Annual Report 2013

HIGHNOON
LABORATORIES LTD.

Cover Story

At Highnoon Laboratories, we are living our vision to advance health and prosperity by providing quality products to our consumers. Our endeavours to nurture a healthier nation have reciprocated with escalated growth and remarkable success for us.

Resolved to transcend the standards of excellence in healthcare, we seek continued progress through our unmatched prowess and our unwavering drive to succeed in the pharmaceutical industry. With our relentless determination to grow, we shall continue to ascend to new heights; aiming big and rising high on the sky of success.

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Financial Highlights 2013

1. Sales increased by 22%
   Rs. 3 billion
   (2012: Rs. 2.46 billion)

2. Gross Profit Margin 41%
   (2012: 41.6%)

3. Operating Profit up by 47%
   Rs. 249 million
   (2012: Rs. 162 million)

4. Profit After Tax up by 50%
   Rs. 156 million
   (2012: Rs. 104 million)

5. Earnings Per Share Rs. 8.56
   (2012: Rs. 5.72)

6. Return on Capital Employed increased to 20%
   (2012: 15%)

7. Equity increased by 15%
   Rs. 715 million
   (2012: Rs. 621 million)

8. Interest Bearing Liabilities reduced to Rs. 97 million
   (2012: Rs. 315 million)

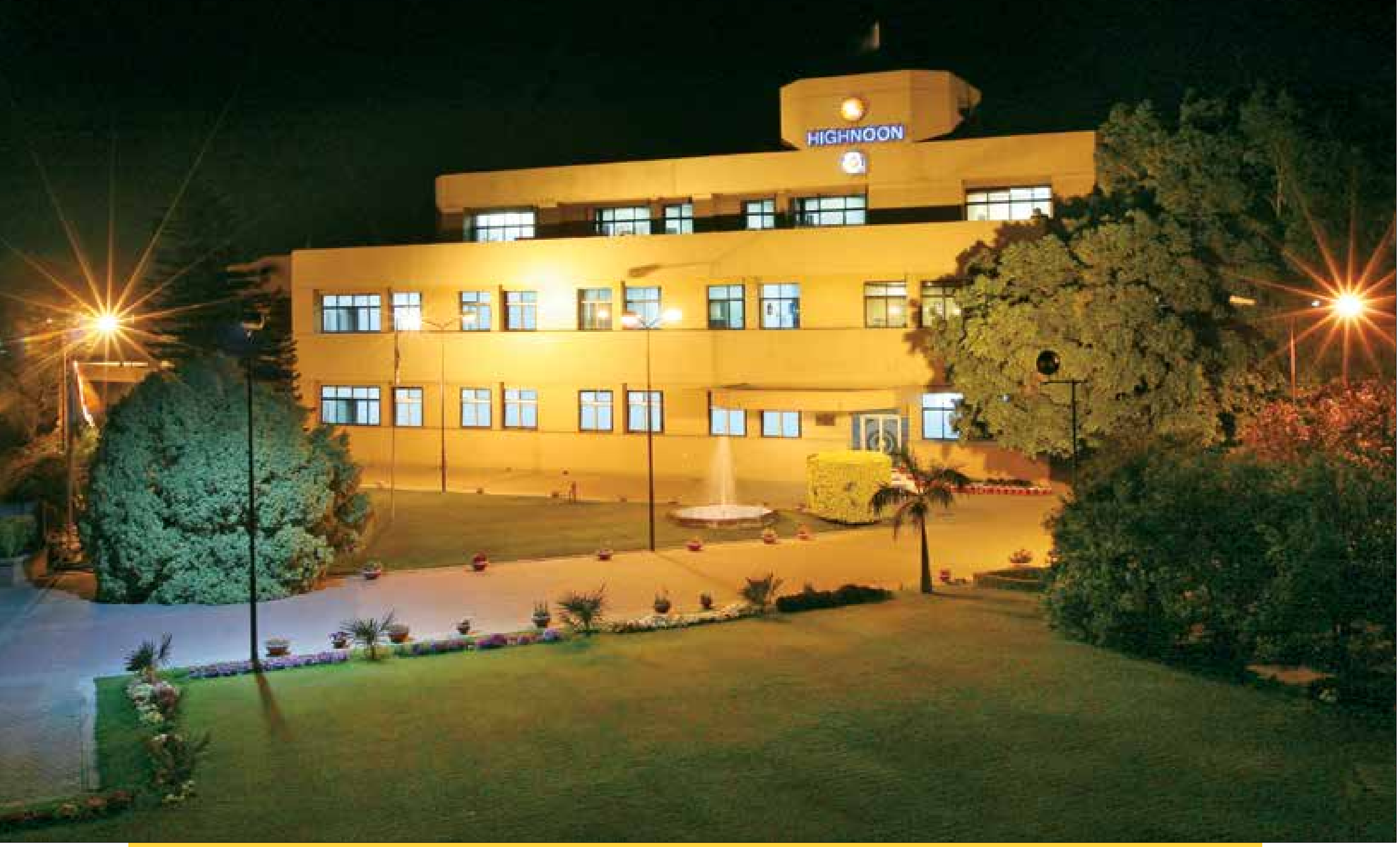
9. Market Value increased by 150%
   per share
   Rs. 118.53
   (2012: Rs. 47.50)

10. Payout 45%* Cash Dividend
    (2012: 35%)

* Proposed

Inspiring Excellence

Company Information



Board of Directors

Mr. Tausif Ahmad Khan
Chairman

Mr. Anees Ahmad Khan
Vice Chairman

Mr. Baqar Hasan
Chief Executive Officer

Mr. Ghulam Hussain Khan
Mr. Taufiq Ahmed Khan
Mr. Shazib Masud
Mst. Siddiqa Begum
Mrs. Zainub Abbas
Mr. Javed Hussain
(Alternate Director)

Chief Financial Officer

Mr. Javed Hussain
Tel: +92 (42) 37511953
Email:javed@highnoon.com.pk

Company Secretary

Mr. Khadim Hussain Mirza
Tel: +92 (42) 37510036
Email: khadim@highnoon.com.pk

Bankers

Habib Bank Limited
United Bank Limited
J.S. Bank Limited
Allied Bank Limited
Standard Chartered Bank (Pakistan) Limited

Registered, Head Office & Plant

17.5 Kilometer Multan Road,
Lahore-53700, Pakistan
UAN: 111 000 465
Fax: +92 (42) 37510037
Email: info@highnoon.com.pk
Website: www.highnoon-labs.com

Legal Advisors

Raja Muhammad Akram & Company

Tax Advisors

Yousuf Islam & Associates

Auditors

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Shares Registrar

Corplink (Pvt) Ltd.
Wings Arcade, 1-K Commercial,
Model Town, Lahore
Tel: +92 (42) 35916714, 35916719,
Fax: +92 (42) 35869637

Audit Committee

Mr. Shazib Masud
Chairman

Mr. Ghulam Hussain Khan
Member

Mrs. Zainub Abbas
Member

Mr. Khadim Hussain Mirza
Secretary

Human Resource and Remuneration Committee

Mr. Tausif Ahmad Khan
Chairman

Mr. Baqar Hasan
Member

Mrs. Zainub Abbas
Member

Executive Committee

Mr. Baqar Hasan
Chairman

Mr. Javed Hussain
Member

Dr. Rizwan Mehmood
Member

Dr. Adeel Abbas
Member

I .T. Steering Committee

Mr. Baqar Hasan
Chairman

Mr. Javed Hussain
Member

Dr. Adeel Abbas
Member

Mr. Muhammad Ilyas
Member / Secretary

Notice of Annual General Meeting

NOTICE is hereby given that 31st Annual General Meeting of Highnoon Laboratories Limited will be held on Thursday, April 24, 2014 at 10.00 a.m. at Registered Office, 17.5 Kilometer, Multan Road, Lahore to transact the following business:

1. To confirm minutes of last Annual General Meeting held on April 23, 2013.

2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2013 together with Directors' and Auditors' Reports thereon.

3. To consider and approve payment of Cash Dividend at the rate of forty five percent (45%) to the shareholders as recommended by the Board of Directors.

4. To appoint Auditors and fix their remuneration for the year ending December 31, 2014.

5. To discuss any other business with the permission of the Chair.

By Order of the Board

Lahore
April 01, 2014

KHADIM HUSSAIN MIRZA
Company Secretary

Notes:

1. Share transfer books of the Company will remain closed from April 15, 2014 to April 24, 2014 (both days inclusive) for the purpose of determining the entitlement of payout.

2. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote instead of him. The instrument of proxy must be received at the Registered Office of the Company, 17.5 K.M. Multan Road, Lahore not less than 48 hours before the time of the meeting.

3. Members are advised to intimate any change in their address and the shareholders who have not yet submitted photocopies of their Computerized National Identity Cards (CNIC) are requested to send the same at the earliest. As per direction of SECP, dividend warrants cannot be issued to the shareholders whose CNIC numbers are not registered with the Company.

4. All account holders registered through Central Depository System shall authenticate their identity by showing original CNIC at the time of attending the meeting. In case of corporate entity, a certified copy of resolution of the Board of Directors / valid Power of Attorney having the name and specimen signature of the nominee should be produced at the time of meeting.

Embracing Innovation

Our Vision

We at Highnoon Laboratories Limited understand the duties of being responsible corporate citizen and stand true to our conviction and promise to work for the betterment and prosperity of our people.

"Highnoon for a Healthier Nation"

Our Mission

We strive to maintain excellence in our business practices with the objective to benefit the medical community, consumers, stakeholders and employees; and to improve quality of life by providing quality products.

Corporate Objectives

- Excel in meeting customer needs.
- Maintain leadership in national pharmaceutical industry.
- Gain confidence of Doctors, Pharmacists and Consumers who use our products.
- Seek employee involvement, continuous improvement and enhanced performance goals.
- Enhance export business.

Statement of Ethics & Core Values

Shared Responsibility

The achievement and continuation of an ethical work environment is a shared responsibility among employees, senior officials and directors of the Company, which will be treated as confidential.

Intellectual Honesty

Personal interaction among employees should be characterized by truthfulness, openness to new ideas and consideration for the rights of others. Each member of the team should respect the right of others to freedom of thought, opinion, speech and association.

Personal Conduct

At Highnoon each employee is responsible for avoiding real or apparent conflicts of interest, ensuring that authority is exercised within a framework of accountability and ensuring that information is managed in accordance with relevant statutes. Employees must ensure that the organization's interests are foremost in all business decisions and shall remove themselves from decision making roles which involve the employee in any personal capacity or which involve friends or family members.

Research

Research carried out by our organization shall be characterized by the highest standards of integrity and ethical behavior. Every effort shall be made to ensure that all research data or results of projects or programs sponsored by or under the administrative supervision of organization are represented properly and accurately.

Directors' Report
to the Shareholders

The Board of Directors is pleased to present the annual audited financial statements of Highnoon Laboratories Limited for the year ended 31 December 2013.

Financial Highlights of the Company	2013 Rs. '000'
Profit before tax	232,302
Taxation	76,767
Profit after tax	155,535
Un-appropriated profit brought forward	324,931
Incremental depreciation relating to surplus on revaluation of fixed assets	6,899
Other Comprehensive income net of tax	(4,165)
Profit available for appropriation	483,200
Appropriations:	
Cash Dividend for the financial year 31 December 2012 @ Rs. 3.50 per share	63,632
	419,568

Earnings Per Share

Based on net profit for the year ended 31 December 2013, the earnings per share (EPS) of the Company is Rs. 8.56 (2012 : Rs.5.72).

Dividend Announcement

The Directors of the Company have recommended a final cash dividend of 45 percent i.e. Rs. 4.50 per share (2012: Rs. 3.50 per share) for the financial year ended 31 December 2013, for consideration and approval by the shareholders in the Annual General Meeting.

Pattern of Shareholding

The pattern of shareholding along with categories of shareholders as at 31 December 2013 as required under Section 236 of the Companies Ordinance and listing regulations is presented on Page 32 of the Annual Report 2013.

Board of Directors & Attendance in Board Meeting

Board of the Company consists of following members. During the year five board meetings were held, the number of meetings attended by each Director is given there against:

S. #	Name of Members	Attendance- 2013					Total
		19 Mar	26 Apr	19 Aug	23 Oct	26 Dec	
1	Mr. Tausif Ahmad Khan	P	P	P	P	L	4
2	Mr. Anees Ahmad Khan	P	P	P	P	P	5
3	Mr. Baqar Hasan	P	P	-	P	P	4
4	Mr. Ghulam Hussain Khan	P	P	P	P	P	5
5	Mr. Taufiq Ahmed Khan	-	-	-	-	-	-
6	Mr. Shazib Masud	P	P	P	P	P	5
7	Mst. Siddiqa Begum	P	P	P	P	P	5
8	Mrs. Zainub Abbas	P	P	P	P	L	4
9	Mr. Javed Hussain **	-	P	P	-	P	3

P = Present

L = Leave

** Alternate director to Mr. Taufiq Ahmed Khan

Leave of absence was granted to the directors who could not attend the meeting.

All directors are aware of their duties and powers under the Company's Memorandum and Articles of Association and the listing regulations of the stock exchanges and have filed declaration to the effect.

Directors' Report

to the Shareholders

Trading of Shares by Directors, CEO, CFO and Company Secretary etc.

Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children have not sold or purchased shares of the Company during the period except following:

S. No.	Name	Addition	Deletion
1	Mr. Tausif Ahmad Khan	20,605	-
2	Mr. Ghulam Hussain Khan	23,068	113,655
3	Mrs. Huma Hussain Khan	-	143,701

The Board of Directors was accordingly apprised with the above sale / purchase by the directors and their spouse in the meeting held just after the transactions took place.

Audit Committee

Audit Committee constituted in accordance with the requirements of Revised Code of Corporate Governance 2012 consists of the following members:

1. Mr. Shazib Masud
   (Independent director) Chairman
2. Mr. G. H. Khan
   (Non executive director) Member
3. Mrs. Zainub Abbas
   (Non executive director) Member

During the year 05 meetings of Audit Committee were held and the meetings attended by each member are given there against:

S.#	Name of Members	Attendance - 2013					Total
		14 Feb	14 Mar	22 Apr	16 Aug	14 Oct	
1	Mr. Shazib Masud	P	P	P	P	P	5
2	Mr. Ghulam Hussain Khan	P	P	P	P	P	5
3	Mrs. Zainub Abbas*	P	L	P	P	P	4

P = Present

L = Leave

Human Resource and Remuneration Committee

The Board of Directors, in compliance with the requirements of Revised Code of Corporate Governance 2012, constituted Human Resource and Remuneration (HR&R) Committee. The committee is responsible for recommending to the Board human resource management policies, selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO, CFO, Company Secretary and head of Internal Audit and recommending to CEO on matters of key management positions who report directly to the CEO.

Following are the members of HR&R Committee:

1.	Mr. Tausif Ahmad Khan (Non-executive director)	Chairman
2.	Mr. Baqar Hasan, (Executive Director)	Member
3.	Mrs. Zainub Abbas, (Non-executive director)	Member

Statement of Ethics and Business Practices

The Board has prepared and circulated the Statement of Ethics and Business Practices signed by every Director and employee of the Company as a token of acknowledgement of his/her understanding of the standards of conduct in relation to persons associated or dealing with the Company.

External Auditors

The external auditors of the Company Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants shall retire on the conclusion of Annual General Meeting. Being eligible for re-appointment under the listing regulations, they have offered their services as auditors of the Company for the financial year 2014. The Audit Committee has recommended the appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as Auditors of the Company for the year ending 31 December 2014 and the Board agrees to the recommendation of the Audit Committee. The Auditors have also given their consent to work as Auditors for the next year and have conveyed that they have been given satisfactory rating under the Quality Control Review of Institute of Chartered Accountants of Pakistan and the

firm is fully compliant with the code of ethics issued by International Federation of Accountants (IFAC). Further they are also not rendering any related services to the Company. The Auditors have also confirmed that neither the firm nor any of their partners, their spouses or minor children at any time during the year held or traded in the shares of the Company.

Corporate Social Responsibility

In the last 30 years, Highnoon Laboratories Limited has demonstrated a commitment to be a responsible citizen in large part, through a long history of philanthropic contributions. Our greatest contribution to society, however, is to continue to manufacture and market high quality medicines which will ultimately help us realize our vision "Highnoon for a Healthier Nation" and to make a significant contribution to humanity by improving healthcare in the 21st century.

Highnoon has organized two free medical camps at Kot Radha Kishan, as part of its social responsibility. These medical camps were arranged to facilitate the people of Kot Radha Kishan for free medical check-up, diagnosis and distribution of free of cost medicines. We had arranged 3 qualified doctors from Lahore, who conducted these camps. The response of these camps was overwhelming, number of patients were examined and advised relevant treatments and prescribed medicines, which were given to them free of cost.

Encouraged by the response to our health care awareness programs, we increased the number and frequency of free medical camps. The objective of the program is early screening of the disease and in case of need providing them with necessary advice and medication. In addition the Company maintains full clinic at its premises manned by qualified doctor to provide all type of medical advice and help to its employees and others. For the welfare of employees, Highnoon has also established a welfare trust to help employees in distress needing financial assistance.

Highnoon is also at the front, in case of any disaster or calamity. The year 2013 was third year running in which the country suffered from monsoon floods. Heavy monsoon rains left scores of people dead and thousands displaced as homes, crops and properties were washed away. Highnoon provided necessary medical help to alleviate some of the suffering of those affected by the latest disaster.

