



HIGHNOON LABORATORIES LIMITED
ANNUAL REPORT
2016

www.highnoon-labs.com

HIGHNOON FOR A HEALTHIER NATION

HIGHNOON LABORATORIES LIMITED

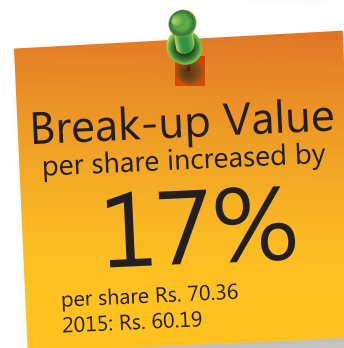
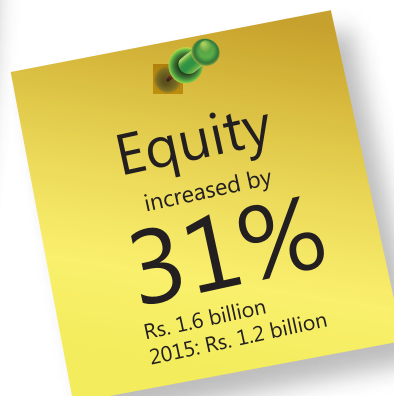
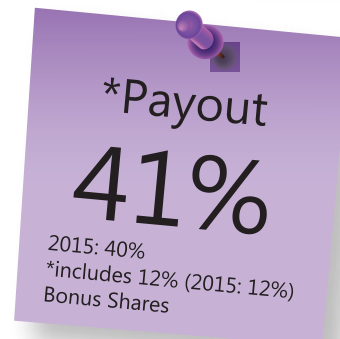
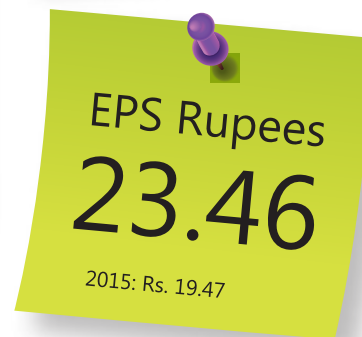
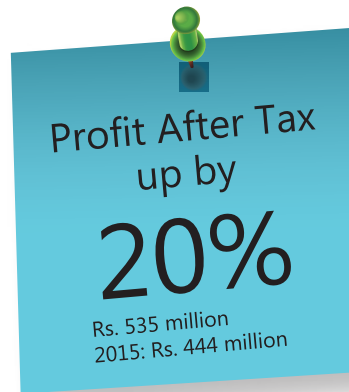
ANNUAL REPORT

2016

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FINANCIAL HIGHLIGHTS





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

REGISTERED, HEAD OFFICE & PLANT

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

LEGAL ADVISORS

Raja Muhammad Akram
& Company

TAX ADVISORS

Yousuf Islam & Associates

AUDITORS

EY Ford Rhodes
Chartered Accountants

SHARES REGISTRAR

Corplink (Pvt) Ltd.
Wings Arcade,
1-K Commercial,
Model Town, Lahore.
Ph: +92 (42) 35916719, 35916714
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	Chairman
CEO	
Mr. Javed Hussain	Member
ED (Finance) / CFO	
Dr. Saleem Akhter	Member
Director (Quality Operations)	
Mr. Ahmad Raza	Member
Director (Product Development)	
Mr. Aamir Zafar	Member
Director - SB-1	
Mr. Ihsanullah Khan	Member
Director (Plant Operations)	
Dr. Azfar Abbas	Member
Director	

I.T. STEERING COMMITTEE

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



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 34th Annual General Meeting of Highnoon Laboratories Limited will be held on Thursday, April 27, 2017 at 10.30 a.m. at Registered Office, 17.5 Kilometer Multan Road, Lahore to transact the following business:

1. To confirm minutes of the Extra -Ordinary General Meeting held on February 16, 2017.
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, 2016 together with Directors' and Auditors' Reports thereon.
3. To consider and approve payment of Cash Dividend at the rate of eighty five percent (85%) 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, 2017.
5. To discuss any other business with the permission of the Chair.

By order of the Board

Lahore
3 April 2017

Khadim Hussain Mirza
Company Secretary

Notes:

1. Share transfer books of the Company will remain closed from April 21, 2017 to April 27, 2017 (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 requirements. 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.
5. To enable the company to make tax deduction on the amount of cash dividend @12.50% instead of @20%, 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 @20% 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.) Ltd.
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

NOTICE OF ANNUAL GENERAL MEETING

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 do not 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 the cash dividend in their bank account, if any, declared in future. Please note that this mandate is optional. In case shareholders do not 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

9. The company has placed the annual Audited Financial Statements for the year ended December 31 2016, along with the Auditors and Directors Reports on its website: www.highnoon-labs.com.



- 6- SECP نے اپنے نوٹیفکیشن کے تحت اس امر کی اجازت دی ہے کہ آڈٹ شدہ حسابات بمعہ سالانہ اجلاس عام کے نوٹس شیئر ہولڈرز کو بذریعہ ای میل ارسال کیے جاسکتے ہیں اور وہ تمام ممبران جو سالانہ رپورٹ کی سافٹ کاپی حاصل کرنا چاہتے ہیں ان سے گزارش ہے کہ وہ کمپنی کو اپنا ای میل ایڈریس فراہم کریں۔ الیکٹرانک ترسیل کے لیے اجازت نامے کا فارم کمپنی کی ویب سائٹ www.highnoon-labs.com سے ڈاؤن لوڈ کیا جاسکتا ہے تاہم کمپنی اپنے شیئر ہولڈرز کو ان کی درخواست پر آڈٹ شدہ حسابات کی ہارڈ کاپی درخواست موصول ہونے کے 7 دن کے اندر بالکل مفت فراہم کرے گی۔
- 7- نقد ڈیویڈنڈ کی ادائیگی کے عمل کو مزید مستعد بنانے کے لیے (SECP) کی ہدایت کے تحت شیئر ہولڈرز بغیر کسی تاخیر کے منافع اپنے بینک اکاؤنٹس میں حاصل کر سکتے ہیں اس کے لیے شیئر ہولڈرز سے درخواست ہے کہ وہ کمپنی کو اس امر کا اختیار دیں کہ مستقبل میں کمپنی کا اعلان کردہ منافع ان کے بینک اکاؤنٹس میں براہ راست جمع کرا دیا جائے۔ اسی طرح تمام نان سی ڈی سی شیئرز ہولڈرز سے گزارش ہے کہ اپنے بینک اکاؤنٹ کی تفصیلات کمپنی رجسٹرار کو ارسال کریں۔ کمپنی کی ویب سائٹ پر فارم موجود ہے۔
- 8- سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی ہدایت پر سالانہ اجلاس عام کے لیے ممبران کسی بھی مقام پر ویڈیو کانفرنس کی سہولت سے استفادہ کر سکتے ہیں۔ اس کے لیے ضروری ہے کہ مجموعی طور پر 10 فیصد سے زائد حصص کے مالک شیئر ہولڈرز کسی مقام کے لئے اپنی دلچسپی کا اظہار کریں اور ان کی درخواست کمپنی کو اجلاس سے کم از کم 10 دن پہلے موصول ہو جانی چاہیے۔ مذکورہ بالا شرائط و ضوابط کی تکمیل پر ممبران کو اجلاس عام سے 5 روز قبل اجلاس کے مقام اور مذکورہ سہولت سے متعلق تفصیلات سے آگاہ کر دیا جائے گا اس سلسلے میں درج ذیل فارمیٹ پر اجلاس کے انعقاد سے 10 دن پہلے اپنی درخواست بھیج دیں۔

میں/ہم _____ از بحیثیت ممبر ہائی نون لیبارٹریز لمیٹڈ مالک _____ عمومی حصص بمطابق رجسٹرڈ فولیو نمبر _____

ویڈیو کانفرنس کی سہولت بمقام _____ اختیار کرنے کی رائے دیتا/دیتی ادیتے ہیں۔

دستخط حصہ دار

9 کمپنی کے متنتج شدہ حسابات سال مختتمہ 31 دسمبر 2016 کمپنی کی ویب سائٹ www.highnoon-labs.com پر موجود ہیں۔

ہائی نون لیبارٹریز لمیٹڈ کے حصص داران کا چوتھوں سالانہ اجلاس عام بروز جمعرات 27 اپریل 2017ء بوقت 10:30 بجے صبح کمپنی کے رجسٹرڈ دفتر 17.5 کلومیٹر ملتان روڈ لاہور میں مندرجہ ذیل امور پر فیصلے کے لیے منعقد ہوگا۔

- 1- گزشتہ غیر معمولی اجلاس عام منعقدہ 16 فروری 2017ء کی کارروائی کی توثیق
- 2- 31 دسمبر 2016ء کو ختم ہونے والے مالی سال کی بابت کمپنی کے تنفیج شدہ حسابات بمعہ استمال شدہ حسابات ہمراہ ڈائریکٹران و آڈیٹران کی رپورٹس پر غور اور ان کی قبولیت
- 3- ڈائریکٹران کے سفارش کردہ 85 فیصد نقد منافع کی ادائیگی 12 فیصد بونس شیئرز کے اجراء کی منظوری۔
- 4- آئندہ مالی سال تختہ 31 دسمبر 2017ء کے لیے آڈیٹران کا تقرر اور ان کے صلہ خدمت کا تعین۔
- 5- چیئرمین کی اجازت سے دیگر امور کی انجام دہی۔

بنگم بورڈ آف ڈائریکٹرز
(خادم حسین مرزا)
کمپنی سیکرٹری

لاہور

مورخہ 3 اپریل 2017

نوٹ:

- 1- کمپنی کی منتقلی حصص کتب 21 اپریل تا 27 اپریل 2017ء (بشمول ہر دو ایام) اعلان کردہ منافع کے حقداران کے تعین کے لیے بندر ہیں گی۔
- 2- حصہ داران جو کہ اجلاس میں شرکت کے اہل ہیں اپنی جگہ دوسرے حصہ دار کو شرکت کرنے اور ووٹ دینے کے لیے اپنا نمائندہ مقرر کر سکتے ہیں اختیار نامہ نمائندگی اجلاس کے وقت سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ دفتر 17.5 کلومیٹر ملتان روڈ لاہور میں لازماً وصول ہو جانا چاہیے۔ اجلاس میں شرکت کے لیے اپنا اصل شناختی کارڈ ہمراہ لائیں۔ حصہ داران سے درخواست ہے کہ ان کے پتہ جات میں اگر کوئی تبدیلی ہے تو فوراً مطلع فرمائیں۔
- 3- اپنے کمپیوٹرائزڈ شناختی کارڈ کی کاپی اگر پہلے فراہم نہیں کی تو فوراً ارسال کریں۔ ایس ای سی پی کی ہدایت کے مطابق جن شیئرز ہولڈرز کے شناختی کارڈ نمبر کا اندراج کمپنی کے ریکارڈ میں نہیں ہوگا انھیں ڈیویڈنڈ وارنٹ نہیں بھیجے جاسکتے۔
- 4- سینٹرل ڈیپازٹری کمپنی کی وساطت سے درج تمام حصص داران سے گزارش ہے کہ اجلاس میں شرکت کے لیے اپنا اصل شناختی کارڈ ضرور ہمراہ لائیں تاکہ ان کی شناخت میں آسانی ہو جبکہ کمپنی یا ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد کی مصدقہ کاپی یا موثر مختار نامہ جس پر ان کے نام تحریر ہوں اور دستخط تصدیق کیے گئے ہوں نمائندگان اپنے ہمراہ لائیں۔
- 5- وہ تمام شیئرز ہولڈرز جن کے نام FBR (فیڈرل بورڈ آف ریونیو) کی ویب سائٹ پر ٹیکس کی ادائیگی کرنے والے فعال افراد کے طور پر موجود نہیں باوجود اس کے کہ وہ ٹیکس کی ادائیگی کرتے ہیں ان سے گزارش ہے کہ سالانہ اجلاس عام سے قبل اس امر کو یقینی بنائیں کہ ان کے نام ٹیکس کی ادائیگی کرنے والے فعال افراد (ایکٹیو ٹیکس پییز زلسٹ) کی فہرست میں شامل ہوں بصورت دیگر ان کے منافع (کیش ڈیویڈنڈ) سے 12.50 فیصد کی بجائے 20 فیصد کے حساب سے ٹیکس کی کٹوتی کی جائے گی۔ کارپوریٹ شیئرز ہولڈرز جو سی ڈی سی اکاؤنٹس کے حامل ہوں ان کے لیے لازمی ہے کہ وہ اپنے متعلقہ شراکت داروں سے اپنا نیشنل ٹیکس نمبر (این ٹی این) اپ ڈیٹ کرالیں جبکہ کارپوریٹ فزیکل شیئرز ہولڈرز کے لیے ضروری ہے کہ وہ اپنے این ٹی این ٹھیکٹ کی نقل کمپنی یا اس کے شیئرز رجسٹرار کارپ لنک (پرائیویٹ) لمیٹڈ کو ارسال کریں۔

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, 2016. Financial highlights are given hereunder:

Financial Highlights of the Company

	2016 Rs. '000'
Profit before tax	789,875
Taxation	(254,899)
Profit after tax	534,976
Un-appropriated profit brought forward	907,981
Incremental Depreciation relating to surplus on revaluation of fixed assets - net of tax	6,779
Other Comprehensive loss - net of tax	(10,129)
Profit available for appropriation	1,439,607
Appropriations:	
Cash Dividend for the FY 2015 @ Rs.7.50 per share.	(152,716)
Bonus Shares @ 12% FY 2015	(24,435)
	1,262,456

EARNINGS PER SHARE

Based on the audited accounts for the year ended December 31, 2016, the earnings per share (EPS) of the Company worked to Rs.23.46 (2015: Rs.19.47 Restated).

DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company have recommended a final cash dividend of eighty five percent (85%) (2015:75%) i.e. Rs.8.50 per share (2015: Rs. 7.50 per share) and bonus shares at the rate of twelve percent (12%) i.e., 12 shares for every 100 shares (2015: 12%) for the financial year ended 31 December 2016, 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 2016 as required under Section 236 of the Companies Ordinance 1984 and listing regulations is presented on Page 36 of the Annual Report 2016.

BOARD OF DIRECTORS AND THEIR ATTENDANCE AT MEETINGS

The board of directors of the Company consists of

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

S. No.	Name of Members	Attendance
1.	Mr. Tausif Ahmad Khan	3
2.	Mr. Anees Ahmad Khan	5
3.	Mr. Ghulam Hussain Khan	4
4.	Mr. Taufiq Ahmed Khan	5
5.	Mr. Shazib Masud	5
6.	Mrs. Zainub Abbas	3
7.	Dr. Adeel Abbas Haideri	5

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 2016 except following:

S. No.	Name	Deletion/Sale No of Shares	Remarks
1.	Mr. Ghulam Hussain Khan	6998	Sold in the market

Mr. Ghulam Hussain Khan also gifted ****150,000**** shares to his Children. In compliance with requirements of Regulations of Pakistan Stock Exchange, the members of the board in a meeting held immediately after the transaction were apprised with the details of these transactions.

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.

1.	Mr. Shazib Masud,	Chairman
2.	Mr. Ghulam Hussain Khan	Member
3.	Mrs. Zainub Abbas	Member

DIRECTORS' REPORT to the Shareholders

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 of each member in the meetings is summarized as under.

S. No.	Name of Members	Attendance
1.	Mr. Shazib Masud	6
2.	Mr. Ghulam Hussain Khan	5
3.	Mrs. Zainub Abbas	5

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 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 (CEO/Executive director)	Member
3.	Mrs. Zainub Abbas, (Non-executive director)	Member

One meeting of the committee was held during the year which was attended by all members.

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.



DIRECTORS' REPORT to the Shareholders

EXTERNAL AUDITORS

The external auditors of the Company EY Ford Rhodes, 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 2017. The Audit Committee has recommended the appointment of EY Ford Rhodes, Chartered Accountants as Auditors of the Company for the year ending 31 December 2017 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.

SUBSIDIARY COMPANY

A separate Directors' Report has been attached with consolidated financial statements of the Company with its wholly owned subsidiary. The report also describes updates on affairs of the subsidiary 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.
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 2016 and the Company has not entered into any commitment, which would affect the financial position at the report date.
9. None of the Directors have been convicted as a defaulter 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.

DIRECTORS' REPORT to the Shareholders

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 on 31 December 2016 was Rs.223.912 million as compared to Rs.208.612 million as per audited accounts of 31 December 2015.
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: March 16, 2017



ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے سالانہ نتائج شدہ مالیاتی گوشوارے برائے سال ختمہ 31 دسمبر 2016ء حصص داران کو پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

کمپنی کے مالیاتی حسابات کے اہم نکات

2016	
'000 روپے	
789,875	ٹیکس سے پہلے کا منافع
(254,899)	ٹیکس
534,976	ٹیکس کے بعد خالص منافع
907,981	غیر منقسم منافع
6,779	مستقل اثاثوں کی دوبارہ طے شدہ مالیت سے متعلق اضافی فرسودگی کی منتقلی۔ ٹیکس کے بعد خالص
(10,129)	متفرق خسارہ۔ ٹیکس کے بعد خالص
1,439,607	تقسیم کے لیے دستیاب منافع
	منافع کی تقسیم
(152,716)	نقد منافع کی تقسیم بحساب 7.50 روپے فی حصص برائے سال 2015ء
(24,435)	بونس حصص بحساب 12 فیصد برائے سال 2015ء
1,262,456	

امسال کمپنی کی کل فروخت 5.070 ارب روپے ہے اور اس کا موازنہ پچھلے سال کی اسی مدت کی کل فروخت 4.403 ارب روپے سے کیا جائے تو اضافے کی شرح 15.13 فیصد ہے زیر جائزہ مدت میں خام منافع 2.378 ارب روپے رہا اور اس کے موازنہ میں پچھلے سال میں خام منافع 2.092 ارب روپے تھا۔ کل فروخت پر خام منافع کی شرح برائے سال 31 دسمبر 2016، 46.8 فیصد اور برائے سال 31 دسمبر 2015، 47.50 فیصد رہی سال ختمہ 31 دسمبر 2016، میں خام منافع میں شرح کی کمی کی وجہ مختلف اجزائے پیداوار کی لاگت میں اضافہ اور ایک سرکردہ ٹول صارف کے ساتھ ٹول ریٹ میں کمی رہی۔ قیمتوں میں ایک دھائی پر مشتمل طویل انجماد کے بعد بالآخر قیمتوں کے تعین کی پالیسی کے تحت اضافے کی اجازت ملی جس کا اطلاق یکم جولائی 2016 سے ہوا۔ اگرچہ لاگت پیداوار میں اضافے کے مقابلے میں اس پالیسی کے تحت مجوزہ اضافہ بہت ہی کم ہے پھر بھی کمپنی نے صارفین کو موزوں ترین قیمتوں پر ادویات فراہم کرنے کے لیے لاگت میں اضافے کا حتی الامکان بوجہ برداشت کرنے کا فیصلہ کیا اور صرف ان ادویات کی قیمتوں میں اضافہ کا فیصلہ کیا جو کہ ناگزیر تھا اخراجات کو محدود رکھا گیا اور یہ مقرر کردہ اہداف سے کم رہے بعد از ٹیکس خالص منافع 534.97 ملین روپے رہا جو پچھلے سال اسی مدت میں 444.021 ملین روپے تھا۔

کمپنی کا فی حصص منافع

کمپنی کے مالیاتی حسابات برائے سال 2016ء کی بنیاد پر کمپنی کی فی حصص آمدن 23.46 روپے فی حصص آئی ہے جو کہ 2015 میں 19.47 روپے فی حصص تھی۔

ڈیویڈنڈ کا اعلان

کمپنی کے بورڈ آف ڈائریکٹرز نے برائے سال ختمہ 31 دسمبر 2016ء حصص داران کے لیے 85 فیصد نقد حتمی ڈیویڈنڈ اور 12 فیصد بونس شیئرز کی سفارش کی ہے یہ ڈیویڈنڈ تابع منظوری حصص داران در سالانہ اجلاس عام مورخہ جمعرات 27 اپریل 2017 میں ہوگا۔

شیئرز ہولڈنگ کی تفصیل

کمپنی آرڈیننس 1984 کی دفعہ 236 کے تحت شیئرز ہولڈنگ کی تفصیل سالانہ رپورٹ 2016 کے صفحہ 36 پر موجود ہے۔

میں بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام حصص داران، ڈاکٹرز، فارماسسٹس، صارفین، شرکات داروں اور بینکوں کے تعاون، سرپرستی اور حمایت کا نہایت مشکور ہوں۔ اس کے ساتھ میں ملازمین اور انتظامیہ کی مسلسل، غیر متزلزل اور انتھک کوششوں اور محنت کی بھی بھرپور قدر کرتا ہوں۔

جائزہ از چیئرمین اس ڈائریکٹرز رپورٹ کا اہم حصہ ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

ڈاکٹر عدیل عباس حیدری

چیف ایگزیکٹو آفیسر

لاہور

16 مارچ 2017ء

رفتار اپنا جنون



CHAIRMAN'S REVIEW



I welcome you to the 34th Annual General Meeting of the Company. I am delighted to present Highnoon's annual performance review with the audited financial statements and the auditors' report for the year ended 31 December, 2016.

The performance of the Company clearly demonstrates successful execution of strategy. In a highly competitive market, we delivered strong momentum in the second half of the year. For the year, we generated record revenues, improved operating margins and generated better cash flows.

FINANCIAL HIGHLIGHTS

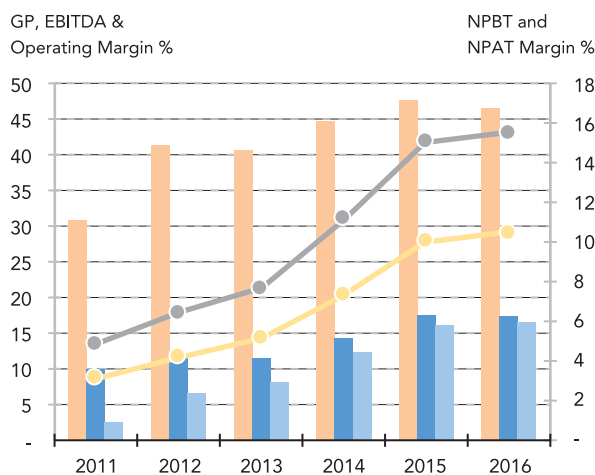
Our sales revenue grew to Rs. 5,071 million from Rs. 4,404 million registering a growth of 15%. The growth in revenue and productivity improvements contributed significantly to our profitability and the profit after tax increased by 20% over last year. Earnings per share also increased by 20%.

