Annual Report 2015

pursuing excellence..

HIGHNOON
LABORATORIES LTD.

pursuing excellence

Excellence is more than a word or a stationary outcome, it is an ever-changing goal. As new evidence becomes available, expectations change and the bar is raised. It is our continuous pursuit of excellence that drives us to be the best that we can be as individual and collectively as an organization.

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Financial Highlights 2015

Rs. 4.40 billion
(2014: Rs. 3.70 billion)

Sales
increased by
19%

(2014: 45%)

Gross Profit Margin
48%

Rs. 710 million
(2014: Rs. 451 million)

Operating Profit up by
57%

Rs. 444 million
(2014: Rs. 272 million)

Profit After Tax up by
63%

(2014: 28%)

Return on Capital Employed increased to
35%

Rs. 11.76 billion
(2014: Rs. 4 billion)

Market Capitalization
increased by
193%

EPS
Rupees
21.81

(2014: Rs. 13.35)

per share Rs. 577.40
(2014: Rs. 220.46)

Market Value
per share increased by
162%

Equity
increased by
34%

Rs. 1,226 million
(2014: Rs. 913 million)

*Payout
40%

(2014: 51%)

*Includes 12% (2014: 12%) Bonus Shares


Once you have experienced
excellence you will never again
be content with mediocrity.
Thomas S. Monson -

Company Information

Board of Directors

Mr. Tausif Ahmad Khan
Chairman

Mr. Anees Ahmad Khan
Vice Chairman

Dr. Adeel Abbas Haideri
Chief Executive Officer

Mr. Ghulam Hussain Khan

Mr. Taufiq Ahmed Khan

Mr. Shazib Masud

Mrs. Zainub Abbas

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) Ltd

Registed, Head Office & Plant

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

Dr. Adeel Abbas Haideri
Member

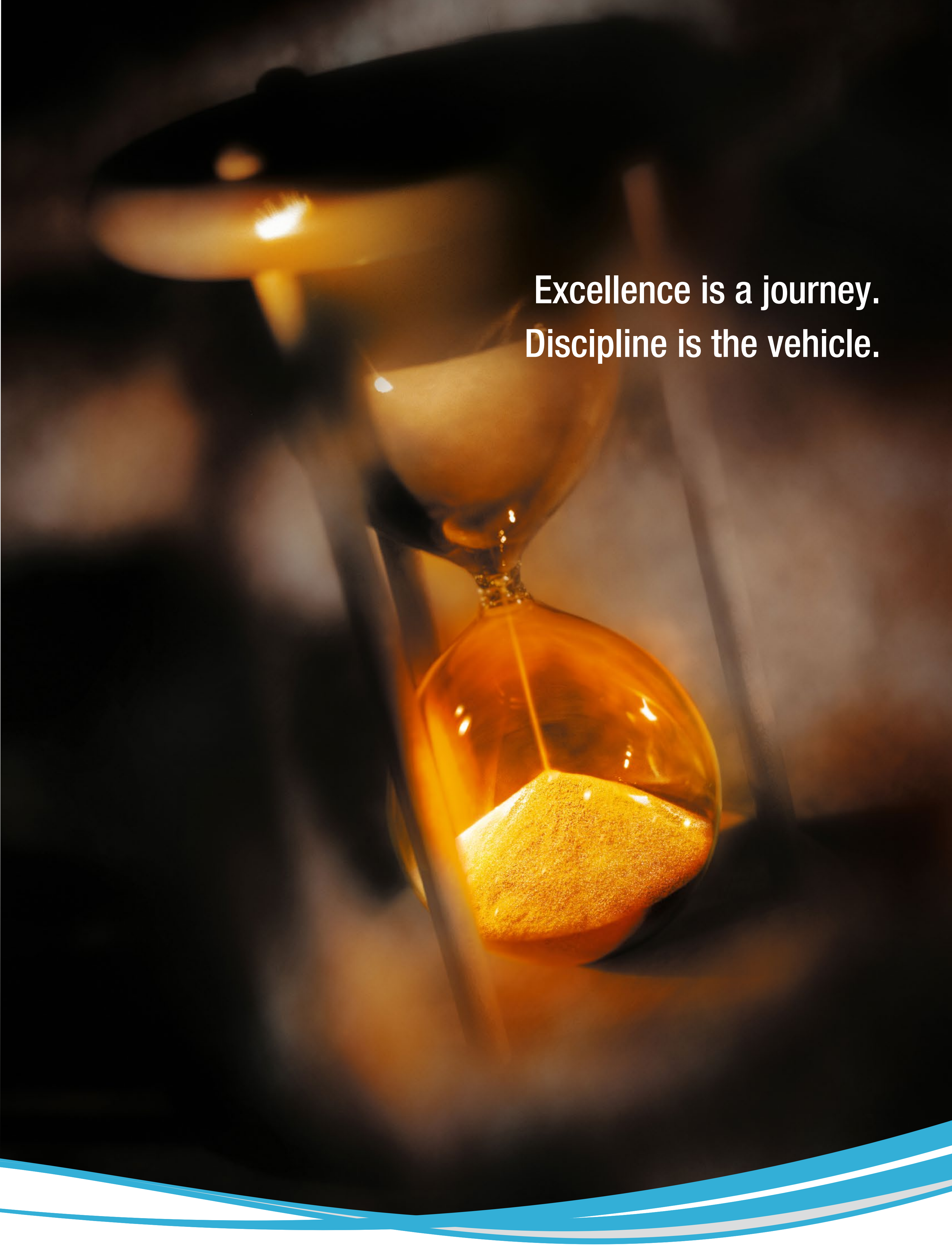
Mrs. Zainub Abbas
Member

Executive Committee

Dr. Adeel Abbas Haideri CEO	Chairman
Mr. Javed Hussain ED (Finance) / CFO	Member
Dr. Rizwan Mehmood Director (Technical)	Member
Mr. Ahmad Raza Director (Product Development)	Member
Mr. Aamir Zafar Director - SB-1	Member
Mr. Ihsanullah Khan Head of Plant	Member
Dr. Azfar Abbas Head of SB-2	Member

I.T. Steering Committee

Dr. Adeel Abbas Haideri CEO	Chairman
Mr. Javed Hussain ED (Finance) / CFO	Member
Mr. Aamir Zafar Director - SB-1	Member
Dr. Azfar Abbas Head of SB-2	Member
Mr. Muhammad Ilyas Head of Information Technology	Member / Secretary


Excellence is a journey.
Discipline is the vehicle.

Notice of Annual General Meeting

NOTICE is hereby given that 33rd Annual General Meeting of Highnoon Laboratories Limited will be held on Thursday, April 21, 2016 at 10.00 a.m. at Registered Office, 17.5 K.M. Multan Road, Lahore to transact the following business:

1. To confirm minutes of the Extra-Ordinary General Meeting held on August 27, 2015.

2. To receive, consider and adopt the annual audited financial statements of the Company and consolidated financial statements with its subsidiary for the year ended December 31, 2015 together with Directors' and Auditors' Reports thereon.

3. To consider and approve payment of Cash Dividend at the rate of seventy five percent (75%) and bonus shares at the rate of twelve percent (12%) to the shareholders as recommended by the Board of Directors.

4. To appoint Auditors and fix their remuneration for the year ending December 31, 2016.

Special Business:

5. To consider, if thought fit, to pass the following resolution(s) to amend Articles of Association of the Company.

   Resolved That Articles of Association of the Company be amended by adding a new Article No. 54A as follows:

   Resolved further that the provision and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in the Articles of Association irrespective of the other provisions of the Articles of Association and notwithstanding anything contradictory therein.

   Resolved further that the Chief Executive Officer and the Company Secretary be and are hereby singly authorized to take such other steps, to execute such other documents and make necessary corporate and other filings as may be expedient for the purpose of giving effect to the above resolution and all matters incidental or ancillary thereto.

6. To consider, if deemed fit, to pass the following resolution under Section 208 of the Companies Ordinance, 1984, with or without modification, addition(s) or deletion(s).

   Resolved that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Highnoon Laboratories Limited (the "Company") be and is hereby authorized to enhance equity investment by further PKR 43.5 million in Biocef (Private) Limited by way of subscription of shares directly from Biocef (Private) Limited, a subsidiary company and by acquisition of shares from shareholders of Biocef (Private) Limited. This shall be in addition to long term equity investment of PKR 156.50 million already approved in Extra Ordinary General Meeting held on 27 August 2015.

   Further resolved that the above said resolution shall be valid for 2 years and the Chief Executive Officer and / or Secretary of the Company be and are hereby singly empowered and authorized to undertake the decision of said investment in shares as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and to take all steps and actions necessary, incidental and ancillary for the investment in shares of Biocef (Private) Limited including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the special resolution for making investment from time to time.

   Further resolved that subsequent to the above said equity investment, Chief Executive Officer and / or Secretary of the Company be and are hereby authorized singly to dispose off, through any mode, a part or all of equity investment made by the Company from time to time as and when deemed appropriate and necessary in the best interest of the Company.

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

STATEMENT U/S 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

The statement u/s 160(1) (b) of the Companies Ordinance, 1984 setting out the material facts pertaining to the special business is attached herewith:

By the Order of the Board

KHADIM HUSSAIN MIRZA
Company Secretary

Lahore
29 March, 2016

Notice of Annual General Meeting

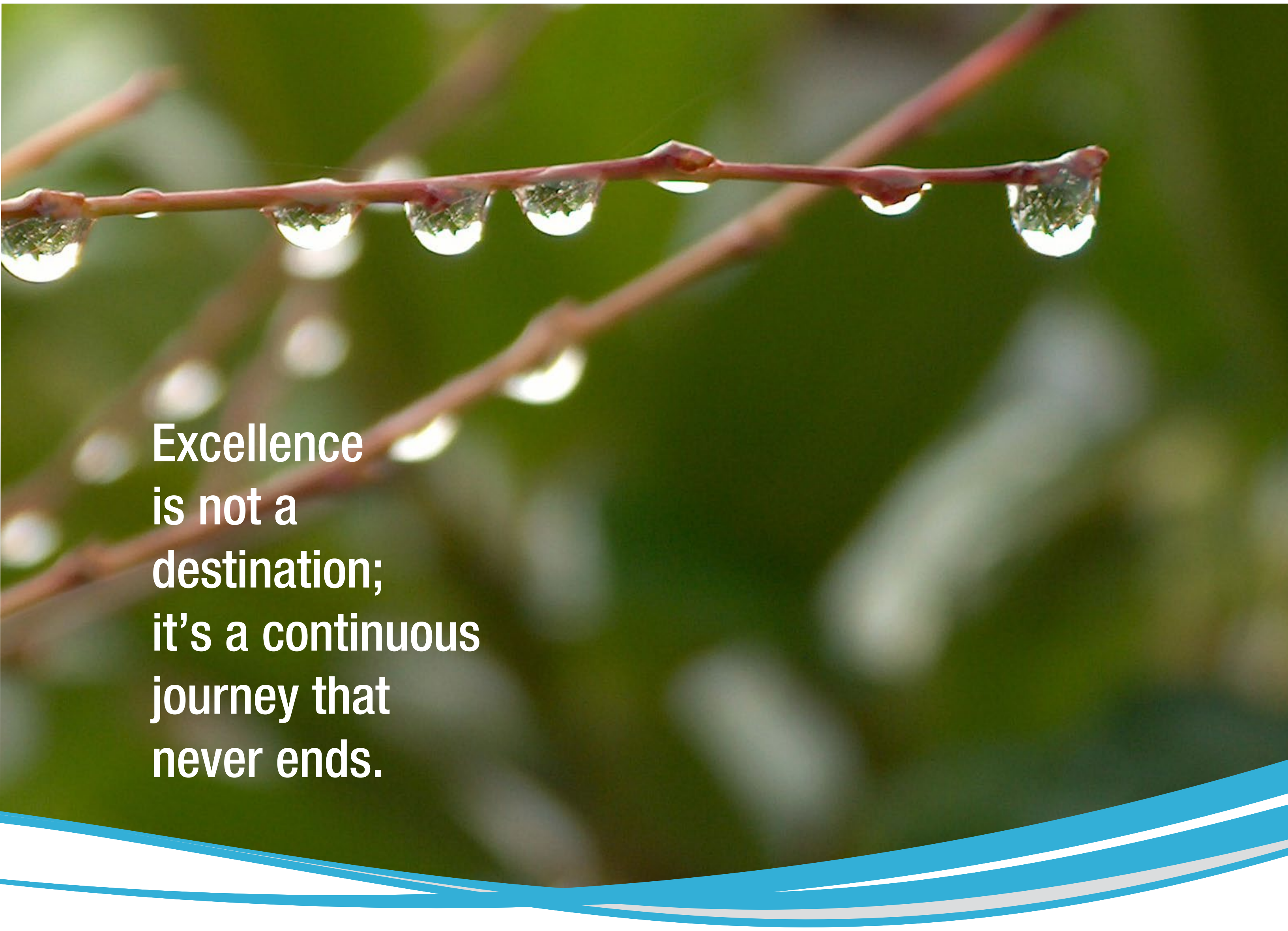
Notes:

1. Share transfer books of the Company will remain closed from April 14, 2016 to April 22, 2016 (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 holding the meeting. Members are advised to immediately intimate our share registrar M/s Corplink (Pvt.) Limited any change in their address.

3. 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.

4. As directed by SECP, the dividend warrant should bear the CNIC No. of the shareholders. Shareholders whose CNIC Nos. are not available shall not be issued Dividend Warrants in compliance with regulatory requirement. Shareholders who have not yet provided copy of their CNIC are requested to provide the same to our share registrar M/s Corplink (Pvt.) Limited at the earliest.



Notice of Annual General Meeting

5. To enable the company to make tax deduction on the amount of cash dividend @12.50% instead of @ 17.50%, all shareholders who are filer of tax return are advised to make sure that their names are entered into the Active Tax Payers List (ATL) provided on the website of FBR, before the date of AGM, otherwise tax on their cash dividend will be deducted @17.50% instead @12.50%. Corporate shareholders having CDC account are required to have their NTN updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to our share registrar M/s Corplink (Pvt.) Limited.

6. Shareholders who wish to receive Audited Financial Statements and Notices in future through e-mail are hereby advised to give their consent by sending filled and signed Standard Request Form available on our website i.e. www.highnoon-labs.com to Registered Office of the Company or our share registrar M/s Corplink (Pvt.) Ltd. Please note that giving email address to receive Audited Accounts is optional, in case, you don't want to give the email address the same will be sent to you by post.

7. In compliance with directive of SECP the shareholders may authorize the Company by sending their mandate on prescribed form to directly credit in their bank account the cash dividend, if any, declared in future. Please note that this mandate is optional. In case shareholder doesn't want their dividend to be directly credited into their bank account then the same shall be paid to them through the dividend warrants. Shareholders who wish to avail the facility of direct credit into their bank account are requested to fill in the Dividend Mandate Form available on website of the Company and send the same to our share registrar M/s Corplink (Pvt.) Limited.

8. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the company will arrange video conference facility in the city subject to availability of such facility in the city. The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting.

I/We ____________________ of ____________________ being a member of Highnoon Laboratories Limited, holder of ____________________ Ordinary Share(s) as per Registered Folio No.______________ hereby opt for video conference facility at ________________.

Signature of Member

STATEMENT U/S 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the AGM of the Company to be held on April 21, 2016 at 10:00 a.m. at registered office of the Company 17.5 K.M. Multan Road, Lahore:

AGENDA ITEM No. 5

To give effect to the Companies (e-Voting) Regulation 2016, Shareholders approval is being sought to amend the Articles of Association of the Company to enable e voting right of shareholders.

No director has direct or indirect interest in the Special business.

AGENDA ITEM No. 6

Investment in Biocef (Private) Limited

Biocef (Private) Limited was incorporated on 10 June 2015 as a private limited company with an authorized share capital of of Rs.100 million later the same was enhanced to Rs. 200 million. The present paid up capital is Rs.95.377million

Equity investment of Rupees 156.50 million in Biocef (Private) Limited was approved by members of Highnoon Laboratories Limited in their Extra Ordinary General Meeting (EOGM) held on 27 August 2015. Equity investment of Rupees 84.30 million has been made against this approval to date. Highnoon Laboratories Limited is planning to make further equity investment up to PKR 115.7 million (PKR 72.2 million from existing available / valid approval of members and PKR 43.5 million under the authority of resolution, if passed, in AGM to be held on April 21, 2016). After the planned equity investment, Biocef (Private) Limited will become a wholly owned subsidiary of Highnoon Laboratories Limited. Highnoon Laboratories Limited expects significant dividends from this equity investment in Biocef (Private) Limited which will eventually enhance the return on investment of the shareholders of Highnoon Laboratories Limited.

The directors have carried out their due diligence for the proposed investment and duly signed recommendation of the due diligence report shall be available for inspection of members in the Annual General Meeting along with latest audited accounts of Biocef (Private) Limited, investee company.

Notice of Annual General Meeting

Information under Clause (a) of sub-regulation (1) of regulation 3 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Ref. No.	Requirement	Information
i	Name of associated company	Biocef (Private) Limited
	Criteria of associated relationship	Subsidiary Company
ii	Purpose	To increase shareholding in the company and to capitalize the growing market of Cephalosporin and diversification of products portfolio
	Benefits	To earn return on equity through dividend income from investment in associated company and capital appreciation. Quick entry into the market.
	Period of investment	Strategic long term investment
iii	Maximum amount of investment	PKR 43.5 million (Rupees Forty Three million Five Hundred Thousand Only)
iv	Maximum price / share	The price to be paid for the equity investment will be par value of Rs. 10/- per share since the project is a Greenfield project and the price is less than the fair value determined by independent firm of Chartered Accountants.
v	Maximum number of shares to be acquired	4,350,000 shares
vi	Shareholding before investment	No. of shares: 8,430,000
	Shareholding Percentage	88.39
	Shareholding after investment	No. of shares: 20,000,000
	Shareholding Percentage	100%
vii	Requirement in case of investment in listed associated company	Not Applicable as Biocef (Private) Limited is a private limited company.
viii	Fair market value of shares	The fair value of the shares determined in terms of regulation 6(1) is Rs. 31.78 per share based on discounted cash flow using "Free Cash Flow" to the Company at discount rate of 10.88% with 3% terminal growth rate. Copy of fair valuation report issued by Messrs Riaz Ahmad & Company, Chartered Accountants, a member firm of Nexia International, is available at Registered Office of the Company and can be inspected in working hours up to April 21, 2016.
ix	Break-up value of shares	Rs. 9.56 per share as at 31 December 2015.
x	Earnings per share for the last three years	Period ended 30 June 2015 was the Company's first partial period of operations. Loss per share for the period ended 30 June 2015 is Rs. 0.26. Loss per share for the six months period ended 31 December 2015 is Rs. 1.02.
xi	Sources of fund from which shares will be acquired	Own funds of the Company.
xii	Requirements if shares are intended to be acquired using borrowed funds	Not applicable.
xiii	Salient features of agreement(s) entered into with the associated company	No agreement.
xiv	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company	Highnoon Laboratories Limited is the holding company of Biocef (Private) Limited and three directors [nominee of Highnoon Laboratories Limited] (Mr. Anees Ahmad Khan, Mr. Taufiq Ahmed Khan and Dr. Adeel Abbas Haideri) being common in both the companies may be deemed to be interested to the extent of their shareholding. Four directors of Highnoon Laboratories Limited are also the members of Biocef (Private) Limited and are interested to the extent of their shareholding as under:-

Notice of Annual General Meeting

Ref. No.	Requirement	Information		
		Name	% age of shareholding in Biocef (Private) Limited	% age of shareholding in Highnoon Laboratories Limited
		Mr. Tausif Ahmad Khan and his spouse Mrs. Zainub Abbas	0.00% (55 shares) -Nil-	7.62% (1,552,380 shares) 4.40% (896,000 shares)
		Mr. Anees Ahmad Khan and his spouse Mrs. Saweela Anees Khan	0.00% (30 shares) Nil	0.00% (685 shares) 2.91% (592,328 Shares)
		Mr. Taufiq Ahmed Khan	0.00% (30 shares)	7.60% (1,547,693 shares)
		Dr. Adeel Abbas Haideri and his spouse Mrs. Zainab Hassan	0.00% (20 shares) Nil	0.00% (500 shares) Nil
xv	Any other important detail	None		
xvi	Description of the project	Carry on business as manufacturers, importers, exporters, producers, preparers, refiners, buyer, seller and dealers of all kinds of pharmaceutical, drugs, medicines medicaments, basic raw materials, herbs salts, acids, alkalis, chemical & surgical material, instruments and appliances patent and proprietary articles.		
	Starting date of work	June 2015		
	Completion of work	December 2016		
	Commercial operation date	January 2017		
	Expected time by which the project shall start paying return on investment	Calendar year 2018		

Statement under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee Company	Biocef (Private) Limited
Total Investment Approved:	Equity investment of Rupees 156.50 million was approved by members in EOGM held on 27 August 2015 for a period of two (2) years.
Amount of Investment Made to date:	Investment of Rupees 84.30 million has been made against this approval to date.
Reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Partial investment has been made in investee company. Further investment will be made during the current calendar year as per funds requirement of the investee company.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:	At the time of approval, as per then available latest audited financial statements for the period ended 30 June 2015, the Loss per Share was Re. 0.26 and Break-up Value per Share was Rs. 9.89. As per latest available audited financial statements for the period ended 31 December 2015, the Loss per Share is Rs. 1.02 and Break-up Value per Share is Rs. 9.56.


HIGHNOON

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, seniors, 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 directors of your Company are pleased to present the audited financial statements for the year ended December 31, 2015, along-with consolidated financial statements with its Subsidiary Company.

Financial Highlights of the Company

	2015 Rs. '000'
Profit before tax	666,704
Taxation	222,683
Profit after tax	444,021
Un-appropriated profit brought forward	617,355
Incremental depreciation relating to surplus on revaluation of fixed assets	7,534
Other Comprehensive income, net of tax	(20,940)
Profit available for appropriation	1,047,970
Appropriations:	
Cash Dividend for the financial year	
31 December 2014@ Rs.6.50 per share.	(118,173)
Bonus shares @12% financial year 2014	(21,817)
	907,980

Consolidated Financial Highlights

		2015 Rs. '000'
Profit before tax		663,607
Taxation		(222,683)
Profit after tax		440,924
Profit after tax attribute-able to:		
Shareholders of Holding Company	441,352	
Non-controlling interest	(428)	
Un-appropriated profit brought forward		617,355
Incremental depreciation relating to surplus on revaluation of fixed assets		7,534
Other Comprehensive income net of tax		(20,940)
Profit available for appropriation		1,044,873
Appropriations:		
Cash Dividend for the financial year		
31 December 2014@ Rs.6.50 per share.		(118,173)
Bonus shares @12% financial year 2014		(21,817)
		904,883

Directors' Report
to the Shareholders

Earnings Per Share

Based on the audited accounts for the year ended December 31, 2015, the earnings per share (EPS) of the Company worked to Rs. 21.81 (2014:Rs.13.35) and on the basis of consolidated results, the EPS comes to Rs. 21.65 (2014: N/A).

Dividend Announcement

The Board of Directors of the Company has recommended a final cash dividend of seventy five percent (75%) i.e. Rs.7.50 per share (2014: Rs. 6.50 per share) and bonus shares at the rate of twelve percent (12%) i.e., 12 shares for every 100 shares (2014: 12%) for the financial year ended 31 December 2015, for consideration and approval by the shareholders at the Annual General Meeting.

Pattern of Shareholding

The pattern of shareholding along with categories of shareholders as at 31 December 2015 as required under Section 236 of the Companies Ordinance and listing regulations is presented on Page 38 of the Annual Report 2015.

Board of Directors & Attendence in Board Meetings

Shareholders of the Company have elected seven directors for a term of three years in an Extraordinary General Meeting held in August 2015. The names of members of the board of the Company are given hereunder:

1. Mr. Tausif Ahmad Khan
2. Mr. Anees Ahmad Khan
3. Mr. Ghulam Hussain Khan
4. Mr. Taufiq Ahmed Khan
5. Mr. Shazib Masud
6. Dr. Adeel Abbas Haideri
7. Mrs. Zainub Abbas

During the year seven meetings of board of directors of the Company were held. The attendance at meetings of the board members is summarized as under:

Sr. No.	Members of the Board	No. of Meetings Attended
1.	Mr. Tausif Ahmad Khan	5
2.	Mr. Anees Ahmad Khan	7
3.	Mr. Ghulam Hussain Khan	7
4.	Mr. Taufiq Ahmed Khan	7
5.	Mr. Shazib Masud	7
6.	Mrs. Zainub Abbas	5
7.	Dr. Adeel Abbas Haideri*	5
8.	Mr. Baqar Hasan**	2
9.	Mst. Siddiqa Begum***	5

*Appointed in April 2015
**Resigned in April 2015
***Retired in September 2015

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 year ended 31 December 2015 except 500 shares purchased by Dr. Adeel Abbas from Mr. Tausif Ahmad Khan as qualification shares to comply with requirements of Companies Ordinance 1984. The board was apprised with the transaction accordingly.

Audit Committee

The board has established an Audit Committee in accordance with the requirements of Code of Corporate Governance. The Audit Committee consists of three members including an independent director who is Chairman of the Committee; rest of the members are non-executive directors of the Company.

Sr. No.	Name	
1.	Mr. Shazib Masud	Chairman
2.	Mr. Ghulam Hussain Khan	Member
3.	Mrs. Zainub Abbas	Member

Audit committee meetings were held prior to approval of interim financial results of the Company by board of directors and before and after completion of external audit of the Company. During the year six meetings of the Audit Committee were held, attendance by each member in the meetings is summarized as under.

Sr. No.	Names of the Members	No. of Meetings Attended
1.	Mr. Shazib Masud	6
2.	Mr. Ghulam Hussian Khan	6
3.	Mrs. Zainub Abbas	6

Directors' Report to the Shareholders

Human Resource and Remuneration Committee

In compliance with requirement of Code of Corporate Governance, Human Resource and Remuneration (HR&R) Committee consists of Chief Executive Officer and two non-executive directors including Chairman. The Chairman of the Committee is a non-executive director. 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 for 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.	Dr. Adeel Abbas Haideri (Executive director)	Member
3.	Mrs. Zainub Abbas (Non-executive director)	Member

The Committee met three times in the year, attendance in the meetings is summarized as under

Sr. No.	Names of the Member	No. of Meetings Attended
1.	Mr. Tausif Ahmad Khan	3
2.	Dr. Adeel Abbas Haideri	1
3.	Mrs. Zainub Abbas	3

Statement of Ethics and Business Practices

The Board has prepared and disseminated the Statement of Ethics and Business Practices. The statement was 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.

