inflation. Sales during the third quarter was only 23% (lowest) of total revenue, following the challenging economic and regulatory environment. Sales improved during the fourth quarter and represented 26% of total revenue.

## SHARE PRICE SENSITIVITY ANALYSIS

Share price in the stock market moves due to various factors such as company's performance, general market sentiments, economic events and interest rates, etc. Being a responsible and law-compliant Company, Abbott circulates price sensitive information to the Pakistan Stock Exchange (PSX) in accordance with the requirements of the PSX Rulebook in a timely manner. During the current year, Abbott share price touched the peak of Rs 710.00 while the lowest recorded price was Rs 302.10 with a closing price of Rs. 446.78 at the end of the year.



## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

### Abbott Laboratories (Pakistan) Limited for the year ended 31<sup>st</sup> December, 2019

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (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) as per the following:

- 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
Female Directors	Ms. Zehra Naqvi
	Ms. Seema Khan

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;
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 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;
10. The Board has approved appointment of Chief Financial Officer, 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. Chief Financial Officer and Chief Executive Officer 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
Risk Management Committee	Mr. Shamim Ahmad Khan (Chairman)
	Mr. Kamran Y. Mirza
	Syed Anis Ahmed
	Ms. Zehra Naqvi

13. The terms of reference of the Audit Committee and HR & Remuneration Committee have been formed, documented and advised to the committee for compliance. The Risk Management Committee was formed during the current year and its terms of reference are in the process of being finalized and approved;
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: 2
  - c) Risk Management Committee: 1
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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the 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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with;
19. In addition to the mandatory and non-mandatory clauses / regulations stipulated in the Regulations, there are certain regulations / clauses in the Regulations in which word 'may' or 'encouraged' have been used. We understand that these clauses remain recommendatory in nature and therefore, neither fall under mandatory regulations / clauses nor fall into 'comply or explain' approach.  
  
However, the Company may voluntarily comply with such regulations / clauses. As at 31 December 2019, the Company has complied with certain recommendatory regulations / clauses and the Company may consider compliance with remainder of these in future; and
20. All the provisions / regulations of the Listed Companies (Code of Corporate Governance) Regulations, 2017 have also been complied.

By order of the Board



Munir A. Shaikh  
Chairman



Syed Anis Ahmed  
Chief Executive Officer

Karachi: March 02<sup>nd</sup>, 2020



EY Ford Rhodes  
Chartered Accountants  
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## 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, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Abbott Laboratories (Pakistan) Limited** for the year ended **31 December 2019** in accordance with the requirements of regulation 36 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. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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

**Chartered Accountants**

**Place:** Karachi

**Date:** 11 March 2020



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Chartered Accountants  
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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 2019**, 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 2019 and of the profit, the other comprehensive loss, 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 *Auditor's 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 matters	How our audit addressed the key audit matters
<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. 1,055.404 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 the 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 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 standards.</p>
<b>2. 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. 6,049.215 million which constitutes 29% of total assets, as disclosed in note 14 to the financial statements.</p> <p>We focused on stock-in-trade as it is a significant portion of Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation.</p>	<p>Our key audit procedures in this area amongst others included:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Company's process with respect to valuation of stock-in-trade and tested controls relevant to such process.</li> <li>• Tested the net realisable value and valuation methods in accordance with the applicable financial reporting standards.</li> <li>• Tested the calculations of per unit cost of finished goods and assessed the appropriateness of management's basis for the allocation of cost and production overheads.</li> <li>• Assessed the adequacy of the related disclosures in accordance with the applicable financial reporting standards.</li> </ul>

#### Information Other than the Financial Statements and Auditor's 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 auditor's 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.

### Auditor's 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 auditor's 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 auditor's 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 auditor's 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 auditor's 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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 auditor's report is Tariq Feroz Khan.

*EY Feroz Khan*

**Chartered Accountants**

**Place:** Karachi

**Date:** 11 March 2020

## STATEMENT OF FINANCIAL POSITION

As At December 31, 2019

	Note	2019 (Rupees '000)	2018
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital	3	2,000,000	2,000,000
Issued, subscribed and paid-up capital	4	979,003	979,003
Reserves - capital		649,470	533,783
- revenue		11,743,920	11,722,225
<b>Total Equity</b>		<b>13,372,393</b>	<b>13,235,011</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	5	239,609	255,405
Long-term lease liabilities	6	297,727	173,719
<b>Total Non-current Liabilities</b>		<b>537,336</b>	<b>429,124</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	6,710,714	6,510,381
Unclaimed dividends		48,825	66,208
Current maturity of lease liabilities	6	83,412	40,533
<b>Total Current Liabilities</b>		<b>6,842,951</b>	<b>6,617,122</b>
<b>Total Liabilities</b>		<b>7,380,287</b>	<b>7,046,246</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
8			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,752,680</b>	<b>20,281,257</b>



	Note	2019 (Rupees '000)	2018
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
- Property, plant and equipment	9	8,267,557	7,191,606
- Intangible assets	10	78,372	24,879
Long-term loans and advances	11	57,496	55,009
Long-term deposits	12	7,513	7,513
Long-term prepayments		3,880	4,119
<b>Total Non-current Assets</b>		<b>8,414,818</b>	<b>7,283,126</b>
<b>CURRENT ASSETS</b>			
Stores and spares	13	276,322	178,815
Stock-in-trade	14	6,049,215	4,428,893
Trade debts	15	903,829	1,143,015
Loans and advances	16	133,171	147,183
Trade deposits and short-term prepayments	17	559,152	620,876
Interest accrued		6,288	7,857
Other receivables	18	639,215	383,054
Taxation - net		1,013,151	410,302
Cash and bank balances	19	2,757,519	5,678,136
<b>Total Current Assets</b>		<b>12,337,862</b>	<b>12,998,131</b>
<b>TOTAL ASSETS</b>		<b>20,752,680</b>	<b>20,281,257</b>

The annexed notes 1 to 41 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, 2019

	Note	2019 (Rupees '000)	2018
Sales - net	20	30,155,875	29,719,279
Cost of sales	21	21,628,135	19,917,837
Gross profit		8,527,740	9,801,442
Selling and distribution expenses	23	5,061,510	4,503,521
Administrative expenses	24	731,620	610,885
Other charges	25	522,802	786,315
Other income	26	(352,023)	(458,654)
		5,963,909	5,442,067
		2,563,831	4,359,375
Finance costs	27	53,090	15,606
Profit before taxation		2,510,741	4,343,769
Taxation	28	1,210,856	1,649,436
Profit for the year		1,299,885	2,694,333
		(Rupees)	
Earnings per share - basic / diluted	29	13.28	27.52

The annexed notes 1 to 41 form an integral part of these financial statements.

  
 Chief Executive

  
 Director

  
 Chief Financial Officer

**STATEMENT OF COMPREHENSIVE INCOME**


For The Year Ended December 31, 2019

	Note	2019 (Rupees '000)	2018
Profit for the year		1,299,885	2,694,333
Other comprehensive income for the year			
Items that will not to be reclassified subsequently to the statement of profit or loss:			
- Actuarial (losses) / gains on the defined benefit pension plan	22.1.2	(374,590)	35,020
- Tax on actuarial (losses) / gains		70,460	(8,187)
Other comprehensive (loss) / income - net of tax		(304,130)	26,833
Total comprehensive income for the year		<u>995,755</u>	<u>2,721,166</u>

The annexed notes 1 to 41 form an integral part of these financial statements.

  
 Chief Executive

  
 Director

  
 Chief Financial Officer

## STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2019

	Note	2019 (Rupees '000)	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	30	1,601,161	4,980,518
Income taxes paid		(1,759,041)	(2,039,277)
Long-term loans and advances		(2,487)	(4,021)
Long-term prepayments		239	(2)
Net cash (used in) / generated from operating activities		(160,128)	2,937,218
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(1,867,504)	(2,321,269)
Acquisition of intangible assets		(63,568)	(24,280)
Sale proceeds from disposal of property, plant and equipment		81,008	41,465
Interest income		262,054	375,129
Net cash used in investing activities		(1,588,010)	(1,928,955)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance costs paid		(43,001)	(12,801)
Lease rentals paid		(133,092)	(6,117)
Dividends paid		(996,386)	(3,882,930)
Net cash used in financing activities		(1,172,479)	(3,901,848)
Net decrease in cash and cash equivalents		(2,920,617)	(2,893,585)
Cash and cash equivalents at the beginning of the year		5,678,136	8,571,721
Cash and cash equivalents at the end of the year	19	2,757,519	5,678,136

The annexed notes 1 to 41 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, 2019

	Reserves						
	Capital Reserves			Revenue Reserves		Total	Total Equity
	Share Capital	Reserve Arising on Merger	Other- (Note 2.22)	General Reserve	Un-appropriated Profit		
	(Rupees '000)						
Balance as at January 1, 2018	979,003	46,097	413,664	5,338,422	7,578,649	13,376,832	14,355,835
Transactions with owners, recorded directly in equity							
Final dividend for the year ended December 31, 2017 @ Rs. 30 per share	-	-	-	-	(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
Total comprehensive income for the year ended December 31, 2018							
Profit for the year	-	-	-	-	2,694,333	2,694,333	2,694,333
Other comprehensive income for the year, net of tax	-	-	-	-	26,833	26,833	26,833
Total comprehensive income for the year	-	-	-	-	2,721,166	2,721,166	2,721,166
Balance as at December 31, 2018	979,003	46,097	487,686	5,338,422	6,383,803	12,256,008	13,235,011
Balance as at December 31, 2018	979,003	46,097	487,686	5,338,422	6,383,803	12,256,008	13,235,011
Impact of initial application of IFRS 9 (note 2.1.3)	-	-	-	-	4,943	4,943	4,943
Balance as at January 01, 2019 - adjusted	979,003	46,097	487,686	5,338,422	6,388,746	12,260,951	13,239,954
Transactions with owners, recorded directly in equity							
Final dividend for the year ended December 31, 2018 @ Rs. 10 per share	-	-	-	-	(979,003)	(979,003)	(979,003)
Capital contribution from Abbott Laboratories, USA	-	-	115,687	-	-	115,687	115,687
Total comprehensive income for the year ended December 31, 2019							
Profit for the year	-	-	-	-	1,299,885	1,299,885	1,299,885
Other comprehensive loss for the year, net of tax	-	-	-	-	(304,130)	(304,130)	(304,130)
Total comprehensive income for the year	-	-	-	-	995,755	995,755	995,755
Balance as at December 31, 2019	979,003	46,097	603,373	5,338,422	6,405,498	12,393,390	13,372,393

The annexed notes 1 to 41 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, 2019

### 1. THE COMPANY AND ITS OPERATIONS

Abbott Laboratories (Pakistan) Limited (the Company) is a public limited Company incorporated in Pakistan on July 02, 1948, and its shares are quoted on the Pakistan Stock Exchange 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 branded generic 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	8 <sup>th</sup> 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 Kanjran, 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.

##### 2.1.2 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.

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

#### New Standards, Interpretations and Amendments

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

#### Standard or Interpretation:

- IFRS 9 - Financial Instruments: Classification and Measurement
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 16 - Leases
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)

- IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)
- IFRIC 23 - Uncertainty over income tax treatments

#### Improvements to Accounting Standards Issued by the IASB in December 2017

- IFRS 3 - Business Combinations - Previously held Interests in a joint operation
- IFRS 11 - Joint Arrangements - Previously held Interests in a joint operation
- IAS 12 - Income Taxes - Income tax consequences of payments on financial instruments classified as equity
- IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalisation

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Company's financial statements except for IFRS 9, IFRS 15 and IFRS 16. The impact of adoption of IFRS 9, IFRS 15 and IFRS 16 are described below:

- a) IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The initial application date of IFRS 9 was July 01, 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP). During February 2019, the SECP modified the effective date for applicability of IFRS 9 in place of IAS 39 as reporting period / year ending on or after June 30, 2019. The Company has adopted IFRS 9 from January 01, 2019 using the modified retrospective approach.

The Company's financial assets mainly comprise of long term loans, long term deposits, trade debts, loans, trade deposits, interest accrued, certain portion of other receivables, cash and bank balances held with commercial banks.

IFRS 9 retains but simplifies the measurement model and establishes the measurement categories of financial asset: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets.

Further, the adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred loss model approach with a forward-looking Expected Credit Loss (ECL) approach.

ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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

Comparative balances of financial assets have been measured in accordance with IAS-39 (refer note 2.8 & 2.9). The effect of adopting IFRS 9 on the classification and the carrying amounts of the financial assets as at January 01, 2019 are as follows:

Financial Assets	Original Category under IAS 39	New category under IFRS 9	Carrying amount under IAS 39 as at December 31, 2018	Impact of ECL in opening equity as at January 01, 2019	Carrying amount under IFRS 9 as at January 01, 2019
(Rupees in '000)					
Long-term loans	Loans and receivables	Amortised cost	52,354	-	52,354
Long-term deposits	Loans and receivables	Amortised cost	7,513	-	7,513
Trade debts	Loans and receivables	Amortised cost	1,143,015	4,943	1,147,958
Loans	Loans and receivables	Amortised cost	36,028	-	36,028
Trade deposits	Loans and receivables	Amortised cost	435,759	-	435,759
Interest accrued	Loans and receivables	Amortised cost	7,857	-	7,857
Other receivables	Loans and receivables	Amortised cost	193,456	-	193,456
Cash and bank balances	Loans and receivables	Amortised cost	5,678,136	-	5,678,136

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

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

- b) IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company elected the modified retrospective method of adoption with the date of initial application of January 01, 2019. The Company is principally engaged in the manufacture, import and marketing of branded generic pharmaceutical, nutritional, diagnostic, diabetes care, molecular devices, hospital and consumer products. The Company has assessed that significant performance obligations in contracts with customers is based on transfer of control of related goods and is discharged at that point of time. The transfer of goods takes place upon delivery of goods to customers.

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

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

- c) IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It resulted in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) (refer note 9.6) and a lease liability (refer note 6) to pay rentals are recognised. The only exceptions are short term and low value leases.

The Company has adopted IFRS 16 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. There is no material impact of adoption of IFRS 16 on opening equity of the Company.

The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease as on January 01, 2019.

The lease liabilities as at January 01, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	(Rupees in '000)
Operating lease commitments as at December 31, 2018	110,772
Impact of discounting	(9,925)
Commitments relating to leases previously classified as finance leases	214,252
<b>Total lease liability at January 01, 2019</b>	<b>315,099</b>
Weighted average incremental borrowing rate as at January 01, 2019	7.09%



#### 2.1.4 Standards and amendments to approved accounting standards that are not yet effective

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

Standard or amendments	Effective date (annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	01 July 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

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 1 – First time adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2021

#### 2.1.5 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.

Estimates and Judgments 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) Allowance for expected credit losses on trade debts (note 2.8, 2.20 and 15);
- v) Allowance for expected credit losses on loans (note 2.9, 2.20 and 16);
- vi) Allowance for expected credit losses on other receivables (note 2.8, 2.20 and 18);

## NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2019

- vii) Allowance for expected credit losses on trade deposits (note 2.9, 2.20 and 17);
- viii) Estimates of receivables and payables in respect of staff retirement benefit schemes (note 2.16 and note 22);
- ix) Provision for taxation (note 2.10, note 5 and note 28);
- x) Share based compensation (note 2.22 and 31);
- xi) Contingencies (note 8.1); and
- xii) Leases (note 2.13 and note 6).

### 2.1.6 Shariah related disclosures

As at the reporting date, the Company is listed on 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 less accumulated impairment losses, if any. 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) 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.

#### c) 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.

#### d) 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.

#### e) Capital work-in-progress

This is stated at cost less accumulated 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.

#### f) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease i.e., the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lower of the lease term and the estimated useful lives of the assets, as follows:

- |   |               |
|---|---------------|
| • Vehicles                                  | 4 to 5 years  |
| • Warehouses, sales offices and city office | 3 to 10 years |

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of an asset.

### 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.

Inventory is considered as sample inventory when it is labelled as a sample. The cost of sample inventory is charged to statement of profit or loss when the Company has a right to access those goods.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

### 2.7 Impairment

#### 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.

### 2.8 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised cost less allowance for impairment. An allowance 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.

### 2.9 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.

### 2.10 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 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, if any. 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 Lease liabilities

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the termination option is reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments at the lease commencement date, the Company uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

#### 2.14 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.

#### 2.15 Provisions

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

### 2.16 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 - pension scheme

The Company operates an approved funded pension scheme covering all its permanent employees who joined on or before 30<sup>th</sup> September 2019 and 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 2019 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.

#### Defined benefit plan - gratuity scheme

The Company also operates an approved funded gratuity scheme covering all its permanent employees who joined on or after 1<sup>st</sup> October 2019 and 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". However, no actuarial valuation was carried out since the amount was immaterial.

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.

### 2.17 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.

### 2.18 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.

### 2.19 Revenue from contract with customers

The Company is principally engaged in the manufacture, import and marketing of branded generics pharmaceutical, nutritional, diagnostic, diabetes care, molecular devices, hospital and consumer products. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

The Company enters into contractual arrangements for diagnostic instruments which include provision of assets to customers for the contracted period as well as performance obligations for sale of reagents and other consumables. Such contracts typically include operating lease component and require customers to purchase minimum specified levels of reagents and consumables over the period of the contract. Contract period in such arrangements vary by customer to customer and range up to 7 years. The operating lease revenue component embedded in the sale revenue of reagents and consumables is not contractually distinguishable, however it is estimated to be less than 3 percent of the Company's net sales based on the management's estimate. Accordingly, such revenue is not considered significant to be disclosed separately in these financial statements.

#### Variable consideration

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

In general, the contracts for the sale of goods do not provide customers with a right of return.

## 2.20 Financial instruments – initial recognition and subsequent measurement

### a) Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

### Financial assets at amortised cost (debt instruments)

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

The Company's financial assets at amortised cost includes trade debts, loans, trade deposits, interest accrued, certain portion of other receivables and cash and bank balances.

The Company does not have any debt instruments at fair value through OCI, equity instruments at fair value through OCI and equity instruments at fair value through profit or loss.

### Derecognition

A financial asset, a part of a financial asset or part of a group of similar financial assets is primarily derecognised when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

### Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.



ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade debts, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due, however, in certain cases, the Company also considers a financial asset in default when contractual payments are 360 days past due.

Further, the Company may consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## b) Financial liabilities

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

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

The Company's financial liabilities only include certain portion of trade and other payables.

### Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

### Financial liabilities at amortised cost

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

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

This category generally applies to interest-bearing loans and borrowings.

The Company has not designated any financial liability as at fair value through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2019

### Derecognition

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

### c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 2.21 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 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 branded generic pharmaceutical products registered with the Drug Regulatory Authority of Pakistan.

#### 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.

### 2.22 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

2019	2018		2019	2018
Number of shares			(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

2019	2018		2019	2018
Number of shares			(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, 2019, 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.

	2019	2018
	(Rupees '000)	
Deferred tax liability arising due to accelerated tax depreciation allowance	411,077	342,170
Deferred tax asset arising in respect of provisions	(171,468)	(86,765)
	<u>239,609</u>	<u>255,405</u>

### 6. LEASE LIABILITIES

The Company has a finance lease arrangement with a commercial bank for the purchase of vehicles. The finance lease arrangement carries mark-up at rates ranging from 6-month KIBOR plus 0.5% to 6-month KIBOR plus 1% per annum (December 31, 2018: 6-month KIBOR plus 0.5%). The contract enforces certain covenants including but not limited to the conditions of the vehicles and rights of assignment.

The Company also has lease contracts for warehouses, sales offices and City Office used in its operations. These leases generally have lease terms between 3 to 10 years. In general, the Company is restricted from assigning and subleasing the leased assets. These lease contracts include extension and termination options subject to the mutual consent of the Company and the Lessors. The Company is bound by certain covenants which includes but are not limited to payment of certain taxes and to exercise reasonable care.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

	2019			2018		
	Minimum lease payments	Financial charge for future periods	Present value of minimum lease payments (Rupees in '000)	Minimum lease payments	Financial charge for future periods	Present value of minimum lease payments
Not later than one year	130,612	47,200	83,412	58,143	17,610	40,533
Later than one year but not later than five years	369,183	71,456	297,727	206,314	32,595	173,719
	<u>499,795</u>	<u>118,656</u>	<u>381,139</u>	<u>264,457</u>	<u>50,205</u>	<u>214,252</u>

	Note	2019 (Rupees '000)	2018
6.1 Movement of lease liabilities is as follows:			
As at January 1		214,252	-
Impact of initial application of IFRS 16		100,847	-
Additions		195,248	217,564
Accretion of interest		36,980	2,805
Payments		(166,188)	(6,117)
As at December 31		<u>381,139</u>	<u>214,252</u>
Current maturity of lease liabilities		<u>83,412</u>	<u>40,533</u>
Long-term lease liabilities		<u>297,727</u>	<u>173,719</u>

## 7. TRADE AND OTHER PAYABLES

Creditors		607,594	930,787
Accrued liabilities		2,285,801	1,808,962
Bills payable	7.1	1,496,409	2,131,489
Advances from customers		273,117	134,801
Payable to related parties	7.2	283,305	249,245
Central Research Fund		37,605	56,098
Workers' Welfare Fund		208,037	162,292
Staff pension fund	22.1.1	1,055,404	655,699
Provision for Gas Infrastructure Development Cess	7.3	436,629	365,203
Others		26,813	15,805
		<u>6,710,714</u>	<u>6,510,381</u>

## 7.1 Bills payable include the following amounts payable to related parties:

Abbott Diagnostics GmbH	338,140	838,323
Abbott Logistics B.V.	148,942	164,271
Abbott Laboratories (Singapore) PTE Limited	3,927	3,520
Abbott Products Operations AG	252,239	551,844
Abbott Laboratories International Co.	101,512	101,216
Abbott GmbH & Co. KG.	17,910	24,788
Abbott Argentina S.A.	384	345
Abbott S.R.L Italy	11,892	5,762
Abbott Diabetes Care Inc.	82,700	36,380
Abbott Diabetes Care Limited, UK	212,989	84,059
	<u>1,170,635</u>	<u>1,810,508</u>



	2019	2018
	(Rupees '000)	
<b>7.2 Payable to related parties represents the following amounts payable to:</b>		
Abbott International LLC., USA	45,442	50,540
ALSA MERO Office	808	5,101
Abbott B.V. Netherlands	154,028	141,484
Abbott Ireland	176	158
Abbott GmbH & Co. KG.	12,116	10,958
Abbott Laboratories UK Limited	6,917	-
Abbott Logistics B.V.	403	-
Abbott Products Operations AG	63,415	41,004
	<u>283,305</u>	<u>249,245</u>
<b>7.3 Provision for Gas Infrastructure Development Cess:</b>		
Opening provision	365,203	289,305
Charge for the year	71,426	75,898
Closing provision	<u>436,629</u>	<u>365,203</u>

## 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 finalising the Income tax audit proceedings for tax year 2016 issued an order raising a demand of Rs. 106.007 million on various contentions, the most significant of which is that the Company has allegedly paid excessive amounts for importing certain raw materials. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) (CIRA) against the order of DCIR. In 2019, Company's appeal to CIRA in respect of its income tax assessment for tax years 2016 was decided whereby additions amounting to Rs. 81.205 million were decided in favour of the tax department, whilst certain additions were remanded back to the DCIR. The Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the additions to income confirmed by the CIRA whereas the department has filed appeal before the ATIR against the additions to income deleted by CIRA.

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

- 8.1.3 The Additional Commissioner Inland Revenue (ACIR) while finalising 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 filed an appeal with the CIRA against the order of ACIR. During 2019, the Company also paid 10% of the demanded amount to obtain an automatic stay against recovery of the remaining amount. CIRA remanded back the matter to the ACIR under the directions to allow proper opportunity of being heard to the Company. In pursuance of the directions of the CIRA, the ACIR initiated set-aside proceedings against the Company, which have not yet been concluded.

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 Deputy Commissioner Inland Revenue (DCIR) while finalising the income tax audit proceedings for tax year 2014 has issued an order raising a demand of Rs. 298.598 million on various contentions. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) (CIRA) against the order of DCIR. In 2019, Company's appeal to CIRA in respect of its income tax assessment for tax years 2014 was decided whereby additions amounting to Rs. 42.795 million were decided in favour of the tax department, whilst certain additions were remanded back to the DCIR. The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the additions to income confirmed by the CIRA.

