



Abbott is a globally diversified healthcare company whose central purpose is to help people, at all the stages of life, live their best possible lives through better health. We offer a broad portfolio of market-leading products that align with favorable long-term healthcare trends in both developed and developing markets. Building on a strong foundation of more than 125 years of success, our Company is poised to deliver durable growth, expanding margins, strong cashflows and increasing returns to shareholders.

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THEME

LIFE. TO THE FULLEST

From newborns to ageing adults, Abbott encircles life and is committed to nurturing its customers through a comprehensive line of products that cater to the diverse healthcare needs of people living in more than 150 countries across the globe. Nurturing and caring is central to the work we do as we constantly strive to discover new medicines and new technologies that enable people to live their Life. To The Fullest.

A Future Full Of Possibilities

For more than 125 years, Abbott has globally adapted to an increasingly complex healthcare environment by keeping its focus where it belongs—on helping people achieve their best possible health, in all stages of life, around the world. And that’s a goal Abbott will continue to pursue far into the future.

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.



COMPANY PROFILE

Abbott Laboratories (Pakistan) Limited was incorporated in 1948. The Company started its operations as a private marketing company with its first manufacturing facility commissioned in 1962 in Karachi. Abbott Pakistan got listed on the Pakistan Stock Exchange (formerly Karachi Stock Exchange) in 1982.



Over the years, Abbott has expanded its base to become a healthcare company with presence in Pharmaceuticals, Nutrition, Diagnostics and Diabetes Care businesses and today is one of the largest pharmaceutical manufacturing companies in Pakistan.



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 behavior expected of every Abbott employee.

Abbott has four differentiating values built on these core values that speak of the unique strengths that have made our Company what it is today, and describe the strengths we continue to build on to deliver our business goals.

The values are a blueprint for employee behavior. 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 organization 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 commercialization

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

ACHIEVING

Customer-focused outcomes and world-class execution

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

CARING

Making a difference in people's lives

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

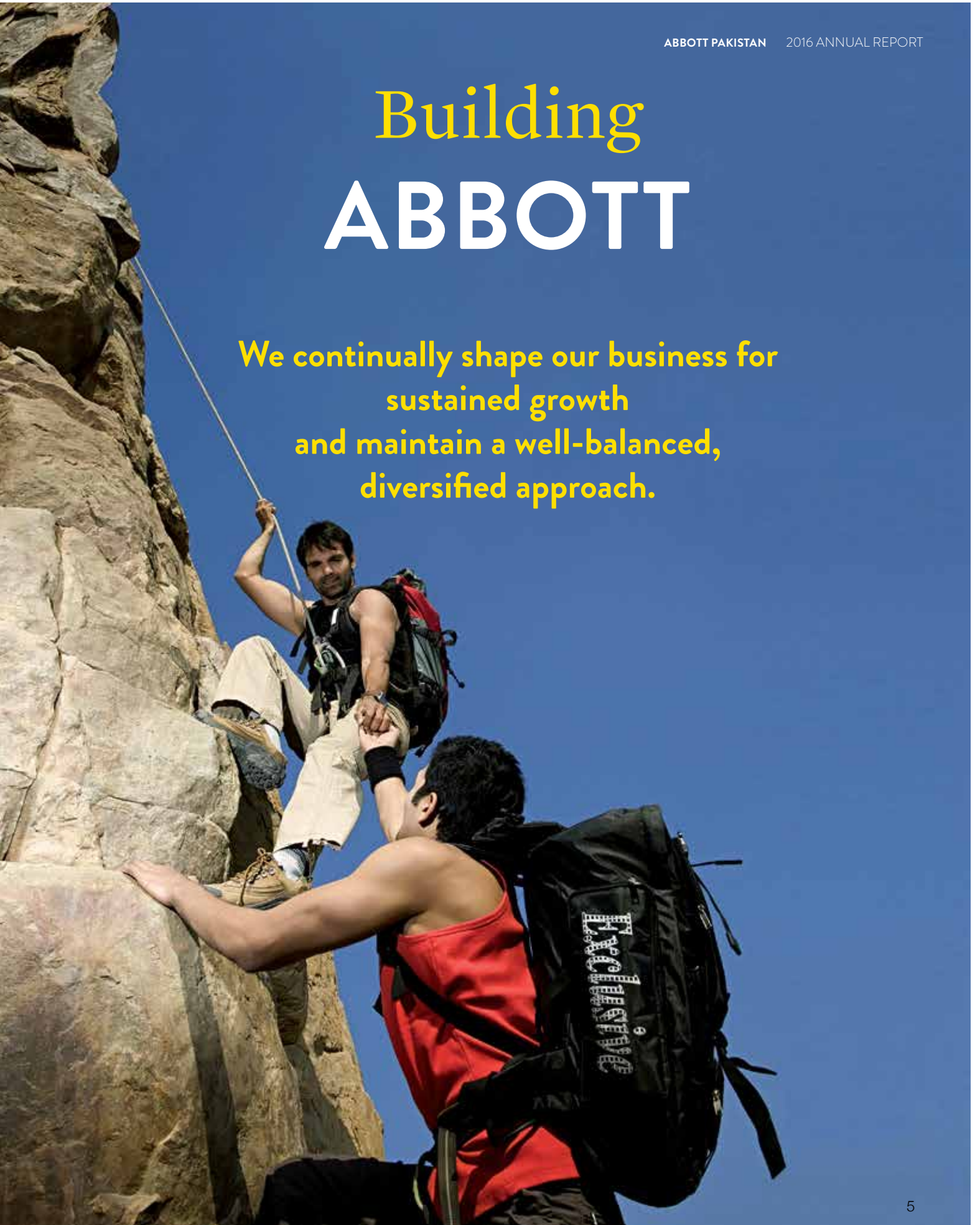
ENDURING

Commitment and purpose

Enduring means both honoring 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.

Building ABBOTT

We continually shape our business for
sustained growth
and maintain a well-balanced,
diversified approach.

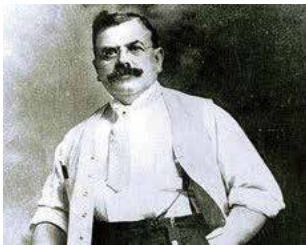


HISTORY TIMELINE

A Tradition of Innovation

More than 125 years ago, 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 companies and a global leader in the discovery, development and manufacture of products that span the continuum of care.

1888



Seeking better and more accurate medications for his patients, Wallace C. Abbott, M.D., begins producing dosimetric granules in the apartment above his People’s Drug Store on Chicago’s North

Side. First-year sales are \$2,000.

1900

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



1910

There are more than 700 products in the Abbott catalogue. The company expands with branches in New York, San Francisco, Seattle and Toronto, a European agency in London, and business in India.

1915

The Abbott Alkaloidal Company’s name is changed to Abbott Laboratories to reflect the company’s growing research orientation and move to synthetic compounds.



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 stock is listed on the Chicago Stock Exchange. The offering is 20,000 shares for \$32 each.

1931

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

1938

Abbott celebrates its 50th anniversary with the dedication of a new, state-of-the-art research center in North Chicago.



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, best known as makers of Similac, one of the first milk-based infant formulas.



1965

The company's global growth warrants a new headquarters. 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, is introduced.

1982

Abbott is listed as a public limited company in Pakistan.



1988

Abbott celebrates its centennial.

2001

Abbott acquires the pharmaceutical business of BASF, including the global operations of Knoll Pharmaceuticals, expanding the company's global scope and biotech capabilities. Vysis, Inc., a leading genomic disease management company, is acquired to strengthen Abbott's position in the molecular diagnostics market.



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, a leader in laboratory information management systems.

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. This move strengthens Established Pharmaceuticals business and Abbott as a whole.

2016

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



Advancing OUR LEADERSHIP

Abbott is long established as a leader in medicines, nutrition & diagnostics. Today we offer a leading portfolio of innovative solutions in diverse therapeutic areas which include central nervous system/pain, respiratory, gastrointestinal, cardiometabolic, women's and men's health.

No.1

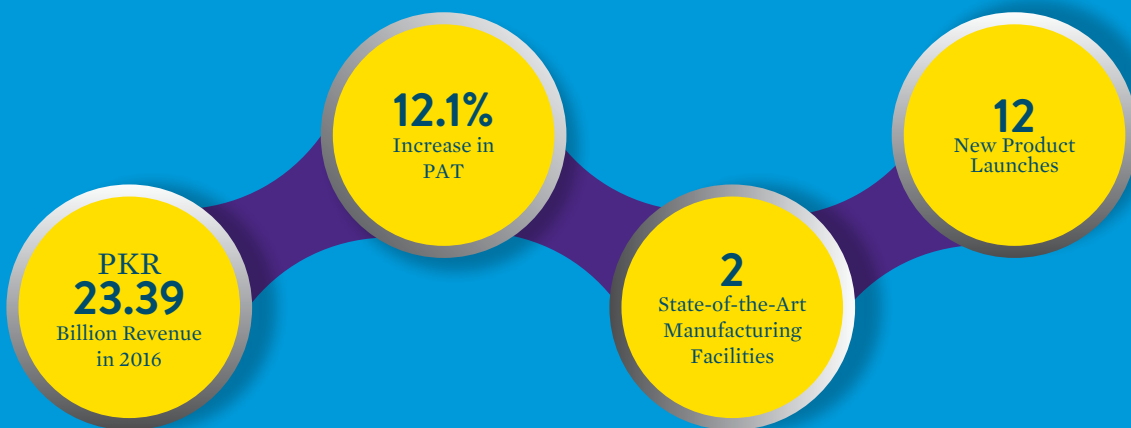
Pharma brands in several
therapeutic areas

Nutrition company in Pakistan

Immunoassay and
blood screening

ABBOTT HAS EXPANDED STRATEGICALLY TO ESTABLISH LEADING POSITIONS IN EVERY MARKET WE SERVE

KEY HIGHLIGHTS



Shaping OUR BALANCE

Maintaining diversity – in our mix of businesses and the patients we serve – is central to our strategy for long-term success.



ESTABLISHED PHARMACEUTICALS

*High-quality, trusted medicines
in diverse therapeutic areas*



NUTRITION

*Science-based nourishment
for every stage of life*



REFINING OUR BUSINESS FOR STABLE GROWTH

**4 MAJOR
BUSINESSES**

HELP INSULATE
ABBOTT FROM
FLUCTUATIONS IN ANY
SINGLE MARKET

**7 BRANDS OF OVER
RS. 1 BILLION**

180+ PRODUCTS



DIAGNOSTICS

*Timely information to
manage health better*



DIABETES CARE

*Accurate and easy to use
technologies to enhance lives*



Expanding OUR PRESENCE

Healthcare needs are growing – and changing – around the world. By building our presence throughout the country, with diverse therapeutic areas, we can better stay ahead of those trends and respond with relevant solutions that meet the needs of Pakistan.

2,400+
Abbott people
working across Pakistan

WE'VE ESTABLISHED A STRONG LOCAL PRESENCE IN THE WORLD'S FASTEST-GROWING MARKETS

**2nd LARGEST
PHARMACEUTICAL
COMPANY
IN PAKISTAN**



ABBOTT GROWTH

10.3%

(IMS Dec 2016, MAT)



Increasing OUR IMPACT



A growing population, an increasing trend of Non-Communicable Diseases (NCDs) and Chronic Disorders, continued pressure to provide high-quality care at lower cost: Abbott is well positioned to benefit from these trends.

RECOGNIZED EXPERTISE

Abbott's focused innovation has resulted in leadership positions in geographic regions and treatment areas where needs are more pressing.



FOCUSING OUR INNOVATION ON UNMET NEEDS KEEPS ABBOTT ALIGNED WITH IMPORTANT TRENDS IN HEALTHCARE



OVER 7 MILLION PEOPLE HAVE DIABETES IN PAKISTAN

Abbott's revolutionary FreeStyle Optium Neo system lets people view their past trends of Diabetes and provides alerts on hypo- or hyperglycemic events and patterns.

22%

By 2050, almost one-quarter of the world's population will be over 60 years of age.

Abbott's Ensure is specifically formulated to help recover and provide long-term strength.



As Pakistan's economy grows, so does its need for higher investment in healthcare.

Building
A LEADING
GLOBAL
HEALTHCARE
COMPANY



Life. To The Fullest. At Abbott, we keep hearts healthy, provide science-based nutrition to nourish bodies of every age, and provide information and medicines to help manage people's health.

As the world changes, so do we, reshaping our Company to keep Abbott strong. By doing so, we're better able to help people all around the world live their best possible lives.

Established Pharmaceuticals

EXPANDING OUR IMPACT



Mrs. Rizwana Maqsood was concerned about her third pregnancy, with the first two being miscarried. With the help of Abbott’s product, she was able to fulfill her wish for a healthy family.

Mrs. Rizwana Maqsood, was six weeks pregnant and it was the third time when she started to develop symptoms of miscarriage. Having gone through it previously, it was obvious for her that she might end up losing her offspring. For someone like Mrs. Maqsood, who had always conducted her life properly, the hardest part was not knowing why she was going through this. After having consulted

a senior gynecologist, Mrs. Maqsood was prescribed Abbott’s product which helped her get through her pregnancy and deliver her baby.

Bakhtiar, her son, is now 12 years old and is one of the brightest students in his school. He gives Mrs. Maqsood a reason to live and smile every morning.

She firmly believes that Abbott does help people live a healthier and better life.

WOMEN’S AND MEN’S HEALTH

Our Women’s and Men’s Health portfolio has helped patients for over fifty years dealing with different types of conditions.

We have trusted brands for pregnancy, reproductive health, menopause and to cater for calcium and vitamin deficiencies.



ESTABLISHED PHARMACEUTICALS

TRUSTED BRANDS, DIVERSIFIED PRODUCT OFFERINGS

2016 BUSINESS HIGHLIGHTS

- 8 new product launches during the year helped us reach more segments.
- Primary sales growth by 10.3%, with IMS growth of 10.8% enabled us to achieve a market share of 5.4% for our pharmaceutical business. (IMS Dec 2016, MAT)
- Duphaston achieved Rs. 1 billion sales in 2016 as per IMS.

LEADING TOP 5 BRANDS

BRUFEN

Pakistan's #1 ibuprofen brand in volume

ARINAC

Pakistan's #1 cough and cold preparation

KLARICID

Pakistan's #1 macrolide antibiotic

SURBEX Z

Pakistan's #1 multivitamin+mineral tablet

DUPHASTON

Pakistan's #1 brand for progesterone deficiency



>150

PRODUCTS IN OUR PORTFOLIO



Our Unique Approach

By focusing our efforts on multiple therapeutic areas nationwide, with outreach to both healthcare providers and the patients who will ultimately benefit from our products, Abbott is building a uniquely powerful growth engine in branded generic medicines.



GENERIC

- Undifferentiated, commodity products
- No reason to choose on manufacturer's drug over another



BRANDED GENERIC

- Trusted quality and efficacy
- Differentiated products
- Packaging and formulations

BILLION RUPEES PLUS BRANDS



Nutrition

SCIENCE-BASED NUTRITION
FOR EVERY STAGE OF LIFE



Being diagnosed with Diabetes at an early age and at the start of his banking career was a setback for Mr. Abdul Hafeez. He, however, then realized that Diabetes is not a disease rather a condition which can be managed.

Mr. Abdul Hafeez holds an MBA in Finance and Banking and has been associated with the banking industry for the last eight years.

Three years ago after experiencing fatigue and increased thirst he consulted a doctor and was diagnosed with Diabetes. In order to revive his health and energy, he has since been taking *Glucerna* for complete nutrition. Taking *Glucerna* has helped him live a normal life and has allowed him to progress as a banker.

HELPING PEOPLE GROW STRONG

Glucerna, one of our famous brands, is a science-based nutrition product, designed specifically to cater to nutritional needs of diabetic strata. In addition, we also offer Ensure and Pediasure as complete balanced nutritional supplements along with a range of Similac to make every stage of life a healthy one.

GLUCERNA

Glucerna is scientifically formulated to provide nutrition to people with Diabetes.



NUTRITION

HIGH IMPACT FROM A BALANCED PORTFOLIO

2016 BUSINESS HIGHLIGHTS

- Launched the website and social media page as an initiative for Pediasure in 2016 to reach young mothers looking for nutritional advice.
- Our Nutrition Division relaunched its telemarketing service as “Abbott Nutrition Advisory Service” with toll free number for inbound calls to provide authentic nutritional information under supervision of qualified dietitians.
- Increased primary sales by 10.2% over last year.
- Maintained market leadership position with a market share of 30.1%.
(IMS DEC 2016, MAT)
- Two products with over Rs. 1 billion in sales.

Proper nutrition is the foundation for living your best life. That’s why we develop science-based nutrition products for people of all ages. From helping babies and children grow, to keeping adult bodies strong and active, and supporting the nutrition needs of people with chronic illnesses, we strive to keep you and your family at your healthiest. We believe that, with good nutrition, every stage of life can be a healthy one.





The Global Leader in Adult Nutrition

Ever since the launch of Ensure we have been a clear market leader in the category of Adult Nutrition. From the beginning, Abbott has relied on state-of-the-art nutrition science, continually improving our formulations for both general-use and disease specific products like Glucerna, for diabetic patients.

Our consistent global growth is supported by research like the Abbott Global-sponsored NOURISH study which found that malnourished seniors with a heart or lung disease who had specialized nutrition supplement were associated with a 50 percent lower death rate 90 days following their hospitalization.

ABBOTT'S NATIONWIDE REACH

Abbott products account for a clear majority of all sales in the Adult Nutrition segment

>90%
Market Share in Adult Nutrition



Diagnostics

INNOVATIVE SOLUTIONS TO IMPROVE QUALITY OF CARE



Dr. Rizwan Uppal is working as the Chief Executive Officer of Islamabad Diagnostics Center (IDC). IDC has been associated with Abbott since its inception and has found Abbott to be a reliable partner in improving its quality and patient care.

Islamabad Diagnostic Center (IDC) was founded by Dr. Rizwan Uppal over a decade ago with a belief that proper and timely diagnosis is the key to successful treatment.

IDC offers various types of tests to its patients which include both Laboratory and Radiology services. The laboratory now is spread nationwide with more than 2 dozen outlets and more than 300 doctors and has three units of Abbott Architect ci4100.

A TRADITION OF LEADERSHIP

Through the years, Abbott has built a broad and innovative portfolio of sophisticated technologies that screen and diagnose diseases as well as monitor general health. Our next-generation systems offer a broad portfolio spanning immunoassay, clinical chemistry, hematology, blood screening, molecular and informatics.

ARCHITECT 25-OH VITAMIN-D ASSAY

Abbott's test offers precision and enhanced sensitivity to diagnose Vitamin-D deficiency in patients.



DIAGNOSTICS

CREATING THE FUTURE OF DIAGNOSTIC TESTING

2016 BUSINESS HIGHLIGHTS

- Primary sales grew by 17.5% over last year.
- Launched 3 next-generation systems during 2016 to aid in patient tests.

ALINIQ

A first-of-its-kind professional services and informatics solution designed to improve laboratory productivity.

CELL-DYN EMERALD 22 SYSTEM

It is a compact, automated hematology analyzer, designed for In Vitro Diagnostic use in clinical laboratories. The system is small, simple, smart and generates results quickly and accurately.

CP3000

The combination of high throughput and a compact footprint enables the CP3000 to rapidly meet the workflow needs of laboratories of all sizes, while providing high quality and reliable results. The system is designed for In Vitro Diagnostic use only.

With predominantly liquid, ready to use reagents and enhanced onboard stability, the CP3000, decreases operator hands-on time, which reduces the chances for errors.





Harmonized family of innovative systems

The need for fast, accurate and reliable test results is vital in emergency rooms, critical care centers and other situations where treatment decisions need to be made quickly. Abbott's blood analyzers provide real-time, highly accurate results to speed up decision-making and ensure that appropriate care is provided when and where it's needed.

Our new platforms launched during the year represent a major leap forward over competitive systems in terms of reliability, cost, capacity, space efficiency and ease of use.



Diabetes Care

ADVANCING TECHNOLOGY,
IMPROVING LIVES



Instead of staying depressed because of Diabetes, Mr. Jawed Ali, has lived a better and healthy life and progressed steadily in his career. He is grateful to *FreeStyle Optium Neo* meter for its contribution.

Mr. Jawed Ali who is a retired banker and currently in his 60s noticed symptoms of thirst and fatigue at an early age. He consulted with a doctor and was diagnosed with Diabetes at the age of 37.

Jawed did not let his condition affect him. Through courage and optimism he followed a healthy diet, took medicines and also regularly monitored his blood glucose level using *FreeStyle Optium*.

He is thankful to Abbott for *FreeStyle Optium* meter which has allowed him to treat Diabetes not as a disease but as a condition which can be managed.

BETTER LIFESTYLE

Abbott’s focus on Diabetes is part of the global healthcare company’s aim to improve life through products and technologies that span the breadth of healthcare. Demand for these technologies is increasing as prevalence of Diabetes grows, positioning Abbott well for future growth.

Our *FreeStyle Optium Neo* meter provides patients with guidance to manage their everyday routine while fighting Diabetes.

FREESTYLE OPTIUM NEO

Abbott’s FreeStyle Optium Neo Meter allows patients to regularly monitor their blood Glucose levels enabling them to control Diabetes.



DIABETES CARE

EXPANDING OUR LEADERSHIP, SHARPENING OUR FOCUS

2016 BUSINESS HIGHLIGHTS

- Successfully launched FreeStyle Optium Neo H meter in hospitals and FreeStyle Optium Neo consumer meter with advance Insulin features and benefits for diabetic patients.
- Our FreeStyle Optium Neo glucose monitoring meter was named as “Brand of the Year” in the category of Glucometers by Brand Foundation Pakistan after nationwide consumer surveys.

KEY FEATURES OF FREE STYLE OPTIUM NEO

- Blood glucose trend indicators
- Insulin logging
- Insulin dose guide
- Clear sharp screen
- Accurate
- Fast and easy to use





Changing the Testing Paradigm for People with Diabetes

At Abbott, we believe people with Diabetes should have the freedom to enjoy vigorous, active lives. Our systems help diabetic patients manage their health more effectively and comfortably with easy-to-use products that provide accurate data to drive better informed decisions.

Greater convenience and comfort allow patients to take charge of their Diabetes with confidence. Our easy-to-use test strips require only tiny blood samples to make testing more comfortable while our meters provide accurate results and reports for more meaningful insights and come with a variety of features to meet the individual needs of people living with Diabetes.

ALIGNED TO TRENDS



GLOBAL PREVALENCE OF DIABETES AMONGST ADULTS ROSE FROM 4.7% IN 1980 TO 8.5% IN 2014.

Provide your guidance now

NEW PRODUCT LAUNCHES

ABOCRAN (CRANBERRY EXTRACT)

Healthy kidneys are essential for a healthy life. Cranberry extract helps people to keep away from recurrent infections of kidney and the urinary tract. Cranberry extract in the form of Abocran was launched by Abbott Pakistan May 2016 in sachets of 250mg.



COFLOZ MULBERRY

Mulberry is used extensively for the treatment of cough. Abbott Pakistan launched Mulberry Lozenges in March 2016 with 8 lozenges in each strip. Mulberry Lozenges helps to overcome inflammation and irritation due to cough.

COFLOZ LOZENGES

Lozenges are extensively used to treat throat irritation and cough. Abbott Pakistan launched Cofloz Herbal Lozenges to provide herbal treatment to the patients in four different flavors including Icy Mint, Orange, Pineapple and Honey Lemon. These were launched in March 2016 with 8 lozenges in each strip.



COFLOZ HERBAL SYRUP

Traditionally herbs have been used extensively for treating cough and cold symptoms. Abbott Pakistan during January 2016 launched a herbal syrup under the umbrella of “Cofloz” to help people breathe freely. It is available in pack size of 120ml.



COFLOZ IVY LEAF

Physicians over centuries have used Ivy Leaf extensively in medicines to treat cough and throat irritation. In January 2016, Abbott Pakistan launched “Cofloz Ivy Leaf” syrup to treat conditions of cough and cold. Similar to other syrups under the “Cofloz” brand, it is also available in pack size of 120ml.

FLOAID

To further strengthen respiratory portfolio, the Company launched Floaid (Montelukast) with Sachets of 4mg and chewable tablets of 5mg for children. Similarly, 10mg tablets were launched for adults.



EZOMOL

During July 2016, Abbott Pakistan launched Ezomol (Esomeprazole) in capsules of 20mg and 40mg. The product is available in the form of capsules in blister packaging and is a valuable addition to our Gastroenterology portfolio.

BURNOL

Burnol has served households for generations and has been a must-have item in kitchen cabinets and first aid boxes for every family. Burnol (Euflavine), a trusted brand for decades, is an anti-septic cream relaunched in 30g tube in November 2016.



NEW PRODUCT LAUNCHES



CP3000 (AUTOMATED COAGULATION ANALYZER)

The combination of high throughput and a compact footprint enables the CP3000 to rapidly meet the workflow needs of laboratories of all sizes, while providing high-quality and reliable results. The CP3000 is powerfully compact, simple and efficient in its operations. This machine was launched in January 2016.

CELL-DYN EMERALD 22 (HEMATOLOGY ANALYZER)

Abbott Pakistan Diagnostics Division launched Cell-Dyn Emerald 22 in May 2016. It is a Hematology Analyzer and is a full performance solution for smaller laboratories. It provides the information you need in a compact design.



AlinIQ

Discover greater operational productivity with existing resources.

ALINIQ (CUSTOMIZED INFORMATICS SOLUTIONS)

AlinIQ is a first-of-its-kind holistic professional services and informatics portfolio; a powerful combination of expertise, processes and suite of informatics enablers that together have the power to transform laboratory operations. It was launched in March 2016.

FREESTYLE OPTIUM NEO

FreeStyle Optium Neo is the latest addition to the FreeStyle Blood Glucose Monitoring family. It was launched in April 2016. The device provides a clear and sharp screen with accurate blood test results. It has an inbuilt insulin logging system which lets patients stay on track and also provides a guide on the amount of insulin to take and when. The device also alerts patients with hypo or hyperglycemic trends.



MOSPTEL

Mosquito Repellent

مچھر آپ سے دُور،
رہنے پر مجبور



PK/MOSP/AD/01/2017

Abbott Laboratories (Pakistan) Ltd.
P.O. Box 7229, Karachi-74400.



Abbott

OUR PORTFOLIO SOLUTIONS

At Abbott our goal is to help people everywhere live better, fuller and healthier lives. We are not only committed to providing medicines that will help people achieve their best health at every stage of life, but also to providing information to help them understand medical conditions and take control of their health.

TRUSTED MEDICINES

We've never taken good health for granted. Whether it's an ordinary headache or a more serious illness, we want people to get better fast, so they can go back to doing the things they love.

That's why we take pride in offering affordable, high-quality, trusted medicines that have been helping millions of people around the world lead healthier lives. But we don't stop there, we continuously improve our medicines and make them better, easier to administer and faster to act.

We want to be the most trusted partner in health solutions and medicines. That's why we focus on increasing access to needed medicines and being closer to patients and consumers by offering a broad portfolio of high-quality medicines that best meet local market needs.



WOMEN'S AND MEN'S HEALTH

Abbott has helped women and men around the world for over 50 years by improving their health and supporting them throughout their lives.

We have trusted brands for pregnancy, reproductive health, menopause and to cater for calcium and vitamin deficiencies to help people live a healthier life.



CARDIOVASCULAR AND METABOLIC

Abbott is dedicated to helping people to maintain heart, vascular and metabolic wellness to enable them to stay healthy, active and go back to doing the things they enjoy.

Our brands help people with various conditions which include dyslipidemia, hypertension and other metabolic disorders.



GASTROENTEROLOGY

Abbott is committed to helping people maintain gastrointestinal health, from oral cavity to the intestines and their associated organs, offering expert solutions for a wide variety of digestive symptoms and disorders.



PAIN AND FEVER RELIEF

Abbott is committed to help people suffering from fatigue and fever, to support them live a healthy routine. Our various brands associated with this category help people with different diseases which include hyperthermia, osteoarthritis or backache.



CENTRAL NERVOUS SYSTEM

Abbott is dedicated to support people in having a healthy mind and a healthy body by providing solutions to treat common conditions such as vertigo, depression and epilepsy.

OUR PORTFOLIO SOLUTIONS



RESPIRATORY

Abbott is committed to serve people with respiratory conditions such as upper and lower respiratory tract infections and influenza by offering trusted, proven medicines and vaccine.



PEDIATRICS

Abbott realizes the importance of good health for children to help them grow into independent and successful adults. We provide solutions to different diseases such as fever, diarrhea, respiratory ailments and micronutrients deficiency which may hinder a child's development and growth.



CONSUMER

Our Consumer portfolio provides solutions to different diseases which include recurrent Urinary Tract Infections and with a range of herbal medicines. This portfolio also provides preventative solutions from viruses spread by mosquitoes such as malaria, dengue and zika by providing effective mosquito repellent solutions.



HOSPITAL CARE

Abbott's Hospital Care portfolio provides solutions to health care professionals for their hospitalized patients undergoing surgeries and in need of spinal anesthesia or muscle relaxants. This portfolio also caters for those suffering from Herpes or hospital acquired infection.



GEOGRAPHICAL PRESENCE

Asia Pacific

Australia
China
Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand

Pakistan

Philippines
Singapore
South Korea
Taiwan
Thailand
Turkey
Vietnam

Europe

Albania
Austria
Azerbaijan
Belarus
Belgium
Bosnia-Herzegovina
Bulgaria
Croatia
Czech Republic
Denmark
Egypt
Finland
France
Georgia
Germany
Greece
Hungary
Ireland
Italy
Kazakhstan
Latvia
Lithuania
Netherlands
Norway
Poland
Portugal
Republic of Serbia
Romania
Russian Fed.
Slovakia
Slovenia
Spain
Sweden
Switzerland
Ukraine
UK

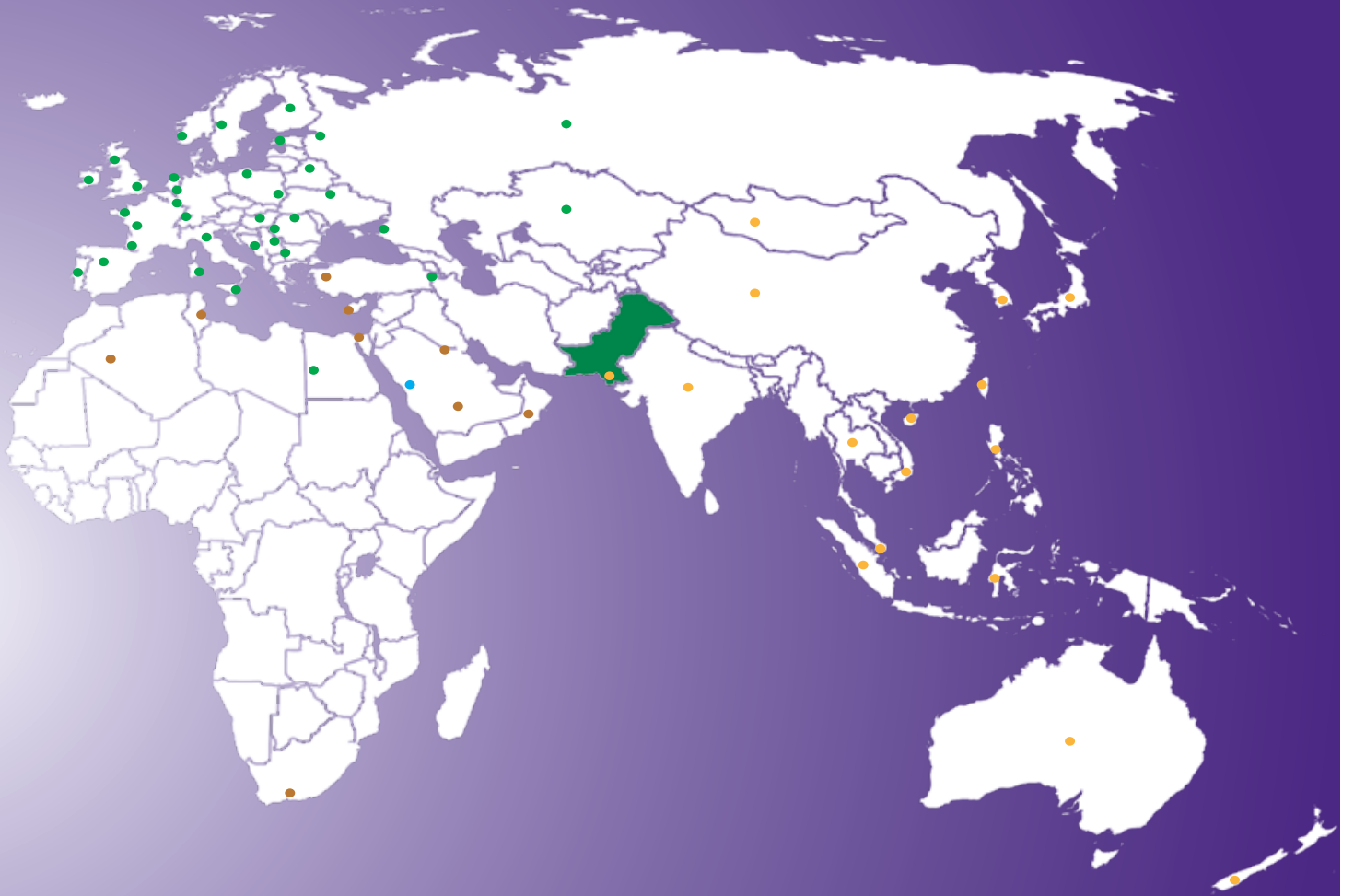
Latin America and Canada

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

Middle East and Africa

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





United States
Illinois - Abbott Park - Head Office



HUMAN RESOURCE DEVELOPMENT

2016 has been a year of transformation for Abbott Pakistan. Your HR function has played a key role in this transformation by providing interventions that contributed significantly towards employees' morale and motivation during various phases of change and transformation.