Distribution and selling expenses increased by Rs. 153 million over preceding year. Increase in selling and marketing costs was primarily due to investment towards new product launches and significant expansion in sales personnel for wider geographical reach. Other operational expenses remained as planned with no significant increase over last year.

In line with our growth strategy, the Company acquired 100 percent shares of the Subsidiary Company. The new facility is ready to produce antibiotics. The Company is working with the Drug Regulatory Authority of Pakistan (DRAP) for the issuance of the Drug Manufacturing License. The new facility will formulate cephalosporin class of antibiotics. Highnoon is ready to introduce 5 types of antibiotic injections, capsules and dry powder suspensions.

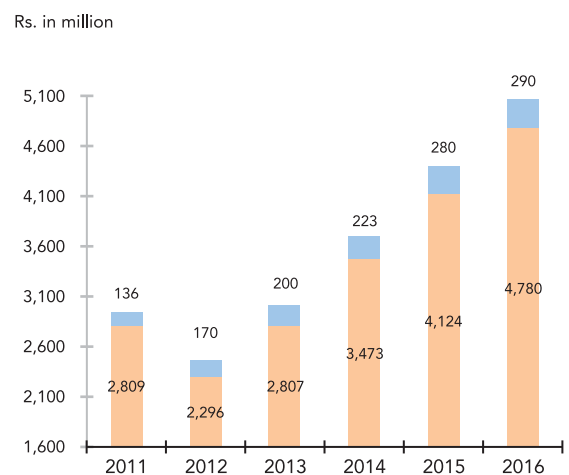
Profitability Margins

GP Margin EBITDA Margin Operating Profit Margin
NPBT NPAT



Sales Trend

Local Export







PRODUCTS & MARKET UPDATE

The Company now holds a wide product portfolio covering several therapeutic segments. Our key therapeutic segments: alimentary tract & metabolism; cardiometabolic and respiratory continue to outpace competition.

Sales revenue from alimentary tract and metabolism segments grew to Rs. 1,593 million (IMS MAT 12/2016) showing an increase of 17% over last year. 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. Our brands Tagipmet, Rabecid and Cidine grew by over 20 percent.

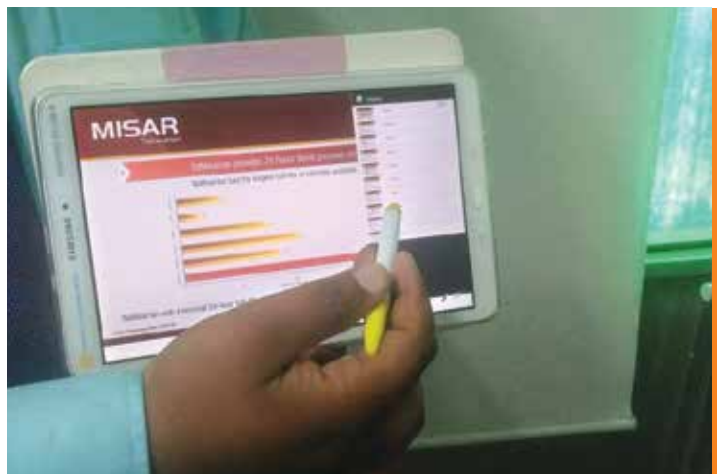
Our growth in the respiratory segment has been phenomenal. In a short span of few years, our flagship brands Combivair and Tiovaair are now the most

prescribed brands in the respective therapeutic category. Combivair has crossed Rs.400 million to become the largest brand of the inhalation market. The respiratory segment grew by 29 percent (IMS MAT 12/2016). Our respiratory portfolio keeps expanding as we introduce new products and newer dosage forms. We recently launched Sprahaler Respule for asthma and COPD.

Our cardiovascular portfolio maintained its leading position and grew by 23 percent (IMS MAT 12/2016). A good part of the growth has been driven by new products. Misar, an angiotensin receptor blocker (ARB) used in the management of hypertension has grown by over 50 percent, similarly growth of Nebix, a cardio selective beta blocking agent also remained key highlight of the year. Recently launched, Ranola, an anti-anginal and Ivaset have also been well received by the cardiologist. We expect that the revenue from these products will increase our presence in the cardiovascular portfolio.

We keep increasing our therapeutic offerings. Our performance in other segments has been equally rewarding. With our new product pipeline including the cephalosporin antibiotics, we are ready to outperform ourselves.

Our ambition to generate significant revenues from exports registered an increase of 10% over last year. We started successfully in Afghanistan. Our products are nearing regulatory approvals in Sri Lanka, Philippines, Tanzania, Kenya and some CIS states. We are ready to introduce our products as and when we have the approvals to do so.





CHAIRMAN'S REVIEW



OPERATIONAL EXCELLENCE

Your Company continues to work on building capabilities through productivity and efficiency improvements. The Company consistently works towards improving its operation and its manufacturing processes. The focus is always directed towards doing better to lower our manufacturing costs. Your company's R & D efforts are directed towards innovation and quick development of new products in a cost-effective manner. Our investment in R&D laboratory and equipment's have enabled us to launch new products.

Your Company has been growing at a healthy rate. Capacity expansion project of a portion of the manufacturing area that was undertaken last year is paying off with higher capacities, compliance and safety. We are now planning to increase the capacity of liquid manufacturing section to meet the growing

demand of liquid dosage form. The expansion of the liquid manufacturing will almost double our existing capacity.

ONE TEAM

We maintain a strong workforce and continue to nurture and develop our people by creating an enabling environment. We inspire them to perform at their best. We promote an open culture that place high values on trust and transparency. A key feature of our HR strategy is to be a future-proof organization that is equipped to effectively handle the challenges of tomorrow.

Ongoing training and development of our people is vital for our success. Side by side with training and development we also equip our people with new technology. Last year as a pilot program, we equipped one of our sales team with e-detailing solution that enabled us to provide up-to-date medical information. We will be extending this solution across all teams to enhance the impact of our communication strategy.



CHAIRMAN'S REVIEW

CORPORATE SOCIAL RESPONSIBILITY

We are a socially responsible organization and we continued our dedicated effort towards social programs. We supported our ongoing long term commitment and joined hands with Pakistan Red Crescent Society to adopt their Thalassemia Center in Lahore. The work entailed complete renovation of the Thalassemia center and provision of necessary equipments for the thalassemia center and the blood bank. This is in addition to the free of cost provision of an iron chelating agent to patients suffering from blood disorders. The center caters to transfusion needs of approximately 3000 children and adults each month.

Through our other CSR initiatives, we have been providing medical aid by donating medicines to the Government Hospitals as well as to the poor and needy patients. We also partner with many NGOs and civil society groups to conduct health camps and to donate medicines.

In the coming year, we will continue to focus on above market sales growth with our diverse product portfolio, bringing new and innovative therapies and with expansion in export markets.

We reaffirm our promise to make Highnoon a leading pharmaceutical organization with support from our Shareholders, Doctors, Pharmacists, Consumers and Business partners. I would also like to place on record my appreciation to employees and management team for their untiring efforts and hard work.

I look forward to another successful year.

For & on behalf of the Board

Tausif Ahmad Khan
Chairman

16 March 2017



ایک مضبوط افرادی قوت اور لوگوں کی ترقی میں پیش رفت کے لیے سازگار ماحول کی فراہمی کمپنی میں ایک مسلسل عمل ہے ہم لوگوں کو بہتر کارکردگی دکھانے کے لیے اُن کی حوصلہ افزائی کرتے ہیں۔ بہترین کام کرنے کا ماحول اعلیٰ اقدار، اعتماد اور شفافیت کمپنی کی پالیسی کا اہم جز ہیں۔ اپنی افرادی قوت کو مستقبل میں آنے والے چیلنجز سے نمٹنے کے لیے تیار کرنا کمپنی کے ہیومن ریسورس ڈیپارٹمنٹ کی ایک اہم حکمت عملی ہے لوگوں کی مسلسل تربیت اور انہیں نئی ٹیکنالوجی سے ہم آہنگ کرنا اس حکمت عملی کا اہم حصہ ہے۔ گزرے ہوئے سال میں ہم نے اپنی ایک فروخت کاری کی ٹیم کو ای۔تفصیلات (e-detailing) کی فراہمی کی ٹیکنالوجی سے متعارف کروایا ہے جس کی بناء پر انہیں جدید طبی معلومات تک رسائی حاصل ہوگئی ہے۔

ہم سماجی طور پر ایک ذمہ دار کمپنی ہیں۔ اور اپنی سماجی ذمہ داری کو پورا کرنے کے لیے ہمیشہ تیار ہیں۔ اس سلسلے میں ہم اپنی طویل المدتی ذمہ داریوں کو پورا کرنے کے لیے ہمیشہ کوشاں رہے ہیں اس سلسلہ میں پاکستان ریڈ کریسنٹ سوسائٹی کے تھیلیسیمیا کے لاہور مرکز کی تزئین و آرائش اور اس مرکز میں تھیلیسیمیا سے متعلق آلات کی فراہمی کی ذمہ داری کمپنی نے اپنے سر لی ہے۔ یہ ذمہ داری خون کی پیاریوں سے متعلق مریضوں کو آئرن کی زیادتی کو دور کرنے سے متعلق ادویات کی مفت فراہمی کے علاوہ ہے۔ یہ سنٹر ہر ماہ 3000 بچوں اور بڑوں کے خون کے ٹرانسفیوژن کی ضروریات کو پورا کرنے کی استعداد رکھتا ہے اس کے علاوہ ہم سرکاری ہسپتالوں اور ضرورت مند مریضوں کو ادویات کے عطیات اور طبی امداد فراہم کرتے ہیں۔ ہم این جی اوز اور سماجی تنظیموں کے طبی امداد کے کیمپوں کے لئے ان کے شراکت دار ہیں اور ان کیمپوں میں ادویات کی امداد فراہم کرتے ہیں۔

آنے والے سال کے دوران کمپنی کی پوری کوشش ہوگی کہ نئی ادویات کے تعارف اور ایکسپورٹ مارکیٹ میں اضافہ کے ذریعے بہتر شرح نمو حاصل ہو۔ ہم اس بات کا مصمم ارادہ رکھتے ہیں کہ ہائی نون لیبارٹریز لمیٹڈ حصص داران، ڈاکٹرز، فارماسسٹ، صارف اور کاروباری شراکت داروں کی مدد سے اس ملک کی معروف ترین کمپنی کی صورت میں سامنے آئے اس کے ساتھ میں ملازمین اور انتظامیہ کی مسلسل اور غیر متزلزل کوششوں اور انتھک محنت پر انہیں خراج تحسین پیش کرتا ہوں۔

بورڈ آف ڈائریکٹرز کی جانب سے

توصیف احمد خان
چیئر مین

16 مارچ 2017ء

میں حصص داران کو چوتھویں اجلاس عام میں خوش آمدید کہتا ہوں۔ میں کمپنی کے 31 دسمبر 2016ء کو ختم ہونے والے سال کی کارکردگی کا جائزہ پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ کمپنی کی کارکردگی آپ کے سامنے ہے جو کہ ایک کامیاب حکمت عملی کا عملی مظاہرہ ہے۔ فارماسیوٹیکل انڈسٹری میں انتہائی مسابقتی مارکیٹ ہونے کے باوجود ہم ریکارڈ آمدن، بہتر منافع، اور زر کے بہتر بہاؤ حاصل کرنے میں کامیاب رہے۔ موجودہ سال میں کمپنی کی کل فروخت 5.07 ارب روپے رہی۔ اس کا موازنہ پچھلے سال کی کل فروخت 4.404 ارب روپے سے کیا جائے تو اضافہ کی شرح 15 فیصد ہے اس سال خام منافع 2.378 ارب روپے رہا جس کے موازنہ میں پچھلے سال خام منافع 2.092 ارب روپے تھا اس سال میں خام منافع کی شرح میں کمی کی وجہ پیداواری لاگت میں اضافہ رہا۔

کل فروخت میں اضافہ اور پیداواری عمل میں بہتری کی بناء پر کمپنی کا ٹیکس منہا کرنے کے بعد خالص منافع پچھلے سال کی نسبت 20 فیصد زائد رہا اور کمپنی کی فی حصص آمدن میں 20 فیصد اضافہ ہوا۔ زیر جائزہ سال کے دوران فروخت اور تقسیم کاری کے اخراجات میں پچھلے سال کی نسبت 153 ملین روپے کا اضافہ ہوا۔ فروخت اور تقسیم کاری کے اخراجات میں بڑھوتری کی بڑی وجہ کمپنی کی نئی ادویات کے مارکیٹ میں متعارف کروانے اور نئے مارکیٹنگ سٹاف کی بھرتی پر اٹھنے والے اخراجات بنے۔ دوسرے آپریٹنگ اخراجات بجٹ کے مطابق رہے اور ان میں کوئی قابل ذکر اضافہ نہیں ہوا۔

کمپنی کی شرح نمو میں منصوبہ کے مطابق اضافہ کو مد نظر رکھتے ہوئے کمپنی نے ذیلی کمپنی کے 100 فیصد حصص حاصل کر لیے ہیں اس نئی فیکٹری میں اینٹی بائیوٹک ادویات کی تیاری ہوگی۔ یہ فیکٹری ڈرگ ریکولیشن اتھارٹی (DRAP) سے ادویات سازی کا لائسنس حاصل کرنے کے مراحل میں ہے۔ یہ فیکٹری سیفلوسپرن اور دوسری اینٹی بائیوٹک ادویات تیار کرے گی ان ادویات میں انجکشن، کپسول اور ڈرائی پاؤڈر شامل ہیں۔ یہ ہائی نون لیبارٹریز لمیٹڈ کی ادویات میں ایک اچھا اضافہ ثابت ہوں گی۔ کمپنی کی ادویات میں بہت سی بیماریوں کے علاج کی دوائیاں شامل ہیں۔ جن میں دل، سانس اور معدہ کی بیماریوں کی ادویات کو سرفہرست کی ادویات میں شمار کیا جاتا ہے۔ ہم مختلف بیماریوں کے علاج کی ادویات اپنی فہرست میں شامل کرنے کے لیے ہر دم کوشاں رہتے ہیں اس وقت بہت سی ادویات کمپنی کی ادویات کی فہرست میں شامل کرنے کے لیے زیر غور ہیں۔

ہماری پوری کوشش ہے کہ ہم اپنی ادویات کی برآمد کو تیزی سے بڑھائیں۔ ہم نے اس کا آغاز افغانستان سے کر دیا ہے۔ سری لنکا، فلپائن، تنزانیہ، کینیا اور کچھ دوسرے ممالک میں ہماری ادویات ریگولیشن اتھارٹی کے قریب تر ہیں۔ ان کی منظوری ہوتے ہی ہم اپنی ادویات ان ملکوں میں متعارف کروادیں گے۔

آپ کی کمپنی اپنی صلاحیتوں کو بہتر بنانے کے ساتھ ساتھ اپنی پیداوار اور کارکردگی کے عمل کو بہتر بنانے کے عمل کو بھی مسلسل جاری رکھنے کا عزم رکھتی ہے۔ پیداواری صلاحیت میں بہتری لانے کا عمل کمپنی کے بڑے مقاصد میں سے ایک ہے۔ ہماری توجہ ہمیشہ اس امر پر مرکوز رہی ہے کہ کم سے کم لاگت میں کیسے بہتر پیداوار حاصل کی جائے۔ کمپنی کا ریسرچ اینڈ ڈویلپمنٹ شعبہ نئی ادویات کی ایجاد نشوونما اور ادویات کا معیار برقرار رکھتے ہوئے انکی پیداواری لاگت کو کم کرنے کی کوششوں میں مصروف عمل ہے۔ ریسرچ اینڈ ڈویلپمنٹ لیبارٹری میں سرمایہ کاری کی بدولت ہم بہت سی نئی ادویات مارکیٹ میں متعارف کروانے میں کامیاب رہے۔

آپ کی کمپنی ایک بہتر شرح نمو کے ساتھ ترقی کر رہی ہے۔ پچھلے سال پروڈکشن ایریا کے ایک حصہ کی پیداواری صلاحیت کے بڑھوتری کا منصوبہ اس سال بہتر پیداوار اور تعمیل اور حفاظتی تدابیر کی صورت میں سامنے آیا۔ ہماری مائع دوائیوں کی مانگ بڑھ رہی ہے جس کی بنا پر لیڈوینوٹیکسچرنگ ایریا کی پیداواری صلاحیت میں اضافہ شد ضروری ہے جو کہ اس سال کے توسیع منصوبہ کا حصہ ہے۔

SIX YEARS AT A GLANCE

2016 2015 2014 2013 2012 2011
(Rupees in '000')

Summary of Balance Sheet

Share Capital	228,056	203,622	181,805	181,805	181,805	181,805
Reserves	1,376,456	1,021,981	731,355	533,568	438,931	385,324
Operating Fixed Assets	728,635	763,884	751,243	747,514	765,185	701,972
Non Current Assets	249,407	134,845	74,977	96,481	113,209	127,039
Current Assets	1,855,578	1,391,757	1,120,377	738,344	805,784	728,558
Current Liabilities	662,211	523,048	498,172	301,878	458,114	444,143
Net Working Capital	1,193,367	868,709	620,601	436,466	347,670	284,416
Non-current Liabilities	44,093	31,429	43,331	71,013	76,403	83,898
Deferred Liabilities	312,920	293,727	269,170	267,233	296,469	279,245

Summary of Profit and Loss Account

Sales - Net	5,070,755	4,403,995	3,696,092	3,007,925	2,465,621	2,944,907
Gross Profit	2,378,020	2,092,316	1,655,234	1,230,661	1,025,253	914,171
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)	893,293	773,439	523,594	347,766	289,531	297,360
Operating Profit	844,011	709,890	450,569	248,739	162,925	72,751
Profit Before Tax	789,875	666,705	414,424	232,302	159,106	144,053
Net Profit After Tax	534,976	444,021	271,908	155,535	104,016	92,381

Summary of Cash Flow Statement

Net Cash Flow from Operating Activities	637,570	335,766	479,594	370,435	69,878	388,077
Net Cash Flow from Investing Activities	(142,274)	(163,911)	(20,883)	(11,354)	(22,378)	(47,473)
Net Cash Flow from Financing Activities	(167,402)	(154,547)	(172,920)	(316,010)	(53,634)	(391,339)
Changes in Cash and Cash Equivalents	327,894	17,308	285,791	43,071	(6,135)	(50,735)
Cash and Cash Equivalents at Year End	680,700	352,795	335,324	49,533	6,462	12,597

Financial Performance/Profitability Analysis

Sales Growth	%	15.14	19.15	22.88	21.99	(16.28)	11.70
Gross Profit Margin	%	46.90	47.51	44.78	40.91	41.58	31.04
EBITDA to Sales Margin	%	17.62	17.56	14.17	11.56	11.74	10.10
Operating Profit Margin	%	16.64	16.12	12.19	8.27	6.61	2.47
Profit Before Tax Margin	%	15.58	15.14	11.21	7.72	6.45	4.89
Profit After Tax Margin	%	10.55	10.08	7.36	5.17	4.22	3.14
Return on Equity	%	33.34	36.23	29.78	21.74	16.76	16.29
Return on Capital Employed	%	32.45	35.32	28.43	19.78	14.92	14.19

Operating Performance/Liquidity Analysis

Inventory Turnover	Days	126	118	107	120	143	104
Debtors Turnover	Days	5	6	7	8	9	6
Creditors Turnover	Days	63	66	62	49	51	29
Cash Operating Cycle	Days	68	58	52	79	101	81
Assets Turnover Ratio	Times	1.79	1.92	1.90	1.90	1.46	1.89
Fixed Assets Turnover	Times	5.18	4.90	4.49	3.57	2.81	3.56
Return on Assets	%	27.88	29.11	21.31	14.68	9.45	9.25
Current Ratio	Times	2.80	2.66	2.25	2.45	1.76	1.64
Quick Ratio	Times	1.30	1.02	0.97	0.60	0.43	0.47

SIX YEARS AT A GLANCE

2016 2015 2014 2013 2012 2011
(Rupees in '000')

Distribution Analysis

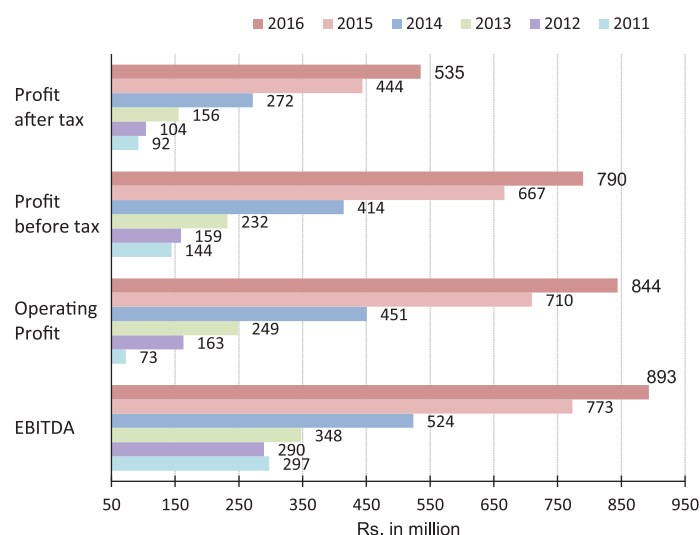
		2016	2015	2014	2013	2012	2011
Pay out-Proposed							
- Cash Dividend per share	Rs.	8.50	7.50	6.50	4.50	3.50	3.00
- Bonus	%	12	12	12	-	-	-
Payout Ratio (after tax)	%	41.35	39.90	51.48	52.60	61.17	59.04
Dividend Yield	%	1.52	1.51	3.49	3.80	7.37	10.58
Earnings Per Share (after tax)	Rs./share	23.46	19.47	14.96	8.56	5.72	5.08
Price Earning Ratio	Times	27.24	29.66	14.74	13.85	8.30	5.58