Subsidiary Company

In pursuance of resolution of shareholders of Highnoon, the Company acquired majority shareholding of Biocef (Private) Limited in September 2015.

The facility is expected to start commercial production in 2017. Equity investment of Rupees 156.50 million in Biocef (Private) Limited was approved by members of Highnoon Laboratories Limited in the Extra Ordinary General Meeting (EOGM) held on 27 August 2015. Equity investment of Rupees 84.30 million has been made against this approval till December 31, 2015.

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 2016. The Audit Committee has recommended the appointment of Ernst Young Ford Rhodes Sidat Hyder, Chartered Accountants as Auditors of the Company for the year ended 31 December 2016 and the Board agrees to the recommendation of the Audit Committee.

The Auditors have also given their consent 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 that the firm and all its partners are 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 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 following:

1. The financial statements together with the notes thereon have been 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. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

Excellence is doing ordinary things extraordinarily well.

Directors' Report
to the Shareholders

4. International Financial Reporting standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

5. The system of internal controls is sound in design and has been effectively implemented and monitored.

6. There are no significant doubts upon the Company's ability to continue as a going concern.

7. 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 11 and note 15 to the financial statements.

8. There have been no material changes since 31 December 2015 and the Company has not entered into any commitment, which would affect the financial position at the report date.

9. None of the Directors has been convicted as a defaulter in payment of any loans of Banks / DFIs, neither they nor 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.

10. There has been no significant departure from the Best Practices of Corporate Governance, as detailed in the listing regulations.

11. The value of investment of the Provident Fund based on un-audited accounts as at 31 December 2015 was Rs.187.358 million as compared to Rs. 168.528 million as per audited accounts as at 31 December 2014.

12. Key financial data for the last six years as an investors' guide is annexed to the Report.

Web Presence

In compliance with the requirements of Securities and Exchange Commission of Pakistan (SECP) all information relating to the Company including periodic financial statements / annual reports etc., are available on the website. Stakeholders and general public can log on to Company's website www.highnoon-labs.com to retrieve their desired information.

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

Dr. Adeel Abbas Haideri
Chief Executive Officer

Lahore: 15 March 2016


OUTPUT/JOB
LAB. REM
PROD. SPD.
SEPARAT SPD
LAB. POS.
PRINT TIME
LAB. EXTENS
LAB HD-SPD
SAVE MEM
CALL MEM
CONTAN /Min
REJECT RESET
CLEAR MESSAGE
PAUSE

Chairmans' Review

I welcome you to the 33rd Annual General Meeting of the Company. I am delighted to present Highnoon's annual performance review along with the audited financial statements and the auditors' report for the year ended 31 December, 2015.

During the year your Company continued to deliver strong sales revenue and profits. We maintained strong momentum of the past years and made progress in all areas of our strategy – Growth, Productivity, Quality and building a Winning Organization. While the positive economic environment played a role, this continuing growth largely reflects the increased people engagement within the Company. This growth has also been possible because of your Company's strong and continued focus on introducing new products and therapies.

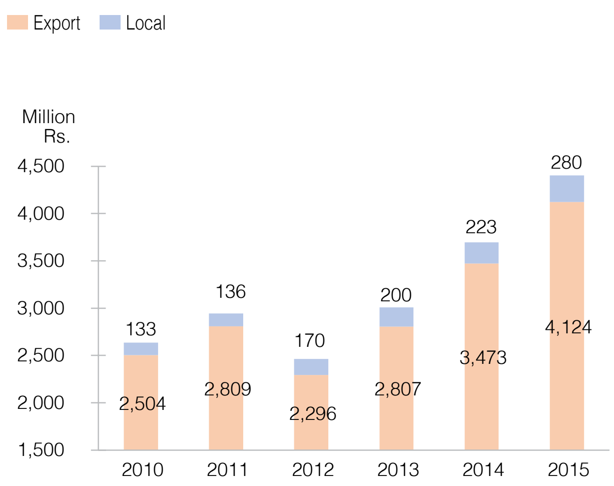
Financial Highlights

Net sales for the year increased by 19% to Rs. 4,404 million as compared to Rs. 3,696 million in the last year. This sales improvement is largely due to volume growth of 14%. Local Sales for the year increased by 19%, exports for the year increased by 25% while third party sales increased by 14%. Gross profit was 48% of net sales in 2015, which represents a 3% margin improvement compared to last year. The gross margin improvement is primarily due to productivity improvement, lower cost on account of better raw material sourcing alternatives and favorable exchange rates.

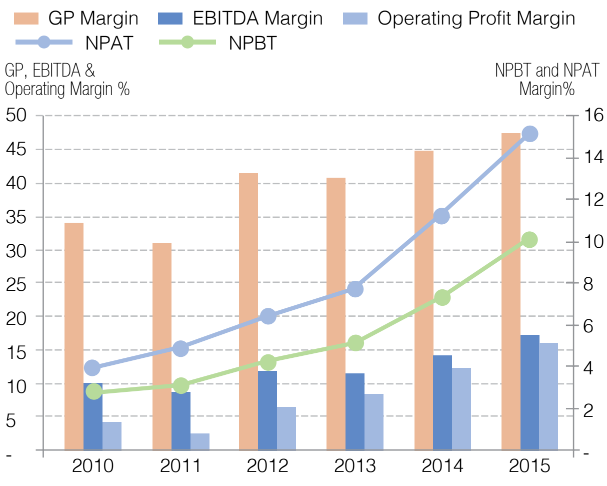
Distribution and selling expenses increased by Rs.157 million over preceding year. Increase in selling and marketing costs is primarily due to planned launch of new products and significant expansion in sales team for focus on a broader range of physicians, including surgeons, and an increased emphasis on patient awareness and education.

We continued to strengthen our balance sheet. The profit from operations for the year increased by 55% and the Company earned highest ever after tax profit of Rs. 444 million, resulting in earnings per share of Rs. 21.81, showing an increase of 63% over last year. Based on the improvement in profitability and efficient working capital management, the Company has accumulated additional cash reserves. We are comfortable with our financial position and believe that the existing resources are adequate to meet our liquidity requirements for the foreseeable future.

Sales Trend



Profitability Margins




Annual Sales Conference 2015

Throughout the year we continued to identify and screen potential new businesses and products that could increase Highnoon's value and improve returns to shareholders. We were pleased to announce that we acquired majority shareholding in a pharmaceutical startup company which is dedicated for to the production of cephalosporin antibiotics. Upon commencement of production early next year, this company will enable Highnoon to launch cephalosporins. We are aiming to acquire additional shareholding in this company, subject to shareholders' approval, in order to make the subsidiary a wholly owned subsidiary company of Highnoon.

Products & Market Update

We are pleased once again with the strong double-digit growth in our sales revenue. During the year our local market sales demonstrated a 17% growth which is above the growth rate witnessed by the industry (IMS MAT 12/2015). Our key therapeutic segments: Alimentary tract & Metabolism, Cardiovascular and Respiratory performed exceptionally well throughout the year. Buoyed by a stream of innovative products, our portfolio enables us to continue to increase our market share.

Sales revenue from Alimentary tract and Metabolism segments grew to Rs. 1,359 million showing an increase of 12% over last year (IMS MAT 12/2015). The growth in this segment is in line with the industry growth. In this segment, our core brands namely Tres Orix Forte, Ulsanic and Skilax maintained their market position whereas recently launched brand Tagipmet made significant progress and recorded an increase of 40 percent growth over last year (IMS MAT 12/2015).

The Respiratory segment has once again outperformed market growth and grew by over 29 percent as compared to segment growth of 8 percent (IMS MAT 12/2015). We are now among the top three companies in the Respiratory segment. Meter Dose Inhalers, launched recently, have also been taken very well by the market and the revenue is likely to pick up in the coming years. Though the delay in the registration of full range of respules has restricted our growth, we expect significant growth in this segment once the full range of products are available for sale.

Our Cardiovascular portfolio maintained its leading position and grew by 21 percent as compared to the market growth of 15 percent (IMS MAT 12/2015). Our newly launched brand Misar, an angiotensin receptor blocker (ARB) used in the management of hypertension has become one of the fastest growing anti-hypertensive medicine in the market.

Herbal medicines are currently in demand and their popularity is increasing day by day. Your Company has also started marketing Herbal medicines and supplements of a world renowned manufacturer. The products are presently marketed as an adjunct and complementary medicines.

There is no substitute for
excellence - not even success.

Our export development initiatives have begun to bring results. The decision to enter Afghanistan market has started to pay dividends. Sales revenue from Afghanistan market increased by 61% over last year. We are now expanding ourselves in Afghanistan to establish a stronger presence in the territory. We are currently at an advanced stage of planning to open new territories namely, Sri Lanka, Kenya and Philippines. We also continue to invest in our regulatory function to gain new licenses in other countries identified as target markets to expand beyond our traditional markets.

Operational Excellence

We believe strategic investments, innovation and operational excellence are keys to our future success. In pursuit we continue to invest in plant and machinery as well as in technology in order to meet our current and future needs. The key objective is to produce quality products in the most efficient and effective manner. A number of projects were implemented throughout the year to increase capacity, improve yields and drive efficiencies in order to reduce manufacturing costs. These include:

- Increasing the capacity of granulation section to increase batch sizes of key products;
- Addition of a new faster compression machine in the tablet section;
- Addition of a new faster blister packing line to increase capacity and flexibility through automation; and
- Addition of a larger coater to increase production capacity of coated tablets.

All the above equipments have been installed and made operational after following thorough testing and validation protocols. In addition to above, there have been a number of other developments within our manufacturing and quality operations to improve quality of our products and to make the operations more efficient and robust, as a result of which production volume increased by 11% over last year.

In addition to manufacturing our own products, we also utilize spare capacity to provide third party manufacturing services to a select national and multinational companies.

It is our cardinal responsibility to ensure that our products are safe, potent and efficacious. Our quality systems and procedures ensure that our products, processes and documentation meet the required standards. The regulatory authorities inspect our plant for GMP compliance on regular basis.

One Team

People are key to drive the performance of the Company. Significant resources are deployed and efforts made to support a performance driven culture. As reported last year, our focus has been on development of our people. During the year, in addition to in-house trainings and development of our employees, we launched new learning initiative and partnered with a leading business school for the development of performance culture across the sales teams.

The compensation plan for our employees is linked to the achievement of corporate objectives. The plan keeps everyone focused on the Company's objectives and achievement of key financial and strategic metrics that brings success.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ASC 2015
Star Performers

There has been significant human resource expansion throughout the year to support growth. Over 187 employees were added to increase the reach in new territories. As we expand, efficient communication to drive companywide alignment became increasingly important. With this in mind, we implemented state of the art cloud based office collaboration suite. This implementation has not only improved communication but has also resulted in eliminating unnecessary duplication of hardware and IT workforce.

We are focused on providing a safe, secure and a healthy working environment for our employees. We have been encouraging gender diversity at head office, plant and in the field. Our Human Resource Function places high value on human dignity, respect and trust.

Corporate Social Responsibility

It is our unshakeable belief that financial performance and corporate social responsibility go hand in hand. Our Corporate Social Responsibility initiatives to support the local communities are a source of immense pride to us. For years now, our focus has been health, education and development and training of underprivileged children and youth in poor neighborhoods. We also support emergency response efforts across the country, whenever such a situation arises.

We continued our support to Thalassemia patients and enlarged the scope of providing free of cost iron chelating agent to patients suffering from blood disorders. In addition, medicines are also donated to the Government hospitals. The Company also organizes medical camps in the rural areas for the benefit of poor patients. These medical camps are arranged to provide medical checkups and free of cost medicines to the people residing in areas where modern medical facilities are scarce.

Your Company believes that one person's education in a family can make a difference to the entire family hence the Company provides assistance to the needy children of its workers for primary education. In order to promote higher education, a program has also been initiated to support deserving children of company employees towards professional education at high ranking universities of the Country.

We are well positioned to continue to deliver strong and sustainable returns to our shareholders. We have demonstrated consistency in the past and we are confident that we will carry on to bring significant improvements in the future.

On behalf of the board, I express sincere thanks and appreciation to the Shareholders, Doctors, Pharmacists, Consumers and our Business partners for their patronage and to employees and management team for their untiring efforts and hard work.

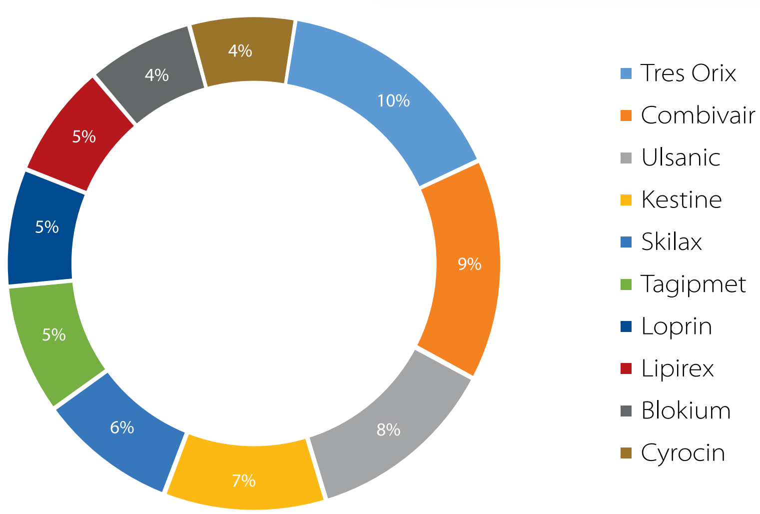
For & on behalf of the Board

Tausif Ahmad Khan
Chairman
Lahore: 15 March 2016

HIGHFORUM
...its all about adding value

Top Ten Brands of Highnoon

TOP TEN BRANDS OF HIGHNOON



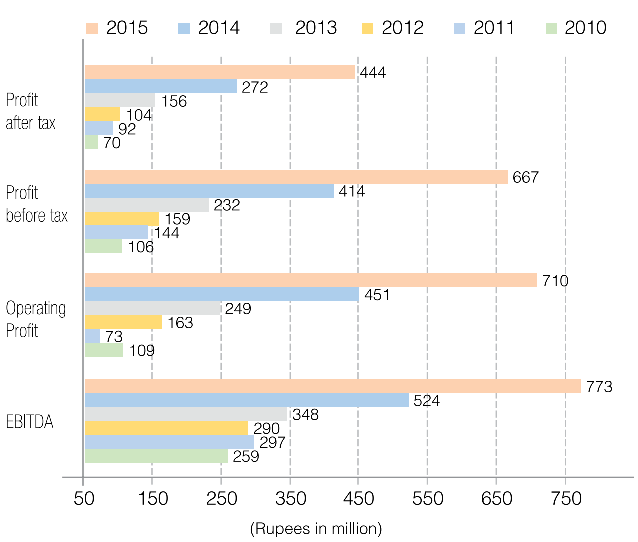
Six Years at a Glance

		2015	2014	2013	2012	2011	2010
				(Rupees in '000')			
Summary of Balance Sheet							
Share Capital		203,622	181,805	181,805	181,805	181,805	165,277
Reserves		1,021,981	731,355	533,568	438,931	385,324	358,856
Operating Fixed Assets		763,884	751,243	747,514	765,185	701,972	696,937
Non Current Assets		134,845	74,977	96,481	113,209	127,039	144,145
Current Assets		1,391,757	1,120,377	738,344	805,784	728,558	899,887
Current Liabilities		523,048	498,172	301,878	458,114	444,143	640,404
Net Working Capital		868,709	620,601	436,466	347,670	284,416	259,483
Non-Current Liabilities		31,429	43,331	71,013	76,403	83,898	127,850
Deferred Liabilities		293,727	269,170	267,233	296,469	279,245	260,106
Summary of Profit and Loss Account							
Sales - Net		4,403,995	3,696,092	3,007,925	2,465,621	2,944,907	2,636,538
Gross Profit		2,092,316	1,655,234	1,230,661	1,025,253	914,171	903,555
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)		773,439	523,594	347,766	289,531	297,360	258,772
Operating Profit		709,890	450,569	248,739	162,925	72,751	108,748
Profit Before Tax		666,705	414,424	232,302	159,106	144,053	105,580
Net Profit After Tax		444,021	271,908	155,535	104,016	92,381	70,344
Summary of Cash Flow Statement							
Net Cash Flow from Operating Activities		335,928	479,594	370,435	69,878	388,077	270,151
Net Cash Flow from Investing Activities		(163,911)	(20,883)	(11,354)	(22,378)	(47,473)	(115,634)
Net Cash Flow from Financing Acitivites		(154,547)	(172,920)	(316,010)	(53,634)	(391,339)	(122,111)
Changes in Cash and Cash Equivalents		17,471	285,791	43,071	(6,135)	(50,735)	32,406
Cash and Cash Equivalents at Year End		352,795	335,324	49,533	6,462	12,597	63,331
Financial Performance/Profitability Analysis							
Sales Growth	%	19.15	22.88	21.99	(16.28)	11.70	12.93
Gross Profit Margin	%	47.51	44.78	40.91	41.58	31.04	34.27
EBITDA to Sales Margin	%	17.56	14.17	11.56	11.74	10.10	9.81
Operating Profit Margin	%	16.12	12.19	8.27	6.61	2.47	4.12
Profit Before Tax Margin	%	15.14	11.21	7.72	6.45	4.89	4.00
Profit After Tax Margin	%	10.08	7.36	5.17	4.22	3.14	2.67
Return on Equity	%	36.23	29.78	21.74	16.76	16.29	13.42
Return on Capital Employed	%	35.32	28.43	19.78	14.92	14.19	10.79
Operating Performance/Liquidity Analysis							
Inventory Turnover	Days	118	107	120	143	104	141
Debtors Turnover	Days	6	7	8	9	6	6
Creditors Turnover	Days	66	62	49	51	29	28
Cash Operating Cycle	Days	58	52	79	101	81	119
Assets Turnover Ratio	Times	1.92	1.90	1.90	1.46	1.89	1.51
Fixed Assets Turnover	Times	4.90	4.49	3.57	2.81	3.56	3.19
Return on Assets	%	29.11	21.31	14.68	9.45	9.25	6.06
Current Ratio	Times	2.66	2.25	2.45	1.76	1.64	1.41
Quick Ratio	Times	1.02	0.97	0.60	0.43	0.47	0.40

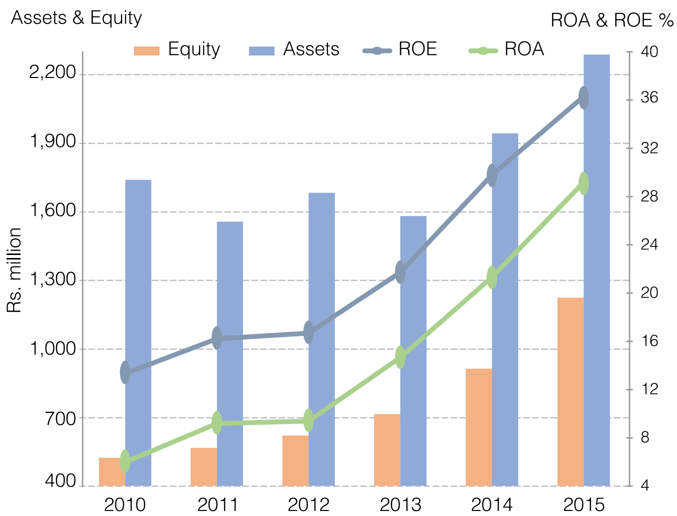
		2015	2014	2013	2012	2011	2010
Distribution Analysis							
Pay out-Proposed							
- Cash Dividend per share	Rs.	7.50	6.50	4.50	3.50	3.00	2.50
- Bonus	%	12	12	-	-	-	10.00
Payout Ratio (after tax)	%	39.90	51.48	52.60	61.17	59.04	82.23
Dividend Yield	%	1.51	3.49	3.80	7.37	10.58	12.09
Earnings Per Share (after tax)	Rs./share	21.81	14.96	8.56	5.72	5.08	4.26
Price Earning Ratio	Times	26.48	14.74	13.85	8.30	5.58	6.80
Capital Structure/Market Value Analysis							
Long Term Debt : Equity Ratio		03:97	06:94	08:92	09:91	11:89	19:81
Financial leverage	Times	1.87	2.13	2.21	2.71	2.75	3.32
Shareholders' Net Worth as % of Total Assets	%	53.51	46.95	45.21	36.86	36.41	30.11
Financial Charges Coverage	Times	73.75	33.69	11.62	3.92	1.73	2.09
Number of Shares	in '000'	20,362	18,181	18,181	18,181	18,181	16,528
Break-up Value of Share							
- Excluding Surplus on Revaluation	Rs.	60.19	50.23	39.35	34.14	31.19	31.71
- Including Surplus on Revaluation	Rs.	70.83	62.39	51.83	46.93	41.27	43.12
Market Value of Share							
- Year End	Rs.	577.40	220.46	118.53	47.50	28.35	28.94
- Highest	Rs.	619.95	305.00	185.00	50.36	33.50	33.99
- Lowest	Rs.	203.00	117.50	45.00	28.50	24.50	22.10
- Average	Rs.	311.27	207.97	92.00	37.20	27.94	27.30
Market Capitalization	Rs. in '000'	11,757,019	4,008,077	2,154,937	863,575	515,418	478,313

* Based on proposed final dividend

Profitability

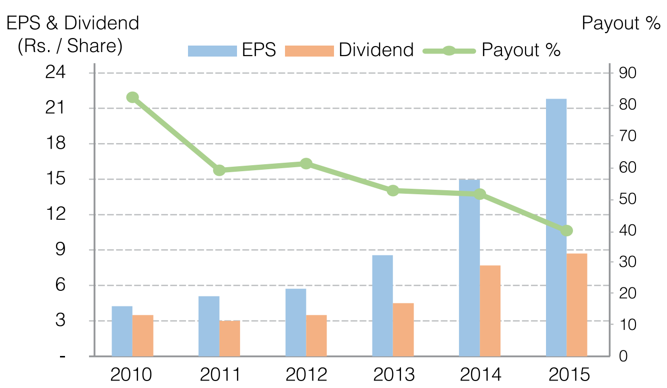


Shareholders' Equity, Assets and Return

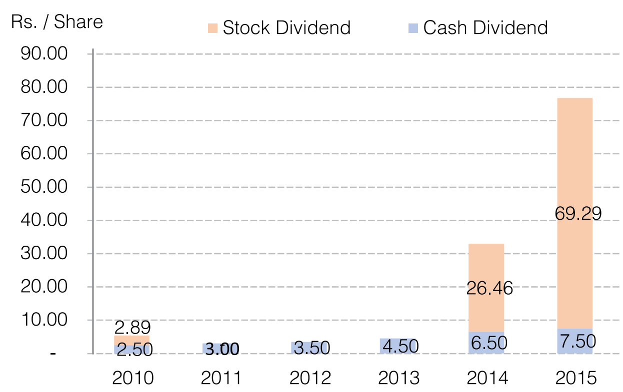


Graphical Presentation

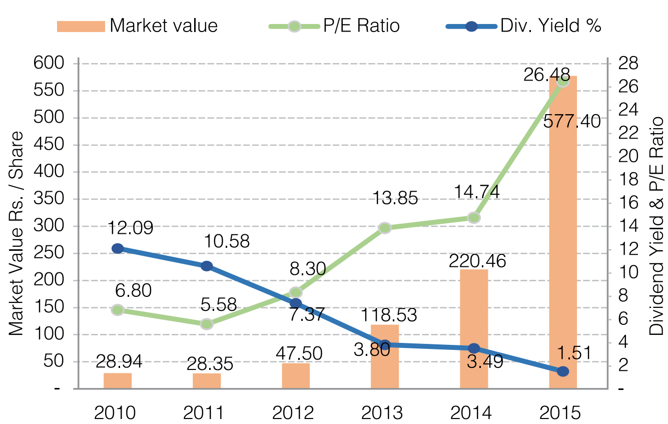
EPS, Dividend and Payout %



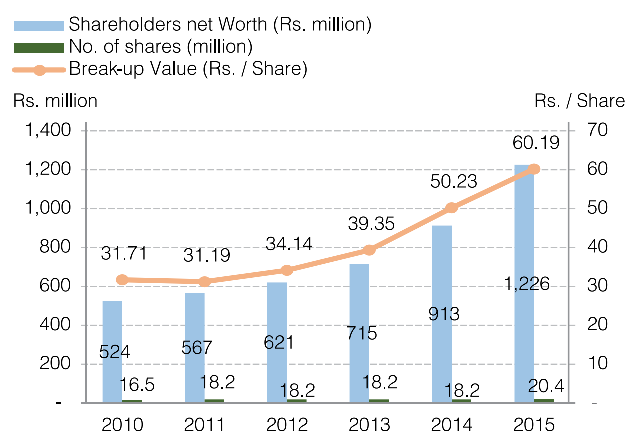
Market Value of Payout-Proposed



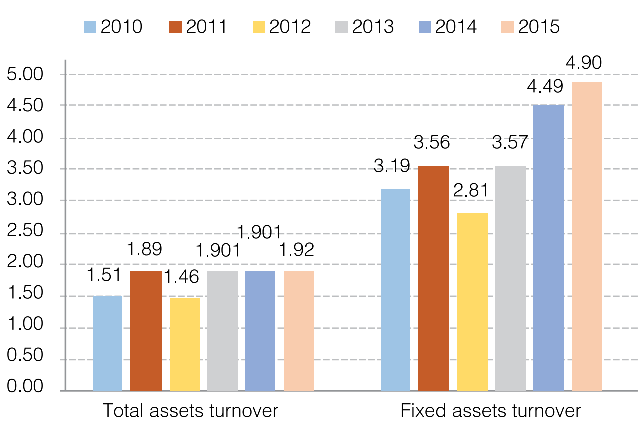
Dividend Yield, P/E Ratio and Market Value