BUILDING PARTNERSHIPS, CREATING IMPACTS

In partnership with business leaders, we continued our efforts to keep our employees excited and motivated about the contributions they are making to society by helping them with our products and services. Simultaneously, we also ensured that they are best equipped to do their jobs well by providing development and engagement interventions; keeping a strong focus on employees learning and growth. We believe that our interventions should not only be aligned with business, but should also help employees achieve their professional growth related goals and aspirations. It is because of this focus that each such intervention creates exponential impact. Our employees thus are well motivated, and continue to achieve higher standards in work performance and practices while ensuring highest levels of values, ethics and integrity. We continue to deliver products and services that meet the highest quality standards and make a positive impact on the health and wellbeing of the people we serve. Our products and services are helping people live a healthier life.

TALENT ATTRACTION AND RETENTION

We fully understand and appreciate the fact that no matter what technology and advancements we bring in, it's the people and their contributions that make all the difference. Investing in people is one of the key factors that contribute to our successful talent attraction retention strategy. Through the years, we have attracted the best talent that has the ability and potential to pursue excellence in making a difference to the Company and the people we serve. Once onboard, we put a strong emphasis on employee development and growth so to keep ourselves ahead of the marketplace while ensuring that such talent is retained. These efforts, combined with several associated initiatives that are part and parcel of our organizational culture

have enabled us to stand out as an employer brand that is well recognized both globally and locally.

Our competitive compensation and benefits structure is another distinctive factor that stands us out in the industry. These offerings well meet the needs of our diverse workforce while remaining aligned with our overall global compensation philosophy and values.



LEARNING AND DEVELOPMENT

We have continued with our focus on employees' development and growth needs, through a structured training need analysis process, whereby, managers and team members identify gaps required to enable each employee to deliver better in current role, or bridge the gap between current skills and behavior sets and desired levels in order to provide them with growth opportunities. Our employees continued to get the desired learning support throughout the year which resulted in better output and healthier, competitive work environment.

EMPLOYEE GROWTH AND SUCCESSION PLANS

With an enhanced focus on employee growth and succession, your HR function has continued to provide support in identifying the right people for the right roles of higher responsibilities. Structured succession plans have been devised and implemented across several

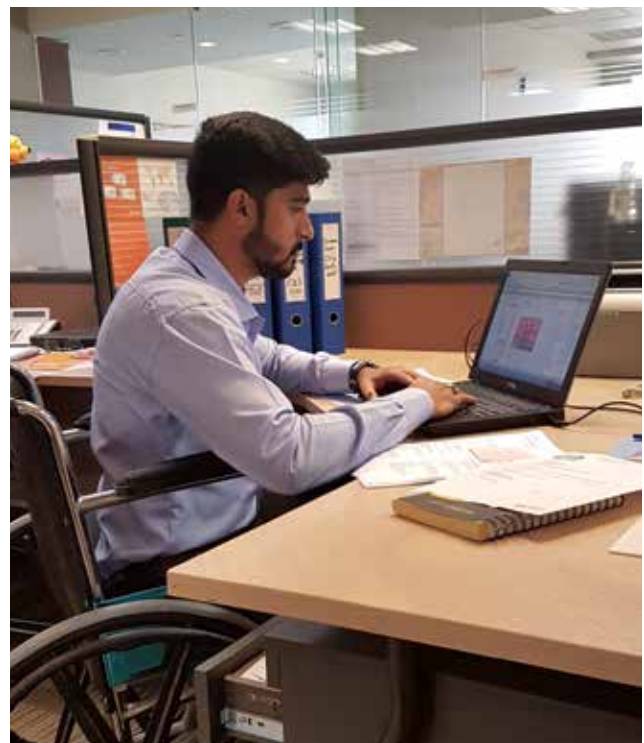


areas within the organization. The diversity among our business divisions offers employees a broad range of career path options. Employees can advance within their functional discipline or progress along a path that provides experience across a range of functions. Based on performance, business needs and personal interest, employees can pursue career advancement from across job functions, different business segments and geographic boundaries as they grow within the Company. Through robust succession pipeline, in 2016 we were able to fill several senior management positions from within and cross functionally which is a testament to the success of our retention and growth initiatives.

MANAGEMENT TRAINEESHIPS AND INTERNSHIP PROGRAMS

As a responsible corporate citizen, our Company continued to provide management traineeships and internship experiences to students from various academic institutions. Internships opportunities for applicants with special needs was identified as a major area of attention. Being a committed and socially responsible corporate citizen, we feel that it is our responsibility to provide equal opportunity to all, specially to those who need our stronger support. With the help and support of management and administrative

staff, this year first such intern successfully completed his internship training in 2016, and the experience was mutually rewarding.





A GREAT PLACE TO WORK

Aligned with the Global efforts and initiative of making Abbott ‘A Great Place to Work’, your HR function has taken several initiatives to build and strengthen the values of Trust, Recreation and Pride among employees. We commit ourselves to creating a work environment that enables employees to thrive both as individuals and as contributors to business success. Our structured and informal employee feedback mechanisms provide us deeper insights into employee needs and expectations; thus, help us drive these programs with greater impacts. With several initiatives aligned with Company’s values, we strive to create an environment where each day, our employees look forward to come to work with enthusiasm. Here, they compete not only with the market but also with each other in an environment where their efforts are recognized, appreciated and rewarded. Our people put their best efforts each day at work which translates into successful results for the Company.

INDUSTRIAL RELATIONS

This year, the Charter of Demand negotiations between the labor union and the management were due and were successfully carried out, and negotiations were concluded within the defined timelines.



‘WINNING TOGETHER BEHAVIOR AND CULTURE’

‘Winning Together Behavior and Culture’ was another one of Abbott’s global initiatives that was rolled-out in Abbott Pakistan in 2015 and employees continued to be educated on Winning Behaviors and their application at work in 2016 as well. Our salesforce is spread across Pakistan and as such, majority of them do not get opportunities to interact with the business leaders outside of their functions. To help them develop, better understand cross-functional processes and for their appreciation, HR sessions have been introduced for salesforce. These sessions are conducted alongside with cycle meetings and provides functional business leaders and salesforce to interact with each other in face to face sessions and discuss matters of mutual importance. Salesforce issues and queries are discussed in a candid environment and many challenges and issues are being addressed promptly as a result of such interactions.



ENVIRONMENT HEALTH & SAFETY



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

Our manufacturing plants and commercial operations both work together to adhere to our corporate policies and to minimize our footprint on the environment.

Our Global Environment Health and Safety Strategy – Our People, Our Planet and Our Values – commit us to advancing Abbott’s Environment, Health and Safety (EHS) by:

- **Protecting our people:** Fostering a work environment that promotes employee health and productivity, and strives to be injury-free.
- **Protecting our planet:** Respecting our natural resources

by improving the efficiency and sustainability of our business and products, reducing greenhouse gas emissions, water use and minimizing waste.

- **Adding value:** Continuing to strengthen EHS practices across all aspects of the business, in addition to maintaining compliance with applicable requirements.

EFFORTS MADE TO MITIGATE THE ADVERSE IMPACTS OF INDUSTRIAL EFFLUENTS

Abbott’s Zero Waste To Landfill Initiative (ZWL)

Abbott strives continuously to either eliminate waste or to move it to a higher level in the waste hierarchy. This means that if waste cannot be eliminated, we work aggressively to divert it from landfill toward reusing, composting, recycling, incinerating to recover energy or incinerating for more efficient waste disposal.

Abbott’s ‘Zero Waste to Landfill’ has not only

minimized the amount of landfilled waste but has also improved efficiency, cost savings and reduction in our carbon footprint. Implementing zero-waste-to-landfill involves eliminating all waste sent to a landfill through source reduction, recycling, energy recovery or diverting waste to become a resource for other beneficial use. This requires avoiding and eliminating toxicity in waste and materials.

The Company has succeeded in preventing up to 253.4 Metric Tons of waste from being landfilled between 2015 and 2016. Despite increase in operations in 2016, the Company achieved its target of reducing waste by 27 Metric Tons from last year. The Company also got a regional certification of **'Zero Waste to Landfill'**.

The best way was considered to reduce waste by either eliminating or defining new route of disposal. The diligent effort towards this initiative aided the sites to have better understanding of the total site waste through improved tracking and reporting, identification and prioritization of waste reduction activities and moving waste streams up the waste hierarchy, strengthened supplier relationships and site employee engagement.

Composting

As concern about landfill space increases, worldwide interest in recycling by means of composting is growing. Composting is a process for converting decomposable organic materials into useful stable products. This is also one of the only ways to revitalize soil vitality due to phosphorus depletion. The initiative supports Abbott's **'Zero Waste to Landfill'** initiative.

In this regard, Abbott Pakistan had acquired the composting machine, leading by example in 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 kg material as compost per day utilizing garden waste and food scrapes from site canteen to turn into fertilizer. The overall waste management project helped in decreasing waste per 1,000 units from 21.32kgs of base line of 2013 to 2.72kgs by end of 2016.

Waste Reduction Training

Motivated by its drive to continue and reduce waste and by realizing that reduction of waste is a combined effort, Abbott Pakistan organized a waste management

session for the faculty and students of Karachi University to increase awareness on the topic in the community.

Energy Conservation at Abbott and Pakistan's Energy Crisis

Abbott Pakistan is continuously focusing to reduce the energy consumption in order to reduce the cost of production as well as to contribute its part in the sustainability of environment. At our Landhi manufacturing facility, the Company, in order to minimize costs and to assist in the Country's overall energy crisis, relies on internal power generation by use of gas turbines. Our energy policy focuses on increasing energy efficiency in our manufacturing operations, investing in low-carbon energy, improving efficiency within our transportation fleet and encouraging a lower carbon footprint within our supply chain.

Production of high quality products in a cost effective manner stands as one of the biggest challenges for the pharmaceutical industry. Taking energy conservation initiatives gives control over costs and a competitive edge and is also instrumental towards meeting environmental goals. Various opportunities for energy conservation have been explored and a couple of projects are already in progress with some being already completed.

A project comprising use of energy efficient LED lights is on the verge of completion that will contribute significantly in energy conservation perspective. Another project regarding installation of solar panels to fulfill our power requirement and promote clean energy is in progress at Korangi plant. We also seek to execute a comprehensive Energy Management Plan for optimizing the energy utilization and increase the efficiencies of our system.

The Company has also, in past years, completed various initiatives which included making our HVAC equipment process energy-efficient through a Direct Digital Control System by installing chilled water control valves, temperature/RH sensors and VFDs.

Energy conservation remains a significant objective at Abbott and the Company continues to adopt more energy efficient means where possible.

Water Conservation

Clean water is a critical resource, essential for healthy living environments, healthy communities and the ability of people to achieve their potential. Access to water is also essential for our manufacturing operations and plays a critical role in the use of many of our products. Abbott Pakistan is committed to managing our water use in an efficient, sustainable manner and to improving access to clean water for communities. We work to make a difference by managing our own water use responsibly and then working externally where we have opportunities to improve access to clean water.

The Company in recent years has taken various initiatives to reduce its water usage. In 2015 the company installed automatic water faucets and installed flow meters for water monitoring. During the current year the company initiated re-use of water which could not be used due to high TDS, recycled through its Reverse Osmosis unit. This water was used in flushes in toilets.

QUALITY ASSURANCE

Quality Month

Quality & Regulatory month was celebrated across plants and commercial offices of the Company during November 2016. The activities were focused towards promoting culture of Quality and raising awareness about Quality aspects. We at Abbott believe that Quality is everyone’s responsibility and each and every person working for the Company contributes towards product quality. The activities included distribution of quality information through pamphlets, banners, posters, on-screen quality messages and presentations.

Quality Quiz was also part of celebrations that included questions which received tremendous response from Company personnel.

In addition to this a new intranet website has been launched in November 2016 which was celebrated as the Quality & Regulatory Month, targeting all employees. The purpose was to create general awareness of how quality adds value and calls to action.

Quality Audits and Inspections

The manufacturing site at Landhi has undergone a Corporate Quality Audit that lasted for 7 days and yielded no Critical observation. This was in addition to 21 inspections by various Federal and Provincial Governmental Agencies and Regulatory bodies with the same results. This is further evidence that speaks of high Quality standards observed by the Company.

CONSUMER PROTECTION MEASURES

A customer complaint for Abbott is an indicator of customer dissatisfaction about the quality of our products. The Company operates a robust complaint handling system which gives it the opportunity to improve product quality where needed and acts as a way to establish a committed relationship with our customers.

A systematic procedure is developed and implemented in order to register and investigate each complaint received. Stakeholders from across the organization are involved from different departments which include marketing, quality, distribution etc. Thus the aim is to gain the continued confidence of our customers in



our products by investigating the existing processes pertinent to the nature of complaint and provide the feedback to the complainant where needed.

OCCUPATIONAL SAFETY & HEALTH

Behavior Based Safety

Abbott Pakistan adopted a global Behavior Based Safety (BBS) initiative to reinforce positive behaviors. Focusing on behaviors creates a safety partnership between management and employees. This continually focuses people’s attentions and actions on their and others daily safety behavior. More importantly, the Behavior Based Safety program is not designed to assign blames, but to encourage communication regarding safe practices. With the team comprising of more than 200 employees trained on BBS program’s approach, 409 BBS observations were completed. All cadres of employees were included, from senior management to the front line employee. Identified at-risk behaviors were corrected mainly through four steps:

1. Identification of critical behaviors
2. Gathering of data
3. Providing real-time feedback
4. Utilizing the collected data to improve EHS culture

Behind the Wheel (BTW) and Behind the Bar (BTB)

Taking employee safety and health seriously, Abbott Pakistan organized a BTB/BTW refresher training during 2016 for all field personnel across Pakistan.



This involved half day classroom training & half day practical session in the field with the purpose of creating awareness of safe driving and reducing the risks of road accidents. A total number of 450 field force employees participated in the training.



SUPPORTING OUR COMMUNITIES

EVIDENCE BASED CLINICAL STUDIES

Abbott Run Clinical Studies to Generate Local Data and Understand Local Epidemiology

Abbott Pakistan not only endeavors to provide quality medicines that are efficacious, but also supports the healthcare community in understanding the diseases and its local epidemiology in a better way. For this, Abbott's Medical Department is in partnership with quite a few collaborators, including some of the Country's well known therapeutic area specialists, institutions and clinical research organizations.

We're working together to find how common a particular disease in our part of the world is, how can we diagnose it better and how proper management can positively affect the quality of life of patients.

The PREEMPT study is a clear example of this where we are testing a proper diagnostic tool for Minimal Hepatic Encephalopathy (MHE) in our patient population. Patients with MHE have impairment in activities requiring attention, motor skills, and visual-spatial abilities (i.e. driving a car). Till date there is no single diagnostic criterion for MHE which is a reversible disease. The findings of the study will ultimately help physicians for evaluation and regular detection of patients potentially affected with MHE in their routine clinical practice.

Another example is the PRECIOUS study, the objective of which is to find an estimate of pregnant females with subclinical hypothyroidism. Hypothyroidism and Sub-Clinical Hypothyroidism in pregnancy can have devastating outcomes on health, both of the mother and the baby, it is imperative that we should have firsthand knowledge of the burden of the disease.

For this study we have partnered with renowned gynecologists and obstetricians from across the country and a state-of-the-art laboratory for reliable and uniform serum analysis for detection of sub-clinical hypothyroidism in pregnant females.

AWARENESS CAMPAIGNS

Abbott Organized "Nutri Health Camps" to Improve Awareness of Good Nutrition

During the year Abbott's Nutrition division organized nutrition health camps in prominent malls of Pakistan in three major metropolitan cities i.e. Karachi, Lahore and Islamabad.

The activity was carried out in total of six malls which included three in Karachi and two in Lahore and one in Islamabad. These stalls were setup in the main atrium of the malls where the footfall of the customers was high. The stalls were equipped with height and weight scales and assessments were done by qualified nutritionists who provided assessment for both adults and children and later gave nutritional advices where needed. For adults, there was also "Hand Dynamometer" where they tested their strength under the supervision of a nutritionist. An immediate assessment of these results was given by qualified nutritionists, giving detailed nutritional counselling to the participants as to how they can achieve healthier lifestyles.

Abbott Organized "World Malaria Day" to Create Awareness of Symptoms for Malaria

Abbott Pakistan collaborated with Initiative for Peace and Development and launched a campaign, that created awareness about malaria's symptoms and preventive measures to reduce its morbidity and mortality rate.



Multiple sessions across Karachi, Multan, Rawalpindi, Islamabad, Kohat, D.I.Khan, Swat and Abbottabad were conducted to mark “World Malaria Day” on April 25th, 2016.

Over 25 communities and schools were reached and over 4,500 people were educated on the prevention of this disease.

Abbott Participated in “Express Family Festival” to Increase Awareness of Blood Glucose Monitoring

The Company through its Diabetes Care Division participated in Express Family Festival at the Expo Centre Karachi on July 23 & 24. The purpose of the stall was to create awareness amongst the general public on the importance of blood glucose monitoring in managing diabetes and living a healthy life.

Abbott Organized “3rd National Nutrition Conference” to Create Awareness of Importance of Nutrition

Nutri-Nation Y3 is the 3rd iteration of the National Nutrition Conference, a pioneering initiative by Abbott’s Nutrition division featuring the top 300 healthcare experts from across the nation.

Abbott is a global healthcare company, and its nutrition business is committed to advancing and championing good nutrition to help people live healthier lives. Around the world, including Pakistan, malnourishment is a real concern that can have far-reaching consequences on the quality of people’s lives.

Nutri-Nation as an event is a unique gathering of seven widely varied healthcare disciplines and is attended by renowned doctors from different fields, all of which are gathered under one platform as they exchange ideas and inspire the national healthcare community to accelerate the nutritional health of the Pakistani population.



CORPORATE SOCIAL RESPONSIBILITY

DISTRIBUTION OF UNIFORMS TO MULTIPLE NGOs

During the year as part of our commitment to support the community, Abbott Pakistan donated over 600 old uniforms after making necessary alterations to Horizon Drug Alleviation Center. Further, 1,500 more uniforms were also donated to Chipa which is a well-known charitable organization.

TREE PLANTATION DRIVE

Abbott’s EHS department, in pursuance of its drive to make the environment more sustainable and to reduce its carbon footprint, planted over 400 trees in different parts of Karachi in collaboration with the local community.



BLOOD CENTER PROGRAM - BLOOD DONATION IN COLLABORATION WITH INDUS HOSPITAL

Keeping the tradition alive in 2016, Abbott Pakistan once again collaborated with Indus Hospital to participate in their Blood Donation Program. Blood donation centers were arranged at both Landhi and Korangi plants where number of employees volunteered and made this drive successful. This contribution of Abbott was highly appreciated by the management of Indus Hospital and would have definitely helped in saving lives.

FIRE SAFETY TRAINING - RED CRESCENT ANNUAL CAMP

Pakistani Red Crescent which is a member of International Federation of Red Cross and Red

Crescent Societies (IFRC) is one of the most notable NGO’s in the country. The Company participated in the Pakistan Red Crescent Annual Camp where it provided fire safety awareness and training to the attendees.

DONATIONS TO DIFFERENT INSTITUTIONS

The Company made donations to different non-profit organizations during the year, donating over Rs. 1.6 million in both cash and kind.

STATEMENT OF CHARITY ACCOUNT

| | Rs. in thousands | |
|--------------------------|------------------|------------|
| | 2016 | 2015 |
| Education | 400 | 125 |
| Healthcare & Environment | 1,215 | 658 |
| General Donations | - | 85 |
| Total | 1,615 | 868 |

EMPLOYEE HEALTH CAMP – “GET RID OF FLU”

As an initiative to help promote employee health and well-being, Abbott Pakistan organized a health camp where free of cost flu vaccination was offered to Abbott employees at site. A total of 1,216 employees benefited from this free of cost health offering. All employees participated in the activity with great enthusiasm.



OUR GLOBAL CITIZENSHIP PRIORITIES



At Abbott, we constantly work to integrate our citizenship strategy with our core business strategy. Abbott has four 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:

Innovating for the Future

Using our core strength as an innovator to make a difference to the health and well-being of people everywhere.

Enhancing Access

Breaking down the barriers that prevent many people worldwide from accessing the medicine and healthcare they need.

Supporting Patients and Consumers

Working to improve quality of life for our patients and consumers, while helping to educate healthcare professionals about the latest tools and treatments.

Safeguarding the Environment

Playing our part in addressing the global challenges of climate change and water scarcity while minimizing the environmental impacts of our products.

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

INNOVATING FOR THE FUTURE

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

With increasing awareness and demands, we will continue to run ICH-GCP (International Conference on Harmonization Good Clinical Practices) complaint clinical trials with the highest ethical standards to demonstrate clinical effectiveness and with robust Pharmacovigilance system to establish the safety of Abbott products with our consumers. This in turn will ensure availability of healthcare solutions for doctors and highest quality products for patients. Our ongoing investment in R&D enables us to address the ever changing global disease burden and to foster new, improved solutions for emerging healthcare challenges.

ENHANCING ACCESS

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



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

Educating Healthcare Professionals - We continue to invest in continuing medical education of our healthcare professionals while striking a balance between continuing education and ethics compliance.

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

SUPPORTING PATIENTS & CONSUMERS

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



ingredients is generating significant debate throughout the healthcare industry. At the same time, the broad geographic dispersion of our supply chain requires increased oversight and auditing.

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

- Ensuring quality, safety and product integrity across the full spectrum of research, development and manufacturing of our products and packaging.
- Ensuring the quality, safety and authenticity of each product that bears the Abbott name through our distribution channels.
- Effectively identifying and targeting the most appropriate patient profiles for each Abbott product and ensuring that healthcare professionals are fully informed of the benefits and risks of our products.
- Directly and indirectly educating patients about proper storage, use and disposal of their medicines and healthcare products under appropriate medical supervision.

As a leader in global healthcare, Abbott’s goal is to create and develop products that preserve and enhance the lives of patients and consumers.

SAFEGUARDING THE ENVIRONMENT

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

- Climate change
- Water usage
- Product stewardship

We recognize the interrelated nature of these three priorities. Our work in one area inevitably affects

the others. We have developed comprehensive management and governance systems to ensure that environmental considerations are fully integrated into our day-to-day planning and business processes. Our environmental stewardship initiatives help protect the planet while improving efficiency, reducing costs and preserving our ability to do business in the future.

Our environmental policy achieves these objectives:

- Improve the efficiency and sustainability of our business activities and products, reducing greenhouse gas emissions, water use and waste.
- Require contractors working on behalf of Abbott to conform to regulatory requirements and meet applicable internal Environment, Health and Safety (EHS) standards.
- Establish goals and strategies for the enterprise and report publicly on our progress.
- Integrate sound EHS practices consistent with our management system into all aspects of the business, maintaining legal compliance.

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

Clear policies, standards and management systems ensure that we operate in a manner that protects both human health and the environment. Our environmental management metrics, auditing and reporting mechanisms are evaluated regularly, and we hold our employees responsible for improving their performance against these targets as part of our annual performance appraisal process.

AWARDS AND RECOGNITION

ABBOTT WINS MAP CORPORATE EXCELLENCE AWARD

Abbott Pakistan won the 32nd ‘Corporate Excellence Award’ and was awarded First Prize by the Management Association of Pakistan (MAP) in Pharmaceutical sector for the fourth consecutive year. MAP annually organizes ‘Corporate Excellence Awards’ to recognize and honor the best managed companies in Pakistan that follow guidelines and principles of latest management techniques through an extensive, transparent process. The evaluation process entails Management Practices Appraisal based on a questionnaire, Top Management meetings and detailed financial evaluation based on the Annual Report.



Abbott Pakistan, through its values, best leadership practices and winning behavior culture has once again won this distinguished corporate award. Such recognition is clearly a source of continued enhanced image of Abbott Pakistan in the corporate world.

ABBOTT WINS UNITED NATIONS GLOBAL COMPACT AWARD

Abbott Pakistan won 3rd prize at UN Global Compact Awards in Multinational Enterprises Category for excellent contribution towards United Nations Sustainability Development Goals such as Good Health & Wellness, Clean Water and Sanitation and Responsible Consumption & Production. The awards were held in collaboration with Employer Federation of Pakistan. Among various organizations Abbott Pakistan was also assessed on 17 Sustainable Development Goals set by United Nations Global Compact - a corporate sustainability initiative first initiated in 2000 by UN Secretary General Mr. Kofi Annan.

ABBOTT WINS COMMERCIAL EHS PROGRAM OF THE YEAR

Abbott Pakistan during 2016 was selected as the Runner-up of 2015 Commercial EHS Program of the Year – Large Affiliate Category, organized by Global EHS of Abbott Group in which the Company competed against various international affiliates.

The objective of the award is to recognize and honor the Environmental, Health & Safety (EHS) programs that have consistently demonstrated best-practice performance. This award reflects the Company’s commitment to excellence and acknowledges its commitment to caring for its employees, customers and society.

ABBOTT WINS CORPORATE SOCIAL RESPONSIBILITY (CSR) AWARD

Abbott Pakistan won the Corporate Social Responsibility Award in the 6th International CSR Summit for the Stakeholder & Employee Engagement category. The forum is supported by various NGO’s including UNEP, UN Global Compact, WWF and others.



ABBOTT WINS BRAND OF THE YEAR AWARD

Our brand ‘FreeStyle Optium Neo’ was awarded “Brand of the Year” for 2016 in the category of Glucometers, and was identified as an emerging and leading brand in its industry category after nationwide consumer survey and qualitative analysis by “Brand Foundation Pakistan”. The organization is endorsed by Government of Pakistan and has a legal mandate to conduct brand competitions, brand research and brand ratings surveys of local, national and multinationals brands.



ABBOTT WINS BEST CORPORATE REPORT AWARD 2015

During 2016 Abbott Pakistan was awarded 4th position in the Chemicals and Pharmaceuticals category of the 2015 Best Corporate Report Awards organized 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.

ABBOTT NUTRITION DIVISION WINS AWARD FOR DIABETES AWARENESS INITIATIVES FROM DUNYA MEDIA GROUP AND AL-HAMRA MEDICAL CENTER

Abbott Pakistan’s Nutrition Division was given a recognition award for participating in “World Diabetes Day” activity organized by Dunya Media Group and Al Hamra Medical Center which is one of the leading institution in diabetes prevention care. The World Diabetes Day activity is an annual event organized to create awareness and educate consumers on diabetes prevention and its management through healthy diet.



ABBOTT PAKISTAN WAS RECOGNIZED FOR GENDER DIVERSITY ON THE BOARD OF DIRECTORS

Increased gender diversity of Board members brings a diversified team of professionals, knowledge and information for the Board to use in fulfilling its responsibilities in representing shareholder’s interests.

Abbott Pakistan’s strive to bring gender diversity and women empowerment with more than 25% representation of independent women professionals on its Board, was also acknowledged by “Women on Board Pakistan” thus recognizing the very few companies having independent women professionals (0.83%) on their Board. WOB Pakistan has decided to classify such companies as W-companies and Abbott was acknowledged as a W-Company.

ETHICS AND COMPLIANCE

Abbott’s integrity is based on decisions – large and small – that our employees make each day at every level of the company. Our decisions are guided by our values, a sense of ethics and respect for the law. To support our commitment to ethical conduct and compliance with the law, Abbott has a longstanding Ethics and Compliance Program. The Ethics and Compliance Program applies to all officers, employees, contract workers and agents of Abbott Laboratories, its divisions, and affiliates, whether operating inside or outside of the United States.

CODE OF BUSINESS CONDUCT

The Abbott Code of Business Conduct (“Code”) sets forth the principles and behaviors to which all Abbott employees must commit. All employees are required to read, understand and certify their adherence to this Code annually.

Our Code makes it clear that we do not tolerate illegal or unethical behavior in any of Abbott’s business dealings. It stresses the importance of ethical and honest conduct, appropriate treatment of confidential information, avoiding conflicts of interest, and the accuracy and integrity of Abbott’s books and records. In addition, it requires timely and accurate public disclosures and compliance with relevant laws, including food and drug laws, laws relating to government healthcare programs and antitrust laws.

Honesty, fairness and integrity represent the necessary conditions of an ethical workplace and are nonnegotiable. Whether writing an email, managing external relationships, working through ethical decisions or interpreting a regulation, Abbott employees play a critical role in maintaining Abbott’s reputation. To ensure they have the most up-to-date knowledge about how to comply with laws and regulations, the Office of Ethics and Compliance (OEC) offers 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”

One of the key features of our Code is its ‘**Speak Up**’ program whereby employees are encouraged through several communication channels to report promptly any violations or potential violations of the Code or complaints or concerns with respect to their work or seek guidance or advice in understanding the applicability of the Code.

All reports of potential Code violations are handled appropriately through follow up steps such as investigation, remediation and corrective actions.

Abbott offers multiple avenues for its employees to “Speak Up”. Employees who wish to learn more about our program can visit our website. They can also call on the designated numbers.

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 recognize legal and ethical issues that may be encountered on the job, to make sound decisions, and to know when to seek assistance from the OEC and other resources. These courses are assigned to employees using the system annually which include courses on Code of Business Conduct, Code re-certification, Overview of Abbott’s Ethics and Compliance Program, Anti-Corruption, Ethical Awareness and Decision Making and Ethically Speaking. Its assignment, notification and progress are managed and tracked at employee level through system reports which is part of top leadership review on periodic basis.



CORPORATE GOVERNANCE



PERFORMANCE EVALUATION 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. The Board of Directors sets the following evaluation criteria to judge its performance.

- a. Compliance with the legislative system in which Abbott Pakistan operates, particularly Companies Ordinance, 1984, listing regulations of Pakistan Stock Exchange, and the Memorandum and Articles of Association of the Company.
- b. Review of the strategic plans and business risks, monitor Company's performance against the planned objectives and advise the management on strategic initiatives.
- c. Establishing adequate internal control system in the Company and its regular assessment through self-assessment mechanism and internal audit activities.
- d. Ensuring required quorum of Board meeting is available, in order to have detailed deliberation and quality decision on matters of significance.
- e. Ensuring training of Board of Directors including new appointments such that each member is fully aware of his roles and responsibilities.

PERFORMANCE EVALUATION 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. The principle factors of evaluation include financial performance, business processes, compliance, business excellence and people management.

ROLE OF CHAIRMAN

The Chairman of the Board has the responsibility to lead the Board and ensure its effective functioning and continuous development.

Role of Chairman of the Board is to:

- ensure that the Board is properly working 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 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 Ordinance, 1984. His 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.

INTERNAL CONTROL FRAMEWORK AND ROLE OF INTERNAL AUDITOR

The Company maintains an established internal control framework comprising clear structures, authority limits, and accountabilities, well understood policies and procedures and budgeting for review processes under oversight of Board of Directors. All policies and control procedures are documented in manuals.