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

- 8.1.5 As a result of monitoring of withholding tax for the tax year 2018 (accounting year ended December 31, 2017), the taxation officer has contended that the Company has not deducted tax under the law on certain expenses. DCIR issued an order raising tax demand amounting to Rs. 26.483 million. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) (CIRA) against the order of DCIR. CIR(A) decided one of the matter in favour of the Company amounting to Rs. 25.503 million and deleted the impugned demand. The other matter was decided in favour of the tax department. The department has filed appeal before the ATIR against the additions to income deleted by CIRA.

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

- 8.1.6 During March 2019, the ACIR issued a show-cause notice to the Company u/s 122(9) of the Income Tax Ordinance (ITO), 2001 for tax year 2018. The proceedings were concluded in December 2019 and an order was issued amounting to Rs. 243.572 million on various contentions. Subsequent to the year end, the Company, in line with the advice of its legal and tax advisors has filed a rectification application u/s 221 of the ITO, 2001 an appeal and stay application before the CIRA.

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

- 8.1.7 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 favour.

## 8.2 Commitments

- 8.2.1 Commitments for capital expenditure outstanding amounted to Rs. 357.584 million (2018: Rs. 517.096 million).
- 8.2.2 Commitments in respect of letters of credit outstanding as of statement of financial position date amounted to Rs. 309.195 million (2018: Rs. 946.384 million).
- 8.2.3 The Company has given bank guarantees of Rs. 275.145 million (2018: Rs. 212.758 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. 1,800 million (2018: Rs. 1,320 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 (2018: Rs. 250 million). The running finance / short-term loan carries markup at rates ranging from KIBOR plus 1% to KIBOR plus 2% (2018: 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.

	Note	2019 (Rupees '000)	2018
9. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	9.1	6,608,821	5,786,436
Capital work-in-progress	9.5	1,268,799	1,192,083
Right-of-use assets	9.6	389,937	213,087
		<u>8,267,557</u>	<u>7,191,606</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

## 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	Office equipment	Computers	Service equipment-note 9.2	Total
	(Rupees '000)									
At December 31, 2017										
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
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
Year ended December 31, 2018										
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	-	19,008	1,127,114	1,869,425
Reclassification - cost	-	-	-	-	(12,072)	-	12,072	-	-	-
Disposals / write offs										
Cost	-	-	-	-	23,797	86,979	-	-	4,574	115,350
Depreciation	-	-	-	-	21,766	51,130	-	-	3,291	76,187
	-	-	-	-	2,031	35,849	-	-	1,283	39,163
Depreciation / amortisation charge for the year	-	29	18,328	100	363,177	50,161	6,586	20,537	263,723	722,641
Reclassification - depreciation	-	-	-	-	(11,032)	-	11,032	-	-	-
	-	29	18,328	100	352,145	50,161	17,618	20,537	263,723	722,641
Closing net book value	20,679	1,740	194,352	1,331	3,507,661	235,216	22,819	34,806	1,767,832	5,786,436
At December 31, 2018										
Cost	20,679	2,718	461,570	68,573	6,027,005	425,598	125,429	203,382	2,907,096	10,242,050
Accumulated depreciation / amortisation	-	978	267,218	67,242	2,519,344	190,382	102,610	168,576	1,139,264	4,455,614
Net book value	20,679	1,740	194,352	1,331	3,507,661	235,216	22,819	34,806	1,767,832	5,786,436
Year ended December 31, 2019										
Opening net book value	20,679	1,740	194,352	1,331	3,507,661	235,216	22,819	34,806	1,767,832	5,786,436
Additions / transfers	-	-	-	-	1,080,054	69,937	1,071	52,429	587,297	1,790,788
Disposals / write offs										
Cost	-	-	-	754	136,778	169,775	40,528	-	1,144	348,979
Depreciation	-	-	-	754	123,006	99,887	38,217	-	458	262,322
	-	-	-	-	13,772	69,888	2,311	-	686	86,657
Depreciation / amortisation charge for the year	-	29	17,696	100	422,894	45,899	6,255	20,284	368,589	881,746
Closing net book value	20,679	1,711	176,656	1,231	4,151,049	189,366	15,324	66,951	1,985,854	6,608,821
At December 31, 2019										
Cost	20,679	2,718	461,570	67,819	6,970,281	325,760	85,972	255,811	3,493,249	11,683,859
Accumulated depreciation / amortisation	-	1,007	284,914	66,588	2,819,232	136,394	70,648	188,860	1,507,395	5,075,038
Net book value	20,679	1,711	176,656	1,231	4,151,049	189,366	15,324	66,951	1,985,854	6,608,821
Annual rate of depreciation / amortisation %										
2018	-	1.06	2-10	5-10	5-20	20-25	10-33	20-33	11-33	
2019	-	1.06	2-10	5-10	5-20	20-25	10-33	20-33	11-33	

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



	Note	2019 (Rupees '000)	2018
9.3 The depreciation / amortisation charge for the year on operating fixed assets has been allocated as follows:			
Cost of sales	21	431,481	380,296
Selling and distribution expenses	23	430,872	322,328
Administrative expenses	24	19,393	20,017
		<u>881,746</u>	<u>722,641</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)	Mode of disposal	Particulars of purchaser and relationship	
(Rupees '000)							
Vehicles	1,551	621	621	-	Company Policy	Akif Jan	Employee
	1,683	673	673	-	Company Policy	Farkhanda Naz	Employee
	1,663	665	665	-	Company Policy	Muhammad Abrar	Employee
	1,687	675	675	-	Company Policy	Shaukat Shah	Employee
	1,551	621	621	-	Company Policy	Sikandar Shareef	Employee
	1,661	664	664	-	Company Policy	Shahid Iqbal	Employee
	1,282	513	900	387	Open Market Auction	Umer Abdullah	H. No. D-652, Satellite Town, Rawalpindi
	2,504	1,002	1,002	-	Company Policy	Asghar Huda	Employee
	2,388	955	955	-	Company Policy	Jamal Nasir	Ex-Employee
	1,557	623	623	-	Company Policy	Akbar Wazir Ali	Employee
	1,627	651	651	-	Company Policy	Razi Ur Rehman	Employee
	5,005	2,002	2,002	-	Company Policy	Syed Anis Ahmed	Employee
	2,302	921	921	-	Company Policy	Malik Saadatullah	Employee
	1,663	665	665	-	Company Policy	Asif Hussain	Employee
	1,673	669	669	-	Company Policy	Zafar Hussain	Employee
	2,504	1,002	1,002	-	Company Policy	Jamshed Azhar	Employee
	1,557	623	623	-	Company Policy	Ijaz Un Nabi	Employee
	1,557	623	623	-	Company Policy	Zafar Qureshi	Employee
	1,557	623	623	-	Company Policy	Muzammil Rafiq	Employee
	1,551	621	621	-	Company Policy	Amjad Ali	Employee
	1,282	513	851	338	Open Market Auction	Muhammad Tahir	Village Bajna Main Post Office, District & Tehsil Mansehra
	1,683	673	1,420	747	Open Market Auction	Tariq Ali Siddiqui	H. No. B/193, Korangi 4 Sec 33/A, Karachi
	1,663	665	1,467	802	Open Market Auction	Syed Riaz Ahmed	H. No. A-216, Block No. 3 Gulshan-e-Iqbal, Karachi
	1,627	651	651	-	Company Policy	Asif Ali	Employee
	1,608	643	643	-	Company Policy	Asadullah Nizamani	Employee
	2,302	921	1,853	932	Open Market Auction	Muhammad Muzzamil	Flat No. 304 Zulekha Palace, Sharifabad, Karachi
	1,863	1,141	1,304	163	Company Policy	Mashood Wasti	Ex-Employee
	1,663	665	665	-	Company Policy	Farman Hadi	Employee
	1,608	643	643	-	Company Policy	Muhammad Akber	Employee
	1,282	513	900	387	Open Market Auction	Waqas Munir	H. No. 321, St No. A-1, Ara Chanan Din, Makkah Colony, Gulberg III, Lahore Cantt.
	1,763	705	705	-	Company Policy	Syed Nasir	Employee
	14,465	5,786	5,786	-	Company Policy	Syed Anis Ahmed	Employee
	1,663	665	665	-	Company Policy	Farhan Ahmed Siddiqui	Employee
	1,827	731	1,492	761	Open Market Auction	Muhammad Asad	H# 185-A Block I, North Nazimabad, Karachi
	1,828	731	1,591	860	Open Market Auction	Raheel Mithani	House # D-87/1, Kahkashan, Clifton Block 7, Karachi
	2,513	1,005	1,005	-	Company Policy	Seema Khan	Employee
	1,572	629	629	-	Company Policy	Irshad Khan	Employee
	1,628	712	651	(61)	Company Policy	Abdul Salam Abbasi	Ex-Employee
	2,513	1,005	1,005	-	Company Policy	Dr. Adnan Lateef	Employee
	14,999	6,000	4,060	(1,940)	Open Market Auction	Sajid Samoo	Employee
	1,653	661	661	-	Company Policy	Jahangir Jalil	Employee
	1,628	671	651	(20)	Company Policy	Zafar Ullah	Ex-Employee
	2,379	2,141	2,379	238	Insurance Claim	IGI General Insurance Limited	7th Floor, The Forum, Suite 701-713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi
	1,828	731	731	-	Company Policy	Samra Shahzad	Employee
	1,828	731	731	-	Company Policy	Akram Shaheen	Employee
	1,828	731	731	-	Company Policy	Arifullah Khan	Employee
	1,828	731	731	-	Company Policy	Shah Saleem	Employee

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser and relationship	
(Rupees '000)							
Vehicles	1,628	651	651	-	Company Policy	Muhammad Imran Mehdi	Employee
	1,663	665	665	-	Company Policy	Syed Shahid	Employee
	1,953	781	781	-	Company Policy	Mian Tahir Mehmood	Employee
	1,663	665	665	-	Company Policy	Ayub Khan	Employee
	1,661	664	664	-	Company Policy	Ikram Rabbani	Employee
	1,653	661	661	-	Company Policy	Akber Asim Rana	Employee
	1,628	651	651	-	Company Policy	Muhammad Ijaz Ahmed	Employee
	1,628	651	651	-	Company Policy	Iftikhar Ali Dhariwal	Employee
	1,953	781	781	-	Company Policy	Syed Javed Bukhari	Employee
	1,663	665	665	-	Company Policy	Shahid Raza	Employee
	1,663	665	665	-	Company Policy	Sheeraz Asif	Employee
	1,663	665	665	-	Company Policy	Ayaz Ahmed	Employee
	1,628	651	651	-	Company Policy	Dr. Saif Ullah Khan	Employee
	1,627	651	651	-	Company Policy	Rozina Kazmi	Employee
	1,627	651	651	-	Company Policy	Athar Raza	Employee
	1,627	651	651	-	Company Policy	Hazrat Uddin	Employee
	1,763	705	1,505	800	Open Market Auction	Syed Kashif Zamir	H. No. III-C-14/6, Nazimabad, Karachi
	1,663	665	665	-	Company Policy	Imran Ahmed	Employee
	1,628	651	651	-	Company Policy	Najeebuddin Siddiqui	Employee
	1,660	664	664	-	Company Policy	Aamir Shafique	Employee
	1,627	651	651	-	Company Policy	Aqeel Fakhar	Employee
	1,627	651	651	-	Company Policy	Wajahat Khan	Employee
	1,827	731	731	-	Company Policy	Kifayat Ullah	Employee
	1,627	651	651	-	Company Policy	Mushtaq Ahmed	Employee
	1,627	651	651	-	Company Policy	Tariq Mehmood	Employee
	1,627	651	651	-	Company Policy	Zaheer Abbas	Employee
	1,827	731	731	-	Company Policy	Malik Abdul Rehman	Employee
	1,827	731	731	-	Company Policy	Tariq Khan	Employee
	2,513	1,037	1,037	-	Company Policy	Dr. Raeeef Ahmed	Employee
	1,713	685	685	-	Company Policy	Mirza Altaf Hameed	Employee
	1,953	781	781	-	Company Policy	Asif Iqbal Zaidi	Employee
	1,628	651	651	-	Company Policy	Mansoor Ali	Employee
	1,863	1,024	1,024	-	Company Policy	Razi Ul Hasan	Employee
Service equipment	1,144	688	1,027	339	Company Policy	Sharif Medical Lahore	21-A Karachi Market, Khyber Bazar, Peshawar.
Plant and machinery	9,044	905	-	(905)	Write-off		
Items having book value less than Rs. 500,000 each	169,016	15,178	-	(15,178)	Write-off		
Total - 2019	348,979	86,657	75,307	(11,350)			
- 2018	115,350	39,163	41,465	2,302			