Capital Structure/Market Value Analysis

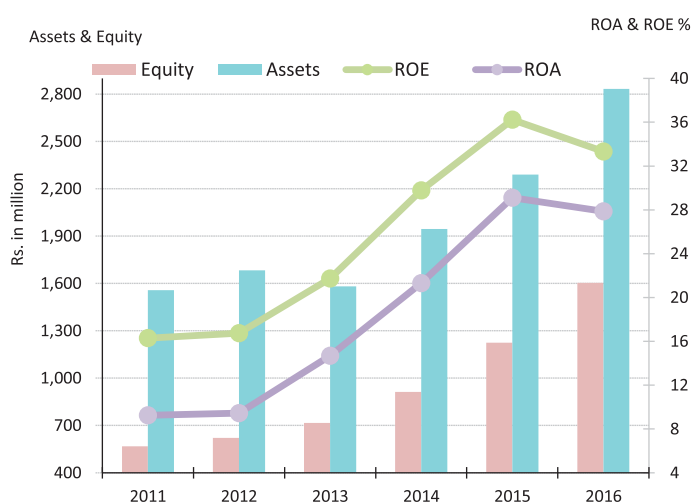
Long Term Debt : Equity Ratio		02:98	03:97	06:94	08:92	09:91	11:89
Financial leverage	Times	1.77	1.87	2.13	2.21	2.71	2.75
Shareholders' Net Worth as % of Total Assets	%	56.62	53.51	46.95	45.21	36.86	36.41
Financial Charges Coverage	Times	127.90	73.75	33.69	11.62	3.92	1.73
Number of Shares	in '000'	22,806	20,362	18,181	18,181	18,181	18,181
Break-up Value of Share							
- Excluding Surplus on Revaluation	Rs.	70.36	60.19	50.23	39.35	34.14	31.19
- Including Surplus on Revaluation	Rs.	79.56	70.83	62.39	51.83	46.93	41.27
Market Value of Share							
- Year End	Rs.	639.00	577.40	220.46	118.53	47.50	28.35
- Highest	Rs.	669.00	619.95	305.00	185.00	50.36	33.50
- Lowest	Rs.	398.04	203.00	117.50	45.00	28.50	24.50
- Average	Rs.	543.14	311.27	207.97	92.00	37.20	27.94
Market Capitalization	Rs. in '000'	14,572,804	11,757,019	4,008,077	2,154,937	863,575	515,418

* Based on proposed final dividend

Profitability

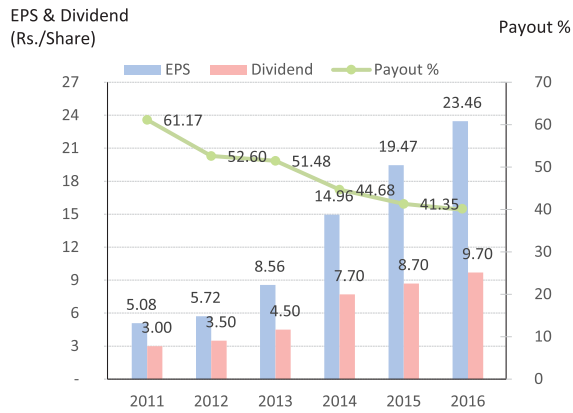


Shareholders' Equity, Assets and Return

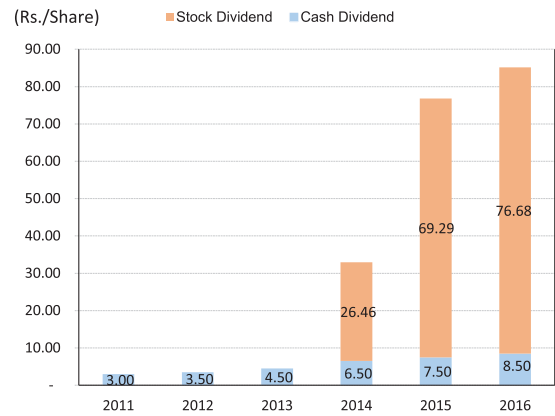


GRAPHICAL PRESENTATION

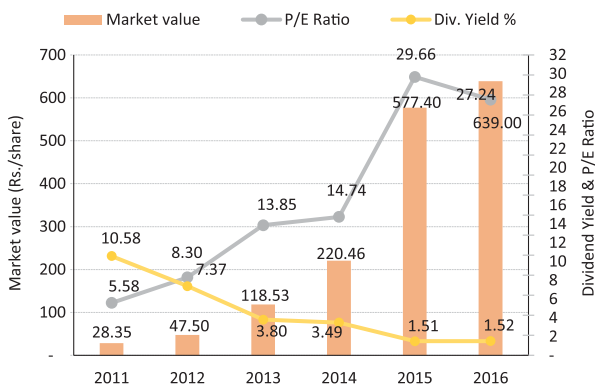
EPS, Dividend and Payout %



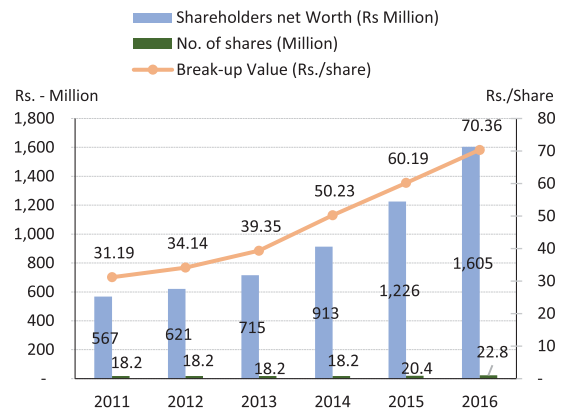
Market Value of Payout Proposed



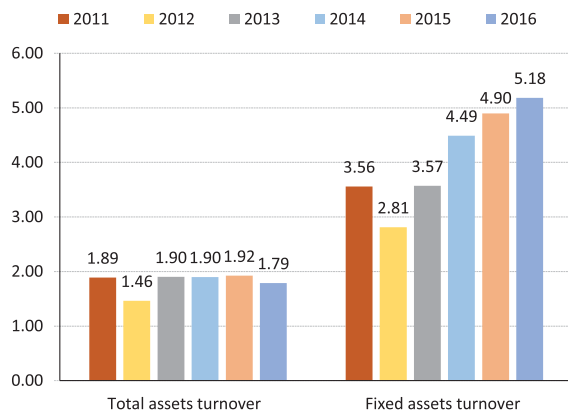
Dividend Yield, P/E Ratio and Market Value



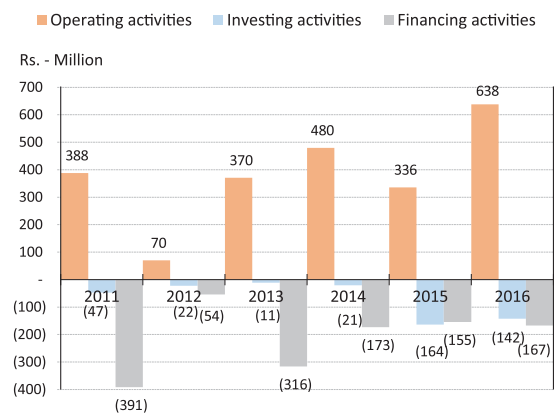
Shareholders' Net Worth



Asset Turnover (Times)



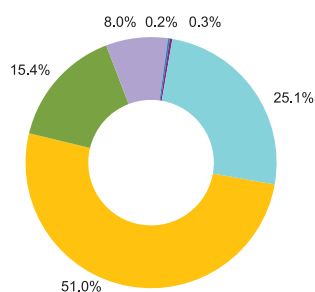
Cash Flows Analysis



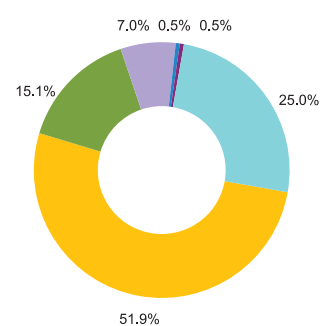
STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2016 Rs. in 000	2015 Rs. in 000
Value Added		
Net Sales	5,085,648	4,416,862
Material & Services	3,191,231	2,750,056
Other Income	19,414	29,837
	<u>1,913,831</u>	<u>1,696,643</u>
Distribution		
Employees		
Salaries Wages & Benefits	934,281	844,939
Workers Profit Participation Fund	41,442	35,090
	975,723	880,029
Government		
Income Tax	254,899	222,683
Sales Tax	14,893	12,867
Central Research Fund	7,873	6,734
Workers Welfare Fund	17,458	14,343
	295,123	256,627
Society		
Donation	4,592	9,231
Provider of Finances		
To Shareholder as Cash dividend	152,716	118,173
To Banks as financial charges	6,071	8,754
	158,787	126,927
Retained in Business		
Depreciation and amortization	97,347	97,980
Retained Profit	382,259	325,849
	479,606	423,829
	<u>1,913,831</u>	<u>1,696,643</u>

Year 2016



Year 2015

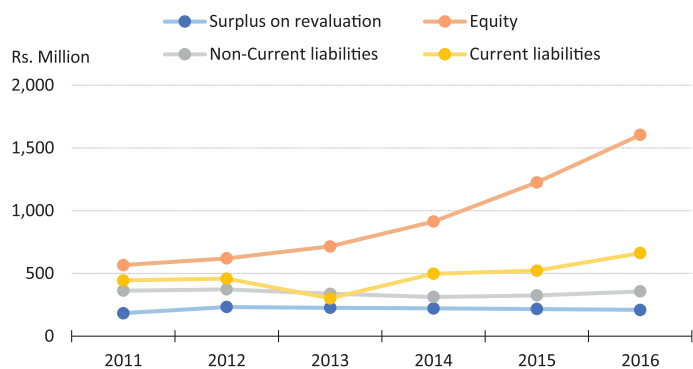


HORIZONTAL ANALYSIS

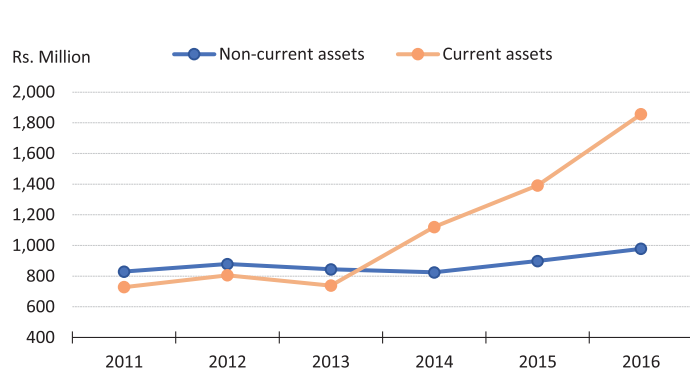
BALANCE SHEET

	2016		2015		2014		2013		2012		2011	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Share Capital and Reserve												
Share capital	228,056	12.0	203,622	12.0	181,805	0.0	181,805	0.0	181,805	0.0	181,805	10.0
Revenue reserves	1,376,456	34.7	1,021,981	39.7	731,355	37.1	533,568	21.6	438,931	13.9	385,324	7.4
	1,604,512	30.9	1,225,603	34.2	913,161	37.1	715,373	21.6	620,737	13.9	567,130	17.4
Surplus on revaluation of fixed assets	209,884	-3.1	216,680	-2.0	221,160	-2.5	226,843	-2.4	232,455	26.9	183,153	-2.8
Non Current Liabilities												
Long term loan - secured	-	0.0	-	0.0	-	-100.0	37,500	-25.0	50,000	-13.3	57,659	-42.3
Liabilities against assets subject to finance lease	16,844	50.9	11,162	-63.1	30,274	22.2	24,779	93.5	12,805	13.4	11,296	-59.5
Long term advances	27,249	34.4	20,267	55.2	13,057	49.5	8,734	-35.8	13,598	-9.0	14,942	41.1
Deferred liabilities	312,920	6.5	293,727	9.1	269,170	0.7	267,232	-9.9	296,469	6.2	279,245	11.9
Total Non Current Liabilities	357,013	9.8	325,156	4.0	312,500	-7.6	338,245	-9.3	372,872	2.7	363,142	-6.4
Current Liabilities												
Trade and other payables	491,812	20.1	409,596	0.1	409,027	57.6	259,540	30.2	199,348	6.8	186,674	55.0
Mark-up payable on secured loans	19	-64.9	53	-76.4	225	-86.9	1,715	-74.0	6,589	-36.9	10,436	-49.2
Short term bank borrowings - secured	-	0.0	-	0.0	-	-100.0	73	-100.0	230,600	38.7	166,291	-61.6
Income tax-net	143,275	62.4	88,197	58.5	55,638	100.0	-	0.0	-	0.0	-	0.0
Current portion of long term liabilities	27,105	7.6	25,202	-24.3	33,283	-17.9	40,550	87.9	21,577	-73.3	80,742	21.8
Total Current Liabilities	662,211	26.6	523,048	5.0	498,172	65.0	301,877	-34.1	458,114	3.1	444,143	-30.6
	2,833,620	23.7	2,290,487	17.8	1,944,994	22.9	1,582,339	-6.0	1,684,178	8.1	1,557,567	-10.5
Non Current Assets												
Property, plant and equipments	744,164	-2.8	765,390	0.8	759,544	-0.3	761,880	-2.1	778,418	8.8	715,604	0.7
Intangible assets	21,766	-43.4	38,459	-39.4	63,511	-21.2	80,553	-18.1	98,413	-12.0	111,844	-13.4
Long term Investment	200,000	137.2	84,300	100.0	-	0.0	-	0.0	-	0.0	-	0.0
Long Term deposits	12,112	14.5	10,580	577.3	1,562	0.0	1,562	0.0	1,562	0.0	1,562	0.0
	978,041	8.8	898,729	9.0	824,617	-2.3	843,995	-3.9	878,393	6.0	829,010	-1.4
Current Assets												
Stock in trade	992,638	15.4	860,324	35.5	634,792	13.8	557,767	-8.0	606,595	17.0	518,480	-19.1
Trade debts	75,154	10.7	67,898	-10.1	75,535	18.9	63,517	-12.4	72,532	31.2	55,270	26.9
Advances	74,673	-6.6	79,941	84.8	43,258	32.7	32,587	38.9	23,454	-44.0	41,899	97.6
Trade deposits and short term prepayments	17,423	-11.6	19,709	11.7	17,638	42.8	12,355	-8.5	13,510	46.3	9,237	-26.2
Profit accrued	1,235	110.9	586	100.0	-	0.0	-	0.0	-	0.0	-	0.0
Other receivables	3,341	31.1	2,549	38.1	1,846	41.8	1,302	91.8	679	194.3	231	-97.3
Tax refund due from government	10,413	30.9	7,955	-33.6	11,984	-38.4	19,462	-4.8	20,437	21.8	16,774	29
Income Tax-net	-	0.0	-	0.0	-	-100.0	1,820	-97.1	62,117	-16.1	74,071	-23.5
Cash and bank balances	680,700	92.9	352,795	5.2	335,324	577.0	49,533	666.5	6,462	-48.7	12,596	-80.1
	1,855,578	33.3	1,391,757	24.2	1,120,377	51.7	738,344	-8.4	805,784	10.6	728,558	-19.0
	2,833,620	23.7	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

Equity and Liabilities



Assets

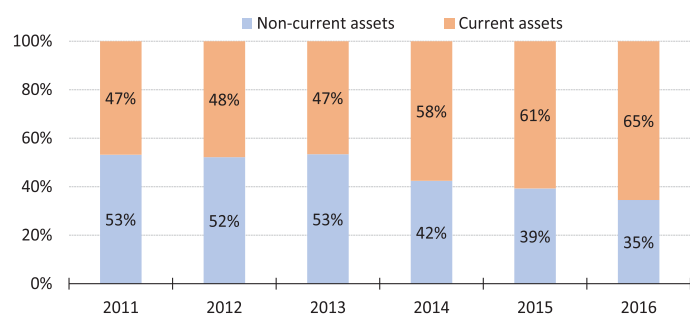


VERTICAL ANALYSIS

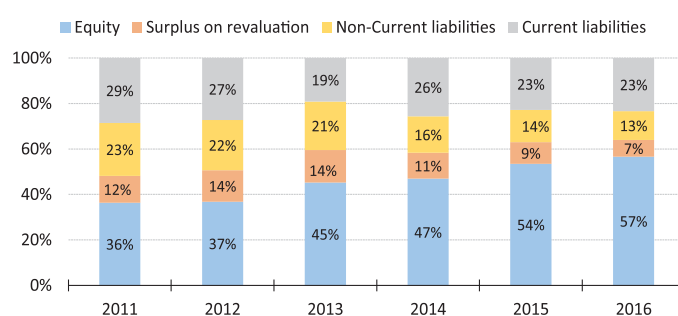
BALANCE SHEET

	2016		2015		2014		2013		2012		2011	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Share Capital and Reserve												
Share capital	228,056	8.0	203,622	8.9	181,805	9.3	181,805	11.5	181,805	10.8	181,805	11.7
Revenue reserves	1,376,456	48.6	1,021,981	44.6	731,355	37.6	533,568	33.7	438,931	26.1	385,324	24.7
	1,604,512	56.6	1,225,603	53.5	913,161	46.9	715,373	45.2	620,737	36.9	567,130	36.4
Surplus on revaluation of fixed assets	209,884	7.4	216,680	9.5	221,160	11.4	226,843	14.3	232,455	13.8	183,153	11.8
Non Current Liabilities												
Long term loan - secured	-	0.0	-	0.0	-	0.0	37,500	2.4	50,000	3.0	57,659	3.7
Liabilities against assets subject to finance lease	16,844	0.6	11,162	0.5	30,274	1.6	24,779	1.6	12,805	0.8	11,296	0.7
Long term advances	27,249	1.0	20,267	0.9	13,057	0.7	8,734	0.6	13,598	0.8	14,942	1.0
Deferred liabilities	312,920	11.0	293,727	12.8	269,170	13.8	267,232	16.9	296,469	17.6	279,245	17.9
Total Non Current Liabilities	357,013	12.6	325,156	14.2	312,500	16.1	338,245	21.4	372,872	22.1	363,142	23.3
Current Liabilities												
Trade and other payables	491,812	17.4	409,596	17.9	409,027	21.0	259,540	16.4	199,348	11.8	186,674	12.0
Mark-up payable on secured loans	19	0.0	53	0.0	225	0.0	1,715	0.1	6,589	0.4	10,436	0.7
Short term bank borrowings - secured	-	0.0	-	0.0	-	0.0	73	0.0	230,600	13.7	166,291	10.7
Income tax-net	143,275	5.1	88,197	3.9	55,638	2.9	-	0.0	-	0.0	-	0.0
Current portion of long term liabilities	27,105	1.0	25,202	1.1	33,283	1.7	40,550	2.6	21,577	1.3	80,742	5.1
Total Current Liabilities	662,211	23.5	523,048	22.9	498,172	25.6	301,878	19.1	458,114	27.2	444,143	28.5
	2,833,620	100.0	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
Non Current Assets												
Property, plant and equipments	744,164	26.3	765,390	33.4	759,544	39.1	761,880	48.1	778,418	46.2	715,604	45.9
Intangible assets	21,766	0.8	38,459	1.7	63,511	3.3	80,553	5.1	98,413	5.8	111,844	7.2
Long term Investment	200,000	7.1	84,300	3.7	-	0.0	-	0.0	-	0.0	-	0.0
Long Term deposits	12,112	0.4	10,580	0.5	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1
	978,041	34.5	898,729	39.2	824,617	42.4	843,995	53.3	878,393	52.2	829,010	53.2
Current Assets												
Stock in trade	992,638	35.0	860,324	37.6	634,792	32.6	557,767	35.2	606,595	36.0	518,480	33.3
Trade debts	75,154	2.7	67,898	3.0	75,535	3.9	63,517	4.0	72,532	4.3	55,270	3.5
Advances	74,673	2.6	79,941	3.5	43,258	2.2	32,587	2.1	23,454	1.4	41,899	2.7
Trade deposits and short term prepayments	17,423	0.6	19,709	0.9	17,638	0.9	12,355	0.8	13,510	0.8	9,237	0.6
Profit accrued	1,235	0.0	586	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Other receivables	3,341	0.1	2,549	0.1	1,846	0.1	1,302	0.1	679	0.0	231	0.0
Tax refund due from government	10,413	0.4	7,955	0.3	11,984	0.6	19,462	1.2	20,437	1.2	16,774	1.1
Income Tax-net	-	0.0	-	0.0	-	0.0	1,820	0.1	62,117	3.7	74,071	4.8
Cash and bank balances	680,700	24.0	352,795	15.4	335,324	17.2	49,533	3.1	6,462	0.4	12,596	0.8
	1,855,578	65.5	1,391,757	60.8	1,120,377	57.6	738,344	46.7	805,784	47.8	728,558	46.8
	2,833,620	100.0	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

Assets



Equity and Liabilities

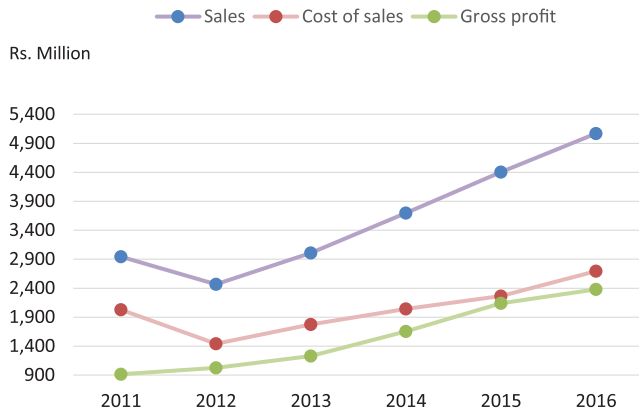


HORIZONTAL ANALYSIS

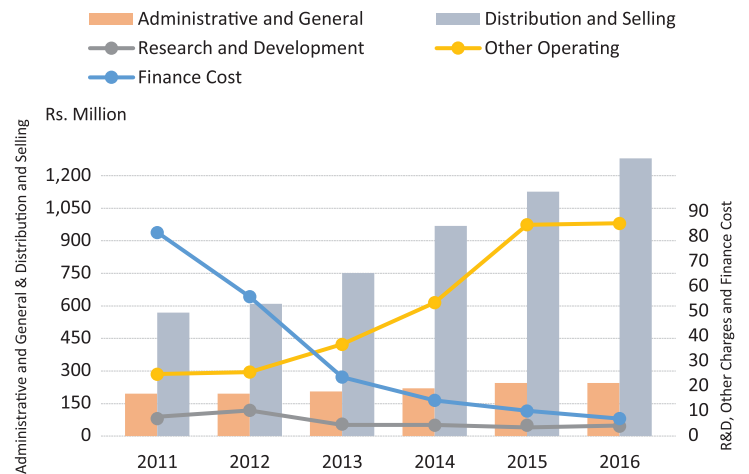
PROFIT AND LOSS ACCOUNT

	2016		2015		2014		2013		2012		2011	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Sales - net	5,070,755	15.1	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
Cost of Sales	2,692,735	16.5	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
Gross Profit	2,378,020	13.7	2,092,316	26.4	1,655,234	34.5	1,230,661	20.0	1,025,253	12.2	914,171	1.2
Distribution, Selling and Promotional Expenses	1,279,005	13.6	1,125,961	16.2	968,753	29.0	751,181	23.2	609,764	7.2	568,589	5.2
Administrative and General Expenses	245,280	0.2	244,669	11.4	219,629	6.4	206,437	5.6	195,518	-0.1	195,733	21.5
Research and Development Expenses	3,653	20.1	3,041	-22.3	3,912	0.8	3,880	-56.2	8,864	31.8	6,727	81.0
Other Operating Expenses	73,550	0.7	73,022	58.3	46,132	45.3	31,746	43.3	22,149	3.3	21,450	97.2
	1,601,488	10.7	1,446,693	16.8	1,238,426	24.7	993,244	18.8	836,295	5.5	792,499	10.6
	776,532	20.3	645,623	54.9	416,808	75.6	237,416	25.6	188,958	55.3	121,672	-35.0
Other Operating Income	19,414	-34.9	29,837	198.8	9,987	-34.8	15,309	-16.5	18,331	-80.2	92,752	1103.4
	795,946	17.8	675,460	58.3	426,795	68.9	252,725	21.9	207,289	-3.3	214,424	10.0
Finance Cost	6,071	-30.6	8,754	-29.2	12,371	-39.4	20,424	-57.6	48,182	-31.5	70,371	-21.3
Profit Before Taxation	789,875	18.5	666,706	60.9	414,424	78.4	232,301	46.0	159,107	10.5	144,053	36.4
Taxation	254,899	14.5	222,683	56.3	142,516	85.6	76,767	39.3	55,091	6.6	51,672	46.6
Profit After Taxation	534,976	20.5	444,023	63.3	271,908	74.8	155,534	49.5	104,016	12.6	92,381	31.3