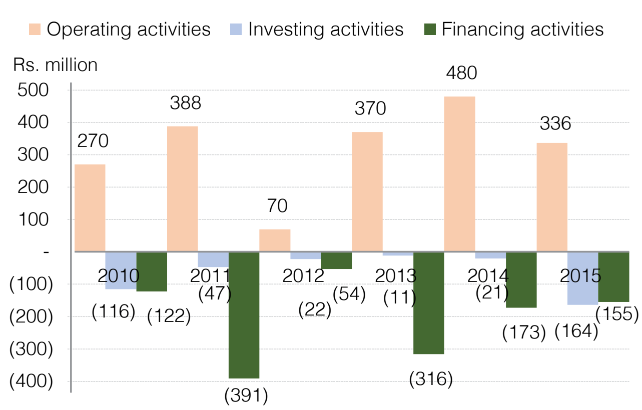
Shareholders' Net Worth



Assets Turnover (Times)

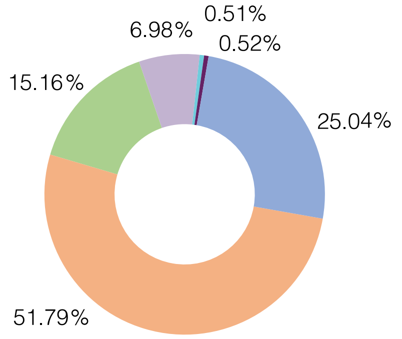


Cash Flows Analysis

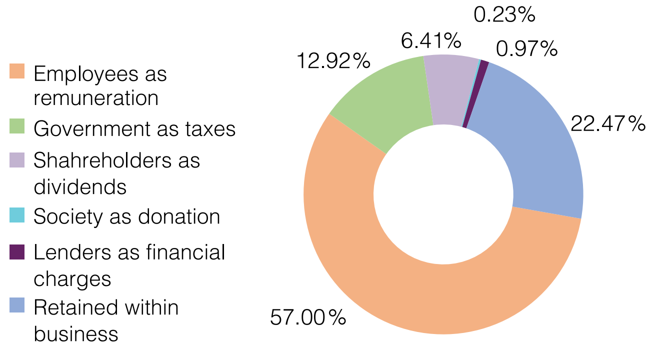


Statement of Value Addition and its Distribution

	2015 Rs. in '000'	2014 Rs. in '000'
Value Added		
Net Sales	4,416,862	3,705,292
Material & Services	2,754,023	2,438,644
Other Income	29,837	9,987
	1,692,676	1,276,634
Distribution		
Employees		
Salaries Wages & Benefits	841,573	705,911
Workers Profit Participation Fund	35,090	21,812
	876,663	727,722
Government		
Income Tax	222,683	142,516
Sales Tax	12,867	9,199
Central Research Fund	6,734	4,186
Workers Welfare Fund	14,343	8,997
	256,627	164,898
Society		
Donation	8,629	2,935
Provider of Finances		
To Shareholder as Cash dividend	118,173	81,812
To Banks as financial charges	8,754	12,371
	126,928	94,183
Retained in Business		
Depreciation and amortization	97,980	96,800
Retained Profit	325,849	190,096
	423,829	286,896
	1,692,676	1,276,634



Year 2015

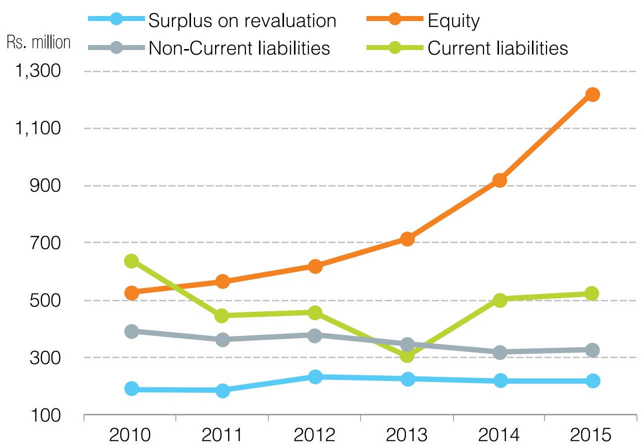


Year 2014

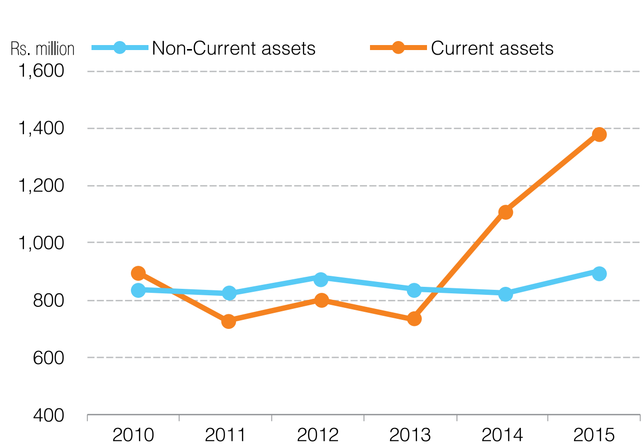
Horizontal Analysis

BALANCE SHEET	2015		2014		2013		2012 Restated		2011 Restated		2010	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Share Capital and Reserve												
Share capital	203,622	12.0	181,805	-	181,805	-	181,805	-	181,805	10.0	165,277	-
Revenue reserves	1,021,981	39.7	731,355	37.1	533,568	21.6	438,931	13.9	385,324	7.4	358,856	-1.3
	1,225,603	34.2	913,161	37.1	715,373	21.6	620,737	13.9	567,130	17.4	524,134	-1.3
Surplus on revaluation of fixed assets	216,680	-2.0	221,160	-2.5	226,843	-	232,455	-	183,153	-	188,475	-
Non Current Liabilities												
Long term loan - secured	-	-	-	-100.0	37,500	-25.0	50,000	-13.3	57,659	-42.3	99,947	153.6
Liabilities against assets subject to finance lease	11,162	-63.1	30,274	22.2	24,779	93.5	12,805	13.4	11,296	-59.5	27,903	-10.4
Long term advances	20,267	55.2	13,057	49.5	8,734	-35.8	13,598	-9.0	14,942	41.1	10,589	-31.2
Deferred liabilities	293,727	9.1	269,170	0.7	267,232	-9.9	296,469	6.2	279,245	11.9	249,517	17.8
Total Non Current Liabilities	325,156	4.0	312,500	-7.6	338,245	-9.3	372,872	2.7	363,142	-6.4	387,956	30.3
Current Liabilities												
Trade and other payables	409,596	0.1	409,027	57.6	259,540	30.2	199,348	6.8	186,674	55.0	120,441	-11.1
Mark-up payable on secured loans	53	-76.4	225	-86.9	1,715	-74.0	6,589	-36.9	10,436	-49.2	20,544	11.3
Short term bank borrowings - secured	-	-	-	-100.0	73	-100.0	230,600	38.7	166,291	-61.6	433,153	-23.0
Income tax-net	88,197	58.5	55,638	100.0	-	-	-	-	-	-	-	-
Current portion of long term liabilities	25,202	-24.3	33,283	-17.9	40,550	87.9	21,577	-73.3	80,742	21.8	66,266	34.7
Total Current Liabilities	523,048	5.0	498,172	65.0	301,877	-34.1	458,114	3.1	444,143	-30.6	640,404	-16.3
	2,290,486	17.8	1,944,994	22.9	1,582,339	-6.0	1,684,178	8.1	1,557,568	-10.5	1,740,969	-0.3
Non Current Assets												
Property,plant and equipments	765,390	0.8	759,544	-0.3	761,880	-2.1	778,418	8.8	715,604	0.7	710,421	-1.4
Intangible assets	38,459	-39.4	63,511	-21.2	80,553	-18.1	98,413	-12.0	111,844	-13.4	129,099	122.5
Long Term Investment	84,300	100.0	-	-	-	-	-	-	-	-	-	-
Long Term deposits	10,580	577.3	1,562	-	1,562	-	1,562	-	1,562	-	1,562	-
	898,729	9.0	824,617	-2.3	843,995	-3.9	878,393	6.0	829,010	-1.4	841,082	7.8
Current Assets												
Stock in trade	860,324	35.5	634,792	13.8	557,767	-8.0	606,595	17.0	518,480	-19.1	640,845	-8.5
Trade debts	67,898	-10.1	75,535	18.9	63,517	-12.4	72,532	31.2	55,270	26.9	43,544	17.7
Advances	79,941	84.8	43,258	32.7	32,587	38.9	23,454	-44.0	41,899	97.6	21,204	-64.9
Trade deposits and short term prepayments	19,709	11.7	17,638	42.8	12,355	-8.5	13,510	46.3	9,237	-26.2	12,510	26.9
Balance with statutory authorities	7,955	-33.6	11,984	-38.4	19,462	-4.8	20,437	21.8	16,774	29.0	13,007	11.9
Other receivables	3,135	69.8	1,846	41.8	1,302	91.8	679	194.3	231	-97.3	8,579	-83.6
Income Tax-net	-	-	-	-100.0	1,820	-97.1	62,117	-16.1	74,071	-23.5	96,866	51.3
Cash and bank balances	352,795	5.2	335,324	577.0	49,533	666.5	6,462	-48.7	12,596	-80.1	63,331	104.8
	1,391,757	24.2	1,120,377	51.7	738,344	-8.4	805,784	10.6	728,558	-19.0	899,887	-6.9
	2,290,486	17.8	1,944,994	22.9	1,582,339	-6.0	1,684,178	8.1	1,557,568	-10.5	1,740,969	-0.3

Equity and liabilities



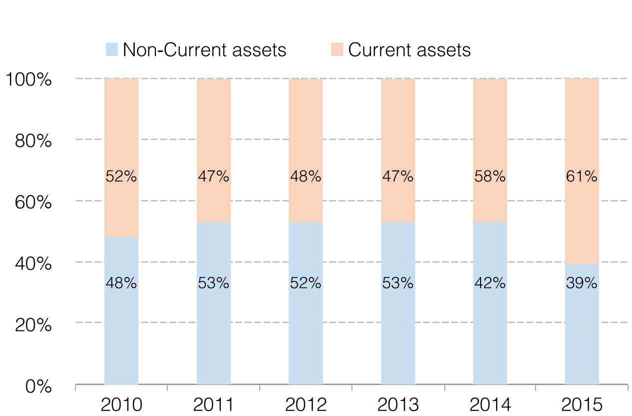
Assets



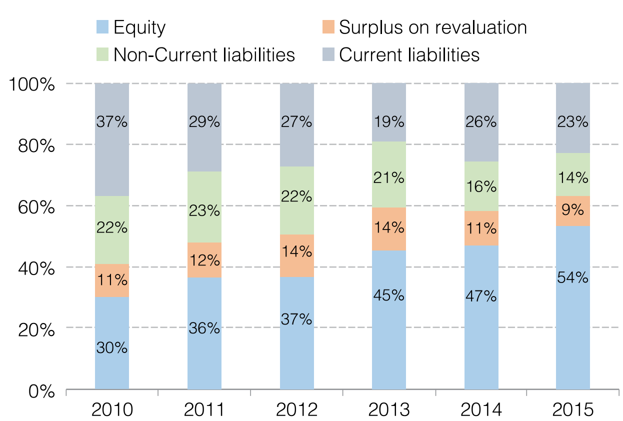
Vertical Analysis

BALANCE SHEET	2015		2014		2013		2012 Restated		2011 Restated		2010	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Share Capital and Reserve												
Share capital	203,622	8.9	181,805	9.3	181,805	11.5	181,805	10.8	181,805	11.7	165,277	9.5
Revenue reserves	1,021,981	44.6	731,355	37.6	533,568	33.7	438,931	26.1	385,324	24.7	358,856	20.6
	1,225,603	53.5	913,161	46.9	715,373	45.2	620,737	36.9	567,130	36.4	524,134	30.1
Surplus on revaluation of fixed assets	216,680	9.5	221,160	11.4	226,843	14.3	232,455	13.8	183,153	11.8	188,475	10.8
Non Current Liabilities												
Long term loan - secured	-	-	-	-	37,500	2.4	50,000	3.0	57,659	3.7	99,947	5.7
Liabilities against assets subject to finance lease	11,162	0.5	30,274	1.6	24,779	1.6	12,805	0.8	11,296	0.7	27,903	1.6
Long term advances	20,267	0.9	13,057	0.7	8,734	0.6	13,598	0.8	14,942	1.0	10,589	0.6
Deferred liabilities	293,727	12.8	269,170	13.8	267,232	16.9	296,469	17.6	279,245	17.9	249,517	14.3
Total Non Current Liabilities	325,156	14.2	312,500	16.1	338,245	21.4	372,872	22.1	363,142	23.3	387,956	22.3
Current Liabilities												
Trade and other payables	409,596	17.9	409,027	21.0	259,540	16.4	199,348	11.8	186,674	12.0	120,441	6.9
Mark-up payable on secured loans	53	-	225	-	1,715	0.1	6,589	0.4	10,436	0.7	20,544	1.2
Short term bank borrowings - secured	-	-	-	-	73	0.0	230,600	13.7	166,291	10.7	433,153	24.9
Income tax-net	88,197	3.9	55,638	2.9	-	-	-	-	-	-	-	-
Current portion of long term liabilities	25,202	1.1	33,283	1.7	40,550	2.6	21,577	1.3	80,742	5.1	66,266	3.8
Total Current Liabilities	523,048	22.9	498,172	25.6	301,878	19.1	458,114	27.2	444,143	28.5	640,404	36.8
	2,290,486	100.0	1,944,994	100.0	1,582,339	100.0	1,684,178	100.0	1,557,568	100.0	1,740,969	100.0
Non Current Assets												
Property,plant and equipments	765,390	33.4	759,544	39.1	761,880	48.1	778,418	46.2	715,604	45.9	710,421	40.8
Intangible assets	38,459	1.7	63,511	3.3	80,553	5.1	98,413	5.8	111,844	7.2	129,099	7.4
Long Term Investment	84,300	3.7	-	-	-	-	-	-	-	-	-	-
Long Term deposits	10,580	0.5	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1
	898,729	39.2	824,617	42.4	843,995	53.3	878,393	52.2	829,010	53.2	841,082	48.3
Current Assets												
Stock in trade	860,324	37.6	634,792	32.6	557,767	35.2	606,595	36.0	518,480	33.3	640,845	36.8
Trade debts	67,898	3.0	75,535	3.9	63,517	4.0	72,532	4.3	55,270	3.5	43,544	2.5
Advances	79,941	3.5	43,258	2.2	32,587	2.1	23,454	1.4	41,899	2.7	21,204	1.2
Trade deposits and short term prepayments	19,709	0.9	17,638	0.9	12,355	0.8	13,510	0.8	9,237	0.6	12,510	0.7
Tax refund due from government	7,955	0.3	11,984	0.6	19,462	1.2	20,437	1.2	16,774	1.1	13,007	0.7
Other receivables	3,135	0.1	1,846	0.1	1,302	0.1	679	0.0	231	-	8,579	0.6
Income Tax-net	-	-	-	-	1,820	0.1	62,117	3.7	74,071	4.8	96,866	5.6
Cash and bank balances	352,795	15.4	335,324	17.2	49,533	3.1	6,462	0.4	12,596	0.8	63,331	3.6
	1,391,757	60.8	1,120,377	57.6	738,344	46.7	805,784	47.8	728,558	46.8	899,887	51.7
	2,290,486	100.0	1,944,994	100.0	1,582,339	100.0	1,684,178	100.0	1,557,568	100.0	1,740,969	100.0

Assets



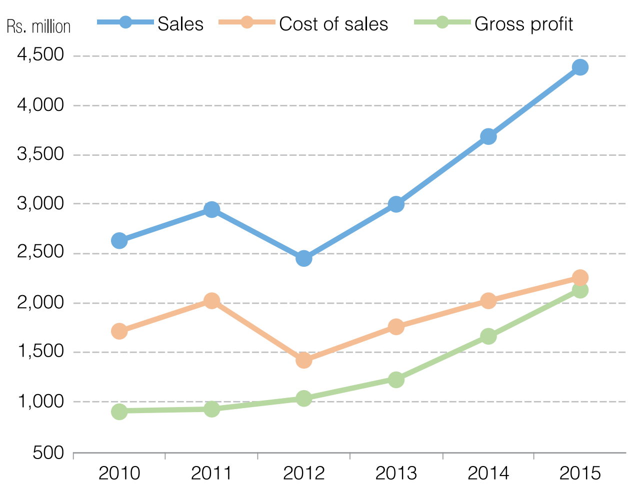
Equity and liabilities



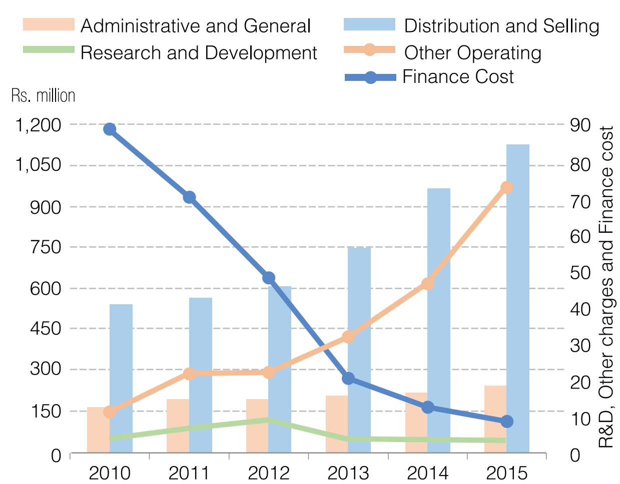
Horizontal Analysis

PROFIT AND LOSS ACCOUNT	2015 Rs. in 000	%	2014 Rs. in 000	%	2013 Rs. in 000	%	2012 Restated Rs. in 000	%	2011 Restated Rs. in 000	%	2010 Rs. in 000	%
Sales - net	4,403,995	19.2	3,696,092	22.9	3,007,925	22.0	2,465,621	-16.3	2,944,907	11.7	2,636,538	12.9
Cost of Sales	2,311,679	13.3	2,040,858	14.8	1,777,264	23.4	1,440,368	-29.1	2,030,736	17.2	1,732,983	16.4
Gross Profit	2,092,316	26.4	1,655,234	34.5	1,230,661	20.0	1,025,253	12.2	914,171	1.2	903,555	6.8
Distribution, Selling and Promotional Expenses	1,125,961	16.2	968,753	29.0	751,181	23.2	609,764	7.2	568,589	5.2	540,518	11.8
Administrative and General Expenses	244,669	11.4	219,629	6.4	206,437	5.6	195,518	-0.1	195,733	21.5	161,148	0.3
Research and Development Expenses	3,041	-22.3	3,912	0.8	3,880	-56.2	8,864	31.8	6,727	81.0	3,716	-46.5
Other Operating Expenses	73,022	58.3	46,132	45.3	31,746	43.3	22,149	3.3	21,450	97.2	10,876	-53.1
	1,446,693	16.8	1,238,426	24.7	993,244	18.8	836,295	5.5	792,499	10.6	716,258	6.2
	645,623	54.9	416,808	75.6	237,416	25.6	188,958	55.3	121,672	-35.0	187,298	8.9
Other Operating Income	29,837	198.8	9,987	-34.8	15,309	-16.5	18,331	-80.2	92,752	1103.4	7,708	-16.1
	675,460	58.3	426,795	68.9	252,725	21.9	207,289	-3.3	214,424	10.0	195,005	7.6
Finance Cost	8,754	-29.2	12,371	-39.4	20,424	-57.6	48,182	-31.5	70,371	-21.3	89,425	12.7
Profit Before Taxation	666,706	60.9	414,424	78.4	232,301	46.0	159,107	10.5	144,053	36.4	105,580	3.7
Taxation	222,683	56.3	142,516	85.6	76,767	39.3	55,091	6.6	51,672	46.6	35,236	-2.4
Profit After Taxation	444,023	63.3	271,908	74.8	155,534	49.5	104,016	12.6	92,381	31.3	70,344	7.0

Sales and cost of sales



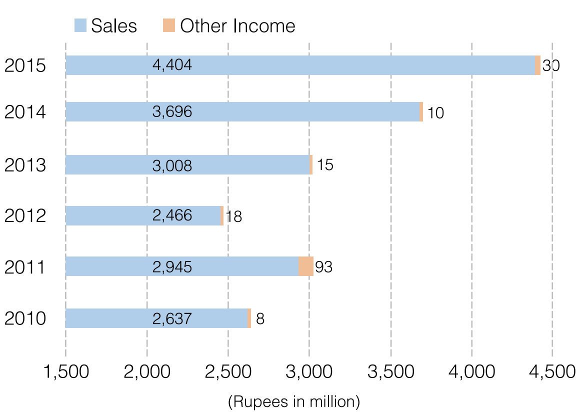
Operating Expenses



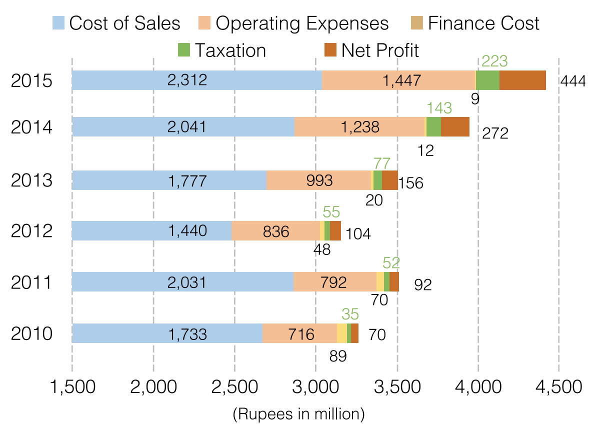
Vertical Analysis

PROFIT AND LOSS ACCOUNT	2015 Rs. in 000	2015 %	2014 Rs. in 000	2014 %	2013 Rs. in 000	2013 %	2012 Restated Rs. in 000	2012 Restated %	2011 Restated Rs. in 000	2011 Restated %	2010 Rs. in 000	2010 %
Sales - net	4,403,995	100	3,696,092	100.0	3,007,925	100.0	2,465,621	100.0	2,944,907	100.0	2,636,538	100.0
Cost of Sales	2,311,679	52.5	2,040,858	55.2	1,777,264	59.1	1,440,368	58.4	2,030,736	69.0	1,732,983	65.7
Gross Profit	2,092,316	47.5	1,655,234	44.8	1,230,661	40.9	1,025,253	41.6	914,171	31.0	903,555	34.3
Distribution, Selling and Promotional Expenses	1,125,961	25.6	968,753	26.2	751,181	25.0	609,764	24.7	568,589	19.3	540,518	20.5
Administrative and General Expenses	244,669	5.6	219,629	5.9	206,437	6.9	195,518	7.9	195,733	6.6	161,148	6.1
Research and Development Expenses	3,041	0.1	3,912	0.1	3,880	0.1	8,864	0.4	6,727	0.2	3,716	0.1
Other Operating Expenses	73,022	1.7	46,132	1.2	31,746	1.0	22,149	0.9	21,450	0.7	10,876	0.4
	1,446,693	32.9	1,238,426	33.4	993,244	33.0	836,295	33.8	792,499	26.8	716,258	27.1
	645,623	14.6	416,808	11.4	237,417	7.9	188,958	7.7	121,672	4.1	187,298	7.2
Other Operating Income	29,837	0.7	9,987	0.3	15,309	0.5	18,331	0.7	92,752	3.1	7,708	0.3
	675,460	15.3	426,795	11.7	252,726	8.4	207,289	8.4	214,424	7.3	195,005	7.5
Finance Cost	8,754	0.2	12,371	0.3	20,424	0.7	48,182	2.0	70,371	2.4	89,425	3.4
Profit Before Taxation	666,706	15.1	414,424	11.4	232,302	7.7	159,107	6.4	144,053	4.9	105,580	4.1
Taxation	222,683	5.1	142,516	3.9	76,767	2.5	55,090	2.2	51,672	1.8	35,236	1.3
Profit After Taxation	444,023	63.3	271,908	74.8	155,534	49.5	104,016	12.6	92,381	31.3	70,344	7.0

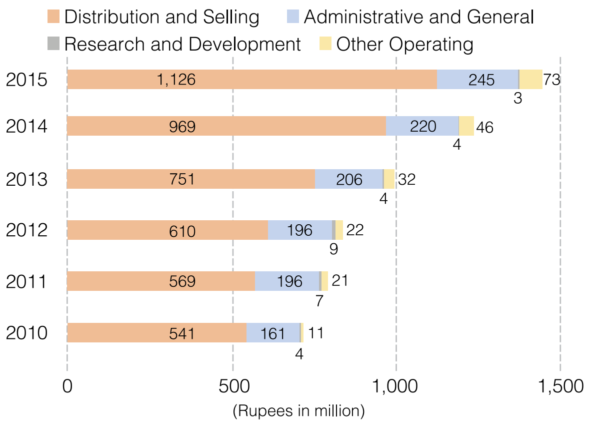
Revenues



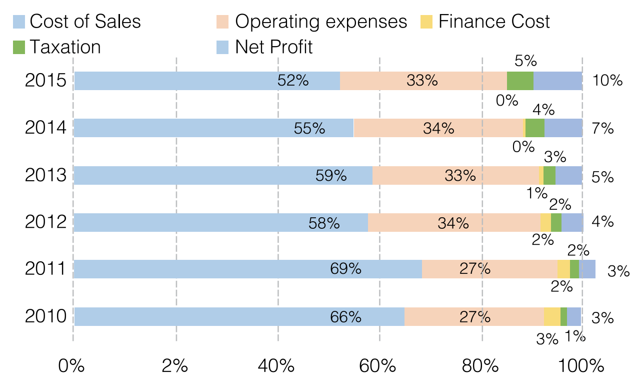
Expenses and Profit



Operating Expenses



Expenses and Profit as % of Sales



Pattern of Shareholding
as at December 31, 2015

Sr. #	No. of Shareholders	Shareholding		Total Shares Held
		From	To	
1	1219	1	100	54,022
2	904	101	500	231,203
3	276	501	1000	211,244
4	476	1001	5000	801,914
5	41	5001	10000	299,625
6	22	10001	15000	267,819
7	3	15001	20000	57,954
8	6	20001	25000	133,439
9	4	25001	30000	113,967
10	6	30001	35000	192,430
11	2	35001	40000	80,000
12	4	40001	50000	183,855
13	1	50001	55000	53,800
14	1	55001	60000	60,000
15	4	60001	70000	273,667
16	2	70001	75000	148,600
17	1	75001	80000	76,628
18	1	80001	85000	82,959
19	1	85001	105000	104,704
20	1	105001	125000	121,800
21	1	125001	130000	126,400
22	1	130001	150000	145,655
23	2	150001	165000	326,200
24	1	165001	210000	206,080
25	1	210001	310000	307,349
26	1	310001	325000	321,325
27	1	325001	390000	387,737
28	1	390001	590000	586,606
29	1	590001	595000	592,328
30	1	595001	780000	779,800
31	2	780001	875000	1,673,995
32	1	875001	880000	879,705
33	1	880001	900000	896,000
34	1	900001	935000	934,720
35	1	935001	1170000	1,166,778
36	1	1170001	1270000	1,255,592
37	1	1270001	1470000	1,428,986
38	1	1470001	1550000	1,547,693
39	1	1550001	1650000	1,552,380
40	1	1650001	1700000	1,697,220
Total	2997			20,362,179