## 9.5 Capital work-in-progress

	Plant and machinery	Vehicles	Buildings, office equipment and computers	Total
(Rupees '000)				
At December 31, 2017	278,538	31,759	429,942	740,239
Additions	700,811	11,526	481,818	1,194,155
Transferred to operating fixed assets	(680,961)	(42,342)	(19,008)	(742,311)
At December 31, 2018	298,388	943	892,752	1,192,083
Additions	913,520	93,275	273,412	1,280,207
Transferred to operating fixed assets	(1,080,054)	(69,937)	(53,500)	(1,203,491)
At December 31, 2019	<u>131,854</u>	<u>24,281</u>	<u>1,112,664</u>	<u>1,268,799</u>

## 9.6 Right-of-use assets

	Note	Vehicles	Warehouses, sales offices and city office (Rupees '000)	Total
At December 31, 2017		-	-	-
Additions		217,564	-	217,564
Depreciation		(4,477)	-	(4,477)
At December 31, 2018		213,087	-	213,087
Impact of initial application of IFRS 16		-	105,538	105,538
Additions		195,248	-	195,248
Depreciation	9.7	(44,189)	(74,046)	(118,235)
Disposals	9.8	(5,701)	-	(5,701)
At December 31, 2019		358,445	31,492	389,937

	Note	2019 (Rupees '000)	2018
9.7 The depreciation charge for the year on right-of-use assets has been allocated as follows:			
Cost of sales	21	7,603	631
Selling and distribution expenses	23	77,654	2,612
Administrative expenses	24	32,978	1,234
		118,235	4,477

## 9.8 Details of disposals of right-of-use assets having book value exceeding Rs. 500,000:

Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser and relationship
		(Rupees '000)				
Vehicles						
	2,379	2,022	2,022	-	Company Policy	Tabish Aseem Farid Employee
	2,379	2,022	2,022	-	Company Policy	Humayun Altaf Employee
	1,949	1,657	1,657	-	Company Policy	Mirza Mazhar Abbas Ex-Employee
Total - 2019	6,707	5,701	5,701	-		
- 2018	-	-	-	-		

## 9.9 Particulars of immovable property in the name of the Company are as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

## 10. INTANGIBLE ASSETS

Intangible assets include rights acquired against transfer of technical, marketing and sales know-how and necessary rights and requisites for marketing and selling different products.

	Note	2019 (Rupees '000)	2018
<b>Cost</b>			
Balance as at January 1,		135,380	111,100
Additions		63,568	24,280
<b>Balance as at December 31,</b>		<b>198,948</b>	<b>135,380</b>
<b>Accumulated amortisation</b>			
Balance as at January 1,		110,501	100,450
Amortisation charge	23	10,075	10,051
<b>Balance as at December 31,</b>		<b>120,576</b>	<b>110,501</b>
<b>Net book value</b>			
Cost		198,948	135,380
Accumulated amortisation		(120,576)	(110,501)
<b>Balance as at December 31,</b>		<b>78,372</b>	<b>24,879</b>
		<b>Years</b>	
Useful life		4-5	4-5
		<b>2019</b>	<b>2018</b>
		<b>(Rupees '000)</b>	

## 11. LONG-TERM LOANS AND ADVANCES - considered good, secured

## Long-term loans

Due from:

- Executives		1,276	1,276
- Employees		84,956	87,106
	11.1	86,232	88,382

Less: recoverable within one year

- Executives		458	548
- Employees		32,092	35,480
	16	32,550	36,028
		53,682	52,354

## Long-term advances

- Employees		3,814	2,655
		57,496	55,009



- 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.

## 12. LONG-TERM DEPOSITS

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

	Note	2019 (Rupees '000)	2018
13. STORES AND SPARES			
Stores		97,678	75,420
Spares [including spares-in-transit of Rs. 60.861 million (2018: Rs. 41.931 million)]		209,154	134,170
		<u>306,832</u>	<u>209,590</u>
Less: provision for slow moving and obsolete items	13.1	30,510	30,775
		<u>276,322</u>	<u>178,815</u>

### 13.1 Provision for slow moving and obsolete items

Opening provision	30,775	44,049
(Reversal) / charge for the year	(265)	3,566
Write-offs during the year	-	(16,840)
Closing provision	<u>30,510</u>	<u>30,775</u>

## 14. STOCK-IN-TRADE

Raw and packing materials [including stock-in-transit of Rs. 289.746 million (2018: Rs. 366.351 million)]	21	3,165,804	2,207,683
Work-in-process	21	328,896	338,289
Finished goods [including stock-in-transit of Rs. 241.198 million (2018: Rs. 183.666 million)]	21	<u>2,972,399</u>	<u>2,017,732</u>
		6,467,099	4,563,704
Less: provision for slow moving and obsolete items	14.2	417,884	134,811
		<u>6,049,215</u>	<u>4,428,893</u>

- 14.1 Stock-in-trade includes items costing Rs. 1,442.153 million (2018: Rs. 870.215 million) valued at net realisable value of Rs. 1,214.542 million (2018: Rs. 742.416 million) resulting in a write down of Rs. 227.611 million (2018: Rs. 127.799 million).

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

	Note	2019 (Rupees '000)	2018
<b>14.2 Provision for slow moving and obsolete items</b>			
Opening provision		134,811	292,161
Charge for the year		354,927	164,639
Write-offs during the year		(71,854)	(321,989)
Closing provision		<u>417,884</u>	<u>134,811</u>
<b>15. TRADE DEBTS</b>			
Considered good:			
Secured		42,788	26,036
Unsecured			
- Due from a related party	15.1	35,142	82,118
- Others		825,899	1,034,861
		<u>861,041</u>	<u>1,116,979</u>
		<u>903,829</u>	<u>1,143,015</u>
Considered doubtful:			
Unsecured		57,895	45,418
		<u>961,724</u>	<u>1,188,433</u>
Less: allowance for expected credit losses	15.4	57,895	45,418
		<u>903,829</u>	<u>1,143,015</u>
<b>15.1</b> Represents receivable from Abbott Products Operations AG, which is not yet due.			
<b>15.2</b> The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 204.911 million (2018: Rs. 82.118 million).			
<b>15.3</b> The Company has made export sales amounting to Rs. 2,430.066 million (2018: Rs. 1,718.595 million) out of which Rs. 77.930 million (2018: Rs. 108.154 million) is outstanding at reporting date. Jurisdiction wise breakup of outstanding debts from exports sales is as follows:			
	Note	2019 (Rupees '000)	2018
Switzerland		35,142	82,118
Sri Lanka		<u>42,788</u>	<u>26,036</u>
		<u>77,930</u>	<u>108,154</u>
<b>15.4 Allowance for Expected Credit Losses</b>			
Opening allowance		45,418	28,152
Impact of initial application of IFRS 9		(4,943)	-
Adjusted / opening allowance as at January 1,		<u>40,475</u>	<u>28,152</u>
Charge for the year	25	17,420	17,266
Allowance as at December 31,		<u>57,895</u>	<u>45,418</u>

	Note	2019 (Rupees '000)	2018
16. LOANS AND ADVANCES - unsecured			
Considered good			
Current portion of long-term loans	11	32,550	36,028
Advances to:			
- Executives		8,661	5,090
- Employees		18,302	17,637
- Suppliers		73,658	88,428
		100,621	111,155
		133,171	147,183
Considered doubtful		794	794
		133,965	147,977
Less: allowance for expected credit losses		794	794
		133,171	147,183
16.1 These loans and advances are interest free.			
17. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Considered good			
Trade deposits	17.1	344,105	435,759
Prepayments		215,047	185,117
		559,152	620,876
Considered doubtful			
Trade deposits		47,019	25,827
		606,171	646,703
Less: allowance for expected credit losses	17.2	47,019	25,827
		559,152	620,876
17.1 These trade deposits are interest free.			
17.2 Allowance for Expected Credit Losses			
Allowance as at January 1,		25,827	16,434
Charge for the year	25	21,192	9,393
Allowance as at December 31,		47,019	25,827

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

	Note	2019 (Rupees '000)	2018
<b>18. OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Due from related parties	18.1	143,766	90,498
Receivable from customers		52,601	74,351
Insurance claim receivable		6,896	3,792
Workers' Profit Participation Fund	18.3	29,291	17,104
Sales tax receivable		366,768	172,494
Others		39,893	24,815
		<u>639,215</u>	<u>383,054</u>
<b>Considered doubtful</b>		<u>5,035</u>	<u>4,628</u>
		<u>644,250</u>	<u>387,682</u>
Less: allowance for expected credit losses	18.2	<u>5,035</u>	<u>4,628</u>
		<u>639,215</u>	<u>383,054</u>
<b>18.1 Due from related parties</b>			
Abbott International LLC., USA		3,554	2,320
Abbott Products Operations AG		2,915	27,882
ALSA MERO Office		16,604	8,252
Abbott Ireland		4,701	-
Alere Inc.		17,835	-
Abbott GmbH & Co. KG.		98,121	52,012
Abbott Laboratories SA Egypt		36	32
		<u>143,766</u>	<u>90,498</u>
<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. 143.766 million (2018: Rs. 90.498 million).			
<b>18.1.2</b> As at December 31, 2019, the gross amount of other receivables due from related parties is Rs. 143.766 million (2018: Rs. 90.498 million) out of which Rs. 83.039 million (2018: Rs. 37.686 million) were past due but not impaired. The age analysis of these balances is as follows:			
	Note	2019 (Rupees '000)	2018
Not yet due		60,727	52,812
Upto 3 months		67,850	24,287
3 to 6 months		7,442	13,399
More than 6 months		7,747	-
		<u>143,766</u>	<u>90,498</u>
<b>18.2 Allowance for expected credit losses</b>			
Allowance as at January 1,		4,628	4,182
Charge for the year	25	407	446
Allowance as at December 31,		<u>5,035</u>	<u>4,628</u>



	Note	2019 (Rupees '000)	2018
<b>18.3 Workers' Profit Participation Fund</b>			
Opening balance		17,104	21,691
Allocation for the year	25	(153,094)	(232,666)
		(135,990)	(210,975)
Payment made during the year - net		165,281	228,079
Closing balance		29,291	17,104
<b>19. CASH AND BANK BALANCES</b>			
<b>With banks</b>			
Savings accounts:			
- Local currency	19.1	53,454	575,088
Term Deposit Receipts	19.2	2,200,000	4,500,000
Current accounts:			
- Local currency		5,020	6,638
- Foreign currency		476,354	475,271
		481,374	481,909
<b>In hand</b>			
- Foreign currency		2,160	2,435
- Local currency		2,972	1,707
		5,132	4,142
Cheques and drafts in hand and in transit		17,559	116,997
		2,757,519	5,678,136
<b>19.1</b> These savings accounts carry markup rate of 11.25% (2018: 8.00%) per annum.			
<b>19.2</b> These deposit accounts carry markup rate of 10.73% (2018: 6.70%) per annum.			
<b>20. SALES – NET</b>			
Local		28,646,942	28,806,117
Export			
- to related parties	33	1,065,787	416,647
- to others		1,364,279	1,301,948
		2,430,066	1,718,595
		31,077,008	30,524,712
Less:			
Sales returns and discounts		258,940	212,300
Sales tax and excise duty		662,193	593,133
		921,133	805,433
		30,155,875	29,719,279

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

- 20.1 Revenue recognised from amounts included in advances from customers at the beginning of the year amounted to Rs. 134.801 million (2018 : Rs. 189.740 million).