The company not only pledges support to SOS Village and Care Foundation, but also involves the youngsters in a wide range of interesting, fun and life enhancing experiences to help nurture the next generation through supporting educational efforts and other co-curricular activities. We created an opportunity for young people with yearnings to become world class photographers and painters. Hundreds of aspiring young artists submitted entries, which were judged by a jury and winning pictures, were published in the form of calendars.

Corporate Governance

The Directors confirm compliance with the Corporate and Financial Reporting framework of the Code of Corporate Governance as contained in the listing regulations for the followings:

1. The financial statements together with the notes thereon have drawn up in conformity with the Companies Ordinance, 1984. These Statements, prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper Books of accounts have been maintained.
3. Accounting estimates are based on prudent judgments and there are no outstanding statutory payments on account of Government taxes, duties, levies and charges except for those which have been disclosed in note 12 and note 16 to the financial statements.
4. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
5. There have been no material changes since 31 December 2013 and the Company has not entered into any commitment which would affect the financial position at the date.
6. An Audit Committee of the Board constituted in accordance with the requirement of Revised Code of Corporate Governance comprises of three members including the Chairman. Two members are Non-executive Directors while the Chairman is Independent Director. The Committee has its own terms of reference, which were determined by the Board of Directors in accordance with the guidelines provided in the Code of Corporate Governance.
7. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
8. The System of internal controls is sound in design and has been effectively implemented and monitored.
9. There are no significant doubts upon the Company's ability to continue as a going concern.
10. None of the Directors have been convicted as a defaulter in payment of any loans of Banks / DFIs, nor they or their spouses are engaged in the business of stock brokerage. The Board has separately appended "Statement of Compliance with Best Practices of Corporate Governance" and auditors have given unqualified review report thereon.
11. There has been no significant departure from the Best Practices of Corporate Governance, as detailed in the listing regulations.
12. The principal value of investment of the Provident Fund based on un-audited figure as on 31 December 2013 was Rs.155.034 Million as compared to audited figures as at 31 December 2012 of Rs. 125.109 million.
13. Key financial data for the last six periods as an investors' guide is annexed to the Directors' Report.

Web Presence

All our stakeholders and general public can log on to Company's web site www.highnoon-labs.com where information relating to Company including periodic financial statements / annual reports etc., is available.

Chairman's Review

The Directors endorse the contents of the Chairman's Review, which form part of the Directors' Report. The Board authorized the Chief Executive Officer to sign the Directors' Report on behalf of the Board.

For and on behalf of the Board

Lahore:
18 March 2014

Baqar Hasan
Chief Executive Officer

Chairman's Review

Tausif Ahmad Khan
Chairman

"I welcome you to the 31st Annual General Meeting of the Company and am delighted to present Company's annual performance review along with the audited financial statements and the auditors' report for the year ended 31 December 2013."

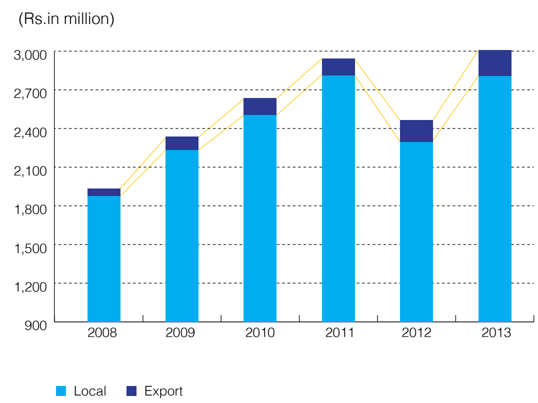
Financial Highlights

The year 2013 shall be remembered as an exciting and productive year for Highnoon. It was the year during which many of our brands grew significantly and our financial results improved. It was fulfillment of the initiatives necessary to achieve our vision to become a growth driven company, a company known for its ability to build brands and create sustained value for our shareholders.

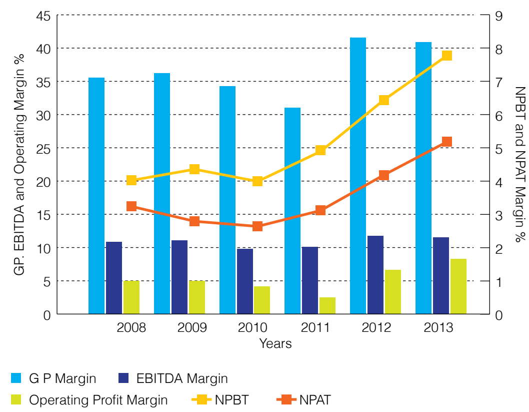
The financial results of 2013 have exceeded our expectations. Our sales grew to Rs. 3 billion registering an increase of 22 percent. Local sales registered an increase of 23 percent, while export and third party sales registered an increase of 18 percent and 15 percent respectively. The gross margin was maintained while operating expenses as a percentage of sales, remained unchanged. This performance helped us to generate free cash flow of Rs.359 million that was used to reduce short term borrowings.

The increase in local sales was mainly driven by volumes that increased by 18 percent over last year. The volumetric increase came from the established brands and the relatively new brands. Consistent with the increase in sales volume, the cost of goods sold increased from Rs.1,440 million to Rs.1,777 million during the fiscal year 2013. Despite increase in costs of imported materials on account of exchange rate parity and electricity costs; we were still able to maintain margins. Distribution and sales promotion expenses increased by 23 percent over last year primarily on account of marketing investments on new products. Administrative and general expenses were contained and these remained within limits. Finance cost showed a decline of 58 percent owing to better management of working capital and available free cash flows that repaid short term borrowings.

Sales Trend



Profitability Margins



Chairman's Review

Products & Market Update

A clear focus on growth led to solid sales momentum. Our sales increased by 22 percent over last year demonstrating strong marketing and selling muscle. Our in-house brands registered a growth of 26 percent and our many brands are ranked amongst top 10 brands in the respective therapeutic segments.

Revenues from alimentary tract and metabolism related products increased to 38 percent in the current year which rose to Rs. 1,120 million. The major contribution of this segment came from our established brands, Tres Orix Forte, Ulsanic and Skilax contributing 73 percent collectively. Our newly launched treatment of type 2 diabetics has now also crossed sales of Rs. 100 million showing an increase of 136 percent over last year.

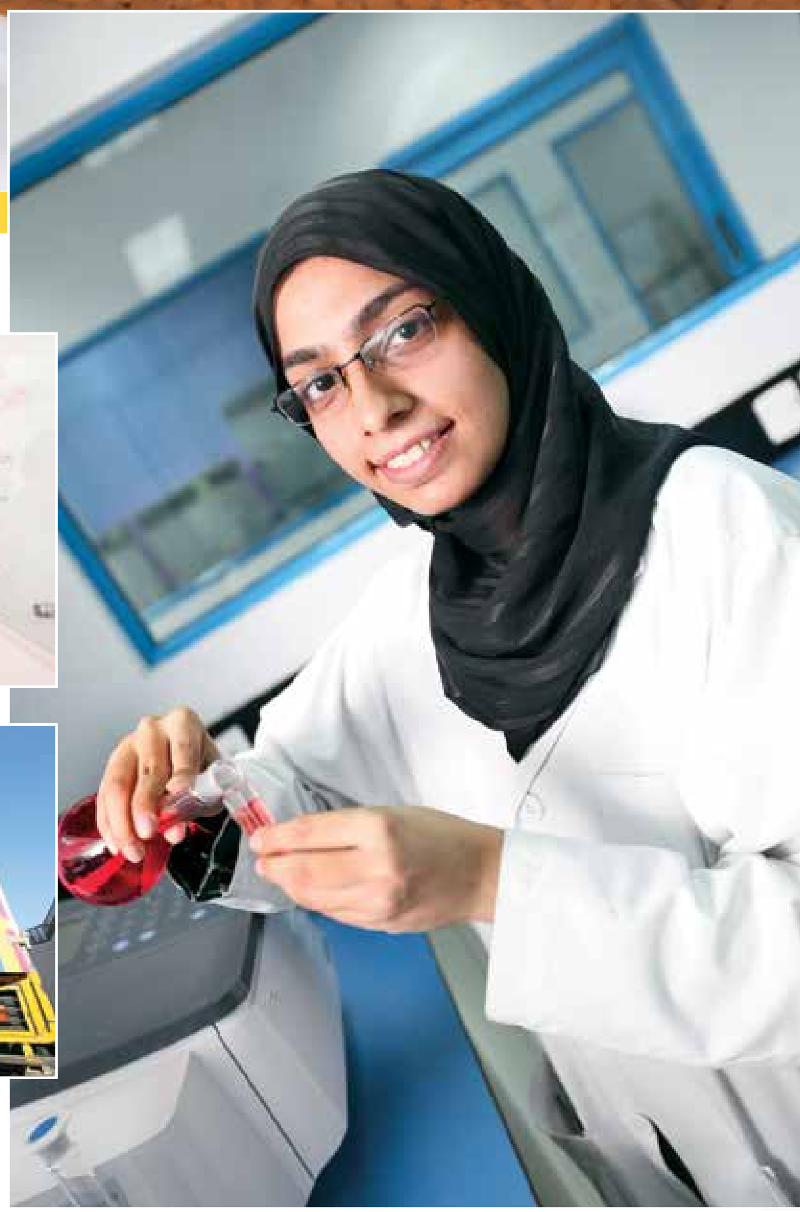
Cardiovascular segment also remained in the forefront and showed an increase of 13 percent over last year. Blokium, Loprin and Lipirex are few of our leading brands for cardiovascular diseases. Rosulin, used for dyslipidemia and primary prevention of heart diseases, is relatively a new product in this area and it is fast becoming a preferred prescribed medicine.

Respiratory portfolio showed an impressive top line increase of 48 percent outperforming itself and returning a compound growth rate of 37 percent during the last three years.

We will continue to provide advanced treatment options in the cardio-metabolic and respiratory disease areas. Our new product pipeline offers diversified treatment options designed to facilitate the primary care physicians and will deliver remarkable compliance in clinical management. These products bring new molecular combinations for the treatment of asthma (particularly in children), diabetics and infective diseases.

Together with local sales, export is becoming an area of focus for the Company. We are at the business planning stage to enter two export markets in the current year. There have been significant products and business development achievements as we have obtained several approvals and many are

Realizing Dreams



Chairman's Review

in the pipeline. Furthermore, new opportunities are also being explored and evaluated to continuously strengthen our in licensing product portfolio.

The Pakistan pharmaceutical industry remained in the limelight once again, albeit for the wrong reasons. The industry struggled with the authorities for a price increase but the authorities remained inflexible. The prices of majority medicines produced by the multinationals and local companies have remained unchanged since 2001, while the input costs have escalated enormously since 2001. If the prices of medicines are not adjusted even after a 12-year gap, the companies following international safety and efficacy standards will be forced out of business.

This stalemate has already reduced the production capacity of the Industry and threatens to completely destroy the Industry. In the absence of clear pricing policy, the Industry has already seen exit of some multinational companies and closure of few local companies. The authorities must seriously consider the demand of pharmaceutical industry for price adjustment mechanism to ensure that life-saving and essential medicines remain in the market. Pricing issue is just one of the many concerns of the Industry, other being delays in product registrations, toll manufacturing policy and licensing to name a few.

Operational Excellence

During the past few years we have been concentrating to reduce our operating costs and improve operational efficiencies through the upgrade of our manufacturing facilities. In the year 2013 we posted a record level of production, which showed an increase of 12 percent over the previous year. In the future, too, we will continue to invest in the optimization of the facilities to support manufacturing of solid and liquid dosage forms and also increase laboratory testing capabilities. We are planning to double our liquid and tablet manufacturing capacity in the next two years. It is a matter of great pleasure that our manufacturing facilities satisfactorily complied to national and international regulatory inspections for some of our export destinations. All of regulatory

Boosting Productivity

Chairman's Review

inspections have maintained a satisfactory GMP status for our plant.

One team

As we have put in place appropriate controls in all technical areas, we also remain mindful of our human capital. We believe that successful businesses are all about people working in unity. Excellence is rewarded and encouraged at all levels; we take pride in celebrating with employees throughout the year in many formal and informal ways. One example of how we recognize the contributions of our employees is the "Star Performer" award for our plant operations staff and the "Accolade" program for our field colleagues. Each month; exceptional employees who marshal resources toward end goals and exude passion are selected and awarded. Similarly the Performance Management System that was implemented last year has begun to show results, and we will therefore continue to use a variety of incentives and recognition to foster competition at all levels.

The year has not been one without challenges, yet we are pleased with our performance which is a true reflection of the quality, determination, experience and expertise that prevails throughout the Company.

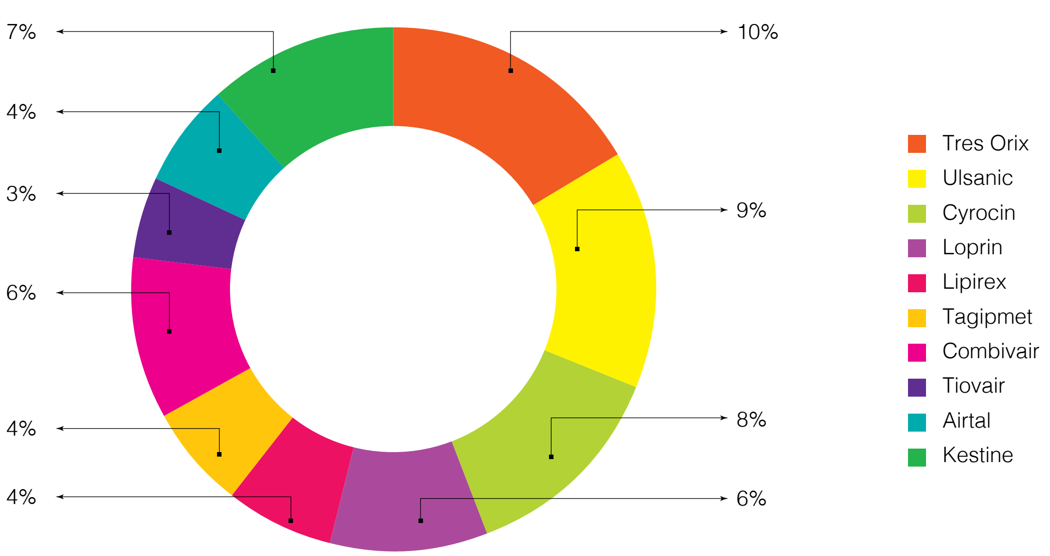
On behalf of the Board, I express our sincere thanks and appreciation to the shareholders, doctors, pharmacists, consumers and business partners for their patronage and to the employees and management team for their tireless determination and hard work.