Categories of Shareholders	No. of Shareholders	No. of Shares Held	Percentage
Directors, CEO and their Spouse and Minor Children			
Mr. Tausif Ahmad Khan	1	1,552,380	7.62%
Mr. Anees Ahmad Khan	1	685	0.00%
Mr. Ghulam Hussain Khan	1	586,606	2.88%
Mr. Shazib Masud	1	560	0.00%
Mr. Taufiq Ahmed Khan	1	1,547,693	7.60%
Dr. Adeel Abbas Haideri	1	500	0.00%
Mrs. Zainub Abbas	1	896,000	4.40%
Mrs. Saweela Anees Khan	1	592,328	2.91%
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	3	387,968	1.91%
Banks, Development Financial Institutions, Non Banking Financial Intitutions, Joint Stock Companies & Trusts	37	442,046	2.17%
Insurance Companies	8	1,844,710	9.06%
Modarabas and Mutual Funds	15	342,456	1.68%
*Shareholders holding 5%	-	-	-
Non-Resident Companies	5	1,819,081	8.94%
General Public			
a. Local	2917	9,947,239	48.86%
b. Foreign	3	356,636	1.75%
Others			
Government Holding	1	45,291	0.22%
TOTAL	2997	20,362,179	100%

***Shareholders holding five percent or more of the total capital**		
Pharmatec Investment Limited	1,697,220	8.34%
Mr. Tausif Ahmad Khan	1,552,380	7.62%
Mr. Tauqeer Ahmed Khan	1,428,986	7.02%
Mr. Taufiq Ahmed Khan	1,547,693	7.60%
Mr. Jawaid Tariq Khan	1,255,592	6.17%
Mrs.Nosheen Riaz Khan	1,166,778	5.73%
Mutual Funds - Name Wise		
CDC - Trustee ABL Stock Fund	40,000	0.20%
CDC - Trustee Al Meezan Mutual Fund	67,400	0.33%
CDC - Trustee Alfalah GHP Islamic Stock Fund	3,400	0.02%
CDC - Trustee Alfalah GHP Stock Fund	15,000	0.07%
CDC - Trustee Alfalah GHP Value Fund	3,600	0.02%
CDC - Trustee First Capital Mutual Fund	696	0.00%
CDC - Trustee Meezan Balanced Fund	31,000	0.15%
CDC - Trustee Meezan Islamic Fund	162,200	0.80%
MCBFSL - Trustee NAMCO Balanced Fund	10,000	0.05%
Trustee Pak Qatar Family Takaful Limited Aggressive Fund	70	0.00%
Trustee Pak Qatar Family Takaful Limited Balanced Fund	35	0.00%

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 No. 35 Chapter XI of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges (now Rulebook Regulation No. 5.19 of Chapter 5 of the Pakistan Stock Exchange Limited) 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 interest on its Board of Directors. At present the board includes;

Category	Name
Non Executive Directors	Mr. Tausif Ahmad Khan
	Mr. Ghulam Hussain Khan
	Mr. Taufiq Ahmed Khan
	Mrs. Zainub Abbas
Executive Director	Mr. Anees Ahmad Khan
	Dr. Adeel Abbas Haideri
Independent Director	Mr. Shazib Masud

   The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG.

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. Casual vacancy arising on the board was filled up by the directors within the time as required under regulations.
5. The Company has prepared a statement of Ethics and Core Values, which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the Board and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course and a training program for its Directors to apprise them of their duties and responsibilities.
10. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. However, there were no new appointments of CFO. Company Secretary and head of Internal Audit during the year.
11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. 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.
16. 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.
17. The board has formed an HR and Remuneration Committee. The Committee comprises of three members, of whom Chairman of the committee is non-executive director and other two members are CEO and a non executive director.
18. The Board has set-up an effective internal audit function and the internal auditors of the Company are fully conversant with the policies and procedures of the Company and working on a full time basis.
19. 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.
20. 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.
21. 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).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles contained in the Code have been complied with.

For and on Behalf of the Board

Dr. Adeel Abbas Haideri
Chief Executive Officer
Lahore:
15 March 2016

Review Report to the Members
on statement of compliance with the code of corporate governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Highnoon Laboratories Limited (the Cmpany) for the year ended 31 December 2015 to comply with the Listing Regulation No. 35 Chapter XI of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited (now Rulebook Regulation No. 5.19 of Chapter 5 of the Pakistan Stock Exchange Limited), where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2015.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner's Name: Farooq Hameed

Lahore: 15 March 2016

FINANCIAL STATEMENTS

HIGHNOON LABORATORIES LIMITED

for the year ended 31 December 2015

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Auditors' Report to the Members

We have audited the annexed balance sheet of Highnoon Laboratories Limited (the Company) as at 31 December 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes in Note 2.4 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 2015 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 the Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Engagement Partner: Farooq Hameed

Lahore:15th March 2016

Balance Sheet

	Note	2015 Rupees	2014 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
25,000,000 (2014: 20,000,000) Ordinary			
shares of Rs. 10 each		250,000,000	200,000,000
Share capital	6	203,621,790	181,805,170
Revenue reserves		1,021,980,732	731,355,424
		1,225,602,522	913,160,594
Surplus on revaluation of fixed assets	7	216,679,561	221,160,158
Non-current liabilities			
Liabilities against assets subject			
to finance lease	8	11,162,028	30,273,913
Long term advances	9	20,267,322	13,056,828
Deferred liabilities	10	293,726,596	269,169,709
		325,155,946	312,500,450
Current liabilities			
Trade and other payables	11	409,596,016	409,027,390
Mark up payable on secured loans	12	52,522	224,687
Short term borrowing	13	-	-
Current portion of long term liabilities	14	25,202,447	33,282,639
Income tax-net		88,197,181	55,637,689
		523,048,166	498,172,405
TOTAL EQUITY AND LIABILITIES		2,290,486,195	1,944,993,607
CONTINGENCIES AND COMMITMENTS	15		

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

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

As at 31 December 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Non- current assets			
Property, plant and equipment	16	765,390,162	759,544,053
Intangible assets	17	38,458,719	63,510,996
Long term investment	18	84,300,000	-
Long term deposits		10,580,164	3,164,764
		898,729,045	826,219,813
Current assets			
Stock in trade	19	860,324,204	634,792,103
Trade debts	20	67,897,899	75,535,273
Advances	21	79,941,339	43,258,150
Trade deposits and short term prepayments	22	19,708,637	16,034,989
Profit accrued		585,610	359,589
Other receivables	23	2,549,011	1,485,660
Tax refund due from government	24	7,955,477	11,983,557
Cash and bank balances	25	352,794,973	335,324,473
		1,391,757,150	1,118,773,794
TOTAL ASSETS		2,290,486,195	1,944,993,607

ANEES AHMAD KHAN
DIRECTOR

Profit and Loss Account

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	26	4,403,995,318	3,696,092,459
Cost of sales	27	(2,311,679,320)	(2,040,858,289)
Gross profit		2,092,315,998	1,655,234,170
Distribution, selling and promotional expenses	28	(1,125,961,164)	(968,752,907)
Administrative and general expenses	29	(244,669,330)	(219,629,011)
Research and development expenses	30	(3,040,818)	(3,912,162)
Other operating expenses	31	(73,022,429)	(46,131,809)
		(1,446,693,7421)	(1,238,425,889)
		645,622,257	416,808,281
Other income	32	29,836,721	9,986,506
		675,458,978	426,794,787
Finance cost	33	(8,754,468)	(12,370,593)
Profit before taxation		666,704,510	414,424,194
Taxation	34	(222,683,104)	(142,515,891)
Profit after taxation		444,021,406	271,908,303
			Restated
Earnings per share - basic and diluted	35	21.81	13.35

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

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Statement of Comprehensive Income

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
Profit after tax for the year		444,021,406	271,908,303
Items not to be reclassified to profit or loss in subsequent periods:			
Experience adjustments on defined benefit plans	10.2.1	(27,758,209)	(2,412,983)
Income tax effect		6,818,049	738,315
Total other comprehensive income/ (loss), net of tax		(20,940,160)	(1,674,668)
Total comprehensive income for the year		423,081,246	270,233,635

Surplus arising on 'revaluation of fixed assets' is presented under a separate head below equity as 'surplus on revaluation of fixed 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 the Companies Ordinance, 1984 respectively.

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

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Cash Flow Statement

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		666,704,510	414,424,194
Adjustments for non-cash and other items:			
Depreciation	16.1.1	81,305,385	78,724,999
Amortization of intangible assets	17.2	16,674,202	18,074,637
Intangible assets written off		9,203,431	-
Gain on disposal of property, plant and equipment	16.1.4	(7,983,144)	(5,595,185)
Exchange loss	31	7,652,186	11,136,985
Provision for slow moving and obsolete items	19.3	8,550,977	18,606,133
Provision for defined benefit obligation	10.2.2	40,445,067	40,264,858
Finance cost	33	8,754,468	12,370,593
		164,602,572	173,583,020
Profit before working capital changes		831,307,082	588,007,214
Working capital changes:			
(Increase)/decrease in current assets:			
Stock in trade		(234,083,078)	(95,631,554)
Trade debts		7,637,374	(12,017,811)
Advances		(36,683,189)	(10,671,067)
Trade deposits and short term prepayments		(3,673,648)	(5,282,378)
Profit accrued		(226,021)	(359,589)
Other receivables		(1,063,351)	(183,780)
Tax refund due from government		4,028,080	7,478,407
Increase/(decrease) in current liabilities:			
Trade and other payables		(9,212,610)	136,188,498
		(273,276,443)	19,520,726
Net Cash flow from operations		558,030,639	607,527,940
Taxes paid		(194,199,043)	(105,020,461)
Gratuity paid		(29,699,463)	(16,356,536)
Finance cost paid		(3,563,319)	(7,914,766)
Long term advances - net		5,359,364	1,357,507
Net cash flow from operating activities		335,928,178	479,593,684

Cash Flow Statement

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(97,629,969)	(33,377,002)
Long term investment		(84,300,000)	-
Long term deposits-net		(7,415,400)	-
Intangible assets acquired		(825,356)	(1,032,918)
Proceeds from disposal of property, plant and equipment		26,260,119	13,527,359
Net cash flow used in investing activities		(163,910,606)	(20,882,561)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities - net		(38,502,761)	(43,196,727)
Long term loan repayment		-	(50,000,000)
Decrease in short term borrowings - net		-	(73,203)
Dividend paid		(116,044,311)	(79,650,012)
Net cash flow used in financing activities		(154,547,072)	(172,919,942)
Net increase in cash and cash equivalents		17,470,500	285,791,181
Cash and cash equivalents at beginning of the year		335,324,473	49,533,292
Cash and cash equivalents at end of the year	25	352,794,973	335,324,473

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

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Statement of Changes in Equity

For The Year Ended 31 December 2015

	Share capital	Revenue reserves			Total
		General reserve	Unappropriated profit	Sub total	
	-Rupees-				
Balance as at 01 January 2014	181,805,170	114,000,000	419,568,145	533,568,145	715,373,315
Profit for the year ended 31 December 2014	-	-	271,908,303	271,908,303	271,908,303
Other comprehensive income	-	-	(1,674,668)	(1,674,668)	(1,674,668)
Total comprehensive income for the year	-	-	270,233,635	270,233,635	270,233,635
Final dividend @ Rs. 4.50 per share for the year ended 31 December 2013	-	-	(81,812,327)	(81,812,327)	(81,812,327)
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	9,365,971	9,365,971	9,365,971
Balance as at 31 December 2014	181,805,170	114,000,000	617,355,424	731,355,424	913,160,594
Profit for the year ended 31 December 2015	-	-	444,021,406	444,021,406	444,021,406
Other comprehensive income	-	-	(20,940,160)	(20,940,160)	(20,940,160)
Total comprehensive income for the year	-	-	423,081,246	423,081,246	423,081,246
Issuance of bonus shares @ 12%	21,816,620	-	(21,816,620)	(21,816,620)	-
Final dividend @ Rs. 6.50 per share for the year ended 31 December 2014	-	-	(118,173,361)	(118,173,361)	(118,173,361)
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	7,534,043	7,534,043	7,534,043
Balance as at 31 December 2015	203,621,790	114,000,000	907,980,732	1,021,980,732	1,225,602,522

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

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Notes to the Financial Statements

For The Year Ended 31 December 2015

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 (now Pakistan Stock Exchange) 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 (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for revaluation of certain assets as referred to in note 16 and recognition of certain employees retirement benefits at present value. In these financial statements all the transactions have been accounted for on accrual basis.

These financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2.3 Functional and presentation currency

These financial statements are presented in Pak rupee, which is also the functional currency of the Company. Figure have been rounded off to the nearest rupee, unless otherwise stated.

2.4 Standards, Interpretations and amendments to published approved accounting standards effective in 2015:

New and amended standards and interpretations

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

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

IFRS 10 - Consolidated Financial Statements

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 13 - Fair Value Measurement

IAS 19 - Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 27 - Separate Financial Statements

IAS 28 - Investments in Associates & Joint Ventures

The adoption of the above amendment and accounting standards did not have any effect on the financial statements.

Notes to the Financial Statements
For The Year Ended 31 December 2015

Improvements to Accounting Standards Issued by the IASB

IFRS 2	-	Share-based Payment - Definitions of vesting conditions
IFRS 3	-	Business Combinations – Accounting for contingent consideration in a business combination
IFRS 3	-	Business Combinations - Scope exceptions for joint ventures
IFRS 8	-	Operating Segments – Aggregation of operating segments
IFRS 8	-	Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	-	Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS 16	-	Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortization
IAS 24	-	Related Party Disclosures - Key management personnel
IAS 40	-	Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

Adoption of above improvements to the standards did not have any impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING 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	4.2
-	property, plant and equipment	4.5
-	amortization	4.6
-	impairment	4.12
-	taxation	4.17
-	provisions	4.21

3.1 CHANGE IN ESTIMATE

The Company has changed its estimate regarding useful life of computer softwares starting from 2015 based on its historical experience of rapid changes in technology obsolescence of the softwares as well as computer equipments. The rate of amortization on computer software as given in note 17 has been changed from 10% to 33% starting from 01 January 2015. 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 amortization charge for the period would have been lower by Rs. 17,680 while carrying value of intangible assets and profit before tax for the year would have been higher by the same amount. Due to impracticability, the future impact is not disclosed.

Notes to the Financial Statements

For The Year Ended 31 December 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for as mentioned in note 2.4 and as follows:

4.1 Segment reporting

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

4.2 Staff retirement benefits

Defined benefit plan:

The Company operates an unfunded gratuity scheme for all of its permanent employees, 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 2015. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2015	2014
- Discount rate	9.25% p.a.	11.25% p.a.
- Expected rate of increase in salary	8.25% p.a.	9.25% p.a.
- Expected average remaining working life time	9 years	9 years

Experience adjustments 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 liability 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.

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% (2014: 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. The managers or other executives are not allowed while labour can carried forward maximum 10 un-availed leaves for a maximum period of one year.

4.3 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.

4.4 Trade and other payables

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

Notes to the Financial Statements

For The Year Ended 31 December 2015

4.5 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 16.1 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 8. 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 16.1 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.

4.6 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 at the rates given in note 17. 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.

Notes to the Financial Statements

For The Year Ended 31 December 2015

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.

4.7 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.

4.8 Investments

Subsidiary Company:

Investment in subsidiary company is measured at cost as per the requirements of IAS-27 "Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amounts of the investment and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense in profit and loss account.

Investments available for sale - Quoted securities:

Investment intended to be held for an unidentified period of time which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices are classified as available for sale.

Investments classified as "available for sale" are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are measured at fair value. The investments for which quoted price is not available, are measured at cost as it is not possible to apply any other valuation methodology.

Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and presented within equity as reserve. Cumulative gains and losses arising from changes in fair value are included in the net profit and loss for the period in which an investment is derecognized or determined to be impaired.

All "regular way" purchases and sales of shares are recognized on the trade date, i.e. the date that the Company commits to purchase/sell the asset.

4.9 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.

4.10 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.

Notes to the Financial Statements
For The Year Ended 31 December 2015

4.11 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.

4.12 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.

4.13 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.

4.14 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 associated companies/related parties except for the assets sold to employees at written down value under the employees 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.

4.15 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.

4.16 Ijarah

The Ijarah payments under an ijarah agreement are treated in accordance with 'Islamic Finance Accounting Standard 2 Ijarah' issued by Institue of Chartered Accountants of Pakistan and adopted by Securities and Exchange of Pakistan. Ijarah rental under such agreements are charged to profit and loss account on a straight line basis over the duration agreement.

Notes to the Financial Statements

For The Year Ended 31 December 2015

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 asset 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.

Notes to the Financial Statements
For The Year Ended 31 December 2015

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)
IFRS 10	-	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates & Joint Ventures (Amendment) – Investment Entities: Applying the Consolidation Exception	01-Jan-16
IFRS 10	-	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01-Jan-16
IFRS 11	-	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01-Jan-16
IAS 1	-	Presentation of Financial Statements - Disclosure Initiative (Amendment)	01-Jan-16
IAS 7		Statement of Cash Flows (Amendment) – Disclosure Initiative	01-Jan-17
IAS 12		Income Taxes (Amendment) – Recognition of Deferred Tax Assets for unrealized losses	01-Jan-17
IAS 16	-	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01-Jan-16
IAS 16	-	Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01-Jan-16
IAS 27	-	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01-Jan-16

The Company expects that the adoption of the above amendements to the standards will not affect the Company's financial statements, in the period of initial application.

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

Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

Notes to the Financial Statements
For The Year Ended 31 December 2015

Standard or Interpretation			Effective date (annual periods Beginning on or after)
IFRS 1	-	First-time adoption of International Financial Reporting Standards	01 January 2009
IFRS 9	-	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	-	Regulatory Deffered Accounts	01 January 2016
IFRS 15	-	Revenue from contracts with costumers	01 January 2018
IFRS 16	-	Leases	01 January 2019

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application, except for IFRS 15 and IFRS 16. The management is in the process of determining the effect of application of IFRS 15 and IFRS16.

		Note	2015 Rupees	2014 Rupees
6.	SHARE CAPITAL			
	Issued, subscribed and paid-up			
	5,905,000 (2014: 5,905,000) ordinary shares of Rs. 10 each fully paid in cash		59,050,000	59,050,000
	95,000 (2014: 95,000) ordinary shares of Rs.10 each issued for consideration other than cash	6.1	950,000	950,000
	14,362,179 (2014: 12,180,517) ordinary shares of Rs. 10 each issued as bonus shares		143,621,790	121,805,170
		6.2	203,621,790	181,805,170

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

6.2 Issued, subscribed and paid-up

	2015 Number	2014 Number	2015 Rupees	2014 Rupees
Issued, subscribed and paid-up of Rs. 10 each as at 01 January	18,180,517	18,180,517	181,805,170	181,805,170
Issuance of bonus shares of Rs. 10 each	2,181,662	-	21,816,620	-
Issued, subscribed and paid-up of Rs. 10 each as at 31 December	20,362,179	18,180,517	203,621,790	181,805,170

Notes to the Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
7.	SURPLUS ON REVALUATION OF FIXED ASSETS			
	Surplus on revaluation of fixed assets as at 01 January		253,029,492	267,008,553
	Incremental depreciation relating to surplus on revaluation			
	of fixed assets - transferred to unappropriated profit			
	Net of deferred tax		(7,534,043)	(9,365,971)
	Related deferred tax liability		(2,881,589)	(4,613,090)
			(10,415,632)	(13,979,061)
			242,613,860	253,029,492
	Less related deferred tax liability on:			
	Balance at the beginning of the year		31,869,334	40,166,031
	Effect of change in applicable tax rate		(2,881,588)	(1,181,355)
	Effect of change in proportion of normal sales		(171,858)	(2,502,252)
	Incremental depreciation relating to surplus on revaluation			
	of fixed assets - transferred to unappropriated profit		(2,881,589)	(4,613,090)
		10.1	25,934,299	31,869,334
	Surplus on revaluation of fixed assets as at 31 December		216,679,561	221,160,158

7.1 This represent surplus arising on revaluation of freehold land, building on freehold land, plant and machinery both owned and leased. 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	2015 Rupees	2014 Rupees
8.	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	Present value of minimum lease payments		33,349,682	58,690,629
	Less: Current portion shown under current liabilities	14	22,187,654	28,416,716
			11,162,028	30,273,913

Notes to the Financial Statements

For The Year Ended 31 December 2015

	Minimum lease payments	Finance cost for future periods	Principal outstanding
	2015		
	----------------------Rupees----------------------		
Not later than one year	24,322,800	2,135,146	22,187,654
Later than one year but not later than five years	11,684,770	522,742	11,162,028
	36,007,570	2,657,888	33,349,682
	2014		
	----------------------Rupees----------------------		
Not later than one year	33,662,659	5,245,943	28,416,716
Later than one year but not later than five years	32,967,976	2,694,063	30,273,913
	66,630,635	7,940,006	58,690,629

Salient features of the leases are as follows:	2015	2014
Discounting factor	7.30%-11.31%	10.95%-14.31%
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 vehicles as shown in note 16.1. 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	2015 Rupees	2014 Rupees
9.	LONG TERM ADVANCES			
	Balance at 31 December		23,282,115	17,922,751
	Less: Current portion	14	3,014,793	4,865,923
			20,267,322	13,056,828

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

Notes to the Financial Statements

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
10. DEFERRED LIABILITIES			
Taxation	10.1	37,313,726	51,260,651
Gratuity	10.2	256,412,870	217,909,058
		293,726,596	269,169,709
10.1 DEFERRED TAXATION			
Taxable/(deductible) temporary differences arising in respect of:			
Surplus on revaluation of assets	7	25,934,299	31,869,334
Accelerated tax depreciation		57,613,408	63,290,500
Finance lease		6,196,486	6,955,856
Provision for doubtful debts		(287,698)	(318,184)
Provision for gratuity		(52,142,769)	(50,536,855)
		37,313,726	51,260,651
10.2 GRATUITY			
The net value of un-funded defined benefit obligation as at valuation date was as follows:			
Present value of defined benefit obligation	10.2.1	256,124,870	216,774,395
Benefits due but not paid		288,000	1,134,663
Net liability as at 31 December		256,412,870	217,909,058
10.2.1 The following is movement in the net recognized liability for gratuity:			
Liability as at 01 January		216,774,395	191,453,615
Amount recognized during the year	10.2.2	40,445,067	40,264,858
Experience adjustments recognized during the year		27,758,209	2,412,983
Benefits due but not paid		(288,000)	(1,134,663)
Benefit payments made by the Company		(28,564,801)	(16,222,398)
Liability as at 31 December		256,124,870	216,774,395
10.2.2 The following amounts have been charged to profit and loss account during the year in respect of gratuity scheme:			
Current service cost		17,680,918	17,417,973
Interest cost		22,764,149	22,846,885
		40,445,067	40,264,858

Notes to the Financial Statements

For The Year Ended 31 December 2015

10.2.3 Historical information for gratuity plan

	2015	2014	2013	2012	2011
	-----Rupees-----				
Present value of defined benefit obligation	256,124,870	216,774,395	191,453,615	183,147,410	188,823,998
Experience adjustments arising on plan liabilities (surplus)/deficit	27,758,209	2,412,983	6,311,278	1,011,543	(1,649,876)
Experience adjustments as percentage of outstanding liability	10.84%	1.11%	3.30%	0.55%	-0.87%

10.2.4 Sensitivity analysis

Significant assumptions for the determination of the defined 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.

	Note	2015 Rupees	2014 Rupees
Discount rate + 100 bps		234,700,459	198,766,737
Discount rate - 100 bps		280,971,055	237,514,749
Salary increase + 100 bps		281,226,580	237,949,444
Salary increase - 100 bps		234,104,638	198,096,196

11. TRADE AND OTHER PAYABLES

	Note	2015	2014
Trade creditors		162,004,819	177,602,127
Bills payable		26,281,521	41,747,653
Accrued expenses		171,506,185	143,966,058
Advances from customers	11.1	16,189,389	15,867,730
Payable to Provident Fund Trust		3,638,987	3,134,645
Unclaimed dividends		17,198,970	15,069,920
Workers' Profit Participation Fund	11.2	89,752	800,353
Payable to Central Research Fund		6,764,249	4,215,872
Income tax deducted at source		5,580,962	6,331,751
Payable to Employees Welfare Trust		341,182	291,281
		409,596,016	409,027,390

Notes to the Financial Statements

For The Year Ended 31 December 2015

11.1 This includes a balance amounting to Rs. 941,229 (2014: Rs. 251,200) due to Route 2 Health (Private) Limited, an associated company.

		Note	2015 Rupees	2014 Rupees
11.2	Workers' Profit Participation Fund			
	Balance at the beginning of the year		800,353	2,133,557
	Add: Provision for the year	31	35,089,751	21,811,800
			35,890,104	23,945,357
	Add: Interest on funds utilized by the Company	33	164,291	119,683
			36,054,395	24,065,040
	Less: Paid during the year to the fund		35,964,643	23,264,687
			89,752	800,353

Mark-up @ 33.75% (2014: 26.25%) per annum is provided on unpaid balance of the fund in accordance with the rules of the Fund.