As a part of internal control framework, the Board of Directors acts in accordance with the recommendations of the Audit Committee as documented in its terms of reference.

In line with the requirements of Code of Corporate Governance, the Company has established an independent Internal Audit function which reports to the Audit Committee. During the year, the Internal Audit function carried out its activities in accordance with its approved Audit Program and made its recommendations for value addition and improvement in existing internal controls / operations.

Internal Audit function has played a vital role in improving the overall control environment within the organization.

It is also acting as an advisor to other functions for streamlining systems in addition to ensuring effective implementation of Company's policies and suggesting procedures for revenue maximization and cost savings.

CONFLICT OF INTEREST AMONG BOARD MEMBERS

Any conflict of interest relating to members of Board of directors is managed as per provisions of the Companies Ordinance, 1984 and rules and regulations of SECP and Pakistan Stock Exchange.

STAKEHOLDERS' ENGAGEMENT

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

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

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

RISK MANAGEMENT

At Abbott we believe risk management to be an ongoing process of continuously identifying and understanding the full spectrum of our risks and taking informed actions to help achieve strategic objectives, reduce the likelihood of failure and decrease the uncertainty of overall business performance. The focus is on integrating risk management with existing management processes in such a manner that probable future events with positive and/or negative impact may be seen distinctively beforehand. Periodic review of processes transforms risk management to a proactive, continuous, value-based, broadly focused and process-driven activity. It aligns strategy, people, processes, technology and knowledge. The emphasis is on strategy, and the application is enterprise-wide.

RISK MANAGEMENT FRAMEWORK

The process of identification of risks is carried out by Company's Senior Management team under the supervision of Board of Directors. The key risks pertinent to each department are identified, assessed and allocated to each functional sect. These risks are eventually addressed through SOPs upgradation and process revitalization of that relevant function as a risk monitoring and mitigating measures.

SAFEGUARDING OF RECORDS

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

IT GOVERNANCE AT ABBOTT

Abbott Pakistan has put into place governance arrangements through an IT Steering Committee to align IT related decisions and actions with the organizations strategic and operational priorities. With senior executive representation from each division, the committee meets on a periodic basis and provides oversight of IT Governance and input on strategic alignment, value delivery and resource management.



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

SHARE TRANSFER COMMITTEE

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

BANKING COMMITTEE

Zehra Naqvi (Chairman)
Syed Anis Ahmed
Seema Khan

CHIEF FINANCIAL OFFICER

Jamshed Azhar

COMPANY SECRETARY

Malik Saadatullah

AUDITORS

Ernst & Young Ford Rhodes
Sidat Hyder & Company
(a member firm of Ernst & Young)
Chartered Accountants

LEGAL ADVISORS

Orr, Dignam & Co.
Surrridge & Beecheno

SHARE REGISTRAR

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

BANKERS

Faysal Bank Limited
Citibank N.A.
Deutsche Bank AG

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

REGISTERED OFFICE

Opposite Radio Pakistan
Transmission Centre,
Hyderabad Road, Landhi,
P.O. Box 7229, Karachi, Pakistan.

CITY OFFICE

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

WEBSITE

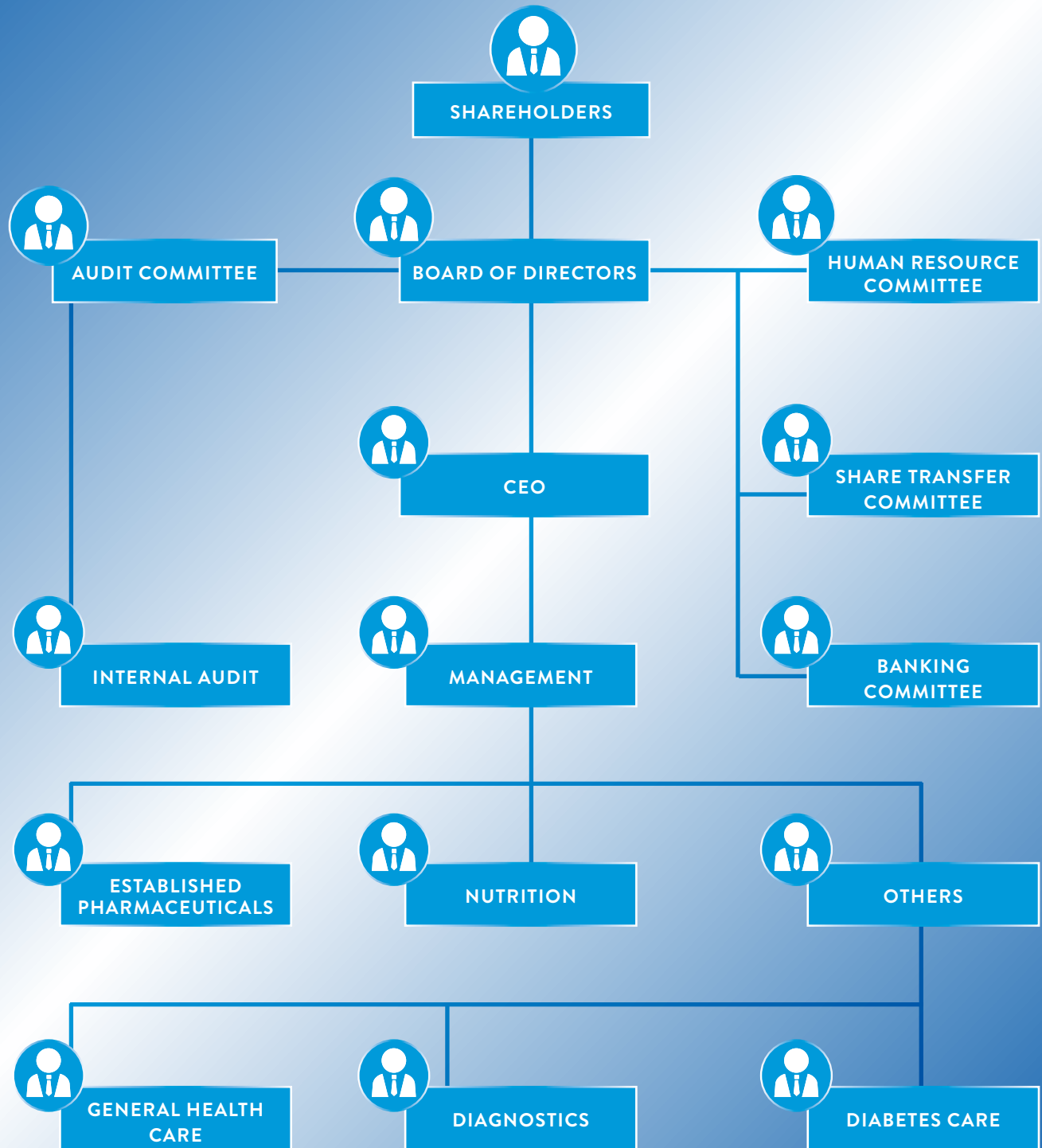
www.abbott.com.pk

SENIOR MANAGEMENT TEAM

Syed Anis Ahmed*
(Chief Executive Officer)
Jamshed Azhar
(Chief Financial Officer)
Rana A. Latif
(Director Operations)
Asim Shafiq
(General Manager, Abbott Nutrition International Pakistan)
Habib Ahmed
(Country Manager, Abbott Diagnostics Division Pakistan)
Dr. Sheikh Adnan Lateef
(Head of Abbott Diabetes Care Pakistan)
Dr. Farrukh Hafeez
(Director Quality Assurance)
Dr. Suleman Alvi
(Director Marketing)
Asgar Huda
(Director Human Resource)
Seema Khan
(Director Regulatory Affairs)
Dr. Raef Ahmed
(Director Medical Affairs)
Zahid Hussain
(Director Supply Chain)
Ejaz Ahmed
(Director Engineering)
Jamal Nasir
(Director Sales)
Ahmed Ashraf
(Director Commercial Excellence)
Syed Javed Akhter Bukhari
(Director Distribution)

* Board of Directors appointed Syed Anis Ahmed as "Chief Executive Officer" of Abbott Laboratories (Pakistan) Limited in April 2016. Previously, he was holding position as Chief Financial Officer of the Company.

CORPORATE STRUCTURE



BRIEF TERMS OF REFERENCE OF BOARD COMMITTEES

AUDIT COMMITTEE

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

- Review quarterly, half yearly and annual financial statements of the Company prior to their approval by the Board of Directors.
- Review preliminary announcements of results prior to publication.
- At least once a year, the Audit Committee shall meet external auditors without Chief Financial Officer and Chief Internal Auditor.
- At least once a year, the Audit Committee shall meet Chief Internal Auditor without Chief Financial Officer and external auditors.
- Recommend the appointment of external auditors to the Board of Directors and consider any questions of resignation or removal of external auditors, if any, audit fees, and provision by external auditors of any service in addition to audit of financial statements.
- Review management letter issued by the external auditors and management response thereto.
- Determination of appropriate measures to safeguard the Company's assets.
- Consideration of any other issue or matter as may be assigned to the Committee by the Board of Directors.

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 transaction and business, as it may consider appropriate.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Committee consists of Chief Executive Officer and three Non-Executive Directors. The HR Director acts as Secretary to the Committee. This Sub-Committee of the Board is responsible for reviewing the remuneration and benefits of the Chief Executive Officer, Executive Directors, Company Secretary and Chief Internal Auditor. The meeting of the committee is held at least once in a year.

SHARE TRANSFER COMMITTEE

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

BOARD COMMITTEES ATTENDANCE

AUDIT COMMITTEE

| Name | Category | Meetings | |
|-------------------|---|----------|----------|
| | | Held | Attended |
| Ehsan Ali Malik | Chairman - Non Executive Director | 4 | 4 |
| Shamim Ahmad Khan | Member - Non Executive Director | 4 | 3 |
| Kamran Y. Mirza | Member - Non Executive Director | 4 | 4 |
| Syed Anis Ahmed* | By invitation - Chief Executive Officer | 4 | 2 |
| Shahzeb Khan** | By invitation - Chief Internal Auditor | 4 | 4 |
| Malik Saadatullah | Secretary | 4 | 4 |

HUMAN RESOURCE AND REMUNERATION COMMITTEE

| Name | Category | Meetings | |
|-------------------|-----------------------------------|----------|----------|
| | | Held | Attended |
| Munir A. Shaikh | Chairman - Non Executive Director | 1 | 1 |
| Syed Anis Ahmed | Member - Chief Executive Officer | 1 | 1 |
| Shamim Ahmad Khan | Member - Non Executive Director | 1 | 1 |
| Zehra Naqvi | Member - Non Executive Director | 1 | 1 |
| Asghar Huda | Secretary/HR Director | 1 | 1 |

SHARE TRANSFER COMMITTEE

| Name | Category | Meetings | |
|-------------------------|------------------------------------|----------|----------|
| | | Held | Attended |
| Syed Anis Ahmed | Chairman - Chief Executive Officer | 14 | 14 |
| Syed Anis Ahmed Shah*** | Member - Executive Director | 14 | 1 |
| Seema Khan**** | Member - Executive Director | 14 | 4 |
| Kamran Y. Mirza | Member - Non Executive Director | 14 | 14 |
| Malik Saadatullah | Secretary | 14 | 14 |

BANKING COMMITTEE

| Name | Category | Meetings | |
|-------------------------|-----------------------------------|----------|----------|
| | | Held | Attended |
| Zehra Naqvi | Chairman - Non Executive Director | 1 | 1 |
| Syed Anis Ahmed | Member - Chief Executive Officer | 1 | 1 |
| Syed Anis Ahmed Shah*** | Member - Executive Director | 1 | 0 |
| Seema Khan**** | Member - Executive Director | 1 | 0 |

* Appointed as the Chief Executive Officer w.e.f. April 1, 2016

** Resigned from the office of Chief Internal Auditor w.e.f. November 30, 2016

*** Appointed as Member of Committee w.e.f. April 21, 2016 and resigned on June 3, 2016

**** Appointed as Member of Committee w.e.f. August 26, 2016

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 publically 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 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. Anis is a member of Executive Committee of American Business Council and Overseas Investors' Chamber of Commerce & Industry (OICCI). He has more than 20 years' of experience working as a strategic business partner in areas of Commercial Finance, Corporate Restructuring & M&A, Corporate Governance, Taxation, IT and Compliance. He was previously associated with A.F. Ferguson & Co. and Philips Pakistan. Anis is a Fellow member of the Institute of Chartered Accountants of Pakistan.



KAMRAN Y. MIRZA
Director

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



EHSAN ALI MALIK
Director

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



SHAMIM AHMAD KHAN
Director

Shamim Ahmad Khan is part of the Board of Directors of Abbott Laboratories (Pakistan) Limited. He also serves on the Boards of Packages Limited, IGI Insurance Limited, Attock Refinery Ltd, and Karandaaz (Pvt.) Limited (a non-profit company sponsored by DFID). He is also Chairman & Director of IGI Life Insurance Ltd. He is also a Member of the Board of Governors Sustainable Development Policy Institute (SDP). 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 Chief Executive Officer of Chubb Insurance Pakistan Limited (formerly ACE Insurance Ltd.) a wholly owned subsidiary of Chubb-INA International Holdings Limited, Delaware, USA (part of the Chubb Group). 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 is a member of the Executive Committee of the American Business Council. She has 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 and IPR, Legal and Government Relations sub-committee of American Business Council.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report and the audited financial statements of the Company for the financial year ended December 31, 2016.

OPERATING RESULTS

| | Rs in '000 |
|--|--------------------|
| Profit for the period before taxation | 5,587,141 |
| Taxation | <u>(1,565,349)</u> |
| Profit after taxation | 4,021,792 |
| Other comprehensive income net of tax | 526,775 |
| Un-appropriated profit brought forward | <u>6,249,877</u> |
| Profit available for appropriation | <u>10,798,444</u> |

APPROPRIATIONS:

| | |
|--|------------------|
| Final dividend 2015 Rs. 20.0 per share | (1,958,006) |
| Interim dividend 2016 Rs. 10.0 per share | <u>(979,003)</u> |
| Un-appropriated profit carried forward | <u>7,861,435</u> |

FINANCIAL PERFORMANCE

Net sales increased by 10.5% over prior year. Gross Profit margin improved from 38.9% to 40.1% mainly due to effective cost controls and new product introductions. Operational expense increased primarily because of inflation and freight. Profit after tax for the year increased 12.1% over prior year. Earnings per Share was Rs. 41.1 (2015: Rs. 36.6).

DIVIDEND

The Directors are pleased to announce a final cash dividend of Rs. 30.0 per share (2015: Rs. 20.0 per share), which is in addition to an interim cash dividend of Rs. 10.0 per share (2015: Rs. 10.0 per share) paid to the shareholders during 2016.

SEGMENT-WISE SALES AND MARKET PERFORMANCE

Pharmaceutical sales increased 10.3% due to sustained performance of established brands and new product launches. Nutritional sales increased 10.2% driven by Pediasure, Ensure and Glucerna. General Health Care (GHC), Diagnostic and Diabetes Care grew by 12.7%.

INDUSTRY OVERVIEW

Pharmaceutical industry (including nutrition) in Pakistan is

currently estimated at US \$ 3.1 billion as per IMS December 2016. The market share of MNCs is currently at 34.2% which has been gradually declining over the years. There are a total of 674 pharmaceutical companies in Pakistan with only 26 Multinational companies. Several MNCs have scaled back their operations facing challenges to financial viability of their products. Abbott Pakistan is ranked 2nd in the local pharmaceutical market and achieved share of 6.1% (as per IMS Dec. 2016, MAT) with a growth of 10.3% (as per IMS Dec.2016, MAT) in the pharmaceutical and nutrition market.

CAPITAL EXPENDITURE

The Company during the year made capital investments of Rs. 980 million for expanding manufacturing capacity, enhancing productivity and improving plant efficiency.

LIQUIDITY MANAGEMENT AND CASH FLOW STRATEGY

During the period, Rs. 3,120 million was generated from operating activities. At year end, the Company had liquid funds comprising cash/bank balances and short term investments amounting to Rs. 7,944 million net of investments on capital projects and dividend payments.

Your Company has developed and implemented a formal cashflow 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 in various suitable investment avenues.

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

EVALUATION OF COMPANY'S PERFORMANCE

For the purpose of evaluating the performance of the Company, the management uses various indicators that include 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 so that remedial action can be taken on a timely basis.

RISK MANAGEMENT

The Company's overall risk management program focuses on minimizing potential adverse effects on the Company's performance. The overall risk management of the Company 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.

A senior management team also carries out a SWOT analysis of the Company and its products. On the basis of the SWOT analysis, key challenges are addressed and opportunities identified, action plans developed and executed to achieve the long term strategic objectives of the Company.

CONTRIBUTION TO NATIONAL EXCHEQUER

Your Company has contributed Rs. 3,728 million (2015: Rs. 3,043 million) to the Government on account of various Government levies including Income Tax, Customs Duties and Sales Tax.

ENVIRONMENT, HEALTH AND SAFETY

In support of Abbott's environmental goals that include reducing waste to landfill and total waste generated, your Company achieved the prestigious 'Zero Waste to Landfill' Certification in 2016.

The journey included identifying streams of waste previously landfilled and focusing on elimination and reduction of that waste and/or defining new route of disposal. The company is also taking several steps to conserve water.

2016 was a highly productive and successful year for Environment, Health and Safety (EHS) whereby all goals were achieved and a truly EHS enriched culture was promoted throughout the organization.

BUSINESS PROCESS IMPROVEMENT

Abbott Pakistan has been continuously making investments in production facilities for process improvement, energy conservation and improvement in quality and ensuring regulatory, safety and environmental compliance. This includes upgrade of production facilities, HVAC System and other utilities, installation of BMS (Building Management System) as well as installation of new state-of-the-art process equipment such as high speed liquid filling line, compression machines and coating equipment. Energy and water conservation has been a prime focus including installation of 500 kW capacity solar energy project initiated at the Korangi Plant.

Overall, various Business Process Improvement initiatives greatly contributed towards simplification of operations, improving your Company's financial performance and also sustaining the Company's image as producer of High Quality, Safe and Effective drugs.

HUMAN RESOURCES

At Abbott Pakistan, we are committed to building a future-ready organization for sustained growth of your Company. The Human Resources team has developed specific programs to encompass the entire employee lifecycle covering attraction of best talent, training and their development and retaining them via a career development and rewards program.

The team is conscious about the imperative of maintaining an effective and robust field force that forms the backbone of this organization. This has been achieved by hiring the best talent available, developing them by continuous training and retaining them by providing them opportunities to grow within the organization.

As a responsible corporate citizen, your company continues to provide management traineeship and internship experience to students from various academic institutions. Internships opportunities for applicants with special needs was identified a major area of attention.

Your company has continued focus on employees' development through structured in-house and external programs. On-the-job training and coaching has also been an important factor in employee development this year. As a result of concerted efforts and focus, several senior positions have been filled internally.

In summary, 2016 had been a highly challenging and an equally rewarding year and your company and its HR function has delivered well on its commitments.

GLOBAL CITIZENSHIP

At Abbott, we believe that responsible, sustainable businesses have an important role to play in building a healthy, thriving society. This commitment to global citizenship shapes the way we operate, the people we hire, the activities we support and the relationships we develop. To transform our global citizenship ambitions into sustainable ideas, Abbott focuses on four key priorities: Innovating for the Future, Enhancing Access, Protecting Patients and Consumers and Safeguarding the Environment.

Working in partnership with others, Abbott leverages its core business expertise and resources to create sustainable solutions in countries around the world.

SUBSEQUENT EVENTS

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

BUSINESS CHALLENGES AND FUTURE OUTLOOK

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 developing skills of people employed in the industry.

Lack of a transparent pricing mechanism continues to remain a concern for our industry. Despite enactment of new Drug

Pricing Policy with prescribed timeframe by the Government in 2015, The Drug Regulatory Authority remained reluctant to provide any price adjustment on hardship applications pending for several years. The Company continues to face the ever present challenges of rapid escalation in costs owing to inflation and devaluation of the Pak Rupee. In the absence of corresponding price adjustments, efforts are being made to offset increase in manufacturing and operating cost through productivity improvements, cost containment and process simplification.

The Company, despite all these challenges, has remained focused on continued sustainability of its operations by providing quality products to the consumers.

Considering the steady escalation in input costs, we request the Government of Pakistan to implement a rational and transparent pricing mechanism acceptable to all the stakeholders to ensure continued availability of all essential pharmaceutical products in the market. Eliminating Sales Tax on Pharmaceutical raw and packing materials is an urgent need for the Industry to continue to make available products to the patients at affordable prices.

The Drug Regulatory Authority plays a significant role in the development of the pharmaceutical industry. We hope that the Authority will remain affirmative in helping the Industry in speedy registration of new products and expedite resolution of various long outstanding issues.

Lack of enforcement of Intellectual Property Rights remains a matter of concern for the Industry. Concrete steps need to be taken to address the growing menace of both piracy and counterfeiting. Active implementation and monitoring would help the Industry and the consumers.

As we look to the year ahead with added vigor, we will continue to review our strategies to ensure that they remain relevant and most suited, in line with changing dynamics in the local and global marketplace. We will reinforce those strategies which serve us well whilst exploring alternatives as changing dynamics may require.

AUDITORS

The present Auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, offer 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, 2017.

MANAGEMENT CHANGES

Syed Anis Ahmed was appointed Chief Executive Officer of the company effective April 01, 2016.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding in the Company and additional information as at December 31, 2016 is given on page 143.

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, 2016 Abbott Asia Investments Limited, UK held 76,259,454 shares. The ultimate holding Company is Abbott Laboratories, USA.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

As required by the Code of Corporate Governance 2012, 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 there from 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.
- There are no doubts upon the Company’s ability to continue as a going concern.
- Key operating and financial data for the last six years is summarized on page 82.
- 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 clause 5.19.7 of the Code, two directors have a certification under Directors’ Training Program, three Directors of the Company are exempt from the requirement of Directors’ training program and the remaining Directors will receive training within the prescribed time period up to June 30, 2018. All the Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Board had arranged an orientation course of the Code of Corporate Governance for its Directors in the previous years to apprise them of their role and responsibilities.
- There are no outstanding loans, TFCs, sukuks or any other debt instruments.
- 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, 2015) – audited | 3,064 |
| • ALPL Provident Fund (Based on year ended December 31, 2015) – audited | 992 |
| • During the period, 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 – CEO | 4 |
| 3 Mr. Anis A. Shah* | 1 |
| 4 Ms. Seema Khan** | 1 |
| 5 Mr. Kamran Y. Mirza | 4 |
| 6 Mr. Shamim Ahmad Khan | 3 |
| 7 Mr. Ehsan Ali Malik | 4 |
| 8 Ms. Zehra Naqvi | 4 |
| 9 Mr. Malik Saadatullah (Company Secretary) | 4 |

* Appointed to the Board on March 22, 2016 and Resigned from the Board w.e.f. June 3, 2016

**Appointed to the Board w.e.f. August 26, 2016

Number of Board Committees’ meetings and attendance therein is included on page 67.

ACKNOWLEDGEMENT

I would like to convey my sincere appreciation to my colleagues on the Board for their valuable guidance and support and to all our employees for their tireless effort, dedication and commitment and, our customers for their confidence in our products. I also wish to extend my gratitude to our shareholders for their support and trust placed in us.



Munir A. Shaikh
Chairman

February 27th, 2017

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

| | |
|---|--|
| 4 | 1 جناب منیر اے شیخ |
| 4 | 2 سید انیس احمد - سی ای او |
| 1 | 3 جناب انیس اے شاہ* |
| 1 | 4 محترمہ سیما خان** |
| 4 | 5 جناب کامران وائی مرزا |
| 3 | 6 جناب شمیم احمد خان |
| 4 | 7 جناب احسان علی ملک |
| 4 | 8 محترمہ زہرہ نقوی |
| 4 | 9 جناب ملک سعادت اللہ (کمپنی سیکریٹری) |

* بورڈ میں تقرر کی تاریخ 22 مارچ 2016ء اور 3 جون 2016ء کو مستعفی ہوئے۔

** بورڈ میں تقرر 26 اگست 2016ء کو ہوا۔

بورڈ کمیٹیوں کے اجلاسوں کی تعداد اور حاضری کی تفصیل صفحہ نمبر 67 پر درج ہے۔

اعتراف

میں قابل قدر رہنمائی اور حمایت فراہم کرنے پر بورڈ کے ساتھیوں کا شکریہ ادا کرتا ہوں، اور اپنے تمام کارکنوں کی انتھک محنت، عزم اور استقلال کو سراہتا ہوں، اور صارفین کی جانب سے ہماری مصنوعات پر اعتماد کرنے پر ان کی ستائش کرنا چاہتا ہوں۔ میں اپنے سینئر ہولڈرز کا بھی شکریہ کرنا چاہتا ہوں جنہوں نے ہم پر اپنا اعتماد اور بھروسہ برقرار رکھا۔

چئیرمین، منیر اے شیخ

27 فروری 2017ء

- واجب الادا ٹیکس، قانونی چارجز اور ڈیوٹیز کو، اگر ہوں تو، مالی گوشواروں میں ظاہر کیا گیا ہے۔
- گذشتہ برس کے مقابلے میں کمپنی کے آپریٹنگ نتائج میں بڑی تبدیلیوں کی نشاندہی اور وضاحت کردی گئی ہے۔
- ضابطہ برائے کارپوریٹ نظم و نسق کی شق 5.19.7 میں دیے گئے معیار کے مطابق ڈائریکٹرز ٹریننگ پروگرام کے تحت دو ڈائریکٹر سند یافتہ ہیں، کمپنی کے 3 ڈائریکٹرز، ڈائریکٹرز ٹریننگ پروگرام سے مستثنیٰ ہیں، جبکہ باقی ماندہ ڈائریکٹرز جون 2018ء کے مقررہ عرصے تک تربیت حاصل کر لیں گے۔ بورڈ کے تمام ڈائریکٹرز ایک کارپوریٹ ادارے کے ڈائریکٹرز کے طور پر اپنے فرائض و ذمہ داریوں سے پوری طرح آگاہ ہیں۔ گذشتہ برسوں میں بورڈ نے اپنے ڈائریکٹرز کے لیے ایک اور اینٹیٹیشن کورس کا اہتمام کیا، تاکہ انہیں ان کے فرائض و ذمہ داریوں کی بابت آگاہی دی جاسکے۔
- کوئی واجب الادا قرضے، ٹی ایف سیز، صلک اور و دیگر قرضہ جاتی تمسکات نہیں ہیں۔
- عملے کے ریٹائرمنٹ فنڈز سے کی جانے والی سرمایہ کاری کی مالیت کی تفصیل مالی گوشواروں کے مطابق درج ذیل ہیں۔

(ملین روپے میں)

- اے لیل پی لیل پینشن فنڈ (31 دسمبر 2015ء کو ختم ہونے والے سال کی بنیاد پر) - آڈٹ شدہ 3,064
- اے لیل پی لیل پراویڈینٹ فنڈ (31 دسمبر 2015ء کو ختم ہونے والے سال کی بنیاد پر) - آڈٹ شدہ 992
- اس عرصے کے دوران بورڈ آف ڈائریکٹرز کے 4 اجلاس ہوئے۔ جن میں ڈائریکٹرز، سی ایف او، کمپنی سیکریٹری کی حاضری کی تفصیلات درج ذیل ہیں:

حصص داری کا طریق

کمپنی کے حصص داری کے طریق اور اضافی معلومات ظاہر کرنے والا مورخہ 31 دسمبر 2016ء تک کا بیان صفحہ 143 پر درج ہے۔ سال کے دوران ڈائریکٹرز، سی ای او، سی ایف او، کمپنی کے سیکریٹری، ان کے ازدواج اور کم عمر بچوں نے کمپنی کے حصص کا کوئی لین دین نہیں کیا۔

ہولڈنگ کمپنی

مورخہ 31 دسمبر 2016ء تک ایبٹ ایشیا انویسٹمنٹس لمیٹڈ، برطانیہ کے پاس 76,259,454 حصص تھے۔ حتیٰ ہولڈنگ کمپنی ایبٹ لیبارٹری، امریکہ ہے۔

کارپوریٹ نظم و نسق کے ضابطے کی تعمیل

ضابطے برائے کارپوریٹ نظم و نسق 2012ء کی تعمیل کرتے ہوئے، ڈائریکٹرز مسرت کے ساتھ درج ذیل بیان کرتے ہیں:

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے بے لاگ انداز میں اس کے معاملات، آپریشنز کے نتائج، نقد رقوم کے بہاؤ اور لیویٹی میں تبدیلیوں کی تصویر کشی کرتے ہیں۔
- کمپنی کے کھاتوں کو باقاعدگی سے مرتب کیا گیا ہے۔
- مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں مستطلاً 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 تعمیل کی گئی، اور اس ضمن میں کسی بھی پہلو تہی کو معقول انداز میں منکشف اور واضح کر دیا گیا ہے۔
- کمپنی ایک مستحکم داخلی انضباطی نظام رکھتی ہے، جس سے نقصان یا حقیقی غلط بیانیوں کا خاتمہ یقینی ہو جاتا ہے۔ داخلی انضباطی نظام کا باقاعدگی سے جائزہ لیا جاتا ہے۔

- کمپنی کے روبہ عمل رہنے کی اہلیت پر کوئی شکوک و شبہات نہیں ہیں۔
- گذشتہ 6 برس کے کلیدی مالی اور آپریشننگ اعداد و شمار صفحہ نمبر 82 پر درج ہیں۔

کرے جو تمام متعلقہ فریقوں کے لیے قابل قبول ہو تاکہ مارکیٹ میں تمام ضروری دواؤں کی دستیابی یقینی بنائی جائے۔ فارماسوٹیکل کے خام مال اور پیکیجنگ میٹریل پر سیلز ٹیکس کا خاتمہ اس صنعت کی فوری ضرورت ہے تاکہ مریضوں کو قابل برداشت نرخوں پر دوائیں ملتی رہیں۔

ڈرگ ریگولیٹری اتھارٹی ملک میں دوا سازی کی صنعت کی ترقی کے لیے ایک اہم کردار ادا کرتی ہے۔ ہمیں امید ہے کہ اتھارٹی نئی مصنوعات کا تیزی سے اندراج کر کے اور طویل عرصے سے برقرار متعدد مسائل جلد حل کر کے اس صنعت کو مدد دینے کا مثبت رویہ برقرار رکھے گی۔

حقوقی املاک دانش پر عملدرآمد نہ ہونا بھی اس صنعت کے لیے تشویش ناک رہا ہے۔ پائریسی اور مجلسازی دونوں کے بڑھتے ہوئے خطرے پر قابو پانے کے لیے ٹھوس اقدامات کی ضرورت ہے۔ فعال عمل درآمد اور اس کی نگرانی سے صنعت اور صارفین کو مدد ملے گی۔

ہم جوش و جذبے کے ساتھ نئے سال میں داخل ہوئے ہیں، ہم اپنی حکمت عملیوں کا جائزہ لیتے رہیں گے تاکہ انہیں ملکی اور عالمی مارکیٹ میں تبدیل ہوتے ہوئے عوامل کے مطابق ڈھال سکیں۔ جو حکمت عملیاں ہمارے لیے مفید ہوں گی ہم انہیں اختیار کریں گے جبکہ بدلتے ہوئے حالات کے تقاضوں کے مطابق ہم متبادل راہیں بھی تلاش کرتے رہیں گے۔

آڈیٹرز

- موجودہ آڈیٹرز میسرز ارنسٹ اینڈ یوگ فورڈ روڈز سیدات حیدر، چارٹرڈ اکاؤنٹنٹس ریزائز ہو گئے ہیں، اور چونکہ یہ ممکن تھا اس لیے انہوں نے دوبارہ تقرر کے لیے خود کو پیش کیا۔ بورڈ آف ڈائریکٹرز نے 31 دسمبر 2017ء کو ختم ہونے والے مالی سال کے لیے کمپنی کے آڈیٹرز کے طور پر ان کے نئے تقرر کی آڈٹ کمیٹی کی سفارش تسلیم کر لی۔

انتظامی تبدیلیاں

سید انیس کو کمپنی کا چیف ایگزیکٹو آفیسر مقرر کیا گیا، جس کا اطلاق یکم اپریل 2016ء سے ہوا۔