Sales and Cost of Sales



Operating Expenses

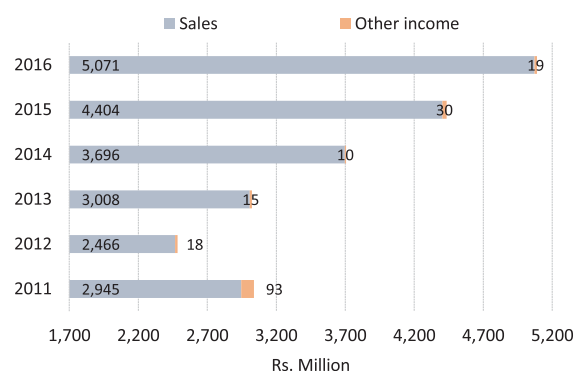


VERTICAL ANALYSIS

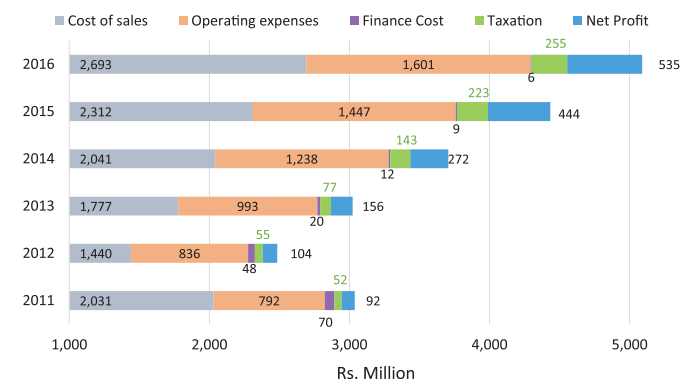
PROFIT AND LOSS ACCOUNT

	2016		2015		2014		2013		2012		2011	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Sales - net	5,070,755	100	4,403,995	100	3,696,092	100.0	3,007,925	100.0	2,465,621	100.0	2,944,907	100.0
Cost of Sales	2,692,735	53.1	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
Gross Profit	2,378,020	46.9	2,092,316	47.5	1,655,234	44.8	1,230,661	40.9	1,025,253	41.6	914,171	31.0
Distribution, Selling and Promotional Expenses	1,279,005	25.2	1,125,961	25.6	968,753	26.2	751,181	25.0	609,764	24.7	568,589	19.3
Administrative and General Expenses	245,280	4.8	244,669	5.6	219,629	5.9	206,437	6.9	195,518	7.9	195,733	6.6
Research and Development Expenses	3,653	0.1	3,041	0.1	3,912	0.1	3,880	0.1	8,864	0.4	6,727	0.2
Other Operating Expenses	73,550	1.5	73,022	1.7	46,132	1.2	31,746	1.0	22,149	0.9	21,450	0.7
	1,601,488	31.6	1,446,693	32.9	1,238,426	33.4	993,244	33.0	836,295	33.8	792,499	26.8
	776,532	15.2	645,623	14.6	416,808	11.4	237,417	7.9	188,958	7.7	121,672	4.1
Other Operating Income	19,414	0.4	29,837	0.7	9,987	0.3	15,309	0.5	18,331	0.7	92,752	3.1
Finance Cost	795,946	15.7	675,460	15.3	426,795	11.7	252,726	8.4	207,289	8.4	214,424	7.3
Profit Before Taxation	6,071	0.1	8,754	0.2	12,371	0.3	20,424	0.7	48,182	2.0	70,371	2.4
Taxation	789,875	15.6	666,706	15.1	414,424	11.4	232,302	7.7	159,107	6.4	144,053	4.9
Profit After Taxation	254,899	5.0	222,683	5.1	142,516	3.9	76,767	2.5	55,090	2.2	51,672	1.8
	534,976	10.6	444,022	10.2	271,908	7.5	155,535	5.2	104,017	4.2	92,381	3.1

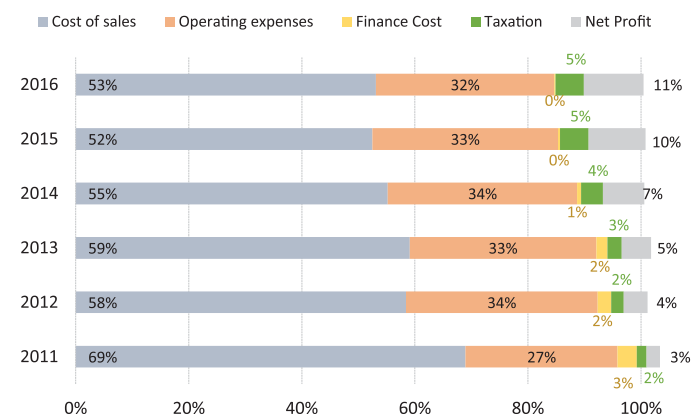
Revenues



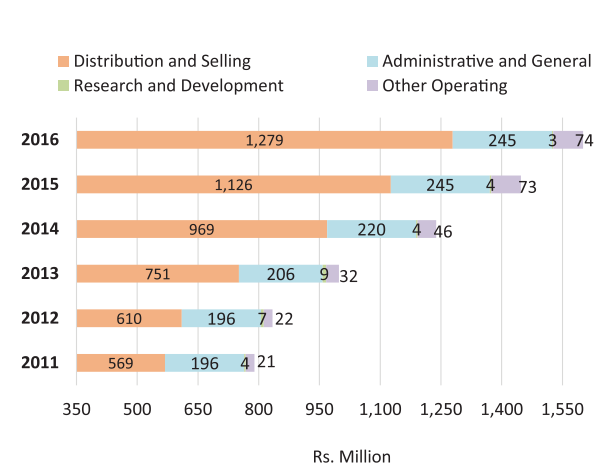
Expenses and Profit



Expenses and Profit as % of Sales



Operating Expenses



PATTERN OF SHAREHOLDING as at December 31, 2016

Sr. #	No. of Shareholders	Shareholding		Total Shares Held
		From	To	
1	1274	1	100	56,524
2	947	101	500	247,636
3	247	501	1000	186,905
4	502	1001	5000	865,705
5	46	5001	10000	321,251
6	23	10001	15000	278,754
7	7	15001	20000	111,332
8	6	20001	25000	131,923
9	6	25001	30000	170,758
10	4	30001	35000	133,204
11	4	35001	40000	149,907
12	1	40001	50000	45,005
13	4	50001	55000	205,536
14	1	55001	60000	55,400
15	1	60001	65000	62,200
16	1	65001	70000	66,683
17	2	70001	75000	145,281
18	1	75001	80000	78,350
19	3	80001	85000	246,171
20	1	85001	95000	92,914
21	1	95001	115000	113,648
22	1	115001	200000	200,000
23	1	200001	205000	203,632
24	1	205001	210000	205,809
25	1	210001	345000	344,230
26	1	345001	360000	359,884
27	1	360001	425000	421,926
28	1	425001	500000	500,000
29	1	500001	665000	663,407
30	1	665001	670000	667,834
31	1	670001	880000	880,000
32	1	880001	920000	918,980
33	1	920001	980000	979,991
34	1	980001	1005000	1,003,520
35	1	1005001	1300000	1,299,790
36	1	1300001	1400000	1,398,728
37	1	1400001	1605000	1,600,464
38	1	1605001	1735000	1,733,415
39	1	1735001	1740000	1,738,665
40	1	1740001	1905000	1,900,886
41	1	1905001	2020000	2,019,392
Total	3102			22,805,640

Categories of Shareholders	No. of Shareholders	No. of Shares Held	Percentage
Directors, CEO and their Spouses and Minor Children			
Mr. Tausif Ahmad Khan	1	1,738,665	7.62%
Mr. Anees Ahmad Khan	1	767	0.00%
Mr. Ghulam Hussain Khan	1	500,000	2.19%
Mr. Shazib Masud	1	623	0.00%
Mr. Taufiq Ahmed Khan	1	1,733,415	7.60%
Dr. Adeel Abbas Haideri	1	557	0.00%
Mrs. Zainub Abbas	1	1,003,520	4.40%
Mrs. Saweela Anees Khan	1	663,407	2.91%
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	3	422,182	1.85%
Banks, Development Financial Institutions, Non Banking Financial Institutions, Joint Stock Companies & Trusts	40	405,594	1.78%
Insurance Companies	11	3,077,581	13.49%
Modarabas and Mutual Funds	16	205,561	0.90%
*Shareholders holding 5%	-	-	-
Non-Resident Companies	3	1,976,669	8.67%
General Public			
a. Local	3017	10,589,595	46.43%
b. Foreign	3	403,806	1.77%
Others			
Government Holding	1	83,698	0.37%
TOTAL	3102	22,805,640	100%
*Shareholders holding five percent or more of the total capital			
Jubilee Life Insurance Company Limited		2,019,392	8.85%
Pharmatec Investment Limited		1,900,886	8.34%
Mr. Tausif Ahmad Khan		1,738,665	7.62%
Mr. Taufiq Ahmed Khan		1,733,415	7.60%
Mr. Tauqeer Ahmed Khan		1,600,464	7.02%
Mr. Jawaid Tariq Khan		1,398,728	6.13%
Mrs. Nosheen Riaz Khan		1,299,790	5.70%
Mutual Funds - Name Wise			
CDC - Trustee ABL Stock Fund		2,895	0.0127%
CDC - Trustee Al Meezan Mutual Fund		29,327	0.1286%
CDC - Trustee Alfalah GHP Alpha Fund		28,700	0.1258%
CDC - Trustee Alfalah GHP Islamic Stock Fund		74,600	0.3271%
CDC - Trustee Alfalah GHP Stock Fund		38,000	0.1666%
CDC - Trustee Alfalah GHP Value Fund		10,700	0.0469%
CDC - Trustee Dawood Islamic Fund		500	0.0022%
CDC - Trustee First Dawood Mutual Fund		500	0.0022%
CDC - Trustee Meezan Balanced Fund		12,254	0.0537%
CDC - Trustee Meezan Islamic Fund		406	0.0018%
Trustee Pak Qatar Takaful Limited Aggressive Fund		77	0.0003%
Trustee Pak Qatar Family Takaful Limited Balance Fund		38	0.0002%

STATEMENT OF COMPLIANCE With the Code of Corporate Governance

This Statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of Chapter 5 of the rule book of 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
Independent Director	Mr. Shazib Masud
Executive Directors	Mr. Anees Ahmad Khan Dr. Adeel Abbas Haideri
Non Executive Directors	Mr. Tausif Ahmad Khan Mr. Ghulam Hussain Khan Mr. Taufiq Ahmed Khan Mrs. Zainub Abbas

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. No Casual vacancy occurred on the board during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
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 two orientation courses for its Directors during the year.
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.

STATEMENT OF COMPLIANCE With the Code of Corporate Governance

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, of whom two are non-executive directors and the Chairman of the committee is an independent director.
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 and 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 suitably qualified and experienced for the purpose and are fully conversant with the policies and procedures of the Company.
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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on Behalf of the Board

Dr. Adeel Abbas Haideri
Chief Executive Officer

Lahore:
16 March 2017

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 for the year ended 31 December 2016 to comply with the requirements of Listing Regulation 5.19 of the rule book of Pakistan Stock Exchange, 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.

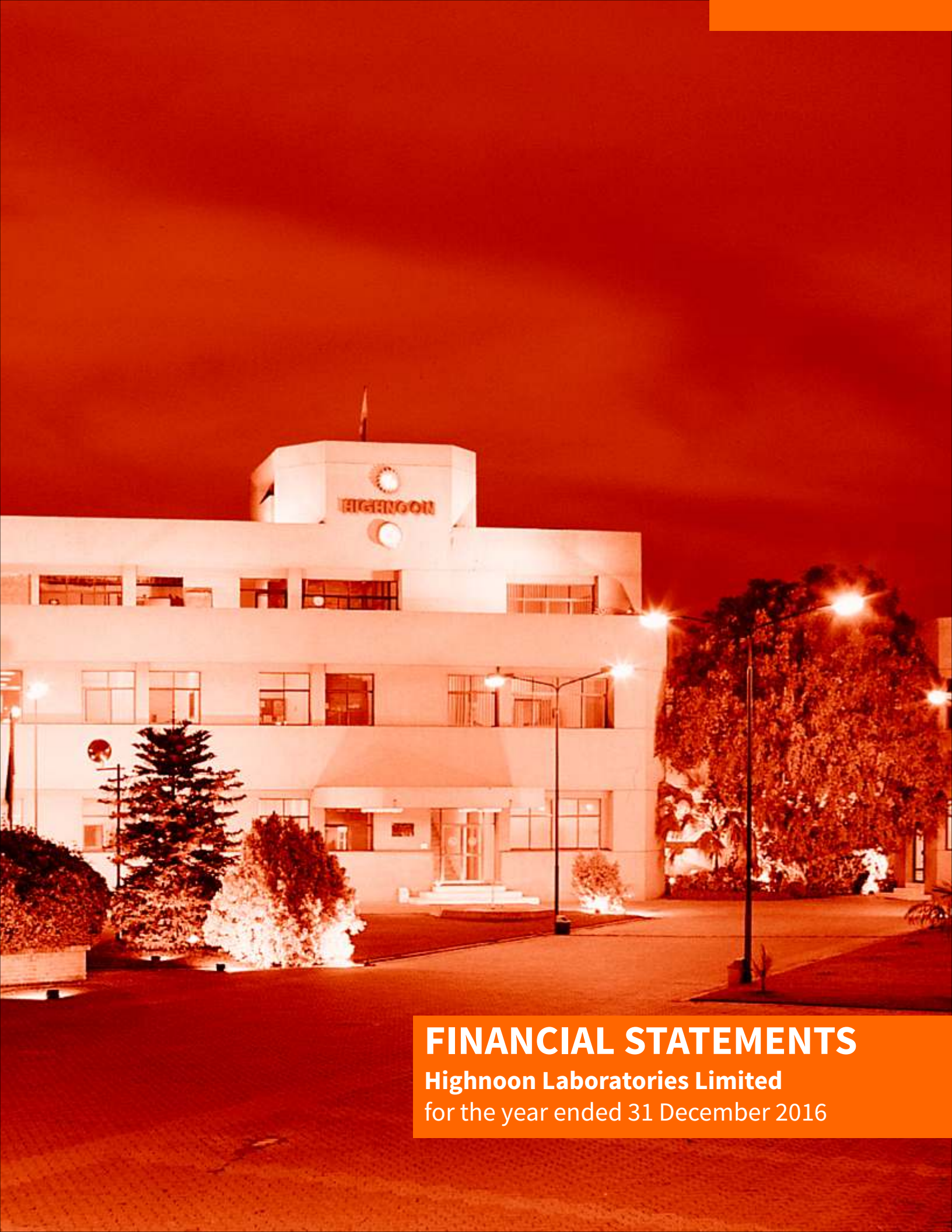
The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail 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 2016.

EY Fort Rhodes
Chartered Accountants

Engagement Partner: Farooq Hameed

Lahore:
16th March 2017



FINANCIAL STATEMENTS

Highnoon Laboratories Limited

for the year ended 31 December 2016

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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 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the 'financial statements'), 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 2016 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.

EY Fort Rhodes
Chartered Accountants
Engagement Partner: Farooq Hameed
Lahore: 16th March 2017

Balance Sheet

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
25,000,000 (2015: 25,000,000) Ordinary			
shares of Rs. 10 each		250,000,000	250,000,000
Share Capital	6	228,056,400	203,621,790
Revenue reserves		1,376,455,659	1,021,980,732
		1,604,512,059	1,225,602,522
Surplus on revaluation of fixed assets	7	209,883,736	216,679,561
Non-current liabilities			
Liabilities against assets subject			
to finance lease	8	16,843,781	11,162,028
Long term advances	9	27,248,879	20,267,322
Deferred liabilities	10	312,920,256	293,726,596
		357,012,916	325,155,946
Current liabilities			
Trade and other payables	11	491,811,842	409,596,016
Mark up payable	12	18,622	52,522
Short term borrowing	13	-	-
Current portion of long term liabilities	14	27,104,927	25,202,447
Income Tax-net		143,275,421	88,197,181
		662,210,812	523,048,166
TOTAL EQUITY AND LIABILITIES		2,833,619,523	2,290,486,195

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 43 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

As at 31 December 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	16	744,163,879	765,390,162
Intangible assets	17	21,765,868	38,458,719
Long term investment	18	200,000,000	84,300,000
Long term deposits		12,111,613	10,580,164
		978,041,360	898,729,045
Current assets			
Stock in trade	19	992,637,743	860,324,204
Trade debts	20	75,154,453	67,897,899
Advances	21	74,672,999	79,941,339
Trade deposits and short term prepayments	22	17,423,457	19,708,637
Profit accrued		1,235,074	585,610
Other receivables	23	3,341,447	2,549,011
Tax refund due from government	24	10,413,130	7,955,477
Cash and bank balances	25	680,699,860	352,794,973
		1,855,578,163	1,391,757,150
TOTAL ASSETS		2,833,619,523	2,290,486,195

Anees Ahmad Khan
Director

Profit and Loss Account

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	26	5,070,755,394	4,403,995,318
Cost of sales	27	(2,692,735,362)	(2,311,679,320)
Gross profit		2,378,020,032	2,092,315,998
Distribution, selling and promotional expenses	28	(1,279,004,735)	(1,125,961,164)
Administrative and general expenses	29	(245,280,377)	(244,669,330)
Research and development expenses	30	(3,652,557)	(3,040,818)
Other operating expenses	31	(73,550,002)	(73,022,429)
		(1,601,487,671)	(1,446,693,741)
Operating Profit		776,532,361	645,622,257
Other income	32	19,413,957	29,836,721
		795,946,318	675,458,978
Finance costs	33	(6,071,247)	(8,754,468)
Profit before taxation		789,875,071	666,704,510
Taxation	34	(254,899,404)	(222,683,104)
Profit after taxation		534,975,667	444,021,406
			Restated
Earnings per share - basic and diluted	35	23.46	19.47

The annexed notes from 1 to 43 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 2016

	Note	2016 Rupees	2015 Rupees
Profit after tax for the year		534,975,667	444,021,406
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss			
in subsequent periods:			
Remeasurement adjustments on defined benefit plan	10.2.1	(14,019,989)	(27,758,209)
Income tax effect		3,891,237	6,818,049
Other comprehensive loss, net of tax		(10,128,752)	(20,940,160)
Total comprehensive income for the year		524,846,915	423,081,246

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 43 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 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		789,875,071	666,704,510
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation	16.1.1	80,654,033	81,305,385
Amortization of intangible assets	17.2	16,692,851	16,674,202
Intangible assets written off		-	9,203,431
Gain on disposal of property, plant and equipment	16.1.4	(7,500,756)	(7,983,144)
Exchange loss		6,766,073	7,489,970
Provision for slow moving and obsolete items	19.1	12,168,711	8,550,977
Provision for defined benefit obligation	10.2.2	42,308,358	40,445,067
Finance cost	33	6,071,247	8,754,468
		157,160,517	164,440,356
Profit before working capital changes		947,035,588	831,144,866
Working capital changes:			
(Increase)/decrease in current assets:			
Stock in trade		(144,482,250)	(234,083,078)
Trade debts		(7,256,554)	7,637,374
Advances		5,268,340	(36,683,189)
Trade deposits and short term prepayments		2,285,180	(3,673,648)
Profit accrued		(649,464)	(226,021)
Other receivables		(792,436)	(1,063,351)
Tax refund due from government		(2,457,653)	4,028,080
Increase/(decrease) in current liabilities:			
Trade and other payables		63,870,802	(9,212,610)
		(84,214,035)	(273,276,443)
Cash generated from operations		862,821,553	557,868,423
Taxes paid		(221,248,182)	(194,199,043)
Gratuity paid		(11,833,293)	(29,699,463)
Finance cost paid		(2,613,489)	(3,563,319)
Long term advances - net		10,443,604	5,359,364
Net cash flow generated from operating activities		637,570,193	335,765,962

Cash Flow Statement

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(48,423,407)	(97,629,969)
Long term Investment		(115,700,000)	(84,300,000)
Long term deposits-net		(1,531,449)	(7,415,400)
Intangible assets acquired		-	(825,356)
Proceeds from disposal of property, plant and equipment	16.1.4	23,380,913	26,260,119
Net cash flow used in investing activities		(142,273,943)	(163,910,606)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities - net		(26,253,972)	(38,502,761)
Dividend paid		(141,148,297)	(116,044,311)
Net cash flow used in financing activities		(167,402,269)	(154,547,072)
Net increase in cash and cash equivalents		327,893,981	17,308,284
Cash and cash equivalents at beginning of the year		352,794,973	335,324,473
Effect of exchange rate changes on cash and cash equivalent		10,906	162,216
Cash and cash equivalents at end of the year	25	680,699,860	352,794,973

The annexed notes from 1 to 43 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 2016

	Share capital	Revenue reserves			Total
		General reserves	Unappropriated profit	Sub total	
-----Rupees-----					
Balance as at 01 January 2015	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 loss	-	-	(20,940,160)	(20,940,160)	(20,940,160)
Total comprehensive income for the year	-	-	423,081,246	423,081,246	423,081,246
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	7,534,043	7,534,043	7,534,043
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)
Balance as at 31 December 2015	203,621,790	114,000,000	907,980,732	1,021,980,732	1,225,602,522
Profit for the year ended 31 December 2016	-	-	534,975,667	534,975,667	534,975,667
Other comprehensive loss	-	-	(10,128,752)	(10,128,752)	(10,128,752)
Total comprehensive income for the year	-	-	524,846,915	524,846,915	524,846,915
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	6,778,964	6,778,964	6,778,964
Issuance of bonus shares @ 12%	24,434,610	-	(24,434,610)	(24,434,610)	-
Final dividend @ Rs. 7.50 per share for the year ended 31 December 2015	-	-	(152,716,342)	(152,716,342)	(152,716,342)
Balance as at 31 December 2016	228,056,400	114,000,000	1,262,455,659	1,376,455,659	1,604,512,059

The annexed notes from 1 to 43 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 2016

1. CORPORATE INFORMATION

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 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. Figures have been rounded off to the nearest rupee, unless otherwise stated.