12. This represents mark-up payable on short term running finance facility.

		Note	2015 Rupees	2014 Rupees
13.	SHORT TERM BORROWINGS			
	Short term borrowings		-	-

13.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 660 million (2014: Rs. 660 million).These facilities have various maturity dates up to 31 October 2016 and renewable on the date of maturity. These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 100 to 150 basis points (2014: 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 (2014: Rs. 532 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 693 million (2014: Rs. 693 million) on stocks including but not limited to raw materials, goods in process and finished goods of the Company.

13.2 Out of total borrowing facility, an amount of Rs. 50,000,000 (2014: Rs. 50,000,000) represents Export Refinance Facility obtained from a commercial bank under SBP regulations at a subsidized mark up rate of 7% (2014: 9.5%) per annum.

13.3 The Company also has aggregate sanctioned import credit facilities negotiated with various banks amounting to Rs. 275 million (2014: Rs. 275 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2014: 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.

Notes to the Financial Statements
For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
14.	CURRENT PORTION OF LONG TERM LIABILITIES			
	Liabilities against assets subject to finance lease	8	22,187,654	28,416,716
	Long term advances	9	3,014,793	4,865,923
			25,202,447	33,282,639

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- While ammending income tax assessment for the tax year 2012, the Deputy Commissioner Inland Revenue disallowed tax credits with aggregate tax impact of Rs.759,331. The Company had filed an appeal before Commissioner Inland Revenue (Appeals) who has set aside the case and remanded back to the Additional Commissioner Inland Revenue for re-adjudication. No provision has been made by the Company, as the management expects a favorable outcome.
- While finalizing income tax assessments for the tax year 2010, Additional Commissioner Inland Revenue (ACIR) had made certain add backs with aggregate tax impact of Rs. 11,151,562. The Company had filed an appeal before Commission Inland Revenue (Appeals) who had uphled the additions made by assessing officer. Being aggreived, the Company had filed an appeal before Income Tax Appellate Tribunal (ITAT), who deleted the aforesaid additions. However, the ACIR has preferred an appeal before honorable High Court against the said judgement of ITAT. The case is pending adjudication before Honourable High Court. 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 (2014: Rs 4.620 million).
- Facilities of letters of guarantee amounting to Rs. 20 million (2014: 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	2015 Rupees	2014 Rupees
15.2	Commitments			
	Commitments against irrevocable letters of credit include:			
	Raw materials		108,340,480	169,018,435
	Packing materials		47,416,348	16,624,255
	Finished Goods		-	14,984,750
	Plant & Machinery		-	39,726,075
			155,756,828	240,353,515
	Rentals under ijara agreements:			
	Not later than one year		22,999,174	-
	Later than one year but not later than five years		33,890,465	-
			56,889,639	-

Notes to the Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
16.	PROPERTY, PLANT AND EQUIPMENT			
	Operating assets (owned)	16.1	708,136,848	669,818,556
	Operating assets (leased)	16.1	55,747,159	81,423,968
	Capital work-in-progress	16.2	1,506,155	8,301,529
			765,390,162	759,544,053

16.1 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 2015													
	Operating fixed assets - Owned												Assets subject to finance lease -vehicles	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		
	---------- Rupees ----------													
At 01 January 2015														
Cost / revalued amount	163,440,000	322,148,363	672,400,572	30,167,126	23,249,665	25,987,766	52,434,129	105,775,018	52,806	204,990	166,100	1,396,026,535	104,457,486	1,500,484,021
Accumulated depreciation	-	182,276,769	420,826,532	10,566,660	10,653,537	17,243,925	35,667,291	48,692,083	50,015	118,262	112,905	726,207,979	23,033,518	749,241,497
Net book value	163,440,000	139,871,594	251,574,040	19,600,466	12,596,128	8,743,841	16,766,838	57,082,935	2,791	86,728	53,195	669,818,556	81,423,968	751,242,524
Movement during the year														
Opening net book value	163,440,000	139,871,594	251,574,040	19,600,466	12,596,128	8,743,841	16,766,838	57,082,935	2,791	86,728	53,195	669,818,556	81,423,968	751,242,524
Additions - cost	-	2,282,599	54,696,053	1,357,400	2,607,371	3,053,603	3,095,700	37,332,617	-	-	-	104,425,343	7,798,500	112,223,843
Transfer from leasehold assets														
Cost	-	-	-	-	-	-	-	30,504,500	-	-	-	30,504,500	(30,504,500)	-
Accumulated depreciation	-	-	-	-	-	-	-	(12,061,112)	-	-	-	(12,061,112)	12,061,112	-
	-	-	-	-	-	-	-	18,443,388	-	-	-	18,443,388	(18,443,388)	-
Disposals														
Cost	-	-	7,100,114	-	-	-	1,228,679	36,606,933	-	-	-	44,935,726	-	44,935,726
Accumulated depreciation	-	-	4,946,293	-	-	-	881,093	20,831,365	-	-	-	26,658,751	-	26,658,751
	-	-	2,153,821	-	-	-	347,586	15,775,568	-	-	-	18,276,975	-	18,276,975
Depreciation charge for the year	-	14,177,376	26,864,932	2,082,330	1,319,907	1,061,219	4,510,341	16,243,087	279	8,673	5,320	66,273,464	15,031,921	81,305,385
Closing net book value	163,440,000	127,976,817	277,251,340	18,875,536	13,883,592	10,736,225	15,004,611	80,840,285	2,512	78,055	47,875	708,136,848	55,747,159	763,884,007
At 31 December 2015														
Cost / revalued amount	163,440,000	324,430,962	719,996,511	31,524,526	25,857,036	29,041,369	54,301,150	137,005,202	52,806	204,990	166,100	1,486,020,652	81,751,486	1,567,772,138
Accumulated depreciation	-	196,454,145	442,745,171	12,648,990	11,973,444	18,305,144	39,296,539	56,164,917	50,294	126,935	118,225	777,883,804	26,004,327	803,888,131
Net book value	163,440,000	127,976,817	277,251,340	18,875,536	13,883,592	10,736,225	15,004,611	80,840,285	2,512	78,055	47,875	708,136,848	55,747,159	763,884,007
Depreciation rates (%)	-	10%	10%	10%	10%	10%	25%	20%	10%	10%	10%		20%	

	Year ended 31 December 2014												Total Assets subject to finance lease	Total operating fixed assets
	Operating fixed assets - Owned													
	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		
	---- Rupees ----													
At 01 January 2014														
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	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	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	747,513,578
Movement during the year														
Opening 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	747,513,578
Additions - cost	-	-	2,975,340	8,814,112	155,928	1,162,400	1,971,739	24,362,600	-	-	-	39,442,119	50,944,000	90,386,119
Transfer from leasehold assets														
Cost	-	-	-	-	-	-	-	13,478,500	-	-	-	13,478,500	(13,478,500)	-
Accumulated depreciation	-	-	-	-	-	-	-	5,852,645	-	-	-	5,852,645	(5,852,645)	-
	-	-	-	-	-	-	-	7,625,855	-	-	-	7,625,855	(7,625,855)	-
Disposals														
Cost	-	-	-	-	-	-	1,006,840	19,174,568	-	-	-	20,181,408	-	20,181,408
Accumulated depreciation	-	-	-	-	-	-	639,339	11,609,895	-	-	-	12,249,234	-	12,249,234
	-	-	-	-	-	-	367,501	7,564,673	-	-	-	7,932,174	-	7,932,174
Depreciation charge for the year	-	15,541,288	27,806,647	1,967,101	1,386,332	900,463	5,437,070	11,161,435	310	9,637	5,911	64,216,194	14,508,805	78,724,999
Closing net book value	163,440,000	139,871,594	251,574,040	19,600,466	12,596,128	8,743,841	16,766,838	57,082,935	2,791	86,728	53,195	669,818,556	81,423,968	751,242,524
At 31 December 2014														
Cost	163,440,000	322,148,363	672,400,572	30,167,126	23,249,665	25,987,766	52,434,129	105,775,018	52,806	204,990	166,100	1,396,026,535	104,457,486	1,500,484,021
Accumulated Depreciation	-	182,276,769	420,826,532	10,566,660	10,653,537	17,243,925	35,667,291	48,692,083	50,015	118,262	112,905	726,207,979	23,033,518	749,241,497
Net book value	163,440,000	139,871,594	251,574,040	19,600,466	12,596,128	8,743,841	16,766,838	57,082,935	2,791	86,728	53,195	669,818,556	81,423,968	751,242,524
Depreciation rates (%)		10%	10%	10%	10%	10%	25%	20%	10%	10%	10%		20%	

Notes to the Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
16.1.1	Depreciation charge has been allocated as under:			
	Cost of sales	27	47,000,608	48,525,821
	Distribution, selling and promotional expenses	28	16,263,004	13,348,525
	Administrative and general expenses	29	18,041,773	16,850,653
			81,305,385	78,724,999

16.1.2 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.

		Note	2015 Rupees	2014 Rupees
16.1.3	Had the assets not been revalued, the carrying values would have been:			
	Land - freehold		14,566,828	14,566,828
	Building on freehold land		102,351,007	111,398,472
	Plant and machinery (Owned)		209,136,462	175,890,842
			326,054,297	301,856,142

Notes to the Financial Statements

For The Year Ended 31 December 2015

16.1.4 Disposal of property, plant & equipment

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sale
Vehicles	-------------------------------	-------	Rupees	-------	-------------------------------	
Muhammad Arshad	891,000	592,955	298,045	591,480	293,435	Company Policy
Muhammad Tariq Siddique	544,000	368,094	175,906	361,440	185,534	Company Policy
Adil Nawaz Khan	795,000	564,887	230,113	530,640	300,527	Company Policy
Muhammad Arif	795,000	564,887	230,113	530,640	300,527	Company Policy
Muhammad Munir	530,000	379,486	150,514	354,240	203,726	Company Policy
Zaid Aziz Khan	530,000	379,486	150,514	354,240	203,726	Company Policy
Nadeem Younas	529,000	359,991	169,009	353,699	184,690	Company Policy
Muhammad Ali	530,000	379,486	150,514	365,400	214,886	Company Policy
Janat Gul	529,000	356,861	172,139	356,280	184,141	Company Policy
M. Asmat Ullah	544,000	335,785	208,215	417,502	209,287	Company Policy
Waseem Raza	835,000	560,342	274,658	556,140	281,482	Company Policy
Syed Husnain Ali Zaidi	943,000	552,456	390,544	682,226	291,682	Company Policy
Nadeem Khalid	1,372,000	874,812	497,188	497,188	-	Company Policy
Waqar Khan	395,000	323,207	71,793	216,672	144,879	Company Policy
Waseem Shamsi	1,288,000	846,018	441,982	441,982	-	Company Policy
M. Idrees Khalid	469,000	384,851	84,149	465,000	380,851	Company Policy
Shehzad Abdul Rehman	1,782,000	1,376,658	405,342	1,200,000	794,658	Negotiation
Zia Ul Islam	1,288,000	846,018	441,982	441,982	-	Company Policy
Ali Dar	1,232,000	874,051	357,949	1,000,000	642,051	Negotiation
Dr. Rizwan Mahmood	1,666,000	1,050,329	615,671	615,671	-	Company Policy
Tanvir Hussain	444,333	343,158	101,175	411,000	309,825	Negotiation
Tanvir Hussain	630,000	384,711	245,289	559,000	313,711	Negotiation
Jehanzeb	732,000	411,976	320,024	505,000	184,976	Company Policy
M. Zia Attique	1,325,000	800,371	524,629	535,558	10,929	Company Policy
Ali Dar	1,519,500	1,209,689	309,811	1,200,000	890,189	Negotiation
Muhammad Saeed Mubarak	68,500	17,353	51,147	68,500	17,353	Company Policy
Irfan	100,000	29,067	70,933	93,000	22,067	Company Policy
Waqar Ahmed	69,000	14,720	54,280	69,000	14,720	Company Policy
Yasser Masood	657,000	246,886	410,114	533,600	123,486	Company Policy
Muhammad Shahid	69,900	19,572	50,328	69,900	19,572	Company Policy
Faraz	504,000	378,118	125,882	293,963	168,081	Company Policy
Arif S. Qureshi	1,020,000	482,528	537,472	797,437	259,965	Company Policy
Muzahir Raza Shah	645,000	358,448	286,552	487,216	200,664	Company Policy
Arif Murtaza	567,000	264,600	302,400	487,225	184,825	Company Policy
Rauf Ahmed	567,000	274,680	292,320	437,160	144,840	Company Policy
Syed Azadar H. Naqvi	1,231,000	495,683	735,317	1,009,419	274,102	Company Policy
Ihsan Ullah Khan Khattak	1,689,500	595,079	1,094,421	1,490,000	395,579	Company Policy
Khurram Rasheed Ansari	668,000	211,682	456,318	613,189	156,871	Company Policy
Baqar Hasan	2,524,000	673,067	1,850,933	1,850,933	-	Company Policy
Bilal Hakim	1,034,000	301,583	732,417	897,569	165,152	Company Policy
Asif Noor	637,000	263,293	373,707	575,000	201,293	Company Policy
Vehicles having individual written down value of less than Rs. 50,000	2,418,200	1,084,441	1,333,759	2,224,028	890,269	Company Policy
	36,606,933	20,831,365	15,775,568	25,540,119	9,764,551	
Office Equipment						
HP ProBook 440 G1	92,430	25,635	66,795	-	(66,795)	Scrap
Assets having individual written down value of less than Rs. 50,000	1,136,249	855,458	280,791	150,000	(130,791)	Scrap
	1,228,679	881,093	347,586	150,000	(197,586)	
Plant and machinery						
Atlasco Diesel Power Services	7,100,114	4,946,293	2,153,821	570,000	(1,583,821)	Negotiation
2015	44,935,726	26,658,751	18,276,975	26,260,119	7,983,144	
2014	20,181,408	12,249,234	7,932,174	13,527,359	5,595,185	

Notes to the Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
16.2	Capital work in progress (CWIP)			
	Civil works		-	1,763,058
	Plant and machinery - owned		1,506,155	2,967,471
	Advances to suppliers		-	3,571,000
		16.2.1	1,506,155	8,301,529

		2015 Rupees	2014 Rupees
16.2.1	Movement of CWIP is as follows:		
	Opening balance as at 01 January	8,301,529	14,366,646
	Addition made during the year		
	Civil works	-	1,616,847
	Plant and machinery - owned	11,050,789	2,967,471
	Advance for purchase of vehicles	-	3,571,000
		11,050,789	8,155,318
	Capitalized during the year		
	Civil works	(1,409,598)	-
	Plant and machinery - owned	(12,865,565)	-
	Laboratory Equipment	-	(4,215,435)
	Vehicles-Leased	(3,571,000)	(10,005,000)
		(17,846,163)	(14,220,435)
	Closing balance as at 31 December	1,506,155	8,301,529

Notes to the Financial Statements

For The Year Ended 31 December 2015

17. INTANGIBLE ASSETS

2015										
PARTICULARS	COST				ACCUMULATED AMORTIZATION				Book value as at 31 December 2015	Rate %
	As at 01 January 2015	Additions	Write off	As at 31 December 2015	As at 01 January 2015	For the year	Write off	As at 31 December 2015		
	-------Rupees-------									
Registration and trademark (Note17.1)	154,434,175	-	-	154,434,175	103,030,904	15,443,418	-	118,474,322	35,959,853	10
Computer softwares	26,697,991	825,356	16,217,666	11,305,681	14,590,266	1,230,784	7,014,235	8,806,815	2,498,866	10-33
	181,132,166	825,356	16,217,666	165,739,856	117,621,170	16,674,202	7,014,235	127,281,137	38,458,719	

2014										
PARTICULARS	COST				ACCUMULATED AMORTIZATION				Book value as at 31 December 2014	Rate %
	As at 01 January 2014	Additions	Write off	As at 31 December 2014	As at 01 January 2014	For the year	Write off	As at 31 December 2014		
	-------Rupees-------									
Registration and trademark (Note17.1)	154,434,175	-	-	154,434,175	87,587,486	15,443,418	-	103,030,904	51,403,271	10
Computer softwares	25,665,073	1,032,918	-	26,697,991	11,959,047	2,631,219	-	14,590,266	12,107,725	10
	180,099,248	1,032,918	-	181,132,166	99,546,533	18,074,637	-	117,621,170	63,510,996	

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

	Note	2015 Rupees	2014 Rupees
17.2 Amortization charge has been allocated as under:			
Cost of sales	27	15,443,418	15,443,418
Distribution, selling and promotional expenses	28	1,230,784	2,631,219
		16,674,202	18,074,637

Notes to the Financial Statements
For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
18.	LONG TERM INVESTMENT			
	Subsidiary Company -Unlisted			
	Biocef (Private) Limited			
	8,430,000 (2014: Nil) ordinary shares of Rs.10			
	Equity held: 88.39% (2014: Nil)	18.1	84,300,000	-

18.1 During the year the shareholders of the Company approved in an extra ordinary general meeting to make long term equity investment up to Rs.156.50 million by acquisition of shares of Biocef (Private) Limited, an associated company. The Company has initially made an equity investment of Rs. 44.30 million by acquiring 4.43 million shares (80% of total existing shareholding) at face value of Rs.10 from existing shareholders. The Company subsequent to initial acquisition further acquired 4 million right shares at face of value of Rs.10 each.

Biocef (Private) Limited was incorporated on 10 June 2015 as a private limited company with an authorized share capital of Rs.200 million. It is set up with principle object to carry on business as manufacturers, importers, exporters, producers, preparers, refiners, buyers, seller and dealers of all kinds of pharmaceutical, drugs, medicines medicaments, basic raw material, herbs salts, acids, alkalis, chemical & surgical material, instruments and appliances patent and proprietary articles. It owns a Greenfield pharmaceuticals project that envisages production of cephalosporin drugs.

Investment into Subsidiary Company will provide the Company with an access to a dedicated Cephalosporin manufacturing facility and a quick entry into the Cephalosporin market.

		Note	2015 Rupees	2014 Rupees
19.	STOCK IN TRADE			
	Raw materials			
	In hand		373,148,639	309,650,163
	In transit		39,905,691	10,094,743
	With third party	19.1	24,347,160	-
			437,401,490	319,744,906
	Packing materials			
	In hand		133,675,879	127,810,631
	In transit		17,400,007	-
	With third party	19.2	5,863,887	770,884
			156,939,773	128,581,515
	Work in process		54,006,164	55,356,113
	Finished goods			
	In hand		210,447,080	151,372,334
	In transit		12,613,672	-
			223,060,752	151,372,334
	Less: Provision for slow moving and obsolete items	19.3	(11,083,975)	(20,262,765)
			860,324,204	634,792,103

Notes to the Financial Statements
For The Year Ended 31 December 2015

19.1 This represents raw material held by Titlis Pharamceutical, a partnership firm, a related party of the Company.

19.2 This includes packing material amounting to Rs. 3,842,056 (2014: Rs. Nil) held by Titlis Pharamceutical, a partnership firm,a related party of the Company.

	Note	2015 Rupees	2014 Rupees
19.3 Provision for slow moving and obsolete items			
Opening provision		20,262,765	30,312,446
Charge for the year		8,550,977	18,606,133
Written off during the year		(17,729,767)	(28,655,814)
Closing provision		11,083,975	20,262,765
20. TRADE DEBTS			
Secured - considered good		10,086,186	19,995,287
Unsecured:			
Considered good		57,811,713	55,539,986
Considered doubtful		1,039,897	1,039,897
Less: Provision against doubtful debts		1,039,897	1,039,897
		-	-
		67,897,899	75,535,273
21. ADVANCES			
Advances - considered good			
Staff against:			
Expenses		15,275,335	9,868,409
Salary		7,307,723	7,029,518
Suppliers		57,358,281	26,360,223
		79,941,339	43,258,150
22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		14,366,755	11,439,379
Prepayments		5,341,882	4,595,610
		19,708,637	16,034,989

23. These represent claims receivable from various insurance companies against vehicles and equipments.

24. These represent sales tax and excise duty recoverable.

Notes to the Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
25.	CASH AND BANK BALANCES			
	Cash and Imprest		2,020,422	1,997,331
	Balance with banks			
	Current accounts			
	- Local Currency		191,755,929	77,270,099
	- Foriegn Currency		9,018,622	6,057,043
	Deposit accounts	25.1	150,000,000	250,000,000
			350,774,551	333,327,142
			352,794,973	335,324,473

25.1 This carries profit at the rate of 7.00% (2014: 8.75%).

		Note	2015 Rupees	2014 Rupees
26.	SALES - Net			
	Manufactured products:			
	Local		3,962,317,029	3,384,183,460
	Export		280,123,121	223,295,607
			4,242,440,150	3,607,479,067
	Purchased products - local		84,688,694	38,855,898
	Third party		405,519,286	354,208,134
			4,732,648,130	4,000,543,099
	Less: Discount		315,785,622	295,251,531
	Sales tax		12,867,190	9,199,109
			328,652,812	304,450,640
			4,403,995,318	3,696,092,459

Notes to the Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
27.	COST OF SALES			
	Raw and packing material consumed		1,739,018,266	1,584,945,136
	Salaries, wages and benefits	27.1	291,622,699	242,589,055
	Vehicle running and maintenance		21,588,374	23,821,689
	Fuel and power		71,741,353	89,583,945
	Stores consumed		19,889,551	9,037,827
	Repair and maintenance		43,818,229	27,162,195
	Insurance		5,135,028	4,560,870
	Rent, rates and taxes		4,232,696	3,536,988
	Fee and subscription		396,213	214,795
	Printing and stationery		5,244,034	3,544,211
	Traveling and conveyance		4,195,504	1,486,978
	Consultancy and professional charges		5,629,310	5,579,220
	Office supplies		20,891,479	14,245,010
	Ijara rentals		4,187,079	-
	Depreciation	16.1.1	47,000,608	48,525,821
	Amortization of intangible assets	17.2	15,443,418	15,443,418
	Other direct cost		6,632,429	5,261,509
			2,306,666,270	2,079,538,667
	Inventory effect of work in process			
	Opening		55,356,113	30,876,707
	Closing		(54,006,164)	(55,356,113)
			1,349,949	(24,479,406)
	Cost of goods manufactured		2,308,016,219	2,055,059,261
	Inventory effect of finished goods (excluding purchased products)			
	Opening		140,089,826	102,090,848
	Closing		(190,760,824)	(140,089,826)
			(50,670,998)	(37,998,978)
	Cost of goods sold - manufactured products		2,257,345,221	2,017,060,283
	Cost of goods sold - purchased products		54,334,099	23,798,006
			2,311,679,320	2,040,858,289

Notes to the Financial Statements
For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
27.1	It includes the following staff retirement benefits:			
	Defined benefit plan - Gratuity		21,861,016	19,824,928
	Defined contribution plan - Provident Fund		6,512,745	5,252,699
	Provision for compensated leave absences		3,243,960	2,316,444
			31,617,721	27,394,071

		Note	2015 Rupees	2014 Rupees
28.	DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES			
	Salaries and benefits	28.1	396,156,885	317,840,277
	Advertisement and marketing		4,742,754	2,939,725
	Literature and promotional material		183,518,357	126,381,052
	Bonus and sample goods		56,575,933	92,366,633
	Printing and stationery		2,962,780	2,515,809
	Traveling and conveyance		153,505,873	109,011,538
	Telephone, postage and telex		6,754,886	3,431,118
	Insurance		9,033,836	7,458,869
	Vehicle running and maintenance		42,124,673	32,980,088
	Donation	28.2	8,629,128	2,935,239
	Freight		42,361,772	35,092,659
	Staff training, seminars and symposia		135,936,451	169,258,370
	Newspapers and subscriptions		11,611,053	24,722,768
	Ijara rentals		6,394,304	-
	Depreciation	16.1.1	16,263,004	13,348,525
	Amortization of intangible assets	17.2	1,230,784	2,631,219
	Commission on export sales		39,141,472	16,613,285
	Others		9,017,219	9,225,733
			1,125,961,164	968,752,907

Notes to the Financial Statements
For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
28.1	It includes following staff retirement benefits:			
	Defined benefit plan - Gratuity		8,036,914	8,139,184
	Defined contribution plan - Provident Fund		7,546,920	6,283,959
	Provision for compensated leave absences		5,139,216	3,724,284
			20,723,050	18,147,427

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

		Note	2015 Rupees	2014 Rupees
29.	ADMINISTRATIVE AND GENERAL EXPENSES			
	Salaries and benefits	29.1	151,410,493	143,313,635
	Telephone, postage and telex		4,519,444	3,154,058
	Rent, rates and taxes		5,588,697	5,235,862
	Electricity, gas and water		703,214	697,976
	Printing and stationery		5,103,778	4,658,597
	Repairs and maintenance		5,287,724	1,857,850
	Vehicle running and maintenance		22,954,387	24,744,292
	Traveling and conveyance		10,484,683	6,070,095
	Newspapers and subscriptions		2,597,176	1,579,708
	Entertainment		947,262	812,466
	Insurance		4,131,874	3,487,242
	Auditors' remuneration	29.2	1,275,000	1,200,000
	Legal and professional		2,416,939	2,810,092
	Advertisement, seminars and symposia		274,250	142,370
	Donation	29.3	1,885,251	767,081
	Ijara rentals		1,540,543	-
	Depreciation	16.1.1	18,041,773	16,850,653
	Others		5,506,842	2,247,034
			244,669,330	219,629,011

Notes to the Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
29.1	It includes the following staff retirement benefits:			
	Defined benefit plan - Gratuity		10,547,137	12,167,248
	Defined contribution plan - Provident Fund		4,150,185	3,597,553
	Provision for compensated leave absences		2,097,324	1,292,844
			16,794,646	17,057,645
29.2	Auditors' remuneration			
	Statutory audit		875,000	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
			1,275,000	1,200,000

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

		Note	2015 Rupees	2014 Rupees
30.	RESEARCH AND DEVELOPMENT EXPENSES			
	Salaries and benefits	30.1	2,383,055	2,167,711
	Expenses on clinical trials and products evaluation		4,800	780,245
	Traveling		45,024	288,686
	Insurance		111,030	90,702
	Vehicle repair and maintenance		194,461	261,307
	Printing and stationery		57,271	43,079
	Office supplies		29,947	43,022
	Repairs and maintenance		2,574	-
	Staff cost		157,355	203,348
	Others		55,301	34,062
			3,040,818	3,912,162

Notes to the Financial Statements
For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
30.1	It includes the following staff retirement benefits:			
	Defined benefit plan - Gratuity		-	133,499
	Defined contribution plan - Provident Fund		102,346	46,506
	Provision for compensated leave absences		36,000	-
			138,346	180,005

		Note	2015 Rupees	2014 Rupees
31.	OTHER OPERATING EXPENSES			
	Workers' Profit Participation Fund	11.2	35,089,751	21,811,800
	Exchange loss		7,652,186	11,136,985
	Workers' Welfare Fund		14,342,582	8,996,923
	Central Research Fund		6,734,479	4,186,101
	Intangible assets written off		9,203,431	-
			73,022,429	46,131,809

		Note	2015 Rupees	2014 Rupees
32.	OTHER INCOME			
	Income from financial assets			
	Return on deposit		585,610	359,589
	Income from non-financial assets			
	Gain on disposal of property, plant and equipment	16.1.4	7,983,144	5,595,185
	Scrap sales		4,791,944	3,838,810
	Others		16,476,023	192,922
			29,836,721	9,986,506

		Note	2015 Rupees	2014 Rupees
33.	FINANCE COST			
	Mark-up on long term loans		-	2,773,930
	Mark-up on short term borrowings		428,345	927,828
	Finance cost on liabilities against assets subject to finance lease		5,363,314	5,945,757
	Interest on Workers' Profit Participation Fund	11.2	164,291	119,683
	Bank charges		2,798,518	2,603,395
			8,754,468	12,370,593

Notes to the Financial Statements

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
34. TAXATION			
Current:			
For the year		226,758,535	149,874,114
Prior year		-	12,604,232
		226,758,535	162,478,346
Deferred:			
Relating to origination and reversal of temporary differences		(1,495,129)	(18,918,956)
Relating to changes in tax rate		(2,580,302)	(1,043,499)
		(4,075,431)	(19,962,455)
		222,683,104	142,515,891

34.1 Reconciliation of tax charge for the year

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

	Note	2015	2014
Applicable tax rate		32.00%	33.00%
Tax effect of amounts that are not deductible for tax purposes		0.50%	1.26%
Tax effect of changes in tax rate of taxable temporary difference		-0.39%	-0.29%
Tax effect under presumptive tax regime and others		1.29%	0.42%
		1.40%	1.39%
Average effective tax rate charged on income		33.40%	34.39%

35. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2015	2014
Profit after taxation	Rupees	444,021,406	271,908,303
			Restated
Weighted average number of ordinary shares	Number of shares	20,362,179	20,362,179
			Restated
Earnings per share	Rupees	21.81	13.35

35.1 The weighted average number of ordinary shares of 2014 have been restated due to issuance of 2,181,662 bonus shares in 2015 in accordance with the requirement of IAS 33.