	Note	2019 (Rupees '000)	2018
<b>21. COST OF SALES</b>			
Opening raw and packing materials		2,207,683	1,915,370
Purchases		13,302,885	11,202,727
		15,510,568	13,118,097
Closing raw and packing materials	14	(3,165,804)	(2,207,683)
Raw and packing materials consumed		12,344,764	10,910,414
Opening work-in-process		338,289	312,100
		12,683,053	11,222,514
<b>Manufacturing expenses:</b>			
Salaries, wages, allowances and staff welfare	21.1	1,763,636	1,749,058
Stores and spares consumed		229,055	121,908
Fuel and power		513,350	473,130
Depreciation	9.3	431,481	380,296
Depreciation on right-of-use assets	9.7	7,603	631
Repairs and maintenance		160,906	126,678
Technical service fee	21.2 & 33	162,028	173,540
Insurance		13,666	15,046
Printing and stationery		10,774	7,971
Travelling and entertainment		53,491	22,697
Rent, rates and taxes		-	6,383
Laboratory testing supplies		69,599	58,187
Computer expenses		5,860	6,865
Postage, telephone and telegram		7,287	7,576
Legal, professional and other services		20,350	3,000
Fees and purchased services		95,681	95,212
Recruitment and training expenses		1,202	1,227
Membership and subscription		2,141	1,993
Other expenses		92,449	74,130
		3,640,559	3,325,528
		16,323,612	14,548,042
Closing work-in-process	14	(328,896)	(338,289)
Cost of goods manufactured		15,994,716	14,209,753
<b>Finished goods</b>			
Opening stock		2,017,732	1,540,436
Purchases		6,588,086	6,185,380
		24,600,534	21,935,569
Closing stock	14	(2,972,399)	(2,017,732)
		21,628,135	19,917,837

21.1 These include a charge of Rs. 153.297 million - note 22.3 (2018: charge of Rs. 145.312 million) in respect of staff retirement benefits.

21.2 Technical service fee is paid to Abbott International LLC., USA. It's 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 2.16, the Company operates a Pension Fund under an irrevocable trust managed in conformity with the provisions of the Income Tax Ordinance, 2001 and the Trust Deed. The Company makes contributions to the Fund as prescribed under the Trust Deed and its rules whereas the trustees are responsible for the day to day management of the Fund. The pension fund is exposed primarily to Pakistan's inflation rate, interest rate risks and changes in the life expectancy of pensioners. As the plan assets include investments in listed equity shares, the Fund is also exposed to equity market risk. The actuarial valuation was carried out as at December 31, 2019 using the Projected Unit Credit Method.

	Note	2019 (Rupees '000)	2018
22.1.1 Amounts recognised in the statement of financial position:			
Present value of the defined benefit obligation	22.1.2	4,650,447	4,190,545
Less: fair value of plan assets	22.1.3	3,595,043	3,534,846
Deficit	7	1,055,404	655,699

	Present value of defined benefit obligation	Fair value of plan assets	Total
	(Rupees '000)		
22.1.2 As at January 1, 2019	4,190,545	(3,534,846)	655,699
Current service cost	180,899	-	180,899
Interest cost / (income)	494,647	(427,951)	66,696
Company contributions	-	(222,480)	(222,480)
Benefits paid	(305,220)	305,220	-
Remeasurements recognised in statement of comprehensive income:			
- Loss due to changes in experience adjustment	89,576	-	89,576
- Remeasurement of fair value of plan assets	-	285,014	285,014
	89,576	285,014	374,590
As at December 31, 2019	4,650,447	(3,595,043)	1,055,404

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

	Present value of defined benefit obligation	Fair value of plan assets	Total
	(Rupees '000)		
As at January 1, 2018	4,231,334	(3,564,072)	667,262
Current service cost	170,481	-	170,481
Interest cost / (income)	369,217	(318,015)	51,202
Company contributions	-	(198,226)	(198,226)
Benefits paid	(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	287,728
	(322,748)	287,728	(35,020)
As at December 31, 2018	4,190,545	(3,534,846)	655,699

Note	2019	2018
	(Rupees '000)	

## 22.1.3 Plan assets are comprised as follows:

Debt instruments	1,610,808	2,064,873
Equity instruments	1,473,163	1,389,356
Bank balances	511,072	80,617
	<u>3,595,043</u>	<u>3,534,846</u>

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

Current service cost	180,899	170,481
Net interest	66,696	51,202
	<u>247,595</u>	<u>221,683</u>

## 22.1.5 Actual return on plan assets

	<u>142,937</u>	<u>30,287</u>
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	Note	2019 (Percent per annum)	2018
<b>22.1.6 Principal actuarial assumptions used were as follows:</b>			
Discount rate	22.1.8	12.25	12.25
Future salary increases		10.25	10.25
Future pension increases		0.00	0.00
Minimum wage increases		7.50	7.50

**22.1.7** Pension plan assets include the Company's ordinary shares with a fair value of Rs. 195.997 million (2018: Rs. 276.835 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, 2020 is Rs. 313.422 million.

**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%	(411,039)	481,345
Salary growth rate	1%	303,187	(273,019)
Pension growth rate	1%	209,683	(187,979)
Minimum wage increase	1%	(16,876)	15,013

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.



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

## 22.1.11 Expected maturity analysis of undiscounted retirement benefit plan:

	At December 31, 2019				
	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	294,755	256,258	1,104,076	3,302,790	4,957,879
	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. 107.281 million (2018: Rs. 95.394 million) has been contributed during the year in respect of the contributory provident fund maintained by the Company.

	Note	2019 (Rupees '000)	2018
Pension cost	22.1.4	247,595	221,683
Less: Reimbursement from related party		(3,177)	(454)
Provident fund contribution	33	107,281	95,394
Employees Old-Age Benefits Institution		14,922	14,048
Gratuity cost		227	-
		<u>366,848</u>	<u>330,671</u>

## Allocated as:

Cost of sales	21.1	153,297	145,312
Selling and distribution expenses	23.1	172,895	150,631
Administrative expenses	24.1	40,656	34,728
		<u>366,848</u>	<u>330,671</u>

22.4 As at December 31, 2019, 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.

	2019	2018
	No. of employees	

#### 22.5 Number of employees

The detail of number of employees are as follows:

Average number of employees during the year	1,531	1,457
Number of employees as at year end	1,540	1,465

	Note	2019	2018
		(Rupees '000)	

#### 23. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages, allowances and staff welfare	23.1	1,768,629	1,606,563
Rent, rates and taxes		-	57,603
Repairs and maintenance		38,550	34,291
Royalty	23.2	29,378	25,224
Insurance		5,312	7,312
Depreciation	9.3	430,872	322,328
Depreciation on right-of-use assets	9.7	77,654	2,612
Amortisation of intangible assets	10	10,075	10,051
Legal, professional and other services		42,052	36,761
Postage, telephone and telegram		38,751	35,995
Printing and stationery		6,997	6,489
Travelling and conveyance		510,720	319,113
Advertising, samples and sales promotion		1,307,499	1,246,567
Forwarding expenses		505,735	513,778
Utilities		35,731	32,341
Computer expenses		3,431	3,737
Training and development expenses		23,696	42,838
Packing and miscellaneous supplies		65,745	48,237
Distributors commission		113,784	131,650
Fees and purchased services		77,521	55,928
Warehousing Services		68,215	45,181
Security expenses		28,388	24,360
Membership and subscription		5,348	2,565
Other expenses		34,409	29,620
		5,228,492	4,641,144
Less: Reimbursement from related party		166,982	137,623
		5,061,510	4,503,521

23.1 These include a charge of Rs. 172.895 million - note 22.3 (2018: charge of Rs. 150.631 million) in respect of staff retirement benefits.

23.2 Royalty is paid to Hospira Inc. It's 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, 2019

	Note	2019 (Rupees '000)	2018
<b>24. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages, allowances and staff welfare	24.1	412,671	367,108
Rent, rates and taxes		14,503	17,076
Repairs and maintenance		8,753	9,746
Insurance		12,790	15,050
Depreciation	9.3	19,393	20,017
Depreciation on right-of-use assets	9.7	32,978	1,234
Legal, professional and other services		22,148	32,351
Postage, telephone and telegram		7,431	6,924
Printing and stationery		3,663	4,036
Travelling and conveyance		22,475	20,323
Utilities		16,608	12,129
Computer expenses		101,681	51,511
Training and development expenses		1,578	447
Miscellaneous office supplies		6,906	5,071
Fees and purchased services		16,128	11,476
Security expenses		17,448	14,136
Membership and subscription		8,794	8,577
Other expenses		25,119	23,155
		<u>751,067</u>	<u>620,367</u>
Less: Reimbursement from related party		<u>19,447</u>	<u>9,482</u>
		<u>731,620</u>	<u>610,885</u>
<b>24.1</b>	These include a charge of Rs. 40.656 million - note 22.3 (2018: charge of Rs. 34.728 million) in respect of staff retirement benefits.		
<b>25. OTHER CHARGES</b>			
Workers' Profit Participation Fund	18.3	153,094	232,666
Auditors' remuneration	25.1	8,224	7,630
Donations	25.2	5,740	1,000
Workers' Welfare Fund		45,745	79,032
Central Research Fund		25,361	43,855
Allowance for expected credit losses on trade debts	15.4	17,420	17,266
Allowance for expected credit losses on trade deposits	17.2	21,192	9,393
Allowance for expected credit losses on other receivables	18.2	407	446
Exchange loss - net	25.3	223,355	380,973
Property, plant and equipment written off - net		11,350	-
Stamp duty		10,914	14,054
		<u>522,802</u>	<u>786,315</u>
<b>25.1 Auditors' remuneration</b>			
Statutory audit fee		2,557	2,412
Tax advisory services		4,497	3,730
Special certifications		882	1,258
Out of pocket expenses		288	230
		<u>8,224</u>	<u>7,630</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. 49.035 million (2018: Rs. 7.395 million) which has been offset against exchange losses incurred during the year.

	Note	2019 (Rupees '000)	2018
<b>26. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Income from savings and deposit accounts	26.1	260,485	370,491
<b>Income from non-financial assets</b>			
Other income	26.2	76,563	56,898
Gain on disposal of property, plant and equipment - net		-	2,302
Scrap sales		14,975	28,963
		91,538	88,163
		<u>352,023</u>	<u>458,654</u>

- 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% (2018: 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.

	2019 (Rupees '000)	2018
<b>27. FINANCE COSTS</b>		
Bank charges	9,905	9,407
Mark-up on lease liabilities	43,185	6,199
	<u>53,090</u>	<u>15,606</u>

**28. TAXATION - net**

Current		
- For the year	1,135,481	1,472,636
- Prior year	91,171	152,542
	<u>1,226,652</u>	<u>1,625,178</u>
Deferred	(15,796)	24,258
	<u>1,210,856</u>	<u>1,649,436</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

	2019	2018
	(Rupees '000)	
<b>28.1 Relationship between tax expense and accounting profit</b>		
Accounting profit before taxation	2,510,741	4,343,769
Tax rate	29%	29%
Tax on accounting profit	728,115	1,259,693
Tax for prior years	91,171	152,542
Super Tax - tax year 2019	-	101,295
Tax effect of:		
- Expenses that are not deductible in determining taxable profit	35,106	21,756
- Applying lower tax rates to certain income	385,264	230,994
- BMR tax credit	-	(68,096)
- Tax rate adjustment	36,069	(13,096)
- 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)	(64,869)	(35,652)
	1,210,856	1,649,436
<b>29. EARNINGS PER SHARE - BASIC / DILUTED</b>		
Profit for the year	1,299,885	2,694,333
	Number of shares	
Weighted average number of ordinary shares in issue during the year	97,900,302	97,900,302
	(Rupees)	
Earnings per share	13.28	27.52
<b>29.1</b> There is no dilutive effect on the basic earnings per share of the Company.		
<b>30. CASH GENERATED FROM OPERATIONS</b>		
	2019	2018
	(Rupees '000)	
Profit before taxation	2,510,741	4,343,769
Adjustment for:		
Depreciation / amortisation	881,746	722,641
Right-of-use assets	107,339	4,477
Amortisation on intangible assets	10,075	10,051
Gain on disposal of property, plant and equipment - net	(4,733)	(4,333)
Property, plant and equipment written off	16,083	2,031
Interest income	(260,485)	(370,491)
Expense recognised in profit or loss in respect of equity-settled share-based compensation	115,687	74,022
Pension retirement benefit	25,115	23,457
Finance costs	53,090	15,606
Working capital changes	(1,853,497)	159,288
	1,601,161	4,980,518



	2019	2018
	(Rupees '000)	
<b>30.1 Working capital changes</b>		
(Increase) / decrease in current assets, net of provision		
Stores and spares	(97,507)	(49,294)
Stock-in-trade	(1,620,322)	(953,148)
Trade debts	244,129	(228,043)
Loans and advances	14,012	12,408
Trade deposits and short-term prepayments	61,724	(367,971)
Other receivables	(256,161)	(208,606)
	(1,654,125)	(1,794,654)
(Decrease) / increase in current liabilities		
Trade and other payables - net	(199,372)	1,953,942
	(1,853,497)	159,288

**30.2 Changes in liabilities arising from financing activities:**

	1 January 2019	Cash flows	New leases	Dividend declared	Others	31 December 2019
	(Rupees '000)					
Dividend	66,208	(996,386)	-	979,003	-	48,825
Lease liabilities	214,252	(166,188)	296,095	-	36,980	381,139
	280,460	(1,162,574)	296,095	979,003	36,980	429,964
	1 January 2018	Cash flows	New leases	Dividend declared	Others	31 December 2018
	(Rupees '000)					
Dividend	33,126	(3,882,930)	-	3,916,012	-	66,208
Lease liabilities	-	(6,117)	217,564	-	2,805	214,252
	33,126	(3,889,047)	217,564	3,916,012	2,805	280,460

**31. SHARE-BASED COMPENSATION**

**Share-based compensation plan**

As at December 31, 2019, 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 to receive 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 Abbott Laboratories, USA and is charged to statement of profit or loss on a straight-line basis over the vesting period of the plan.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

An expense of Rs. 115.687 million (2018: Rs. 74.022 million) was recognised for this plan during the year.