انسانی وسائل

ڈھالنے کے لیے ایبٹ چار بنیادی ترجیحات پر توجہ رکھتا ہے: مستقبل کے لیے جدت طرازی، رسائی میں اضافہ، مریضوں اور صارفین کو تحفظ، اور ماحول کی حفاظت۔

دوسروں کے ساتھ کام کرتے ہوئے ایبٹ اپنے مرکزی کاروباری تجربے اور وسائل کا فائدہ اٹھاتا ہے تاکہ دنیا بھر کے ملکوں میں پائیدار حل تخلیق کیے جائیں۔

ما بعد واقعات

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

کاروباری دشواریاں اور مستقبل کا منظر

ہم اس بات پر یقین برقرار رکھتے ہیں کہ پاکستان کی دوا سازی کی صنعت ملکی صنعت میں اپنا حصہ ڈالنے کی زبردست صلاحیت رکھتی ہے، اور یہ حصہ نہ صرف ٹیکس کی ادائیگی، ملازمتوں کی فراہمی، زر مبادلہ کے حصول کی صورت میں بلکہ صنعت میں کام کرنے والے افراد کی استعداد بڑھا کر بھی یہ کردار ادا کیا جاتا ہے۔

قیمت کے تعین کے ایک شفاف طریقہ کار کا فقدان ہماری صنعت کے لیے بدستور باعث تشویش ہے۔ حکومت کی جانب سے 2015ء میں مجوزہ ٹائم فریم کے ساتھ نئی ڈرگ پرائسنگ پالیسی کی تیاری کے باوجود ڈرگ ریگولیٹری اتھارٹی نرخ میں ردوبدل کی کئی سال سے زیر التوا درخواستوں کا فیصلہ کرنے میں تذبذب کی شکار ہے۔ کمپنی مہنگائی کے سبب اور پاکستانی روپے کی قدر میں کمی کی وجہ سے لاگت میں تیزی سے اضافے کی بناء پر ہمیشہ سے برقرار چیلنجوں کا سامنا کر رہی ہے۔ اسی بناء سے قیمت میں ردوبدل نہ ہونے کی بنا پر کوششیں کی جارہی ہیں کہ اشیاء سازی کی اور عملی لاگت میں ہونے والے اضافے کی تلافی کے لیے پیداواریت میں بہتری لائی جائے، لاگت کو محدود کیا جائے اور طریقہ کار کو سادہ بنایا جائے۔ کمپنی ان تمام دشواریوں کے باوجود اپنے آپریٹنگز کی پائیداری برقرار رکھنے پر توجہ دیے ہوئے ہے جس کے لیے وہ صارفین کو معیاری مصنوعات فراہم کر رہی ہے۔ خام مال کی لاگتوں میں مستقل اضافے کے پیش نظر ہم حکومت پاکستان سے درخواست کرتے ہیں کہ قیمت کے تعین کا ایسا معقول اور شفاف طریقہ کار نافذ

ہم ایبٹ پاکستان کو مستقبل کے تقاضوں سے ہم آہنگ ادارہ بنانے کے لیے پرعزم ہیں تاکہ یہ مستحکم نمو پاتا رہے۔ انسانی وسائل کی ٹیم نے کارکنوں کی پوری زندگی کے عرصے کا احاطہ کرنے والے مخصوص پروگرام تیار کیے ہیں جس میں بہترین صلاحیتوں کے حامل افراد کو راغب کرنا، تربیت اور ترقی دینا اور انہیں کیریئر میں آگے بڑھانا کمپنی کا جزو بنانے رکھنا اور ان کو صلہ دینا شامل ہے۔

یہ ٹیم اس ضرورت سے آگاہ ہے کہ ایک موثر اور بڑی فیلڈ فورس برقرار رکھنا کتنا اہم ہے جو کہ اس ادارے کے لیے ریڑھ کی ہڈی کی حیثیت رکھتی ہے۔ اس مقصد کو پورا کرنے کی خاطر ملک میں دستیاب بہترین ٹیلنٹ کے حامل لوگ حاصل کیے گئے، مسلسل تربیت سے جنہیں گزارا گیا اور جنہیں ادارے میں برقرار رکھنے کے لیے ترقی کے مواقع فراہم کیے گئے۔

آپ کی کمپنی ایک ذمہ دار کارپوریٹ ادارے کے طور پر مختلف تعلیمی اداروں کے طلبہ کو انتظامی ٹریننگ شپ اور انٹرن شپ کا تجربہ مسلسل فراہم کر رہی ہے۔ خصوصی ضروریات کے حامل امیدواروں کو بھی انٹرن شپ کے مواقع دینے پر توجہ دی جاتی ہے۔

آپ کی کمپنی نے اندرونی اور بیرونی پروگراموں کے ذریعے کارکنوں کی تربیت و ترقی پر بدستور توجہ دی ہے۔ اس سال کارکنوں کی ڈیولپمنٹ میں عملی تربیت اور کوچنگ بھی ایک اہم عنصر ہے ان مربوط کوششوں کے نتیجے میں کئی سینئر عہدوں پر اندرونی تقرریاں کی گئیں۔

خلاصہ یہ کہ 2016ء بہت ہمت آزما اور اتنا ہی فائدہ مند سال ثابت ہوا اور آپ کی کمپنی اور اس کے ایچ آر شعبے نے اپنے عزم کو بخوبی ثابت کیا ہے۔

عالمی حیثیت

ایبٹ میں ہمارا اس بات پر یقین ہے کہ ایک صحت مند، فعال معاشرے کی تعمیر میں ذمہ دار، مستحکم کاروباری ادارے اہم کردار ادا کرتے ہیں۔ عالمی حیثیت کے حوالے سے ہمارے عزم ہی نے ہمیں وہ طریقہ دکھایا ہے جس کے ذریعے ہم کام کرتے ہیں، اسی عزم کی بدولت ہم لوگوں کو ملازمت پر رکھتے ہیں، اسی عزم کی بنیاد پر ہم سرگرمیوں میں تعاون کرتے ہیں، اور اسی عزم کی بنیاد پر ہم تعلقات استوار کرتے ہیں۔ عالمی حیثیت کے حصول کی امتگوں کو مستحکم تصورات میں

ماحول، صحت اور حفاظت

چونکہ ایسٹ کے ماحولیاتی اہداف میں یہ بھی شامل ہے کہ زمین کی بھرائی کے لیے استعمال ہونے والا ملبہ (landfill) اور بننے والا مجموعی فضلہ (waste) کم سے کم کیا جائے، اس لیے اس ہدف کے سلسلے میں آپ کی کمپنی نے 2016ء میں نامی گرامی "Zero Waste to Landfill" سرٹیفکیٹ حاصل کیا۔

اس مقصد کے لیے ان فاضل مادوں کی نشاندہی شامل ہے جنہیں پہلے زمین کی بھرائی کے لیے بطور ملبہ استعمال کیا جاتا تھا، چنانچہ فضلے کے خاتمے اور کمی اور / یا ٹھکانے لگانے کے نئے طریقے وضع کرنے پر توجہ دی گئی۔ کمپنی آبی تحفظ کے لیے بھی اقدامات کر رہی ہے۔

ماحول، صحت اور حفاظت (ای ایچ ایلس) کے اعتبار سے 2016ء ایک نہایت فعال اور کامیاب سال تھا، جس میں تمام اہداف حاصل کیے گئے اور حقیقی معنوں میں 'ای ایچ ایلس' سے بھرپور کلچر کو ادارے میں فروغ دیا گیا۔

بزنس کی کارروائی میں بہتری

ایسٹ پاکستان پیداواری مقامات پر سرمایہ لگانے میں مسلسل مصروف رہی ہے تاکہ کارروائی (پراسیس) بہتر ہو، توانائی کا تحفظ ہو، اور معیار میں بہتری آئے اور ضوابطی، حفاظتی اور ماحولیاتی ذمہ داریوں کی پابندی کو یقینی بنایا جائے۔ اس کام میں پیداواری مقامات، ایچ ڈی اے سی سسٹم اور دیگر یوٹیلٹی کو اپ گریڈ کرنا، بی ایم ایلس (بلڈنگ مینجمنٹ سسٹم) کی تنصیب کے ساتھ ساتھ نئے اور نہایت جدید پراسیس آلات، جیسے مانتات کی تیز رفتار بھرائی، کمپیشن مشینیں اور کوئنگ کے آلات کی تنصیب شامل ہے۔ توانائی اور پانی کا تحفظ اہم مقصد رہا ہے جس میں کورنگی پلانٹ پر 500 کلو واٹ کے شمسی توانائی منصوبے کی تنصیب کا آغاز شامل ہے۔

بزنس کی کارروائی میں بہتری کے مختلف اقدامات بحیثیت مجموعی آپریشنز کو سہل بنانے، کمپنی کی مالی کارکردگی بہتر بنانے اور کمپنی کے اس تازہ کو برقرار رکھنے میں اہم کردار ادا کرتے ہیں کہ یہ اعلیٰ معیار کی، محفوظ اور موثر دواکیں بنانے والا ادارہ ہے۔

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

کمپنی فاضل رقوم استعمال کرنے کے حوالے سے ایک محتاط حکمت عملی اختیار کرتی ہے۔ یہ رقوم عام طور پر قلیل مدتی بینک ڈپازٹس میں لگائی جاتی ہیں۔

کمپنی کی کارکردگی کی قدر پیمائی

کمپنی کی کارکردگی کی قدر پیمائی کے لیے انتظامیہ کئی طرح کے اظہاریے استعمال کرتی ہے جیسے صنعت کی نمو، متعلقہ معالجاتی شعبوں میں ہمسر کمپنیوں کی پوزیشن، گذشتہ سال کی کارکردگی، کئی معاشی اظہاریے اور کمپنی پر اثر انداز ہونے والا کاروباری ماحول۔

بجٹ بنائے جاتے ہیں اور بجٹ کے حوالے سے حقیقی کارکردگی کا سال کے دوران باقاعدگی سے جائزہ لیا جاتا ہے تاکہ بروقت اصلاح کی جاسکے۔

انتظام خطر

کمپنی کے انتظام خطر کے مجموعی پروگرام کا مقصد یہ ہے کہ کمپنی کی کارکردگی پر ممکنہ منفی اثر ڈالنے والے عوامل کم سے کم کیے جائیں۔ کمپنی کا مجموعی انتظام خطر کمپنی کی 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 کرتی ہے۔ ایک سینئر انتظامی ٹیم بھی کمپنی اور اس کی مصنوعات کا SWOT تجزیہ کرتی ہے۔ اس SWOT تجزیے کی بنیاد پر اہم دشواریوں کا ازالہ کیا جاتا ہے اور مواقع کی نشاندہی کی جاتی ہے، کمپنی کے طویل مدتی اسٹریٹجک مقاصد کے حصول کے لیے ایکشن پلان تیار کیے جاتے ہیں اور ان پر عملدرآمد کیا جاتا ہے۔

قومی خزانے میں ہمارا حصہ

آپ کی کمپنی نے انکم ٹیکس، کسٹم ڈیوٹی اور سیلز ٹیکس سمیت مختلف سرکاری لیوی کی مد میں حکومت کو 3,728 ملین روپے (2015ء: 3,043 ملین روپے) دیے ہیں۔

ڈائریکٹران کی رپورٹ

زمرے کے لحاظ سے سیلز اور مارکیٹ کی کارکردگی
ادویات کی سیلز معروف برانڈز کی مستحکم کارکردگی اور نئی مصنوعات کی شمولیت کی بنا پر 10.3 فیصد بڑھی۔ نیوٹریشنل (غذائی مصنوعات) کی فروخت میں پیڈیاٹور، انشور اور گلو سرنا کی بنا پر 10.2 فیصد اضافہ ہوا۔ صحت عامہ کی دیکھ بھال (جی ایچ سی)، ڈائگنوسٹک اور ڈیپلٹیس کی نگہداشت میں 12.7 فیصد نمو ہوئی۔

صنعت کا عمومی جائزہ
پاکستان میں دوا سازی کی صنعت (بشمول غذائی مصنوعات) کا موجودہ حجم آئی ایم ایس دسمبر 2016ء کے مطابق 3.1 ارب ڈالر ہے۔ کثیر القومی کمپنیوں (ایم این سی) کا مارکیٹ شیئر اس وقت 34.2 فیصد ہے جو کہ چند برسوں سے بتدریج گھٹ رہا ہے۔ پاکستان میں 674 دوا ساز کمپنیاں کام کر رہی ہیں جن میں سے صرف 26 کثیر القومی کمپنیاں ہیں۔ کئی کثیر القومی دوا ساز کمپنیوں نے جو ان دشواریوں کی بنا پر اپنی مصنوعات کا مالی لحاظ سے مقابلہ کرنے سے قاصر تھیں، اپنے آپریٹرز سمیٹ لیے ہیں۔ ملکی دوا ساز مارکیٹ میں ایبٹ پاکستان دوسرے نمبر پر ہے اور اس نے 6.1 فیصد حصہ حاصل کیا (بمطابق آئی ایم ایس دسمبر 2016ء، ایم اے ٹی) جبکہ دوا سازی اور غذائی مصنوعات کی مارکیٹ میں اس کی نمو 10.3 فیصد رہی (بمطابق آئی ایم ایس دسمبر 2016ء، ایم اے ٹی)۔

سرمایہ جاتی اخراجات
کمپنی نے ایشیا سازی کی استعداد بڑھانے، پیداواریت میں اضافے اور پلانٹ کی کارگزاری بہتر بنانے کے لیے سال کے دوران 980 ملین روپے کی سرمایہ جاتی سرمایہ کاری کی۔

لیکوڈٹی مینجمنٹ کا انتظام اور رقم کے بہاؤ کی حکمت عملی
اس عرصے کے دوران عملی سرگرمیوں سے 3,120 ملین روپے حاصل کیے گئے۔ سال کے اختتام پر کمپنی کے پاس 7,944 ملین روپے کی لیکوڈٹی فنڈز تھیں جس میں نقد رقم / بینک بیلنس اور قلیل مدتی سرمایہ کاریاں شامل ہیں جبکہ سرمایہ جاتی منصوبوں پر لگائی گئی رقم اور منافع منقسمہ کی ادائیگی اس کے علاوہ ہے۔

آپ کی کمپنی نے نقد رقم کے بہاؤ کی باضابطہ نگرانی کا ایک نظام تیار کر کے نافذ

آپ کے ڈائریکٹرز یہ رپورٹ، اور کمپنی کے 31 دسمبر 2016ء کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالی گوشوارے پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

روپے ہزاروں میں

| |
|-------------|
| 5,587,141 |
| (1,565,349) |
| 4,021,792 |
| 526,775 |
| 6,249,877 |
| 10,798,444 |
| (1,958,006) |
| (979,003) |
| 7,861,435 |

مالی نتائج

اس مدت کا منافع قبل از ٹیکس
ٹیکس
منافع بعد از ٹیکس
دیگر جامع آمدن بعد از ٹیکس
گذشتہ سال کا غیر مختص منافع
دستیاب منافع برائے اختصاص

اختصاص:

حتمی منافع منقسمہ 2015ء فی شیئر 20.0 روپے
عبوری منافع 2016ء فی شیئر 10.0 روپے
آئندہ سال کے لیے غیر مختص منافع

مالی کارکردگی

خالص سیلز گذشتہ سال کے مقابلے میں 10.5 فیصد بڑھی۔ خام منافع کی شرح 38.9 فیصد سے بڑھ کر 40.1 فیصد ہو گئی، جس کی بنیادی وجہ یہ تھی کہ لاگت پر موثر کنٹرول کیا گیا اور نئی مصنوعات متعارف کرائی گئیں۔ جاری اخراجات بڑھنے کی بنیادی وجہ گرانی اور باربرداری اخراجات ہیں۔ سال کا منافع بعد از ٹیکس گذشتہ سال کی نسبت 12.1 فیصد بڑھ گیا۔ بنیادی آمدنی فی شیئر 41.1 روپے تھی (2015ء: 36.6 روپے)۔

منافع منقسمہ

ڈائریکٹرز مسرت کے ساتھ حتمی نقد منافع منقسمہ فی شیئر 30.0 روپے کا اعلان کرتے ہیں (2015ء: 20.0 روپے فی شیئر)، جو کہ 2016ء کے دوران شیئر ہولڈرز کو ادا کیے گئے عبوری نقد منافع منقسمہ 10.0 روپے فی شیئر کے علاوہ ہے (2015ء: 10.0 روپے فی شیئر)۔

BOARD OF DIRECTORS



Standing from left to right

KAMRAN Y. MIRZA
Director

ZEHRA NAQVI
Director

SEEMA KHAN
Director

SHAMIM AHMAD KHAN
Director

Sitting from left to right

EHSAN ALI MALIK
Director

MUNIR A. SHAIKH
Chairman

SYED ANIS AHMED
Chief Executive Officer

KEY PERFORMANCE INDICATORS

| | | 2016 | 2015 |
|------------------------------|---------------|--------|--------|
| Sales Revenue | Rs in million | 23,388 | 21,170 |
| Return on Equity | % | 27.6% | 27.7% |
| Earnings per share | Rs. | 41.08 | 36.64 |
| Shareholders' Equity | Rs in million | 14,593 | 12,949 |
| Total Assets Turnover Ratio* | Times | 1.37 | 1.40 |
| Current Ratio | Times | 4.61 | 3.73 |
| Market Capitalization | Rs in million | 93,699 | 62,167 |

*Calculated on the basis of average assets

KEY OPERATING AND FINANCIAL DATA

| | December 31, | | | | | |
|--|--------------|------|------|------|------|------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |

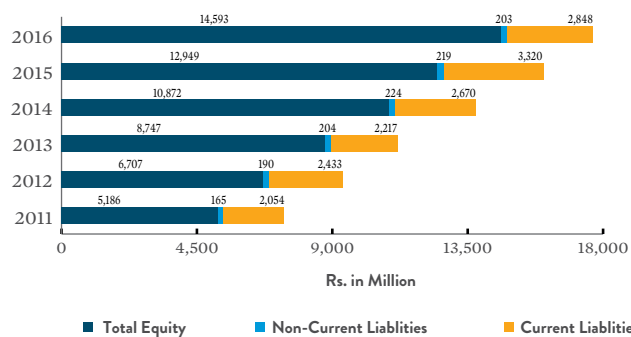
Financial Position

(Rupees in '000)

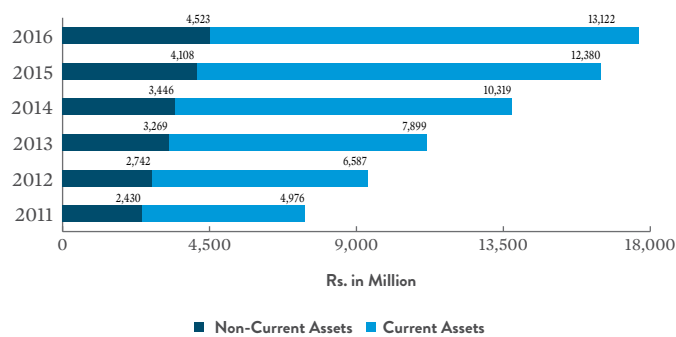
Balance Sheet

| | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| Fixed Assets | | | | | | |
| - property, plant and equipment | 4,443,019 | 4,017,403 | 3,359,092 | 3,183,735 | 2,629,154 | 2,298,062 |
| - intangible assets | 16,250 | 21,983 | 24,395 | 41,615 | 58,835 | 76,055 |
| Other Non-Current Assets | 63,764 | 68,797 | 62,980 | 44,064 | 54,509 | 55,449 |
| Current Assets | 13,122,151 | 12,380,092 | 10,319,128 | 7,898,590 | 6,587,364 | 4,975,763 |
| Total Assets | 17,645,184 | 16,488,275 | 13,765,595 | 11,168,004 | 9,329,862 | 7,405,329 |
| Issued, subscribed and paid-up capital | 979,003 | 979,003 | 979,003 | 979,003 | 979,003 | 979,003 |
| Capital Reserves | 414,380 | 381,945 | 339,481 | 300,030 | 262,308 | 223,247 |
| Revenue Reserves | 13,199,857 | 11,588,299 | 9,553,116 | 7,468,232 | 5,466,083 | 3,983,933 |
| Total Equity | 14,593,240 | 12,949,247 | 10,871,600 | 8,747,265 | 6,707,394 | 5,186,183 |
| Non-Current Liabilities | 203,477 | 219,144 | 223,953 | 203,562 | 189,557 | 165,219 |
| Current Liabilities | 2,848,467 | 3,319,884 | 2,670,042 | 2,217,177 | 2,432,911 | 2,053,927 |
| Total Liabilities | 3,051,944 | 3,539,028 | 2,893,995 | 2,420,739 | 2,622,468 | 2,219,146 |
| Total Equity and Liabilities | 17,645,184 | 16,488,275 | 13,765,595 | 11,168,004 | 9,329,862 | 7,405,329 |

Balance Sheet Analysis - Equity and Liabilities



Balance Sheet Analysis - Assets



OPERATING AND FINANCIAL TRENDS

| | December 31, | | | | | |
|--|------------------|------------|------------|------------|------------|------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| | (Rupees in '000) | | | | | |
| Profit and Loss | | | | | | |
| Net sales including toll manufacturing service fee | 23,387,915 | 21,170,446 | 19,692,354 | 17,217,258 | 15,216,253 | 12,946,968 |
| Gross profit | 9,367,499 | 8,227,233 | 7,550,142 | 6,621,646 | 5,702,828 | 4,666,478 |
| Operating profit | 5,593,900 | 5,012,361 | 4,323,341 | 3,689,179 | 3,016,363 | 2,378,042 |
| Profit before taxation | 5,587,141 | 5,006,477 | 4,318,567 | 3,686,223 | 3,014,137 | 2,374,826 |
| Taxation | 1,565,349 | 1,419,741 | 1,502,255 | 1,157,374 | 924,042 | 730,240 |
| Profit after taxation | 4,021,792 | 3,586,736 | 2,816,312 | 2,528,849 | 2,090,095 | 1,644,586 |
| Ordinary cash dividends * | 3,916,012 | 2,937,009 | 763,622 | 685,302 | 685,302 | 587,402 |
| EBITDA ** | 6,128,490 | 5,496,717 | 4,758,663 | 4,087,276 | 3,353,127 | 2,657,942 |

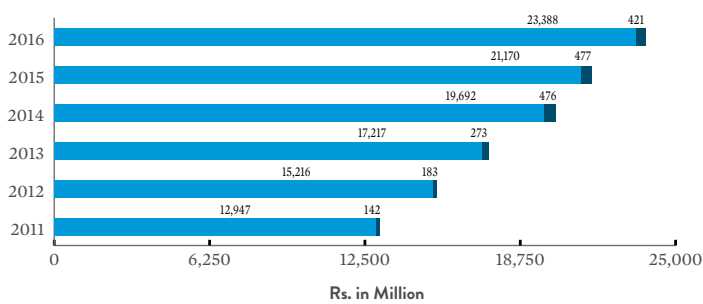
Cash Flows

| | | | | | | |
|--|-------------|-------------|-----------|-----------|-----------|-----------|
| Operating activities | 3,119,545 | 4,062,034 | 3,331,081 | 2,483,858 | 2,509,703 | 1,772,876 |
| Investing activities | (558,237) | (672,470) | (159,370) | (690,491) | (485,630) | (643,800) |
| Financing activities | (2,937,792) | (1,450,032) | (687,381) | (686,528) | (687,188) | (494,836) |
| Cash and cash equivalents at the end of the year | 7,944,429 | 8,320,913 | 6,381,381 | 3,897,051 | 2,790,212 | 1,453,327 |

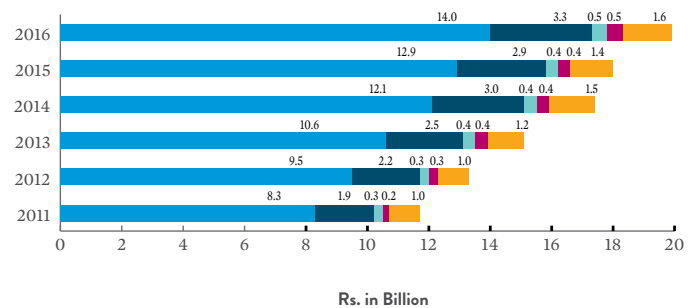
* Includes final dividend amounting to Rs. 2,937.009 million proposed by the Board of Directors subsequent to the year end.

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

Profit and Loss Analysis - Sales and Other Income



Profit and Loss Analysis - Expenses



■ Net sales including toll manufacturing service fee

■ Other income

■ Cost of goods sold and services

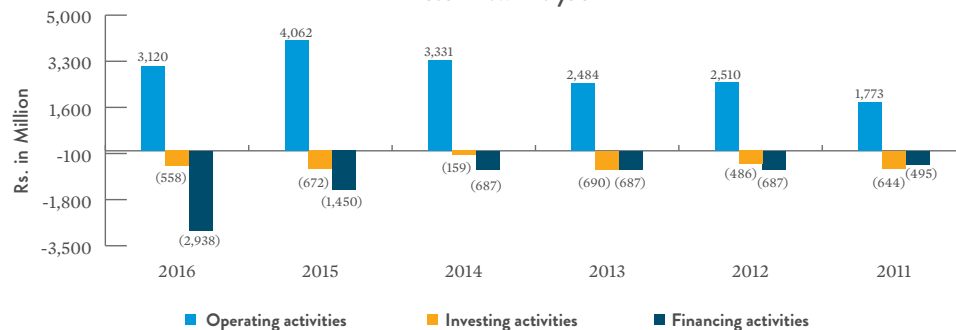
■ Other charges

■ Selling and distribution expenses

■ Taxation - net

■ Administrative expenses

Cash Flow Analysis



| | | December 31, 2016 | December 31, 2015 | December 31, 2014 | December 31, 2013 | December 31, 2012 | December 31, 2011 |
|--|---------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Ratios | Unit | | | | | | |
| Profitability Ratios | | | | | | | |
| Gross profit ratio | % | 40.1% | 38.9% | 38.3% | 38.5% | 37.5% | 36.0% |
| Net profit to sales | % | 17.2% | 16.9% | 14.3% | 14.7% | 13.7% | 12.7% |
| EBITDA** margin to sales | % | 26.2% | 26.0% | 24.2% | 23.7% | 22.0% | 20.5% |
| EBIT margin | % | 23.9% | 23.7% | 22.0% | 21.4% | 19.8% | 18.4% |
| Return on equity / Return on capital employed | % | 27.6% | 27.7% | 25.9% | 28.9% | 31.2% | 31.7% |
| Return on assets | % | 22.8% | 21.8% | 20.5% | 22.6% | 22.4% | 22.2% |
| Liquidity Ratios | | | | | | | |
| Current ratio | Times | 4.61 | 3.73 | 3.86 | 3.56 | 2.71 | 2.42 |
| Quick / Acid test ratio | Times | 3.31 | 2.81 | 2.76 | 2.27 | 1.66 | 1.26 |
| Cash to Current Liabilities | Times | 2.79 | 2.51 | 2.39 | 1.76 | 1.15 | 0.71 |
| Cash flow from operations to Sales | Times | 0.13 | 0.19 | 0.17 | 0.14 | 0.16 | 0.14 |
| Activity / Turnover Ratios | | | | | | | |
| No. of days in inventory | Days | 84.41 | 80.82 | 83.95 | 89.38 | 90.99 | 96.67 |
| No. of days in receivables | Days | 10.59 | 8.27 | 9.54 | 11.80 | 11.74 | 9.52 |
| No. of days in payables | Days | 60.28 | 58.13 | 49.32 | 48.78 | 47.33 | 45.76 |
| Inventory Turnover | Times | 4.32 | 4.52 | 4.35 | 4.08 | 4.01 | 3.78 |
| Debtors Turnover | Times | 34.48 | 44.14 | 38.28 | 30.94 | 31.10 | 38.36 |
| Creditors Turnover | Times | 6.05 | 6.28 | 7.40 | 7.48 | 7.71 | 7.98 |
| Operating Cycle | Days | 34.72 | 30.96 | 44.17 | 52.40 | 55.40 | 60.43 |
| Total assets turnover ratio (average assets) | Times | 1.37 | 1.40 | 1.58 | 1.68 | 1.82 | 1.96 |
| Total assets turnover ratio | Times | 1.33 | 1.28 | 1.43 | 1.54 | 1.63 | 1.75 |
| Fixed assets turnover ratio (average assets) | Times | 5.50 | 5.70 | 5.96 | 5.82 | 6.01 | 6.09 |
| Fixed assets turnover ratio | Times | 5.24 | 5.24 | 5.82 | 5.34 | 5.66 | 5.45 |
| Investment / Market Ratios | | | | | | | |
| Basic / Diluted Earnings per share | Rs. | 41.08 | 36.64 | 28.77 | 25.83 | 21.35 | 16.80 |
| Price earning ratio | Times | 23.30 | 17.33 | 24.70 | 15.23 | 10.75 | 5.94 |
| Dividend yield ratio | % | 4.2% | 4.7% | 1.1% | 1.8% | 3.1% | 6.0% |
| Dividend pay out ratio | Times | 0.97 | 0.82 | 0.27 | 0.27 | 0.33 | 0.36 |
| Dividend cover ratio | Times | 1.03 | 1.22 | 3.69 | 3.69 | 3.05 | 2.80 |
| Cash dividend per share | Rs. | 40.00 | 30.00 | 7.80 | 7.00 | 7.00 | 6.00 |
| Break-up value per share with / without surplus on revaluation of fixed assets | Rs. | 149.06 | 132.27 | 111.05 | 89.35 | 68.51 | 52.97 |
| 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 Capitalization | Rs in million | 93,699 | 62,167 | 69,576 | 38,524 | 22,468 | 9,769 |
| Market value per share at the end of the year | Rs. | 957.09 | 635.00 | 710.68 | 393.50 | 229.50 | 99.79 |
| Market value per share (High) | Rs. | 984.90 | 744.42 | 913.50 | 456.00 | 234.00 | 103.00 |
| Market value per share (Low) | Rs. | 575.00 | 473.19 | 355.00 | 197.25 | 90.00 | 79.25 |
| Contribution to National Exchequer | Rs in million | 3,728 | 3,043 | 2,765 | 2,479 | 1,988 | 1,798 |
| Capital Structure Ratios | | | | | | | |
| Interest cover ratio | Times | 827.62 | 851.86 | 905.60 | 1,248.03 | 1,355.06 | 739.44 |

Note : Sales include toll manufacturing service fee

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

COMMENTS ON FINANCIAL RATIOS

PROFITABILITY RATIOS

Profit after Tax increased by 12.1% compared to prior year mainly driven by volume increase and new product launches.

Gross Profit ratio improved to 40.1% versus 38.9% from last year despite inflationary pressures owing to improved product mix and effective cost control. **Net Profit to Sales ratio** was 17.2%.

LIQUIDITY RATIOS

The decline in cashflows from operating activities is mainly attributable to increased inventory and receivables which accordingly resulted in decline in cash and cash equivalents by Rs. 376 million as compared to last year.

Current ratio (2016: 4.61, 2015: 3.73), **quick/acid test ratio** (2016: 3.31, 2015: 2.81) & **cash to current liabilities** (2016: 2.79, 2015: 2.51) has improved versus last year mainly on account of improved profitability and lower trade payable balance as compared to last year.

ACTIVITY / TURNOVER RATIOS

Operating cycle has increased from 30.96 days in 2015 to 34.72 days in 2016 due to higher inventory and higher receivable balances on account of increased business activity.

Total assets turnover ratio (average assets) declined from 1.40 in 2015 to 1.37 in 2016 due to increase in inventory as explained above.

Fixed assets turnover ratio (average assets) slightly declined from 5.70 in 2015 to 5.50 in 2016.

INVESTMENT / MARKET RATIOS

Earnings per share improved from Rs. 36.64 in 2015 to Rs. 41.08 in 2016 as a result of the increase in profit after tax by 12.1% compared to prior year as mentioned above.

P/E ratio improved from 17.33 in 2015 to 23.30 in 2016, mainly due to increase in market price per share from Rs. 635.00 in 2015 to Rs. 957.09 in 2016.

Dividend yield ratio declined from 4.7% in 2015 to 4.2% in 2016 despite increase in dividend on account of higher increase in market price per share versus increase in dividend.

Dividend pay-out ratio increased from 0.82 (times) in 2015 to 0.97 (times) in 2016, on account of increased dividend payout in the current year from Rs. 30.00 per share to Rs. 40.00 per share.