Notes to the Financial Statements
For The Year Ended 31 December 2015

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2015			31 December 2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	---------- Rupees ----------					
Managerial remuneration	5,594,800	17,384,352	123,204,895	5,640,176	16,402,800	98,362,089
House allowance	2,237,920	1,200,000	44,485,078	2,256,070	1,200,000	37,745,876
Provident fund	466,197	799,176	8,593,765	469,977	717,413	6,728,129
Gratuity	539,636	5,371,224	17,946,068	3,086,142	5,250,982	16,644,995
Bonus	700,000	799,996	16,666,113	1,838,805	4,294,971	29,927,314
Utilities	559,480	2,034,045	11,121,270	564,018	2,361,681	9,436,469
Medical	86,584	2,574,387	2,564,232	192,129	1,231,263	2,250,226
	10,184,617	30,163,180	224,581,421	14,047,317	31,459,110	201,095,098
Number of persons	1	2	90	1	2	78

36.1 The Chief Executive, Directors and 40 executives (2014: 34) have been provided with Company maintained cars while 42 executives (2014: 23) have been provided with cars under self finance scheme with limited fuel and maintenance facility.

36.2 Rs. 2,000 (2014 : Rs. 2,000) per meeting have been paid during the year to an independent non-executive director for attending Board meetings.

37. FINANCIAL RISK MANAGEMENT

37.1 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.

Notes to the Financial Statements

For The Year Ended 31 December 2015

(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.

		2015	2014
Rupees per US Dollar			
Reporting date rate		104.70	100.53
		Changes in US $ Rate	Effects on Profit Before Tax
			Rupees
	2015	+10%	1,163,416
		-10%	(1,163,416)
	2014	+10%	942,459
		-10%	(942,459)

		2015	2014
Rupees per Euro			
Reporting date rate		121.74	-
		Changes in EUR € Rate	Effects on Profit Before Tax
			Rupees
	2015	+10%	371,660
		-10%	(371,660)
	2014	+10%	-
		-10%	

(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.

Notes to the Financial Statements
For The Year Ended 31 December 2015

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:

	2015 Rupees	2014 Rupees
Floating rate instruments		
Financial liabilities		
Liabilities against assets subject to finance lease	33,349,682	58,690,629

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
Liabilities against assets subject to finance lease			
	2015	+1.50	(500,245)
		-1.50	500,245
	2014	+1.50	(880,359)
		-1.50	880,359

Notes to the Financial Statements

For The Year Ended 31 December 2015

(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:

	2015 Rupees	2014 Rupees
Trade debts	67,897,899	75,535,273
Short term advances	7,307,723	7,029,518
Trade deposits	24,946,919	16,206,853
Profit accrued	585,610	359,589
Other receivables	2,549,011	1,485,660
Bank balances	350,774,551	333,327,142
	454,061,713	433,944,035

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 2015, the Company has 13 (2014:12) customers who owed the Company more than Rupees 1.00 million each and accounted for approximately 59% (2014:84%) of all receivables owing.

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

	2015 Rupees	2014 Rupees
Neither past due nor impaired	3,119,046	1,242,167
Past due but not impaired		
Past due 1–30 days	34,041,393	42,055,749
Past due 31–60 days	4,530,402	10,302,474
Past due 61–90 days	9,731,294	12,791,151
Over 90 days	15,435,867	8,103,835
	63,738,956	73,253,209

Notes to the Financial Statements
For The Year Ended 31 December 2015

	2015 Rupees	2014 Rupees
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			2015 Rupees	2014 Rupees
	Short term	Long term	Agency		
Banks					
National Bank of Pakistan	A-1+	AAA	JCR - VIS	182,707	248,342
United Bank Limited	A-1+	AA+	JCR - VIS	15,119,764	360,135
Faysal Bank Limited	A1+	AA	JCR - VIS	14,092	29,092
Habib Bank Limited	A1+	AA+	JCR - VIS	331,034,765	326,685,969
Allied Bank Limited	A1+	AA	PACRA	718,460	1,145,572
JS Bank Limited	A1	A+	PACRA	1,400,844	2,779,287
Bank Al Habib Limited	A1+	AA+	PACRA	508,243	9,426
Meezan Bank Limited	A-1+	AA	JCR - VIS	469,957	1,526,307
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,325,719	543,012
				350,774,551	333,327,142

Notes to the Financial Statements

For The Year Ended 31 December 2015

(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 2015						
Liabilities against assets subject to finance lease	33,349,682	36,007,570	9,519,737	14,803,063	10,069,627	1,615,143
Trade and other payables	376,991,495	376,991,495	376,991,495	-	-	-
Interest payable	52,522	52,522	52,522	-	-	-
	410,393,699	413,051,587	386,563,754	14,803,063	10,069,627	1,615,143

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
	---------- (Rupees) ----------					
31 December 2014						
Liabilities against assets subject to finance lease	58,690,629	66,630,635	9,519,737	24,142,922	10,069,627	22,898,349
Trade and other payables	379,136,547	379,136,547	379,136,547	-	-	-
Interest payable	224,687	224,687	224,687	-	-	-
	438,051,863	445,991,869	388,880,971	24,142,922	10,069,627	22,898,349

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2015 and 2014 respectively. The rates of mark up have been disclosed in respective notes to the financial statements.

Notes to the Financial Statements

For The Year Ended 31 December 2015

37.2 Fair values of financial assets and liabilities

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 not been given in the financial statements.

37.3 Financial instruments by categories

	2015		
	Cash and cash equivalents	Loans and advances	Total
Assets as per balance sheet	---------------------- (Rupees)	----------------------	
Long term Investment	-	84,300,000	-
Long term deposits	-	10,580,164	10,580,164
Trade debts	-	67,897,899	67,897,899
Advances	-	7,307,723	7,307,723
Trade deposits	-	14,366,755	14,366,755
Profit accrued		585,610	585,610
Other receivables	-	2,549,011	2,549,011
Cash and bank balances	352,794,973	-	352,794,973
	352,794,973	103,287,162	456,082,135

	2015
	Financial Liabilities at amortized cost
Liabilities as per balance sheet	Rupees
Liabilities against assets subject to finance lease	33,349,682
Markup accrued on secured loans	52,522
Trade and other payables	376,991,495
	410,393,699

Notes to the Financial Statements
For The Year Ended 31 December 2015

	2014		
	Cash and cash equivalents	Loans and advances	Total
Assets as per balance sheet	(Rupees)		
Long term deposits	-	3,164,764	3,164,764
Trade debts	-	75,535,273	75,535,273
Advances	-	7,029,518	7,029,518
Trade deposits	-	11,439,379	11,439,379
Profit accrued	-	359,589	359,589
Other receivables	-	1,485,660	1,485,660
Cash and bank balances	335,324,473	-	335,324,473
	335,324,473	99,014,183	434,338,656

	2014
	Financial Liabilities at amortized cost
Liabilities as per balance sheet	Rupees
Liabilities against assets subject to finance lease	58,690,629
Markup accrued on secured loans	224,687
Trade and other payables	384,717,509
	443,632,825

Notes to the Financial Statements

For The Year Ended 31 December 2015

37.4 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, 12 and note 13. 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.

	2015 Rupees	2014 Rupees
Debt (See note 8, 12 and 13)	33,402,204	58,915,316
Equity	1,225,602,522	913,160,594
Total equity and debt	1,259,004,726	972,075,910
Total debt to equity ratio	2.73%	6.45%

38. 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:

	2015 Rupees	2014 Rupees
38.1 Sales of goods-net		
Associated undertaking	23,940,183	82,895,926
38.2 Purchases-net		
Associated undertaking	84,979,723	251,200
38.3 Contribution to employees benefits fund		
Contribution to Staff Provident Fund	18,312,196	15,180,717
Contribution to Employees' Welfare Trust	2,126,207	1,311,245

Notes to the Financial Statements

For The Year Ended 31 December 2015

39. 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:

	Note	Un-audited 2015 Rupees	%	Audited 2014 Rupees	%
Size of the fund		213,629,735		179,932,098	
Cost of investments made		187,358,214		148,587,735	
Percentage of investments made			88%		83%
Fair value of investment	39.1	216,112,132		168,528,456	

39.1 Breakup of investments

Investment in shares (Listed Securities)	48,441,347	23%	17,366,510	10%
Term Deposits	26,766,790	12%	19,396,410	12%
Term Finance Certificates	7,500,000	4%	7,500,000	4%
Special Saving Certificates	84,987,128	39%	78,544,311	47%
Mutual Funds	48,416,867	22%	45,721,225	27%
	216,112,132		168,528,456	

39.2 The above information is based on un-audited financial statements of the provident fund for the year ended 31 December 2015.

	2015	2014
40. NUMBER OF EMPLOYEES		
Number of employees at the end of the year	1,148	964
Average number of employees during the year	1,077	893

41. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 15th March 2016 has proposed cash dividend at the rate of Rs.7.50 (2014: Rs. 6.50) per share and 12% bonus shares for the year ended 31 December 2015, (2014: 12%) subject to the approval of shareholders in the Annual General Meeting to be held on 21st April 2016. These financial statements do not reflect these appropriations.

Notes to the Financial Statements
For The Year Ended 31 December 2015

The Finance Act, 2015 introduced a tax on every public company at the rate of 10% of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not be applied in case of a public company which distributes profit equal to either 40% of its tax profits or 50% of its paid up capital, whichever is less, within six months from the end of the year.

Based on the fact the Board of Directors of the Company has proposed 75% dividend for the year ended 31 December 2015, which exceeds the above prescribed minimum dividend requirement, the Company believes that it would not eventually be liable to pay tax on its undistributed reserves as at 31 December 2015.

42. 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.

43. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on 15th March 2016.

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for better and fair presentation. However no significant reclassification/ rearrangements have been made during the year except as given below.

44.1 Following rearrangments in the corresponding figures have been made in note 22 to the financial statements:

From:	Rupees	To:	Rupees
Trade deposits and short term prepayments- Bank guarantee margin	1,602,710	Long term Deposits	1,602,710

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONSOLIDATED FINANCIAL STATEMENTS

HIGHNOON LABORATORIES LIMITED

and Its Subsidiary for the year ended 31 December 2015

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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Highnoon Laboratories Limited (the Company) and its subsidiary company as at 31 December 2015 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Highnoon Laboratories Limited. The Subsidiary company was audited by other firm of auditors whose report have been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly the financial position of Highnoon Laboratories Limited and its subsidiary company as at 31 December 2015 and the results of its operations for the year then ended.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Engagement Partner: Farooq Hameed

Lahore:15th March 2016

Consolidated Balance Sheet

	Note	2015 Rupees	2014 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
25,000,000 (2014: 20,000,000) Ordinary shares of Rs. 10 each		250,000,000	200,000,000
Share capital	6	203,621,790	181,805,170
Revenue reserves		1,019,311,581	731,355,424
		1,222,933,371	913,160,594
Non-controlling interest		10,439,622	-
Total equity		1,233,372,993	913,160,594
Surplus on revaluation of fixed assets	7	216,679,561	221,160,158
Non-current liabilities			
Liabilities against assets subject to finance lease	8	11,162,028	30,273,913
Long term advances	9	20,267,322	13,056,828
Deferred liabilities	10	293,726,596	269,169,709
		325,155,946	312,500,450
Current liabilities			
Trade and other payables	11	410,431,050	409,027,390
Mark up payable on secured loans	12	52,522	224,687
Short term borrowing	13	-	-
Current portion of long term liabilities	14	25,202,447	33,282,639
Income tax-net		88,197,181	55,637,689
		523,883,200	498,172,405
TOTAL EQUITY AND LIABILITIES		2,299,091,700	1,944,993,607
CONTINGENCIES AND COMMITMENTS	15		

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

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

As At 31 December 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	16	832,650,533	759,544,053
Intangible assets	17	38,458,719	63,510,996
Goodwill	18	834,230	-
Long term deposits		10,580,164	3,164,764
		882,523,646	826,219,813
Current assets			
Stock in trade	19	860,324,204	634,792,103
Trade debts	20	67,897,899	75,535,273
Advances	21	79,941,339	43,258,150
Trade deposits and short term prepayments	22	19,708,637	16,034,989
Profit accrued		585,610	359,589
Other receivables	23	2,549,011	1,485,660
Tax refund due from government	24	7,992,428	11,983,557
Cash and bank balances	25	377,568,926	335,324,473
		1,416,568,054	1,118,773,794
TOTAL ASSETS		2,299,091,700	1,944,993,607

ANEES AHMAD KHAN
DIRECTOR

Consolidated Profit and Loss Account
For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	26	4,403,995,318	3,696,092,459
Cost of sales	27	(2,312,801,997)	(2,040,858,289)
Gross profit		2,091,193,321	1,655,234,170
Distribution, selling and promotional expenses	28	(1,125,961,164)	(968,752,907)
Administrative and general expenses	29	(246,634,261)	(219,629,011)
Research and development expenses	30	(3,040,818)	(3,912,162)
Other operating expenses	31	(73,022,429)	(46,131,809)
		(1,448,658,672)	(1,238,425,889)
		642,534,649	416,808,281
Other income	32	29,836,721	9,986,506
		672,371,370	426,794,787
Finance cost	33	(8,763,832)	(12,370,593)
Profit before taxation		663,607,538	414,424,194
Taxation	34	(222,683,104)	(142,515,891)
Profit after taxation		440,924,434	271,908,303
Profit /(loss) after tax attributable to:			
Shareholders of the Parent		441,352,255	271,908,303
Non-controlling interest		(427,821)	-
		440,924,434	271,908,303
			Restated
Earnings per share - basic and diluted	35	21.65	13.35

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

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
Profit after tax for the year		440,924,434	271,908,303
Items not to be reclassified to profit or loss in subsequent periods:			
Experience adjustments on defined benefit plans	10.2.1	(27,758,209)	(2,412,983)
Income tax effect		6,818,049	738,315
Total other comprehensive income, net of tax		(20,940,160)	(1,674,668)
Total comprehensive income for the year		419,984,274	270,233,635
Total comprehensive income attributable to:			
Shareholders of the Parent		420,412,095	270,233,635
Non-controlling interest		(427,821)	-
		419,984,274	

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 consolidated financial statements.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Consolidated Cash Flow Statement

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		663,607,538	414,424,194
Adjustments for non-cash and other items:			
Depreciation	16.1.1	82,436,822	78,724,999
Amortization of intangible assets	17.2	16,674,202	18,074,637
Intangible assets written off		9,203,431	-
Gain on disposal of property, plant and equipment	16.1.4	(7,983,144)	(5,595,185)
Exchange loss	31	7,652,186	11,136,985
Provision for slow moving and obsolete items	19.3	8,550,977	18,606,133
Provision for defined benefit obligation	10.2.2	40,445,067	40,264,858
Finance cost	33	8,763,832	12,370,593
		165,743,373	173,583,020
Profit before working capital changes		829,350,911	588,007,214
Working capital changes:			
(Increase)/decrease in current assets:			
Stock in trade		(234,083,078)	(95,631,554)
Trade debts		7,637,374	(12,017,811)
Advances		(36,683,189)	(10,671,067)
Trade deposits and short term prepayments		(3,673,648)	(5,282,378)
Profit accrued		(226,021)	(359,589)
Other receivables		(1,063,351)	(183,780)
Tax refund due from government		3,991,129	7,478,407
Increase/(decrease) in current liabilities:			
Trade and other payables		(8,493,306)	136,188,498
		(272,594,090)	19,520,726
Cash generated from operations		556,756,821	607,527,940
Taxes paid		(194,199,043)	(105,020,461)
Gratuity paid		(29,699,463)	(16,356,536)
Finance cost paid		(3,572,683)	(7,914,766)
Long term advances - net		5,359,364	1,357,507
Net cash flow from operating activities		334,644,996	479,593,684

Consolidated Cash Flow Statement

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(110,319,173)	(33,377,002)
Acquisition of subsidiary-net	18.2	(44,288,984)	-
Long term deposits-net		(7,415,400)	-
Intangible assets acquired		(825,356)	(1,032,918)
Proceeds from disposal of property, plant and equipment		26,260,119	13,527,359
Net cash flow used in investing activities		(136,588,794)	(20,882,561)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities - net		(38,502,761)	(43,196,727)
Proceeds from issuance of share capital to minority shareholders		800	-
Repayment of Directors' loans-subsidiary		(1,265,477)	-
Long term loan repayment		-	(50,000,000)
Increase in short term borrowings - net		-	(73,203)
Dividend paid		(116,044,311)	(79,650,012)
Net cash flow used in financing activities		(155,811,749)	(172,919,942)
Net increase in cash and cash equivalents		42,244,453	285,791,181
Cash and cash equivalents at beginning of the year		335,324,473	49,533,292
Cash and cash equivalents at end of the year	25	377,568,926	335,324,473

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

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2015

	Share capital	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Revenue reserves: Sub total	Non-controlling interest	Total
				TOTAL		
	Rupees					
Balance as at 01 January 2014	181,805,170	114,000,000	419,568,145	533,568,145	-	715,373,315
Profit for the year ended 31 December 2014	-	-	271,908,303	271,908,303	-	271,908,303
Other comprehensive income	-	-	(1,674,668)	(1,674,668)	-	(1,674,668)
Total comprehensive income for the year	-	-	270,233,635	270,233,635	-	270,233,635
Final dividend @ Rs. 4.50 per share for the year ended 31 December 2013	-	-	(81,812,327)	(81,812,327)	-	(81,812,327)
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	9,365,971	9,365,971	-	9,365,971
Balance as at 31 December 2014	181,805,170	114,000,000	617,355,424	731,355,424	-	913,160,594
Acquisition of subsidiary company	-	-	-	-	10,866,643	10,866,643
Issue of right share by subsidiary Company	-	-	-	-	800	800
Profit/ (loss) for the year ended 31 December 2015	-	-	441,352,255	441,352,255	(427,821)	440,924,434
Other comprehensive income	-	-	(20,940,160)	(20,940,160)	-	(20,940,160)
Total comprehensive income for the year	-	-	420,412,095	420,412,095	(427,821)	419,984,274
Issuance of bonus shares @ 12%	21,816,620	-	(21,816,620)	(21,816,620)	-	-
Final dividend @ Rs. 6.50 per share for the year ended 31 December 2014	-	-	(118,173,361)	(118,173,361)	-	(118,173,361)
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	7,534,043	7,534,043	-	7,534,043
Balance as at 31 December 2015	203,621,790	114,000,000	905,311,581	1,019,311,581	10,439,622	1,233,372,993

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

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

1. THE GROUP AND ITS OPERATIONS

The Highnoon Group ("the Group") comprises of Highnoon Laboratories Limited ("HNL") ("the Holding Company") and Biocef (Private) Limited ("BCL")("the Subsidiary Company").

The Holding 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 (now Pakistan Stock Exchange) 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.

Biocef (Private) Limited ("BCL") was incorporated on 10 June 2015 as a private limited company. The registered office of the Company is situated at 17.5 Km, Multan Road, Lahore. It is set up with principle object to carry on business as manufacturers, importers, exporters, producers, preparers, refiners, buyers, seller and dealers of all kinds of pharmaceutical, drugs, medicines medicaments, basic raw material, herb salts, acids, alkalis, chemical and surgical material, instruments and appliances patent and proprietary articles. It owns Greenfield pharmaceuticals project that envisages production of cephalosporin drugs. BCL is in construction phase and hence has not yet started commercial operations.

The Holding Company acquired 80% shares of Biocef in September 2015 and it became subsidiary company of HNL. Subsequently the Holding Company also acquired right shares of BCL and it shareholding increased to 88.39%.

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 (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for revaluation of certain assets as referred to in note 16 and recognition of certain employees retirement benefits at present value. In these financial statements all the transactions have been accounted for on accrual basis.

These financial statements are the consolidated financial statements of the Group in which investment in subsidiary is accounted for on the basis of acquisition method. Stand alone financial statements of the Parent and its Subsidiary are prepared separately.

2.3 Basis of consolidation

The Group's consolidated financial statements include the financial statement of the Holding Company HNL and its subsidiary company BCL. The Group uses the acquisition method of accounting to account for business combination. The consideration transferred is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group, if any. Acquisition related cost is expensed as incurred. The Group recognizes any non- controlling interest in the acquiree at the non-controlling interest's proportionate share of the identifiable net assets of the acquiree. The financial statement of the Holding Company and its Subsidiary are prepared upto the same reporting date using consistent accounting policy. Identifiable assets acquired and liabilities assumed in the acquisition are measured initially at their fair value at the date of acquisition.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the value of non- controlling interest using proportionate share method over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net asset of the subsidiary acquired, the difference is recognized in profit and loss account. After initial recognition it is measured at carrying value i.e. at date of acquisition less any accumulated impairment.

The financial statements of Biocef have been consolidated on line by line basis. Intra Group balances, transactions, income and expenses have been eliminated. Assets, liabilities, income and expenses have been consolidated from the date Group acquired the control of the subsidiary till the control cease to exist. Unrealized gain or loss on intra group transactions are also eliminated but unrealized losses are however recognized to the extent of impairment, if any.

2.4 Non-controlling Interest

The Group applies a policy of treating transactions with non- controlling interests as transaction with parties external to the Group. Disposals of non-controlling interests result in gain and losses for the Group that are recorded in the profit and loss account.

2.5 Functional and presentation currency

These financial statements are presented in Pak rupee, which is also the functional currency of the Group. Figures have been rounded off to the nearest rupee, unless otherwise stated.

2.6 Standards, Interpretations and amendments to published approved accounting standards effective in 2015:

New and amended standards and interpretations

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

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

IFRS 10	-	Consolidated Financial Statements
IFRS 11	-	Joint Arrangements
IFRS 12	-	Disclosure of Interests in Other Entities
IFRS 13	-	Fair Value Measurement
IAS 19	-	Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions
IAS 27	-	Separate Financial Statements
IAS 28	-	Investments in Associates & Joint Ventures

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

Improvements to Accounting Standards Issued by the IASB

IFRS 2	-	Share-based Payment - Definitions of vesting conditions
IFRS 3	-	Business Combinations – Accounting for contingent consideration in a business combination
IFRS 3	-	Business Combinations - Scope exceptions for joint ventures
IFRS 8	-	Operating Segments – Aggregation of operating segments

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

IFRS 8	-	Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	-	Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
IAS 16	-	Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortization
IAS 24	-	Related Party Disclosures - Key management personnel
IAS 40	-	Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

Adoption of above improvements to the standards did not have any impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING 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 Group's financial statements or where judgments were exercised in application of accounting policies are as follows:

		Notes
-	staff retirement benefits	4.2
-	property, plant and equipment	4.5
-	amortization	4.6
-	impairment	4.13
-	taxation	4.18
-	provisions	4.22

3.1 CHANGE IN ESTIMATE

The Holding Company has changed its estimate regarding useful life of computer softwares starting from 2015 based on its historical experience of rapid changes in technology obsolescence of the software's as well as computer equipments. The rate of amortization on computer software as given in note 17 has been changed from 10% to 33% starting from 01 January 2015. 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 amortization charge for the period would have been lower by Rs. 17,680 while carrying value of intangible assets and profit before tax for the year would have been higher by the same amount. Due to impracticability, the future impact is not disclosed.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for as mentioned in note 2.4 and are as follows:

4.1 Segment reporting

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

4.2 Staff retirement benefits

Defined benefit plan:

The Holding Company operates an unfunded gratuity scheme for all of its permanent employees, 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 2015. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2015	2014
- Discount rate	9.25% p.a.	11.25% p.a.
- Expected rate of increase in salary	8.25% p.a.	9.25% p.a.
- Expected average remaining working life time	9 years	9 years

Experience adjustments are recognized in other comprehensive income when they occur. Amounts recorded in profit & loss account 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 liability 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.