2.4 Standards, interpretations and amendments to published approved accounting standards effective in 2016

The Company has adopted the following amendments to accounting standards which became effective during the year.

Standard or Interpretation

IFRS10,	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate
IFRS 12 and IAS 28	Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendment)
IAS 16 and IAS 38	Property, Plant and Equipment and intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16 and IAS 41	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Notes to the Financial Statements

For The Year Ended 31 December 2016

Improvements to Accounting Standards Issued by the IASB in September 2014

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

The adoption of the above amendments, interpretations and improvements did not have any material effect on the 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, liabilities, income and expenses. The estimates, 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 of non-financial assets	4.12
- taxation	4.17
- provisions	4.21

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 considers the whole business as one operating segment.

Notes to the Financial Statements

For The Year Ended 31 December 2016

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 2016. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2016	2015
- Discount rate	8% p.a.	9.25% p.a.
- Expected rate of increase in salary	7% p.a.	8.25% p.a.
- Expected average remaining working life time	9 years	9 years
- Mortality rates	SLIC	SLIC
	2001-2005	2001-2005

Remeasurement adjustments are recognized in other comprehensive income when they occur. Amounts recorded in profit and 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% (2015: 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 to carry forward un-availed leaves while labour can carry 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 2016

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.

Depreciation 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.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company as per recognition criteria. All other expenditure in the form of normal repair and maintenance is charged to profit and loss account as and when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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.

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 include Intellectual Property, Rights, Trademarks and Software, which are non-

Notes to the Financial Statements

For The Year Ended 31 December 2016

monetary assets without physical substance. These are recognized at cost, which comprises its purchase price, non-refundable purchase taxes and any directly attributable expenditures.

Changes in the expected useful lives or the expected pattern of consumption of future economic benefits, embodied in the intangible assets, are accounted for by changing the recognized period or amortization method, as appropriate, and treated as a change in accounting estimate. The recognized expense on intangible assets with finite lives is recognized in the profit and loss account in the expense category, consistent with the function of the intangible asset.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written-down to their recoverable amount.

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.

Notes to the Financial Statements

For The Year Ended 31 December 2016

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. The Company revises the carrying amount of stock-in-trade on a regular basis and a provision is made for obsolescence, for items which are slow-moving and/or identified as a surplus to the Company's requirement. A provision is made for the excess of book values over the estimated net realizable value.

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.

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 of non-financial assets

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 are largely 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.

Notes to the Financial Statements

For The Year Ended 31 December 2016

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 cost-plus method 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 employee's car scheme as approved by the Board of Directors.

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 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 Ijarah term.

4.17 Taxation

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

Current

Provision of current tax is based on the taxable income, alternative corporate tax or minimum tax provisions in accordance with Income Tax Ordinance 2001. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. 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 income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, if any, to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantially enacted at the balance sheet date.

Notes to the Financial Statements

For The Year Ended 31 December 2016

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.

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.

4.22 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of the impairment may include indicators that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit and loss account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in profit and loss account.

Notes to the Financial Statements

For The Year Ended 31 December 2016

5. STANDARDS ISSUED BUT 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: (Periods beginning on or after)
IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Deferred indefinitely
IAS 7	Statement of Cashflows - Disclosure about changes in liabilities arising from financing activities (Amendments)	01 January 2017
IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	01 January 2017
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01 January 2018

The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application or later periods.

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

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

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 Deferral Accounts	01 January 2016
IFRS 15	Revenue from Contracts with Customers	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 IFRS 16.

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
6. SHARE CAPITAL			
Issued, subscribed and paid-up			
5,905,000 (2015: 5,905,000) ordinary shares of Rs. 10 each fully paid in cash		59,050,000	59,050,000
95,000 (2015: 95,000) ordinary shares of Rs.10 each issued for consideration other than cash	6.1	950,000	950,000
16,805,640 (2015: 14,362,179) ordinary shares of Rs. 10 each issued as bonus shares		168,056,400	143,621,790
	6.2	228,056,400	203,621,790

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

6.2 Reconciliation of Issued, subscribed and paid-up share capital

	2016 Number	2015 Number	2016 Rupees	2015 Rupees
Issued, subscribed and paid-up of Rs. 10 each as at 01 January	20,362,179	18,180,517	203,621,790	181,805,170
Issuance of bonus shares of Rs. 10 each	2,443,461	2,181,662	24,434,610	21,816,620
Issued, subscribed and paid-up of Rs. 10 each as at 31 December	22,805,640	20,362,179	228,056,400	203,621,790

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
7. SURPLUS ON REVALUATION OF FIXED ASSETS			
Gross Surplus on revaluation of fixed assets as at 01 January		242,613,860	253,029,492
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit:			
Net of deferred tax		(6,778,964)	(7,534,043)
Related deferred tax liability		(2,595,105)	(2,881,589)
		(9,374,069)	(10,415,632)
		233,239,791	242,613,860

Less related deferred tax liability on:

Balance at the beginning of the year		25,934,299	31,869,334
Effect of change in applicable tax rate		-	(2,881,588)
Effect of change in proportion of normal sales		16,861	(171,858)
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		(2,595,105)	(2,881,589)
	10.1	23,356,055	25,934,299
Surplus on revaluation of fixed assets as at 31 December		209,883,736	216,679,561

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	2016 Rupees	2015 Rupees
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		37,471,868	33,349,682
Less: Current portion shown under current liabilities	14	20,628,087	22,187,654
		16,843,781	11,162,028

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Minimum lease payments	Finance cost for future periods	Principal outstanding
	2016		
	-----Rupees-----		
Not later than one year	22,721,704	2,093,617	20,628,087
Later than one year but not later than five years	17,762,470	918,689	16,843,781
	40,484,174	3,012,306	37,471,868
	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

Salient features of the leases are as follows:

	2016	2015
Discounting factor	7.00%-8.50%	7.30%-11.31%
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	2016 Rupees	2015 Rupees
9. LONG TERM ADVANCES			
Balance at 31 December		33,725,719	23,282,115
Less: Current portion	14	6,476,840	3,014,793
		27,248,879	20,267,322

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 2016

	Note	2016 Rupees	2015 Rupees
10. DEFERRED LIABILITIES			
Deferred tax- net	10.1	12,012,332	37,313,726
Gratuity	10.2	300,907,924	256,412,870
		312,920,256	293,726,596
10.1 Deferred tax- net			
Deferred tax liabilities on taxable temporary differences:			
Surplus on revaluation of assets	7	23,356,055	25,934,299
Accelerated tax depreciation		53,905,039	57,613,408
Finance lease		3,856,166	6,196,486
		81,117,260	89,744,193
Deferred tax assets on deductible temporary differences:			
Provision for doubtful debts		(287,885)	(287,698)
Provision for gratuity		(64,475,325)	(52,142,769)
Provision for Stock		(4,341,718)	-
		(69,104,928)	(52,430,467)
Net deferred tax liability		12,012,332	37,313,726
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	293,352,116	256,124,870
Benefits due but not paid		7,555,808	288,000
Net liability as at 31 December		300,907,924	256,412,870

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
10.2.1 The following is movement in the net recognized liability for gratuity:			
Liability as at 01 January		256,124,870	216,774,395
Amount recognized during the year	10.2.2	42,308,358	40,445,067
Remeasurement adjustments recognized during the year		14,019,989	27,758,209
Benefits due but not paid		(7,555,808)	(288,000)
Benefit payments made by the Company		(11,545,293)	(28,564,801)
Liability as at 31 December		293,352,116	256,124,870

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		19,500,233	17,680,918
Interest cost		22,808,125	22,764,149
Amount chargeable to Profit and Loss		42,308,358	40,445,067

	2016	2015	2014	2013	2012

-----Rupees-----

10.2.3 Historical information for gratuity plan					
Present value of defined benefit obligation	293,352,116	256,124,870	216,774,395	191,453,615	183,147,410
Remeasurement adjustment arising on plan liabilities	14,019,989	27,758,209	2,412,983	6,311,278	1,011,543
Remeasurement adjustment as percentage of outstanding liability	4.78%	10.84%	1.11%	3.30%	0.55%

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Rupees
10.2.4 Estimated expense to be charged to Profit and Loss in 2017:	
Current service cost	21,175,211
Interest cost on defined benefit obligation	23,194,524
Amount chargeable to profit and loss	44,369,735

10.2.5 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	2016 Rupees	2015 Rupees
Discount rate + 100 bps		269,145,587	234,700,459
Discount rate - 100 bps		321,390,964	280,971,055
Salary increase + 100 bps		321,666,014	281,226,580
Salary increase - 100 bps		268,479,000	234,104,638

11. TRADE AND OTHER PAYABLES

Trade creditors		123,303,355	162,004,819
Bills payable		70,903,861	26,281,521
Accrued expenses		219,787,157	171,506,185
Advances from customers	11.1	26,393,992	16,189,389
Payable to Provident Fund Trust		4,130,226	3,638,987
Unclaimed dividends		28,767,015	17,198,970
Workers' Profit Participation Fund	11.2	2,706,681	89,752
Payable to Central Research Fund		7,902,484	6,764,249
Taxes deducted at source		7,555,562	5,580,962
Payable to Employees Welfare Trust		361,509	341,182
		491,811,842	409,596,016

11.1 This includes a balance amounting to Rs. 2,083,998 (2015: Rs. 941,229) due to Route 2 Health (Private) Limited, a related party.

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
11.2 Workers' Profit Participation Fund			
Balance at the beginning of the year		89,752	800,353
Add: Provision for the year	31	41,441,924	35,089,751
		41,531,676	35,890,104
Add: Interest on funds utilized by the Company	33	8,010	164,291
		41,539,686	36,054,395
Less: Paid during the year to the fund		38,833,005	35,964,643
		2,706,681	89,752

Mark-up @ 56.26% (2015: 33.75%) 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.

	2016 Rupees	2015 Rupees
13. SHORT TERM BORROWINGS		
Short term borrowings	-	-

13.1 Short term running finances are availed from various commercial banks against aggregate sanctioned limit of Rs. 605 million (2015: Rs. 660 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 100 to 150 basis points (2015: 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. 782 million (2015: Rs. 782 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 657 million (2015: Rs. 693 million) on stocks including but not limited to raw materials, goods in process and finished goods of the Company. Lease finance facility is also availed amounting to Rs 50 million.

13.2 Out of total borrowing facility, an amount of Rs. 50,000,000 (2015: Rs. 50,000,000) represents Export Refinance Facility obtained from a commercial bank under SBP regulations at a subsidized mark up rate of 5.75% (2015: 7%) per annum.

13.3 The Company also has aggregate sanctioned import credit facilities negotiated with various commercial banks amounting to Rs. 900 million (2015: Rs. 950 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2015: 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 2016

	Note	2016 Rupees	2015 Rupees
14. CURRENT PORTION OF LONG TERM LIABILITIES			
Liabilities against assets subject to finance lease	8	20,628,087	22,187,654
Long term advances	9	6,476,840	3,014,793
		27,104,927	25,202,447

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- While amending 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. 11,476,962. The Company had filed an appeal before Commission Inland Revenue (Appeals) who had upheld the additions made by assessing officer. Being aggrieved, 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 judgment of ITAT. The case is pending adjudication before Honorable 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. 3.37million (2015: Rs 4.620 million).
- Facilities of letters of guarantee amounting to Rs. 10 million (2015: Rs. 10 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.

	2016 Rupees	2015 Rupees
15.2 Commitments		
Commitments against irrevocable letters of credit include:		
Raw materials	137,935,968	108,340,480
Packing materials	14,018,692	47,416,348
Finished Goods	13,075,056	-
Plant and machinery	902,781	-
	165,932,497	155,756,828
Rentals under ijarah agreements:		
Not later than one year	30,755,447	22,999,174
Later than one year but not later than five years	22,086,957	33,890,465
	52,842,404	56,889,639

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
16. PROPERTY, PLANT AND EQUIPMENT			
Operating assets (owned)	16.1	677,233,432	708,136,848
Operating assets (leased)	16.1	51,401,091	55,747,159
Capital work-in-progress	16.2	15,529,356	1,506,155
		744,163,879	765,390,162

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 2016												Assets subject to finance lease	Total operating fixed assets
	Operating fixed assets - Owned											Total 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			
At 01 January 2016	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
Cost/revalued amount	-	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
Accumulated depreciation	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 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement during the year	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
Opening net book value	-	-	5,318,083	7,706,781	361,881	2,288,999	2,000,973	16,723,489	-	-	-	34,400,206	26,884,500	61,284,706
Additions - cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from leasehold assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	37,110,000	-	-	-	37,110,000	(37,110,000)	-
Accumulated Depreciation	-	-	-	-	-	-	-	17,024,422	-	-	-	17,024,422	(17,024,422)	-
Disposals	-	-	-	-	-	-	-	20,085,578	-	-	-	20,085,578	(20,085,578)	-
Cost	-	-	478,819	-	-	-	2,921,406	31,306,168	-	-	-	34,706,393	-	34,706,393
Accumulated Depreciation	-	-	299,607	-	-	-	2,309,694	16,216,935	-	-	-	18,826,236	-	18,826,236
Adjustment	-	-	179,212	-	-	-	611,712	15,089,233	-	-	-	15,880,157	-	15,880,157
Cost	-	-	-	-	-	-	-	(1,256,506)	-	-	-	(1,256,506)	1,656,014	399,508
Accumulated Depreciation	-	-	-	-	-	-	-	220,210	-	-	-	220,210	179,298	399,508
Depreciation charge for the year	-	12,797,682	27,305,612	2,793,765	1,418,381	1,227,685	3,912,173	18,564,184	251	7,806	4,788	68,032,327	12,621,706	80,654,033
Closing net book value	163,440,000	115,179,135	255,084,599	23,788,552	12,827,092	11,797,539	12,481,699	82,519,219	2,261	70,249	43,087	677,233,432	51,401,091	728,634,523
At 31 December 2016	163,440,000	324,430,962	724,835,775	39,231,307	26,218,917	31,330,368	53,380,717	158,276,017	52,806	204,990	166,100	1,521,567,959	73,182,000	1,594,749,959
Cost/revalued amount	-	209,251,827	469,751,176	15,442,755	13,391,825	19,532,829	40,899,018	75,756,798	50,545	134,741	123,013	844,334,527	21,780,909	866,115,436
Accumulated depreciation	163,440,000	115,179,135	255,084,599	23,788,552	12,827,092	11,797,539	12,481,699	82,519,219	2,261	70,249	43,087	677,233,432	51,401,091	728,634,523
Net book value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation rates (%)	-	10%	10%	10%	10%	10%	25%	20%	10%	10%	10%	10%	20%	20%

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

	Year ended 31 December 2015											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		

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)	-

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

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
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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
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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%	10%	25%	20%	10%	10%	10%	10%	20%	20%
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Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
16.1.1 Depreciation charge has been allocated as under:			
Cost of sales	27	46,931,474	47,000,608
Distribution, selling and promotional expenses	28	16,216,663	16,263,004
Administrative and general expenses	29	17,505,896	18,041,773
		80,654,033	81,305,385
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.			
		2016 Rupees	2015 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		92,115,906	102,351,007
Plant and machinery (Owned)		193,781,209	209,136,462
		300,463,943	326,054,297

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
16.2 Capital work-in-progress (CWIP)			
Plant and machinery - owned		144,357	1,506,155
Advances to suppliers-Vehicles		15,384,999	-
	16.2.1	15,529,356	1,506,155
16.2.1 Movement of CWIP is as follows:			
Opening balance as at 01 January		1,506,155	8,301,529
Addition made during the year:			
Plant and machinery - owned		2,081,375	11,050,789
Laboratory Equipment		7,074,761	-
Advance for purchase of vehicles		15,384,999	-
		24,541,135	11,050,789
Capitalized during the year:			
Civil works		-	(1,409,598)
Plant and machinery - owned		(3,443,173)	(12,865,565)
Laboratory Equipment		(7,074,761)	-
Vehicles-Leased		-	(3,571,000)
		(10,517,934)	(17,846,163)
Closing balance as at 31 December		15,529,356	1,506,155

Notes to the Financial Statements

For The Year Ended 31 December 2016

17. INTANGIBLE ASSETS

PARTICULARS	2016									
	COST				AMORTIZATION				Book value as at 31 December 2016	Rate %
	As at 01 January 2016	Additions	Write off	As at 31 December 2016	As at 01 January 2016	For the year	Write off	As at 31 December 2016		
----- Rupees -----										
Registration and trademark	154,434,175	-	-	154,434,175	118,474,322	15,443,418	-	133,917,740	20,516,435	10
(Note 17.1)										
Computer software	11,305,681	-	-	11,305,681	8,806,815	1,249,433	-	10,056,248	1,249,433	10-33
	165,739,856	-	-	165,739,856	127,281,137	16,692,851	-	143,973,988	21,765,868	

PARTICULARS	2015									
	COST				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	154,434,175	-	-	154,434,175	103,030,904	15,443,418	-	118,474,322	35,959,853	10
(Note 17.1)										
Computer software	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	

17.1 This represents registration and trademarks of brands named as "Tres Orix Forte", "Skilax Drops" and "Blokium".

	Note	2016 Rupees	2015 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	1,249,433	1,230,784
		16,692,851	16,674,202

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
18. LONG TERM INVESTMENT			
Subsidiary Company - Unlisted			
Procef Laboratories (Pvt) Ltd. (formerly Biocef (Pvt) Ltd.)			
20,000,000 (2015: 8,430,000) ordinary shares of Rs.10			
Equity held: 100% (2015: 88.39%)	18.1	200,000,000	84,300,000

18.1 In May 2016, the Company further acquired 1,107,700 shares of Procef Laboratories (Pvt) Ltd. (formerly Biocef (Pvt) Ltd.) at par value of Rs. 10 per share, as a result it became wholly owned subsidiary of the Company. Further, during the period the Company has also acquired 10,462,300 right shares of Subsidiary Company at par value of Rs.10 per share.

Procef Laboratories (Pvt) Ltd. (formerly Biocef (Pvt) Ltd.) 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 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	2016 Rupees	2015 Rupees
19. STOCK IN TRADE			
Raw materials			
In hand		445,923,691	373,148,639
In transit		66,638,762	39,905,691
With third party		9,631,538	24,347,160
		522,193,991	437,401,490
Packing material			
In hand		150,436,820	133,675,879
In transit		18,285,690	17,400,007
With third party		3,774,757	5,863,887
		172,497,267	156,939,773
Work in process		51,610,441	54,006,164
Finished goods			
In hand		247,732,321	210,447,080
In transit		14,286,853	12,613,672
		262,019,174	223,060,752
Less: Provision for slow moving and obsolete items	19.1	(15,683,130)	(11,083,975)
		992,637,743	860,324,204

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
19.1 Provision for slow moving and obsolete items:			
Opening provision		11,083,975	20,262,765
Charge for the year		12,168,711	8,550,977
Written off during the year		(7,569,556)	(17,729,767)
Closing provision		15,683,130	11,083,975

20. TRADE DEBTS

Secured - considered good		9,696,988	10,086,186
Unsecured:			
Considered good	20.1	65,457,465	57,811,713
Considered doubtful		1,039,897	1,039,897
Less: Provision against doubtful debts		1,039,897	1,039,897
		-	-
		75,154,453	67,897,899

20.1 These customers have no history of default. For age analysis of these trade debts, refer to Note 37.

20.2 The carrying amount of these trade debts approximate their fair values.

21. ADVANCES

Advances - considered good			
Staff against:			
Expenses		15,994,237	15,275,335
Salary		8,489,793	7,307,723
Suppliers		50,188,969	57,358,281
		74,672,999	79,941,339

22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits		11,580,227	14,366,755
Short term prepayments		5,843,230	5,341,882
		17,423,457	19,708,637

Notes to the Financial Statements

For The Year Ended 31 December 2016

23. These represent claim receivables from various insurance companies against vehicles and equipments.

24. These represent sales tax and excise duty recoverable.

	Note	2016 Rupees	2015 Rupees
25. CASH AND BANK BALANCES			
Cash and imprest		2,029,608	2,020,422
Balance with banks			
Current accounts			
-Local Currency		271,182,345	191,755,929
-Foreign Currency		7,487,907	9,018,622
Deposit accounts	25.1	400,000,000	150,000,000
		678,670,252	350,774,551
		680,699,860	352,794,973

25.1 These carry profit at the rate of 3.75%-6.5% (2015: 7.00%).

26. SALES - Net

Manufactured products:			
Local		4,810,258,592	3,962,317,029
Export		308,373,596	280,123,121
		5,118,632,188	4,242,440,150
Purchased products - local			
Third party		99,888,013	84,688,694
		358,709,604	405,519,286
		5,577,229,805	4,732,648,130
Less: Discount			
Sales tax		491,581,564	315,785,622
		14,892,847	12,867,190
		506,474,411	328,652,812
		5,070,755,394	4,403,995,318

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
27. COST OF SALES			
Raw and packing material consumed		2,096,247,729	1,739,018,266
Salaries, wages and benefits	27.1	297,902,233	292,601,550
Vehicle running and maintenance		20,323,723	21,588,374
Fuel and power		66,476,650	71,741,353
Stores consumed		20,934,432	19,889,551
Repair and maintenance		38,000,943	43,818,229
Insurance		5,761,382	5,135,028
Rent, rates and taxes		4,696,877	4,232,696
Fee and subscription		3,534,266	5,657,346
Printing and stationery		3,790,751	5,244,034
Telephone, postage and communication		1,019,412	2,407,458
Traveling and conveyance		3,214,024	4,195,504
Trainings, seminars and symposia		903,924	237,800
Consultancy and professional charges		287,000	1,821,956
Office supplies		25,003,025	20,891,479
Ijarah rentals		7,487,731	4,187,079
Depreciation	16.1.1	46,931,474	47,000,608
Amortization of intangible assets	17.2	15,443,418	15,443,418
Other direct cost		1,562,410	1,554,541
		2,659,521,404	2,306,666,270
Inventory effect of work in process			
Opening		54,006,164	55,356,113
Closing		(51,610,441)	(54,006,164)
		2,395,723	1,349,949
Cost of goods manufactured			
Inventory effect of finished goods (excluding purchased products)			
Opening		190,760,824	140,089,826
Closing		(225,020,552)	(190,760,824)
		(34,259,728)	(50,670,998)
Cost of goods sold - manufactured products		2,627,657,399	2,257,345,221
Cost of goods sold - purchased products		65,077,963	54,334,099
		2,692,735,362	2,311,679,320