For & on behalf of the Board

Tausif Ahmad Khan
Chairman

Lahore: 18 March 2014

Top 10 Products of Highnoon

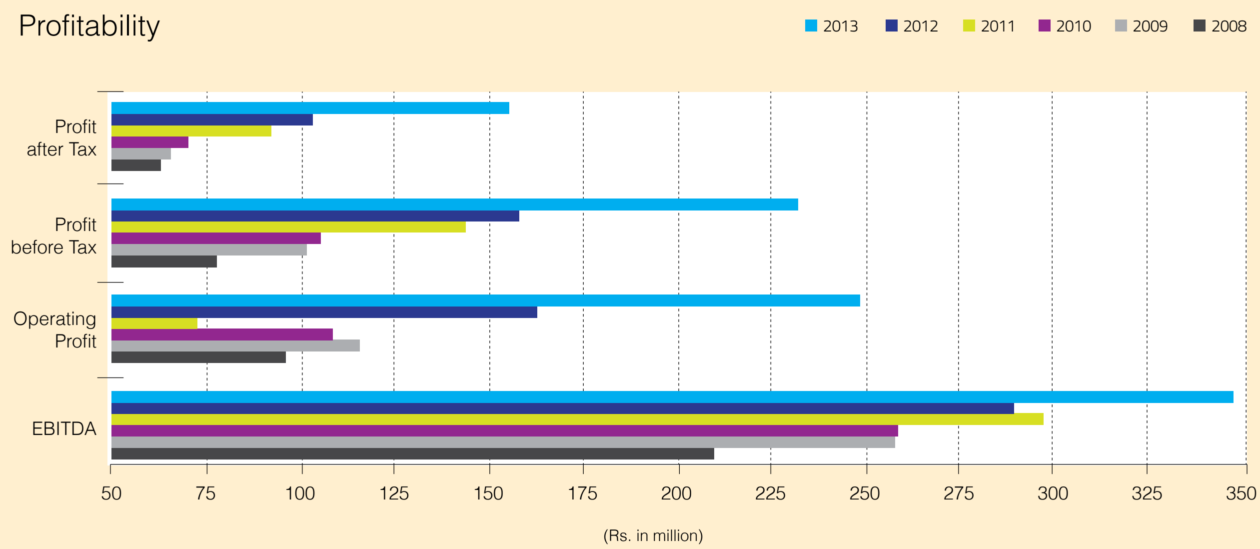


Six Years at a Glance

		2013	2012 Restated	2011 Restated	2010	2009 Restated	2008
				(Rupees in '000')			
Summary of Balance Sheet							
Share Capital		181,805	181,805	181,805	165,277	165,277	165,277
Reserves		533,568	438,931	385,324	358,856	323,918	332,801
Operating Fixed Assets		747,514	765,185	701,972	696,937	675,982	653,900
Non Current Assets		96,481	113,209	127,039	144,145	104,145	107,088
Net Working Capital		436,466	347,670	284,416	259,483	201,138	194,315
Long Term Liabilities		71,013	76,403	83,898	127,850	70,554	96,472
Deferred Liabilities		267,233	296,469	279,245	260,106	227,126	160,146
Summary of Profit and Loss Account							
Sales - Net		3,007,925	2,465,621	2,944,907	2,636,538	2,334,752	1,933,344
Gross Profit		1,230,661	1,025,253	914,171	903,555	846,157	686,938
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)		347,766	289,531	297,360	258,772	258,042	209,909
Operating Profit		248,739	162,925	72,751	108,748	115,827	96,178
Profit Before Tax		232,302	159,106	144,053	105,580	101,847	77,972
Net Profit After Tax		155,535	104,016	92,381	70,344	65,762	63,123
Summary of Cash Flow Statement							
Net Cash Flow from Operating Activities		370,435	69,878	388,077	270,151	(13,919)	59,457
Net Cash Flow from Investing Activities		(11,354)	(22,378)	(47,473)	(115,634)	(71,394)	(120,787)
Net Cash Flow from Financing Activities		(316,010)	(53,634)	(391,339)	(122,111)	113,337	56,650
Changes in Cash and Cash Equivalents		43,071	(6,135)	(50,735)	32,406	28,024	(4,680)
Cash and Cash Equivalents at Year End		49,533	6,462	12,597	63,331	30,925	7,177
Financial Performance/Profitability Analysis							
Gross Profit Margin	%	40.91	41.58	31.04	34.27	36.24	35.53
EBITDA to Sales Margin	%	11.56	11.74	10.10	9.81	11.05	10.86
Operating Profit Margin	%	8.27	6.61	2.47	4.12	4.96	4.97
Profit Before Tax Margin	%	7.72	6.45	4.89	4.00	4.36	4.03
Profit After Tax Margin	%	5.17	4.22	3.14	2.67	2.82	3.26
Return on Equity	%	21.74	16.76	16.29	13.42	13.44	12.67
Return on Capital Employed	%	19.78	14.92	14.19	10.79	11.75	10.62
Operating Performance/Liquidity Analysis							
Inventory Turnover	Days	120	143	104	141	141	127
Debtors Turnover	Days	8	9	6	6	14	31
Creditors Turnover	Days	51	51	29	28	32	40
Cash Operating Cycle	Days	77	101	81	119	123	118
Assets Turnover Ratio	Times	1.90	1.46	1.89	1.51	1.34	1.31
Fixed Assets Turnover	Times	3.57	2.81	3.56	3.19	3.18	2.58
Return on Assets	%	14.68	9.45	9.25	6.06	5.83	5.28
Current Ratio	Times	2.45	1.76	1.64	1.41	1.26	1.37
Quick Ratio	Times	0.60	0.43	0.47	0.40	0.35	0.51

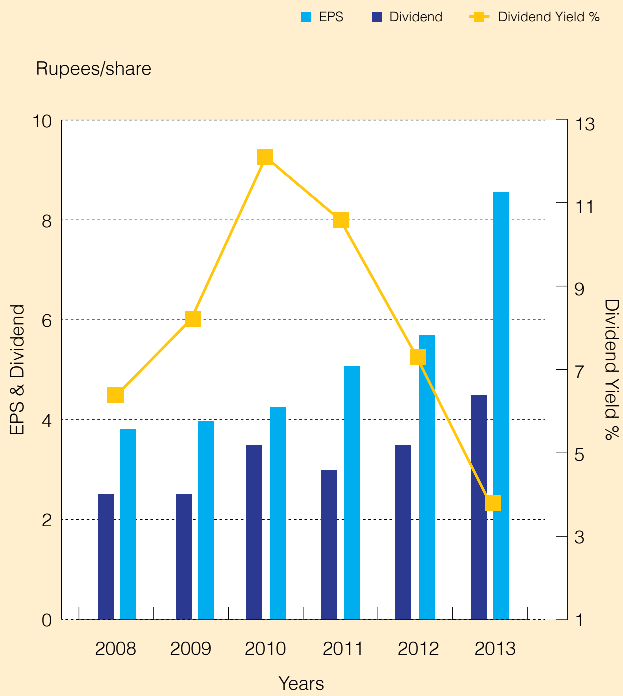
		2013	2012 Restated	2011 Restated	2010	2009 Restated	2008
Distribution Analysis							
Pay out-Proposed							
- Cash Dividend per share	Rs.	4.50	3.50	3.00	2.50	2.50	2.50
- Bonus	%	-	-	-	10.00	-	-
Payout Ratio (after tax)	%	52.60	61.17	59.04	82.23	62.83	65.46
Dividend Yield	%	3.80	7.37	10.58	12.09	8.20	6.38
Earnings Per Share (after tax)	Rs./share	8.56	5.72	5.08	4.26	3.98	3.82
Price Earning Ratio	Times	13.85	8.30	5.58	6.80	7.66	10.26
Capital Structure/Market Value Analysis							
Long Term Debt : Equity Ratio		08:92	09:91	11:89	19:81	11:89	16:84
Shareholders' Net Worth as % of Total Assets	%	59.55	50.66	48.17	40.93	39.14	47.36
Financial Charges Coverage	Times	11.62	3.92	1.73	2.09	2.17	2.03
Number of Shares	in '000'	18,181	18,181	18,181	16,528	16,528	16,528
Break-up Value of Share							
- Excluding Surplus on Revaluation	Rs.	39.35	34.14	31.19	31.71	29.60	30.14
- Including Surplus on Revaluation	Rs.	51.83	46.93	41.27	43.12	41.36	42.27
Market Value of Share							
- Year End	Rs.	118.53	47.50	28.35	28.94	30.50	39.20
- Highest	Rs.	185.00	50.36	33.50	33.99	40.45	94.25
- Lowest	Rs.	45.00	28.50	24.50	22.10	27.71	27.40
- Average	Rs.	92.00	37.20	27.94	27.30	30.54	79.64
Market Capitalization	Rs. in '000'	2,154,937	863,575	515,418	478,313	504,095	647,886

Profitability

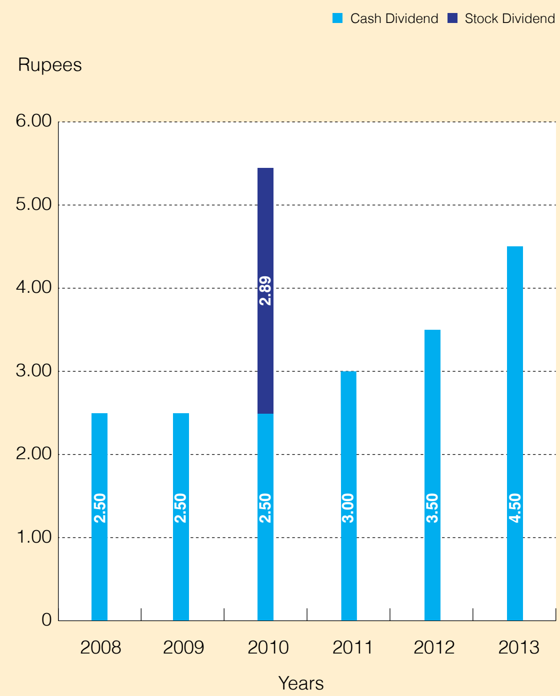


Graphical Presentations

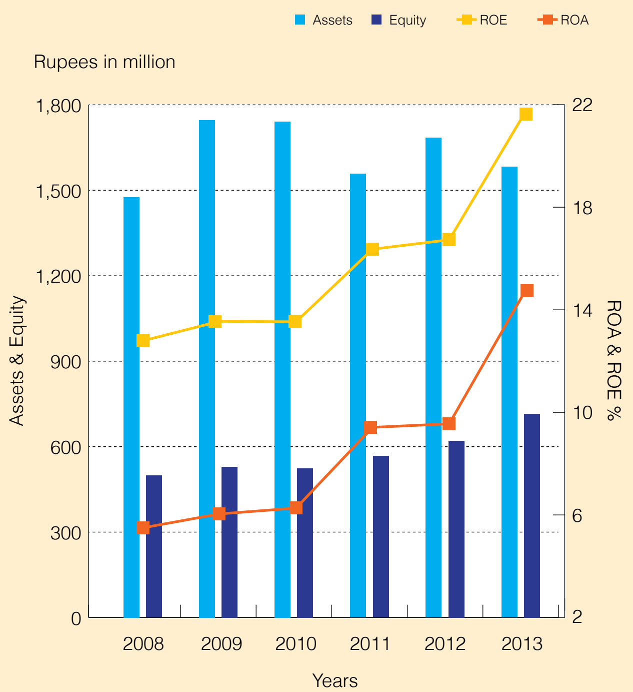
Dividends & Earnings



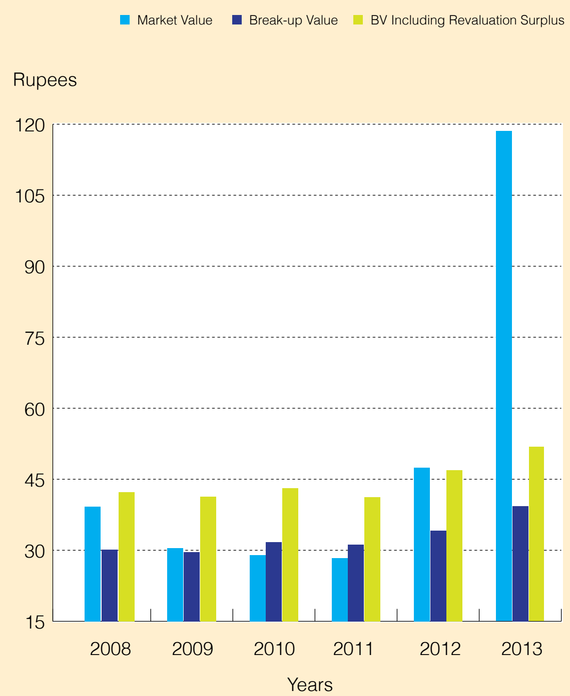
Value of Payout (Rupees / share)



Shareholders' Equity Assets and Return



Market Value/Breakup Value of Share

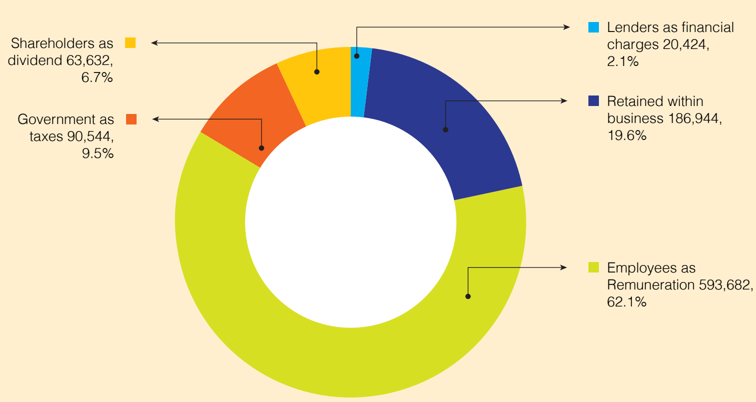


Statement of Value Addition and its Distribution

	2013 Rs. in '000'	2012 Rs. in '000'
Value Added		
Net Sales	3,014,164	2,470,485
Material & Services	2,074,248	1,668,575
Other Income	15,309	18,331
	955,225	820,241
Distribution		
Employees		
Salaries Wages & Benefits	581,465	514,004
Workers Profit Participation Fund	12,217	8,325
	593,682	522,329
Government		
Income Tax	76,767	54,759
Sales Tax	6,239	4,864
Central Research Fund	2,145	1,469
Workers Welfare Fund	5,393	2,992
	90,544	64,084
Provider of Finances		
To Shareholders as Dividend	63,632	54,542
To Lenders as financial charges	20,424	48,182
	84,056	102,724
Retained in Business		
Depreciation and amortization	95,040	82,242
Retained Profit	91,903	48,862
	186,944	131,104
	955,225	820,241

Value Addition and its Distribution Year 2013

(Rs. in '000')



Horizontal Analysis

Balance Sheet	2013		2012 Restated		2011 Restated		2010		2009 Restated		2008	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Share Capital and Reserve	942,216	10.4	853,192	13.7	750,283	5.3	712,609	4.2	683,585	-2.2	699,038	6.2
Non Current Liabilities												
Long term loan - secured	37,500	-25.0	50,000	-13.3	57,659	-42.3	99,947	153.6	39,412	-26.7	53,743	85.5
Liabilities against assets subject to finance lease	24,779	93.5	12,805	13.4	11,296	-59.5	27,903	-10.4	31,143	-27.1	42,729	-25.3
Long term advances	8,734	-35.8	13,598	-9.0	14,942	41.1	10,589	-31.2	15,389	-10.1	17,126	10.0
Deferred liabilities	267,232	-9.9	296,469	6.2	279,245	11.9	249,517	17.8	211,736	48.0	143,020	24.3
Total Non Current Liabilities	338,245	-9.3	372,872	2.7	363,142	-6.4	387,956	30.3	297,680	16.0	256,618	17.8
Current Liabilities												
Trade and other payables	259,540	30.2	199,348	6.8	186,674	55.0	120,441	-11.1	135,493	24.9	108,439	-28.8
Liabilty for patent and trade mark	-	-	-	-	-	-	-	-	-	-100	6,408	100
Mark-up payable on secured loans	1,715	-74.0	6,589	-36.9	10,436	-49.2	20,544	11.3	18,452	14.9	16,063	120.5
Short term bank borrowings - secured	73	-100.0	230,600	38.7	166,291	-61.6	433,153	-23.0	562,307	63.0	345,067	35.1
Current portion of long term liabilities	40,550	87.9	21,577	-73.3	80,742	21.8	66,266	34.7	49,188	10.5	44,513	32.4
Total Current Liabilities	301,878	-34.1	458,114	3.1	444,143	-30.6	640,404	-16.3	765,440	47.1	520,490	12.5
	1,582,339	-6.0	1,684,178	8.1	1,557,568	-10.5	1,740,969	-0.3	1,746,705	18.3	1,476,146	10.2
Non Current Assets												
Property,plant and equipments	761,880	-2.1	778,418	8.8	715,604	0.7	710,421	-1.4	720,546	5.5	683,288	10.4
Intangible assets	80,553	-18.1	98,413	-12.0	111,844	-13.4	129,099	122.5	58,018	-12.7	66,492	51.7
Long Term Investment	-	-	-	-	-	-	-	-	-	-100.0	10,000	-50.0
Long Term deposits	1,562	-	1,562	-	1,562	-	1,562	-	1,562	-	1,562	-
Total Non Current Assets	843,995	-3.9	878,393	6.0	829,010	-1.4	841,082	7.8	780,126	2.5	761,342	11.3
Current Assets												
Stock in trade	557,767	-8.0	606,595	17.0	518,480	-19.1	640,845	-8.5	700,500	55.7	449,901	7.5
Trade debts	63,517	-12.4	72,532	31.2	55,270	26.9	43,544	17.7	36,989	-73.8	140,987	-24.7
Advances,deposits and prepayments	44,942	21.6	36,964	-27.7	51,136	51.7	33,714	-52.0	70,234	180.9	25,007	-6.6
Other receivables	20,764	-1.7	21,116	24.2	17,005	-21.2	21,587	-66.2	63,910	19.3	53,586	411.7
Income Tax-net	1,820	-97.1	62,117	-16.1	74,071	-23.5	96,866	51.3	64,021	67.8	38,145	100.0
Cash and bank balances	49,534	666.5	6,462	-48.7	12,596	-80.1	63,331	104.8	30,925	330.8	7,178	-39.5
Total Current Assets	738,344	-8.4	805,784	10.6	728,558	-19.0	899,887	-6.9	966,579	35.2	714,804	9.2
	1,582,339	-6.0	1,684,178	8.1	1,557,568	-10.5	1,740,969	-0.3	1,746,705	18.3	1,476,146	10.2

Horizontal Analysis Profit and Loss Account	2013		2012 Restated		2011		2010		2009 Restated		2008	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Sales - net	3,007,925	22.0	2,465,621	-16.3	2,944,907	11.7	2,636,538	12.9	2,334,752	20.8	1,933,344	4.4
Cost of Sales	1,777,264	23.4	1,440,368	-29.1	2,030,736	17.2	1,732,983	16.4	1,488,595	19.4	1,246,406	13.7
Gross Profit	1,230,661	20.0	1,025,253	12.2	914,171	1.2	903,555	6.8	846,157	23.2	686,938	-9.1
Distribution, Selling and Promotional Expenses	751,181	23.2	609,764	7.2	568,589	5.2	540,518	11.8	483,376	30.0	371,771	-14.9
Administrative and General Expenses	206,437	5.6	195,518	-0.1	195,733	21.5	161,148	0.3	160,668	12.7	142,506	2.0
Research and Development Expenses	3,880	-56.2	8,864	31.8	6,727	81.0	3,716	-46.5	6,945	-25.7	9,350	-12.3
Other Operating Expenses	31,746	43.3	22,149	3.3	21,450	97.2	10,876	-53.1	23,170	-14.6	27,131	98.5
	993,244	18.8	836,295	5.5	792,499	10.6	716,258	6.2	674,159	22.4	550,759	-8.3
	237,417	25.6	188,958	55.3	121,672	-35.0	187,298	8.9	171,998	26.3	136,179	-12.0
Other Operating Income	15,309	-16.5	18,331	-80.2	92,752	1103.4	7,708	-16.1	9,191	3.0	8,924	-13.0
	252,726	21.9	207,289	-3.3	214,424	10.0	195,005	7.6	181,189	24.9	145,103	-12.1
Finance Cost	20,424	-57.6	48,182	-31.5	70,371	-21.3	89,425	12.7	79,341	18.2	67,133	57.1
Profit Before Taxation	232,302	46.0	159,107	10.5	144,053	36.4	105,580	3.7	101,848	30.6	77,970	-36.2
Taxation	76,767	39.3	55,091	6.6	51,672	46.6	35,236	-2.4	36,085	143.0	14,848	-30.4
Profit After Taxation	155,535	49.5	104,016	12.6	92,381	31.3	70,344	7.0	65,763	4.2	63,122	-37.5