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:

	2018	2017	2016
Volatility	19.00%	18.00%	17.00%
Dividend yield	1.90%	2.40%	2.70%
Risk free interest rate	2.70%	2.10%	1.40%

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 stock units.

A summary of units outstanding is given below:

	2019		2018	
	Average exercise price per stock unit (USD)	Stock units	Average exercise price per stock unit (USD)	Stock units
At January 1,	54.75	14,315	42.98	12,910
Granted	75.90	10,936	59.72	14,632
Exercised / cancelled	58.80	(13,119)	48.75	(13,227)
At December 31,	69.44	12,132	54.75	14,315

Stock units outstanding at the end of the year have the following expiry date and exercise prices:

	2019		2018	
Vesting date	Stock units	Exercise Price (USD)	Stock units	Exercise Price (USD)
2019	-	-	9,474	52.22
2020	8,487	66.67	4,841	59.72
2021	3,645	75.90	-	-
	12,132	69.44	14,315	54.75

## 32. PLANT CAPACITY AND PRODUCTION

## Actual production

	2019	2018
	(Million units)	
Packs solids	84.26	103.49
Packs liquids	127.45	150.89
Packs injectables	2.67	1.82
Packs cream	12.21	13.38
Packs GHC	2.22	4.44
Total units	228.81	274.02

The production capacity of the Company's plants is indeterminable as these are multi-product plants involving varying processes of manufacture.

### 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. All the transactions with related parties are entered into at agreed terms in the normal course of business as approved by the Board of Directors of the Company. Transactions with related parties are as follows:

	Note	2019 (Rupees '000)	2018
<b>Group companies</b>			
Sale of goods	20	1,065,787	416,647
Purchase of materials		7,772,418	7,136,674
Technical service fee	21	162,028	173,540
Reimbursements of expenses - net		261,490	192,604
Other income	26.2	76,563	56,898
<b>Retirement fund:</b>			
Contribution to Pension Fund	22.1.2	222,480	198,226
Contribution to Provident Fund	22.3	107,281	95,394
<b>Dividend:</b>			
Paid to Pension Fund		4,387	17,548
Paid to Provident Fund		4,909	19,637
<b>Key management personnel:</b>			
Short-term employee benefits		354,875	306,001
Post-employment benefits		33,420	30,928

- 33.1 Disposals of property, plant and equipment and right-of-use assets to key management personnel are disclosed in note 9.4 and 9.8 respectively.
- 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, 2019

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	Country of incorporation	Basis of association	Aggregate percentage of shareholding
1	Abbott Asia Investments Limited, U.K.	United Kingdom	Holding Company	77.90%
2	Abbott Laboratories, USA	USA	Ultimate Holding Company	77.90%
3	Abbott GmbH & Co. K.G.	Germany	Associated Company	Not Applicable
4	Abbott Diagnostics GmbH	Germany	Associated Company	Not Applicable
5	Abbott Logistics B.V.	Netherlands	Associated Company	Not Applicable
6	Abbott International LLC., USA	USA	Associated Company	Not Applicable
7	Abbott Diabetes Care Inc.	USA	Associated Company	Not Applicable
8	Abbott Diabetes Care Limited, UK	United Kingdom	Associated Company	Not Applicable
9	Abbott Products Operations AG	Switzerland	Associated Company	Not Applicable
10	Abbott Laboratories (Singapore) PTE Limited	Singapore	Associated Company	Not Applicable
11	Abbott Argentina S.A.	Argentina	Associated Company	Not Applicable
12	Abbott Laboratories Limited UK	United Kingdom	Associated Company	Not Applicable
13	Abbott Laboratories SA Egypt - note 33.4.1	Switzerland	Associated Company	Not Applicable
14	Abbott Laboratories International Co.	USA	Associated Company	Not Applicable
15	Abbott B.V. Netherlands	Netherlands	Associated Company	Not Applicable
16	Abbott S.R.L Italy	Italy	Associated Company	Not Applicable
17	Abbott Laboratories B.V.	Netherlands	Associated Company	Not Applicable
18	ALSA MERO Office - note 33.4.1	Switzerland	Associated Company	Not Applicable
19	Abbott Ireland	Ireland	Associated Company	Not Applicable
20	Alere Inc. USA	USA	Associated Company	Not Applicable

33.4.1 These entities are branch offices of Abbott Laboratories S.A., incorporated in Switzerland.

### 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:

	2019			2018		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rupees ‘000)					
Short-term employee benefits						
Managerial remuneration	34,757	10,318	637,617	37,251	10,597	543,996
Leave passage / encashment	2,203	685	40,923	2,075	719	36,090
Medical expenses	491	12	15,868	237	10	13,378
Rent / utility / maintenance / furnishing	-	889	6,851	-	-	3,140
	37,451	11,904	701,259	39,563	11,326	596,604
Retirement benefits	5,717	1,752	98,680	5,132	1,574	77,056
	43,168	13,656	799,939	44,695	12,900	673,660
Number of persons	1	1	145	1	1	128

- 34.1 In addition, Rs. 115.687 million (2018: Rs. 74.022 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 2.22 and 31.
- 34.2 Managerial remuneration includes Rs. 85.288 million (2018: Rs. 93.450 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. 2.250 million (2018: Rs. 2.075 million).



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

## 35. SEGMENT WISE OPERATING RESULTS

	2019				2018			
	Pharma- ceutical	Nutritional	Others	Total	Pharma- ceutical	Nutritional	Others	Total
	(Rupees '000)							
Sales	21,383,082	6,824,705	2,869,221	31,077,008	21,993,132	5,889,318	2,642,262	30,524,712
Less: Sales returns and discounts	181,259	15,359	62,322	258,940	114,083	17,693	80,524	212,300
Less: Sales tax and excise duty	-	605,612	56,581	662,193	-	522,050	71,083	593,133
Sales - net	21,201,823	6,203,734	2,750,318	30,155,875	21,879,049	5,349,575	2,490,655	29,719,279
Cost of sales	15,144,233	4,658,449	1,825,453	21,628,135	14,265,006	3,963,697	1,689,134	19,917,837
Gross profit	6,057,590	1,545,285	924,865	8,527,740	7,614,043	1,385,878	801,521	9,801,442
Selling and distribution expenses	3,308,720	1,078,290	674,500	5,061,510	3,015,590	967,459	520,472	4,503,521
Administrative expenses	642,256	73,552	15,812	731,620	543,368	55,864	11,653	610,885
Segment results	2,106,614	393,443	234,553	2,734,610	4,055,085	362,555	269,396	4,687,036
Unallocated corporate expenses / income								
Other income				352,023				458,654
Other charges				522,802				786,315
Profit before finance costs and taxation				2,563,831				4,359,375
Finance costs				53,090				15,606
Profit before taxation				2,510,741				4,343,769
Taxation				1,210,856				1,649,436
				1,299,885				2,694,333
Other Information								
Segment assets employed	11,955,385	1,342,100	3,074,762	16,372,247	9,517,008	1,263,188	2,839,381	13,619,577
Unallocated corporate assets				4,380,433				6,661,680
Total assets				20,752,680				20,281,257
Segment liabilities	4,670,954	614,597	566,176	5,851,727	3,508,996	731,776	993,424	5,234,196
Unallocated corporate liabilities				1,528,560				1,812,050
Total liabilities				7,380,287				7,046,246
Capital expenditure during the year	1,231,496	-	636,008	1,867,504	1,163,503	-	1,157,766	2,321,269
Depreciation / amortisation - operating								
fixed assets	495,219	3,431	383,096	881,746	445,817	3,645	273,179	722,641
Depreciation - right-of-use assets	99,344	12,505	6,386	118,235	3,602	875	-	4,477

	Note	2019 (Rupees '000)	2018
<b>35.1 Geographical information</b>			
Sales to external customers, net of returns, discounts, sales tax and excise duty			
Pakistan		27,725,809	28,000,684
Afghanistan		1,260,863	1,215,913
Sri Lanka		69,679	79,845
Bangladesh		33,737	6,190
Switzerland	33	1,065,787	416,647
		<u>30,155,875</u>	<u>29,719,279</u>

**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**

### **36.1 Financial assets and financial liabilities**

	2019 (Rupees '000)	2018
<b>Financial assets</b>		
<b>Debt instruments at amortised cost</b>		
Long-term loans	53,682	52,354
Long-term deposits	7,513	7,513
Trade debts	903,829	1,143,015
Loans	32,550	36,028
Trade deposits	344,105	435,759
Interest accrued	6,288	7,857
Other receivables	243,156	193,456
Cash and bank balances	2,757,519	5,678,136
	<u>4,348,642</u>	<u>7,554,118</u>
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	4,699,922	5,136,288
	<u>4,699,922</u>	<u>5,136,288</u>

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:

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

## 36.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economical, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The normal credit term is 30 to 120 days upon delivery for certain private customers and 120 to 180 days for government institutions.

Credit risk of the Company arises principally from 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	2019 (Rupees '000)	2018
Loans	11 & 16	86,232	88,382
Deposits	12 & 17	351,618	443,272
Trade debts	15	903,829	1,143,015
Interest accrued		6,288	7,857
Other receivables	18	243,156	193,456
Balances with banks	19	2,734,828	5,556,997
		<u>4,325,951</u>	<u>7,432,979</u>

Loans, deposits, interest accrued and certain portion of other receivables as mentioned above are neither past due nor impaired.

The impaired trade debts and the basis of impairment are disclosed in notes 15 and 2.20 respectively.

Set out below is the information about the credit risk exposure on the Company's trade debts from Government institutions and private customers.