Defined contribution plan:

The Holding 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 Holding Company and employees at the rate of 8.33% (2014: 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. The managers or other executives are not allowed while labour can carried forward maximum 10 un-availed leaves for a maximum period of one year.

4.3 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

4.4 Trade and other payables

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

4.5 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 16.1 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 Group 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 Group 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 8. 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 16.1 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.

4.6 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.

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

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 at the rates given in note 17. 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 Group 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.

4.7 Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the value of non- controlling interest using proportionate share method over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net asset of the subsidiary acquired, the difference is recognized in profit and loss account. After initial recognition it is measured at carrying value i.e. at date of acquisition less any accumulated impairment.

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 Investments

Investments available for sale - Quoted securities:

Investment intended to be held for an unidentified period of time which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices are classified as available for sale.

Investments classified as "available for sale" are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are measured at fair value. The investments for which quoted price is not available, are measured at cost as it is not possible to apply any other valuation methodology.

Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and presented within equity as reserve. Cumulative gains and losses arising from changes in fair value are included in the net profit and loss for the period in which an investment is derecognized or determined to be impaired.

All "regular way" purchases and sales of shares are recognized on the trade date, i.e. the date that the Group commits to purchase/sell the asset.

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

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

- 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 Group 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 Group 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 associated companies/related parties except for the assets sold to employees at written down value under the employees car scheme as approved by the Board of Directors:

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

- 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 Group Companies 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 Ijarah

The Ijarah payments under an ijarah agreement are treated in accordance with 'Islamic Finance Accounting Standard 2 Ijarah' issued by Institute of Chartered Accountants of Pakistan and adopted by Securities and Exchange of Pakistan. Ijarah rental under such agreements are charged to profit and loss account on a straight line basis over the duration of Ijarah agreement.

4.18 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".

4.19 Dividend

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

4.20 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.

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value. The Group derecognizes the financial asset 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.

4.21 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 Group has legally enforceable right to offset the recognized amounts and the Group intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

4.22 Provisions

A provision is recognized when the Group 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 aamendments 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)
IFRS 10	-	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates & Joint Ventures (Amendment) – Investment Entities: Applying the Consolidation Exception	01-Jan-16
IFRS 10	-	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01-Jan-16
IFRS 11	-	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01-Jan-16
IAS 1	-	Presentation of Financial Statements - Disclosure Initiative (Amendment)	01-Jan-16
IAS 7		Statement of Cash Flows (Amendment) – Disclosure Initiative	01-Jan-17
IAS 12		Income Taxes (Amendment) – Recognition of Deferred Tax Assets for unrealized losses	01-Jan-17
IAS 16	-	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01-Jan-16
IAS 16	-	Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01-Jan-16
IAS 27	-	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01-Jan-16

The Group expects that the adoption of the above amendments to the standards will not affect the Group's financial statements, in the period of initial application.

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

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 1 – First-time adoption of International Financial Reporting Standards	01 January 2009
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deffered Accounts	01 January 2016
IFRS 15 – Revenue from contracts with costumers	01 January 2018
IFRS 16 – Leases	01 January 2019

The Group expects that the adoption of the above standards will have no material effect on the Group's financial statements, in the period of initial application, except for IFRS 15 and IFRS 16. The management is in the process of determining the effect of application of IFRS 15 and IFRS 16.

		Note	2015 Rupees	2014 Rupees
6.	SHARE CAPITAL			
	Issued, subscribed and paid-up			
	5,905,000 (2014: 5,905,000) ordinary shares of Rs. 10 each fully paid in cash		59,050,000	59,050,000
	95,000 (2014: 95,000) ordinary shares of Rs.10 each issued for consideration other than cash	6.1	950,000	950,000
	14,362,179 (2014: 12,180,517) ordinary shares of Rs. 10 each issued as bonus shares		143,621,790	121,805,170
		6.2	203,621,790	181,805,170

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

		2015 Number	2014 Number	2015 Rupees	2014 Rupees
6.2	Issued, subscribed and paid-up				
	Issued, subscribed and paid-up of Rs. 10 each as at 01 January	18,180,517	18,180,517	181,805,170	181,805,170
	Issuance of bonus shares of Rs. 10 each	2,181,662	-	21,816,620	-
	Issued, subscribed and paid-up of Rs. 10 each as at 31 December	20,362,179	18,180,517	203,621,790	181,805,170

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
7.	SURPLUS ON REVALUATION OF FIXED ASSETS			
	Surplus on revaluation of fixed assets as at 01 January		253,029,492	267,008,553
	Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit			
	Net of deferred tax		(7,534,043)	(9,365,971)
	Related deferred tax liability		(2,881,589)	(4,613,090)
			(10,415,632)	(13,979,061)
			242,613,860	253,029,492
	Less related deferred tax liability on:			
	Balance at the beginning of the year		31,869,334	40,166,031
	Effect of change in applicable tax rate		(2,881,588)	(1,181,355)
	Effect of change in proportion of normal sales		(171,858)	(2,502,252)
	Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		(2,881,589)	(4,613,090)
		10.1	25,934,299	31,869,334
	Surplus on revaluation of fixed assets as at 31 December		216,679,561	221,160,158

7.1 This represent surplus arising on revaluation of freehold land, building on freehold land, plant and machinery both owned and leased. 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	2015 Rupees	2014 Rupees
8.	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	Present value of minimum lease payments		33,349,682	58,690,629
	Less: Current portion shown under current liabilities	14	22,187,654	28,416,716
			11,162,028	30,273,913

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

	Minimum lease payments	Finance cost for future periods	Principal outstanding
	2015		
	----------------------Rupees----------------------		
Not later than one year	24,322,800	2,135,146	22,187,654
Later than one year but not later than five years	11,684,770	522,742	11,162,028
	36,007,570	2,657,888	33,349,682

	2014		
	----------------------Rupees----------------------		
Not later than one year	33,662,659	5,245,943	28,416,716
Later than one year but not later than five years	32,967,976	2,694,063	30,273,913
	66,630,635	7,940,006	58,690,629

Salient features of the leases are as follows:	2015	2014
Discounting factor	7.30%-11.31%	10.95%-14.31%
Period of lease	36 months	36 months
Security deposits	5%-10%	5%-10%

The Holding Company has entered into finance lease arrangements with various financial institutions for lease vehicles as shown in note 16.1. 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 Holding 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	2015 Rupees	2014 Rupees
9. LONG TERM ADVANCES			
Balance at 31 December		23,282,115	17,922,751
Less: Current portion	14	3,014,793	4,865,923
		20,267,322	13,056,828

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
10.	DEFERRED LIABILITIES			
	Taxation	10.1	37,313,726	51,260,651
	Gratuity	10.2	256,412,870	217,909,058
			293,726,596	269,169,709

		Note	2015 Rupees	2014 Rupees
10.1	DEFERRED TAXATION			
	Taxable/(deductible) temporary differences arising in respect of:			
	Surplus on revaluation of assets	7	25,934,299	31,869,334
	Accelerated tax depreciation		57,613,408	63,290,500
	Finance lease		6,196,486	6,955,856
	Provision for doubtful debts		(287,698)	(318,184)
	Provision for gratuity		(52,142,769)	(50,536,855)
		10.1.1	37,313,726	51,260,651

The Subsidiary Company has not yet started its commercial operation, due to which no current tax liability arises at reporting dates. The deferred tax asset amounting to Rs.1,219,030 (30 June 2015: Rs.187,576) as a result of unused accumulated taxable losses of Rs. 10,105,008 (30 June 2015: Rs.6,924,244) have not been recognised due to uncertainty with regards to availability of future taxable profits.

		Note	2015 Rupees	2014 Rupees
10.2	GRATUITY			
	The net value of un-funded defined benefit obligation as at valuation date was as follows:			
	Present value of defined benefit obligation	10.2.1	256,124,870	216,774,395
	Benefits due but not paid		288,000	1,134,663
	Net liability as at 31 December		256,412,870	217,909,058

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
10.2.1	The following is movement in the net recognized liability for gratuity:			
	Liability as at 01 January		216,774,395	191,453,615
	Amount recognized during the year	10.2.2	40,445,067	40,264,858
	Experience adjustments recognized during the year		27,758,209	2,412,983
	Benefits due but not paid		(288,000)	(1,134,663)
	Benefit payments made by the Company		(28,564,801)	(16,222,398)
	Liability as at 31 December		256,124,870	216,774,395
10.2.2	The following amounts have been charged to profit and loss account during the year in respect of gratuity scheme:			
	Current service cost		17,680,918	17,417,973
	Interest cost		22,764,149	22,846,885
			40,445,067	40,264,858

10.2.3 Historical information for gratuity plan

	2015	2014	2013	2012	2011
			Rpees		
Present value of defined benefit obligation	256,124,870	216,774,395	191,453,615	183,147,410	188,823,998
Experience adjustments arising on plan liabilities (surplus)/deficit	27,758,209	2,412,983	6,311,278	1,011,543	(1,649,876)
Experience adjustments as percentage of outstanding liability	10.84%	1.11%	3.30%	0.55%	-0.87%

10.2.4 Sensitivity analysis

Significant assumptions for the determination of the defined 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.

	Note	2015 Rupees	2014 Rupees
Discount rate + 100 bps		234,700,459	198,766,737
Discount rate - 100 bps		280,971,055	237,514,749
Salary increase + 100 bps		281,226,580	237,949,444
Salary increase - 100 bps		234,104,638	198,096,196

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
11.	TRADE AND OTHER PAYABLES			
	Trade creditors		162,004,819	177,602,127
	Bills payable		26,281,521	41,747,653
	Accrued expenses		171,551,185	143,966,058
	Advances from customers	11.1	16,189,389	15,867,730
	Payable to Provident Fund Trust		3,638,987	3,134,645
	Unclaimed dividends		17,198,970	15,069,920
	Workers' Profit Participation Fund	11.2	89,752	800,353
	Payable to Central Research Fund		6,764,249	4,215,872
	Income tax deducted at source		6,163,983	6,331,751
	Sales tax deducted at source		207,013	-
	Payable to Employees Welfare Trust		341,182	291,281
			410,431,050	409,027,390

11.1 This includes a balance amounting to Rs. 941,229 (2014: Rs. 251,200) due to Route 2 Health (Private) Limited, an associated company.

		Note	2015 Rupees	2014 Rupees
11.2	Workers' Profit Participation Fund			
	Balance at the beginning of the year		800,353	2,133,557
	Add: Provision for the year	31	35,089,751	21,811,800
			35,890,104	23,945,357
	Add: Interest on funds utilized by the Company	33	164,291	119,683
			36,054,395	24,065,040
	Less: Paid during the year to the fund		35,964,643	23,264,687
			89,752	800,353

Mark-up @ 33.75% (2014: 26.25%) per annum is provided on unpaid balance of the fund in accordance with the rules of the Fund.

12. This represents markup payable on short term running finance facility.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
13.	SHORT TERM BORROWINGS			
	Short term borrowings		-	-

13.1 Short term running finances are availed from various banks by the Holding Company against aggregate sanctioned limit of Rs. 660 million (2014: Rs. 660 million).These facilities have various maturity dates up to 31 October 2016 and renewable on the date of maturity. These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 100 to 150 basis points (2014: 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 (2014: Rs. 532 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 693 million (2014: Rs. 693 million) on stocks including but not limited to raw materials, goods in process and finished goods of the Holding Company.

13.2 Out of total borrowing facility, an amount of Rs. 50,000,000 (2014: Rs. 50,000,000) represents Export Refinance Facility obtained from a commercial bank under SBP regulations at a subsidized mark up rate of 7.0% (2014: 9.5%) per annum.

13.3 The Holding Company also has aggregate sanctioned import credit facilities negotiated with various banks amounting to Rs. 275 million (2014: Rs. 275 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2014: 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 Holding Company and lien on export documents or firm contracts and have various maturity dates.

		Note	2015 Rupees	2014 Rupees
14.	CURRENT PORTION OF LONG TERM LIABILITIES			
	Liabilities against assets subject to finance lease	8	22,187,654	28,416,716
	Long term advances	9	3,014,793	4,865,923
			25,202,447	33,282,639

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- While ammending income tax assessment for the tax year 2012, the Deputy Commissioner Inland Revenue disallowed tax credits with aggregate tax impact of Rs.759,331. The Holding Company had filed an appeal before Commissioner Inland Revenue (Appeals) who has set aside the case and remanded back to the Additional Commissioner Inland Revenue for re-adjudication. No provision has been made by the Holding Company, as the management expects a favorable outcome.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

- While finalizing income tax assessments for the tax year 2010, Additional Commissioner Inland Revenue (ACIR) had made certain add backs with aggregate tax impact of Rs. 11,151,562. The Holding Company had filed an appeal before Commission Inland Revenue (Appeals) who had upheld the additions made by assessing officer. Being aggrieved, the Holding Company had filed an appeal before Income Tax Appellate Tribunal (ITAT), who deleted the aforesaid additions. However, the ACIR has preferred an appeal before honorable High Court against the said judgment of ITAT. The case is pending adjudication before Honourable High Court. No provision has been made by the Holding Company, as the management expects a favorable outcome of such appeal.
- Bank guarantees issued on behalf of the Holding Company aggregate to Rs. 4.620 million (2014: Rs 4.620 million).
- Facilities of letters of guarantee amounting to Rs. 20 million (2014: Rs. 20 million) are available to the Holding Company under hypothecation/pledge of stocks and on present and future current assets and property, plant and equipment of the Holding Company.

		Note	2015 Rupees	2014 Rupees
15.2	Commitments			
	Commitments against irrevocable letters of credit include:			
	Raw materials		108,340,480	169,018,435
	Packing materials		47,416,348	16,624,255
	Finished Goods		-	14,984,750
	Plant & Machinery		16,962,657	39,726,075
	Civil works		6,405,000	-
			179,124,485	240,353,515
	Rentals under ijarah agreements:			
	Not later than one year		22,999,174	-
	Later than one year but not later than five years		33,890,465	-
			56,889,639	-

		Note	2015 Rupees	2014 Rupees
16.	PROPERTY, PLANT AND EQUIPMENT			
	Operating assets (owned)	16.1	758,867,687	669,818,556
	Operating assets (leased)	16.1	55,747,159	81,423,968
	Capital work-in-progress	16.2	18,035,687	8,301,529
			832,650,533	759,544,053

16.1 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 2015													
	Total operating fixed assets - Owned											Assets subject tofinance lease-vehicles	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 ammuni- tion	Total operating fixed assets - owned		
	Rupees													
At 01 January 2015														
Cost / revalued amount	163,440,000	322,148,363	672,400,572	30,167,126	23,249,665	25,987,766	52,434,129	105,775,018	52,806	204,990	166,100	1,396,026,535	104,457,486	1,500,484,021
Accumulated depreciation	-	182,276,769	420,826,532	10,566,660	10,653,537	17,243,925	35,667,291	48,692,083	50,015	118,262	112,905	726,207,979	23,033,518	749,241,497
Net book value	163,440,000	139,871,594	251,574,040	19,600,466	12,596,128	8,743,841	16,766,838	57,082,935	2,791	86,728	53,195	669,818,556	81,423,968	751,242,524
Movement during the year														
Opening net book value	163,440,000	139,871,594	251,574,040	19,600,466	12,596,128	8,743,841	16,766,838	57,082,935	2,791	86,728	53,195	669,818,556	81,423,968	751,242,524
Additions - cost	-	2,282,599	54,696,053	1,357,400	2,615,971	3,053,603	3,134,076	37,332,617	-	-	-	104,472,319	7,798,500	112,270,819
Acquired through acquisition of Subsidiary Company														
Cost	25,000,000	27,022,000	-	-	35,700	-	62,000	-	-	-	-	52,119,700	-	52,119,700
Accumulated depreciation		302,271	-	-	768	-	1,361	-	-	-	-	304,400	-	304,400
	25,000,000	26,719,729	-	-	34,932	-	60,639	-	-	-	-	51,815,300	-	51,815,300
Transfer from leasehold assets														
Cost	-	-	-	-	-	-	-	30,504,500	-	-	-	30,504,500	(30,504,500)	-
Accumulated depreciation	-	-	-	-	-	-	-	(12,061,112)	-	-	-	(12,061,112)	12,061,112	-
	-	-	-	-	-	-	-	18,443,388	-	-	-	18,443,388	(18,443,388)	-
Disposals														
Cost	-	-	7,100,114	-	-	-	1,228,679	36,606,933	-	-	-	44,935,726	-	44,935,726
Accumulated depreciation	-	-	4,946,293	-	-	-	881,093	20,831,365	-	-	-	26,658,751	-	26,658,751
	-	-	2,153,821	-	-	-	347,586	15,775,568	-	-	-	18,276,975	-	18,276,975
Depreciation charge for the year	-	15,300,053	26,864,932	2,082,330	1,321,186	1,061,219	4,517,822	16,243,087	279	8,673	5,320	67,404,901	15,031,921	82,436,822
Closing net book value	188,440,000	153,573,869	277,251,340	18,875,536	13,925,845	10,736,225	15,096,145	80,840,285	2,512	78,055	47,875	758,867,687	55,747,159	814,614,846
At 31 December 2015														
Cost / revalued amount	188,440,000	351,452,962	719,996,511	31,524,526	25,901,336	29,041,369	54,401,526	137,005,202	52,806	204,990	166,100	1,538,187,328	81,751,486	1,619,938,814
Accumulated depreciation	-	197,879,093	442,745,171	12,648,990	11,975,491	18,305,144	39,305,381	56,164,917	50,294	126,935	118,225	779,319,641	26,004,327	805,323,968
Net book value	188,440,000	153,573,869	277,251,340	18,875,536	13,925,845	10,736,225	15,096,145	80,840,285	2,512	78,055	47,875	758,867,687	55,747,159	814,614,846
Depreciation rates (%)	-	10%	10%	10%	10%	10%	25%	20%	10%	10%	10%		20%	

16.1 Operating assets owned and leased

	Year ended 31 December 2014													
	Operating fixed assets - owned												Total 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		
	Rupees													
At 01 January 2014														
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	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	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	747,513,578
Movement during the year														
Opening 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	747,513,578
Additions - cost	-	-	2,975,340	8,814,112	155,928	1,162,400	1,971,739	24,362,600	-	-	-	39,442,119	50,944,000	90,386,119
Transfer from leasehold assets														
Cost	-	-	-	-	-	-	-	13,478,500	-	-	-	13,478,500	(13,478,500)	-
Accumulated depreciation	-	-	-	-	-	-	-	5,852,645	-	-	-	5,852,645	(5,852,645)	-
	-	-	-	-	-	-	-	7,625,855	-	-	-	7,625,855	(7,625,855)	-
Disposals														
Cost	-	-	-	-	-	-	1,006,840	19,174,568	-	-	-	20,181,408	-	20,181,408
Accumulated depreciation	-	-	-	-	-	-	639,339	11,609,895	-	-	-	12,249,234	-	12,249,234
	-	-	-	-	-	-	367,501	7,564,673	-	-	-	7,932,174	-	7,932,174
Depreciation charge for the year	-	15,541,288	27,806,647	1,967,101	1,386,332	900,463	5,437,070	11,161,435	310	9,637	5,911	64,216,194	14,508,805	78,724,999
Closing net book value	163,440,000	139,871,594	251,574,040	19,600,466	12,596,128	8,743,841	16,766,838	57,082,935	2,791	86,728	53,195	669,818,556	81,423,968	751,242,524
At 31 December 2014														
Cost	163,440,000	322,148,363	672,400,572	30,167,126	23,249,665	25,987,766	52,434,129	105,775,018	52,806	204,990	166,100	1,396,026,535	104,457,486	1,500,484,021
Accumulated Depreciation	-	182,276,769	420,826,532	10,566,660	10,653,537	17,243,925	35,667,291	48,692,083	50,015	118,262	112,905	726,207,979	23,033,518	749,241,497
Net book value	163,440,000	139,871,594	251,574,040	19,600,466	12,596,128	8,743,841	16,766,838	57,082,935	2,791	86,728	53,195	669,818,556	81,423,968	751,242,524
Depreciation rates (%)		10%	10%	10%	10%	10%	25%	20%	10%	10%	10%		20%	

Notes to the Consolidated Financial Statements

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		Note	2015 Rupees	2014 Rupees
16.1.1	Depreciation charge has been allocated as under:			
	Cost of sales	27	48,123,285	48,525,821
	Distribution, selling and promotional expenses	28	16,263,004	13,348,525
	Administrative and general expenses	29	18,050,533	16,850,653
			82,436,822	78,724,999

16.1.2 The latest revaluation of land, building on freehold land and plant and machinery of the Holding Company 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.

		Note	2015 Rupees	2014 Rupees
16.1.3	Had the assets not been revalued, the carrying values would have been:			
	Land - freehold		39,566,828	14,566,828
	Building on freehold land		127,948,059	111,398,472
	Plant and machinery (Owned)		209,136,462	175,890,842
			376,651,349	301,856,142

Notes to the Consolidated Financial Statements

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16.1.4 Disposal of property, plant & equipment

Particulars	Cost	Accmulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sale
Vehicles		--------	--------	Rupees	--------	
Muhammad Arshad	891,000	592,955	298,045	591,480	293,435	Company Policy
Muhammad Tariq Siddique	544,000	368,094	175,906	361,440	185,534	Company Policy
Adil Nawaz Khan	795,000	564,887	230,113	530,640	300,527	Company Policy
Muhammad Arif	795,000	564,887	230,113	530,640	300,527	Company Policy
Muhammad Munir	530,000	379,486	150,514	354,240	203,726	Company Policy
Zaid Aziz Khan	530,000	379,486	150,514	354,240	203,726	Company Policy
Nadeem Younas	529,000	359,991	169,009	353,699	184,690	Company Policy
Muhammad Ali	530,000	379,486	150,514	365,400	214,886	Company Policy
Janat Gul	529,000	356,861	172,139	356,280	184,141	Company Policy
M. Asmat Ullah	544,000	335,785	208,215	417,502	209,287	Company Policy
Waseem Raza	835,000	560,342	274,658	556,140	281,482	Company Policy
Syed Husnain Ali Zaidi	943,000	552,456	390,544	682,226	291,682	Company Policy
Nadeem Khalid	1,372,000	874,812	497,188	497,188	-	Company Policy
Waqar Khan	395,000	323,207	71,793	216,672	144,879	Company Policy
Waseem Shamsi	1,288,000	846,018	441,982	441,982	-	Company Policy
M. Idrees Khalid	469,000	384,851	84,149	465,000	380,851	Company Policy
Shehzad Abdul Rehman	1,782,000	1,376,658	405,342	1,200,000	794,658	Negotiation
Zia Ul Islam	1,288,000	846,018	441,982	441,982	-	Company Policy
Ali Dar	1,232,000	874,051	357,949	1,000,000	642,051	Negotiation
Dr. Rizwan Mahmood	1,666,000	1,050,329	615,671	615,671	-	Company Policy
Tanvir Hussain	444,333	343,158	101,175	411,000	309,825	Negotiation
Tanvir Hussain	630,000	384,711	245,289	559,000	313,711	Negotiation
Jehanzeb	732,000	411,976	320,024	505,000	184,976	Company Policy
M. Zia Attique	1,325,000	800,371	524,629	535,558	10,929	Company Policy
Ali Dar	1,519,500	1,209,689	309,811	1,200,000	890,189	Negotiation
Muhammad Saeed Mubarak	68,500	17,353	51,147	68,500	17,353	Company Policy
Irfan	100,000	29,067	70,933	93,000	22,067	Company Policy
Waqar Ahmed	69,000	14,720	54,280	69,000	14,720	Company Policy
Yasser Masood	657,000	246,886	410,114	533,600	123,486	Company Policy
Muhammad Shahid	69,900	19,572	50,328	69,900	19,572	Company Policy
Faraz	504,000	378,118	125,882	293,963	168,081	Company Policy
Arif S. Qureshi	1,020,000	482,528	537,472	797,437	259,965	Company Policy
Muzahir Raza Shah	645,000	358,448	286,552	487,216	200,664	Company Policy
Arif Murtaza	567,000	264,600	302,400	487,225	184,825	Company Policy
Rauf Ahmed	567,000	274,680	292,320	437,160	144,840	Company Policy
Syed Azadar H. Naqvi	1,231,000	495,683	735,317	1,009,419	274,102	Company Policy
Ihsan Ullah Khan Khattak	1,689,500	595,079	1,094,421	1,490,000	395,579	Company Policy
Khurram Rasheed Ansari	668,000	211,682	456,318	613,189	156,871	Company Policy
Baqar Hasan	2,524,000	673,067	1,850,933	1,850,933	-	Company Policy
Bilal Hakim	1,034,000	301,583	732,417	897,569	165,152	Company Policy
Asif Noor	637,000	263,293	373,707	575,000	201,293	Company Policy
Vehicles having individual written down value of less than Rs. 50,000	2,418,200	1,084,441	1,333,759	2,224,028	890,269	Company Policy
	36,606,933	20,831,365	15,775,568	25,540,119	9,764,551	
Office Equipment						
HP ProBook 440 G1	92,430	25,635	66,795	-	(66,795)	Scrap
Assets having individual written down value of less than Rs. 50,000	1,136,249	855,458	280,791	150,000	(130,791)	Scrap
	1,228,679	881,093	347,586	150,000	(197,586)	
Plant and machinery						
Atlasco Diesel Power Services	7,100,114	4,946,293	2,153,821	570,000	(1,583,821)	Negotiation
2015	44,935,726	26,658,751	18,276,975	26,260,119	7,983,144	
2014	20,181,408	12,249,234	7,932,174	13,527,359	5,595,185	

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
16.2 Capital work in progress (CWIP)			
Civil works		5,440,362	1,763,058
Plant and machinery - owned		1,506,155	2,967,471
Advances to suppliers		11,089,170	3,571,000
	16.2.1	18,035,687	8,301,529

	Note	2015 Rupees	2014 Rupees
16.2.1 Movement of CWIP is as follows:			
Opening balance as at 01 January		8,301,529	14,366,646
Addition made during the year			
Civil works		2,974,805	1,616,847
Plant and machinery - owned		11,050,789	2,967,471
Advance for purchase of vehicles		9,667,423	3,571,000
		23,693,017	8,155,318
Additions through acquisition of subsidiary company	18.1		
Civil works		2,465,557	-
Advances to suppliers		1,421,747	-
		3,887,304	
Capitalized during the year			
Civil works		(1,409,598)	-
Plant and machinery - owned		(12,865,565)	-
Laboratory Equipment		-	(4,215,435)
Vehicles-Leased		(3,571,000)	(10,005,000)
		(17,846,163)	(14,220,435)
Closing balance as at 31 December		18,035,687	8,301,529

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

17. INTANGIBLE ASSETS

2015

PARTICULARS	COST				ACCUMULATED AMORTIZATION				Book valueas at 31 December 2015	Rate %
	As at 01 January 2015	Additions	Write off	As at 31 December 2015	As at 01 January 2015	For the year	Write off	As at 31 December 2015		
	----- Rupees -----									
Registration and trademark (Note17.1)	154,434,175	-	-	154,434,175	103,030,904	15,443,418	-	118,474,322	35,959,853	10
Computer softwares	26,697,991	825,356	16,217,666	11,305,681	14,590,266	1,230,784	7,014,235	8,806,815	2,498,866	10-33
	181,132,166	825,356	16,217,666	165,739,856	117,621,170	16,674,202	7,014,235	127,281,137	38,458,719	

2014

PARTICULARS	COST				ACCUMULATED AMORTIZATION				Book valueas at 31 December 2014	Rate %
	As at 01 January 2014	Additions	Write off	As at 31 December 2014	As at 01 January 2014	For the year	Write off	As at 31 December 2014		
	----- Rupees -----									
Registration and trademark (Note17.1)	154,434,175	-	-	154,434,175	87,587,486	15,443,418	-	103,030,904	51,403,271	10
Computer softwares	25,665,073	1,032,918	-	26,697,991	11,959,047	2,631,219	-	14,590,266	12,107,725	10
	180,099,248	1,032,918	-	181,132,166	99,546,533	18,074,637	-	117,621,170	63,510,996	

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

	Note	2015 Rupees	2014 Rupees
17.2 Amortization charge has been allocated as under:			
Cost of sales	27	15,443,418	15,443,418
Distribution, selling and promotional expenses	28	1,230,784	2,631,219
		16,674,202	18,074,637

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
18.	Goodwill			
	Goodwill on acquisition of subsidiary	18.1	834,230	-

18.1 On 02 September 2015, the Holding Company acquired 80% of the shareholding of Biocef (Private) Limited for cash consideration. It was acquired to get a quick access to Cephalosporin drug market in order to diversify the Group's product range and therapeutic presence.