Vertical Analysis

Balance Sheet	2013		2012		2011		2010		2009		2008	
			Restated		Restated				Restated			
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Share Capital and Reserve	942,216	59.5	853,192	50.7	750,283	48.2	712,609	40.9	683,585	39.1	699,038	47.4
Non Current Liabilities												
Long term loan - secured	37,500	2.4	50,000	3.0	57,659	3.7	99,947	5.7	39,412	2.3	53,743	3.6
Liabilities against assets subject to finance lease	24,779	1.6	12,805	0.8	11,296	0.7	27,903	1.6	31,143	1.8	42,729	2.9
Long term advances	8,734	0.6	13,598	0.8	14,942	1.0	10,589	0.6	15,389	0.9	17,126	1.2
Deferred liabilities	267,232	16.9	296,469	17.6	279,245	17.9	249,517	14.3	211,736	12.1	143,020	9.7
Total Non Current Liabilities	338,245	21.4	372,872	22.1	363,142	23.3	387,956	22.3	297,680	17.1	256,618	17.4
Current Liabilities												
Trade and other payables	259,540	16.4	199,348	11.8	186,674	12.0	120,441	6.9	135,493	7.8	108,439	7.3
Liabilty for patent and trade mark	-	-	-	-	-	-	-	-	-	-	6,408	0.4
Mark-up payable on secured loans	1,715	0.1	6,589	0.4	10,436	0.7	20,544	1.2	18,452	1.1	16,063	1.1
Short term bank borrowings - secured	73	0.0	230,600	13.7	166,291	10.7	433,153	24.9	562,307	32.2	345,067	23.4
Current portion of long term liabilities	40,550	2.6	21,577	1.3	80,742	5.1	66,266	3.8	49,188	2.7	44,513	3.0
Total Current Liabilities	301,878	19.1	458,114	27.2	444,143	28.5	640,404	36.8	765,440	43.8	520,490	35.2
	1,582,339	100.0	1,684,178	100.0	1,557,568	100.0	1,740,969	100.0	1,746,705	100.0	1,476,146	100.0
Non Current Assets												
Property,plant and equipments	761,880	48.1	778,418	46.2	715,604	45.9	710,421	40.8	720,546	41.3	683,288	46.3
Intangible assets	80,553	5.1	98,413	5.8	111,844	7.2	129,099	7.4	58,018	3.3	66,492	4.5
Long Term Investment	-	-	-	-	-	-	-	-	-	-	10,000	0.7
Long Term deposits	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1
	843,995	53.3	878,393	52.2	829,010	53.2	841,082	48.3	780,126	44.7	761,342	51.6
Current Assets												
Stock in trade	557,767	35.2	606,595	36.0	518,480	33.3	640,845	36.8	700,500	40.1	449,901	30.5
Trade debts	63,517	4.0	72,532	4.3	55,270	3.5	43,544	2.5	36,989	2.1	140,987	9.6
Advances,deposits and prepayments	44,942	2.8	36,964	2.2	51,136	3.3	33,714	1.9	70,234	4.0	25,007	1.7
Other receivables	20,764	1.3	21,116	1.3	17,005	1.1	21,587	1.3	63,910	3.7	53,586	3.6
Income Tax-net	1,820	0.1	62,117	3.7	74,071	4.8	96,866	5.6	64,021	3.7	38,145	2.6
Cash and bank balances	49,534	3.1	6,462	0.4	12,596	0.8	63,331	3.6	30,925	1.7	7,178	0.4
	738,344	46.7	805,784	47.8	728,558	46.8	899,887	51.7	966,579	55.3	714,804	48.4
	1,582,339	100.0	1,684,178	100.0	1,557,568	100.0	1,740,969	100.0	1,746,705	100.0	1,476,146	100.0

Vertical Analysis Profit and Loss Account	2013		2012		2011		2010		2009		2008	
			Restated						Restated			
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Sales - net	3,007,925	100.0	2,465,621	100.0	2,944,907	100.0	2,636,538	100.0	2,334,752	100.0	1,933,344	100.0
Cost of Sales	1,777,264	59.1	1,440,368	58.4	2,030,736	69.0	1,732,983	65.7	1,488,595	63.8	1,246,406	64.5
Gross Profit	1,230,661	40.9	1,025,253	41.6	914,171	31.0	903,555	34.3	846,157	36.2	686,938	35.5
Distribution, Selling and Promotional Expenses	751,181	25.0	609,764	24.7	568,589	19.3	540,518	20.5	483,376	20.7	371,771	19.2
Administrative and General Expenses	206,437	6.9	195,518	7.9	195,733	6.6	161,148	6.1	160,668	6.9	142,506	7.4
Research and Development Expenses	3,880	0.1	8,864	0.4	6,727	0.2	3,716	0.1	6,945	0.3	9,350	0.5
Other Operating Expenses	31,746	1.1	22,149	0.9	21,450	0.7	10,876	0.4	23,170	1.0	27,131	1.4
	993,244	32.9	836,295	33.8	792,499	26.8	716,258	27.1	674,159	28.9	550,759	28.5
	237,417	8.0	188,958	7.7	121,672	4.1	187,298	7.2	171,998	7.3	136,179	7.0
Other Operating Income	15,309	0.5	18,331	0.7	92,752	3.1	7,708	0.3	9,191	0.4	8,924	0.5
	252,726	8.5	207,289	8.4	214,424	7.3	195,005	7.5	181,189	7.7	145,103	7.5
Finance Cost	20,424	0.7	48,182	2.0	70,371	2.4	89,425	3.4	79,341	3.4	67,133	3.5
Profit Before Taxation	232,302	7.8	159,107	6.4	144,053	4.9	105,580	4.1	101,848	4.3	77,970	4.0
Taxation	76,767	2.6	55,091	2.2	51,672	1.8	35,236	1.3	36,085	1.5	14,848	0.8
Profit After Taxation	155,535	5.2	104,016	4.2	92,381	3.1	70,344	2.8	65,763	2.8	63,122	3.2

Pattern of Shareholding
as at December 31, 2013

Sr. #	No of Shareholders	Shareholding		Total Shares Held
		From	To	
1	1153	1	100	48,902
2	813	101	500	207,856
3	513	501	1000	426,019
4	251	1001	5000	566,585
5	45	5001	10000	319,899
6	19	10001	15000	237,971
7	5	15001	20000	90,878
8	1	20001	25000	25,000
9	2	25001	30000	53,282
10	5	30001	35000	161,882
11	2	35001	45000	82,668
12	2	45001	65000	121,228
13	2	65001	75000	146,157
14	2	75001	80000	156,010
15	1	80001	85000	82,500
16	1	85001	95000	92,468
17	1	95001	100000	96,684
18	1	100001	110000	107,879
19	1	110001	160000	157,161
20	1	160001	170000	167,100
21	1	170001	190000	189,900
22	1	190001	200000	200,000
23	1	200001	275000	274,420
24	1	275001	290000	288,443
25	1	290001	465000	461,276
26	1	465001	485000	484,286
27	1	485001	505000	505,000
28	1	505001	525000	523,756
29	1	525001	575000	574,056
30	1	575001	740000	736,552
31	1	740001	790000	789,682
32	1	790001	800000	800,000
33	1	800001	1050000	1,038,897
34	1	1050001	1275000	1,127,104
35	1	1275001	1280000	1,275,881
36	2	1280001	1340000	2,661,257
37	2	1340001	1520000	2,901,878
Total	2840			18,180,517

Pattern of Shareholding

as at December 31, 2013

Categories of Shareholders	No. of Shareholders	No. of Shares Held	Percentage
Directors, CEO and their Spouse and Minor Children			
Mr. Tausif Ahmad Khan	1	1,386,502	7.63%
Mr. Anees Ahmad Khan	1	613	0.00%
Mr. Ghulam Hussain Khan	1	523,756	2.88%
Mr. Shazib Masud	1	500	0.00%
Mr. Taufiq Ahmed Khan	1	1,321,257	7.27%
Mst. Siddiqa Begum	1	872	0.00%
Mrs. Zainub Abbas	1	800,000	4.40%
Mrs. Saweela Anees Khan	1	484,286	2.66%
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	3	461,510	2.54%
Banks, Development Financial Institutions, Non Banking Financial Institutions, Joint Stock Companies & Trusts	33	347,282	1.91%
Insurance Companies	4	815,078	4.48%
Modarabas and Mutual Funds	3	8,710	0.05%
*Shareholders holding 5%	-	-	-
Non-Resident Companies	2	1,515,412	8.34%
General Public			
a. Local	2768	10,177,757	55.98%
b. Foreign	19	336,982	1.85%
Others	-	-	-
TOTAL	2840	18,180,517	100%

*Shareholders holding five percent or more of the total capital

Pharmatec Investment Limited	1,515,376	8.34%
Mr. Tausif Ahmad Khan	1,386,202	7.62%
Mr. Tauqeer Ahmed Khan	1,275,881	7.02%
Mr. Taufiq Ahmed Khan	1,321,257	7.27%
Mr. Jawaid Tariq Khan	1,127,104	6.20%
Mrs. Nosheen Riaz Khan	1,038,897	5.71%
Ms. Amina Wadalawala	1,340,000	7.37%

Statement of Compliance

with Best Practices of the Code of Corporate Governance

This Statement is being presented to comply with the Code of Corporate Governance contained in the listing regulation of Karachi, Lahore and Islamabad Stock Exchanges 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. At present the board includes:

Category	Names
Non-Executive Directors	Mr. Tausif Ahmad Khan
	Mr. Ghulam Hussain Khan
	Mr. Taufiq Ahmed Khan
	Mst. Siddiqa Begum
	Mrs. Zainub Abbas
Executive Director	Mr. Anees Ahmad Khan
Independent Director	Mr. Shazib Masud

The independent director meets the criteria of independence under clause i(b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including Highnoon Laboratories Limited.

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

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

6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the Board/ shareholders.

Statement of Compliance
with Best Practices of the Code of Corporate Governance

7. The meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the Board for this purpose 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.

8. The board arranged two training programs for its directors during the year.

9. The Board approved appointment, remuneration and terms and conditions of employment of Chief Financial Officer, Company Secretary and the head of Internal Audit. However, there were no new appointments of CFO. Company Secretary and head of Internal Audit during the year.

10. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

12. 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.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an Audit Committee. It comprises of three members including the Chairman, who is an independent Director, rest of the two are non-executive directors.

15. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been fully complied with.

16. The board has formed an HR and Remuneration Committee. The Committee comprises of three members, of whom two are non-executive directors. The Chairman of the committee is a non-executive director.

17. The Board has set-up an effective internal audit function and the internal auditors of the Company are considered suitably qualified and experienced for the purpose and are fully conversant with the policies and procedures of the Company and working on a full time basis.

18. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. 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 the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

22. We confirm that all other material principles enshrined in the Code have been complied with.

For and on Behalf of the Board

Lahore:
18 March 2014

Baqar Hasan
Chief Executive Officer

Review Report to the Members

on Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Highnoon Laboratories Limited to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of Islamabad Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's statement on internal controls covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, sub-regulation (xiii) of Listing Regulation No. 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justifications for using such alternate pricing mechanism. Further, all such transactions also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before 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 of Corporate Governance as applicable to the Company for the year ended 31 December 2013.

Chartered Accountants

Lahore:
18 March 2014

Engagement Partner:
Naseem Akbar

Financial Statements

for the year ended 31 December 2013

Auditors' Report
to the Members

We have audited the annexed balance sheet of Highnoon Laboratories Limited (the Company) as at 31 December 2013 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 accounts 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 accounts and are further in accordance with accounting policies consistently applied except for changes as stated in Note 2.3 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, give 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 2013 and of the profit, 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.

Chartered Accountants
Engagement Partner: Naseem Akbar

Lahore: 18 March 2014

Balance Sheet

	Note	2013 Rupees	2012 Rupees Restated	2011 Rupees Restated
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorized share capital				
20,000,000 (2012: 20,000,000) Ordinary shares of Rs. 10 each		200,000,000	200,000,000	200,000,000
Share capital	6	181,805,170	181,805,170	181,805,170
Revenue reserves		533,568,145	438,931,431	385,324,407
		715,373,315	620,736,601	567,129,577
Surplus on revaluation of fixed assets	7	226,842,522	232,455,404	183,153,055
Non-current liabilities				
Long term loan - secured	8	37,500,000	50,000,000	57,659,470
Liabilities against assets subject to finance lease	9	24,778,541	12,805,239	11,296,272
Long term advances	10	8,734,244	13,597,545	14,942,278
Deferred liabilities	11	267,232,781	296,468,613	279,245,181
		338,245,566	372,871,397	363,143,201
Current liabilities				
Trade and other payables	12	259,539,592	199,348,127	186,673,545
Mark up payable on secured loans	13	1,714,617	6,588,896	10,436,070
Short term borrowings - secured	14	73,203	230,599,758	166,291,136
Current portion of long term liabilities	15	40,550,058	21,577,392	80,742,402
		301,877,470	458,114,173	444,143,153
		640,123,036	830,985,570	807,286,354
TOTAL EQUITY AND LIABILITIES		1,582,338,873	1,684,177,575	1,557,568,986
CONTINGENCIES AND COMMITMENTS	16			

The annexed notes from 1 to 44 form an integral part of these financial statements.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

As at 31 December 2013

	Note	2013 Rupees	2012 Rupees Restated	2011 Rupees Restated
ASSETS				
Non- current assets				
Property, plant and equipment	17	761,880,224	778,418,155	715,604,221
Intangible assets	18	80,552,715	98,412,922	111,843,817
Long term deposits		1,562,054	1,562,054	1,562,054
		843,994,993	878,393,131	829,010,092
Current assets				
Stock in trade	19	557,766,682	606,594,516	518,480,424
Trade debts	20	63,517,462	72,531,970	55,269,355
Advances, deposits and prepayments	21	44,942,404	36,963,660	51,136,092
Other receivables	22	20,763,844	21,115,507	17,005,240
Income tax - net		1,820,196	62,116,700	74,070,798
Cash and bank balances	23	49,533,292	6,462,091	12,596,985
		738,343,880	805,784,444	728,558,894
TOTAL ASSETS		1,582,338,873	1,684,177,575	1,557,568,986

ANEES AHMAD KHAN
DIRECTOR

Profit and Loss Account
for the year ended 31 December 2013

	Note	2013 Rupees	2012 Rupees Restated
Sales - net	24	3,007,924,648	2,465,620,979
Cost of sales	25	1,777,264,097	1,440,368,328
Gross profit		1,230,660,551	1,025,252,651
Distribution, selling and promotional expenses	26	751,181,459	609,764,247
Administrative and general expenses	27	206,435,939	195,517,408
Research and development expenses	28	3,880,187	8,863,828
Other operating expenses	29	31,745,545	22,149,046
		993,243,130	836,294,529
		237,417,421	188,958,122
Other income	30	15,308,665	18,330,727
		252,726,086	207,288,849
Finance cost	31	20,424,178	48,182,492
Profit before taxation		232,301,908	159,106,357
Taxation	32	76,766,703	55,090,267
Profit after taxation		155,535,205	104,016,090
Earnings per share - basic and diluted	33	8.56	5.72

The annexed notes from 1 to 44 form an integral part of these financial statements.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Statement of Comprehensive Income

for the year ended 31 December 2013

	2013 Rupees	2012 Rupees Restated
Profit after tax for the year	155,535,205	104,016,090
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-	-
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial losses on defined benefit plans	(6,311,278)	(1,011,543)
Income tax effect	2,145,835	354,040
Total other comprehensive income, net of tax	(4,165,443)	(657,503)
Total comprehensive income for the year	151,369,762	103,358,587

Surplus arising on 'revaluation of fixed assets' is presented under a separate head below equity as 'surplus on revaluation of assets' in accordance with the requirements specified by the Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O.45(I)/2003 dated 13 January 2003 and section 235 of Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 44 form an integral part of these financial statements.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Cash Flow Statement
for the year ended 31 December 2013

	2013 Rupees	2012 Rupees Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	232,301,908	159,106,357
Adjustments for non-cash and other items:		
Depreciation	77,033,678	64,505,732
Amortization of intangible assets	18,006,669	17,736,510
Gain on disposal of property, plant and equipment	(12,485,600)	(15,706,280)
Exchange loss	11,989,923	9,363,745
Provision for defined benefit obligation	39,436,697	44,983,980
Finance cost	20,424,178	48,182,492
	154,405,545	169,066,179
Profit before working capital changes	386,707,453	328,172,536
Working capital changes		
(Increase)/decrease in current assets:		
Stock in trade	48,827,834	(88,114,092)
Trade debts	9,014,508	(17,262,615)
Advances, deposits and prepayments	(7,978,744)	14,172,432
Other receivables	351,663	(4,110,267)
Increase/(decrease) in current liabilities:		
Trade and other payables	46,360,070	(2,718,046)
	96,575,331	(98,032,588)
Cash generated from operations	483,282,784	230,139,948
Taxes paid	(50,644,919)	(40,976,283)
Gratuity paid	(37,377,364)	(52,370,733)
Finance cost paid	(21,379,082)	(48,546,379)
Long term advances - net	(3,446,470)	(18,368,721)
Net cash from operating activities	370,434,949	69,877,832