	31 <sup>st</sup> December 2019							
	Receivables from Government Institutions (Rs. in 000's)							
	(Days Past Due)							
	Current	0-240	240-270	270-300	300-330	330-360	>360	Total
Expected credit loss rate	0.03%	0.03%	14.57%	23.04%	45.84%	75.82%	100.00%	
Estimated total gross carrying amount at default	289,868	92,304	-	1,053	2,070	61	32,960	418,316
Expected credit loss	90	30	-	243	949	45	32,960	34,317
Amounts past due but not impaired	289,778	92,274	-	810	1,121	16	-	383,999

31 <sup>st</sup> December 2019							
Private Customers (Rs. in 000's)							
(Days Past Due)							
Current	0-30	30-60	60-90	90-360	>360	Total	
Expected credit loss rate	0.01%	0.01%	0.01%	0.01%	52.00%	100.00%	
Estimated total gross carrying amount at default	422,283	63,892	18,895	5,669	19,059	13,610	543,408
Expected credit loss	46	8	2	1	9,911	13,610	23,578
Amounts past due but not impaired	422,237	63,884	18,893	5,668	9,148	-	519,830

	31 <sup>st</sup> December 2018							
	Receivables from Government Institutions (Rs. in 000's)							
	(Days Past Due)							
	Current	0-240	240-270	270-300	300-330	330-360	>360	Total
Expected credit loss rate	0.03%	0.03%	14.57%	23.04%	45.84%	75.82%	100.00%	
Estimated total gross carrying amount at default	357,612	241,471	1,530	2,848	2,258	-	24,218	629,937
Expected credit loss	111	75	209	656	1,035	-	24,218	26,304
Amounts past due but not impaired	357,501	241,396	1,321	2,192	1,223	-	-	603,633

31 <sup>st</sup> December 2018							
Private Customers (Rs. in 000's)							
(Days Past Due)							
Current	0-30	30-60	60-90	90-360	>360	Total	
Expected credit loss rate	0.01%	0.01%	0.01%	0.01%	52.00%	100.00%	
Estimated total gross carrying amount at default	453,552	52,722	23,138	5,674	9,094	14,316	558,496
Expected credit loss	57	7	3	1	4,730	14,316	19,114
Amounts past due but not impaired	453,495	52,715	23,135	5,673	4,364	-	539,382

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

The credit quality of balances with banks can be assessed with reference to external credit ratings as follows:

Name of Bank	Rating Agency	Ratings		Date of Rating	2019	2018
		Short-term	Long-term		(Rupees '000)	
Deutsche Bank AG	Moody's	P-2	BAA3	Aug 2018	4,667	61,804
	S&P	A-2	BBB+	May 2019		
	Fitch	F2	BBB	Jun 2019		
MCB Bank Limited	PACRA	A1+	AAA	Jun 2019	216	200
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	Dec 2019	2,719,300	2,880,315
The Bank of Tokyo-Mitsubishi UFJ Limited	S & P	A-1	A	Nov 2017	-	2,601,885
	Moody's	P-1	A1	Nov 2017		
	Fitch	F1	A	Nov 2017		
National Bank of Pakistan	JCR-VIS	A-1+	AAA	Jun 2019	5,020	4,753
	PACRA	A1+	AAA	Dec 2019		
Faysal Bank Limited	PACRA	A1+	AA	Dec 2019	1,092	522
	JCR-VIS	A-1+	AA	Jun 2019		
Habib Bank Limited	JCR-VIS	A-1+	AAA	Jun 2019	4,533	7,518

Financial assets other than trade debts and bank balances, are not exposed to any material credit risk.

### 36.3 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, 2019, the Company's financial liabilities of Rs. 4,699.922 million (2018: Rs. 5,136.288 million) are all current and due in next financial year.

### 36.4 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:

#### 36.4.1 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:

	2019		2018	
	Rupees	US Dollars	Rupees	US Dollars
	('000)			
Cash and cash equivalents	478,514	3,088	477,706	3,439
Due from related parties	178,908	1,155	172,616	1,243
Bills payable	(1,496,409)	(9,657)	(2,131,489)	(15,343)
Payable to related parties	(283,305)	(1,828)	(249,245)	(1,794)
	<u>(1,122,292)</u>	<u>(7,242)</u>	<u>(1,730,412)</u>	<u>(12,455)</u>

The following significant exchange rates were applied during the year:

	Statement of Financial Position date rate		Average rate	
	2019	2018	2019	2018
	(Rupees)			
US Dollars	154.95	138.92	149.67	120.04

A ten percent strengthening / weakening of the Pakistani Rupee against the US Dollar at the reporting date would increase / decrease profit after tax for the year by Rs. 58.104 million (2018: Rs. 107.333 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.

#### 36.4.2 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.

	2019	2018
	(Rupees '000)	
Fixed rate instruments		
Financial assets	<u>2,253,454</u>	<u>5,075,088</u>

As of the statement of financial position date, the Company is not significantly exposed to any interest rate risk.

#### 36.5 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2019

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 March 02, 2020, the Board of Directors of the Company have proposed a final cash dividend for the year ended December 31, 2019 of Rs. 7.5 per share (2018: cash dividend of Rs. 10.0 per share). This is in addition to interim cash dividend of Rs. Nil per share (2018: Rs. 10.0 per share). The total dividend declared during the year and dividend per share have been summarised below:

	2019 (Rupees '000)	2018 (Rupees '000)
Cash dividend	734,252	1,958,006
	(Rupees)	
Cash dividend per share	7.50	20.00

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

**39. RECLASSIFICATION**

Following corresponding figures have been reclassified for better presentation:

From	To	Rupees in '000
Cost of sales	Administrative expenses	26,177
Selling and distribution expenses	Administrative expenses	21,937

40. Figures in these financial statements are rounded to the nearest thousand (Rs. in '000), except as otherwise indicated.

**41. DATE OF AUTHORISATION**

These financial statements were authorised for issue on March 02, 2020 by the Board of Directors of the Company.

  
 Chief Executive

  
 Director

  
 Chief Financial Officer

## PATTERN OF SHAREHOLDING

As At December 31, 2019

Size of Holding Rs. 10 Shares	Number of Shareholders	Total Shares
1	100	970
101	500	683
501	1,000	289
1,001	5,000	527
5,001	10,000	88
10,001	15,000	24
15,001	20,000	8
20,001	25,000	10
25,001	30,000	9
30,001	35,000	3
35,001	40,000	5
40,001	45,000	1
45,001	50,000	1
50,001	55,000	2
55,001	60,000	2
60,001	65,000	1
65,001	70,000	2
70,001	75,000	1
75,001	80,000	1
90,001	95,000	2
95,001	100,000	2
100,001	105,000	1
105,001	110,000	1
110,001	115,000	1
130,001	135,000	1
135,001	140,000	2
145,001	150,000	1
150,001	155,000	1
160,001	165,000	1
185,001	190,000	1
195,001	200,000	1
225,001	230,000	1
240,001	245,000	1
265,001	270,000	1
280,001	285,000	1
335,001	340,000	1
340,001	345,000	1
365,001	370,000	1
380,001	385,000	1
435,001	440,000	1
440,001	445,000	1
490,001	495,000	1
515,001	520,000	1
720,001	725,000	1
745,001	750,000	1
830,001	835,000	1
1,075,001	1,080,000	1
1,085,001	1,090,000	3
2,020,001	2,025,000	1
2,590,001	2,595,000	1
76,255,001	76,260,000	1
<b>TOTAL</b>		<b>2,664</b>
		<b>97,900,302</b>

## CATEGORIES OF SHAREHOLDERS

As At December 31, 2019

S.No.	Shareholder's category	Number of shareholders	Number of shares held	%
1	Directors, Chief Executive Officer and their spouse(s) and minor children	8	43,941	0.04
2	Associated Companies, Undertakings and Related Parties*	3	77,189,066	78.84
3	NIT and ICP	2	980	0.00
4	Banks, Development Finance Institutions and Non-Banking Finance Institutions	9	1,132,497	1.16
5	Insurance Companies	11	1,728,676	1.77
6	Modarabas and Mutual Funds	27	3,425,277	3.50
7	General Public - local	2,468	9,330,603	9.53
8	Others	136	5,049,262	5.16
Total:		2,664	97,900,302	100.00

\*Includes shareholders having shareholding greater than 10%, these are disclosed on page 191.

## 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	03277-90453	MR. EHSAN ALI MALIK	500
6	04002-39038	MS. ZEHRRA NAQVI	500
7	06122-5280	MR. SHAMIM AHMAD KHAN	1,140
8	12690-1374	MARIAM EHSAN ALI MALIK (Spouse of Mr. Ehsan Ali Malik)	5,700
Total:			43,941

## 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
Total:			77,189,066

## List of NIT and ICP

S.No.	Folio	Name	Holding
1	2405	NATIONAL BANK OF PAKISTAN (TRUSTEE DEPARTMENT)	100
2	4171	NBP TRUSTEE DEPARTMENT	880
Total :			980

## Banks, Development Finance Institutions and Non-Banking Finance Institutions

S.No.	Folio	Name	Holding
1	00307-40281	INNOVATIVE INVESTMENT BANK LIMITED	1,000
2	02295-39	FAYSAL BANK LIMITED	134,250
3	02832-32	MEEZAN BANK LIMITED	100,100
4	03889-28	NATIONAL BANK OF PAKISTAN	1,397
5	03889-44	NATIONAL BANK OF PAKISTAN	139,800
6	04010-28907	PAK-QATAR INVESTMENT (PVT.) LIMITED	1,500
7	04127-28	MCB BANK LIMITED - TREASURY	720,200
8	05132-26	ASKARI BANK LIMITED	33,650
9	16329-20	MCB ISLAMIC BANK LIMITED	600
Total :			1,132,497

## CATEGORIES OF SHAREHOLDERS

As At December 31, 2019

## Insurance Companies

S.No.	Folio	Name	Holding
1	3137	UNITED INSURANCE CO. OF PAK LIMITED	2
2	03277-10526	HABIB INSURANCE CO. LIMITED	55,700
3	03277-2538	EFU LIFE ASSURANCE LIMITED	282,300
4	03277-71690	ADAMJEE LIFE ASSURANCE COMPANY LIMITED	24,500
5	03277-90405	DAWOOD FAMILY TAKAFUL LIMITED	21,750
6	03277-90406	DAWOOD FAMILY TAKAFUL LIMITED	16,750
7	12690-996	IGI LIFE INSURANCE LIMITED	350
8	13755-21	ADAMJEE INSURANCE COMPANY LIMITED	369,400
9	13748-501	ADAMJEE LIFE ASSURANCE COMPANY LTD-IMF	27,300
10	13748-543	ADAMJEE LIFE ASSURANCE COMPANY LIMITED-NUIL FUND	100,000
11	02683-23	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	830,624
Total :			1,728,676

## Modarabas and Mutual Funds

S.No.	Folio	Name	Holding
1	3031	M/S. GOLDEN ARROW SELECTED STOCK	48
2	05991-23	CDC - TRUSTEE MEEZAN BALANCED FUND	2,250
3	06130-25	CDC - TRUSTEE JS ISLAMIC FUND	26,300
4	06411-21	CDC - TRUSTEE AKD INDEX TRACKER FUND	5,065
5	07070-22	CDC - TRUSTEE MEEZAN ISLAMIC FUND	79,050
6	09480-21	CDC - TRUSTEE NAFA STOCK FUND	12,500
7	12120-28	CDC - TRUSTEE NIT EQUITY MARKET OPPORTUNITY FUND	41,350
8	12310-25	CDC - TRUSTEE FIRST HABIB STOCK FUND	550
9	13961-26	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	1,500
10	14902-21	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	2,594,638
11	14977-24	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	200
12	15974-23	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	22,150
13	16139-23	CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	61,950
14	16162-20	CDC - TRUSTEE NIT-IPF EQUITY SUB-FUND	4,300
15	16402-20	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	150
16	16501-27	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	50
17	05371-28	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	95,800
18	05488-25	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	25,500
19	05819-23	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	114,400
20	05959-27	CDC - TRUSTEE ATLAS STOCK MARKET FUND	135,500
21	06213-25	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	25,900
22	09449-25	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	50,300
23	11049-29	MCBFSL - TRUSTEE JS GROWTH FUND	67,900
24	14373-27	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	7,100
25	17681-26	CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	10,700
26	03277-1651	FIRST UDL MODARABA	1,100
27	07450-521	BRR GUARDIAN MODARABA	39,026
Total :			3,425,277

## Shareholders Holding 10% 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

S.No.	No. of Shareholders	Name	Holding
1	2604	GENERAL PUBLIC & OTHERS	14,379,865
Total :			14,379,865



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 71<sup>st</sup> Annual General Meeting of the Members of Abbott Laboratories (Pakistan) Limited (“the Company”) will be held on Monday, April 20<sup>th</sup>, 2020, at 10:30 a.m. at the ICAP Auditorium, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements, together with the Directors’ Report, the Auditors’ Report, and the Chairman’s Review Report thereon for the financial year ended December 31<sup>st</sup>, 2019.
2. To approve cash dividend of Rs. 7.50 per share (i.e. 75%) for the financial year ended December 31<sup>st</sup>, 2019.
3. To appoint the Auditors of the Company for the period ending on date of the next Annual General Meeting, and to authorize the Directors to fix their remuneration. The present auditors, M/s EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for reappointment.
4. To elect seven directors as fixed by the Board in the meeting held on March 2<sup>nd</sup>, 2020 for term of 3 years commencing on April 20<sup>th</sup>, 2020. The names of the retiring Directors are as follows:

Syed Anis Ahmed  
 Ms. Seema Khan  
 Mr. Shamim Ahmad Khan  
 Mr. Ehsan Ali Malik  
 Mr. Kamran Y. Mirza  
 Ms. Zehra Naqvi  
 Mr. Munir Ahmad Shaikh

By Order of the Board of Directors



HUMAYUN ALTAF  
 COMPANY SECRETARY

Karachi: dated March 2<sup>nd</sup>, 2020

### Notes:

1. The Share Transfer books of the Company will remain closed from 11<sup>th</sup> April 2020 to 19<sup>th</sup> April 2020 (both days inclusive) and the dividend will be paid to the Members whose names will appear in the Register of Members on 10<sup>th</sup> April 2020. 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.