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
27.1 This includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		23,191,991	21,861,016
Defined contribution plan - Provident Fund		7,219,527	6,512,745
Provision for compensated leave absences		4,632,100	3,243,960
		35,043,618	31,617,721
28. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES			
Salaries and benefits	28.1	479,003,485	397,265,135
Literature, promotion and advertisement material		175,945,949	187,888,612
Sample goods		43,005,177	60,026,358
Printing and stationery		3,063,167	2,962,780
Traveling and conveyance		236,548,457	184,605,738
Telephone, postage and communication		6,081,260	6,754,886
Insurance		11,696,990	9,033,836
Vehicle running and maintenance		39,129,544	42,124,673
Donation	28.2	555,619	7,520,878
Freight		44,739,783	42,361,772
Legal and professional charges		305,978	1,795,115
Training, seminars and symposia		152,337,413	104,836,586
Newspapers and subscriptions		13,884,462	11,611,053
Ijarah rentals		17,140,675	6,394,304
Depreciation	16.1.1	16,216,663	16,263,004
Amortization of intangible assets	17.2	1,249,433	1,230,784
Commission on sales		36,006,327	39,141,472
Office supplies		1,833,348	1,421,114
Others		261,005	2,723,064
		1,279,004,735	1,125,961,164

28.1 This includes following staff retirement benefits:

Defined benefit plan - Gratuity		7,385,072	8,036,914
Defined contribution plan - Provident Fund		8,858,155	7,546,920
Provision for compensated leave absences		7,516,073	5,139,216
		23,759,300	20,723,050

28.2 None of the directors or their spouses have any interest in the donees.

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
29. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	29.1	154,684,713	152,533,055
Telephone, postage and communication		3,660,332	4,519,444
Rent, rates and taxes		6,588,429	5,588,697
Electricity, gas and water		800,362	703,214
Printing and stationery		5,607,142	5,103,778
Repairs and maintenance		3,149,881	5,287,724
Vehicle running and maintenance		20,663,744	22,954,387
Traveling and conveyance		9,872,119	10,484,683
Newspapers and subscriptions		1,804,835	2,597,176
Insurance		3,863,195	4,131,874
Auditors' remuneration	29.2	1,405,000	1,275,000
Legal and professional		1,769,473	2,416,939
Advertisement, seminars and symposia		1,277,505	274,250
Donation	29.3	4,034,940	1,709,951
Ijarah rentals		5,618,077	1,540,543
Depreciation	16.1.1	17,505,896	18,041,773
Office supplies		2,811,045	5,150,432
Others		163,689	356,410
		245,280,377	244,669,330

29.1 It includes the following staff retirement benefits:

Defined benefit plan - Gratuity		11,731,295	10,547,137
Defined contribution plan - Provident Fund		4,879,645	4,150,185
Provision for compensated leave absences		2,480,138	2,097,324
		19,091,078	16,794,646

29.2 Auditors' remuneration

Statutory audit		950,000	875,000
Fee for review of half yearly financial information		290,000	265,000
Other certifications		90,000	60,000
Out of pocket		75,000	75,000
		1,405,000	1,275,000

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

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
30. RESEARCH AND DEVELOPMENT EXPENSES			
Salaries and benefits	30.1	2,691,038	2,539,214
Traveling		265,530	45,024
Insurance		53,816	111,030
Vehicle repair and maintenance		251,128	194,461
Printing and stationery		57,826	57,271
Office supplies		24,670	8,708
Training, seminars and symposia		247,402	-
Others		61,147	85,110
		3,652,557	3,040,818
30.1 It includes the following staff retirement benefits:			
Defined contribution plan - Provident Fund		112,605	102,346
Provision for compensated leave absences		-	36,000
		112,605	138,346
31. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	11.2	41,441,924	35,089,751
Exchange loss- net		6,776,979	7,652,186
Workers' Welfare Fund		17,458,386	14,342,582
Central Research Fund		7,872,713	6,734,479
Intangible assets written off		-	9,203,431
		73,550,002	73,022,429
32. OTHER INCOME			
Income from financial assets			
Return on deposit		6,775,778	7,108,988
Income from non-financial assets			
Gain on disposal of property, plant and equipment	16.1.4	7,500,756	7,983,144
Scrap sales		4,074,115	4,791,944
Others		1,063,308	9,952,645
		19,413,957	29,836,721

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
33. FINANCE COSTS			
Mark-up on short term borrowings		143,416	428,345
Finance cost on liability against assets subject to finance lease		3,491,658	5,363,314
Interest on Workers' Profit Participation Fund	11.2	8,010	164,291
Bank charges		2,428,163	2,798,518
		6,071,247	8,754,468
34. TAXATION			
Current:			
For the year		253,710,317	226,758,535
Prior year		22,616,105	-
		276,326,422	226,758,535
Deferred:			
Relating to origination and reversal of temporary differences		(21,427,018)	(1,495,129)
Relating to changes in tax rate		-	(2,580,302)
		(21,427,018)	(4,075,431)
		254,899,404	222,683,104
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:			
		2016	2015
Applicable tax rate		31.00%	32.00%
Tax effect of amounts that are not deductible for tax purposes		0.18%	0.50%
Tax effect of prior year		2.86%	-
Tax effect of tax credit and tax rebate		-0.49%	-0.89%
Tax effect of applicability of lower rate on temporary differences		0.00%	-0.38%
Tax effect under presumptive tax regime and others		-1.28%	2.17%
		1.27%	1.40%
Average effective tax rate charged on income		32.27%	33.40%

Notes to the Financial Statements

For The Year Ended 31 December 2016

		2016	2015
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:			
Profit after taxation	Rupees	534,975,667	444,021,406
			Restated
Weighted average number of ordinary shares	Number of shares	22,805,640	22,805,640
			Restated
Earnings per share	Rupees	23.46	19.47

35.1 The weighted average number of ordinary shares of 2015 have been restated due to issuance of 2,443,461 bonus shares in 2016 in accordance with the requirement of IAS 33.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2016			31 December 2015		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	-----Rupees-----					
Managerial remuneration	6,418,800	18,344,400	147,300,463	5,594,800	17,384,352	123,204,895
House allowance	2,567,520	792,303	53,643,305	2,237,920	1,200,000	44,485,078
Provident fund	534,836	879,148	9,947,777	466,197	799,176	8,593,765
Gratuity	565,784	5,619,453	21,876,397	539,636	5,371,224	17,946,068
Bonus	1,496,000	1,407,997	18,022,286	700,000	799,996	16,666,113
Utilities	641,880	1,593,731	13,410,826	559,480	2,034,045	11,121,270
Medical	-	1,128,002	3,435,246	86,584	2,574,387	2,564,232
	12,224,820	29,765,034	267,636,300	10,184,617	30,163,180	224,581,421
Number of persons	1	2	105	1	2	90

36.1 The Chief Executive, Executive Directors and 42 executives (2015: 40) have been provided with Company maintained cars while 61 executives (2015: 42) have been provided with cars under self-finance scheme with limited fuel and maintenance facility.

36.2 No meeting fees have been paid during the year to an independent, non-executive director for attending Board meetings.

Notes to the Financial Statements

For The Year Ended 31 December 2016

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.

(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.

	2016	2015
Rupees per US Dollar Reporting date rate	104.40	104.70
	Changes in US \$ Rate	Effects on Profit Before Tax
		Rupees
2016	+10%	(2,423,573)
	-10%	2,423,573
2015	+10%	1,163,416
	-10%	(1,163,416)

Notes to the Financial Statements

For The Year Ended 31 December 2016

	2016	2015
Rupees per Euro		
Reporting date rate	109.46	121.74
	Changes in EUR € Rate	Effects on Profit Before Tax
		Rupees
2016	+10%	(2,316,174)
	-10%	2,316,174
2015	+10%	371,660
	-10%	(371,660)

(ii) Interest rate risk

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

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

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

	2016 Rupees	2015 Rupees
Floating rate instruments		
Financial liabilities		
Liabilities against assets subject to finance lease	37,471,868	33,349,682
Short term borrowings	-	-

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.

Notes to the Financial Statements

For The Year Ended 31 December 2016

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		
2016	+1.50	(562,078)
	-1.50	562,078
2015	+1.50	(500,245)
	-1.50	500,245

(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:

	2016 Rupees	2015 Rupees
Trade debts	75,154,453	67,897,899
Advances-Salaries	8,489,793	7,307,723
Trade deposits	23,691,840	24,946,919
Profit accrued	1,235,074	585,610
Other receivables	3,341,447	2,549,011
Bank balances	678,670,252	350,774,551
	790,582,859	454,061,713

Notes to the Financial Statements

For The Year Ended 31 December 2016

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 2016, the Company has 15 (2015:13) customers who owed the Company more than Rupees 1.00 million each and accounted for approximately 78% (2015:59%) of all receivables owing.

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

	2016 Rupees	2015 Rupees
Neither past due nor impaired	3,452,393	3,119,046
Past due but not impaired		
Past due 1-30 days	38,830,584	35,081,288
Past due 31-60 days	5,014,587	4,530,402
Past due 61-90 days	10,771,321	9,731,294
Over 90 days	17,085,568	15,435,867
	71,702,060	64,778,851
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:

Notes to the Financial Statements

For The Year Ended 31 December 2016

Banks

	Rating			2016 Rupees	2015 Rupees
	Short term	Long term	Agency		
National Bank of Pakistan	A-1+	AAA	JCR - VIS	3,714,818	182,707
United Bank Limited	A-1+	AA+	JCR - VIS	16,896,534	15,119,764
Faysal Bank Limited	A1+	AA	JCR - VIS	14,092	14,092
Habib Bank Limited	A1+	AA+	JCR - VIS	576,049,721	331,034,765
Allied Bank Limited	A1+	AA	PACRA	670,293	718,460
JS Bank Limited	A1	A+	PACRA	3,229,790	1,400,844
Bank Al Habib Limited	A1+	AA+	PACRA	1,236,184	508,243
Meezan Bank Limited	A-1+	AA	JCR - VIS	1,505,313	469,957
Askari Bank Ltd	A-1+	AA	JCR - VIS	2,266,014	-
Mobilink MicroFinance Bank Ltd	A-1+	AA	JCR - VIS	927,522	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	72,159,971	1,325,719
				678,670,252	350,774,551

(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.

Notes to the Financial Statements

For The Year Ended 31 December 2016

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
-----Rupees-----						
31 December 2016						
Liabilities against assets subject to finance lease	3,37,471,868	40,484,174	9,519,737	13,201,967	10,069,627	7,692,843
Trade and other payables	447,253,123	447,253,123	447,253,123	-	-	-
Mark up payable	18,622	18,622	18,622	-	-	-
	484,743,613	487,755,919	456,791,482	13,201,967	10,069,627	7,692,843

	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	380,971,664	380,971,664	380,971,664	-	-	-
Mark up payable	52,522	52,522	52,522	-	-	-
	414,373,868	417,031,756	390,543,923	14,803,063	10,069,627	1,615,143

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2016 and 2015 respectively. The rates of mark up have been disclosed in respective notes to the financial statements.

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.

Notes to the Financial Statements

For The Year Ended 31 December 2016

37.3 Financial instruments by categories

	2016		
	Cash and cash equivalents	Loans and advances	Total
-----Rupees-----			
Assets as per balance sheet			
Long term Investment	-	200,000,000	200,000,000
Long term deposits	-	12,111,613	12,111,613
Advances-Employees	-	8,489,793	8,489,793
Trade debts	-	75,154,453	75,154,453
Trade deposits	-	11,580,227	11,580,227
Profit accrued	-	1,235,074	1,235,074
Other receivables	-	3,341,447	3,341,447
Cash and bank balances	680,699,860	-	680,699,860
	680,699,860	311,912,607	992,612,467

	2016
Financial Liabilities at amortized cost	
Rupees	
Liabilities as per balance sheet	
Liabilities against assets subject to finance lease	37,471,868
Markup accrued on secured loans	18,622
Trade and other payables	447,253,123
	484,743,613

Notes to the Financial Statements

For The Year Ended 31 December 2016

37.3 Financial instruments by categories

	2015		
	Cash and cash equivalents	Loans and advances	Total
	-----Rupees-----		
Assets as per balance sheet			
Long term Investment	-	84,300,000	84,300,000
Long term deposits	-	10,580,164	10,580,164
Advances-Employees	-	7,307,723	7,307,723
Trade debts	-	67,897,899	67,897,899
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	187,587,162	540,382,135

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

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.

Notes to the Financial Statements

For The Year Ended 31 December 2016

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.

	2016 Rupees	2015 Rupees
Debt (See note 8, 12 and 13)	37,490,490	33,402,204
Equity	1,604,512,059	1,225,602,522
Total equity and debt	1,642,002,549	1,259,004,726
Gearing ratio	2:98	2:97

38. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprises subsidiary company, 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 not disclosed elsewhere are as follows:

	2016 Rupees	2015 Rupees
38.1 Sales of goods-net		
Associated undertaking	300,016,829	23,940,183
38.2 Purchases-net		
Associated undertaking	156,731,096	84,979,723
38.3 Contribution to employees' benefits fund:		
Contribution to Staff Provident Fund	21,069,932	18,312,196
Contribution to Employees' Welfare Trust	2,096,869	2,126,207

Notes to the Financial Statements

For The Year Ended 31 December 2016

39. PROVIDENT FUND TRUST

The Company has maintained an employee provident fund trust and investments out of provident fund are in the process of regularization 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	2016 Rupees	%	2015 Rupees	%
Size of the fund		236,931,084		211,413,462	
Cost of investments made		119,951,373		99,951,373	
Percentage of investments made			95%		99%
Fair value of investment	39.1	223,912,450		208,612,141	
39.1 Breakup of investments					
Investment in shares (Listed Securities)		60,134,144	27%	48,441,355	23%
Term Deposits		-	-	21,766,791	10%
Term Finance Certificates		-	-	5,000,000	2%
Special Saving Certificates		49,098,096	22%	84,987,128	42%
Mutual Funds		114,680,210	51%	48,416,867	23%
		223,912,450	100%	208,612,141	100%

39.2 The figures of 2016 are based on un-audited financial statements.

	2016	2015
40. NUMBER OF EMPLOYEES		
Number of employees at the end of the year	1,413	1,148
Average number of employees during the year	1,281	1,077

41. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 16th March 2017 has proposed cash dividend at the rate of Rs. 8.50 (2015: Rs. 7.50) per share and 12% bonus shares for the year ended 31 December 2016, (2015: 12%) subject to the approval of shareholders in the Annual General Meeting to be held on 27th April 2017. These financial statements do not reflect these appropriations.

Notes to the Financial Statements

For The Year Ended 31 December 2016

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 85% dividend for the year ended 31 December 2016, 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 2016.

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 16th March 2017.

Dr. Adeel Abbas
Chief Executive Officer

Anees Ahmad Khan
Director

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CONSOLIDATED FINANCIAL STATEMENTS

Highnoon Laboratories Limited

and its subsidiary

for the year ended 31 December 2016

Directors' Report

I am pleased to present the Consolidated Audited Financial Statements of Highnoon Laboratories (the "Holding Company") and its wholly owned Subsidiary Company ("the Group") for the year ended December 31, 2016.

The Subsidiary Company was incorporated in Pakistan on June 10, 2015 as a Private Limited Company under the Companies Ordinance 1984. The Principal activity of Subsidiary Company is to carry on the business as manufacturers, importers, exporters and dealers of all kind of pharmaceuticals products. The Subsidiary Company took over the entire business, assets and liabilities of the Biocef, a registered firm on June 15, 2015. The Holding Company acquired majority shares and control of the company after the approval by the shareholders and further increased its shareholding thereby making the company a wholly owned subsidiary company. The aggregate investment in the Subsidiary Company by the Holding Company is Rs. 200 million. Subsequent to the balance sheet date the name of the Subsidiary Company was changed to Procef Laboratories (Private) Limited.

The civil work of the entire area is now complete, in addition to the production area, a separate utility block consisting a water purification and storage facility, steam boiler and other ancillaries have been constructed on the standards set forth under cGMP guidelines. The manufacturing facilities include Encapsulation, Blistering, powder filling and labeling as well as vial washing, filling, sealing and a sterilization tunnel. The machines are highly versatile and capable of producing and packaging oral solids, oral / sterile powders. In Quality control department, we have HPLC, TOC analyzer, UV spectrophotometer, IR spectrophotometer, Particle counter. The entire infrastructure of the facility is now complete and the company has requested the regulator to inspect the facility. We do not foresee any major delays and are hopeful to commence production as soon as Drug Manufacturing License is granted and the products are registered by the regulator.

The consolidated financial highlights are summarized below:

	2016 (000)
Financial Highlights of the group	
Profit before tax	780,155
Taxation	(254,899)
Profit after tax	525,256
Loss after tax attributable to Non-Controlling Interest	403
Profit after tax attributable to shareholders of the Holding Company	525,659
Un-appropriated profit brought forward	905,312
Incremental depreciation relating to surplus on revaluation of fixed assets-net of tax	6,779
Acquisition of Non-Controlling Interest	(1,040)
Other Comprehensive loss-net of tax	(10,129)
Profit available for appropriation	1,426,581
Appropriations:	
Cash Dividend for the FY 2015 @ Rs.7.50 per share.	(152,716)
Bonus shares @12% FY 2015	(24,435)
	1,249,430

Based on the consolidated financial statements for the year ended December 31, 2016, the earnings per share (EPS) of the Group worked to Rs.23.03 (2015: Rs.19.33 Restated).

The contents of the Directors' report and Chairman's review on the performance and financial position of the Holding Company, in so far as applicable, form part of this report

Lahore: March 16, 2017

For and on behalf of the Board

Dr. Adeel Abbas Haideri
Chief Executive Officer

بورڈ آف ڈائریکٹرز کی جانب سے

ڈاکٹر عدیل عباس حیدری
چیف ایگزیکٹو آفیسر

ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے ہائی نون لیبارٹریز لمیٹڈ اور اس کی 100 فیصد ملکیتی کمپنی کے ایشمال شدہ حسابات برائے سال ختمہ 31 دسمبر 2016 پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

ذیلی کمپنی بائیوسیف پرائیویٹ لمیٹڈ جون 2015ء میں بطور پرائیویٹ لمیٹڈ کمپنی کمپینیز آرڈیننس 1984ء کے تحت رجسٹر ہوئی۔ دواؤں کی تیاری اور ان کی درآمد اور برآمد کمپنی کے نمایاں مقاصد میں شامل ہیں۔ ہائی نون لیبارٹریز لمیٹڈ نے اپنے حصص داران کی منظور شدہ قرارداد کے تحت پہلے کمپنی کے اکثریتی حصص خریدنے جنہیں بعد میں 100 فیصد تک بڑھا کر بائیوسیف پرائیویٹ لمیٹڈ کو ہائی نون لیبارٹریز لمیٹڈ کی ملکی طور پر ملکیتی کمپنی میں تبدیل کر دیا گیا۔

31 دسمبر 2016 تک ہائی نون لیبارٹریز لمیٹڈ نے بائیوسیف پرائیویٹ لمیٹڈ کے حصص میں کل دو سو ملین روپے کی سرمایہ کاری کی۔ جنوری 2017ء سے بائیوسیف پرائیویٹ لمیٹڈ کا نام تبدیل ہو کر پروسیف لیبارٹریز پرائیویٹ لمیٹڈ ہو چکا ہے۔

ذیلی کمپنی کی فیکٹری کی عمارت، پروڈکشن ایریا، پولیٹھ بلاک، صاف پانی کی فراہمی کے لئے پلانٹ، سٹیم بوائلر اور دیگر تعمیراتی کام cGMP کے رہنما اصولوں کی روشنی میں مکمل ہو چکے ہیں۔

یہ فیکٹری دواؤں کی تیاری پاؤ ڈرفلنگ، لمبلنگ اور وائٹل کی صفائی اور پیکیجنگ کی استعداد رکھتی ہے۔

فیکٹری میں نصب مشینیں اعلیٰ معیار کی حامل ہیں جو کہ پیکیجنگ اور سولڈ اسٹیئرٹل اور پاؤ ڈرکی پیداواری صلاحیت رکھتی ہیں۔

فیکٹری مکمل ہو چکی ہے اور کمپنی نے ریگولیشنز کو فیکٹری کے معائنہ کی درخواست دے دی ہے۔ ہمارے خیال میں فیکٹری کو پیداوار شروع کرنے میں کوئی تاخیر نہیں ہے کمپنی کو ریگولیشنز کی جانب سے دواؤں کی تیاری کا لائسنس اور اس کی مصنوعات کی رجسٹریشن کا اجراء ہوتے ہی کمپنی پیداوار شروع کر دے گی۔

گروپ کے ایشمال شدہ مالیاتی حسابات کے اہم نکات حسب ذیل ہیں۔

	2016 روپے '000
ٹیکس سے پہلے کا منافع	780,155
ٹیکس	(254,899)
ٹیکس کے بعد منافع	525,256
نان کنٹرولنگ انٹرسٹ سے منسوب ٹیکس کے بعد خسارہ	403
ہولڈنگ کمپنی کے حصص داران سے منسوب ٹیکس کے بعد منافع	525,659
افتتاحی غیر منقسم منافع	905,312
مستقل اثاثوں کی دوبارہ طے شدہ مالیت سے متعلق اضافی فرسودگی کی منتقلی۔ ٹیکس کے بعد خالص	6,779
نان کنٹرولنگ انٹرسٹ کے حصص کی خریداری	(1,040)
متفرق خسارہ۔ ٹیکس کے بعد خالص	(10,129)
تقسیم کے لیے دستیاب منافع	1,426,581
منافع کی تقسیم	
نقد منافع کی تقسیم بحساب 7.50 روپے فی حصص برائے سال 2015ء	(152,716)
بونس حصص بحساب 12 فیصد برائے سال 2015ء	(24,435)
	1,249,430

گروپ کے مالیاتی حسابات برائے سال 2016 کی بنیاد پر گروپ کی فی حصص آمدن 23.03 روپے (2015 : 19.33 روپے) رہی۔ ہولڈنگ کمپنی کی ڈائریکٹرز رپورٹ اور جائزہ از چیئرمین کے متعلقہ حصص اس رپورٹ کا اہم حصہ ہیں۔

لاہور

16 مارچ 2017ء

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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 Holding Company) and its subsidiary company as at 31 December 2016 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 opinions on the financial statements of Highnoon Laboratories Limited for the year ended 31 December 2016 and financial statements of its subsidiary company for six month period ended 31 December 2016. However, the financial statements of subsidiary company for the year ended 30 June 2016 were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts for the period ended 30 June 2016 included for such company, is based solely on the report of such other auditor.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated 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 2016 and the results of its operations for the year then ended.