Break-up value per share has increased from Rs. 132.27 in 2015 to Rs. 149.06 in 2016 due to increase in total equity this year by Rs. 1,644 million as compared to prior year.

Market capitalization has increased from Rs. 62,167 million in 2015 to Rs. 93,699 million in 2016 due to increase in market price per share from Rs. 635.00 in 2015 to Rs. 957.09 in 2016.

CAPITAL STRUCTURE ANALYSIS

Total equity improved by 12.7% to Rs. 14.59 billion comprising of share capital amounting to Rs. 979.003 million which consists of issued share capital of 97,900,302 shares of Rs. 10.0 each. Abbott Asia Investments Limited, UK is the major shareholder of the company having shares amounting to 76,259,454 being 77.9% of total paid-up capital.

Considering that there is no short-term or long-term debt as at balance sheet date, capital structure ratios like financial leverage ratio, weighted average cost of debt and debt to equity ratio are not relevant.

COMMENTS ON PROFIT AND LOSS ACCOUNT

SALES

Net sales for the year increased by 10.5% over previous year. Pharmaceutical sales for the year increased by 10.3% over prior year due to volume growth. Nutritional sales for the year also showed an increase of 10.2% over prior year mainly due to unit growth. Pediasure posted strong double digit growth. Sales for 'Others' including General Health Care (GHC), Diagnostic and Diabetes Care, grew by 12.7% over last year. This is mainly driven by new products launched during the year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses during the year increased by 13.3% mainly attributable to growth in business activities and turnover. Freight and forwarding expenses increased during the current year owing to volume growth coupled with provincial sales tax levied on intercity freight and transportation.

OTHER INCOME

Decrease in other income during the current year by 11.7% versus last year is primarily on account of decrease in interest income. This is attributable to lower cash reserves available due to an increase in dividend payout coupled with lower interest rates prevalent during the current year.

TAXATION

Increase in taxation for the current year is due to higher profitability.

COMMENTS ON BALANCE SHEET

NON-CURRENT ASSETS

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

CURRENT ASSETS

The increase in current assets mainly owes to higher stock-in-trade and trade receivables due to business growth and higher business volume.

CURRENT LIABILITIES

Trade and other payables have declined over prior year mainly on account of reduction of staff pension liability.

EQUITY

Equity grew from prior year primarily due to profit for the year, partially offset by final and interim dividends during the year.

COMMENTS ON CASHFLOWS

CASHFLOWS FROM OPERATING ACTIVITIES

There is a decrease in cashflows from operating activities mainly due to unfavorable working capital changes owing to increase in trade receivables and stock-in-trade against last year. This has partially been offset by higher profitability for the current year.

CASHFLOWS FROM INVESTING ACTIVITIES

Net cash outflows from investing activities have declined from prior year primarily due to decrease in capital expenditure during the year.

CASHFLOWS FROM FINANCING ACTIVITIES

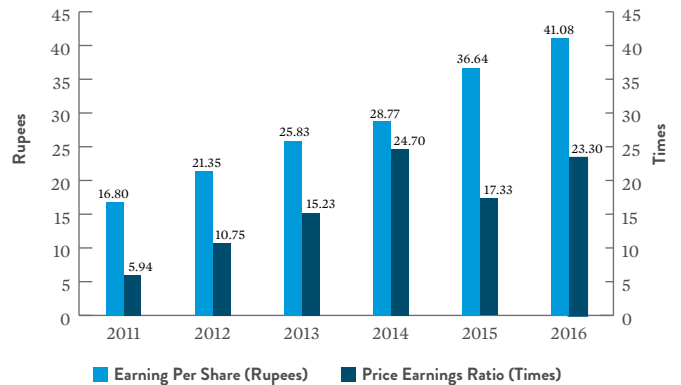
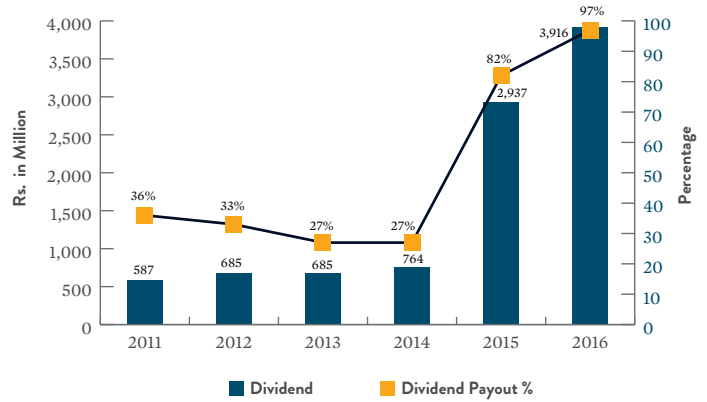
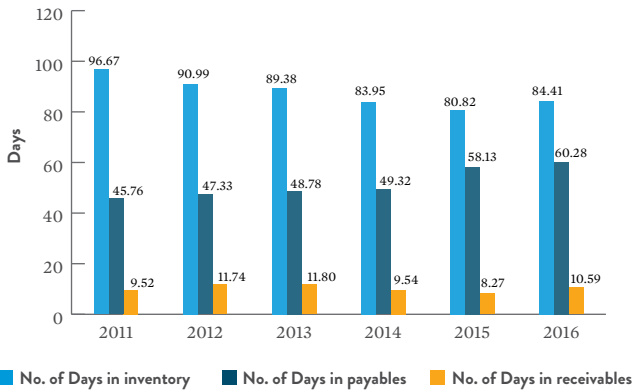
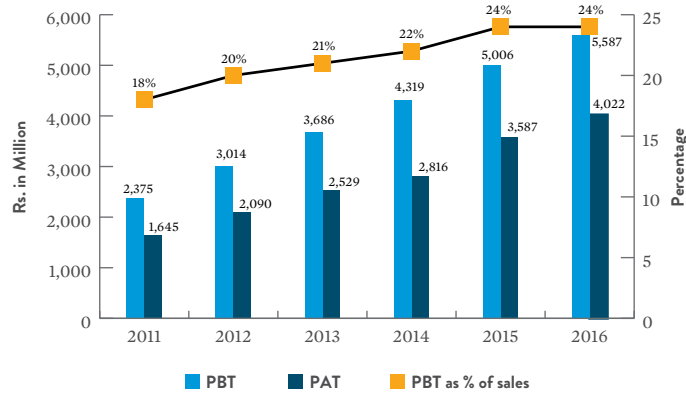
Cash outflow from financing activities increased during the current year primarily on account of increased dividend payout during the year.

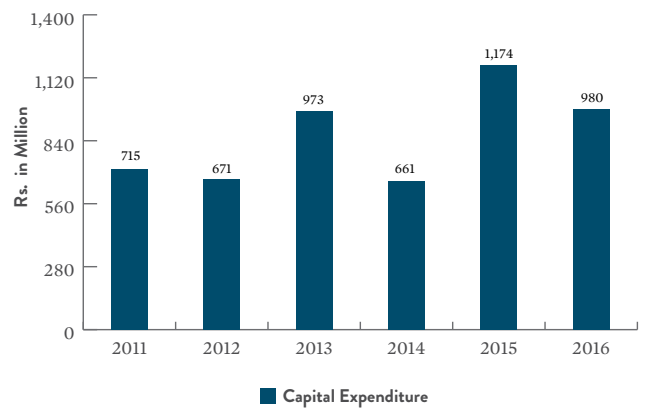
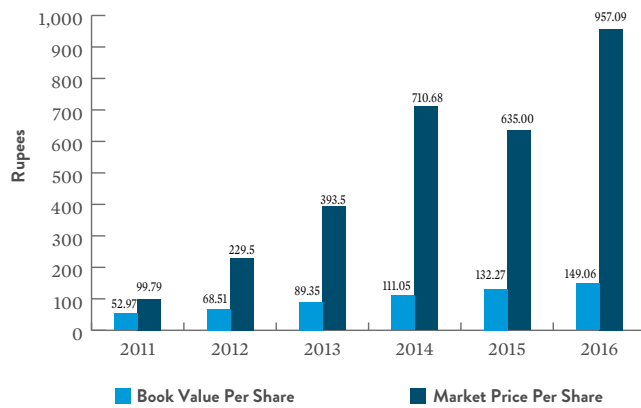
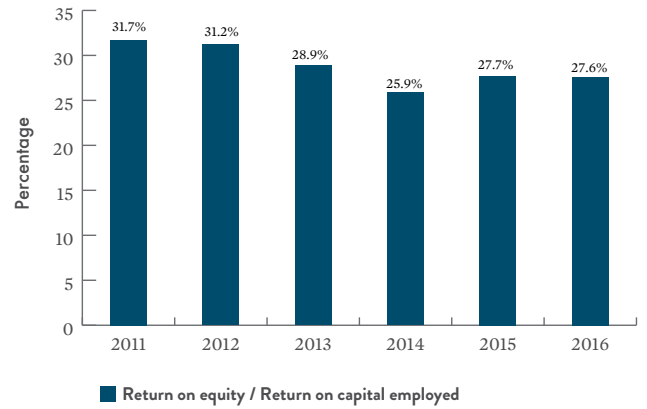
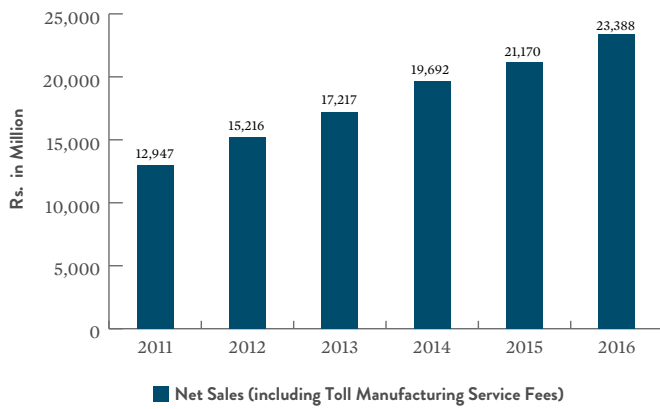
CASH FLOW STATEMENT - DIRECT METHOD

For The Year Ended December 31, 2016

| | 2016 | 2015 |
|--|------------------|--------------|
| | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | 23,066,200 | 21,183,885 |
| Cash paid to suppliers / service providers | (14,929,879) | (12,593,143) |
| Cash paid to employees | (2,549,708) | (2,283,587) |
| Payment of royalty and technical service fee | (175,661) | (168,209) |
| Payment to retirement funds | (220,609) | (236,917) |
| Income taxes paid | (1,714,877) | (1,520,063) |
| Payment of other statutory charges | (358,896) | (319,623) |
| Long-term deposits - net | - | 130 |
| Long-term prepayments - net | 2,975 | (439) |
| Net cash inflow from operating activities | 3,119,545 | 4,062,034 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (980,258) | (1,174,097) |
| Acquisition of intangible asset | (6,500) | (18,500) |
| Sale proceeds from disposal of property, plant and equipment | 36,639 | 63,199 |
| Interest income | 391,882 | 456,928 |
| Net cash outflow from investing activities | (558,237) | (672,470) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Finance costs paid | (6,759) | (5,884) |
| Dividends paid | (2,931,033) | (1,444,148) |
| Net cash outflow from financing activities | (2,937,792) | (1,450,032) |
| Net increase in cash and cash equivalents | (376,484) | 1,939,532 |
| Cash and cash equivalents at the beginning of the year | 8,320,913 | 6,381,381 |
| Cash and cash equivalents at the end of the year | 7,944,429 | 8,320,913 |

GRAPHICAL PRESENTATION





VERTICAL ANALYSIS

| | December 31, 2016 | | December 31, 2015 | |
|------------------------------|----------------------|-------|----------------------|-------|
| | Rupees in '000 | % | Rupees in '000 | % |
| Balance Sheet | | | | |
| Total Equity | 14,593,240 | 82.7 | 12,949,247 | 78.6 |
| Non-Current Liabilities | 203,477 | 1.2 | 219,144 | 1.3 |
| Current Liabilities | 2,848,467 | 16.1 | 3,319,884 | 20.1 |
| Total Equity and Liabilities | 17,645,184 | 100.0 | 16,488,275 | 100.0 |
| Non-Current Assets | 4,523,033 | 25.6 | 4,108,183 | 24.9 |
| Current Assets | 13,122,151 | 74.4 | 12,380,092 | 75.1 |
| Total Assets | 17,645,184 | 100.0 | 16,488,275 | 100.0 |

| | December 31, 2016 | | December 31, 2015 | |
|-----------------------------------|----------------------|-------|----------------------|-------|
| | Rupees in '000 | % | Rupees in '000 | % |
| Profit and Loss Account | | | | |
| Net sales | 23,387,915 | 100.0 | 21,170,446 | 100.0 |
| Cost of goods sold | 14,020,416 | 59.9 | 12,943,213 | 61.1 |
| Gross Profit | 9,367,499 | 40.1 | 8,227,233 | 38.9 |
| Selling and distribution expenses | 3,258,175 | 13.9 | 2,876,407 | 13.6 |
| Administrative expenses | 450,297 | 1.9 | 383,612 | 1.8 |
| Other income | 5,659,027 | 24.2 | 4,967,214 | 23.5 |
| Other charges | 420,937 | 1.8 | 476,868 | 2.3 |
| Finance costs | 486,064 | 2.1 | 431,721 | 2.0 |
| Profit before taxation | 5,593,900 | 23.9 | 5,012,361 | 23.7 |
| Taxation - net | 6,759 | 0.0 | 5,884 | 0.0 |
| Profit for the year | 5,587,141 | 23.9 | 5,006,477 | 23.6 |
| | 1,565,349 | 6.7 | 1,419,741 | 6.7 |
| | 4,021,792 | 17.2 | 3,586,736 | 16.9 |

| December 31, 2014 | | December 31, 2013 | | December 31, 2012 | | December 31, 2011 | |
|----------------------|-------|----------------------|-------|----------------------|-------|----------------------|-------|
| Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % |
| 10,871,600 | 79.0 | 8,747,265 | 78.3 | 6,707,394 | 71.9 | 5,186,183 | 70.0 |
| 223,953 | 1.6 | 203,562 | 1.8 | 189,557 | 2.0 | 165,219 | 2.2 |
| 2,670,042 | 19.4 | 2,217,177 | 19.9 | 2,432,911 | 26.1 | 2,053,927 | 27.8 |
| 13,765,595 | 100.0 | 11,168,004 | 100.0 | 9,329,862 | 100.0 | 7,405,329 | 100.0 |
| 3,446,467 | 25.0 | 3,269,414 | 29.3 | 2,742,498 | 29.4 | 2,429,566 | 32.8 |
| 10,319,128 | 75.0 | 7,898,590 | 70.7 | 6,587,364 | 70.6 | 4,975,763 | 67.2 |
| 13,765,595 | 100.0 | 11,168,004 | 100.0 | 9,329,862 | 100.0 | 7,405,329 | 100.0 |

| December 31, 2014 | | December 31, 2013 | | December 31, 2012 | | December 31, 2011 | |
|----------------------|-------|----------------------|-------|----------------------|-------|----------------------|-------|
| Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % | Rupees in '000 | % |
| 19,692,354 | 100.0 | 17,217,258 | 100.0 | 15,216,253 | 100.0 | 12,946,968 | 100.0 |
| 12,142,212 | 61.7 | 10,595,612 | 61.5 | 9,513,425 | 62.5 | 8,280,490 | 64.0 |
| 7,550,142 | 38.3 | 6,621,646 | 38.5 | 5,702,828 | 37.5 | 4,666,478 | 36.0 |
| 2,965,120 | 15.1 | 2,471,404 | 14.4 | 2,212,421 | 14.5 | 1,894,390 | 14.6 |
| 367,379 | 1.9 | 366,938 | 2.1 | 344,494 | 2.3 | 295,823 | 2.3 |
| 4,217,643 | 21.4 | 3,783,304 | 22.0 | 3,145,913 | 20.7 | 2,476,265 | 19.1 |
| 475,693 | 2.4 | 273,059 | 1.6 | 183,430 | 1.2 | 142,466 | 1.1 |
| 369,995 | 1.9 | 367,184 | 2.1 | 312,980 | 2.1 | 240,689 | 1.9 |
| 4,323,341 | 22.0 | 3,689,179 | 21.4 | 3,016,363 | 19.8 | 2,378,042 | 18.4 |
| 4,774 | 0.0 | 2,956 | 0.0 | 2,226 | 0.0 | 3,216 | 0.0 |
| 4,318,567 | 21.9 | 3,686,223 | 21.4 | 3,014,137 | 19.8 | 2,374,826 | 18.3 |
| 1,502,255 | 7.6 | 1,157,374 | 6.7 | 924,042 | 6.1 | 730,240 | 5.6 |
| 2,816,312 | 14.3 | 2,528,849 | 14.7 | 2,090,095 | 13.7 | 1,644,586 | 12.7 |

HORIZONTAL ANALYSIS

| | December 31, | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| (Rupees in '000) | | | | | | |
| Balance Sheet | | | | | | |
| Total Equity | 14,593,240 | 12,949,247 | 10,871,600 | 8,747,265 | 6,707,394 | 5,186,183 |
| Non-Current Liabilities | 203,477 | 219,144 | 223,953 | 203,562 | 189,557 | 165,219 |
| Current Liabilities | 2,848,467 | 3,319,884 | 2,670,042 | 2,217,177 | 2,432,911 | 2,053,927 |
| Total Equity and Liabilities | 17,645,184 | 16,488,275 | 13,765,595 | 11,168,004 | 9,329,862 | 7,405,329 |
| Non-Current Assets | 4,523,033 | 4,108,183 | 3,446,467 | 3,269,414 | 2,742,498 | 2,429,566 |
| Current Assets | 13,122,151 | 12,380,092 | 10,319,128 | 7,898,590 | 6,587,364 | 4,975,763 |
| Total Assets | 17,645,184 | 16,488,275 | 13,765,595 | 11,168,004 | 9,329,862 | 7,405,329 |

| | December 31, | | | | | |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| (Rupees in '000) | | | | | | |
| Profit and Loss Account | | | | | | |
| Net sales | 23,387,915 | 21,170,446 | 19,692,354 | 17,217,258 | 15,216,253 | 12,946,968 |
| Cost of goods sold | 14,020,416 | 12,943,213 | 12,142,212 | 10,595,612 | 9,513,425 | 8,280,490 |
| Gross Profit | 9,367,499 | 8,227,233 | 7,550,142 | 6,621,646 | 5,702,828 | 4,666,478 |
| Selling and distribution expenses | 3,258,175 | 2,876,407 | 2,965,120 | 2,471,404 | 2,212,421 | 1,894,390 |
| Administrative expenses | 450,297 | 383,612 | 367,379 | 366,938 | 344,494 | 295,823 |
| | 5,659,027 | 4,967,214 | 4,217,643 | 3,783,304 | 3,145,913 | 2,476,265 |
| Other income | 420,937 | 476,868 | 475,693 | 273,059 | 183,430 | 142,466 |
| Other charges | 486,064 | 431,721 | 369,995 | 367,184 | 312,980 | 240,689 |
| | 5,593,900 | 5,012,361 | 4,323,341 | 3,689,179 | 3,016,363 | 2,378,042 |
| Finance costs | 6,759 | 5,884 | 4,774 | 2,956 | 2,226 | 3,216 |
| Profit before taxation | 5,587,141 | 5,006,477 | 4,318,567 | 3,686,223 | 3,014,137 | 2,374,826 |
| Taxation - net | 1,565,349 | 1,419,741 | 1,502,255 | 1,157,374 | 924,042 | 730,240 |
| Profit for the year | 4,021,792 | 3,586,736 | 2,816,312 | 2,528,849 | 2,090,095 | 1,644,586 |

| December 31, | | | | | |
|---|-------|------|-------|------|------|
| 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| % increase / (decrease) over preceding year | | | | | |
| 12.7 | 19.1 | 24.3 | 30.4 | 29.3 | 32.6 |
| (7.1) | (2.1) | 10.0 | 7.4 | 14.7 | 43.4 |
| (14.2) | 24.3 | 20.4 | (8.9) | 18.5 | 16.5 |
| 7.0 | 19.8 | 23.3 | 19.7 | 26.0 | 27.9 |
| 10.1 | 19.2 | 5.4 | 19.2 | 12.9 | 25.6 |
| 6.0 | 20.0 | 30.6 | 19.9 | 32.4 | 29.0 |
| 7.0 | 19.8 | 23.3 | 19.7 | 26.0 | 27.9 |

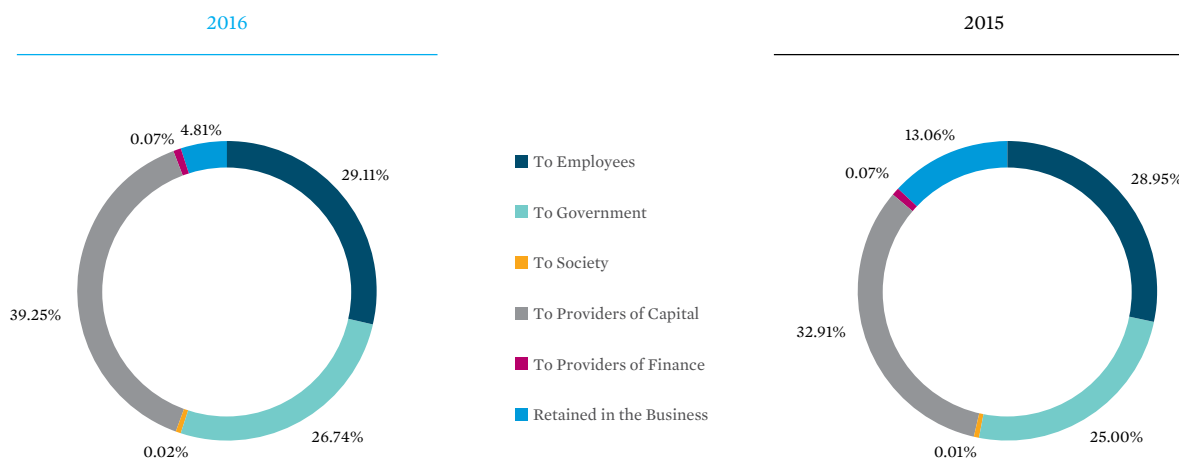
| December 31, | | | | | |
|---|-------|------|------|--------|-------|
| 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| % increase / (decrease) over preceding year | | | | | |
| 10.5 | 7.5 | 14.4 | 13.2 | 17.5 | 17.7 |
| 8.3 | 6.6 | 14.6 | 11.4 | 14.9 | 13.3 |
| 13.9 | 9.0 | 14.0 | 16.1 | 22.2 | 26.6 |
| 13.3 | (3.0) | 20.0 | 11.7 | 16.8 | 18.3 |
| 17.4 | 4.4 | 0.1 | 6.5 | 16.5 | 10.4 |
| 13.9 | 17.8 | 11.5 | 20.3 | 27.0 | 36.2 |
| (11.7) | 0.2 | 74.2 | 48.9 | 28.8 | 30.6 |
| 12.6 | 16.7 | 0.8 | 17.3 | 30.0 | 32.0 |
| 11.6 | 15.9 | 17.2 | 22.3 | 26.8 | 36.3 |
| 14.9 | 23.3 | 61.5 | 32.8 | (30.8) | (8.9) |
| 11.6 | 15.9 | 17.2 | 22.3 | 26.9 | 36.4 |
| 10.3 | (5.5) | 29.8 | 25.3 | 26.5 | 29.4 |
| 12.1 | 27.4 | 11.4 | 21.0 | 27.1 | 39.7 |

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

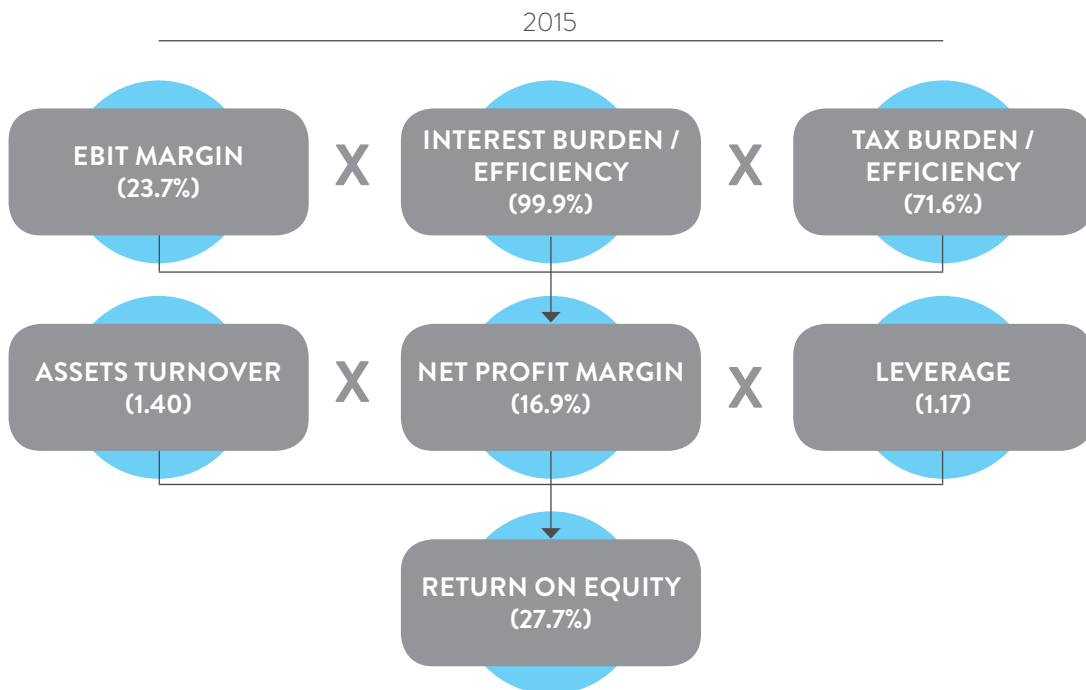
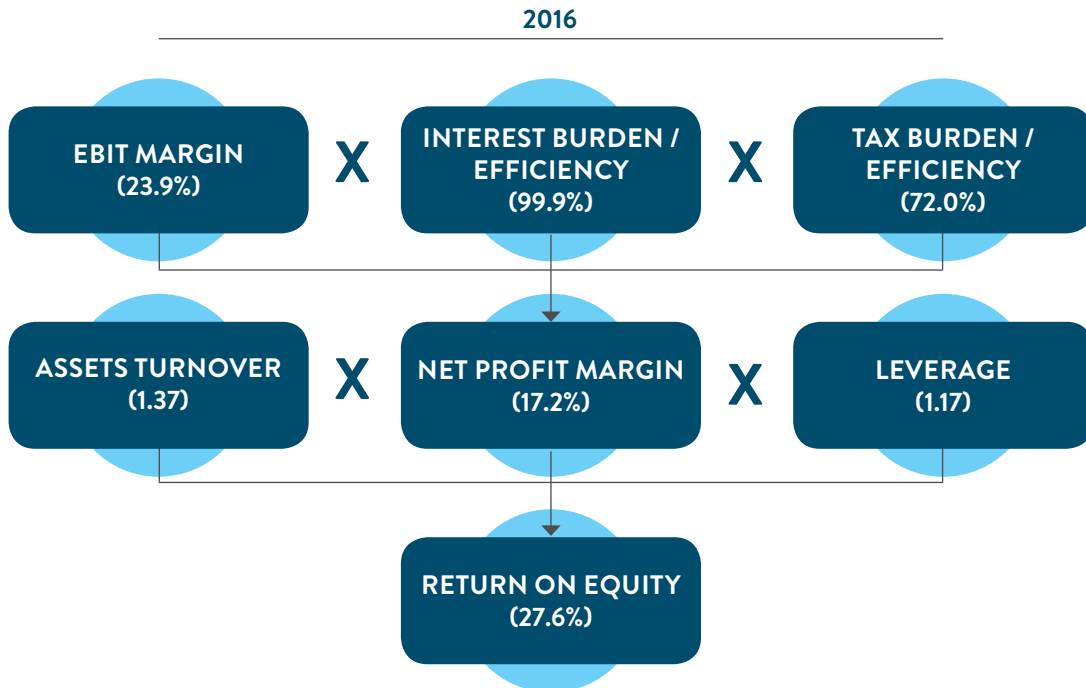
For The Year Ended December 31, 2016

| | 2016 | | 2015 | |
|---|------------------|----------------|------------------|----------------|
| | Rupees '000 | % | Rupees '000 | % |
| Wealth Generated | | | | |
| Total revenue inclusive of sales tax and other income | 24,301,320 | | 22,109,521 | |
| Brought-in-materials and services | 14,324,267 | | 13,183,891 | |
| | <u>9,977,053</u> | <u>100%</u> | <u>8,925,630</u> | <u>100%</u> |
| Wealth Distribution | | | | |
| To Employees | | | | |
| Salaries, wages, allowances and staff welfare | 2,904,535 | 29.11% | 2,583,746 | 28.95% |
| To Government | | | | |
| Income Tax | 1,725,946 | 17.30% | 1,388,200 | 15.55% |
| Workers' Funds and Central Research Fund | 449,945 | 4.50% | 382,092 | 4.28% |
| Sales tax and excise duty | 492,468 | 4.94% | 462,207 | 5.17% |
| | <u>2,668,359</u> | <u>26.74%</u> | <u>2,232,499</u> | <u>25.00%</u> |
| To Society | | | | |
| Donations | 1,615 | 0.02% | 868 | 0.01% |
| To Providers of Capital | | | | |
| Dividends * | 3,916,012 | 39.25% | 2,937,009 | 32.91% |
| To Providers of Finance | | | | |
| Finance cost | 6,759 | 0.07% | 5,884 | 0.07% |
| Retained in the Business | | | | |
| Depreciation and amortisation | 534,590 | 5.36% | 484,356 | 5.43% |
| Actuarial (Gain) / Loss | (687,372) | -6.89% | 134,170 | 1.50% |
| Added to / (Utilised from) Unappropriated profit for distribution | 632,555 | 6.34% | 547,098 | 6.13% |
| | <u>479,773</u> | <u>4.81%</u> | <u>1,165,624</u> | <u>13.06%</u> |
| | <u>9,977,053</u> | <u>100.00%</u> | <u>8,925,630</u> | <u>100.00%</u> |

* Dividends include final dividend amounting to Rs. 2,937,009 million proposed by the Board of Directors subsequent to the year end.



DUPONT ANALYSIS



QUARTERLY ANALYSIS

| | Jan - Mar 2016 | | Apr - Jun 2016 | | Jul - Sep 2016 | | Oct - Dec 2016 | | Jan - Dec 2016 | |
|------------------|-------------------|-----|-------------------|-----|-------------------|-----|-------------------|-----|-------------------|------|
| | Rs '000 | % | Rs '000 | % | Rs '000 | % | Rs '000 | % | Rs '000 | % |
| Net Sales | 4,885,528 | 21% | 6,080,899 | 26% | 5,822,484 | 25% | 6,599,004 | 28% | 23,387,915 | 100% |
| Gross Profit | 1,861,694 | 20% | 2,465,023 | 26% | 2,396,586 | 26% | 2,644,196 | 28% | 9,367,499 | 100% |
| Profit after tax | 721,410 | 18% | 979,412 | 24% | 1,144,708 | 29% | 1,176,262 | 29% | 4,021,792 | 100% |

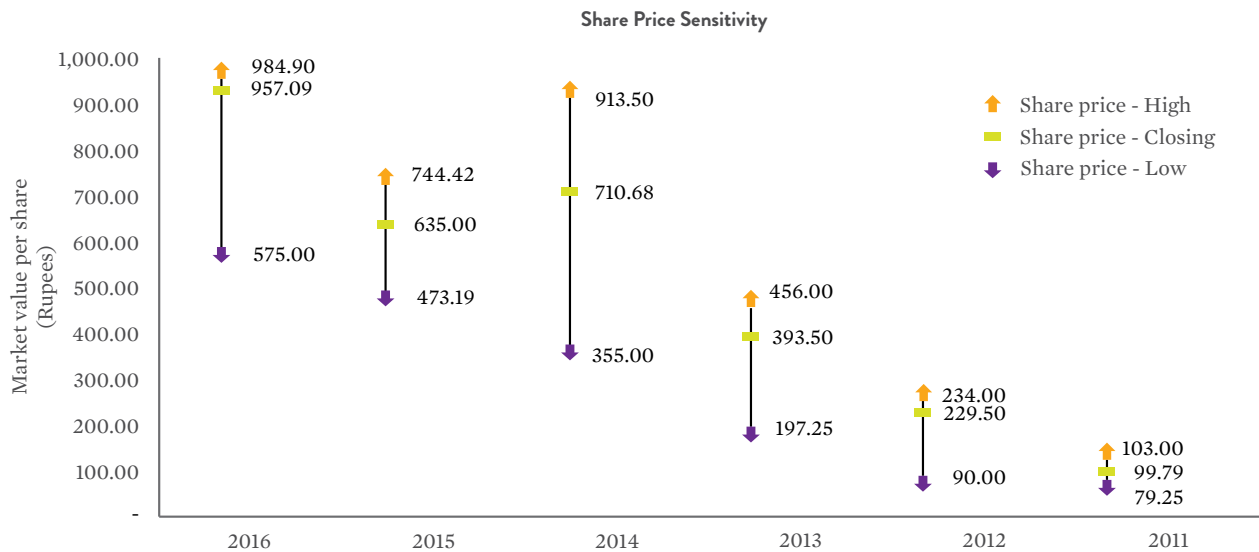
Quarterly Analysis

■ Jan-Mar ■ Apr-Jun ■ Jul-Sep ■ Oct-Dec



SHARE PRICE SENSIVITY ANALYSIS

Share price in the stock market moves due to various factors such as company performance, general market sentiments, economic events and interest rates, etc. Being a responsible and law-compliant Company, Abbott circulates price sensitive information to stock exchanges in accordance with the requirements of listing regulations on a timely manner. During the year 2016, Abbott share price has touched the peak of Rs 984.90 while the lowest recorded price was Rs 575.00 with a closing price of Rs. 957.09 at the end of the year.