The Group has elected to measure the non-controlling interest in Biocef (Private) Limited at non-controlling interest's proportionate share of net identifiable assets at the date of acquisition. Goodwill worked out at the date of acquisition is as follows:

	2015 Rupees
ASSETS ACQUIRED	
Property, plant and equipment	51,815,300
Capital work in progress	3,887,304
Cash and cash equivalents	11,816
	55,714,420
LIABILITIES ASSUMED	
Trade and other payables	115,730
Directors' loans	1,265,477
	1,381,207
Total identifiable net assets at fair value	54,333,213
Purchase consideration transferred in cash	44,300,800
Non-controlling interest at acquisition date	10,866,643
	55,167,443
Goodwill arising on acquisition	834,230

18.2 Net cash flow on acquisition of subsidiary company

Purchase consideration transferred in cash	44,300,800
Less: cash and cash equivalents of subsidiary company	(11,816)
Net cash flow on acquisition of subsidiary company	44,288,984

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
19.	STOCK IN TRADE			
	Raw materials			
	In hand		373,148,639	309,650,163
	In transit		39,905,691	10,094,743
	With third party	19.1	24,347,160	-
			437,401,490	319,744,906
	Packing materials			
	In hand		133,675,879	127,810,631
	In transit		17,400,007	-
	With third party	19.2	5,863,887	770,884
			156,939,773	128,581,515
	Work in process		54,006,164	55,356,113
	Finished goods			
	In hand		210,447,080	151,372,334
	In transit		12,613,672	-
			223,060,752	151,372,334
	Less: Provision for slow moving and obsolete items	19.3	(11,083,975)	(20,262,765)
			860,324,204	634,792,103

19.1 This represents raw material held by Titlis Pharmaceutical, a partnership firm, a related party of the Company.

19.2 This includes packing material amounting to Rs. 3,842,056 (2014: Rs. Nil) held by Titlis Pharmaceutical, a partnership firm, a related party of the Company.

		Note	2015 Rupees	2014 Rupees
19.3	Provision for slow moving and obsolete items			
	Opening provision		20,262,765	30,312,446
	Charge for the year		8,550,977	18,606,133
	Written off during the year		(17,729,767)	(28,655,814)
	Closing provision		11,083,975	20,262,765

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
20.	TRADE DEBTS			
	Secured - considered good		10,086,186	19,995,287
	Unsecured:			
	Considered good		57,811,713	55,539,986
	Considered doubtful		1,039,897	1,039,897
	Less: Provision against doubtful debts		1,039,897	1,039,897
			-	-
			67,897,899	75,535,273

		2015 Rupees	2014 Rupees
21.	ADVANCES		
	Advances - considered good		
	Staff against:		
	Expenses	15,275,335	9,868,409
	Salary	7,307,723	7,029,518
	Suppliers	57,358,281	26,360,223
		79,941,339	43,258,150

		2015 Rupees	2014 Rupees
22.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Trade deposits	14,366,755	11,439,379
	Prepayments	5,341,882	4,595,610
		19,708,637	16,034,989

23 These represent claims receivable from various insurance companies against vehicles and equipments.

24 These represent sales tax and excise duty recoverable.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

	Note	2015 Rupees	2014 Rupees
25. CASH AND BANK BALANCES			
Cash and Imprest		2,025,466	1,997,331
Balance with banks			
Current accounts:			
-Local currency		216,524,838	77,270,099
-Foreign currency		9,018,622	6,057,043
Deposit accounts	25.1	150,000,000	250,000,000
		375,543,460	333,327,142
		377,568,926	335,324,473

25.1 This carries profit at the rate of 7.00% (2014: 8.75%).

	Note	2015 Rupees	2014 Rupees
26. SALES - Net			
Manufactured products:			
Local		3,962,317,029	3,384,183,460
Export		280,123,121	223,295,607
		4,242,440,150	3,607,479,067
Purchased products - local		84,688,694	38,855,898
Third party		405,519,286	354,208,134
		4,732,648,130	4,000,543,099
Less: Discount		315,785,622	295,251,531
Sales tax		12,867,190	9,199,109
		328,652,812	304,450,640
		4,403,995,318	3,696,092,459

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
27.	COST OF SALES			
	Raw and packing material consumed		1,739,018,266	1,584,945,136
	Salaries, wages and benefits	27.1	291,622,699	242,589,055
	Vehicle running and maintenance		21,588,374	23,821,689
	Fuel and power		71,741,353	89,583,945
	Stores consumed		19,889,551	9,037,827
	Repair and maintenance		43,818,229	27,162,195
	Insurance		5,135,028	4,560,870
	Rent, rates and taxes		4,232,696	3,536,988
	Fee and subscription		396,213	214,795
	Printing and stationery		5,244,034	3,544,211
	Traveling and conveyance		4,195,504	1,486,978
	Consultancy and professional charges		5,629,310	5,579,220
	Office supplies		20,891,479	14,245,010
	Ijara rentals		4,187,079	-
	Depreciation	16.1.1	48,123,285	48,525,821
	Amortization of intangible assets	17.2	15,443,418	15,443,418
	Other direct cost		6,632,429	5,261,509
			2,307,788,947	2,079,538,667
	Inventory effect of work in process			
	Opening		55,356,113	30,876,707
	Closing		(54,006,164)	(55,356,113)
			1,349,949	(24,479,406)
	Cost of goods manufactured		2,309,138,896	2,055,059,261
	Inventory effect of finished goods (excluding purchased products)			
	Opening		140,089,826	102,090,848
	Closing		(190,760,824)	(140,089,826)
			(50,670,998)	(37,998,978)
	Cost of goods sold - manufactured products		2,258,467,898	2,017,060,283
	Cost of goods sold - purchased products		54,334,099	23,798,006
			2,312,801,997	2,040,858,289

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
27.1	It includes the following staff retirement benefits:			
	Defined benefit plan - Gratuity		21,861,016	19,824,928
	Defined contribution plan - Provident Fund		6,512,745	5,252,699
	Provision for compensated leave absences		3,243,960	2,316,444
			31,617,721	27,394,071

		Note	2015 Rupees	2014 Rupees
28.	DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES			
	Salaries and benefits	28.1	396,156,885	317,840,277
	Advertisement and marketing		4,742,754	2,939,725
	Literature and promotional material		183,518,357	126,381,052
	Bonus and sample goods		56,575,933	92,366,633
	Printing and stationery		2,962,780	2,515,809
	Traveling and conveyance		153,505,873	109,011,538
	Telephone, postage and telex		6,754,886	3,431,118
	Insurance		9,033,836	7,458,869
	Vehicle running and maintenance		42,124,673	32,980,088
	Donation	28.2	8,629,128	2,935,239
	Freight		42,361,772	35,092,659
	Staff training, seminars and symposia		135,936,451	169,258,370
	Newspapers and subscriptions		11,611,053	24,722,768
	Ijara rentals		6,394,304	-
	Depreciation	16.1.1	16,263,004	13,348,525
	Amortization of intangible assets	17.2	1,230,784	2,631,219
	Commission on export sales		39,141,472	16,613,285
	Others		9,017,219	9,225,733
			1,125,961,164	968,752,907

28.1	It includes following staff retirement benefits:			
	Defined benefit plan - Gratuity		8,036,914	8,139,184
	Defined contribution plan - Provident Fund		7,546,920	6,283,959
	Provision for compensated leave absences		5,139,216	3,724,284
			20,723,050	18,147,427

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
29.	ADMINISTRATIVE AND GENERAL EXPENSES			
	Salaries and benefits	29.1	152,778,616	143,313,635
	Telephone, postage and telex		4,519,444	3,154,058
	Rent, rates and taxes		5,588,697	5,235,862
	Electricity, gas and water		730,382	697,976
	Printing and stationery		5,112,739	4,658,597
	Repairs and maintenance		5,319,259	1,857,850
	Vehicle running and maintenance		22,954,387	24,744,292
	Traveling and conveyance		10,505,637	6,070,095
	Newspapers and subscriptions		3,007,156	1,579,708
	Entertainment		973,572	812,466
	Insurance		4,131,874	3,487,242
	Auditors' remuneration	29.2	1,275,000	1,200,000
	Legal and professional		2,451,939	2,810,092
	Advertisement, seminars and symposia		274,250	142,370
	Donation	29.3	1,885,251	767,081
	Ijara rentals		1,540,543	-
	Depreciation	16.1.1	18,050,533	16,850,653
	Others		5,534,982	2,247,034
			246,634,261	219,629,011

		2015 Rupees	2014 Rupees
29.1	It includes the following staff retirement benefits:		
	Defined benefit plan - Gratuity	10,547,137	12,167,248
	Defined contribution plan - Provident Fund	4,150,185	3,597,553
	Provision for compensated leave absences	2,097,324	1,292,844
		16,794,646	17,057,645

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
29.2	Auditors' remuneration			
	Statutory audit		875,000	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
			1,275,000	1,200,000

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

		Note	2015 Rupees	2014 Rupees
30.	RESEARCH AND DEVELOPMENT EXPENSES			
	Salaries and benefits	30.1	2,383,055	2,167,711
	Expenses on clinical trials and products evaluation		4,800	780,245
	Traveling		45,024	288,686
	Insurance		111,030	90,702
	Vehicle repair and maintenance		194,461	261,307
	Printing and stationery		57,271	43,079
	Office supplies		29,947	43,022
	Repairs and maintenance		2,574	-
	Staff cost		157,355	203,348
	Others		55,301	34,062
			3,040,818	3,912,162

		2015	2014
30.1	It includes the following staff retirement benefits:		
	Defined benefit plan - Gratuity	-	133,499
	Defined contribution plan - Provident Fund	102,346	46,506
	Provision for compensated leave absences	36,000	-
		138,346	180,005

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
31.	OTHER OPERATING EXPENSES			
	Workers' Profit Participation Fund	11.2	35,089,751	21,811,800
	Exchange loss		7,652,186	11,136,985
	Workers' Welfare Fund		14,342,582	8,996,923
	Central Research Fund		6,734,479	4,186,101
	Intangible assets written off		9,203,431	-
			73,022,429	46,131,809
32.	OTHER INCOME			
	Income from financial assets			
	Return on deposit		585,610	359,589
	Income from non-financial assets			
	Gain on disposal of property, plant and equipment	16.1.4	7,983,144	5,595,185
	Scrap sales		4,791,944	3,838,810
	Others		16,476,023	192,922
			29,836,721	9,986,506
33.	FINANCE COST			
	Mark-up on long term loans		-	2,773,930
	Mark-up on short term borrowings		428,345	927,828
	Finance cost on liabilities against assets subject to finance lease		5,363,314	5,945,757
	Interest on Workers' Profit Participation Fund	11.2	164,291	119,683
	Bank charges		2,807,882	2,603,395
			8,763,832	12,370,593

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Note	2015 Rupees	2014 Rupees
34.	TAXATION			
	Current:			
	For the year		226,758,535	149,874,114
	Prior year		-	12,604,232
			226,758,535	162,478,346
	Deferred:			
	Relating to origination and reversal of temporary differences		(1,495,129)	(18,918,956)
	Relating to changes in tax rate		(2,580,302)	(1,043,499)
			(4,075,431)	(19,962,455)
			222,683,104	142,515,891

34.1 Reconciliation of tax charge for the year

Numerical reconciliation between the average effective tax rate and the applicable tax rate on consolidated profit before tax is as follows.

	Note	2015	2014
Applicable tax rate		32.00%	33.00%
Tax effect of amounts that are not deductible for tax purposes		0.51%	1.26%
Tax effect of changes in tax rate of taxable temporary differences		-0.39%	-0.29%
Tax effect under presumptive tax regime and others		1.44%	0.42%
		1.56%	1.39%
Average effective tax rate charged on income		33.56%	34.39%

35. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2015	2014
Profit after taxation	Rupees	440,924,434	271,908,303
			Restated
Weighted average number of ordinary shares	Number of shares	20,362,179	20,362,179
			Restated
Earnings per share	Rupees	21.65	13.35

35.1 The weighted average number of ordinary shares of 2014 have been restated due to issuance of 2,181,662 bonus shares in 2015 in accordance with the requirement of IAS 33.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2015			31 December 2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	5,594,800	18,434,352	123,204,895	5,640,176	16,402,800	98,362,089
House allowance	2,237,920	1,200,000	44,485,078	2,256,070	1,200,000	37,745,876
Provident fund	466,197	799,176	8,593,765	469,977	717,413	6,728,129
Gratuity	539,636	5,371,224	17,946,068	3,086,142	5,250,982	16,644,995
Bonus	700,000	799,996	16,666,113	1,838,805	4,294,971	29,927,314
Utilities	559,480	2,034,045	11,121,270	564,018	2,361,681	9,436,469
Medical	86,584	2,574,387	2,564,232	192,129	1,231,263	2,250,226
	10,184,617	31,213,180	224,581,421	14,047,317	31,459,110	201,095,098
Number of persons	1	3	90	1	2	78

36.1 The Chief Executive, Directors and 40 executives (2014: 34) have been provided with Company maintained cars while 42 executives (2014: 23) have been provided with cars under self finance scheme with limited fuel and maintenance facility.

36.2 Rs. 2,000 (2014 : Rs. 2,000) per meeting have been paid during the year to an independent non-executive director for attending Board meetings.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

The Group'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 Group's operations. The Group has trade debts, short term borrowings and advances, other receivables and cash and short term deposits that arrive directly from its operations.

The Group'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 Group's overall risk management programmed 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 Group profit before tax.

	2015	2014
Rupees per US Dollar		
Reporting date rate	104.70	100.53

	Changes in US $ Rate	Effects on Profit Before Tax
		Rupees
2015	+10%	1,163,416
	-10%	(1,163,416)
2014	+10%	942,459
	-10%	(942,459)

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

	2015	2014
Rupees per Euro		
Reporting date rate	121.74	-

	Changes in EUR € Rate	Effects on Profit Before Tax
		Rupees
2015	+10%	371,660
	-10%	(371,660)
2014	+10%	-
	-10%	-

(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 Group has no significant long-term interest-bearing assets. The Group'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 Group to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Group to fair value interest rate risk.

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

	2015 Rupees	2014 Rupees
Floating rate instruments		
Financial liabilities		
Liabilities against assets subject to finance lease	33,349,682	58,690,629

Fair value sensitivity analysis for fixed rate instruments

The Group 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 Group.

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 Group'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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

		Changes in Interest Rate	Effects on Profit Before Tax
			Rupees
Liabilities against assets subject to finance lease			
	2015	+1.50	(500,245)
		-1.50	500,245
	2014	+1.50	(880,359)
		-1.50	880,359

(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:

	2015 Rupees	2014 Rupees
Trade debts	67,897,899	75,535,273
Short term advances	7,307,723	7,029,518
Trade deposits	24,946,919	16,206,853
Profit accrued	585,610	359,589
Other receivables	2,549,011	1,485,660
Bank balances	375,543,460	333,327,142
	478,830,622	433,944,035

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 2015, the Group has 13 (2014:12) customers who owed the Group more than Rupees 1.00 million each and accounted for approximately 59% (2014:84%) of all receivables owing.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

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

	2015 Rupees	2014 Rupees
Neither past due nor impaired	3,119,046	1,242,167
Past due but not impaired		
Past due 1–30 days	34,041,393	42,055,749
Past due 31–60 days	4,530,402	10,302,474
Past due 61–90 days	9,731,294	12,791,151
Over 90 days	15,435,867	8,103,835
	63,738,956	73,253,209
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 Group'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 Group. 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			2015	2014
	Short term	Long term	Agency		
Banks				Rupees	Rupees
National Bank of Pakistan	A-1+	AAA	JCR - VIS	182,707	248,342
United Bank Limited	A-1+	AA+	JCR - VIS	15,124,764	360,135
Faysal Bank Limited	A1+	AA	JCR - VIS	14,092	29,092
Habib Bank Limited	A1+	AA+	JCR - VIS	355,777,572	326,685,969
Allied Bank Limited	A1+	AA	PACRA	718,460	1,145,572
JS Bank Limited	A1	A+	PACRA	1,400,844	2,779,287
Bank Al Habib Limited	A1+	AA+	PACRA	507,993	9,426
Meezan Bank Limited	A-1+	AA	JCR - VIS	469,957	1,526,307
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,325,719	543,012
Bank Islami Pakistan Limited	A1	A+	PACRA	10,000	-
Askari Bank Limited	A-1+	AA	JCR - VIS	11,352	-
				375,543,460	333,327,142

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

(c) Liquidity risk

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

The Group'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 Group's reputation. The Group has positive working capital position at the year end. Therefore, management believes the liquidity risk to be low.

The table below analysis the Group'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 2015						
Liabilities against assets subject to finance lease	33,349,682	36,007,570	9,519,737	14,803,063	10,069,627	1,615,143
Trade and other payables	377,036,495	377,036,495	377,036,495	-	-	-
Interest payable	52,522	52,522	52,522	-	-	-
	410,438,699	413,096,587	386,608,754	14,803,063	10,069,627	1,615,143

	Carrying Amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
	--	(Rupees)	--			
31 December 2014						
Liabilities against assets subject to finance lease	58,690,629	66,630,635	9,519,737	24,142,922	10,069,627	22,898,349
Trade and other payables	378,553,526	378,553,526	378,553,526	-	-	-
Interest payable	224,687	224,687	224,687	-	-	-
	437,468,842	445,408,848	388,297,950	24,142,922	10,069,627	22,898,349

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2015 and 2014 respectively. The rates of mark up have been disclosed in respective notes to the financial statements.

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

37.2 Fair values of financial assets and liabilities

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 not been given in the financial statements.

37.3 Financial instruments by categories

	2015		
	Cash and cash equivalents	Loans and advances	Total
Assets as per balance sheet	---------------------- (Rupees)	----------------------	
Long term deposits	-	10,580,164	10,580,164
Trade debts	-	67,897,899	67,897,899
Advances	-	7,307,723	7,307,723
Trade deposits	-	14,366,755	14,366,755
Profit accrued	-	585,610	585,610
Other receivables	-	2,549,011	2,549,011
Cash and bank balances	377,568,926	-	377,568,926
	377,568,926	103,287,162	480,856,088

	2015
	Financial Liabilities at amortized cost
Liabilities as per balance sheet	Rupees
Liabilities against assets subject to finance lease	33,349,682
Markup accrued on secured loans	52,522
Trade and other payables	377,036,495
	410,438,699

	2014		
	Cash and cash equivalents	Loans and advances	Total
Assets as per balance sheet	---------------------- (Rupees)	----------------------	
Long term deposits	-	3,164,764	3,164,764
Trade debts	-	75,535,273	75,535,273
Advances	-	7,029,518	7,029,518

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2015

	2014		
	Cash and cash equivalents	Loans and advances	Total
	---------------------- (Rupees) ----------------------		
Trade deposits	-	11,439,379	11,439,379
Profit accrued	-	359,589	359,589
Other receivables	-	1,485,660	1,485,660
Cash and bank balances	335,324,473	-	335,324,473
	335,324,473	99,014,183	434,338,656

	2014
	Financial Liabilities at amortized cost
Liabilities as per balance sheet	Rupees
Liabilities against assets subject to finance lease	58,690,629
Markup accrued on secured loans	224,687
Trade and other payables	384,717,509
	443,632,825

37.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group 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 Group 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 Group 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 Group as referred to in note 8, 12 and note 13. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Group's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	2015 Rupees	2014 Rupees
Debt (See note 8, 12 and 13)	33,402,204	58,915,316
Equity	1,222,933,371	913,160,594
Total equity and debt	1,256,335,575	972,075,910
Total debt to equity ratio	2.73%	6.45%

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

38. 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:

		2015 Rupees	2014 Rupees
38.1	Sales of goods-net		
	Associated undertaking	23,940,183	82,895,926
38.2	Purchases-net		
	Associated undertaking	84,979,723	251,200
38.3	Contribution to employees benefits fund		
	Contribution to Staff Provident Fund	18,312,196	15,180,717
	Contribution to Employees' Welfare Trust	2,126,207	1,311,245
38.4	Related Party transaction of Subsidary		
	Issue of shares to Non controlling interest of subsidiary	800	-
	Repayment of interest free loans to directors of subsidiary	(1,265,477)	-

39. PROVIDENT FUND TRUST

The holding 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:

		Un-audited		Audited	
	Note	2015 Rupees	%	2014 Rupees	%
Size of the fund		213,629,735		179,932,098	
Cost of investments made		187,358,214		148,587,735	
Percentage of investments made			88%		83%
Fair value of investment	39.1	216,112,132		168,528,456	

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

		Note	Un-audited 2015 Rupees	%	Audited 2014 Rupees	%
39.1	Breakup of investments					
	Investment in shares (Listed Securities)		48,441,347	23%	17,366,510	10%
	Term Deposits		26,766,790	12%	19,396,410	12%
	Term Finance Certificates		7,500,000	4%	7,500,000	4%
	Special Saving Certificates		84,987,128	39%	78,544,311	47%
	Mutual Funds		48,416,867	22%	45,721,225	27%
			216,112,132		168,528,456	

39.2 The above information is based on un-audited financial statements of the provident fund for the year ended 31 December 2015.

40. NUMBER OF EMPLOYEES	2015	2014
Number of employees at the end of the year	1,152	964
Average number of employees during the year	1,081	893

41. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company in its meeting held on 15th March 2016 has proposed cash dividend at the rate of Rs. 7.50 (2014: Rs. 6.50) per share and 12% bonus shares for the year ended 31 December 2015, (2014: 12%) subject to the approval of shareholders in the Annual General Meeting to be held on 21st April 2016. These financial statements do not reflect these appropriations.

The Finance Act, 2015 introduced a tax on every public company at the rate of 10% of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not be applied in case of a public company which distributes profit equal to either 40% of its tax profits or 50% of its paid up capital, whichever is less, within six months from the end of the year.

Based on the fact the Board of Directors of the Holding Company has proposed 75% dividend for the year ended 31 December 2015, which exceeds the above prescribed minimum dividend requirement, the Holding Company believes that it would not eventually be liable to pay tax on its undistributed reserves as at 31 December 2015.

42. PLANT CAPACITY AND PRODUCTION

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

43. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Holding Company authorized the financial statements for issuance on 15th March 2016.

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2015

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for better and fair presentation. However no significant reclassification/ rearrangements have been made during the year except as given below.

44.1 Following rearrangments in the corresponding figures have been made in note 22 to the financial statements:

From:	Rupees	To:	Rupees
Trade deposits and short term prepayments-Bank guarantee margin	1,602,710	Long term Deposits	1,602,710

DR. ADEEL ABBAS
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

Mr. ____________________ of ____________________ or ____________________

Mr. ____________________ of ____________________ who is also a member of the Company,

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 21, 2016** at **10.00 a.m.** and at any adjournment thereof.

As witness under my/our hand(s) this ______________ day of ______________ **2016.**

(Witness's Signature)

01 ____________

02 ____________

____

(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.
3. The Proxy should be signed by the witnesses, mentioning their name address and CNIC number. Attested copy of the CNIC or the passport of beneficial owner and the proxy shall be furnished with the Proxy form. Proxy shall produce his original CNIC or passport at the time of the meeting.
4. In case of corporate entity the board of directors' resolution / power of attorney with specimen signature shall be submitted alongwith proxy to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary

HIGHNOON LABORATORIES LIMITED

17.5 Kilometer, Multan Road,

Lahore - 53700 Pakistan.

The website link of JamaPunji is available at the website of Highnoon Laboratories Limited for the convenience and facilitation of shareholders and investors.

www.highnoon-labs.com

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