	Note	2013 Rupees	2012 Rupees Restated
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(40,714,378)	(49,316,316)
Intangible assets acquired		(146,462)	(4,305,615)
Proceeds from disposal of property, plant and equipment		29,506,724	31,243,564
Net cash used in investing activities		(11,354,116)	(22,378,367)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities - net		(23,692,738)	(19,483,549)
Long term loan obtained		-	50,000,000
Long term loan repayment		-	(99,946,763)
Increase/(decrease) in short term borrowings - net		(230,526,555)	64,308,622
Dividend paid		(61,790,339)	(48,512,669)
Net cash used in financing activities		(316,009,632)	(53,634,359)
Net increase/(decrease) in cash and cash equivalents		43,071,201	(6,134,894)
Cash and cash equivalents at beginning of the year		6,462,091	12,596,985
Cash and cash equivalents at end of the year	23	49,533,292	6,462,091

The annexed notes from 1 to 44 form an integral part of these financial statements.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Statement of Changes in Equity

for the year ended 31 December 2013

	Share capital	Revenue reserves			Total
		General reserve	Unappropriated profit	Sub total	
			Rupees		
Balance as at 01 January 2012 - as previously reported	181,805,170	114,000,000	284,712,812	398,712,812	580,517,982
Effect of change in accounting policy (Note 4.3)	-	-	(13,388,405)	(13,388,405)	(13,388,405)
Balance as at 01 January 2012 - restated	181,805,170	114,000,000	271,324,407	385,324,407	567,129,577
Final dividend @ Rs. 3.00 per share for the year ended 31 December 2011	-	-	(54,541,551)	(54,541,551)	(54,541,551)
Incremental depreciation relating to surplus on revaluation of fixed assets - net	-	-	4,789,988	4,789,988	4,789,988
Total comprehensive income for the year - restated	-	-	103,358,587	103,358,587	103,358,587
Balance as at 31 December 2012 - restated	181,805,170	114,000,000	324,931,431	438,931,431	620,736,601
Final dividend @ Rs. 3.50 per share for the year ended 31 December 2012	-	-	(63,631,810)	(63,631,810)	(63,631,810)
Incremental depreciation relating to surplus on revaluation of fixed assets - net	-	-	6,898,762	6,898,762	6,898,762
Total comprehensive income for the year	-	-	151,369,762	151,369,762	151,369,762
Balance as at 31 December 2013	181,805,170	114,000,000	419,568,145	533,568,145	715,373,315

The annexed notes from 1 to 44 form an integral part of these financial statements.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Notes to The Financial Statements
for the year ended 31 December 2013

1. THE COMPANY, OPERATIONS AND REGISTERED OFFICE

Highnoon Laboratories Limited ("the Company") was incorporated as a private limited company in Pakistan in year 1984 and converted into an unquoted public limited company in 1985. Its shares are quoted on all stock exchanges in Pakistan since November 1994. The Company is principally engaged in the manufacture, import, sale and marketing of pharmaceutical and allied consumer products. The registered office of the Company is situated at 17.5 Km, Multan Road, Lahore.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

2.1 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 (IASB) 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.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for revaluation of certain assets as referred to in note 17 and recognition of certain employees retirement benefits at present value. In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

2.3 New and amended standards and interpretations became effective during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of previous financial year except the following new/revised standards, amendments and interpretations to accounting standards that became effective during the year:

IAS 1	-	Presentation of Items of Other Comprehensive Income (OCI)
IFRS 7	-	Financial Instruments : Disclosures – (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities.
IAS 19	-	Employee Benefits -(Amendment) Significant changes have been made in the requirements of IAS 19-Employee Benefits.
IFRIC 20	-	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above amendments did not have any effect on the financial statements except changes in accounting policy relating to defined benefit plan as disclosed in Note 4.3.

2.4 Functional and presentation currency

These financial statements are presented in Pak rupee, which is also the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

3.1 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

	Notes
- staff retirement benefits	4.3
- property, plant and equipment	4.6
- amortization	4.7
- impairment	4.13
- taxation	4.17
- provisions	4.21

3.2 Change in estimate

The Company has changed its estimate regarding useful life of office equipment starting from 2013 based on its historical experience of rapid changes in technology and physical obsolescence of the assets. The rate of depreciation on office equipment has been changed from 10% to 25% starting from 01 January 2013. This change has been accounted for as a change in accounting estimate whereby current and future periods are corrected. Had there been no change in accounting estimate, the depreciation charge for the period would have been lower by Rs. 4,075,963 while carrying value of property, plant and equipment and profit before tax would have been higher by the same amount. Due to impracticability, the future impact is not disclosed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as mentioned in note 2.3.

4.2 Segment reporting

The key financial decision maker consider the whole business as one operating segment.

4.3 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for all of its permanent employees joined on or before 19 March 2013, under which benefits are paid on cessation of employment subject to a minimum qualifying period of service.

Qualified actuaries have carried out the valuation as at 31 December 2013. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2013	2012
- Discount rate	12.50%	11% p.a
- Expected rate of increase in salary	10.50%	10% p.a
- Expected average remaining working life time	9 years	14 years

Until 31 December 2012, the Company's policy with regard to actuarial gains/losses was to follow corridor approach under IAS 19 "Employees Benefits" by which actuarial gains/losses exceeding 10 % of present value of benefit obligation were amortized over a period of five years.

However the Company has adopted the amendments in IAS 19 ranges from fundamental changes to simple clarification and rewording. The significant changes to IAS 19 include the following:

For defined benefit plans, the ability to defer recognition of actuarial gain and losses (i.e. the corridor approach has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit & loss are limited to current and past service cost, gains or losses on settlements, and net interest income (expense). All other changes in net defined benefit assets (liabilities) are recognized in other comprehensive income with no subsequent recycling to profit and loss account.

The distinction between short term and other long term employee benefits will be based on the expected timing of settlement rather than the employees entitlement to benefits.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard-8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been restated.

	For the year ended 31 December	
	2013 Rupees	2012 Rupees
Net increase in deferred liabilities	17,596,822	13,431,379
Decrease in opening un-appropriated profit	13,431,379	13,388,405
Decrease in other comprehensive income	4,165,443	657,503
Increase in profit after tax	-	(614,529)
Net decrease in equity	17,596,822	13,431,379

Defined contribution plan

The Company also operates a recognized provident fund scheme for all of its permanent employees in accordance with the trust deed and rules made there under. Equal monthly contributions are made to the fund by the Company and employees at the rate of 8.33% of basic salary and cost of living allowance.

Compensated leave absences

Provision for compensated absences is made to the extent of value of accumulated accrued leaves / leave fare assistance of the employees at the balance sheet date as per entitlement on the basis of last drawn salary. A maximum of 10 unavailed leaves are allowed to be carried forward for a maximum of one year.

4.4 Foreign currency translation

All monetary assets and liabilities in foreign currency are translated at the rates of exchange prevailing on the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Transactions in foreign currencies are converted into Pak rupees at exchange rates prevailing on the date of transaction. All exchange gains/losses on foreign currency transactions are taken to profit and loss account.

4.5 Trade and other payables

Trade and other payables are initially carried at fair value and subsequently at amortized cost using effective interest rate method.

4.6 Property, plant and equipment

Owned operating assets

These are stated at cost or revalued amount less accumulated depreciation and impairment except for freehold land, which is stated at revalued amount. Revaluation is carried out every five years unless earlier revaluation is necessitated.

Deprecation is charged on reducing balance method at the rates in note 17.1 to write off the cost / revalued amount of an asset over its estimated useful life. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Full month's depreciation is charged on additions, while no depreciation is charged in the month of disposal or deletion of assets. Surplus on revaluation of fixed assets relating to incremental depreciation (net of deferred taxation) is transferred directly to unappropriated profit.

Gains and losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to Unappropriated profit.
Normal repairs and maintenance is charged to profit and loss account as and when incurred, while major renewals and replacements are capitalized if it is probable that the respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and assets so replaced, if any, are retired.

Leasehold assets

Leases, where all the risks and rewards incidental to ownership of the leased assets have been transferred to the Company, are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets at the commencement of lease, less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 9. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to produce a constant periodic rate of interest on the balance outstanding. The interest element of the rental is charged to profit and loss account over the lease term.

Assets acquired under finance lease are depreciated over the useful lives of assets on reducing balance method at the rates given in note 17.1. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Depreciation of leased assets is charged to profit and loss account. Depreciation on additions in leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off/transferred to freehold assets.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss and includes the expenditures on material, labour and appropriate overheads directly relating to the project. These costs are transferred to fixed assets as and when assets are available for intended use.

4.7 Intangible assets

Intangible assets includes Intellectual Property, Rights, Trademarks and Software, which are non-monetary assets without physical substance. These are recognized at cost, which comprises its purchase price, non-refundable purchase taxes and any directly attributable expenditures.

After initial recognition, an intangible asset is carried at its cost less accumulated amortization and any identified impairment loss. Amortization is charged to the profit and loss account on monthly basis by following the straight line method over a maximum period of ten years. Amortization on additions is charged from the month when the asset is put to use, while for disposals, no amortization is charged in the month of disposal.

At each financial year end, the Company reviews the recoverable amounts of intangible assets to assess impairment loss. If such indication exists, impairment losses are recognized as an expense.

Subsequent expenditures on intangible assets are recognized as an expense when it is incurred unless the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance.

4.8 Borrowing costs

Finance cost on long term liabilities / lease liabilities which are specifically obtained for the acquisition of qualifying assets i.e. assets that take a substantial period of time to get ready for their intended use, are capitalized up to the date of commissioning of respective asset. All other interest, mark-up and expenses are charged to profit and loss account in the period in which they are incurred.

4.9 Stores and spares

These are valued at moving average cost and charged to profit and loss as consumed.

4.10 Stock in trade

These are valued at the lower of cost and net realizable value. Cost is determined using the following basis :

Raw materials	-	on moving average
Work-in-process	-	at estimated manufacturing cost including appropriate overheads
Finished goods		
- Imported	-	on moving average
- Local	-	on annual average manufacturing cost including appropriate overheads
Merchandise in transit/pledged	-	at invoice value plus other charges incurred thereon

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

4.11 Trade debts

These are initially carried at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at amortized cost less impairment loss, if any. A provision for impairment of trade debts is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivable.

4.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balance with banks in current accounts.

4.13 Impairment

The carrying amount of the assets except for inventories are reviewed at each balance sheet date to identify the circumstances indicating the occurrence of impairment loss or reversal of previously recognized impairment losses. If any such indication exists, the recoverable amount of such asset is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Where an impairment loss subsequently reverses, the carrying amount of such asset is increased to the extent that it does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss has been charged. A reversal of the impairment loss is recognized in income.

4.14 Revenue recognition

Revenue from local sales is recognized when risk and reward incidental to ownership are transferred i.e. on dispatch of goods to the customers. Export goods are considered dispatched when bill of lading is prepared for shipment to customers.

Service income is recognized when related services are rendered.

Return on bank deposits is accounted for on time proportion basis and other income is recognized on accrual basis.

4.15 Transactions with related parties and transfer pricing

The Company under the direction of Securities and Exchange Commission of Pakistan's Notification SRO 66(I)/ 2003 dated 22 January 2003 adopted the following policies of transfer pricing for the determination of arm's length prices with subsidiary company/associated companies/related parties except for the assets sold to employees at written down value under the employee's car scheme as approved by the Board of Directors.

-	Associated companies / related parties	Cost plus method

Parties are said to be related, if they are able to influence the operating and financial decisions of the Company and vice versa.

4.16 Research and development cost

These costs are charged to profit and loss account as and when incurred, except for any development costs which are recognized as intangible assets when it is probable that the development project will be a success and certain criteria, including commercial and technological feasibility have been met.

4.17 Taxation

Income tax on profit and loss for the year comprises current and deferred tax.

Current

The charge for current taxation is based on taxable income for the year determined in accordance with Income Tax Ordinance, 2001 and prevailing tax rates after taking into account applicable tax credits and rebates, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is calculated at the rates that are expected to apply to the period when differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in profit and loss account except for deferred tax asset/liability arising on deficit/surplus on revaluation of fixed assets and other comprehensive income which is adjusted against the related surplus and recognised in other comprehensive income respectively as per the requirements of revised IAS 12 “Income Taxes”.

4.18 Dividend

Dividend to shareholders is recognized as a liability in the period in which it is approved.

4.19 Financial instruments

These comprise financial assets and financial liabilities. Significant financial assets include trade debts, advances and deposits, other receivables and cash and bank balances. Significant financial liabilities include borrowings, trade and other payables, liabilities in respect of leased assets and mark up payable on bank borrowings.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value. The Company derecognizes the financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statement associated with each item.

4.20 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to offset the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

4.21 Provisions

A provision is recognized when the Company has a present, legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate can be made.

5. Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following revised 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)
IAS 32	-	Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IAS 36	-	Recoverable Amount for Non - Financial Assets (Amendment)	01 January 2014
IAS 39	-	Novation of Derivatives and Continuation of Hedge Accounting	01 January 2014
IFRIC 21	-	Levies	01 January 2014

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

			IASB effective date (Annual periods beginning on or after)
IFRS 9	-	Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10	-	Consolidated Financial Statements	01 January 2013
IFRS 11	-	Joint Arrangements	01 January 2013
IFRS 12	-	Disclosure of Interests in Other Entities	01 January 2013
IFRS 13	-	Fair Value Measurement	01 January 2013

6. Share Capital

	Note	2013 Rupees	2012 Rupees
Issued, subscribed and paid - up			
5,905,000 (2012: 5,905,000) ordinary shares of Rs. 10 each fully paid in cash		59,050,000	59,050,000
95,000 (2012: 95,000) ordinary shares of Rs.10 each issued for consideration other than cash	6.1	950,000	950,000
12,180,517 (2012: 12,180,517) ordinary shares of Rs. 10 each issued as bonus shares		121,805,170	121,805,170
		181,805,170	181,805,170

6.1 This represents the issuance of shares against the purchase of plant and machinery and other assets.

Notes to The Financial Statements
for the year ended 31 December 2013

		Note	2013 Rupees	2012 Rupees
7.	**SURPLUS ON REVALUATION OF FIXED ASSETS**			
	Surplus on revaluation of fixed assets as at 01 January		277,461,222	208,945,300
	Addition during the year		-	75,885,134
	Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit			
	Net of deferred tax		(6,898,762)	(4,789,988)
	Related deferred tax liability		(3,553,907)	(2,579,224)
			(10,452,669)	(7,369,212)
	Surplus on revaluation of fixed assets as at 31 December		267,008,553	277,461,222
	Less related deferred tax liability on:			
	Balance at the beginning of the year		45,005,818	25,792,245
	Addition during the year		-	21,792,797
	Effect of reduction in tax rate		(1,285,880)	-
	Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		(3,553,907)	(2,579,224)
		11.1	40,166,031	45,005,818
			226,842,522	232,455,404

7.1 This represent surplus arising on revaluation of freehold land , building on freehold land, plant and machinery both owned and leased carried out in 1995, 1999, 2004, 2007 and 2012. This has been adjusted by incremental depreciation arising due to revaluation net of deferred tax. The latest revaluation of land, building on freehold land and plant and machinery was carried out on 31 December 2012 by M/S Surval which resulted in a surplus of Rs. 75,885,134.

		Note	2013 Rupees	2012 Rupees
8.	**LONG TERM LOAN - SECURED**			
	Habib Bank Limited - Term Loan	8.1	50,000,000	50,000,000
	Less: Current portion shown under current liabilities	15	12,500,000	-
			37,500,000	50,000,000

8.1 This loan has been obtained to finance the expansion of production facility and carries mark-up at the rate of three months KIBOR plus 1.50% per annum (2012 : KIBOR plus 1.50% per annum) . The effective mark-up charged during the year was 10.95% (2012: 10.95%) of outstanding loan facility. The loan is repayable in 16 quarterly installments starting after 15 months grace period from date of draw down. This loan along with working capital facilities provided by the bank are secured by way of first pari passu charge for Rs. 362 million on fixed assets and first joint pari passu hypothecation charge of Rs. 230 million on stocks including but not limited to raw materials, medicines, goods in process and finished goods of the Company.

	Note	2013 Rupees	2012 Rupees
9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		44,997,599	27,968,462
Less: Current portion shown under current liabilities	15	20,219,058	15,163,223
		24,778,541	12,805,239

	Minimum lease payments	Finance cost for future periods Rupees	Principal outstanding
		2013	
Not later than one year	24,209,119	3,990,061	20,219,058
Later than one year but not later than five years	26,959,334	2,180,794	24,778,540
	51,168,453	6,170,855	44,997,598
		2012	
Not later than one year	17,770,521	2,607,298	15,163,223
Later than one year but not later than five years	14,000,804	1,195,565	12,805,239
	31,771,325	3,802,863	27,968,462

	2013	2012
Salient features of the leases are as follows:		
Discounting factor	11.30%-12.80%	14.50%-16.50%
Period of lease	36 months	36 months
Security deposits	5%-10%	5%-10%

The Company has entered into finance lease arrangements with various financial institutions for lease of plant and machinery and vehicles as shown in note 17.1. The liabilities under these arrangements are payable in monthly installments and above mentioned mark-up rates are used as discounting factor to determine the present value of minimum lease payments.