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of Pakistan Stock Exchange 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 applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present the Board constitutes of:

| Category | Names |
|------------------------|-----------------------|
| Independent Director | Mr. Ehsan Ali Malik |
| | Ms. Zehra Naqvi |
| Executive Director | Syed Anis Ahmed |
| | Ms. Seema Khan |
| Non-Executive Director | Mr. Munir A. Shaikh |
| | Mr. Kamran Y. Mirza |
| | Mr. Shamim Ahmad Khan |

The independent directors meet the criteria of independence under clause 5.19.1(b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred in the Board on 01st January 2016 and 04th June 2016. These were filled within 90 days of their occurrence.
5. 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. In addition, the Company has prepared and fully implemented an Ethics Compliance Program under which a number of core policies have been prepared to cover various facets of business practices.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of appointment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause 5.19.7 of the Code, two directors have a certification under Directors’ Training Program, three Directors of the Company are exempt from the requirement of Directors’ Training Program and the rest of the Directors will be trained within the prescribed time by June 30, 2018. All the Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Board had arranged an orientation course of the Code of Corporate Governance for its Directors in the previous years to apprise them of their role and responsibilities.

10. The Board approves the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remunerations and terms and conditions of employment as recommended by HR and Remuneration Committee.
11. The Company maintains an updated list of related parties and all transactions with related parties are placed before the Audit Committee on a quarterly basis. All related party transactions have been reviewed and approved by the Board and are carried out on normal / agreed terms and conditions in accordance with the agreements.
12. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors including the chairman of the audit committee and the chairman of the Committee is an independent director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
18. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom three are non-executive directors and an executive director. The Chairman of the Committee is a non-executive director.
19. The Board has set-up an effective in-house Internal Audit function. In addition, the Board has made arrangements for periodic internal audits by an independent firm of Chartered Accountants. Both the firm and the in-house internal audit staff are conversant with the policies and procedures of the Company.
20. 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities was determined and intimated to directors, employees and Stock Exchanges.
23. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
24. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. We confirm that all other material principles enshrined in the Code have been complied with.

By order of the Board



Munir A. Shaikh
Chairman

Karachi
February 27, 2017



EY Ford Rhodes
Chartered Accountants
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Pakistan

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Abbott Laboratories (Pakistan) Limited (the Company) for the year ended **31 December 2016** to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24 (b) of the Code of Corporate Governance, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 controls 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine 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 best practices contained in the Code, as applicable to the Company for the year ended **31 December 2016**.

EY Ford Rhodes
Chartered Accountants
Date: 27 February 2017
Place: Karachi



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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Abbott Laboratories (Pakistan) Limited** as at **31 December 2016** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 2.1.3 to the accompanying financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, gives the information required by the Companies Ordinance, 1984, 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 2016** and of the profit, the comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, 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.

EY Ford Rhodes
Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Date: 27 February 2017

Place: Karachi

BALANCE SHEET

As At December 31, 2016

| | Note | 2016 (Rupees '000) | 2015 |
|--|------|-----------------------|-------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital | 3 | <u>2,000,000</u> | <u>2,000,000</u> |
| Issued, subscribed and paid-up capital | 4 | 979,003 | 979,003 |
| Reserves - capital | | 414,380 | 381,945 |
| - revenue | | 13,199,857 | 11,588,299 |
| Total Equity | | <u>14,593,240</u> | <u>12,949,247</u> |
| NON-CURRENT LIABILITY | | | |
| Deferred taxation | 5 | 203,477 | 219,144 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 6 | 2,843,217 | 3,319,884 |
| Taxation payable | | 5,250 | - |
| Total Liabilities | | <u>3,051,944</u> | <u>3,539,028</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 7 | | |
| TOTAL EQUITY AND LIABILITIES | | <u>17,645,184</u> | <u>16,488,275</u> |

| | Note | 2016 (Rupees '000) | 2015 |
|---|------|-----------------------|-------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | | | |
| - Property, plant and equipment | 8 | 4,443,019 | 4,017,403 |
| - Intangible assets | 9 | 16,250 | 21,983 |
| Long-term loans and advances | 10 | 49,654 | 51,712 |
| Long-term deposits | 11 | 7,475 | 7,475 |
| Long-term prepayments | | 6,635 | 9,610 |
| Total Non-current Assets | | 4,523,033 | 4,108,183 |
| CURRENT ASSETS | | | |
| Stores and spares | 12 | 103,766 | 140,069 |
| Stock-in-trade | 13 | 3,575,927 | 2,908,690 |
| Trade debts | 14 | 880,297 | 476,403 |
| Loans and advances | 15 | 160,388 | 100,194 |
| Trade deposits and short-term prepayments | 16 | 285,443 | 231,897 |
| Interest accrued | | 11,535 | 8,573 |
| Other receivables | 17 | 160,366 | 97,495 |
| Taxation recoverable | | - | 95,858 |
| Cash and bank balances | 18 | 7,944,429 | 8,320,913 |
| Total Current Assets | | 13,122,151 | 12,380,092 |
| TOTAL ASSETS | | 17,645,184 | 16,488,275 |

The annexed notes 1 to 38 form an integral part of these financial statements.


 Chief Executive


 Director

PROFIT AND LOSS ACCOUNT

For The Year Ended December 31, 2016

| | Note | 2016 (Rupees '000) | 2015 |
|--------------------------------------|------|-----------------------|------------|
| Sales - net | 19 | 23,387,915 | 21,170,446 |
| Cost of goods sold | 20 | 14,020,416 | 12,943,213 |
| Gross profit | | 9,367,499 | 8,227,233 |
| Selling and distribution expenses | 22 | 3,258,175 | 2,876,407 |
| Administrative expenses | 23 | 450,297 | 383,612 |
| Other charges | 24 | 486,064 | 431,721 |
| Other income | 25 | 420,937 | 476,868 |
| | | 3,773,599 | 3,214,872 |
| | | 5,593,900 | 5,012,361 |
| Finance costs | 26 | 6,759 | 5,884 |
| Profit before taxation | | 5,587,141 | 5,006,477 |
| Taxation-net | 27 | 1,565,349 | 1,419,741 |
| Profit for the year | | 4,021,792 | 3,586,736 |
| | | (Rupees) | |
| Earnings per share - basic / diluted | 28 | 41.08 | 36.64 |

The annexed notes 1 to 38 form an integral part of these financial statements.



Chief Executive



Director

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended December 31, 2016

| | 2016 (Rupees '000) | 2015 |
|--|-----------------------|------------------|
| Profit for the year | 4,021,792 | 3,586,736 |
| Other comprehensive income for the year | | |
| - Actuarial gains / (losses) on defined benefit pension plan | 687,372 | (134,170) |
| - Tax on actuarial (gains) / losses | (160,597) | 31,541 |
| Other comprehensive income - net of tax | 526,775 | (102,629) |
| Total comprehensive income for the year | <u>4,548,567</u> | <u>3,484,107</u> |

The annexed notes 1 to 38 form an integral part of these financial statements.



 Chief Executive



 Director

CASH FLOW STATEMENT

For The Year Ended December 31, 2016

| | Note | 2016 (Rupees '000) | 2015 |
|--|------|-----------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 29 | 4,829,389 | 5,587,914 |
| Income taxes paid | | (1,714,877) | (1,520,063) |
| Long-term loans and advances - net | | 2,058 | (5,508) |
| Long-term deposits - net | | - | 130 |
| Long-term prepayments - net | | 2,975 | (439) |
| Net cash inflow from operating activities | | 3,119,545 | 4,062,034 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure | | (980,258) | (1,174,097) |
| Acquisition of intangible asset | | (6,500) | (18,500) |
| Sale proceeds from disposal of property, plant and equipment | | 36,639 | 63,199 |
| Interest income | | 391,882 | 456,928 |
| Net cash outflow from investing activities | | (558,237) | (672,470) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Finance cost paid | | (6,759) | (5,884) |
| Dividends paid | | (2,931,033) | (1,444,148) |
| Net cash outflow from financing activities | | (2,937,792) | (1,450,032) |
| Net (decrease) / increase in cash and cash equivalents | | (376,484) | 1,939,532 |
| Cash and cash equivalents at the beginning of the year | | 8,320,913 | 6,381,381 |
| Cash and cash equivalents at the end of the year | | 7,944,429 | 8,320,913 |

The annexed notes 1 to 38 form an integral part of these financial statements.



 Chief Executive




 Director

STATEMENT OF CHANGES IN EQUITY

For The Year Ended December 31, 2016

| | Capital | | Reserves | | Total | Total Equity | |
|--|---------------|---------------------------|--------------------|------------------------|-------------|--------------|-------------|
| | Share Capital | Reserve Arising on Merger | Other- (Note 2.22) | Revenue Reserves | | | |
| | | | General Reserves | Un-appropriated Profit | | | |
| | (Rupees '000) | | | | | | |
| Balance as at January 1, 2015 | 979,003 | 46,097 | 293,384 | 5,338,422 | 4,214,694 | 9,892,597 | 10,871,600 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Final dividend for the year ended December 31, 2014 @ Rs. 4.8 per share | - | - | - | - | (469,921) | (469,921) | (469,921) |
| Interim dividend for the year ended December 31, 2015 @ Rs. 10 per share | - | - | - | - | (979,003) | (979,003) | (979,003) |
| Capital contribution from Abbott International LLC., USA | - | - | 42,464 | - | - | 42,464 | 42,464 |
| Total comprehensive income for the year ended December 31, 2015 | | | | | | | |
| Profit for the year | - | - | - | - | 3,586,736 | 3,586,736 | 3,586,736 |
| Other comprehensive income for the year, net of tax | - | - | - | - | (102,629) | (102,629) | (102,629) |
| Total comprehensive income for the year | - | - | - | - | 3,484,107 | 3,484,107 | 3,484,107 |
| Balance as at December 31, 2015 | 979,003 | 46,097 | 335,848 | 5,338,422 | 6,249,877 | 11,970,244 | 12,949,247 |
| Balance as at January 1, 2016 | 979,003 | 46,097 | 335,848 | 5,338,422 | 6,249,877 | 11,970,244 | 12,949,247 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Final dividend for the year ended December 31, 2015 @ Rs. 20 per share | - | - | - | - | (1,958,006) | (1,958,006) | (1,958,006) |
| Interim dividend for the year ended December 31, 2016 @ Rs. 10 per share | - | - | - | - | (979,003) | (979,003) | (979,003) |
| Capital contribution from Abbott International LLC., USA | - | - | 32,435 | - | - | 32,435 | 32,435 |
| Total comprehensive income for the year ended December 31, 2016 | | | | | | | |
| Profit for the year | - | - | - | - | 4,021,792 | 4,021,792 | 4,021,792 |
| Other comprehensive income for the year, net of tax | - | - | - | - | 526,775 | 526,775 | 526,775 |
| Total comprehensive income for the year | - | - | - | - | 4,548,567 | 4,548,567 | 4,548,567 |
| Balance as at December 31, 2016 | 979,003 | 46,097 | 368,283 | 5,338,422 | 7,861,435 | 13,614,237 | 14,593,240 |

The annexed notes 1 to 38 form an integral part of these financial statements.


 Chief Executive


 Director

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2016

1. THE COMPANY AND ITS OPERATIONS

Abbott Laboratories (Pakistan) Limited (the Company) is a public limited Company incorporated in Pakistan on July 02, 1948, and its shares are quoted on the Pakistan Stock Exchange. The address of its registered office is opposite Radio Pakistan Transmission Centre, Hyderabad Road, Landhi, Karachi. The Company is principally engaged in the manufacture, import and marketing of research based pharmaceutical, nutritional, diagnostic, diabetes care, molecular devices, hospital and consumer products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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 Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, 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 amended standards

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

New Standards, Interpretations and Amendments

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

- IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)
- IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
- IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)
- IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
- IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
- IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
- IFRS 7 - Financial Instruments: Disclosures - Servicing contracts
- IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- IAS 19 - Employee Benefits - Discount rate: regional market issue
- IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

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

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

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

| Standard or Interpretation | Effective date (annual periods beginning on or after) |
|--|---|
| IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments) | 01 January 2018 |
| 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 finalized |
| IAS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment) | 01 January 2017 |
| IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments) | 01 January 2017 |
| IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments) | 01 January 2018 |
| IAS 40 Investment Property: Transfers of Investment Property (Amendments) | 01 January 2018 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | 01 January 2018 |

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2017. The Company expects that such improvements to the standards will not have any material impact on the Company’s financial statements in the period of initial application.

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 9 – Financial Instruments: Classification and Measurement | 01 January 2018 |
| IFRS 14 – Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 15 – Revenue from Contracts with Customers | 01 January 2018 |
| IFRS 16 – Leases | 01 January 2019 |

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2016

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.

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

- i) Useful lives of items of property, plant and equipment (note 2.3 and note 8.1);
- ii) Provision for slow moving and obsolete stock-in-trade (note 2.6 and note 13);
- iii) Provision for slow moving and obsolete stores and spares (note 2.5 and 12);
- iv) Provision for doubtful trade debts (note 2.7 and 14);
- v) Provision for doubtful other receivables (note 2.7 and 17);
- vi) Provision for sample inventory (note 2.8);
- vii) Estimates of receivables and payables in respect of staff retirement benefit schemes (note 2.14 and note 21);
- viii) Provision for taxation (note 2.9, note 5 and note 27);
- ix) Share based compensation (note 2.22 and 30); and
- x) Contingencies and commitments (note 7).

2.2 Functional and presentation currency

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

2.3 Property, plant and equipment

a) Owned

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

b) Leased

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

c) Depreciation / amortisation

Depreciation is charged to income 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 8.1. 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 profit and loss account equally over the period of the lease.

d) **Gains or losses on disposal of fixed assets**

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

e) **Subsequent costs**

Maintenance and normal repairs are charged to profit and loss account 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.

f) **Capital work-in-progress**

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

2.4 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

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.

The amortisation period for intangible assets with finite useful lives is reviewed at each year end and is changed to reflect the useful life expected at respective 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 up to the balance sheet 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 represent direct cost of materials, direct wages and an appropriate portion of production overheads. Cost in relation to items in transit represent invoice value and other charges incurred thereon up to the balance sheet date.

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

2.7 Trade debts and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2016

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 profit and loss account.

2.8 Sample inventory

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

2.9 Taxation**Current**

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

Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. 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 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 balance sheet date and recognised after adjusting the impact of tax under FTR.

2.10 Cash and cash equivalents

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

2.11 Trade and other payables

Short-term liabilities for trade and other amounts payable are recognised initially at fair value plus directly attributable transaction cost, if any, and subsequently carried at amortised cost.

2.12 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.

2.13 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 balance sheet date to reflect the current best estimate.

2.14 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 profit and loss account as and when incurred.

Defined benefit plan

The Company operates an approved funded pension scheme covering all its permanent employees who have completed minimum qualifying period of service. The Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". The latest actuarial valuation was carried out at 31 December 2016 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 Other comprehensive income in the year in which they arise. Past service costs are recognised immediately in profit and loss account 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 profit and loss account.

The amount recognised in the balance sheet represents the present value of defined benefit obligation as reduced by the fair value of plan assets.

2.15 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.

2.16 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 balance sheet date. Exchange differences are taken to the profit and loss account.

2.17 Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2016

2.18 Impairment

Financial assets

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

Non-financial assets

The carrying amount of non-financial assets other than inventories are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, 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.

2.19 Financial instruments

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

2.20 Offsetting

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

2.21 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 period to acquire property, plant and equipment.

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

Pharmaceutical

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

Nutritional

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

Others

The Others segment represents the manufacture, 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 profit and loss account 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

| 2016 Number of shares | 2015 Number of shares | | 2016 (Rupees '000) | 2015 (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

| 2016 Number of shares | 2015 Number of shares | | 2016 (Rupees '000) | 2015 (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, 2016, Abbott Asia Investments Limited, UK held 76,259,454 shares (77.90%). The ultimate holding company is Abbott Laboratories, USA.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2016

| | Note | 2016 (Rupees '000) | 2015 |
|--|--------|-----------------------|------------------|
| 5. DEFERRED TAXATION | | | |
| Deferred tax liability arising due to accelerated tax depreciation allowance | | 251,835 | 258,048 |
| Deferred tax asset arising in respect of provisions | | (48,358) | (38,904) |
| | | <u>203,477</u> | <u>219,144</u> |
| 6. TRADE AND OTHER PAYABLES | | | |
| Creditors | | 86,358 | 114,398 |
| Accrued liabilities | | 1,115,892 | 1,153,738 |
| Bills payable | 6.1 | 851,033 | 827,066 |
| Advances from customers | | 265,021 | 182,842 |
| Unclaimed dividends | | 22,039 | 16,063 |
| Payable to related parties | 6.2 | 49,189 | 59,829 |
| Sales tax payable | | 52,384 | 51,616 |
| Central Research Fund | | 59,388 | 53,523 |
| Workers' Welfare Fund | | 104,652 | 84,547 |
| Staff pension fund | 21.1.1 | - | 610,971 |
| Provision for Gas Infrastructure Development Cess | | 221,135 | 152,548 |
| Others | | 16,126 | 12,743 |
| | | <u>2,843,217</u> | <u>3,319,884</u> |
| 6.1 Bills payable include the following amounts payable to related parties: | | | |
| Abbott Health Care Puerto Rico | | - | 44,068 |
| Abbott Diagnostics GmbH | | 92,247 | 211,141 |
| Abbott Logistics B.V. | | 368,883 | 279,192 |
| Abbott Products Operation AG | | 235,912 | 94,222 |
| Abbott International LLC., USA | | 71,334 | 83,776 |
| Abbott GmbH & Co. KG. | | 4,192 | 4,481 |
| Abbott Diabetes Care Inc. | | 7,019 | 33,393 |
| Abbott Diabetes Care Limited, UK | | 25,489 | 23,595 |
| Abbott International LLC., USA | | - | 5,168 |
| | | <u>805,076</u> | <u>779,036</u> |
| 6.2 Payable to related parties represents the following amounts payable to: | | | |
| Abbott International LLC., USA | | 38,364 | 40,450 |
| AbbVie Logistics B.V. | | 8,085 | 19,379 |
| Abbott GmbH & Co. KG. | | 2,740 | - |
| | | <u>49,189</u> | <u>59,829</u> |
| 7. CONTINGENCIES AND COMMITMENTS | | | |
| 7.1 Contingencies | | | |
| 7.1.1 The Company has given bank guarantees of Rs. 175.667 million (2015: Rs. 141.626 million) to the Customs Department, a utility company and other institutions against tenders. | | | |

7.1.2 The taxation officer has contended that the Company has not deducted tax under the law on certain expenses. The order was passed and a demand of Rs. 20 million was raised against the Company for tax year 2014, however an appeal has been filed by the Company with the Appellate Tribunal Inland Revenue which is pending for adjudication.

Based on the tax advisors 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.

7.1.3 The Commissioner Inland Revenue (CIR) has selected the case of the Company for audit of tax year 2012 (accounting year December 31, 2011) and tax year 2014 (accounting year December 31, 2013) and has requested various information from the Company in this regard. The Company believes that only the Federal Board of Revenue has the right to select the Company for audit based on defined criteria or through random balloting and the CIR does not have the right to select the Company for Audit. The Company has filed writ petition in the High court in this regard, which is pending for hearing.

7.1.4 The Deputy Commissioner Inland Revenue (DCIR) while finalizing the Sales Tax audit for tax year 2014 has issued an order raising a demand of Rs. 235.712 million on the contention that the Company has allegedly excess claimed/adjusted input tax in its sales tax returns. The actual amount of claim of input tax is Rs. 42.618 million for which rectification application has also been moved. The Company has filed an appeal with the Commissioner Inland Revenue (Appeals) (CIRA) against the order of DCIR. In addition to this, on the Company’s appeal, the Sindh High Court has granted stay against the recovery proceedings.

The management of the Company on the advice of its tax advisors is confident that the eventual outcome of the appeal would be in favor of the Company and therefore no provision for the above demand has been made in these financial statements.

7.2 Commitments

7.2.1 Commitments for capital expenditure aggregated approximately Rs. 371.248 million (2015: Rs. 298.176 million).

7.2.2 The Company has obtained short-term financing facilities from various commercial banks amounting to Rs. 1,120 million (2015: Rs. 1,120 million). These facilities can be utilised for letters of credit, guarantees and running finance / short-term loans. However, the running finance / short-term loan utilisation cannot exceed Rs. 250 million (2015: Rs. 250 million). The running finance / short-term loan carries markup at rates ranging from KIBOR plus 1% to KIBOR plus 2% (2015: KIBOR plus 1% to KIBOR plus 2%) and are secured against first joint pari passu hypothecation charge over stocks and book debts of the Company, ranking hypothecation charge over stocks and book debts of the Company, promissory notes, and counter guarantees. The Company has not borrowed any amount against running finance / short-term loan facilities at the balance sheet date. Commitments in respect of letters of credit as at balance sheet date aggregated to Rs. 568.028 million (2015: Rs. 384.742 million).

| Note | 2016 (Rupees ‘000) | 2015 |
|------|-----------------------|------------------|
| 8.1 | 3,639,626 | 3,299,161 |
| 8.5 | 803,393 | 718,242 |
| | <u>4,443,019</u> | <u>4,017,403</u> |

8. PROPERTY, PLANT AND EQUIPMENT

| | | | |
|--------------------------|-----|------------------|------------------|
| Operating fixed assets | 8.1 | 3,639,626 | 3,299,161 |
| Capital work-in-progress | 8.5 | 803,393 | 718,242 |
| | | <u>4,443,019</u> | <u>4,017,403</u> |

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2016

8.1 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 | Office equipment | Computers | Service equipment-note 8.2 | Total |
|---|---------------|----------------|----------------------------|-----------------------------|---------------------|----------------|------------------|---------------|----------------------------|------------------|
| | (Rupees '000) | | | | | | | | | |
| At December 31, 2014 | | | | | | | | | | |
| Cost | 20,679 | 2,718 | 384,565 | 66,683 | 3,387,813 | 397,260 | 102,402 | 257,170 | 1,025,693 | 5,644,983 |
| Accumulated depreciation / amortisation | - | 863 | 206,212 | 65,470 | 1,610,092 | 122,381 | 83,670 | 177,701 | 439,346 | 2,705,735 |
| Net book value | 20,679 | 1,855 | 178,353 | 1,213 | 1,777,721 | 274,879 | 18,732 | 79,469 | 586,347 | 2,939,248 |
| Year ended December 31, 2015 | | | | | | | | | | |
| Opening net book value | 20,679 | 1,855 | 178,353 | 1,213 | 1,777,721 | 274,879 | 18,732 | 79,469 | 586,347 | 2,939,248 |
| Additions / transfers | - | - | 45,367 | - | 438,112 | 146,095 | 6,271 | 28,624 | 211,230 | 875,699 |
| Disposals / write offs | | | | | | | | | | |
| Cost | - | - | 62 | - | 10,957 | 112,711 | 1,492 | 13,053 | 18,728 | 157,003 |
| Depreciation | - | - | 62 | - | 9,882 | 61,538 | 1,398 | 13,053 | 18,728 | 104,661 |
| Depreciation / amortisation charge for the year | - | 29 | 12,028 | 712 | 202,638 | 58,129 | 10,361 | 34,552 | 144,995 | 463,444 |
| Closing net book value | 20,679 | 1,826 | 211,692 | 501 | 2,012,120 | 311,672 | 14,548 | 73,541 | 652,582 | 3,299,161 |
| At December 31, 2015 | | | | | | | | | | |
| Cost | 20,679 | 2,718 | 429,870 | 66,683 | 3,814,968 | 430,644 | 107,181 | 272,741 | 1,218,195 | 6,363,679 |
| Accumulated depreciation / amortisation | - | 892 | 218,178 | 66,182 | 1,802,848 | 118,972 | 92,633 | 199,200 | 565,613 | 3,064,518 |
| Net book value | 20,679 | 1,826 | 211,692 | 501 | 2,012,120 | 311,672 | 14,548 | 73,541 | 652,582 | 3,299,161 |
| Year ended December 31, 2016 | | | | | | | | | | |
| Opening net book value | 20,679 | 1,826 | 211,692 | 501 | 2,012,120 | 311,672 | 14,548 | 73,541 | 652,582 | 3,299,161 |
| Additions / transfers | - | - | 17,649 | 1,890 | 540,100 | 88,739 | 15,641 | 17,612 | 213,476 | 895,107 |
| Reclassification - cost | - | - | (1,782) | - | (85) | - | 2,257 | (390) | - | - |
| Disposals / write offs | | | | | | | | | | |
| Cost | - | - | - | - | 5,517 | 74,521 | - | 288 | - | 80,326 |
| Depreciation | - | - | - | - | 5,086 | 42,667 | - | 288 | - | 48,041 |
| Depreciation / amortisation charge for the year | - | 29 | 15,506 | 858 | 234,085 | 62,194 | 5,149 | 37,636 | 166,900 | 522,357 |
| Reclassification - depreciation | - | - | (7) | - | (1,178) | (62) | 1,083 | (7) | 171 | - |
| Closing net book value | 20,679 | 1,797 | 212,060 | 1,533 | 2,318,797 | 306,425 | 26,214 | 53,134 | 698,987 | 3,639,626 |
| At December 31, 2016 | | | | | | | | | | |
| Cost | 20,679 | 2,718 | 445,737 | 68,573 | 4,349,466 | 444,862 | 125,079 | 289,675 | 1,431,671 | 7,178,460 |
| Accumulated depreciation / amortisation | - | 921 | 233,677 | 67,040 | 2,030,669 | 138,437 | 98,865 | 236,541 | 732,684 | 3,538,834 |
| Net book value | 20,679 | 1,797 | 212,060 | 1,533 | 2,318,797 | 306,425 | 26,214 | 53,134 | 698,987 | 3,639,626 |
| Annual rate of depreciation / amortisation % | | | | | | | | | | |
| 2015 | - | 1.06 | 2-10 | 5-10 | 5-20 | 20-25 | 10-33 | 20-33 | 11-33 | |
| 2016 | - | 1.06 | 2-10 | 5-10 | 5-20 | 20-25 | 10-33 | 20-33 | 11-33 | |

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

8.3 The depreciation charge for the year has been allocated as follows:

| | Note | 2016 (Rupees '000) | 2015 |
|-----------------------------------|------|-----------------------|----------------|
| Cost of goods sold | 20 | 259,311 | 222,732 |
| Selling and distribution expenses | 22 | 237,979 | 215,222 |
| Administrative expenses | 23 | 25,067 | 25,490 |
| | | <u>522,357</u> | <u>463,444</u> |

8.4 Details of disposals of operating fixed assets having book value exceeding Rs. 50,000:

| Description | Cost | Accumulated depreciation (Rupees '000) | Book value | Sale proceeds | Mode of disposal | Particulars of purchaser |
|--|--------|---|------------|---------------|---------------------|--|
| Vehicles | | | | | | |
| | 13,353 | 8,012 | 5,341 | 5,341 | Company Policy | Arshad Saeed Hussain Ex - Employee |
| | 1,399 | 839 | 560 | 1,130 | Open Market Auction | Mohammad Nasir Khan House No. A-597 Sector A-11 Area North Karachi |
| | 1,490 | 894 | 596 | 1,212 | Open Market Auction | Wasim Mirza 10/4,Block 10/A, Gulshan-e-Iqbal |
| | 1,527 | 1,166 | 361 | 780 | Open Market Auction | Muhammad Altaf 68/B, Railway Officers Colony, Walton Lahore |
| | 663 | 398 | 265 | 420 | Open Market Auction | Farrukh Ahmed House No. 28/9, Area 1-D, Landhi No. 1, Karachi |
| | 14,517 | 8,710 | 5,807 | 5,807 | Company Policy | Arshad Saeed Hussain Ex - Employee |
| | 2,303 | 173 | 2,130 | 1,850 | Insurance Claim | EFU EFU House, M.A. Jinnah Road |
| | 1,424 | 854 | 570 | 570 | Company Policy | Usman Qureshi Employee |
| | 1,394 | 836 | 558 | 558 | Company Policy | Ghullam Mustafa Employee |
| | 1,478 | 887 | 591 | 591 | Company Policy | Muhammad Noman Employee |
| | 1,608 | 965 | 643 | 643 | Company Policy | Habib Ahmed Employee |
| | 1,588 | 873 | 715 | 715 | Company Policy | Haider Abbas Ex - Employee |
| | 6,000 | 3,600 | 2,400 | 2,400 | Company Policy | Anis Shah Ex - Employee |
| | 1,586 | 615 | 971 | 1,110 | Negotiation | Rafique Baloch Ex - Employee |
| | 1,477 | 886 | 591 | 1,239 | Open Market Auction | Zahid Qadri H No. R-536, 15A/4 Buffer Zone North Nazimabad. |
| | 1,477 | 886 | 591 | 1,289 | Open Market Auction | Zahid Qadri H No. R-536, 15A/4 Buffer Zone North Nazimabad. |
| | 619 | 371 | 248 | 629 | Open Market Auction | Zahid Qadri H No. R-536, 15A/4 Buffer Zone North Nazimabad. |
| | 1,540 | 924 | 616 | 616 | Company Policy | Mashood Wasti Employee |
| | 1,588 | 953 | 635 | 635 | Company Policy | Dr. Ali Salman Employee |
| | 695 | 191 | 504 | 600 | Insurance Claim | EFU EFU House, M.A. Jinnah Road |
| | 1,424 | 854 | 570 | 570 | Company Policy | Riaz Ul Hasan Employee |
| | 1,477 | 886 | 591 | 591 | Company Policy | Muhammad Waleed Employee |
| | 1,477 | 886 | 591 | 591 | Company Policy | Ejaz Ali Employee |
| | 1,560 | 936 | 624 | 624 | Company Policy | Sarmad Butt Employee |
| | 1,498 | 899 | 599 | 599 | Company Policy | Farhan Khan Employee |
| | 1,560 | 936 | 624 | 624 | Company Policy | Dr. Sobia Ali Employee |
| | 1,477 | 887 | 590 | 590 | Company Policy | Dr. Tabrez Ali Employee |
| | 1,572 | 727 | 845 | 864 | Negotiation | Noor Ul Amin Ex - Employee |
| | 1,653 | 765 | 888 | 909 | Negotiation | Akhter Waseem Ex - Employee |
| | 1,424 | 854 | 570 | 1,236 | Open Market Auction | Noman Hasan Khan A-908/12 Gulberg, F.B Area, Karachi |
| | 1,673 | 1,004 | 669 | 1,306 | Open Market Auction | Tahseen Sarwar MC-1364/1 Azeem Pura, Green Town, Karachi |
| Plant and machinery | | | | | | |
| | 1,650 | 1,485 | 165 | - | Write-off | |
| | 1,184 | 1,184 | - | - | Write-off | |
| | 1,474 | 1,327 | 147 | - | Write-off | |
| | 3 | 3 | - | - | Write-off | |
| | 16 | 16 | - | - | Write-off | |
| | 288 | 288 | - | - | Write-off | |
| Items having book value less than Rs. 50,000 each | | | | | | |
| | 1,190 | 1,071 | 119 | - | Write-off | |

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2016

8.5 Capital work-in-progress

| | Plant and machinery | Vehicles | Building, office equipments and computers | Total |
|---------------------------------------|---------------------|---------------|---|----------------|
| | (Rupees '000) | | | |
| At December 31, 2014 | 327,054 | 8,962 | 83,828 | 419,844 |
| Additions | 738,768 | 173,802 | 50,297 | 962,867 |
| Transferred to operating fixed assets | (438,112) | (146,095) | (80,262) | (664,469) |
| At December 31, 2015 | 627,710 | 36,669 | 53,863 | 718,242 |
| Additions | 585,108 | 76,547 | 105,127 | 766,782 |
| Transferred to operating fixed assets | (540,100) | (88,739) | (52,792) | (681,631) |
| At December 31, 2016 | <u>672,718</u> | <u>24,477</u> | <u>106,198</u> | <u>803,393</u> |

9. INTANGIBLE ASSETS

Intangible assets include rights acquired from Highnoon Laboratories Limited against transfer of technical, marketing and sales know-how and assignment of other necessary rights and requisites for marketing and selling ex-Solvay products in Pakistan, following a global acquisition of Solvay Pharmaceuticals by Abbott International, the ultimate holding company.

| | Note | 2016 (Rupees '000) | 2015 |
|---------------------------------|------|-----------------------|----------------|
| Cost | | | |
| Opening balance | | 104,600 | 86,100 |
| Additions | | 6,500 | 18,500 |
| Balance as at December 31, | | <u>111,100</u> | <u>104,600</u> |
| Accumulated amortisation | | | |
| Opening balance | | 82,617 | 61,705 |
| Amortisation charge | 22 | 12,233 | 20,912 |
| Balance as at December 31, | | <u>94,850</u> | <u>82,617</u> |
| Net book value | | | |
| Cost | | 111,100 | 104,600 |
| Accumulated amortisation | | (94,850) | (82,617) |
| Balance as at December 31, | | <u>16,250</u> | <u>21,983</u> |
| Years | | | |
| Useful life | | <u>4-5</u> | <u>4-5</u> |

| | Note | 2016 (Rupees '000) | 2015 |
|--|------|-----------------------|--------|
| 10. LONG-TERM LOANS AND ADVANCES - considered good, secured | | | |
| Long-term loans | | | |
| Due from: | | | |
| - Executives | 10.1 | 24,172 | 21,657 |
| - Employees | | 56,843 | 58,547 |
| | 10.2 | 81,015 | 80,204 |
| Less: recoverable within one year | | | |
| - Executives | | 11,029 | 9,161 |
| - Employees | | 22,812 | 21,851 |
| | 15 | 33,841 | 31,012 |
| | | 47,174 | 49,192 |
| Long-term advances | | | |
| - Employees | | 2,480 | 2,520 |
| | | 49,654 | 51,712 |

10.1 Reconciliation of carrying amount of long-term loans to executives:

| | | |
|---|--------|--------|
| Opening balance | 21,657 | 20,468 |
| Disbursements | 10,776 | 10,387 |
| Transfer of balances of employee cadre to executive cadre | 5,418 | 5,824 |
| Less: Repayments | 13,679 | 15,022 |
| Closing balance | 24,172 | 21,657 |

10.2 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.