EY Fort Rhodes
Chartered Accountants
Engagement Partner: Farooq Hameed
Lahore: 16th March 2017

Consolidated Balance Sheet

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 25,000,000 (2015: 25,000,000) Ordinary shares of Rs. 10 each		250,000,000	250,000,000
Share Capital	6	228,056,400	203,621,790
Revenue reserves		1,363,429,484	1,019,311,581
Equity attributable to equity holders of the parent		1,591,485,884	1,222,933,371
Non-Controlling Interest		-	10,439,622
Total Equity		1,591,485,884	1,233,372,993
Surplus on revaluation of fixed assets	7	209,883,736	216,679,561
Non-current liabilities			
Long term loan	8	95,000,000	-
Liabilities against assets subject to finance lease	9	16,843,781	11,162,028
Long term advances	10	27,248,879	20,267,322
Deferred liabilities	11	312,920,256	293,726,596
		452,012,916	325,155,946
Current liabilities			
Trade and other payables	12	494,131,845	410,431,050
Mark up payable	13	148,684	52,522
Short term borrowing	14	-	-
Current portion of long term liabilities	15	27,104,927	25,202,447
Income Tax-net		143,275,421	88,197,181
		664,660,877	523,883,200
TOTAL EQUITY AND LIABILITIES		2,918,043,413	2,299,091,700
CONTINGENCIES AND COMMITMENTS			
	16		

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 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	17	954,602,093	832,650,533
Intangible assets	18	21,765,868	38,458,719
Goodwill	19	834,230	834,230
Long term deposits		12,111,613	10,580,164
		989,313,804	882,523,646
Current assets			
Stock in trade	20	992,637,743	860,324,204
Trade debts	21	75,154,453	67,897,899
Advances	22	74,772,999	79,941,339
Trade deposits and short term prepayments	23	17,548,529	19,708,637
Profit accrued		1,235,074	585,610
Other receivables	24	3,341,447	2,549,011
Tax refund due from government	25	13,746,565	7,992,428
Cash and bank balances	26	750,292,799	377,568,926
		1,928,729,609	1,416,568,054
TOTAL ASSETS		2,918,043,413	2,299,091,700

Anees Ahmad Khan
Director

Consolidated Profit and Loss Account

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	27	5,070,755,394	4,403,995,318
Cost of sales	28	(2,692,735,362)	(2,312,801,997)
Gross profit		2,378,020,032	2,091,193,321
Distribution, selling and promotional expenses	29	(1,279,004,735)	(1,125,961,164)
Administrative and general expenses	30	(254,985,395)	(246,634,261)
Research and development expenses	31	(3,652,557)	(3,040,818)
Other operating expenses	32	(73,550,002)	(73,022,429)
		(1,611,192,689)	(1,448,658,672)
Operating Profit		766,827,343	642,534,649
Other income	33	19,413,957	29,836,721
		786,241,300	672,371,370
Finance costs	34	(6,085,875)	(8,763,832)
Profit before taxation		780,155,425	663,607,538
Taxation	35	(254,899,404)	(222,683,104)
Profit after taxation		525,256,021	440,924,434
Profit/(loss) after tax attributable to:			
Shareholders of the Parent		525,659,120	441,352,255
Non Controlling Interest		(403,099)	(427,821)
		525,256,021	440,924,434
			Restated
Earnings per share - basic and diluted	36	23.03	19.33

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 2016

	Note	2016 Rupees	2015 Rupees
Profit after tax for the year		525,256,021	440,924,434
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement adjustments on defined benefit plan	11.3.1	(14,019,989)	(27,758,209)
Income tax effect		3,891,237	6,818,049
Other comprehensive loss, net of tax		(10,128,752)	(20,940,160)
Total comprehensive income for the year		515,127,269	419,984,274
Total comprehensive income/(loss) attributable to:			
Shareholders of the Parent		515,530,368	420,412,095
Non Controlling Interest		(403,099)	(427,821)
		515,127,269	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 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		780,155,425	663,607,538
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation	17.1.1	83,263,604	82,436,822
Amortization of intangible assets	18.2	16,692,851	16,674,202
Intangible assets written off		-	9,203,431
Gain on disposal of property, plant and equipment	17.1.4	(7,500,756)	(7,983,144)
Exchange loss		6,766,073	7,489,970
Provision for slow moving and obsolete items	20.1	12,168,711	8,550,977
Provision for defined benefit obligation	11.3.2	42,308,358	40,445,067
Finance cost	34	6,085,875	8,763,832
		159,784,716	165,581,157
Profit before working capital changes		939,940,141	829,188,695
Working capital changes:			
(Increase)/decrease in current assets:			
Stock in trade		(144,482,250)	(234,083,078)
Trade debts		(7,256,554)	7,637,374
Advances		5,168,340	(36,683,189)
Trade deposits and short term prepayments		2,160,108	(3,673,648)
Profit accrued		(649,464)	(226,021)
Other receivables		(792,436)	(1,063,351)
Tax refund due from government		(5,754,137)	3,991,129
Increase/(decrease) in current liabilities:			
Trade and other payables		65,355,771	(8,493,306)
		(86,250,622)	(272,594,090)
Cash generated from operations		853,689,519	556,594,605
Taxes paid		(221,248,182)	(194,199,043)
Gratuity paid		(11,833,293)	(29,699,463)
Finance cost paid		(2,498,055)	(3,572,683)
Long term advances - net		10,443,604	5,359,364
Net cash flow generated from operating activities		628,553,593	334,482,780

Consolidated Cash Flow Statement

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(194,210,821)	(110,319,173)
Acquisition of subsidiary-net		-	(44,288,984)
Long term deposits-net		(1,531,449)	(7,415,400)
Intangible assets acquired		-	(825,356)
Proceeds from disposal of property, plant and equipment	17.1.4	23,380,913	26,260,119
Net cash flow used in investing activities		(172,361,357)	(136,588,794)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities - net		(26,253,972)	(38,502,761)
Long term loan		95,000,000	-
Proceeds from issuance of share capital to minority shareholders		-	800
Acquisition of non-controlling interest		(11,077,000)	-
Repayment of Director's loan-subsiidiary		-	(1,265,477)
Dividend paid		(141,148,297)	(116,044,311)
Net cash flow used in financing activities		(83,479,269)	(155,811,749)
Net increase in cash and cash equivalents		372,712,967	42,082,237
Cash and cash equivalents at beginning of the year		377,568,926	335,324,473
Effect of exchange rate changes on cash and cash equivalent		10,906	162,216
Cash and cash equivalents at end of the year	26	750,292,799	377,568,926

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 2016

	Share capital	Revenue reserves			Non Controlling Interest	Total
		General reserves	Unappropriated profit	Sub total		
-----Rupees-----						
Balance as at 01 January 2015	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 shares by subsidiary Company	-	-	-	-	800	800
Profit for the year ended 31 December 2015	-	-	441,352,255	441,352,255	(427,821)	440,924,434
Other comprehensive loss	-	-	(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
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	7,534,043	7,534,043	-	7,534,043
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)
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
Profit for the year ended 31 December 2016	-	-	525,659,120	525,659,120	(403,099)	525,256,021
Other comprehensive loss	-	-	(10,128,752)	(10,128,752)	-	(10,128,752)
Total comprehensive income for the year	-	-	515,530,368	515,530,368	(403,099)	515,127,269
Acquisition of Non-controlling interest	-	-	(1,040,477)	(1,040,477)	(10,036,523)	(11,077,000)
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	6,778,964	6,778,964	-	6,778,964
Issuance of bonus shares @ 12%	24,434,610	-	(24,434,610)	(24,434,610)	-	-
Final dividend @ Rs. 7.50 per share for the year ended 31 December 2015	-	-	(152,716,342)	(152,716,342)	-	(152,716,342)
Balance as at 31 December 2016	228,056,400	114,000,000	1,249,429,484	1,363,429,484	-	1,591,485,884

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 2016

1. THE GROUP AND ITS OPERATIONS

The Highnoon Group ("the Group") comprises of Highnoon Laboratories Limited ("HNL") ("the Holding Company") and Procef Laboratories (Private) Limited (formerly Biocef (Private) Limited) ("PCL") ("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 Pakistan Stock Exchange since November 1994. Holding company is principally engaged in the manufacture, import, sale and marketing of pharmaceutical and allied consumer products. The registered office of HNL is situated at 17.5 Km, Multan Road, Lahore.

The Subsidiary Company was incorporated on 10 June 2015 as a private limited company. The registered office of PCL 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. PCL is in construction phase and hence has not yet started commercial operations.

HNL acquired 80% shares of PCL in September 2015 and it became subsidiary company of HNL. Subsequently HNL also acquired right shares of PCL and its shareholding increased to 88%. In May 2016 the Holding Company has further acquired 1,107,700 shares at par value of Rs. 10 per share as a result of which PCL became wholly owned subsidiary of HNL.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

These consolidated 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 17 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 statements of the Holding Company HNL and its subsidiary company PCL. 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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

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 statements of the Holding Company and its Subsidiary are prepared upto the same reporting date using consistent accounting policies. Identifiable assets acquired and liabilities assumed in the acquisition are measured initially at their fair value at the date of acquisition.

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. cost at the date of acquisition less any accumulated impairment.

The financial statements of PCL have been consolidated on line by line basis. Intra Group balances, transactions, income and expenses have been eliminated. Assets, liabilities, income and expense 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 interest as transactions with parties external to the Group. Disposal of non-controlling interest results in gains and losses for the Group that is recorded in the profit and loss account.

2.5 Functional and presentation currency

These consolidated 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 2016

The Group has adopted the following amendments to accounting standards which became effective during the year.

Standard or Interpretation

IFRS10,	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate
IFRS 12	Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment).
and IAS 28	
IFRS 11	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendment)
IAS 16 and	Property, Plant and Equipment and intangible assets - Clarification of Acceptable Method of
IAS 38	Depreciation and Amortization (Amendment)
IAS 16 and	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
IAS 41	
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

Improvements to Accounting Standards Issued by the IASB in September 2014

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

The adoption of the above amendments, interpretations and improvements did not have any material effect on the consolidated 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, liabilities, income and expenses. The estimates, 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:

	<u>Notes</u>
- staff retirement benefits	4.2
- property, plant and equipment	4.5
- amortization	4.6
- impairment of non-financial assets	4.13
- taxation	4.18
- provisions	4.22

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except for as mentioned in note 2.5 and as follows:

4.1 Segment reporting

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

4.2 Staff retirement benefits

Defined benefit plan

HNL 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 2016. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2016	2015
- Discount rate	8% p.a.	9.25% p.a.
- Expected rate of increase in salary	7% p.a.	8.25% p.a.
- Expected average remaining working life time	9 years	9 years
- Mortality rates	SLIC	SLIC
	2001-2005	2001-2005

Remeasurement adjustments are recognized in other comprehensive income when they occur. Amounts recorded in profit and 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

HNL 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 group and employees at the rate of 8.33% (2015: 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 to carry forward un-availed leaves while labour can carry 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 Consolidated Financial Statements

For The Year Ended 31 December 2016

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.

Depreciation 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.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group as per recognition criteria. All other expenditure in the form of normal repair and maintenance is charged to profit and loss account as and when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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.

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 9. The liabilities are classified as current and long term depending upon the timing of the payment.

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

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

Capital work in progress

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

4.6 Intangible assets

Intangible assets include 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.

Changes in the expected useful lives or the expected pattern of consumption of future economic benefits, embodied in the intangible assets, are accounted for by changing the recognized period or amortization method, as appropriate, and treated as a change in accounting estimate. The recognized expense on intangible assets with finite lives is recognized in the profit and loss account in the expense category, consistent with the function of the intangible asset.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written-down to their recoverable amount.

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 represents 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. 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

4.10 Stock in trade

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

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

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. The Group revises the carrying amount of stock-in-trade on a regular basis and a provision is made for obsolescence, for items which are slow-moving and/or identified as a surplus to the Group's requirement. A provision is made for the excess of book values over the estimated net realizable value.

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 of non-financial assets

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 are largely 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

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 cost-plus method 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 employee's car scheme as approved by the Board of Directors. Parties are said to be related, if they are able to influence the operating and financial decisions of the Group 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 Ijarah term.

4.18 Taxation

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

Current

Provision of current tax is based on the taxable income, alternative corporate tax or minimum tax provisions in accordance with Income Tax Ordinance 2001. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. 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 income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, if any, to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantially enacted at the balance sheet date.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

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.

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.

4.23 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of the impairment may include indicators that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit and loss account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in profit and loss account.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

5. STANDARDS ISSUED BUT 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: (Periods beginning on or after)
IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Deferred indefinitely
IAS 7	Statement of Cashflows - Disclosure about changes in liabilities arising from financing activities (Amendments)	01 January 2017
IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	01 January 2017
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01 January 2018

The Group expects that the adoption of the above revisions and amendments of the standards will not materially affect the Group's financial statements in the period of initial application or later periods.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2017. The 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.

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

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 Deferral Accounts	01 January 2016
IFRS 15	Revenue from Contracts with Customers	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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
6. SHARE CAPITAL			
Issued, subscribed and paid-up			
5,905,000 (2015: 5,905,000) ordinary shares of Rs. 10 each fully paid in cash		59,050,000	59,050,000
95,000 (2015: 95,000) ordinary shares of Rs. 10 each issued for consideration other than cash	6.1	950,000	950,000
16,805,640 (2015: 14,362,179) ordinary shares of Rs. 10 each issued as bonus shares		168,056,400	143,621,790
	6.2	228,056,400	203,621,790

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

6.2 Reconciliation of Issued, subscribed and paid-up share capital

	2016 Number	2015 Number	2016 Rupees	2015 Rupees
Issued, subscribed and paid-up of Rs. 10 each as at 01 January	20,362,179	18,180,517	203,621,790	181,805,170
Issuance of bonus shares of Rs. 10 each	2,443,461	2,181,662	24,434,610	21,816,620
Issued, subscribed and paid-up of Rs. 10 each as at 31 December	22,805,640	20,362,179	228,056,400	203,621,790

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
7. SURPLUS ON REVALUATION OF FIXED ASSETS			
Gross Surplus on revaluation of fixed assets as at 01 January		242,613,860	253,029,492
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit:			
Net of deferred tax		(6,778,964)	(7,534,043)
Related deferred tax liability		(2,595,105)	(2,881,589)
		(9,374,069)	(10,415,632)
		233,239,791	242,613,860
Less related deferred tax liability on:			
Balance at the beginning of the year		25,934,299	31,869,334
Effect of change in applicable tax rate		-	(2,881,588)
Effect of change in proportion of normal sales		16,861	(171,858)
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		(2,595,105)	(2,881,589)
	11.1	23,356,055	25,934,299
Surplus on revaluation of fixed assets as at 31 December		209,883,736	216,679,561

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.

8. LONG TERM LOAN

This loan has been obtained during the year by the Subsidiary Company for the purchase of machinery and equipment of cephalosporin manufacturing plant. The mark-up is payable quarterly at the rate of 3 months KIBOR plus 1.5% per annum on the outstanding amount. The tenure of loan is 5 years and principle amount is repayable in equal quarterly installments after lapse of grace period of one year.

This loan has been secured against:

- first parri passu charge over plant and machinery to be imported by PCL;
- land and building owned by PCL located at 517 Sunder Industrial Estate Raiwind Road, Lahore measuring 3,377.15 square meters; and
- personal guarantee by the Director of PCL.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees																																										
9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE																																													
Present value of minimum lease payments		37,471,868	33,349,682																																										
Less: Current portion shown under current liabilities	15	20,628,087	22,187,654																																										
		16,843,781	11,162,028																																										
		<table border="1"> <thead> <tr> <th>Minimum lease payments</th> <th>Finance cost for future periods</th> <th>Principal outstanding</th> </tr> </thead> <tbody> <tr> <td colspan="3" style="text-align: center;">2016</td> </tr> <tr> <td colspan="3" style="text-align: center;">-----Rupees-----</td> </tr> <tr> <td>Not later than one year</td> <td>22,721,704</td> <td>2,093,617</td> <td>20,628,087</td> </tr> <tr> <td>Later than one year but not later than five years</td> <td>17,762,470</td> <td>918,689</td> <td>16,843,781</td> </tr> <tr> <td></td> <td>40,484,174</td> <td>3,012,306</td> <td>37,471,868</td> </tr> <tr> <td colspan="2"></td> <td colspan="2" style="text-align: center;"> <table border="1"> <tbody> <tr> <td colspan="3" style="text-align: center;">2015</td> </tr> <tr> <td colspan="3" style="text-align: center;">-----Rupees-----</td> </tr> <tr> <td>Not later than one year</td> <td>24,322,800</td> <td>2,135,146</td> <td>22,187,654</td> </tr> <tr> <td>Later than one year but not later than five years</td> <td>11,684,770</td> <td>522,742</td> <td>11,162,028</td> </tr> <tr> <td></td> <td>36,007,570</td> <td>2,657,888</td> <td>33,349,682</td> </tr> </tbody> </table> </td> </tr> </tbody> </table>	Minimum lease payments	Finance cost for future periods	Principal outstanding	2016			-----Rupees-----			Not later than one year	22,721,704	2,093,617	20,628,087	Later than one year but not later than five years	17,762,470	918,689	16,843,781		40,484,174	3,012,306	37,471,868			<table border="1"> <tbody> <tr> <td colspan="3" style="text-align: center;">2015</td> </tr> <tr> <td colspan="3" style="text-align: center;">-----Rupees-----</td> </tr> <tr> <td>Not later than one year</td> <td>24,322,800</td> <td>2,135,146</td> <td>22,187,654</td> </tr> <tr> <td>Later than one year but not later than five years</td> <td>11,684,770</td> <td>522,742</td> <td>11,162,028</td> </tr> <tr> <td></td> <td>36,007,570</td> <td>2,657,888</td> <td>33,349,682</td> </tr> </tbody> </table>		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
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Salient features of the leases are as follows:																																													
		2016	2015																																										
Discounting factor		7.00%-8.50%	7.30%-11.31%																																										
Period of lease		36 months	36 months																																										
Security deposits		5%-10%	5%-10%																																										

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

All lease agreements carry renewal option at the end of lease period and HNL 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
10. LONG TERM ADVANCES			
Balance at 31 December		33,725,719	23,282,115
Less: Current portion	15	6,476,840	3,014,793
		27,248,879	20,267,322
These represent advances taken from employees against future sale of vehicles as per HNL policy.			
11. DEFERRED LIABILITIES			
Deferred Tax- net	11.1&11.2	12,012,332	37,313,726
Gratuity	11.3	300,907,924	256,412,870
		312,920,256	293,726,596
11.1 Deferred tax-net			
Deferred tax liabilities on taxable temporary differences:			
Surplus on revaluation of assets	7	23,356,055	25,934,299
Accelerated tax depreciation		53,905,039	57,613,408
Finance lease		3,856,166	6,196,486
		81,117,260	89,744,193
Deferred tax assets on deductible temporary differences:			
Provision for doubtful debts		(287,885)	(287,698)
Provision for gratuity		(64,475,325)	(52,142,769)
Provision for Stock		(4,341,718)	-
		(69,104,928)	(52,430,467)
Net deferred tax liability		12,012,332	37,313,726

11.2 Deferred tax represents liability relating to taxable temporary differences of HNL. Since the Subsidiary Company is a newly established industrial undertaking and can avail tax credit upto 5 years from date of commencement of commercial operations under section 65D of the Income Tax Ordinance, 2001, due to which no current tax liability is foreseeable in near future and at current reporting dates. The deferred tax asset of Rs. 6,487,116 (31 December 2015: Rs.1,219,030) has not been recognized as a result of unused accumulated taxable losses of Rs. 20,926,182 (31 December 2015: Rs.10,105,008) due to uncertainty regarding its recoverability.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees			
11.3 Gratuity						
The net value of un-funded defined benefit obligation as at valuation date was as follows:						
Present value of defined benefit obligation	11.3.1	293,352,116	256,124,870			
Benefits due but not paid		7,555,808	288,000			
Net liability as at 31 December		300,907,924	256,412,870			
11.3.1 The following is movement in the net recognized liability for gratuity:						
Liability as at 01 January		256,124,870	216,774,395			
Amount recognized during the year	11.3.2	42,308,358	40,445,067			
Remeasurement adjustments recognized during the year		14,019,989	27,758,209			
Benefits due but not paid		(7,555,808)	(288,000)			
Benefit payments made by the Company		(11,545,293)	(28,564,801)			
Liability as at 31 December		293,352,116	256,124,870			
11.3.2 The following amounts have been charged to profit and loss account during the year in respect of gratuity scheme:						
Current service cost		19,500,233	17,680,918			
Interest cost		22,808,125	22,764,149			
Amount chargeable to Profit and Loss		42,308,358	40,445,067			
11.3.3 Historical information for gratuity plan						
		2016	2015	2014	2013	2012
Present value of defined benefit obligation		293,352,116	256,124,870	216,774,395	191,453,615	183,147,410
Remeasurement adjustment arising on plan liabilities		14,019,989	27,758,209	2,412,983	6,311,278	1,011,543
Remeasurement adjustment as percentage of outstanding liability		4.78%	10.84%	1.11%	3.30%	0.55%

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	2016 Rupees	2015 Rupees
11.3.4 Estimated expense to be charged to Profit and Loss in 2017:		
Current service cost		21,175,211
Interest cost on defined benefit obligation		23,194,524
Amount chargeable to profit and loss		44,369,735

11.3.5 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	2016 Rupees	2015 Rupees
Discount rate + 100 bps		269,145,587	234,700,459
Discount rate - 100 bps		321,390,964	280,971,055
Salary increase + 100 bps		321,666,014	281,226,580
Salary increase - 100 bps		268,479,000	234,104,638

12. TRADE AND OTHER PAYABLES

Trade creditors		123,303,355	162,004,819
Bills payable		70,903,861	26,281,521
Accrued expenses		219,928,301	171,551,185
Advances from customers	12.1	26,393,992	16,189,389
Payable to Provident Fund Trust		4,130,226	3,638,987
Unclaimed dividends		28,767,015	17,198,970
Workers' Profit Participation Fund	12.2	2,706,681	89,752
Payable to Central Research Fund		7,902,484	6,764,249
Taxes deducted at source		9,734,433	6,370,996
Payable to Employees Welfare Trust		361,497	341,182
		494,131,845	410,431,050

12.1 This includes a balance amounting to Rs. 2,083,998 (2015: Rs. 941,229) due to Route 2 Health (Private) Limited, a related party.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
12.2 Workers' Profit Participation Fund			
Balance at the beginning of the year		89,752	800,353
Add: Provision for the year	32	41,441,924	35,089,751
		41,531,676	35,890,104
Add: Interest on funds utilized by the Company	34	8,010	164,291
		41,539,686	36,054,395
Less: Paid during the year to the fund		38,833,005	35,964,643
		2,706,681	89,752

Mark-up @ 56.26% (2015: 33.75%) per annum is provided on unpaid balance of the fund in accordance with the rules of the Fund.