All lease agreements carry renewal option at the end of lease period and the Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the leased assets has already been paid at the inception of the lease in the form of security deposit. There are no financial restrictions imposed by lessor. Taxes, repairs, replacements and insurance costs are borne by the lessee.

		Note	2013 Rupees	2012 Rupees
10.	**LONG TERM ADVANCES**			
	Balance at 31 December		16,565,244	20,011,714
	Less: Current portion	15	7,831,000	6,414,169
			8,734,244	13,597,545

These represent advances taken from employees against future sale of vehicles as per the Company's policy.

		Note	2013 Rupees	2012 Rupees Restated
11.	**DEFERRED LIABILITIES**			
	Taxation	11.1	75,645,030	113,251,473
	Gratuity	11.2	191,587,751	183,217,140
			267,232,781	296,468,613
11.1	**Taxable/(deductible) temporary differences arising in respect of:**			
	Surplus on revaluation of assets	7	40,166,031	45,005,818
	Accelerated tax depreciation		75,544,083	89,085,759
	Finance lease		2,589,790	4,004,302
	Provision for doubtful debts		(353,565)	(363,963)
	Provision for gratuity		(42,301,309)	(24,480,443)
			75,645,030	113,251,473
11.2	**The net value of un-funded defined benefit obligation as at valuation date was as follows:**			
	Present value of defined benefit obligation		191,453,615	183,147,140
	Benefits due but not paid		134,136	70,000
	Net liability as at 31 December		191,587,751	183,217,140
11.2.1	**The following is movement in the net recognized liability for gratuity:**			
	Liability as at 01 January-as restated		183,147,140	188,823,998
	Amount recognized during the year	11.2.2	39,436,697	44,983,980
	Actuarial (gains) / losses recognized during the year		6,311,278	1,011,543
	Benefits due but not paid		(134,136)	(70,000)
	Benefit payments made by the Company		(37,307,364)	(51,602,381)
	Liability as at 31 December		191,453,615	183,147,140

	2013 Rupees	2012 Rupees Restated
11.2.2 The following amounts have been charged to profit and loss account during the year in respect of gratuity scheme:		
Current service cost	19,290,512	21,380,980
Interest cost	20,146,185	23,603,000
	39,436,697	44,983,980

11.2.3 Historical information for gratuity plan

	2013	2012	2011	2010	2009
			Rupees		
Present value of defined benefit obligation	191,453,615	183,147,410	188,823,998	159,003,810	132,771,040
Experience adjustment arising on plan liabilities (surplus)/deficit	6,311,278	1,011,543	(1,649,876)	3,184,301	(5,348,203)

11.2.4 Sensitivity Analysis

Significant assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	2013 Rupees
Discount rate + 100 bps	175,312,488
Discount rate - 100 bps	210,051,211
Salary increase + 100 bps	210,230,541
Salary increase - 100 bps	174,900,831

	Note	2013 Rupees	2012 Rupees
12. TRADE AND OTHER PAYABLES			
Trade creditors		104,772,818	71,876,980
Bills payable		7,813,371	9,172,474
Advances from customers	12.1	19,203,924	23,090,485
Accrued expenses		104,658,910	68,570,239
Income tax deducted at source		2,657,871	2,931,288
Workers' Profit Participation Fund	12.2	2,133,557	8,324,918
Payable to Central Research Fund		2,347,563	1,468,567
Payable to Provident Fund Trust		2,773,897	2,588,463
Unclaimed dividends		12,907,605	11,066,134
Payable to Employees Welfare Trust		270,076	258,579
		259,539,592	199,348,127

12.1 This includes a balance amounting to Rs. 289,618 (2012: Rs. 925,936) due to Route-2, an associated company.

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for the year ended 31 December 2013

		Note	2013 Rupees	2012 Rupees
12.2	**Workers' Profit Participation Fund**			
	Balance at the beginning of the year		8,324,918	7,832,389
	Add: Provision for the year	30	12,226,410	8,324,918
			20,551,328	16,157,307
	Add: Interest on funds utilized by the Company	31	238,104	81,902
			20,789,432	16,239,209
	Less: Paid during the year to the trustees of the fund		18,655,875	7,914,291
			2,133,557	8,324,918

Mark-up @ 22.50% (2012: 18.75%) per annum is provided on unpaid balance of the fund in accordance with the rules of the Fund.

		Note	2013 Rupees	2012 Rupees
13.	**MARK UP PAYABLE ON SECURED LOANS**			
	On long term loan		1,512,329	390,000
	On short term borrowings		202,288	6,198,896
			1,714,617	6,588,896
14.	**SHORT TERM BORROWINGS - SECURED**			
	Running finance	14.1&14.2	73,203	230,599,758

14.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 660 million (2012: Rs. 655 million) .These facilities have various maturity dates up to 31 October 2014 and renewable on the date of maturity. These facilities carry mark-up rates ranging from one month KIBOR to six months KIBOR plus 100 to 150 basis points (2012: one month KIBOR to six months KIBOR plus 100 to 150 basis points) per annum. These facilities along with import credit facility are secured by way of first pari passu charge for Rs. 532 million on fixed assets and first joint pari passu hypothecation charge of Rs. 693 million on stocks including but not limited to raw materials, medicines, goods in process and finished goods of the Company.

14.2 Out of total borrowing facility, an amount of Rs.50,000,000 (2012:Rs. 50,000,000) represents Export Refinance Facility obtained from a commercial bank under SBP regulations at a subsidized mark up rate of 9.5% (2012:9.5%) per annum.

14.3 The Company also has aggregate sanctioned import credit facilities negotiated with various banks amounted to Rs.275 million (2012: Rs. 275 million). These facilities carry mark-up rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2012: one month KIBOR to six months KIBOR plus 125 to 150 basis points) per annum. These available facilities are secured by way of joint pari passu, ranking hypothecation charge over present and future current assets of the Company and lien on export documents or firm contracts and have various maturity dates.

		Note	2013 Rupees	2012 Rupees
15.	**CURRENT PORTION OF LONG TERM LIABILITIES**			
	Long term loan	8	12,500,000	-
	Liabilities against assets subject to finance lease	9	20,219,058	15,163,223
	Long term advances	10	7,831,000	6,414,169
			40,550,058	21,577,392

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- While finalizing income tax assessments for the tax year 2010, income tax authorities made certain add backs with aggregate tax impact of Rupees 21,488,081. The Company has filed appeal before Commission Inland Revenue (Appeals) who has upheld the add backs against which the Company has filed the appeal before Income Tax Appellate Tribunal which is pending for adjudication, pending finalization of appeal, no provision has been made by the Company, as the management expects a favorable outcome of such appeal.

- While finalizing income tax assessments for the tax year 2009, income tax authorities made certain add backs with aggregate tax impact of Rupees 12,933,208. The Company has filed appeal before Commission Inland Revenue (Appeals) who has upheld the add backs against which the Company has filed the appeal before Income Tax Appellate Tribunal which is pending for adjudication, pending finalization of appeal, no provision has been made by the Company, as the management expects a favorable outcome of such appeal.

- Bank guarantees issued on behalf of the Company aggregate to Rs. 4.620 million (2012: Rs 4.620 million).

- The Company has not acknowledged the demand relating to sales tax/central excise duty amounting to Rs.12.057 million (2012: Rs. 12.057 million) as debt as the matter is pending for adjudication. An amount of Rs. 10.086 million (2012: Rs. 10.086 million) has been deposited under protest and is shown under other receivables in note 22.

- Facilities of letters of guarantee amounting to Rs. 20 million (2012: Rs. 20 million) are available to the Company under hypothecation/pledge of stocks and on present and future current assets and property, plant and equipment of the Company.

		Note	2013 Rupees	2012 Rupees
16.2	**Commitments**			
	Commitments against irrevocable letters of credit include:			
	Raw materials		164,456,000	110,085,000
	Packing materials		44,858,000	15,866,000
	Furniture		-	6,141,000
17.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating assets (owned)	17.1	694,898,950	725,775,250
	Operating assets (leased)	17.1	52,614,628	39,409,323
	Capital work-in-progress	17.2	14,366,646	13,233,582
			761,880,224	778,418,155

17.1 Operating assets owned and leased

Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

	Year ended 31 December 2013															
	Total operating fixed assets - owned												Assets subject to finance lease			Total operating fixed assets
	Land freehold	Building on freehold land	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric and gas appliances	Office equipment	Vehicles	Library books	Neon sign	Arms and ammunition	Total operating fixed assets - owned	Plant and machinery	Vehicles	Total assets subject to finance lease	
	Rupees															
At 01 January 2013																
Cost / revalued amount	163,440,000	317,879,205	664,747,241	20,555,090	14,490,658	24,537,497	52,833,100	91,399,010	52,806	204,990	166,100	1,350,305,697	-	52,118,486	52,118,486	1,402,424,183
Accumulated depreciation	-	149,902,205	362,702,241	7,237,117	8,598,329	15,414,600	25,183,166	55,245,084	49,360	97,918	100,427	624,530,447	-	12,709,163	12,709,163	637,239,610
Net book value	163,440,000	167,977,000	302,045,000	13,317,973	5,892,329	9,122,897	27,649,934	36,153,926	3,446	107,072	65,673	725,775,250	-	39,409,323	39,409,323	765,184,573
Movement during the year																
Opening net book value	163,440,000	167,977,000	302,045,000	13,317,973	5,892,329	9,122,897	27,649,934	36,153,926	3,446	107,072	65,673	725,775,250	-	39,409,323	39,409,323	765,184,573
Additions - cost	-	4,269,158	4,677,991	797,924	8,603,079	287,869	925,786	20,019,500	-	-	-	39,581,307	-	36,802,500	36,802,500	76,383,807
Transfer from leasehold assets																
Cost	-	-	-	-	-	-	-	21,929,000	-	-	-	21,929,000	-	(21,929,000)	(21,929,000)	-
Depreciation	-	-	-	-	-	-	-	9,087,410	-	-	-	9,087,410	-	(9,087,410)	(9,087,410)	-
	-	-	-	-	-	-	-	12,841,590	-	-	-	12,841,590	-	(12,841,590)	(12,841,590)	-
Disposals																
Cost	-	-	-	-	-	-	2,289,656	46,239,024	-	-	-	48,528,680	-	-	-	48,528,680
Depreciation	-	-	-	-	-	-	1,108,560	30,398,996	-	-	-	31,507,556	-	-	-	31,507,556
	-	-	-	-	-	-	1,181,096	15,840,028	-	-	-	17,021,124	-	-	-	17,021,124
Depreciation charge for the year	-	16,833,276	30,317,644	1,362,442	668,876	928,862	6,794,954	9,354,400	345	10,707	6,567	66,278,073	-	10,755,605	10,755,605	77,033,678
Closing net book value	163,440,000	155,412,882	276,405,347	12,753,455	13,826,532	8,481,904	20,599,670	43,820,588	3,101	96,365	59,106	694,898,950	-	52,614,628	52,614,628	747,513,578
At 31 December 2013																
Cost / revalued amount	163,440,000	322,148,363	669,425,232	21,353,014	23,093,737	24,825,366	51,469,230	87,108,486	52,806	204,990	166,100	1,363,287,324	-	66,991,986	66,991,986	1,430,279,310
Accumulated depreciation	-	166,735,481	393,019,885	8,599,559	9,267,205	16,343,462	30,869,560	43,287,898	49,705	108,625	106,994	668,388,374	-	14,377,358	14,377,358	682,765,732
Net book value	163,440,000	155,412,882	276,405,347	12,753,455	13,826,532	8,481,904	20,599,670	43,820,588	3,101	96,365	59,106	694,898,950	-	52,614,628	52,614,628	747,513,578
Depreciation rates (%)		10%	10%	10%	10%	10%	25%	20%	10%	10%	10%		10%	20%		

Notes to The Financial Statements

for the year ended 31 December 2013

	Year ended 31 December 2012														
	Total operating fixed assets - owned											Assets subject to finance lease			
	Land freehold	Building on freehold land	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric and gas appliances	Office equipment	Vehicles	Library books	Neon sign	Arms and ammunition	Total operating fixed assets - owned	Plant and machinery	Vehicles	Total assets subject to finance lease	Total operating fixed assets
	Rupees															
At 01 January 2012																
Cost / revalued amount	149,820,000	274,178,069	480,930,263	18,079,590	14,397,658	23,743,079	51,307,151	78,485,846	52,806	204,990	166,100	1,091,365,552	18,124,623	80,649,486	98,774,109	1,190,139,661
Accumulated Depreciation	-	126,127,607	227,756,084	5,910,430	7,947,885	14,505,843	22,705,839	44,107,394	48,977	86,021	93,130	449,289,210	9,993,196	28,885,749	38,878,945	488,168,155
Net book value	149,820,000	148,050,462	253,174,179	12,169,160	6,449,773	9,237,236	28,601,312	34,378,452	3,829	118,969	72,970	642,076,342	8,131,427	51,763,737	59,895,164	701,971,506
Movement during the year																
Opening net book value	149,820,000	148,050,462	253,174,179	12,169,160	6,449,773	9,237,236	28,601,312	34,378,452	3,829	118,969	72,970	642,076,342	8,131,427	51,763,737	59,895,164	701,971,506
Additions - cost	-	25,124,496	14,487,116	2,475,500	93,000	914,318	3,092,018	3,529,001	-	-	-	49,715,449	-	17,655,500	17,655,500	67,370,949
Revaluation adjustment																
Cost	13,620,000	18,576,640	151,205,239									183,401,879			-	183,401,879
Depreciation	-	8,760,181	98,756,564									107,516,745			-	107,516,745
	13,620,000	9,816,459	52,448,675	-	-	-	-	-	-	-	-	75,885,134				75,885,134
Transfer from leasehold assets																
Cost	-	-	18,124,623	-	-	-	-	46,186,500	-	-	-	64,311,123	(18,124,623)	(46,186,500)	(64,311,123)	-
Depreciation	-	-	9,993,196					25,797,950	-	-	-	35,791,146	(9,993,196)	(25,797,950)	(35,791,146)	-
	-	-	8,131,427	-	-	-	-	20,388,550	-	-	-	28,519,977	(8,131,427)	(20,388,550)	(28,519,977)	-
Disposals																
Cost	-	-	-	-	-	119,900	1,566,069	36,802,337	-	-	-	38,488,306	-	-	-	38,488,306
Depreciation	-	-	-	-	-	73,446	377,350	22,500,226	-	-	-	22,951,022	-	-	-	22,951,022
	-	-	-	-	-	46,454	1,188,719	14,302,111	-	-	-	15,537,284	-	-	-	15,537,284
Depreciation charge for the year	-	15,014,417	26,196,397	1,326,687	650,444	982,203	2,854,677	7,839,966	383	11,897	7,297	54,884,368	-	9,621,364	9,621,364	64,505,732
Closing net book value	163,440,000	167,977,000	302,045,000	13,317,973	5,892,329	9,122,897	27,649,934	36,153,926	3,446	107,072	65,673	725,775,250	-	39,409,323	39,409,323	765,184,573
At 31 December 2012																
Cost	163,440,000	317,879,205	664,747,241	20,555,090	14,490,658	24,537,497	52,833,100	91,399,010	52,806	204,990	166,100	1,350,305,697	-	52,118,486	52,118,486	1,402,424,183
Accumulated Depreciation	-	149,902,205	362,702,241	7,237,117	8,598,329	15,414,600	25,183,166	55,245,084	49,360	97,918	100,427	624,530,447	-	12,709,163	12,709,163	637,239,610
Net book value	163,440,000	167,977,000	302,045,000	13,317,973	5,892,329	9,122,897	27,649,934	36,153,926	3,446	107,072	65,673	725,775,250	-	39,409,323	39,409,323	765,184,573
Depreciation rates (%)		10%	10%	10%	10%	10%	10%	20%	10%	10%	10%		10%	20%		

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for the year ended 31 December 2013

		Note	2013 Rupees	2012 Rupees
17.1.1	Depreciation charge has been allocated as under:			
	Cost of sales	25	51,252,124	44,109,021
	Distribution, selling and promotional expenses	26	10,457,203	9,079,891
	Administrative and general expenses	27	15,324,351	11,316,820
			77,033,678	64,505,732

17.1.2 Land, building on freehold land and plant and machinery were first revalued on 30 June 1995, resulting in a surplus of Rs. 68,809,377. Subsequently land, building on freehold land and plant and machinery were revalued on 30 June 1999 resulting in a surplus of Rs. 48,731,393. Land, building on freehold land and plant and machinery were again revalued on 31 May 2004 and 31 December 2004 respectively by M/S Hamid Mukhtar & Co., which resulted in a surplus of Rs. 168,473,204 over the net book value of assets. The revaluation of land was also carried out on 19 January 2007 by M/S Surval which resulted in a surplus of Rs. 67,922,000. The latest revaluation of land, building on freehold land and plant and machinery was carried out on 31 December 2012 by M/S Surval which resulted in a surplus of Rs. 75,885,134 over the net carrying value of assets.