10.3 The maximum aggregate amount of loans due from executives at the end of any month during the year were Rs. 26.453 million (2015: Rs. 24.389 million) respectively.

11. LONG-TERM DEPOSITS

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

| | Note | 2016 (Rupees '000) | 2015 |
|---------------------------------------|--|-----------------------|----------------|
| 14. TRADE DEBTS | | | |
| Considered good: | | | |
| Secured | | 136,329 | 109,389 |
| Unsecured | | | |
| - Due from a related party | 14.1 | 43,911 | 33,849 |
| - Others | | 700,057 | 333,165 |
| | | 743,968 | 367,014 |
| | | <u>880,297</u> | <u>476,403</u> |
| Considered doubtful: | | | |
| Unsecured | | 18,788 | 10,639 |
| | | <u>899,085</u> | <u>487,042</u> |
| Less: Provision for doubtful debts | 14.2 | 18,788 | 10,639 |
| | | <u>880,297</u> | <u>476,403</u> |
| 14.1 | Represents receivable from Abbott Products Operations AG, a related party. | | |
| 14.2 | Reconciliation of provision for doubtful debts | | |
| Opening provision | | 10,639 | 11,480 |
| Charge / (Reversal) for the year | 24 | 8,248 | (841) |
| Write offs during the year | | (99) | - |
| Closing provision | | <u>18,788</u> | <u>10,639</u> |
| 15. LOANS AND ADVANCES | | | |
| Current portion of long-term loans | 10 | 33,841 | 31,012 |
| Advances to: | | | |
| - Executives | | 7,535 | 7,435 |
| - Employees | | 5,032 | 4,978 |
| - Suppliers | | 113,980 | 56,769 |
| | | 126,547 | 69,182 |
| | | <u>160,388</u> | <u>100,194</u> |
| Considered doubtful | | 794 | 794 |
| | | <u>161,182</u> | <u>100,988</u> |
| Less: Provision for doubtful advances | | 794 | 794 |
| | | <u>160,388</u> | <u>100,194</u> |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2016

15.1 These loans and advances are interest free.

| | Note | 2016 (Rupees '000) | 2015 |
|---|------|-----------------------|----------------|
| 16. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS | | | |
| Considered good | | | |
| Trade deposits | 16.1 | 102,383 | 94,804 |
| Prepayments [including sample inventory Rs. 53.905 million (2015: Rs. 43.207 million)] | | 183,060 | 137,093 |
| | | <u>285,443</u> | <u>231,897</u> |
| Considered doubtful | | | |
| Trade deposits | | 2,161 | 2,161 |
| | | <u>287,604</u> | <u>234,058</u> |
| Less: Provision for doubtful trade deposits | | 2,161 | 2,161 |
| | | <u>285,443</u> | <u>231,897</u> |

16.1 These trade deposits are interest free.

17. OTHER RECEIVABLES

Considered good

| | | | |
|------------------------------------|--------|----------------|---------------|
| Due from related parties | 17.1 | 52,123 | 41,774 |
| Receivable from customers | | 51,850 | 42,905 |
| Insurance claim receivable | | 5,415 | 4,389 |
| Staff Pension Fund | 21.1.1 | 34,089 | - |
| Workers' Profit Participation Fund | 17.3 | 10,968 | 1,675 |
| Others | | 5,921 | 6,752 |
| | | <u>160,366</u> | <u>97,495</u> |

Considered doubtful

| | | | |
|--|------|----------------|----------------|
| | | <u>3,673</u> | <u>3,239</u> |
| | | <u>164,039</u> | <u>100,734</u> |
| Less: Provision for doubtful other receivables | 17.2 | 3,673 | 3,239 |
| | | <u>160,366</u> | <u>97,495</u> |

17.1 Due from related parties

| | | | |
|---|--|---------------|---------------|
| Abbott Laboratories (Singapore) PTE Limited | | 436 | - |
| Abbott International LLC., USA | | 1,009 | 80 |
| Abbott Laboratories Philippines | | - | 1,049 |
| Abbott Mearo | | - | 13,535 |
| Abbott Laboratories Malaysia | | 750 | 604 |
| P.T. Abbott Indonesia | | - | 787 |
| Zwolle Manufacturing | | 144 | 144 |
| Abbott Laboratories Trading (Shanghai) Co. Ltd. | | 10,126 | 4,306 |
| Abbott GmbH & Co. KG. | | 39,658 | 21,269 |
| | | <u>52,123</u> | <u>41,774</u> |

| | Note | 2016 (Rupees '000) | 2015 |
|--|------|-----------------------|------------------|
| 17.2 Reconciliation of provision for doubtful other receivables | | | |
| Opening provision | | 3,239 | 3,135 |
| Charge for the year | 24 | 434 | 104 |
| Closing provision | | <u>3,673</u> | <u>3,239</u> |
| 17.3 Workers' Profit Participation Fund | | | |
| Balance at the beginning of the year | | (1,675) | 7,425 |
| Allocation for the year | 24 | 299,032 | 266,900 |
| | | <u>297,357</u> | <u>274,325</u> |
| Less: Amount paid to the fund | | 310,000 | 276,000 |
| Add: Amount received from the fund | | 1,675 | - |
| Balance (receivable) from the Fund | | <u>(10,968)</u> | <u>(1,675)</u> |
| 18. CASH AND BANK BALANCES | | | |
| With banks | | | |
| Savings accounts: | | | |
| - Local currency | 18.1 | 367,799 | 302,925 |
| - Foreign currency | | 481,660 | 404,222 |
| | | <u>849,459</u> | <u>707,147</u> |
| Deposit accounts: | | | |
| - Local currency | 18.2 | 7,000,000 | 7,500,000 |
| Current accounts: | | | |
| - Local currency | | 6,565 | 4,524 |
| | | <u>7,856,024</u> | <u>8,211,671</u> |
| In hand | | | |
| - Foreign currency | | 2,071 | 3,887 |
| - Local currency | | 2,146 | 1,743 |
| Cheques and drafts in hand and in transit | | 84,188 | 103,612 |
| | | <u>7,944,429</u> | <u>8,320,913</u> |

18.1 These savings accounts carry markup rate of 3.75% (2015: 4.50%) per annum.

18.2 These deposit accounts carry markup rate of 5.10% (2015: 5.25%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2016

| | Note | 2016 (Rupees '000) | 2015 |
|---|------|-----------------------|--------------------|
| 19. SALES – NET | | | |
| Local | | 22,621,385 | 20,624,196 |
| Export | | | |
| - to related parties | 32 | 397,722 | 277,345 |
| - to others | | 1,011,164 | 884,396 |
| | | <u>1,408,886</u> | <u>1,161,741</u> |
| | | 24,030,271 | 21,785,937 |
| Less: | | | |
| Sales returns and discounts | | 149,888 | 153,284 |
| Sales tax and excise duty | | 492,468 | 462,207 |
| | | <u>642,356</u> | <u>615,491</u> |
| | | <u>23,387,915</u> | <u>21,170,446</u> |
| 20. COST OF GOODS SOLD | | | |
| Opening work-in-process | | 224,347 | 197,872 |
| Raw and packing materials consumed | | 7,885,582 | 7,566,213 |
| | | 8,109,929 | 7,764,085 |
| Manufacturing expenses: | | | |
| Salaries, wages, allowances and staff welfare | 20.1 | 1,443,329 | 1,316,274 |
| Stores and spares consumed | | 81,205 | 61,038 |
| Fuel and power | | 380,572 | 367,777 |
| Depreciation | 8.3 | 259,311 | 222,732 |
| Repairs and maintenance | | 204,843 | 130,321 |
| Technical service fee | 32 | 143,964 | 140,019 |
| Insurance | | 19,252 | 14,609 |
| Printing and stationery | | 11,179 | 9,124 |
| Travelling and entertainment | | 20,929 | 26,877 |
| Rent, rates and taxes | | 1,619 | 2,909 |
| Laboratory testing supplies | | 37,074 | 37,973 |
| Computer expenses | | 8,619 | 27,424 |
| Postage, telephone and telegram | | 11,724 | 8,964 |
| Others | 20.2 | 164,070 | 157,820 |
| | | <u>2,787,690</u> | <u>2,523,861</u> |
| | | 10,897,619 | 10,287,946 |
| Closing work-in-process | 13 | (226,490) | (224,347) |
| Cost of goods manufactured | | <u>10,671,129</u> | <u>10,063,599</u> |
| Finished goods | | | |
| Opening stock | | 1,180,172 | 842,296 |
| Purchases | | 3,722,525 | 3,217,490 |
| | | <u>15,573,826</u> | <u>14,123,385</u> |
| Closing stock | 13 | <u>(1,553,410)</u> | <u>(1,180,172)</u> |
| | | <u>14,020,416</u> | <u>12,943,213</u> |

20.1 Salaries, wages, allowances and staff welfare includes a net charge of Rs. 135.487 million - note 21.3 (2015: net charge of Rs. 122.008 million) in respect of staff retirement benefits.

| | 2016 | 2015 |
|-----------------------------------|----------------|----------------|
| | (Rupees '000) | |
| 20.2 Details of other expenses | | |
| Other fees and purchased services | 80,121 | 73,726 |
| Recruitment and training expenses | 1,183 | 1,661 |
| Membership and subscription | 742 | 691 |
| Conference expenses | 948 | 821 |
| Miscellaneous expenses | 81,076 | 80,921 |
| | <u>164,070</u> | <u>157,820</u> |

21. STAFF RETIREMENT BENEFITS

21.1 Defined benefit scheme

As mentioned in note 2.14, the Company operates a funded pension scheme for all its permanent employees. Contributions are made to the scheme based on actuarial recommendations. The actuarial valuation was carried out as at December 31, 2016 using the Projected Unit Credit Method.

| | Note | 2016 | 2015 |
|---|--------|-----------------|----------------|
| | | (Rupees '000) | |
| 21.1.1 Amounts recognised in the balance sheet: | | | |
| Present value of the defined benefit obligation | 21.1.2 | 3,819,153 | 3,696,667 |
| Less: Fair value of the plan assets | 21.1.3 | 3,853,242 | 3,085,696 |
| (Surplus) / Deficit | 6 & 17 | <u>(34,089)</u> | <u>610,971</u> |

| | Present value of defined benefit obligation | Fair value of plan assets | Total |
|--|--|------------------------------|-----------------|
| | (Rupees '000) | | |
| 21.1.2 As at January 1, 2016 | 3,696,667 | (3,085,696) | 610,971 |
| Current service cost | 156,816 | - | 156,816 |
| Interest cost / (income) | 348,369 | (296,891) | 51,478 |
| Company contributions | - | (165,982) | (165,982) |
| Benefits paid | (247,295) | 247,295 | - |
| Remeasurements recognised in other comprehensive income: | | | |
| - Loss due to changes in experience adjustment | 130,071 | - | 130,071 |
| - Gain due to changes in financial assumptions | (265,475) | - | (265,475) |
| - Return on plan assets excluding amounts included in interest income | - | (551,968) | (551,968) |
| | (135,404) | (551,968) | (687,372) |
| As at December 31, 2016 | <u>3,819,153</u> | <u>(3,853,242)</u> | <u>(34,089)</u> |

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2016

| | Present value of defined benefit obligation | Fair value of plan assets (Rupees '000) | Total |
|--|--|---|-----------|
| As at January 1, 2015 | 3,424,767 | (2,978,324) | 446,443 |
| Current service cost | 144,264 | - | 144,264 |
| Interest cost / (income) | 370,285 | (328,801) | 41,484 |
| Company contributions | - | (155,390) | (155,390) |
| Benefits paid | (266,692) | 266,692 | - |
| Remeasurements recognised in other comprehensive income: | | | |
| - Loss due to changes in experience adjustment | 24,043 | - | 24,043 |
| - Return on plan assets excluding amounts included in interest income | - | 110,127 | 110,127 |
| | 24,043 | 110,127 | 134,170 |
| As at December 31, 2015 | 3,696,667 | (3,085,696) | 610,971 |

| | Note | 2016 (Rupees '000) | 2015 (Rupees '000) |
|---|--------|-----------------------|-----------------------|
| 21.1.3 Plan assets are comprised as follows: | | | |
| Debt | | 1,487,830 | 1,666,008 |
| Equity | 21.1.7 | 2,159,720 | 1,383,176 |
| Bank balances | | 205,692 | 36,512 |
| | | <u>3,853,242</u> | <u>3,085,696</u> |
| 21.1.4 Amount recognised in profit and loss: | | | |
| Current service cost | | 156,816 | 144,264 |
| Net interest | | 51,478 | 41,484 |
| | 21.3 | <u>208,294</u> | <u>185,748</u> |
| 21.1.5 Actual return on plan assets | | | |
| | | <u>848,859</u> | <u>218,674</u> |

(Percent per annum)

| | | | |
|---|--------|------|------|
| 21.1.6 Principal actuarial assumptions used were as follows: | | | |
| Discount rate | 21.1.8 | 9.50 | 9.75 |
| Future salary increases | | 7.50 | 7.75 |
| Future pension increases | | 0.00 | 1.50 |
| 21.1.7 Pension plan assets include the Company's ordinary shares with a fair value of Rs. 419.865 million (2015: Rs. 283.099 million). | | | |
| 21.1.8 The discount rate of 9.50% is representative of yields on long-term Government Bonds and term deposits with banks. | | | |

21.1.9 Expected contributions to the plan for the year ending December 31, 2017 is Rs. 153,473 million.

21.1.10 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% | (381,012) | 453,852 |
| Salary growth rate | 1% | 271,881 | (243,914) |
| Pension growth rate | 1% | 207,310 | (183,371) |

The above sensitivity analyses 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.

21.2 Defined contribution scheme

An amount of Rs. 77,848 million (2015: Rs. 73,997 million) has been charged during the year in respect of the contributory provident fund maintained by the Company.

| | Note | 2016 | 2015 |
|--|--------|----------------|----------------|
| | | (Rupees '000) | |
| 21.3 Staff retirement benefit cost recognised in the profit and loss account | | | |
| Pension cost | 21.1.4 | 208,294 | 185,748 |
| Less: Reimbursement from related party | 32 | (2,614) | (2,620) |
| Provident fund contribution | 32 | 77,848 | 73,997 |
| E.O.B.I. | | 13,482 | 10,150 |
| | | <u>297,010</u> | <u>267,275</u> |

Allocated as:

| | | | |
|-------------------------------------|------|----------------|----------------|
| Cost of goods sold | 20.1 | 135,487 | 122,008 |
| Distribution and marketing expenses | 22.1 | 130,875 | 110,209 |
| Administrative expenses | 23.1 | 30,648 | 35,058 |
| | | <u>297,010</u> | <u>267,275</u> |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2016

21.4 The Company's staff retirement benefits includes provident fund - a defined contribution plan. The Company has established a separate provident fund. Following information of the provident fund has been derived from the unaudited (2015: audited) financial statements of the provident fund:

| | 2016 | 2015 |
|--|-----------|---------|
| Number of members | 1,372 | 1,381 |
| Size of provident fund (Rupees '000) | 1,172,131 | 991,678 |
| Cost of investments made (Rupees '000) | 709,836 | 693,529 |
| Percentage of investments made | 60.56% | 69.93% |
| Fair value of investment (Rupees '000) | 1,181,636 | 992,245 |

Break-up of investments:

- Balance in Government securities

| | | |
|------------------------------------|---------|---------|
| Amount of investment (Rupees '000) | 425,162 | 456,800 |
| Percentage of size of the fund | 36.27% | 46.06% |

- Balance in equity shares in listed companies

| | | |
|------------------------------------|---------|---------|
| Amount of investment (Rupees '000) | 558,344 | 385,259 |
| Percentage of size of the fund | 47.63% | 38.85% |

- Balance in term finance certificates

| | | |
|------------------------------------|-------|-------|
| Amount of investment (Rupees '000) | 208 | 208 |
| Percentage of size of the fund | 0.02% | 0.02% |

- Balance in mutual funds & bank

| | | |
|------------------------------------|---------|---------|
| Amount of investment (Rupees '000) | 197,922 | 149,978 |
| Percentage of size of the fund | 16.89% | 15.12% |

21.4.1 As at December 31, 2016, investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

21.5 The average number of employees during the year and number of employees as at December 31, 2016 and 2015 respectively are as follows:

| | 2016 | 2015 |
|---|-----------------|-------|
| | No of employees | |
| Average number of employees during the year | 1,445 | 1,455 |
| Number of employees as at year end | 1,433 | 1,455 |

| | Note | 2016 (Rupees '000) | 2015 |
|---|------|-----------------------|------------------|
| 22. SELLING AND DISTRIBUTION EXPENSES | | | |
| Salaries, wages, allowances and staff welfare | 22.1 | 1,189,282 | 1,011,888 |
| Rent, rates and taxes | | 49,048 | 43,307 |
| Repairs and maintenance | | 25,053 | 21,970 |
| Royalty | | 32,535 | 27,498 |
| Insurance | | 16,522 | 16,191 |
| Depreciation | 8.3 | 237,979 | 215,222 |
| Amortisation of intangible assets | 9 | 12,233 | 20,912 |
| Legal, professional and other services | | 29,435 | 31,403 |
| Postage, telephone and telegram | | 38,459 | 39,176 |
| Printing and stationery | | 6,207 | 8,219 |
| Travelling and conveyance | | 318,057 | 301,280 |
| Advertising, samples and sales promotion | | 702,472 | 679,280 |
| Forwarding expenses | | 430,981 | 318,865 |
| Electricity | | 24,906 | 21,509 |
| Computer expenses | | 13,664 | 42,346 |
| Training and development expenses | | 30,364 | 22,111 |
| Packing and miscellaneous supplies | | 23,960 | 26,251 |
| Distributors commission | | 67,151 | 27,486 |
| Others | 22.2 | 102,857 | 85,088 |
| | | <u>3,351,165</u> | <u>2,960,002</u> |
| Less: Reimbursement from related party | 32 | 92,990 | 83,595 |
| | | <u>3,258,175</u> | <u>2,876,407</u> |

22.1 Salaries, wages, allowances and staff welfare includes a net charge of Rs. 130.875 million - note 21.3 (2015: net charge of Rs. 110.209 million) in respect of staff retirement benefits.

| | 2016 (Rupees '000) | 2015 |
|---------------------------------------|-----------------------|---------------|
| 22.2 Details of other expenses | | |
| Other fees and purchased services | 46,544 | 42,411 |
| Warehousing Services | 27,212 | 12,671 |
| Security expenses | 9,855 | 8,602 |
| Membership and subscription | 892 | 1,260 |
| Air conditioning expenses | 3,843 | 4,194 |
| Housekeeping expenses | 3,650 | 3,421 |
| Water charges | 154 | 185 |
| Purchased gas | 275 | 277 |
| Miscellaneous expenses | 10,432 | 12,067 |
| | <u>102,857</u> | <u>85,088</u> |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2016

| | Note | 2016 (Rupees '000) | 2015 |
|---|------|-----------------------|----------------|
| 23. ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages, allowances and staff welfare | 23.1 | 271,924 | 255,584 |
| Rent, rates and taxes | | 13,999 | 16,564 |
| Repairs and maintenance | | 5,905 | 5,477 |
| Insurance | | 18,088 | 4,458 |
| Depreciation | 8.3 | 25,067 | 25,490 |
| Legal, professional and other services | | 20,159 | 8,139 |
| Postage, telephone and telegram | | 7,669 | 7,942 |
| Printing and stationery | | 3,257 | 3,963 |
| Travelling and conveyance | | 13,308 | 7,685 |
| Electricity | | 5,468 | 5,720 |
| Computer expenses | | 37,601 | 11,036 |
| Training and development expenses | | 940 | 679 |
| Miscellaneous office supplies | | 2,685 | 2,245 |
| Others | 23.2 | 30,411 | 36,865 |
| | | <u>456,481</u> | <u>391,847</u> |
| Less: Reimbursement from related party | 32 | 6,184 | 8,235 |
| | | <u>450,297</u> | <u>383,612</u> |

23.1 Salaries, wages, allowances and staff welfare includes a net charge of Rs. 30.648 million - note 21.3 (2015: net charge of Rs. 35.058 million) in respect of staff retirement benefits.

| | Note | 2016 (Rupees '000) | 2015 |
|---------------------------------------|------|-----------------------|---------------|
| 23.2 Details of other expenses | | | |
| Other fees and purchased services | | 14,230 | 15,890 |
| Security expenses | | 1,648 | 1,256 |
| Membership and subscription | | 6,958 | 10,509 |
| Air conditioning expenses | | 5,052 | 4,595 |
| Housekeeping expenses | | 972 | 474 |
| Water charges | | 82 | 68 |
| Miscellaneous expenses | | 1,469 | 4,073 |
| | | <u>30,411</u> | <u>36,865</u> |

24. OTHER CHARGES

| | | | |
|--|------|----------------|----------------|
| Workers' Profit Participation Fund | 17.3 | 299,032 | 266,900 |
| Auditors' remuneration | 24.1 | 5,332 | 4,440 |
| Donations | 24.2 | 1,615 | 868 |
| Workers' Welfare Fund | | 94,477 | 64,621 |
| Central Research Fund | | 56,436 | 50,571 |
| Provision for doubtful other receivables | 17.2 | 434 | 104 |
| Provision for doubtful trade debts | 14.2 | 8,248 | - |
| Exchange loss | | 20,490 | 44,217 |
| | | <u>486,064</u> | <u>431,721</u> |

| | 2016 | 2015 |
|------------------------------------|---------------|--------------|
| | (Rupees '000) | |
| 24.1 Auditors' remuneration | | |
| Statutory audit fee | 2,055 | 1,760 |
| Tax advisory services | 2,643 | 2,180 |
| Special certifications | 484 | 400 |
| Out of pocket expenses | 150 | 100 |
| | <u>5,332</u> | <u>4,440</u> |

24.2 Recipients of donations do not include any donee in which any director or his / her spouse had any interest.

| | Note | 2016 | 2015 |
|---|------|----------------|----------------|
| | | (Rupees '000) | |
| 25. OTHER INCOME | | | |
| Gain on disposal of property, plant and equipment | 29 | 4,354 | 10,857 |
| Interest income | 25.1 | 394,844 | 448,150 |
| Scrap sales | | 21,739 | 17,020 |
| Reversal of provision for doubtful trade debts | 14.2 | - | 841 |
| | | <u>420,937</u> | <u>476,868</u> |

25.1 Interest income include an amount of Rs. 38.948 million (2015: Rs. 33.261 million) on account of interest income earned from Abbott GmbH & Co. KG., a related party at the rate of 10% (2015: 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.

| | 2016 | 2015 |
|--------------------------|---------------|--------------|
| | (Rupees '000) | |
| 26. FINANCE COSTS | | |
| Bank charges | <u>6,759</u> | <u>5,884</u> |

| | 2016 | 2015 |
|---------------------------|------------------|------------------|
| 27. TAXATION - net | | |
| Current | | |
| - For the year | 1,468,756 | 1,305,210 |
| - Prior year | 112,260 | 119,340 |
| | <u>1,581,016</u> | <u>1,424,550</u> |
| Deferred | <u>(15,667)</u> | <u>(4,809)</u> |
| | <u>1,565,349</u> | <u>1,419,741</u> |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2016

| | 2016 | 2015 |
|---|------------------|------------------|
| | (Rupees '000) | |
| 27.1 Relationship between tax expense and accounting profit | | |
| Accounting profit before taxation | 5,587,141 | 5,006,477 |
| Tax rate | 31% | 32% |
| Tax on accounting profit | 1,732,014 | 1,602,073 |
| Tax for prior years | 112,260 | 119,340 |
| Tax effect of: | | |
| - Expenses that are not deductible in determining taxable profit | 10,556 | 13,876 |
| - Applying lower tax rates to certain income | (244,686) | (255,243) |
| - BMR tax credit | (54,333) | (43,811) |
| - Tax rate adjustment | (32,686) | (39,541) |
| - 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) | 42,224 | 23,047 |
| | <u>1,565,349</u> | <u>1,419,741</u> |
| 28. EARNINGS PER SHARE - BASIC / DILUTED | | |
| Profit for the year | 4,021,792 | 3,586,736 |
| | Number of shares | |
| Weighted average number of ordinary shares in issue during the year | 97,900,302 | 97,900,302 |
| | (Rupees) | |
| Earnings per share | 41.08 | 36.64 |
| 28.1 There is no dilutive effect on the basic earnings per share of the Company. | | |
| | 2016 | 2015 |
| Note | (Rupees '000) | |
| 29. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 5,587,141 | 5,006,477 |
| Adjustment for: | | |
| Depreciation | 8.3 522,357 | 463,444 |
| Amortisation on intangible assets | 9 12,233 | 20,912 |
| Gain on disposal of property, plant and equipment | 25 (4,354) | (10,857) |
| Interest income | 25 (394,844) | (448,150) |
| Expense recognised in profit or loss in respect of equity-settled share-based compensation | 30 32,435 | 42,464 |
| Pension retirement benefit | 42,312 | 30,358 |
| Finance costs | 26 6,759 | 5,884 |
| Working capital changes | 29.1 (974,650) | 477,382 |
| | <u>4,829,389</u> | <u>5,587,914</u> |

| | 2016 | 2015 |
|---|--------------------|-----------------|
| | (Rupees '000) | |
| 29.1 Working capital changes | | |
| (Increase) / decrease in current assets net of provision | | |
| Stores and spares | 36,303 | (19,911) |
| Stock-in-trade | (667,237) | (85,683) |
| Trade debts | (403,894) | 6,368 |
| Loans and advances | (60,194) | (18,935) |
| Trade deposits and short-term prepayments | (53,546) | (53,949) |
| Other receivables | (28,782) | 95,115 |
| | <u>(1,177,350)</u> | <u>(76,995)</u> |
| Increase in current liabilities | | |
| Trade and other payables - net | <u>202,700</u> | <u>554,377</u> |
| | <u>(974,650)</u> | <u>477,382</u> |

30. SHARE BASED COMPENSATION

Share-based compensation plans

As at December 31, 2016, 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 International LLC., USA (the ultimate holding company). The plan entitles eligible employees shares of the ultimate holding company which are vested equally over next three years, subject to certain vesting conditions.

In accordance with IFRS 2 (Share-Based Payments), services received from employees as consideration for stock units are recognised as an expense in the profit and loss account, with the corresponding entry recorded as equity. The expense corresponds to the fair value of the stock unit of the Abbott International LLC., USA and is charged against income on a straight-line basis over the vesting period of the plan.

An expense of Rs. 32.435 million (2015: Rs. 42.464 million) was recognized 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:

| | 2015 | 2014 | 2013 |
|-------------------------|--------|--------|--------|
| Volatility | 17.00% | 20.00% | 20.00% |
| Dividend yield | 2.00% | 2.20% | 1.60% |
| Risk free interest rate | 1.80% | 1.90% | 1.10% |

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2016

A summary of units outstanding is given below:

| | 2016 | | 2015 | |
|-----------------------|---|--------------|---|---------------|
| | Average exercise price per stock unit (USD) | Stock units | Average exercise price per stock unit (USD) | Stock units |
| At January 1, | 44.38 | 10,221 | 37.55 | 10,481 |
| Granted | 38.78 | 13,447 | 46.99 | 10,739 |
| Exercised / cancelled | 41.52 | 15,847 | 40.42 | 10,999 |
| At December 31, | <u>40.55</u> | <u>7,821</u> | <u>44.38</u> | <u>10,221</u> |

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

| Vesting date | 2016 | | 2015 | |
|--------------|--------------|----------------------|---------------|----------------------|
| | Stock units | Exercise Price (USD) | Stock units | Exercise Price (USD) |
| 2016 | - | - | 6,681 | 43.00 |
| 2017 | 4,824 | 41.79 | 3,540 | 46.99 |
| 2018 | 2,997 | 38.54 | - | - |
| | <u>7,821</u> | <u>40.55</u> | <u>10,221</u> | <u>44.38</u> |

31. CAPACITY

The capacity and production of the Company's plants is indeterminable as these are multi-product plants involving varying processes of manufacture. The Company's production was according to market demand.

32. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprises parent, ultimate parent, other related parties, employee retirement benefit plans, directors and key management personnel. Transactions with related parties essentially entail sale and purchase of goods and services and expenses charged between these companies. Transactions with related parties are as follows:

| | Note | 2016 (Rupees '000) | 2015 |
|---|--------|-----------------------|-----------|
| Other related parties | | | |
| Sale of goods | 19 | 397,722 | 277,345 |
| Purchase of materials | | 4,201,481 | 3,664,028 |
| Technical service fee | 20 | 143,964 | 140,019 |
| Reimbursements from a related party on account of: | | | |
| Selling and distribution expenses | 22 | 92,990 | 83,595 |
| Administrative expenses | 23 | 6,184 | 8,235 |
| Pension Fund | 21.3 | 2,614 | 2,620 |
| Interest income earned | 25.1 | 38,948 | 33,261 |
| Contributions paid: | | | |
| Pension Fund | 21.1.2 | 165,982 | 155,390 |
| Provident Fund | 21.3 | 77,848 | 73,997 |
| Key management personnel | | | |
| Short-term employee benefits | | 190,961 | 181,177 |
| Post-employment benefits | | 21,953 | 26,350 |

- 32.1 Disposals of property, plant and equipment to key management personnel are disclosed in note 8.4.
- 32.2 Outstanding balances in respect of related party sales and purchases, reimbursements and staff retirement benefits are included in notes 6, 14, 17 and 21.
- 32.3 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 note 10 and note 15.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS 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:

| | 2016 | | | 2015 | | |
|---|-----------------|---------------|----------------|-----------------|---------------|----------------|
| | Chief Executive | Directors | Executives | Chief Executive | Director | Executives |
| | (Rupees '000) | | | | | |
| Short-term employee benefits | | | | | | |
| Managerial remuneration | 26,724 | 9,473 | 759,491 | 29,232 | 20,362 | 687,997 |
| Leave passage / encashment | 2,169 | 2,596 | 58,774 | 1,942 | 707 | 54,177 |
| Medical expenses | 404 | 40 | 30,334 | 107 | 83 | 28,224 |
| Rent / utility / maintenance / furnishing | 125 | 108 | 2,043 | - | - | 1,620 |
| | <u>29,422</u> | <u>12,217</u> | <u>850,642</u> | <u>31,281</u> | <u>21,152</u> | <u>772,018</u> |
| Retirement benefits | 3,854 | 1,510 | 118,713 | 4,488 | 3,246 | 107,842 |
| | <u>33,276</u> | <u>13,727</u> | <u>969,355</u> | <u>35,769</u> | <u>24,398</u> | <u>879,860</u> |
| Number of persons | <u>1</u> | <u>2</u> | <u>367</u> | <u>1</u> | <u>1</u> | <u>334</u> |

- 33.1 In addition, Rs. 32.435 million (2015: Rs. 42.464 million) has been charged in the profit and loss account in respect of share-based payments to chief executive, directors and certain executives of the Company as mentioned in notes 2.22 and 30.
- 33.2 Managerial remuneration includes Rs. 112.584 million (2015: Rs. 109.655 million) charged in the profit and loss account in respect of bonus to chief executive, directors and certain executives of the Company.
- 33.3 Directors and certain other executives are provided with free use of Company maintained cars, club membership and telephone facilities as per terms of employment.
- 33.4 The aggregate amount charged in these financial statements for fees to non-executive directors is Rs. 1.320 million (2015: Rs. 1.320 million).

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2016

34. SEGMENT WISE OPERATING RESULTS

| | 2016 | | | | 2015 | | | |
|---|---------------------|-------------|-----------|------------|---------------------|-------------|-----------|------------|
| | Pharma- ceutical | Nutritional | Others | Total | Pharma- ceutical | Nutritional | Others | Total |
| | (Rupees '000) | | | | | | | |
| Sales | 17,382,379 | 4,355,413 | 2,292,479 | 24,030,271 | 15,772,161 | 3,958,837 | 2,054,939 | 21,785,937 |
| Less: Sales returns and discounts | 120,890 | 9,672 | 19,326 | 149,888 | 118,274 | 5,050 | 29,960 | 153,284 |
| Less: Sales tax and excise duty | - | 392,311 | 100,157 | 492,468 | - | 365,894 | 96,313 | 462,207 |
| Sales - net | 17,261,489 | 3,953,430 | 2,172,996 | 23,387,915 | 15,653,887 | 3,587,893 | 1,928,666 | 21,170,446 |
| Cost of goods sold | 10,276,084 | 2,538,892 | 1,205,440 | 14,020,416 | 9,759,428 | 2,137,810 | 1,045,975 | 12,943,213 |
| Gross profit | 6,985,405 | 1,414,538 | 967,556 | 9,367,499 | 5,894,459 | 1,450,083 | 882,691 | 8,227,233 |
| Selling and distribution expenses | 2,399,136 | 439,303 | 419,736 | 3,258,175 | 2,061,714 | 445,037 | 369,656 | 2,876,407 |
| Administrative expenses | 393,307 | 45,499 | 11,491 | 450,297 | 336,085 | 35,134 | 12,393 | 383,612 |
| Segment result | 4,192,962 | 929,736 | 536,329 | 5,659,027 | 3,496,660 | 969,912 | 500,642 | 4,967,214 |
| Unallocated corporate expenses / income | | | | | | | | |
| Other income | | | | 420,937 | | | | 476,868 |
| Other charges | | | | 486,064 | | | | 431,721 |
| Profit before finance cost and taxation | | | | 5,593,900 | | | | 5,012,361 |
| Finance costs | | | | 6,759 | | | | 5,884 |
| Profit before taxation | | | | 5,587,141 | | | | 5,006,477 |
| Taxation | | | | 1,565,349 | | | | 1,419,741 |
| | | | | 4,021,792 | | | | 3,586,736 |
| Other Information | | | | | | | | |
| Segment assets employed | 7,488,742 | 556,231 | 1,046,738 | 9,091,711 | 5,967,338 | 333,624 | 1,225,157 | 7,526,119 |
| Unallocated corporate assets | | | | 8,553,473 | | | | 8,962,156 |
| Total assets | | | | 17,645,184 | | | | 16,488,275 |
| Segment liabilities | 1,375,430 | 421,195 | 367,444 | 2,164,069 | 1,922,325 | 318,196 | 413,541 | 2,654,062 |
| Unallocated corporate liabilities | | | | 887,875 | | | | 884,966 |
| Total liabilities | | | | 3,051,944 | | | | 3,539,028 |
| Capital expenditure during the year | 729,541 | 18,336 | 232,381 | 980,258 | 935,180 | 11,760 | 227,157 | 1,174,097 |
| Unallocated corporate capital expenditure | | | | - | | | | - |
| Total capital expenditure | | | | 980,258 | | | | 1,174,097 |
| Depreciation / amortisation | 340,353 | 9,285 | 184,952 | 534,590 | 314,748 | 8,929 | 160,679 | 484,356 |
| Unallocated depreciation / amortisation | | | | - | | | | - |
| Total depreciation / amortisation | | | | 534,590 | | | | 484,356 |

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | (Rupees '000) | |
| 34.1 Geographical information | | |
| Sales to external customers, net of returns, discounts, sales tax and excise duty | | |
| Pakistan | 21,979,029 | 20,008,705 |
| Afghanistan | 948,316 | 816,613 |
| Srilanka | 53,751 | 58,622 |
| Netherland | - | 18,447 |
| Bangladesh | 9,097 | 9,161 |
| Switzerland | 397,722 | 258,898 |
| | <u>23,387,915</u> | <u>21,170,446</u> |

34.2 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.

35. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk). The Company's principal financial liabilities comprise trade and other payables. The Company has various financial assets such as loans, deposits, trade and other receivables and cash and bank balances, which are directly related to its operations. The Company's overall risk management programme focuses on minimizing potential adverse effects on the Company's financial performance. The overall risk management of the Company is carried out by the Company's senior management team under policies approved by the Board of Directors. Such policies entail identifying, evaluating and addressing financial risks of the Company.

The Company's overall risk management procedures to minimize the potential adverse affects of financial market on the Company's performance are as follows:

35.1 Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2016

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

| | 2016 | 2015 |
|---------------------|------------------|------------------|
| | (Rupees '000) | |
| Loans and advances | 96,062 | 95,137 |
| Deposits | 109,858 | 102,279 |
| Trade debts | 880,297 | 476,403 |
| Interest accrued | 11,535 | 8,573 |
| Other receivables | 74,427 | 54,590 |
| Balances with banks | 7,856,024 | 8,211,671 |
| | <u>9,028,203</u> | <u>8,948,653</u> |

The Company is not significantly exposed to concentrations of credit risk in respect of trade debts because the Company's sales are primarily against advance payment / collection on delivery (COD) terms.

As at December 31, 2016, trade debts of Rs. 108.489 million (2015: Rs. 75.160 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging of trade debts past due but not impaired is as follows:

| | 2016 | 2015 |
|---------------|----------------|---------------|
| | (Rupees '000) | |
| 61-90 days | 31,849 | 16,485 |
| 91-180 days | 22,440 | 10,067 |
| 181-360 days | 21,591 | 9,365 |
| Over 360 days | 32,609 | 39,243 |
| | <u>108,489</u> | <u>75,160</u> |

The impaired trade debts and the basis of impairment are disclosed in notes 14 and 2.7 respectively.

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

| Name of Bank | Rating Agency | Ratings | | Date of Rating | 2016 | 2015 |
|--|---------------|------------|-----------|----------------|---------------|-----------|
| | | Short-term | Long-term | | (Rupees '000) | |
| Deutsche Bank AG | Moody's | P-2 | A3 | May 2016 | 3,016,371 | 1,507,209 |
| | Fitch | F1 | A | Dec 2016 | | |
| MCB Bank Limited | PACRA | A1 | A | Feb 2016 | 185 | 179 |
| Standard Chartered Bank (Pakistan) Limited | PACRA | A1+ | AAA | June 2016 | 1,827,726 | 3,698,568 |
| The Bank of Tokyo-Mitsubishi UFJ Limited | S & P | A-1 | A+ | Feb 2016 | 3,000,569 | 3,000,081 |
| | Moody's | P-1 | A1 | Feb 2016 | | |
| | Fitch | F1 | A | Feb 2016 | | |
| Citibank N.A. | Moody's | P-1 | A1 | Dec 2015 | 63 | 63 |
| National Bank of Pakistan | JCR-VIS | A-1+ | AAA | June 2016 | 5,933 | 4,381 |
| | PACRA | A1+ | AAA | June 2016 | | |
| Faysal Bank Limited | PACRA | A1+ | AA | June 2016 | 199 | 192 |
| | JCR-VIS | A-1+ | AA | June 2016 | | |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA | June 2016 | 4,978 | 998 |

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

35.2 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or encounters difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Company manages liquidity risk by maintaining sufficient cash / bank balance and the availability of funding through an adequate amount of committed credit facilities. As at December 31, 2016, the Company's financial liabilities of Rs. 2,359.026 million (2015: Rs. 2,336.385 million) are all current and due in next financial year.

35.3 Market risk

Market risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is not exposed to other price risk whereas the exposure to currency risk and interest rate risk is given below:

35.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates and arises where transactions are done in foreign currency. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company's exposure to foreign currency risk at the reporting date was as follows:

| | 2016 | | 2015 | |
|----------------------------|------------------|----------------|------------------|----------------|
| | Rupees | US Dollars | Rupees | US Dollars |
| | ('000) | | | |
| Cash and cash equivalents | 483,731 | 4,616 | 408,109 | 3,891 |
| Due from related parties | 96,034 | 916 | 75,623 | 721 |
| Bills payable | (851,033) | (8,121) | (827,066) | (7,885) |
| Payable to related parties | (49,189) | (469) | (59,829) | (570) |
| | <u>(320,457)</u> | <u>(3,058)</u> | <u>(403,163)</u> | <u>(3,843)</u> |

The following significant exchange rates were applied during the year

| | Balance sheet date rate | | Average rate | |
|------------|-------------------------|--------|--------------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| | (Rupees) | | | |
| US Dollars | 104.80 | 104.89 | 104.85 | 102.92 |

A ten percent strengthening / weakening of the Pakistani Rupee against the US Dollar at the reporting date would increase / decrease post tax profit for the year by Rs. 23.067 million (2015: Rs. 28.883 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.

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2016

35.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from savings and deposit accounts with banks.

| | 2016 | 2015 |
|-------------------------------|---------------|-----------|
| | (Rupees '000) | |
| Fixed rate instruments | | |
| Financial assets | 7,849,459 | 8,207,147 |

As of the balance sheet date, the Company is not significantly exposed to any interest rate risk.

35.4 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. As of the balance sheet date, the carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values

36. 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 no financing through borrowings.

37. NON - ADJUSTING EVENT AFTER THE BALANCE SHEET DATE


In their meeting held on February 27, 2017, the Board of Directors of the Company have proposed a final cash dividend for the year ended December 31, 2016 of Rs. 30.0 per share (2015: cash dividend of Rs. 20.0 per share). This is in addition to interim cash dividend of Rs. 10.0 per share (2015: Rs. 10.0 per share). The total dividend declared during the year and dividend per share have been summarised below:

| | 2016 | 2015 |
|-------------------------|---------------|-----------|
| | (Rupees '000) | |
| Cash dividend | 3,916,012 | 2,937,009 |
| | (Rupees) | |
| Cash dividend per share | 40.00 | 30.00 |

The financial statements for the year ended December 31, 2016 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, 2017.

38. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 27, 2017 by the Board of Directors of the Company.



Chief Executive



Director

PATTERN OF SHAREHOLDING

As At December 31, 2016

| | Size of Holding Rs. 10 Shares | Number of Shareholders | Total Shares |
|--|----------------------------------|---------------------------|-------------------|
| | 1 | 100 | 866 |
| | 101 | 500 | 612 |
| | 501 | 1,000 | 245 |
| | 1,001 | 5,000 | 488 |
| | 5,001 | 10,000 | 97 |
| | 10,001 | 15,000 | 22 |
| | 15,001 | 20,000 | 7 |
| | 20,001 | 25,000 | 8 |
| | 25,001 | 30,000 | 5 |
| | 30,001 | 35,000 | 5 |
| | 35,001 | 40,000 | 3 |
| | 40,001 | 45,000 | 5 |
| | 50,001 | 55,000 | 2 |
| | 60,001 | 65,000 | 2 |
| | 70,001 | 75,000 | 1 |
| | 85,001 | 90,000 | 1 |
| | 95,001 | 100,000 | 4 |
| | 110,001 | 115,000 | 1 |
| | 125,001 | 130,000 | 2 |
| | 130,001 | 135,000 | 1 |
| | 135,001 | 140,000 | 1 |
| | 140,001 | 145,000 | 1 |
| | 155,001 | 160,000 | 1 |
| | 170,001 | 175,000 | 1 |
| | 175,001 | 180,000 | 1 |
| | 180,001 | 185,000 | 1 |
| | 200,001 | 205,000 | 1 |
| | 225,001 | 230,000 | 2 |
| | 230,001 | 235,000 | 1 |
| | 300,001 | 305,000 | 1 |
| | 335,001 | 340,000 | 1 |
| | 340,001 | 345,000 | 2 |
| | 395,001 | 400,000 | 1 |
| | 435,001 | 440,000 | 1 |
| | 440,001 | 445,000 | 1 |
| | 490,001 | 495,000 | 1 |
| | 570,001 | 575,000 | 1 |
| | 575,001 | 580,000 | 1 |
| | 590,001 | 595,000 | 1 |
| | 630,001 | 635,000 | 1 |
| | 745,001 | 750,000 | 1 |
| | 830,001 | 835,000 | 1 |
| | 1,070,001 | 1,075,000 | 1 |
| | 1,075,001 | 1,080,000 | 1 |
| | 1,085,001 | 1,090,000 | 2 |
| | 1,160,001 | 1,165,000 | 1 |
| | 2,635,001 | 2,640,000 | 1 |
| | 76,255,001 | 76,260,000 | 1 |
| | TOTAL | 2,408 | 97,900,302 |

CATEGORIES OF SHAREHOLDERS

As At December 31, 2016

| S.No | Shareholder's category | Number of shareholder | Number of share held | % |
|---------------|---|-----------------------|----------------------|---------------|
| 1 | Associated Companies, Undertakings and Related Parties | 3 | 77,189,066 | 78.84 |
| 2 | Mutual Funds | 44 | 5,585,001 | 5.70 |
| 3 | Directors and their spouse(s) and minor children | 7 | 41,641 | 0.04 |
| 4 | Executives | 7 | 6,280 | 0.01 |
| 5 | Public Sector Companies and Corporations | 1 | 830,624 | 0.85 |
| 6 | Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds | 26 | 1,902,736 | 1.94 |
| 7 | Others | 102 | 2,453,472 | 2.52 |
| 8 | Individuals | 2,218 | 9,891,482 | 10.10 |
| Total: | | 2,408 | 97,900,302 | 100.00 |

List of Associated Companies, Undertakings and Related Parties

| S.No | Folio | Name | Holding |
|---------------|------------|--|-------------------|
| 1 | 4502 | M/S. ABBOTT ASIA INVESTMENTS LIMITED | 76,259,451 |
| 2 | 03277-7217 | TRUSTEES ABBOTT LABORATORIES (PAKISTAN) LIMITED STAFF PROVIDENT FUND | 490,926 |
| 3 | 03277-2083 | TRUSTEES ABBOTT LABORATORIES (PAKISTAN) LIMITED STAFF PENSION FUND | 438,689 |
| Total: | | | 77,189,066 |

List of Mutual Funds

| S.No | Folio | Name | Holding |
|---------------|----------|---|------------------|
| 1 | 3031 | M/S. GOLDEN ARROW SELECTED STOCK | 48 |
| 2 | 05371-28 | CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND | 225,850 |
| 3 | 05488-25 | CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND | 11,350 |
| 4 | 05645-24 | CDC - TRUSTEE PICIC INVESTMENT FUND | 128,650 |
| 5 | 05652-23 | CDC - TRUSTEE JS LARGE CAP. FUND | 7,000 |
| 6 | 05777-29 | CDC - TRUSTEE PICIC GROWTH FUND | 230,150 |
| 7 | 05819-23 | CDC - TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND | 26,000 |
| 8 | 05959-27 | CDC - TRUSTEE ATLAS STOCK MARKET FUND | 61,000 |
| 9 | 05991-23 | CDC - TRUSTEE MEEZAN BALANCED FUND | 110,200 |
| 10 | 06130-25 | CDC - TRUSTEE JS ISLAMIC FUND | 22,500 |
| 11 | 06197-29 | CDC - TRUSTEE ALFALAH GHP VALUE FUND | 26,550 |
| 12 | 06411-21 | CDC - TRUSTEE AKD INDEX TRACKER FUND | 4,515 |
| 13 | 06726-23 | CDC - TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND | 16,000 |
| 14 | 07062-23 | CDC - TRUSTEE AL MEEZAN MUTUAL FUND | 184,200 |
| 15 | 07070-22 | CDC - TRUSTEE MEEZAN ISLAMIC FUND | 1,162,850 |
| 16 | 09449-25 | CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND | 34,050 |
| 17 | 09480-21 | CDC - TRUSTEE NAFA STOCK FUND | 6,900 |
| 18 | 10108-22 | CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND | 4,500 |
| 19 | 10397-29 | CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND | 139,550 |
| 20 | 10603-21 | CDC - TRUSTEE APF-EQUITY SUB FUND | 4,500 |
| 21 | 10710-28 | CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND | 171,100 |
| 22 | 10801-27 | CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND | 30,500 |
| 23 | 10900-25 | CDC - TRUSTEE APIF - EQUITY SUB FUND | 8,500 |
| 24 | 11262-23 | CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND | 70,850 |
| 25 | 11486-27 | CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT | 6,200 |
| 26 | 11809-26 | CDC - TRUSTEE ALFALAH GHP STOCK FUND | 44,650 |
| 27 | 11924-22 | CDC - TRUSTEE ALFALAH GHP ALPHA FUND | 27,350 |
| 28 | 12120-28 | CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND | 24,050 |
| 29 | 12278-21 | M C F S L - TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND | 3,400 |
| 30 | 12310-25 | CDC - TRUSTEE FIRST HABIB STOCK FUND | 2,000 |
| 31 | 13607-28 | CDC - TRUSTEE PICIC STOCK FUND | 4,500 |
| 32 | 13813-23 | CDC - TRUSTEE ASKARI EQUITY FUND | 3,500 |
| 33 | 14514-28 | CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND | 1,300 |
| 34 | 14902-21 | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 2,635,438 |
| 35 | 14969-25 | CDC - TRUSTEE PICIC ISLAMIC STOCK FUND | 10,000 |
| 36 | 15974-23 | CDC - TRUSTEE NAFA ISLAMIC STOCK FUND | 950 |
| 37 | 16139-23 | CDC - TRUSTEE NIT ISLAMIC EQUITY FUND | 50,100 |
| 38 | 16162-20 | CDC - TRUSTEE NITIPF EQUITY SUB-FUND | 4,300 |
| 39 | 16402-20 | CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND | 13,600 |
| 40 | 16501-27 | CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND | 24,050 |
| 41 | 14415-21 | CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT | 7,400 |
| 42 | 14431-29 | CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT | 9,650 |
| 43 | 15719-23 | CDC - TRUSTEE PAKISTAN ISLAMIC PENSION FUND - EQUITY SUB FUND | 9,550 |
| 44 | 15727-22 | CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND | 15,700 |
| Total: | | | 5,585,001 |

CATEGORIES OF SHAREHOLDERS

As At December 31, 2016

List of Directors 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 | 4720 & 3277-90453 | MR. EHSAN ALI MALIK | 3,900 |
| 5 | 03277-144 | MR. KAMRAN Y. MIRZA | 36,098 |
| 6 | 06122-5280 | MR. SHAMIM AHMAD KHAN | 1,140 |
| 7 | 04002-39038 | MS. ZEHRA NAQVI | 500 |
| Total : | | | 41,641 |

List of Executives

| S.No | Folio | Name | Holding |
|---------|-------|-----------------------|---------|
| 1 | 2270 | RIAZ UL HASAN | 112 |
| 2 | 3299 | MOHAMMAD SAEED | 2,018 |
| 3 | 4478 | AZHAR KHAN | 518 |
| 4 | 4509 | MUHAMMAD SAEED | 2,932 |
| 5 | 4535 | NAJEEBUDDIN QURESHI | 300 |
| 6 | 4538 | MOHAMMAD HAMEED ULLAH | 200 |
| 7 | 4616 | MOHIUDDIN ANSARI | 200 |
| Total : | | | 6,280 |

Public Sector Companies and Corporations

| S.No | Folio | Name | Holding |
|---------|----------|--|---------|
| 1 | 02683-23 | STATE LIFE INSURANCE CORP. OF PAKISTAN | 830,624 |
| Total : | | | 830,624 |

Shareholders Holding 5% or more Voting Rights in the Listed Company

| S.No | Folio | Name | Holding |
|---------|-------|--------------------------------------|------------|
| 1 | 4502 | M/S. ABBOTT ASIA INVESTMENTS LIMITED | 76,259,451 |
| Total : | | | 76,259,451 |

Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds

| S.No | Folio | Name | Holding |
|---------|-------------|---|-----------|
| 1 | 2405 | NATIONAL BANK OF PAKISTAN (TRUSTEE DEPARTMENT) | 100 |
| 2 | 4171 | N. B. P. TRUSTEE DEPARTMENT | 880 |
| 3 | 00307-40281 | INNOVATIVE INVESTMENT BANK LIMITED | 1,000 |
| 4 | 02295-39 | FAYSAL BANK LIMITED | 176,500 |
| 5 | 02832-32 | MEEZAN BANK LIMITED | 95,000 |
| 6 | 03335-57 | BANK ALFALAH LIMITED | 300,000 |
| 7 | 03889-28 | NATIONAL BANK OF PAKISTAN | 1,397 |
| 8 | 03889-44 | NATIONAL BANK OF PAKISTAN | 34,750 |
| 9 | 04127-28 | MCB BANK LIMITED | 632,700 |
| 10 | 05132-26 | ASKARI BANK LIMITED | 86,500 |
| 11 | 16329-20 | MCB ISLAMIC BANK LIMITED | 100,000 |
| 12 | 3137 | UNITED INSURANCE CO OF PAK LTD | 2 |
| 13 | 03277-10526 | HABIB INSURANCE CO.LIMITED | 41,775 |
| 14 | 03277-71690 | ADAMJEE LIFE ASSURANCE COMPANY LIMITED | 100,000 |
| 15 | 11320-25 | B.R.R. GUARDIAN MODARABA | 43,076 |
| 16 | 03277-8372 | EXCEL INSURANCE CO.LTD. | 10,000 |
| 17 | 07450-4077 | CRESCENT STANDARD MODARABA | 700 |
| 18 | 00521-3886 | TRUSTEE-SANOFI AVENTIS PAKISTAN SENIOR-EXECUTIVE PENSION FD | 2,200 |
| 19 | 00547-6424 | TRUSTEE - IBM ITALIA S.P.A. PAKISTAN EMPLOYEES PENSION FUND | 85 |
| 20 | 00695-10718 | TRUSTEE PAK TOBACCO CO LTD STAFF DEF CONTRI PEN FD (1384-1) | 2,000 |
| 21 | 00695-10759 | TRUSTEE PAK TOBACCO CO LTD STAFF PENSION FUND (1390-2) | 39,800 |
| 22 | 00695-14108 | TRUSTEE-SHELL PAKISTAN DC PENSION FUND | 4,000 |
| 23 | 00695-14116 | TRUSTEE-SHELL PAKISTAN STAFF PENSION FUND | 81 |
| 24 | 03277-78335 | TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND | 227,390 |
| 25 | 13748-592 | TRUSTEE-MILLAT TRACTORS LTD. EMPLOYEES PENSION FUND | 1,800 |
| 26 | 13748-667 | TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PENSION FUND | 1,000 |
| Total : | | | 1,902,736 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 68th Annual General Meeting of the Company will be held on Tuesday April 18th 2017, at 10:30 a.m. in the ICAP Hall, 1st Floor, Chartered Accountants Avenue, Clifton, Karachi, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' Reports thereon for the year ended December 31st, 2016.
2. To approve a cash dividend.
3. To appoint the Auditors of the Company up to the next Annual General Meeting and to authorise the Directors to fix their remuneration.
4. To elect seven directors as fixed by the Board in accordance with the Companies Ordinance, 1984, for a period of 3 years commencing April 16, 2017. The names of the retiring Directors are as follows:

Mr. Munir Ahmad Shaikh

Syed Anis Ahmed

Ms. Seema Khan

Mr. Kamran Y. Mirza

Mr. Shamim Ahmad Khan

Mr. Ehsan Ali Malik

Ms. Zehra Naqvi

By Order of the Board



Malik Saadatullah
Company Secretary

Karachi: dated February 27th, 2017

Notes:

1. The Share Transfer books of the Company will remain closed from Tuesday, April 11th, 2017 to Tuesday, April 18th, 2017 (both days inclusive). Transfer received in order by our Shares Registrar, FAMCO Associates (Pvt.) Ltd., 8-F Next to Hotel Faran, Nursery, Block 6, PECHS, Shahrah-e-Faisal, Karachi at the close of business on Monday, April 10th, 2017 will be considered in time for entitlement of cash dividend.
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 must be deposited at the Company's registered office not less than 48 hours before the time of holding the meeting. A proxy need, not be a member of the Company. The proxy shall produce his/her original CNIC or Passport to prove his/her identity.
3. Form of proxy is attached in the Annual Report.
4. As has already been notified from time to time, the Securities and Exchange Commission of Pakistan (SECP) vide Notification S.R.O. 19(I)/2014 dated 10th January 2014 read with Notification S.R.O. 831(I)/2012 dated July 5, 2012 require that the Dividend Warrant(s) should also bear the Computerized National Identity Card (CNIC Number) of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s).

Dividend warrants of members who have not submitted a copy of their CNIC despite notices in respect of the last three dividend declarations will be withheld by the Company until submission thereof as permitted by SECP. A list of members who have not submitted copies of their CNICs can be viewed on the Company's website.

5. Shareholders are requested to notify the Company of any change in their addresses, if any, immediately.
6. 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.

A. For Attending the Meeting:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC or the passport of the beneficial owners and of the Proxy shall be furnished with the proxy form.

NOTICE OF ANNUAL GENERAL MEETING

- (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.

7. Withholding Tax on Dividend under Section 150 the Income Tax Ordinance, 2001

- (i) Pursuant to the provisions of the Finance Act 2016 effective July 1, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

1. Rate of tax deduction for filer of income tax return 12.5%.
2. Rate of tax deduction for non-filers of income tax return 20%.

To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 12.5%.

- (ii) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to FAMCO Associates (Pvt.) Ltd., by the first day of Book Closure.
- (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.

8. Electronic Transmission of Audited Financial Statements & Notices

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail. In order to avail this facility a Standard Request Form is available at the Company's website www.abbott.com.pk, to be sent to the Company's Share Registrar.

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.

9. Any person who seeks to contest the election of directors shall file with the Company at its registered office 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 178 (3) of the Companies Ordinance, 1984 together with (A) consent in form 28, (B) a Declaration with consent to act as Directors in the prescribed form under clause (ii) of the Code of Corporate Governance 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.

CALENDAR OF FINANCIAL EVENTS

Tentative dates for announcement of financial results for the Financial Year 2017:

| | |
|---|--|
| 1 st quarter ending March 31, 2017 | 3 rd week of April, 2017 |
| 2 nd quarter ending June 30, 2017 | 3 rd week of August, 2017 |
| 3 rd quarter ending September 30, 2017 | 3 rd week of October, 2017 |
| Year ending December 31, 2017 | 2 nd week of February, 2018 |

Actual dates for announcement of financial results for the Financial Year 2016:

| | |
|--|-------------------|
| 1 st quarter ended March 31, 2016 | April 21, 2016 |
| 2 nd quarter ended June 30, 2016 | August 19, 2016 |
| 3 rd quarter ended September 30, 2016 | October 21, 2016 |
| Year ended December 31, 2016 | February 27, 2017 |

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- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
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*Mobile apps are also available for download for android and ios devices

GLOSSARY

Annual General Meeting (AGM)

Annual General Meeting of Shareholders of the Company

ATL

Active Taxpayer List

BMR

Business Modernization Rebate

CEO

Chief Executive Officer

CFO

Chief Financial Officer

CIR

Commissioner Inland Revenue

CIR(A)

Commissioner Inland Revenue (Appeals)

CODM

Chief Operating Decision Maker

Company

Abbott Laboratories (Pakistan) Limited (ALPL)

Companies Ordinance

Companies Ordinance, 1984

CSR

Corporate Social Responsibility

DCIR

Deputy Commissioner Inland Revenue

Earnings Per Share (EPS)

Calculated by dividing the profit after interest, tax by the weighted average number of Ordinary Shares in issue

EBIT

Earning before Interest and Taxes

EBITDA

Earning before Interest, Taxes, Depreciation and Amortization

FBR

Federal Board of Revenue

FTR

Final Tax Regime

GHC

General Health Care

ESH

Environment, Health and Safety

IAS

International accounting standards

IASB

International Accounting Standards Board

ICAP

Institute of Chartered Accountants of Pakistan

ICMAP

Institute of Cost & Management Accountants of Pakistan

IFAC

International Federation of Accountants

IFRS

International Financial Reporting Standards

KIBOR

Karachi Inter Bank Offer Rate

OICCI

Overseas Investors Chamber of Commerce & Industry

PAT

Profit After Tax

SECP

Securities and Exchange Commission of Pakistan

SOP

Standard Operating Procedure

SRO

Statutory Regulatory Order



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 68th Annual General Meeting of the Company to be held on Tuesday, April 18th, 2017 at 10:30 a.m. and at any adjournment thereof.

As witnessed given under my/our hand(s) _____ day of _____ 2017

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.





AFFIX
CORRECT
POSTAGE

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

ایبٹ لیبارٹریز (پاکستان) لمیٹڈ
پی او بکس ۷۲۲۹، لانڈھی، کراچی ۷۴۴۰۰

پراکسی فارم

میں / ہم _____
سکنہ _____
بجٹیت ممبر ایبٹ لیبارٹریز (پاکستان) لمیٹڈ اور _____
اور / یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____ اور ذیلی کھاتہ نمبر _____
بذریعہ ہذا _____
(نام) _____
ضلع _____
سکنہ _____
اور مزید _____
(نام) _____

کو اپنا پراکسی مقرر کرتا ہوں / کرتے ہیں کہ وہ میری / ہماری جگہ کمپنی کے ۶۸ ویں سالانہ اجلاس عام میں، جو منگل ۱۸ اپریل ۲۰۱۷ کو دن ۱۰:۳۰ بجے منعقد ہو گا یا اس سے متعلق کسی اجلاس میں شرکت کرے / کریں۔
میری / ہماری جانب سے درج ذیل گواہان نے تصدیق کی، بتاریخ ۲۰۱۷ _____

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 _____

شئیر 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 سکریٹری ایبٹ لیبارٹریز (پاکستان) لمیٹڈ پی او بکس ۷۲۲۹، 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 شئیر 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 شئیر 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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