## NOTICE OF ANNUAL GENERAL MEETING

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.
6. **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.
7. **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.
8. **Withholding Tax on Dividend under Section 150 the Income Tax Ordinance, 2001:**
  - (i) Pursuant to the provisions of the Finance Act 2019 effective July 1, 2019, 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 active tax payers is 15%.
    2. Rate of tax deduction for non-active tax payers is 30%.

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 30% 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. II66417-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
- (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.

## 9. 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 8<sup>th</sup> 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.

## 10. 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 and IBAN,
  - (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.
11. Any person who seeks to contest the election of directors shall file with the Company at its registered office **(addressed to the Company Secretary)** not later than fourteen days before the day of the above said meeting his / her intention to offer himself/herself for the election of Directors in terms of Section

159 (3) of the Companies Act, 2017 together with (A) consent on form 28 prescribed under the Act, and (B) a Declaration under regulation 3 of the Code of Corporate Governance Regulations 2019 to the effect that he/she is not serving as a Director on more than seven listed companies, that his/her name is borne on the register of National Tax Payers (except where he/she is a non-resident), that he/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial Institution and that he/she is not otherwise ineligible to act as a director under Section 159 (3) of the Companies Act, 2017. Independent directors are also required to submit a declaration confirming that they qualify the criteria of independence under S. 166 of the Companies Act 2017. Such declaration is to be submitted to the chairman of the Board at the first meeting after the election of directors.

#### **STATEMENT UNDER SECTION 166(3) OF THE COMPANIES ACT 2017**

Abbott Laboratories (Pakistan) Limited is required to have three independent directors on its Board in accordance with the Listed Companies (Code of Corporate Governance) Regulations, 2019. Accordingly, three independents shall be elected in accordance with Section 159 of the Companies Act 2017.

After the notice/intention to stand for elections has been filed, the Company shall choose the independent director applying the following criteria:

- respective competencies, diversity, skill, knowledge and experience of those contesting the elections shall be assessed;
- name of independent director appearing in the data bank maintained by Pakistan Institute of Corporate Governance (PICG) duly authorized by SECP, unless exempted and due diligence shall be undertaken before selecting the person from the data bank.

## CALENDAR OF FINANCIAL EVENTS

Tentative dates for announcement of financial results for the Financial Year 2020:

1 <sup>st</sup> quarter ending March 31, 2020	3 <sup>rd</sup> week of April, 2020
2 <sup>nd</sup> quarter ending June 30, 2020	2 <sup>nd</sup> week of August, 2020
3 <sup>rd</sup> quarter ending September 30, 2020	3 <sup>rd</sup> week of October, 2020
Year ending December 31, 2020	3 <sup>rd</sup> week of February, 2021

Actual dates for announcement of financial results for the financial year 2019:

1 <sup>st</sup> quarter ended March 31, 2019	April 23, 2019
2 <sup>nd</sup> quarter ended June 30, 2019	August 16, 2019
3 <sup>rd</sup> quarter ended September 30, 2019	October 17, 2019
Year ended December 31, 2019	March 02, 2020



## GLOSSARY

<b>ABC</b> - American Business Council of Pakistan	<b>GMP</b> - Good Manufacturing Practices
<b>ADC</b> - Abbott Diabetes Care	<b>GPTW</b> - Great Place to Work
<b>ADD</b> - Abbott Diagnostics Division	<b>GLP</b> - Good Laboratory Practices
<b>ANI</b> - Abbott Nutrition International	<b>HCP</b> - Healthcare Professional
<b>Annual General Meeting (AGM)</b> - Annual General Meeting of Shareholders of the Company	<b>HR&amp;R</b> - Human Resource and Remuneration Committee
<b>API</b> - Active Pharmaceutical Ingredient	<b>IAS</b> - International Accounting Standards
<b>ATL</b> - Active Taxpayer List	<b>IASB</b> - International Accounting Standards Board
<b>BCP</b> - Business Continuity Plan	<b>IDF</b> - International Diabetes Federation\
<b>BBQ</b> - Behaviour Based Quality	<b>ICP</b> - Investment Corporation of Pakistan
<b>BMR</b> - Balancing, Modernisation and Replacement	<b>ICAP</b> - Institute of Chartered Accountants of Pakistan
<b>CEO</b> - Chief Executive Officer	<b>ICMAP</b> - Institute of Cost & Management Accountants of Pakistan
<b>CFO</b> - Chief Financial Officer	<b>IFAC</b> - International Federation of Accountants
<b>CIR</b> - Commissioner Inland Revenue	<b>IFRS</b> - International Financial Reporting Standards
<b>CIR(A)</b> - Commissioner Inland Revenue (Appeals)	<b>IIRC</b> - International Integrated Reporting Council
<b>CODM</b> - Chief Operating Decision Maker	<b>IQVIA</b> - A global market research company (formerly known as IMS)
<b>COPQ</b> - Cost of Poor Quality	<b>ITO</b> - Income Tax Ordinance
<b>Companies Act</b> - Companies Act, 2017	<b>KIBOR</b> - Karachi Inter Bank Offer Rate
<b>Company</b> - Abbott Laboratories (Pakistan) Limited (ALPL)	<b>KPI</b> - Key Performance Indicator
<b>CSR</b> - Corporate Social Responsibility	<b>MAP</b> - Management Association of Pakistan
<b>DRAP</b> - Drug Regulatory Authority of Pakistan	<b>MHE</b> - Minimal Hepatic Encephalopathy
<b>DCIR</b> - Deputy Commissioner Inland Revenue	<b>NWGH</b> - North West General Hospital
<b>DRP</b> - Disaster Recovery Plan	<b>NIT</b> - National Investment Trust
<b>DARIUS</b> - Document and Regulatory Information Universal System	<b>OEC</b> - Office of Ethics and Compliance
<b>Earnings Per Share (EPS)</b> - Calculated by dividing the profit after interest, tax by the weighted average number of Ordinary Shares in issue	<b>OICCI</b> - Overseas Investors' Chamber of Commerce & Industry
<b>EBIT</b> - Earnings before Interest and Taxes	<b>PAT</b> - Profit After Tax
<b>EBITDA</b> - Earnings before Interest, Taxes, Depreciation and Amortisation	<b>PBC</b> - Pakistan Business Council
<b>EHS</b> - Environment, Health and Safety	<b>PICG</b> - Pakistan Institute of Corporate Governance
<b>ERP</b> - Emergency Response Plan	<b>QA</b> - Quality Assurance
<b>EPD</b> - Established Pharmaceuticals Division	<b>Regulations</b> - Listed Companies (Code of Corporate Governance) Regulations, 2019
<b>EPO</b> - Established Pharmaceuticals Operations	<b>SBP</b> - State Bank of Pakistan
<b>FBR</b> - Federal Board of Revenue	<b>SCH</b> - Sub Clinical Hypothyroidism
<b>FTR</b> - Final Tax Regime	<b>SECP</b> - Securities and Exchange Commission of Pakistan
<b>GHC</b> - General Healthcare	<b>SKU</b> - Stock Keeping Unit
<b>GHG</b> - Greenhouse Gas	<b>SOP</b> - Standard Operating Procedure
	<b>SRO</b> - Statutory Regulatory Order
	<b>TMRs</b> - Talent Management Reviews
	<b>ZWL</b> - Zero Waste to Landfill



ABBOTT LABORATORIES (PAKISTAN) LIMITED  
P.O. Box 7229, Landhi Karachi-74400

### Proxy Form

I / We \_\_\_\_\_  
of \_\_\_\_\_  
in the district of \_\_\_\_\_ being a member of ABBOTT LABORATORIES (PAKISTAN) LIMITED and holder of  
\_\_\_\_\_ Ordinary Shares as per Share Register Folio No. \_\_\_\_\_  
and/or CDC Participant I.D. No. \_\_\_\_\_ and Sub Account No. \_\_\_\_\_  
hereby appoint \_\_\_\_\_

(Name)

of \_\_\_\_\_  
or falling him \_\_\_\_\_

(Name)

as my / our proxy to vote for me/us and on my/our behalf at the 71<sup>st</sup> Annual General Meeting of the Company to be held  
on Monday, April 20, 2020 at 10:30 a.m. and at any adjournment thereof.

As witnessed given under my/our hand(s) \_\_\_\_\_ day of \_\_\_\_\_ 2020

1. Witness:  
Signature:

Name: \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Affix Revenue  
stamps of Rs. 5/-

2. Witness:  
Signature:

Name: \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Signature of Member

Shareholder's Folio No. \_\_\_\_\_  
CDC A/c No. \_\_\_\_\_  
CNIC No. \_\_\_\_\_

### Note:

- 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.
- 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.
- 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.
- 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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P.O. Box 7229, Landhi  
KARACHI-74400

## پراکسی فارم

میں / ہم	_____	ضلع	_____
سکنہ	_____	عمومی شنیرز کے حصہ دار بمطابق شنیر رجسٹر فولیو نمبر	_____
بحثیت ممبر ایبٹ لیبارٹریز (پاکستان) لمیٹڈ اور	_____	اور ذیلی کھاتہ نمبر	_____
یا سی ڈی سی کے شراقتی آئی ڈی نمبر	_____	بذریعہ ہذا	_____
(نام)	_____	ضلع	_____
سکنہ	_____	(نام)	_____
اور مزید	_____	(نام)	_____

کو اپنا پراکسی مقرر کرتا ہوں/کرتے ہیں کہ وہ میری/ہماری جگہ کمپنی کے ۷ ویں سالانہ اجلاس عام میں، جو پیر ۲۰ اپریل ۲۰۲۰ کو دن ۱۰:۳۰ بجے منعقد ہوگا یا اس سے متعلق کسی اجلاس میں شرکت کرے/کریں۔  
میری / ہماری جانب سے درج ذیل گواہان نے تصدیق کی، بتاریخ ۲۰۲۰

5 روپے کے رسیدی

ٹکٹ چسپاں کریں

۱۔ گواہ  
دستخط

نام  
سی این آئی سی نمبر

پتہ

ممبر کے دستخط

۲۔ گواہ  
دستخط

نام  
سی این آئی سی نمبر

پتہ

شنیر ہولڈر فولیو نمبر  
سی ڈی سی کھاتہ نمبر  
سی این آئی سی نمبر

نوٹ:

۱۔ پراکسی کے موثر ہونے کیلئے ضروری ہے کہ اس کی تحریری اطلاع کمپنی سیکریٹری ایبٹ لیبارٹریز (پاکستان) لمیٹڈ پی او بکس ۷۲۹، لانڈھی کو اجلاس شروع ہونے کے وقت سے زیادہ سے زیادہ ۴۸ گھنٹہ قبل موصول ہو جائے اور اس پر اسٹیپ، دستخط اور گواہان کی تصدیق موجود ہو۔

۲۔ سینٹرل ڈپازٹری کمپنی (سی ڈی سی) کے سینٹرل ڈپازٹری سسٹم میں شامل کمپنی کے شنیر کے فائدہ حاصل کرنے والے مالک اور اجلاس میں شرکت کرنے اور ووٹ دینے کے اہل پراکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ نقل پراکسی فارم کے ہمراہ کمپنی میں جمع کرائی جائیں۔

۳۔ سینٹرل ڈپازٹری کمپنی (سی ڈی سی) کے سینٹرل ڈپازٹری سسٹم میں شامل کمپنی کے شنیر کے فائدہ حاصل کرنے والے مالک اور اجلاس میں شرکت کرنے اور ووٹ دینے کے اہل پراکسی کو شناخت کی تصدیق کیلئے شرکت کے وقت اپنا اصل سی این آئی سی یا پاسپورٹ پیش کرنا ہوگا۔

۴۔ کارپوریٹ اکائی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی مع نامزد کردہ فرد کے دستخط کے نمونے، کمپنی کے پراکسی 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

8<sup>th</sup> 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, I-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,  
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