		2013 Rupees	2012 Rupees
17.1.3	Had the assets not been revalued, the carrying values would have been:		
	Land - freehold	14,566,828	14,566,828
	Building on freehold land	121,303,187	132,824,998
	Plant and machinery (Owned)	216,441,025	216,708,953
		352,311,040	364,100,779

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17.1.4 Disposal of property, plant & equipment

Sold to	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sales
			Rupees			
Vehicles						
Amer Saeed	883,000	409,555	473,445	667,386	193,941	Company Policy
Saima Irfan	529,000	245,362	283,638	407,298	123,660	Company Policy
Syed Kamran Ali Zaidi	529,000	250,252	278,748	475,000	196,252	Company Policy
Adeel Khaliq	529,000	250,252	278,748	577,033	298,285	Company Policy
Waseem Ahmed Qureshi	883,000	409,555	473,445	696,721	223,276	Company Policy
Syed Ashar Ali	474,000	325,691	148,309	320,520	172,211	Company Policy
Muhammad Asghar	83,400	40,403	42,997	83,400	40,403	Company Policy
Nasir Athar	795,000	477,396	317,604	330,720	13,116	Company Policy
Muhammad Asadullah	682,000	443,469	238,531	425,160	186,629	Company Policy
Aleem ud din	395,000	284,262	110,738	268,260	157,522	Company Policy
Arif Hussain	795,000	453,426	341,574	482,657	141,083	Company Policy
Muhammad Shahid Ghouri	465,000	393,487	71,513	20,000	(51,513)	Company Policy
M. Ahsan	365,000	278,673	86,327	247,776	161,449	Company Policy
Munawar Saeed	395,000	296,127	98,873	238,200	139,327	Company Policy
Zulifqar Ahmed	395,000	280,236	114,764	244,329	129,565	Company Policy
Sheikh Zulfiqar	790,500	660,087	130,413	720,000	589,587	Negotiation
Muhammad Arshad	395,000	305,152	89,848	-	(89,848)	Company Policy
Abdul Khaliq	395,000	305,152	89,848	-	(89,848)	Company Policy
Sheharyar Ilyas	395,000	305,152	89,848	-	(89,848)	Company Policy
Muhammad Saleem	395,000	305,152	89,848	-	(89,848)	Company Policy
Farhan Saeed	395,000	305,152	89,848	-	(89,848)	Company Policy
Muhammad Anwar	395,000	305,152	89,848	-	(89,848)	Company Policy
Zahid Yousaf	395,000	305,152	89,848	-	(89,848)	Company Policy
Muhammad Shahid	395,000	305,152	89,848	-	(89,848)	Company Policy
Zafarullah Khan	395,000	305,152	89,848	-	(89,848)	Company Policy
Muhammad Tahir	395,000	305,152	89,848	-	(89,848)	Company Policy
Ghulam Haider	395,000	305,152	89,848	-	(89,848)	Company Policy
Babar Rasheed Khan	395,000	305,152	89,848	-	(89,848)	Company Policy
Hafsa Moiz	408,300	277,992	130,308	277,500	147,192	Company Policy
Muhammad Hafeez	62,900	30,304	32,596	62,900	30,304	Company Policy
Kamran Zai	434,509	293,118	141,391	274,532	133,141	Company Policy
Nadeem Hussain	66,500	18,528	47,972	66,500	18,528	Company Policy
Abid Bashir	499,000	318,455	180,545	363,440	182,895	Company Policy
S. Ashar Hussain	408,300	292,347	115,953	256,620	140,667	Company Policy
Dr. Imran Hyder	549,000	370,353	178,647	372,120	193,473	Company Policy
Muhammad Ashfaq	62,900	30,472	32,428	62,900	30,472	Company Policy
Muhammad Nadeem	62,900	30,393	32,507	62,900	30,393	Company Policy
Asif Munawar	62,900	29,353	33,547	62,900	29,353	Company Policy
Muhammad Rizwan Hamidi	62,900	30,393	32,507	62,900	30,393	Company Policy

Sold to	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sales
			Rupees			
Vehicles						
Muhammad Ahmad	62,900	29,711	33,189	62,900	29,711	Company Policy
Ayesha Qazafi Mehmood	943,000	298,826	644,174	799,664	155,490	Company Policy
Tanveer Ahmed	403,000	300,877	102,123	244,080	141,957	Company Policy
Muhammad Anzar	408,300	276,738	131,562	276,600	145,038	Company Policy
Tahir Mehmood	829,000	473,407	355,593	577,633	222,040	Company Policy
Ramzan Shahid	408,300	276,738	131,562	276,600	145,038	Company Policy
Muhammad Ramzan	632,000	427,639	204,361	425,160	220,799	Company Policy
Muhammad Ilyas	825,000	558,231	266,769	548,340	281,571	Company Policy
Syed Javed Raza	1,389,000	884,861	504,139	500,792	(3,347)	Company Policy
Muhammad Raza Saeed	8,103,492	6,084,238	2,019,254	7,000,000	4,980,746	Negotiation
Muhammad Saqib	1,142,500	887,925	254,575	980,000	725,425	Negotiation
Azadar Hussain Naqvi	754,000	470,898	283,102	528,846	245,744	Company Policy
Asad Abbas Jaffery	504,000	275,197	228,803	371,518	142,715	Company Policy
Ali Raza Zaidi	62,900	32,815	30,085	58,104	28,019	Company Policy
Asim Munir	890,000	635,953	254,047	254,047	-	Company Policy
Abdul Rauf	890,000	640,490	249,510	249,510	-	Company Policy
Jawad Zafar	825,000	558,231	266,769	548,340	281,571	Company Policy
Azia Zafar	825,000	558,231	266,769	548,340	281,571	Company Policy
M. Wasim Wafa	1,389,000	910,937	478,063	504,139	26,076	Company Policy
Muhammad Ishaq	51,890	33,470	18,420	43,704	25,284	Company Policy
Haseeb Ahmad	444,333	291,606	152,727	375,000	222,273	Negotiation
Mirza Farooq Baig	1,322,500	1,032,729	289,771	1,065,000	775,229	Company Policy
Dr. Ahmad Atif Mirza	1,422,000	994,351	427,649	427,649	-	Company Policy
Muhammad Ajmal	65,900	19,243	46,657	65,900	19,243	Company Policy
Muhammad Ghufran	408,300	271,256	137,044	253,110	116,066	Company Policy
Muhammad Abid	519,000	246,813	272,187	420,001	147,814	Company Policy
Ikhlaq Ahmed	62,900	34,452	28,448	50,148	21,700	Company Policy
Khadim Hussain Mirza	1,040,000	732,345	307,655	307,655	-	Company Policy
Zohaib	65,500	26,899	38,601	65,500	26,899	Company Policy
Muhammad Khalid	64,500	28,667	35,833	64,500	28,667	Company Policy
Irfan Ullah Wasim	65,500	26,899	38,601	65,500	26,899	Company Policy
Muhammad Raza	64,500	27,233	37,267	64,500	27,233	Company Policy
Yasir Ali	530,000	318,339	211,661	376,295	164,634	Company Policy
Muhammad Nazim	65,900	27,063	38,837	65,900	27,063	Company Policy
Muhammad Muzammil	67,000	16,676	50,324	67,000	16,676	Company Policy
Qasim Mehmood	66,500	19,418	47,082	66,500	19,418	Company Policy
Ashfaq Ahmed	64,500	22,217	42,283	55,000	12,717	Company Policy
Syed Samad Hussain	65,900	23,212	42,688	65,900	23,212	Company Policy
Tanveer ul Haq Qureshi	2,088,000	742,400	1,345,600	1,850,000	504,400	Negotiation
	46,239,024	30,398,996	15,840,028	28,699,047	12,859,019	

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Sold to	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sales
			Rupees			
Office Equipment						
HP ProBook 4430s Notebook	63,000	11,266	51,734	-	(51,734)	Scrap
HP ProBook 4530s Notebook	63,568	14,452	49,116	-	(49,116)	Scrap
HP Compaq M 2222 Notebook	65,493	34,573	30,920	-	(30,920)	Scrap
HP Compaq M 2222 Notebook	65,493	34,573	30,920	-	(30,920)	Scrap
Note Book	68,900	31,652	37,248	-	(37,248)	Scrap
NECMultimedia Projector	66,000	20,262	45,738	-	(45,738)	Scrap
HP Note Book 6730	72,815	29,465	43,350	37,131	(6,219)	Negotiation
HP ProBook 4430s	76,600	12,554	64,046	64,046	-	Negotiation
4 -Apple iPad	77,107	21,446	55,661	55,661	-	Negotiation
Compac Note Book	88,160	39,657	48,503	48,503	-	Negotiation
Note Book	110,000	67,032	42,968	42,968	-	Negotiation
Note Book IBM Z60-M	111,999	58,954	53,045	30,000	(23,045)	Negotiation
Lap Top Sony (M.S110)	120,000	67,919	52,081	52,081	-	Negotiation
Note Book	142,538	86,862	55,676	55,676	-	Negotiation
Lap Top	210,243	115,737	94,506	94,506	-	Negotiation
Acer 5204 NWLMI Note Book	358,000	179,195	178,805	178,805	-	Negotiation
Assets having indvidual cost						
less than Rs. 50,000	529,740	282,961	246,778	148,300	(98,478)	Scrap sales
	2,289,656	1,108,560	1,181,096	807,677	(373,419)	
2013	48,528,680	31,507,556	17,021,124	29,506,724	12,485,600	
2012	38,488,306	22,951,022	15,537,284	31,243,564	15,706,280	

		Note	2013 Rupees	2012 Rupees
17.2	**Capital work in progress (CWIP)**			
	Civil works		146,211	-
	Plant and machinery - owned		4,215,435	-
	Furniture		-	7,653,582
	Advances to suppliers		10,005,000	5,580,000
		17.2.1	14,366,646	13,233,582
17.2.1	**Movement of CWIP is as follows:**			
	Opening balance as at 01 January		13,233,582	13,632,715
	Addition made during the year:			
	Civil works		4,415,369	11,842,508
	Plant and machinery - owned		7,086,126	13,997,189
	Furniture		793,240	7,653,582
	Advance for purchase of vehicles		10,005,000	5,580,000
			22,299,735	39,073,279
	Capitalized during the year:			
	Civil works		(4,269,158)	(25,124,496)
	Plant and machinery - owned		(2,870,691)	(14,347,916)
	Furniture		(8,446,822)	-
	Vehicles-Leased		(5,580,000)	-
			(21,166,671)	(39,472,412)
	Closing balance as at 31 December		14,366,646	13,233,582

18. INTANGIBLE ASSETS

Particulars	Cost			Amortization			Book Value as at 31 December	Rate %
	As at 01 January	Additions	As at 31 December	As at 01 January	For the year	As at 31 December		
	Rupees							
	2013							
Registration and trademark (Note18.1)	154,434,175	-	154,434,175	72,144,068	15,443,418	87,587,486	66,846,689	10
Computer softwares	25,518,611	146,462	25,665,073	9,395,796	2,563,251	11,959,047	13,706,026	10
	179,952,786	146,462	180,099,248	81,539,864	18,006,669	99,546,533	80,552,715	
	2012							
Registration and trademark (Note18.1)	154,434,175	-	154,434,175	56,700,650	15,443,418	72,144,068	82,290,107	10
Computer softwares	21,212,996	4,305,615	25,518,611	7,102,704	2,293,092	9,395,796	16,122,815	10
	175,647,171	4,305,615	179,952,786	63,803,354	17,736,510	81,539,864	98,412,922	

18.1 This represents registration and trademarks of brands named as “Tres Orix Forte”, “Skilax drops” and “Blokium”.

		Note	2013 Rupees	2012 Rupees
18.2	Amortization charge has been allocated as under:			
	Cost of sales	25	15,443,418	15,443,418
	Distribution, selling and promotional expenses	26	2,563,251	2,293,092
			18,006,669	17,736,510

		2013 Rupees	2012 Rupees
19.	**STOCK IN TRADE**		
	Raw materials		
	In hand	298,613,701	224,554,948
	In transit	18,654,480	79,320,620
		317,268,181	303,875,568
	Packing materials		
	In hand	104,747,538	83,944,556
	In transit	2,609,588	3,947,721
		107,357,126	87,892,277
	Work in process	30,876,707	30,216,205
	Finished goods		
	In hand	101,229,780	184,459,467
	With third party	1,034,888	150,999
		102,264,668	184,610,466
		557,766,682	606,594,516
20.	**TRADE DEBTS**		
	Secured - considered good	13,569,544	16,167,547
	Unsecured:		
	Considered good	49,947,918	56,364,423
	Considered doubtful	1,039,897	1,039,897
	Less: Provision against doubtful debts	1,039,897	1,039,897
		-	-
		63,517,462	72,531,970
21.	**ADVANCES, DEPOSITS AND PREPAYMENTS**		
	Advances - considered good		
	Staff against:		
	Expenses	9,716,508	8,337,629
	Salary	4,658,661	4,872,589
	Suppliers	18,211,914	10,243,338
		32,587,083	23,453,556
	Deposits:		
	Securities	6,847,674	7,524,369
	Bank guarantee margin	1,558,085	1,558,085
		8,405,759	9,082,454
	Prepayments	3,949,562	4,427,650
		44,942,404	36,963,660

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		Note	2013 Rupees	2012 Rupees
22.	**OTHER RECEIVABLES - considered good**			
	Claim receivable		1,301,880	678,665
	Sales tax & excise duty	22.1	19,461,964	20,436,842
			20,763,844	21,115,507

22.1 As referred to in note 16, this includes Rs. 10.086 million (2012: Rs. 10.086 million) deposited for grant of stay against demand of sales tax/excise duty paid under protest to sales tax department.

		2013 Rupees	2012 Rupees
23.	**CASH AND BANK BALANCES**		
	Cash and Imprest	2,021,752	2,001,851
	Balance with banks - current accounts	47,511,540	4,460,240
		49,533,292	6,462,091
24.	**SALES - NET**		
	Manufactured products:		
	Local	2,742,713,106	2,243,285,346
	Export	199,836,845	169,328,634
		2,942,549,951	2,412,613,980
	Purchased products - local	32,615,261	32,144,454
	Third party	290,215,834	252,931,872
		3,265,381,046	2,697,690,306
	Less:		
	Discount	251,217,360	227,205,798
	Sales tax	6,239,038	4,863,529
		257,456,398	232,069,327
		3,007,924,648	2,465,620,979

	Note	2013 Rupees	2012 Rupees Restated
25. COST OF SALES			
Raw and packing material consumed		1,271,151,155	1,081,666,526
Salaries, wages and benefits	25.1	177,186,298	162,761,353
Vehicle running and maintenance		19,544,956	17,471,848
Fuel and power		73,787,464	53,556,365
Stores consumed		8,586,738	8,881,249
Repair and maintenance		28,275,617	17,287,306
Insurance		3,248,434	3,012,654
Rent, rates and taxes		3,369,210	3,051,626
Fee and subscription		1,190,649	380,123
Printing and stationery		2,658,599	4,256,059
Traveling and conveyance		1,479,322	2,634,216
Consultancy and professional charges		9,994,930	3,360,120
Office supplies		10,016,236	7,758,567
Depreciation	17.1.1	51,252,124	44,109,021
Amortization of intangible assets	18.2	15,443,418	15,443,418
Other direct cost		4,934,271	4,804,230
		1,682,119,421	1,430,434,681
Inventory effect of work in process			
Opening		30,216,205	39,820,419
Closing		(30,876,707)	(30,216,205)
		(660,502)	9,604,214
Cost of goods manufactured		1,681,458,919	1,440,038,895
Inventory effect of finished goods (excluding purchased products)			
Opening		173,386,771	150,723,607
Closing		(102,090,848)	(173,386,771)
		71,295,923	(22,663,164)
Cost of goods sold - manufactured products		1,752,754,842	1,417,375,731
Cost of goods sold - purchased products		24,509,255	22,992,597
		1,777,264,097	1,440,368,328

25.1 It includes the following staff retirement benefits:

	2013 Rupees	2012 Rupees Restated
Defined benefit plan - Gratuity	8,102,894	15,258,562
Defined contribution plan - Provident Fund	4,883,559	4,521,468
Provision for compensated leave absences	2,195,869	3,337,104
	15,182,322	23,117,134

		Note	2013 Rupees	2012 Rupees Restated
26.	**DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES**			
	Salaries and benefits	26.1	273,845,052	216,615,090
	Rent, rates and taxes		166,665	9,045
	Entertainment		278,087	214,812
	Advertisement and marketing		126,255,359	85,469,378
	Literature and promotional material		59,603,554	39,277,511
	Bonus and sample goods		81,949,974	90,937,041
	Printing and stationery		2,362,300	1,986,153
	Traveling and conveyance		81,265,882	70,142,462
	Telephone, postage and telex		2,934,391	1,857,453
	Insurance		2,859,251	2,546,533
	Provision against doubtful debts		-	12,507
	Vehicle running and maintenance		22,124,298	18,435,654
	Donation	26.2	3,254,998	1,842,317
	Freight		31,387,146	29,118,443
	Seminars, symposia and training		13,498,146	11,062,878
	Newspapers and subscriptions		16,833,177	14,650,334
	Depreciation	17.1.1	10,457,203	9,079,892
	Amortization of intangible assets	18.2	2,563,251	2,293,092
	Commission on export sales		14,368,113	10,490,045
	Others		5,174,612	3,723,607
			751,181,459	609,764,247

			2013 Rupees	2012 Rupees Restated
26.1	It includes following staff retirement benefits:			
	Defined benefit plan - Gratuity		19,071,846	13,131,149
	Defined contribution plan - Provident Fund		5,735,390	5,693,968
	Provision for compensated leave absences		3,779,276	4,305,332
			28,586,512	23,130,449

26.2 None of the directors or their spouses have any interest in the donee's fund.

		Note	2013 Rupees	2012 Rupees Restated
27.	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries and benefits	27.1	128,186,108	126,764,387
	Telephone, postage and telex		2,703,513	2,237,285
	Rent, rates and taxes		5,280,923	4,847,977
	Electricity, gas and water		640,452	540,747
	Printing and stationery		5,315,765	3,858,784
	Repairs and maintenance		1,898,475	2,456,072
	Vehicle running and maintenance		20,958,736	19,250,077
	Traveling and conveyance		7,726,044	8,494,965
	Newspapers and subscriptions		932,796	897,872
	Entertainment		616,919	778,285
	Insurance		7,519,735	7,057,467
	Auditors' remuneration	34	1,200,000	1,200,000
	Legal and professional		4,254,124	2,461,765
	Advertisement, seminars and symposia		448,350	226,790
	Donation	27.2	635,600	993,233
	Depreciation	17.1.1	15,324,351	11,316,820
	Others		2,794,048	2,134,882
			206,435,939	195,517,408

27.1 It includes the following staff retirement benefits:

	2013 Rupees	2012 Rupees Restated
Defined benefit plan - Gratuity	12,129,118	16,037,408
Defined contribution plan - Provident Fund	3,473,906	4,017,477
Provision for compensated leave absences	1,292,881	3,083,120
	16,895,905	23,138,005

27.2 None of the Directors or their spouses have any interest in the donee's fund.

		Note	2013 Rupees	2012 Rupees Restated
28.	**RESEARCH AND DEVELOPMENT EXPENSES**			
	Salaries and benefits	28.1	2,247,433	7,238,805
	Expenses on clinical trials and products evaluation		774,192	94,492
	Traveling		309,656	630,962
	Insurance		37,998	42,736
	Vehicle repair and maintenance		273,182	521,772
	Printing and stationery		38,978	41,044
	Office supplies		55,529	53,334
	Repairs and maintenance		2,100	9,500
	Staff cost		116,554	212,721
	Others		24,565	18,462
			3,880,187	8,863,828

		Note	2013 Rupees	2012 Rupees Restated
28.1	It includes the following staff retirement benefits:			
	Defined benefit plan - Gratuity		132,839	556,861
	Defined contribution plan - Provident Fund		10,032	125,906
	Provision for compensated leave absences		56,192	52,560
			199,063	735,327
29.	**OTHER OPERATING EXPENSES**			
	Workers' Profit Participation Fund	12.2	12,226,410	8,324,918
	Exchange loss		11,989,923	9,363,745
	Workers' Welfare Fund		5,073,747	2,991,816
	Central Research Fund		2,455,465	1,468,567
			31,745,545	22,149,046
30.	**OTHER INCOME**			
	Income from non-financial assets			
	Gain on disposal of property, plant and equipment		12,485,600	15,706,280
	Scrap sales		2,645,348	2,570,812
	Others		177,717	53,635
			15,308,665	18,330,727
31.	**FINANCE COST**			
	Mark-up on long term loans		5,418,562	10,883,385
	Mark-up on short term borrowings		8,561,730	31,054,902
	Finance cost on liability against assets subject to finance lease		3,919,375	3,483,287
	Interest on Workers' Profit Participation Fund	12.2	238,104	81,902
	Bank charges		2,286,407	2,679,016
			20,424,178	48,182,492
32.	**TAXATION**			
	Current:			
	For the year		95,099,543	52,930,381
	Prior year		15,841,888	-
			110,941,431	52,930,381
	Deferred	32.2	(34,174,728)	2,159,886
			76,766,703	55,090,267

32.1 Reconciliation of tax charge for the year

Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:

	2013	2012
Applicable tax rate	34.00%	35.00%
Tax effect of amounts that are not deductible for tax purposes	0.57%	0.63%
Tax effect of prior years	-0.64%	-
Tax effect under presumptive tax regime and others	-0.88%	-1.01%
	-0.95%	-0.38%
Average effective tax rate charged on income	33.05%	34.62%

32.2 This includes an amount of Rs. 15,389,263 (2012: Nil) in respect of deductible temporary difference of a prior period.

33. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company which is based on:

		2013	2012 Restated
Profit after taxation	Rupees	155,535,205	104,016,090
Weighted average number of ordinary shares		18,180,517	18,180,517
Earnings per share	Rupees	8.56	5.72

	2013 Rupees	2012 Rupees
34. AUDITORS' REMUNERATION		
Statutory audit	800,000	800,000
Fee for review of half yearly financial information	265,000	265,000
Other certifications	60,000	60,000
Out of pocket	75,000	75,000
	1,200,000	1,200,000

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2013			31 December 2012		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	5,222,000	15,764,400	87,843,913	5,923,700	15,764,400	69,002,459
House allowance	2,088,800	1,200,000	35,137,566	2,369,480	2,400,000	27,600,984
Provident fund	870,310	1,328,584	14,099,397	451,869	1,067,073	5,634,178
Gratuity	2,907,984	5,036,907	15,261,904	2,381,734	3,694,531	25,928,675
Bonus	435,167	664,350	8,015,070	322,900	1,208,700	4,592,742
Utilities	522,200	1,934,970	8,825,973	592,370	2,006,775	6,903,913
Medical	150,747	811,813	2,198,675	105,603	543,758	2,203,992
	12,197,208	26,741,024	171,382,498	12,147,656	26,685,237	141,866,943
Number of persons	1	2	67	1	2	56

35.1 The Chief Executive, Directors and 28 executives (2012: 28) have been provided with Company maintained cars while 28 executives (2012: 28) have been provided with cars under self finance scheme with limited fuel and maintenance facility.

35.2 Rs. 2,000 (2012 : Rs. 2,000) per meeting have been paid during the year to an independent non - executive director for attending Board meetings.

36. FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

The Company's financial liabilities comprise long term financing, liabilities against assets subject to finance lease, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for Company's operations. The Company has trade debts, short term borrowings and advances, other receivables and cash and short term deposits that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board), Audit Committee and Chief Financial Officer (CFO). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The following analysis demonstrates the sensitivity to a reasonably possible change in US$ and Euro exchange rates, with all other variables held constant, of the Company's profit before tax.

		2013	2012
Rupees per US Dollar			
Reporting date rate		105.00	97.10
		Changes in US$ Rate	**Effects on Profit Before Tax**
			Rupees
	2013	+10%	(544,194)
		-10%	544,194
	2012	+10%	(391,138)
		-10%	391,138
Rupees per Euro			
Reporting date rate		145.10	128.31
		Changes in US$ Rate	**Effects on Profit Before Tax**
			Rupees
	2013	+10%	-
		-10%	-
	2012	+10%	(391,718)
		-10%	391,718

(ii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2013 Rupees	2012 Rupees
Fixed rate instruments		
Financial liabilities		
Short term borrowings	-	35,000,000
Floating rate instruments		
Financial liabilities		
Long term loans	50,000,000	50,000,000
Liabilities against assets subject to finance lease	44,997,599	27,968,462
Short term borrowings	73,203	195,599,758

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

		Changes in Interest Rate	Effects on Profit Before Tax
		%	Rupees
Long term financing			
	2013	+1.50	(750,000)
		-1.50	750,000
	2012	+1.50	(750,000)
		-1.50	750,000
Liabilities against assets subject to finance lease			
	2013	+1.50	(674,964)
		-1.50	674,964
	2012	+1.50	(419,527)
		-1.50	419,527
Short term borrowings			
	2013	+1.50	(1,098)
		-1.50	1,098
	2012	+1.50	(2,933,996)
		-1.50	2,933,996

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013 Rupees	2012 Rupees
Trade debts	49,947,918	56,364,423
Short term advances	4,658,661	4,872,589
Trade deposits	8,405,759	9,082,454
Other receivables	1,301,880	678,665
Bank balances	47,511,540	4,460,240
	111,825,758	75,458,371

Trade Debts

Credit risk related to trade debts is managed by established procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored and shipments to foreign customers are covered by letters of credit.

The maximum credit risk exposure at reporting date is carrying value of financial assets stated above.

At 31 December 2013, the Company has 12 (2012:9) customers who owed the Company more than Rupees 1.00 million each and accounted for approximately 76% (2012:79%) of all receivables owing.

The Company's exposure to credit risk related to trade debts is disclosed below:

	2013 Rupees	2012 Rupees
Neither past due nor impaired	1,670,455	5,157,893
Past due but not impaired		
Past due 1–30 days	26,042,125	24,902,675
Past due 31–60 days	9,305,628	9,459,363
Past due 61–90 days	1,889,167	5,019,394
Over 90 days	11,040,543	10,785,201
	48,277,463	50,166,633
Past due and impaired		
Past due 1–30 days	-	-
Past due 31–60 days	-	-
Past due 61–90 days	-	-
Over 90 days	1,039,897	1,039,897
	1,039,897	1,039,897

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

	Rating			2013	2012
	Short Term	Long Term	Agency	Rupees	Rupees
Banks					
National Bank of Pakistan	A-1+	AAA	JCR - VIS	889,271	864,766
United Bank Limited	A-1+	AA+	JCR - VIS	8,893	8,893
Faysal Bank Limited	A1+	AA	JCR - VIS	829,092	23,821
Habib Bank Limited	A1+	AA+	JCR - VIS	38,981,825	1,548,380
Allied Bank Limited	A1+	AA	PACRA	1,639,545	-
JS Bank Limited	A1	A+	PACRA	2,740,178	-
Bank Al Habib Limited	A1+	AA+	PACRA	19,100	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	2,403,636	2,014,384
				47,511,540	4,460,244

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has positive working capital position at the year end. Therefore, management believes the liquidity risk to be low.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
			Rupees			
31 December 2013						
Long term financing	50,000,000	66,237,500	14,360,000	2,745,000	17,461,250	31,671,250
Liabilities against assets subject to finance lease	44,997,598	51,168,453	9,519,737	14,689,382	10,069,627	16,889,707
Trade and other payables	232,810,575	232,810,575	232,810,575	-	-	-
Short term borrowings	73,203	81,219	-	81,219	-	-
Interest payable	1,714,617	1,714,617	1,714,617	-	-	-
	329,595,993	352,012,364	258,404,929	17,515,601	27,530,877	48,560,957

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
			Rupees			
31 December 2012						
Long term financing	50,000,000	66,237,500	1,860,000	2,745,000	17,461,250	44,171,250
Liabilities against assets subject to finance lease	27,968,462	31,771,325	9,519,737	8,250,784	10,069,627	3,931,177
Trade and other payables	163,617,115	163,617,115	163,617,115	-	-	-
Short term borrowings	230,599,758	255,850,432	-	255,850,432	-	-
Interest payable	6,588,896	6,588,896	6,588,896	-	-	-
	478,774,231	524,065,268	181,585,748	266,846,216	27,530,877	48,102,427

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2013 and 2012 respectively. The rates of mark up have been disclosed in respective notes to the financial statements.

36.2 Fair values of financial assets and liabilities

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. Accordingly, detailed disclosure with reference to fair value has been given in the financial statements.

36.3 Financial instruments by categories

	2013		
	Cash and cash equivalents	Loans and advances	Total
	Rupees		
Assets as per balance sheet			
Long term deposits	-	1,562,054	1,562,054
Trade debts	-	63,517,462	63,517,462
Advances	-	4,658,661	4,658,661
Trade deposits	-	8,405,759	8,405,759
Other receivables	-	1,301,880	1,301,880
Cash and bank balances	47,511,540	-	47,511,540
	47,511,540	79,445,816	126,957,356

	2013
	Financial Liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	50,000,000
Liabilities against assets subject to finance lease	44,997,599
Markup accrued on secured loans	1,714,617
Short term borrowings	73,203
Trade and other payables	232,810,575
	329,595,994

	2012		
	Cash and cash equivalents	Loans and advances	Total
	Rupees		
Assets as per balance sheet			
Long term deposits	-	1,562,054	1,562,054
Trade debts	-	72,531,970	72,531,970
Advances	-	4,872,589	4,872,589
Trade deposits	-	9,082,454	9,082,454
Other receivables	-	678,665	678,665
Cash and bank balances	4,460,240	-	4,460,240
	4,460,240	88,727,732	93,187,972

	2012
	Financial Liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long term financing	50,000,000
Liabilities against assets subject to finance lease	27,968,462
Markup accrued on secured loans	10,436,070
Short term borrowings	230,599,758
Trade and other payables	163,617,115
	482,621,405

36.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represent long-term financing (including current portion) plus liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in note 8, 9 and note 14. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	2013 Rupees	2012 Rupees
Debt (See note 8, 9 and 14)	96,785,419	315,157,116
Equity	715,373,315	620,736,601
Total equity and debt	812,158,734	935,893,717
Total debt to equity ratio	11.92%	33.67%

37. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprises associated companies, staff retirement funds, directors and key management personnel. Balances of related parties and remuneration of key management personnel are disclosed in the respective notes. Other significant transactions with related parties are as follows:

		2013 Rupees	2012 Rupees
37.1	**Sales of goods-net**		
	Associated undertaking	58,914,632	30,302,082
37.2	**Contribution to employees' benefits fund**		
	Contribution to Staff Provident Fund	14,102,887	14,358,819
	Contribution to Employees' Welfare Trust	1,206,150	1,206,150
37.3	**Disposal of vehicle**		
	Director's family member	-	680,000

38. PROVIDENT FUND TRUST

The Company has maintained an employee provident fund trust and 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. The salient information of the fund is as follows:

		2013 Rupees	2012 Rupees
	Size of the fund	152,414,140	138,681,750
	Cost of investments made	132,997,992	114,026,826
	Percentage of investments made	87%	82%
	Fair value of investment	155,034,062	125,109,119
38.1	**Breakup of investments**		
	Investment in shares (Listed Securities)	10,100,672	4,425,064
	Term Deposits	19,284,159	72,625,274
	Term Finance Certificates	19,997,000	19,997,000
	Special Saving Certificates	71,445,992	-
	Mutual Funds	34,206,239	28,061,781
		155,034,062	125,109,119

38.2 The above information is based on un - audited financial statements of the provident fund for the year ended 31 December 2013 .

		2013	2012
39.	**NUMBER OF EMPLOYEES**		
	Number of employees at the end of the year	868	823
	Average number of employees during the year	891	813

40. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 18 March 2014 has proposed cash dividend at the rate of Rs. 4.50 (2012: Rs. 3.50) per share for the year ended 31 December 2013, subject to the approval of shareholders in the Annual General Meeting to be held on 24 April 2014.These financial statements do not reflect these appropriations.

41. PLANT CAPACITY AND PRODUCTION

The capacity and production of the Company's plant is indeterminable as it is a multi-product plant involving varying processes of manufacture.

42. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on 18 March 2014.

43. CORRESPONDING FIGURES

43.1 Corresponding figures have been re-arranged, wherever necessary, for better and fair presentation. However, no significant reclassifications/ restatements made except as and those mentioned in note 4.3 and as given below note 43.2.

43.2 Following rearrangements in the corresponding figures have been made in note 27 to the financial statements:

From :	Rupees	To :	Rupees
Advertisement, promotional expenses and samples	215,683,930	- Advertisement and marketing	85,469,378
		- Literature and promotional material	39,277,511
		- Bonus and sample goods	90,937,041
Others	10,490,045	- Commission on export sales	10,490,045

44. GENERAL

Figures have been rounded off to the nearest rupee.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Form of Proxy

FOLIO NO. /

CDC A/C NO. ______________

I/We ____

of ______________________ District ______________________ being a

member of HIGHNOON LABORATORIES LIMITED and

holder of ______________ ordinary shares, entitled to vote hereby appoint

______________________ of ______________________ or ______________________

______________________ of ______________________ who is also a member of the Company,

as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at REGISTERED OFFICE, 17.5 K.M. MULTAN ROAD, LAHORE on April 24, 2014 at 10.00 a.m. and at any adjournment thereof.

As witness my/our hand(s) this ______________ day of ______________ 2014.

(Witness's Signature)

____

(Member's Signature)

Affix Revenue Stamp of Rs.5/-

Date: ______________________

Place: ______________________

Note:

1. This form of Proxy, in order to be effective, must be deposited duly completed, at the Company's Registered Office at 17.5 K.M., Multan Road, Lahore not less than 48 hours before the time of holding the meeting.

2. A Proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary

HIGHNOON LABORATORIES LIMITED

17.5 Kilometer, Multan Road,

Lahore - 53700 Pakistan.

No 1 selling
enteric coated aspirin in Pakistan[5]

Offers

- AHA & ADA recommend use of aspirin for primary prevention in patients of diabetes above 40 years of age[2]
- Established efficacy in primary prevention and secondary prevention at just 1 Rupee per day [3,4]
- Effective antiplatelet action with gastroprotection [6]

References:
1- Pakistan Aspirin foundation guidelines May 2013 (http://pakaspirin.org.pk/Guide%20Lines%20for%20the%20Medical%20Uses%20of%20Aspirin%20(May-23-13).pdf)
2- Buse JB et al. Primary prevention of cardiovascular diseases in people with diabetes mellitus. Circulation. 2007;115:114-126.
3- Steering committee of the Physicians Health Study Research Group. Final report on the aspirin component of the ongoing Physicians Health Study. N Engl J Med 1989;321:129-135
4- Weisman SM, Graham DY. Evaluation of the benefits and risks of low-dose aspirin in the secondary prevention of cardiovascular and cerebrovascular events. Arch Intern Med 2002; 162:2197.
5- IMS MAT SEP 2013
6- Loprin Insert

FURTHER PRESCRIBING INFORMATION AVAILABLE ON REQUEST.

www.highnoon-labs.com

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