	Note	2016 Rupees	2015 Rupees
13. MARKUP PAYABLE			
Markup payable on running finance facility		18,622	52,522
Markup payable on long term loan		130,062	-
		148,684	52,522

14. SHORT TERM BORROWINGS

Short term borrowings		-	-
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14.1 Short term running finances are availed from various commercial banks against aggregate sanctioned limit of Rs. 605 million (2015: Rs. 660 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 100 to 150 basis points (2015: 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. 782 million (2015: Rs. 782 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 657 million (2015: Rs. 693 million) on stocks including but not limited to raw materials, goods in process and finished goods of the Holding Company. Lease finance facility is also availed amounting to Rs 50 million.

14.2 Out of total borrowing facility, an amount of Rs. 50,000,000 (2015: Rs. 50,000,000) represents Export Refinance Facility obtained from a commercial bank under SBP regulations at a subsidized mark up rate of 5.75% (2015: 7%) per annum.

14.3 The Holding Company also has aggregate sanctioned import credit facilities negotiated with various commercial banks amounting to Rs. 900 million (2015: Rs. 950 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2015: 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
15. CURRENT PORTION OF LONG TERM LIABILITIES			
Liabilities against assets subject to finance lease	9	20,628,087	22,187,654
Long term advances	10	6,476,840	3,014,793
		27,104,927	25,202,447

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- While amending income tax assessment of the Holding Company 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 Holding Company, as the management expects a favorable outcome.
- While finalizing income tax assessments of the Holding Company for the tax year 2010, Additional Commissioner Inland Revenue (ACIR) had made certain add backs with aggregate tax impact of Rs. 11,476,962. The Holding Company had filed an appeal before Commissioner 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 Honorable 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. 3.37million (2015: Rs 4.620 million).
- Facilities of letters of guarantee amounting to Rs. 10 million (2015: Rs. 10 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.

	2016 Rupees	2015 Rupees
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16.2 Commitments

Commitments against irrevocable letters of credit include:

Raw materials	137,935,968	108,340,480
Packing materials	14,018,692	47,416,348
Finished Goods	13,075,056	-
Plant and machinery	902,781	16,962,657
Civil works	-	6,405,000
	165,932,497	179,124,485

Rentals under ijarah agreements:

Not later than one year	30,755,447	22,999,174
Later than one year but not later than five years	22,086,957	33,890,465
	52,842,404	56,889,639

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
17. PROPERTY, PLANT AND EQUIPMENT			
Operating assets (owned)	17.1	725,649,060	758,867,687
Operating assets (leased)	17.1	51,401,091	55,747,159
Capital work-in-progress	17.2	177,551,942	18,035,687
		954,602,093	832,650,533

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
17.1.1 Depreciation charge has been allocated as under:			
Cost of sales	28	46,931,474	48,123,285
Distribution, selling and promotional expenses	29	16,216,663	16,263,004
Administrative and general expenses	30	20,115,467	18,041,773
		83,263,604	82,428,062
17.1.2 The latest revaluation of land, building on freehold land and plant and machinery of HNL 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.			
		2016 Rupees	2015 Rupees
17.1.3 Had the assets not been revalued, the carrying values would have been:			
Land - freehold		39,566,828	39,566,828
Building on freehold land		115,153,253	127,948,059
Plant and machinery (Owned)		193,781,209	209,136,462
		348,501,290	376,651,349

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

17.1.4 Disposal of property, plant and equipment

Description	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sale
Vehicles sold to employees:						
Mohammad Nazir	573,500	379,841	193,659	381,780	188,121	Company Policy
M. Laiq	504,000	385,091	118,909	118,909	-	Company Policy
Akber Shahid Jaffery	965,000	647,581	317,419	640,609	323,190	Company Policy
M. Kamran Sadiq	504,000	380,687	123,313	123,313	-	Company Policy
M. Imdad Saeed	65,900	40,707	25,193	65,900	40,707	Company Policy
Zahid Ali	504,000	385,091	118,909	118,909	-	Company Policy
M. Mehmood Memon	504,000	385,091	118,909	118,909	-	Company Policy
Imran Shehzad	530,000	409,589	120,411	360,144	239,733	Company Policy
M. Mutaneer Noor	591,000	399,358	191,642	393,001	201,359	Company Policy
Ahsan Bashir Chaudhry	623,000	369,946	253,054	448,767	195,713	Company Policy
Abid Hussain	68,000	32,459	35,541	68,000	32,459	Company Policy
Muhammad Usman Latif	68,000	34,345	33,655	68,000	34,345	Company Policy
Rizwan Hamidi	567,000	357,255	209,745	410,000	200,255	Company Policy
Muhammad Sarfraz	68,000	33,474	34,526	68,000	33,474	Company Policy
Alam Zeb Khan	68,000	31,625	36,375	68,000	31,625	Company Policy
Khurram Bilal	1,949,500	1,066,143	883,357	1,450,000	566,643	Company Policy
Rehan Rehman	432,000	377,819	54,181	312,000	257,819	Company Policy
Attiq ur Rehman	1,269,000	1,015,439	253,561	1,000,000	746,439	Company Policy
Umer Shahzad Khan	69,000	32,813	36,187	69,000	32,813	Company Policy
Yasir Ilyas	69,000	33,537	35,463	69,000	33,537	Company Policy
Mohammad Asghar	98,000	47,214	50,786	98,000	47,214	Company Policy
Abdul Qadir	69,900	33,366	36,534	69,500	32,966	Company Policy
Muhammad Noman Bhatti	69,900	23,952	45,948	69,900	23,952	Company Policy
Nadir Ali	69,900	22,368	47,532	69,900	22,368	Company Policy
Suleman Dawood	69,900	24,745	45,155	69,900	24,745	Company Policy
Muhammad Zeeshan Awan	69,900	23,160	46,740	69,900	23,160	Company Policy
Ahsan Shoukat	69,900	29,498	40,402	69,900	29,498	Company Policy
Fahad Jamil	663,000	257,244	405,756	550,536	144,780	Company Policy
Yousaf Ali	69,900	22,974	46,926	69,900	22,974	Company Policy
Syed Yasir Gallani	69,900	20,504	49,396	69,900	20,504	Company Policy
Sohail Raza	69,900	20,504	49,396	69,900	20,504	Company Policy
Muhammad Suleman Khan	69,900	22,927	46,973	69,900	22,927	Company Policy
Dolat Rae	69,900	18,578	51,322	69,900	18,578	Company Policy
Ghulam Sarwar	69,900	19,494	50,406	69,900	19,494	Company Policy
Humaira Siddique	1,049,000	418,901	630,099	845,726	215,627	Company Policy
Fahad Jamil	683,000	216,435	466,565	596,595	130,030	Company Policy
Nadeem Mehboob	636,048	185,514	450,534	522,829	72,295	Company Policy
Anees Ahmed	63,500	16,722	46,778	63,500	16,722	Company Policy
Muhammad Waqas Saeed	63,500	8,255	55,245	45,000	(10,245)	Company Policy
Muhammad Ajmal	640,000	150,400	489,600	540,830	51,230	Company Policy
Liaquat Riaz	63,500	12,506	50,994	63,500	12,506	Company Policy
Adil Hassan	68,500	29,044	39,456	68,500	29,044	Company Policy
Faisal Naeem	652,000	339,040	312,960	496,059	183,099	Company Policy
Rizwan Ali	1,010,000	471,333	538,667	773,058	234,391	Company Policy
Aamir Zafar	1,844,500	942,744	901,756	967,338	65,582	Company Policy
Muhammad Fahad Rafique	658,000	278,056	379,944	545,000	165,056	Company Policy
Saba Asif	652,000	275,868	376,132	529,206	153,074	Company Policy
Shah Muhammad Nadeem	668,000	309,833	358,167	552,955	194,788	Company Policy
Muhammad Kashif Baig	1,034,000	493,563	540,437	847,728	307,291	Company Policy
Babar Baig	688,000	226,887	461,113	555,000	93,887	Company Policy
Agha Muhammad	683,000	200,347	482,653	562,542	79,889	Company Policy
Muhammad Ahsan	688,000	182,549	505,451	618,894	113,443	Company Policy
Sher Alam	63,500	1,058	62,442	63,500	1,058	Company Policy
Ammar Yasir	63,500	1,058	62,442	63,500	1,058	Company Policy
Sarfraz Ahmed	63,500	1,058	62,442	63,500	1,058	Company Policy
Muhammad Imran	63,500	1,058	62,442	63,500	1,058	Company Policy
Bilal Ahmed	63,500	1,058	62,442	63,500	1,058	Company Policy
Zubair Ahmed	63,500	1,058	62,442	63,500	1,058	Company Policy
Muhammad Kashif	63,500	1,058	62,442	63,500	1,058	Company Policy
Khurram Shahzad	63,500	1,058	62,442	63,500	1,058	Company Policy
Muhammad Haseeb Ahsan	68,500	32,990	35,510	68,500	32,990	Company Policy

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

Description	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sale
Vehicles sold to others:						
Rupees						
Mohibullah	65,900	41,157	24,743	59,269	34,526	Negotiation
Bader Javed Butt	67,500	35,244	32,256	-	(32,256)	Negotiation
Muhammad Kashif Khan	529,000	361,435	167,565	167,565	-	Negotiation
Syed Hamad Ali	774,000	576,737	197,263	500,000	302,737	Negotiation
Imran Azam	1,993,000	1,295,942	697,058	1,405,000	707,942	Negotiation
Nouman Gul	1,330,500	1,163,084	167,416	1,000,000	832,584	Negotiation
Farukh Nawaz	69,000	30,642	38,358	69,000	30,642	Negotiation
Jamil Khan	69,900	22,368	47,532	69,900	22,368	Negotiation
Umar Yaqub	69,900	20,504	49,396	69,900	20,504	Negotiation
Ibrar Ahmad	487,540	142,199	345,341	392,258	46,917	Negotiation
Muhammad Sulman	502,632	146,601	356,031	405,404	49,373	Negotiation
Qaiser Farooq	636,048	185,514	450,534	522,829	72,295	Negotiation
Mudassir Farooq	63,500	1,058	62,442	63,500	1,058	Negotiation
Zia ur Rehman	63,500	1,058	62,442	63,500	1,058	Negotiation
Furqan Ahmad	63,500	1,058	62,442	63,500	1,058	Negotiation
Waqar Hussain Sial	63,500	1,058	62,442	63,500	1,058	Negotiation
Muhammad Ali Raza	63,500	1,058	62,442	63,500	1,058	Negotiation
Mastaneer Ishaq	63,500	1,058	62,442	63,500	1,058	Negotiation
Ashfaq Khan	63,500	1,058	62,442	63,500	1,058	Negotiation
Tajammul Hussain	63,500	1,058	62,442	63,500	1,058	Negotiation
Wasi Ullah	63,500	1,058	62,442	63,500	1,058	Negotiation
	31,306,168	16,216,935	15,089,233	22,969,562	7,880,329	
Office Equipment						
Computer Server	1,200,000	1,070,374	129,626	-	(129,626)	Scrap
Lenovo ThinkPad	167,000	34,792	132,208	121,249	(10,959)	Insurance claim
Dell Inspiron NoteBook	56,867	3,554	53,313	30,103	(23,210)	Insurance claim
Assets with individual net book value of less than Rs. 50,000	1,497,539	1,200,974	296,565	184,999	(111,566)	Scrap/Insurance Claim
	2,921,406	2,309,694	611,712	336,351	(275,361)	
Plant and machinery						
Diesel Generator	478,819	299,607	179,212	75,000	(104,212)	Negotiation
2016	34,706,393	18,826,236	15,880,157	23,380,913	7,500,756	
2015	44,935,726	26,658,751	18,276,975	26,260,119	7,983,144	

17.2 Capital work-in-progress (CWIP)

	Note	2016 Rupees	2015 Rupees
Civil work		56,723,459	5,440,362
Plant and machinery - owned	17.2.1	98,810,465	1,506,155
Laboratory equipments		5,834,119	-
Furniture and fixture		798,900	-
Advances to suppliers		15,384,999	11,089,170
	17.2.2	177,551,942	18,035,687

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

17.2.1 The Subsidiary Company has capitalised borrowing costs amounting to Rs. 130,062 (31 December 2015: Nil) that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of that asset. The rate used to determine the amount of borrowing cost eligible for capitalization was 3 months kibar plus 1.5% (31 December 2015: Nil).

	2016 Rupees	2015 Rupees
17.2.2 Movement of CWIP is as follows:		
Opening balance as at 01 January	18,035,687	8,301,529
Addition made during the year:		
Civil work	51,283,097	2,974,805
Plant and machinery - owned	100,747,483	11,050,789
Furniture and fixture	798,900	-
Laboratory Equipment	12,908,880	-
Advance for purchase of vehicles	4,295,829	9,667,423
	170,034,189	23,693,017
Additions through acquisition of subsidiary company:		
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	(3,443,173)	(12,865,565)
Laboratory Equipment	(7,074,761)	-
Vehicles-Leased	-	(3,571,000)
	(10,517,934)	(17,846,163)
Closing balance as at 31 December	177,551,942	18,035,687

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

18. INTANGIBLE ASSETS

PARTICULARS	2016									
	COST				AMORTIZATION				Book value as at 31 December 2016	Rate %
	As at 01 January 2016	Additions	Write off	As at 31 December 2016	As at 01 January 2016	For the year	Write off	As at 31 December 2016		
----- Rupees -----										
Registration and trademark (Note 18.1)	154,434,175	-	-	154,434,175	118,474,322	15,443,418	-	133,917,740	20,516,435	10
Computer software	11,305,681	-	-	11,305,681	8,806,815	1,249,433	-	10,056,248	1,249,433	10-33
	165,739,856	-	-	165,739,856	127,281,137	16,692,851	-	143,973,988	21,765,868	

PARTICULARS	2015									
	COST				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 (Note 18.1)	154,434,175	-	-	154,434,175	103,030,904	15,443,418	-	118,474,322	35,959,853	10
Computer software	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	

18.1 This represents registration and trademarks of brands named as "Tres Orix Forte", "Skilax Drops" and "Blokium".

	Note	2016 Rupees	2015 Rupees
18.2 Amortization charge has been allocated as under:			
Cost of sales	28	15,443,418	15,443,418
Distribution, selling and promotional expenses	29	1,249,433	1,230,784
		16,692,851	16,674,202

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
19. GOODWILL			
Goodwill on acquisition of subsidiary	19.1	834,230	834,230

19.1 On 02 September 2015, the Holding Company acquired 80% of the shareholding of the Subsidiary Company 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 the Subsidiary Company 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

	2015 Rupees
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

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 2016

19.2 Acquisition of additional interest in Procef Laboratories (Private) Limited

In May 2016, the group acquired an additional 11.61% interest in the voting shares of Procef Laboratories (Private) Limited, increasing its ownership interest to 100%. Cash consideration of Rs. 11,077,000 was paid to the non- controlling shareholders. The carrying value of the net assets Procef Laboratories (Private) limited excluding goodwill on the original acquisition) was Rs. 10,036,527. Following is a schedule of additional interest acquired in Procef Laboratories (Private) Limited:

	Note	2016 Rupees	2015 Rupees
Cash consideration paid to non- controlling interest		11,077,000	-
Carrying value of the additional interest in Procef Laboratories (Private) Limited		(10,036,523)	-
Difference recognized in unappropriated profits		1,040,477	-
20. STOCK IN TRADE			
Raw materials			
In hand		445,923,691	373,148,639
In transit		66,638,762	39,905,691
With third party		9,631,538	24,347,160
		522,193,991	437,401,490
Packing material			
In hand		150,436,820	133,675,879
In transit		18,285,690	17,400,007
With third party		3,774,757	5,863,887
		172,497,267	156,939,773
Work in process			
		51,610,441	54,006,164
Finished goods			
In hand		247,732,321	210,447,080
In transit		14,286,853	12,613,672
		262,019,174	223,060,752
Less: Provision for slow moving and obsolete items	20.1	(15,683,130)	(11,083,975)
		992,637,743	860,324,204

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
20.1 Provision for slow moving and obsolete items			
Opening provision		11,083,975	20,262,765
Charge for the year		12,168,711	8,550,977
Written off during the year		(7,569,556)	(17,729,767)
Closing provision		15,683,130	11,083,975
21. TRADE DEBTS			
Secured - considered good		9,696,988	10,086,186
Unsecured:			
Considered good	21.1	65,457,465	57,811,713
Considered doubtful		1,039,897	1,039,897
Less: Provision against doubtful debts		1,039,897	1,039,897
		-	-
		75,154,453	67,897,899
21.1 These customers have no history of default. For age analysis of these trade debts, refer to Note 38.			
21.2 The carrying amount of these trade debts approximate their fair values.			
22. ADVANCES			
Advances - considered good			
Staff against:			
Expenses		15,994,237	15,275,335
Salary		8,489,793	7,307,723
Suppliers		50,288,969	57,358,281
		74,772,999	79,941,339
23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		11,705,299	14,366,755
Short term prepayments		5,843,230	5,341,882
		17,548,529	19,708,637

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

24. These represent claim receivables from various insurance companies against vehicles and equipments.

25. These represent sales tax, Income tax and excise duty recoverable.

	Note	2016 Rupees	2015 Rupees
26. CASH AND BANK BALANCES			
Cash and imprest		2,158,712	2,025,466
Balance with banks			
Current accounts			
-Local Currency		340,646,180	216,524,838
-Foreign Currency		7,487,907	9,018,622
Deposit accounts	26.1	400,000,000	150,000,000
		748,134,087	375,543,460
		750,292,799	377,568,926

26.1 These carry profit at the rate of 3.75%-6.5% (2015: 7.00%).

27. SALES - Net

Manufactured products:			
Local		4,810,258,592	3,962,317,029
Export		308,373,596	280,123,121
		5,118,632,188	4,242,440,150
Purchased products - local			
Third party		99,888,013	84,688,694
		358,709,604	405,519,286
		5,577,229,805	4,732,648,130
Less: Discount			
Sales tax		491,581,564	315,785,622
		14,892,847	12,867,190
		506,474,411	328,652,812
		5,070,755,394	4,403,995,318

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

28. COST OF SALES

	Note	2016 Rupees	2015 Rupees
Raw and packing material consumed		2,096,247,729	1,739,018,266
Salaries, wages and benefits	28.1	297,902,233	292,601,550
Vehicle running and maintenance		20,323,723	21,588,374
Fuel and power		66,476,650	71,741,353
Stores consumed		20,934,432	19,889,551
Repair and maintenance		38,000,943	43,818,229
Insurance		5,761,382	5,135,028
Rent, rates and taxes		4,696,877	4,232,696
Fee and subscription		3,534,266	5,657,346
Printing and stationery		3,790,751	5,244,034
Telephone, postage and communication		1,019,412	2,407,458
Traveling and conveyance		3,214,024	4,195,504
Trainings, seminars and symposia		903,924	237,800
Consultancy and professional charges		287,000	1,821,956
Office supplies		25,003,025	20,891,479
Ijarah rentals		7,487,731	4,187,079
Depreciation	17.1.1	46,931,474	48,123,285
Amortization of intangible assets	18.2	15,443,418	15,443,418
Other direct cost		1,562,410	1,554,541
		2,659,521,404	2,307,788,947
Inventory effect of work in process			
Opening		54,006,164	55,356,113
Closing		(51,610,441)	(54,006,164)
		2,395,723	1,349,949
Cost of goods manufactured			
Inventory effect of finished goods (excluding purchased products)		2,661,917,127	2,309,138,896
Opening		190,760,824	140,089,826
Closing		(225,020,552)	(190,760,824)
		(34,259,728)	(50,670,998)
Cost of goods sold - manufactured products		2,627,657,399	2,258,467,898
Cost of goods sold - purchased products		65,077,963	54,334,099
		2,692,735,362	2,312,801,997

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
28.1 This includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		23,191,991	21,861,016
Defined contribution plan - Provident Fund		7,219,527	6,512,745
Provision for compensated leave absences		4,632,100	3,243,960
		35,043,618	31,617,721
29. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES			
Salaries and benefits	29.1	479,003,485	397,265,135
Literature, promotion and advertisement material		175,945,949	187,888,612
Sample goods		43,005,177	60,026,358
Printing and stationery		3,063,167	2,962,780
Traveling and conveyance		236,548,457	184,605,738
Telephone, postage and communication		6,081,260	6,754,886
Insurance		11,696,990	9,033,836
Vehicle running and maintenance		39,129,544	42,124,673
Donation	29.2	555,619	7,520,878
Freight		44,739,783	42,361,772
Legal and professional charges		305,978	1,795,115
Training, seminars and symposia		152,337,413	104,836,586
Newspapers and subscriptions		13,884,462	11,611,053
Ijarah rentals		17,140,675	6,394,304
Depreciation	17.1.1	16,216,663	16,263,004
Amortization of intangible assets	18.2	1,249,433	1,230,784
Commission on sales		36,006,327	39,141,472
Office supplies		1,833,348	1,421,114
Others		261,005	2,723,064
		1,279,004,735	1,125,961,164
29.1 This includes following staff retirement benefits:			
Defined benefit plan - Gratuity		7,385,072	8,036,914
Defined contribution plan - Provident Fund		8,858,155	7,546,920
Provision for compensated leave absences		7,516,073	5,139,216
		23,759,300	20,723,050
29.2 None of the directors or their spouses have any interest in the donees.			

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
30. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	30.1	160,546,179	153,927,488
Telephone, postage and communication		3,660,332	4,519,444
Rent, rates and taxes		6,588,429	5,588,697
Electricity, gas and water		1,041,241	730,382
Printing and stationery		5,628,491	5,112,739
Repairs and maintenance		3,360,282	5,319,259
Vehicle running and maintenance		20,663,744	22,954,387
Traveling and conveyance		9,989,187	10,505,637
Newspapers and subscriptions		1,932,336	3,007,156
Insurance		3,902,431	4,131,874
Auditors' remuneration	30.2	1,553,000	1,275,000
Legal and professional		1,834,489	2,426,939
Advertisement, seminars and symposia		1,313,505	274,250
Donation	30.3	4,034,940	1,709,951
Ijarah rentals		5,618,077	1,540,543
Depreciation	17.1.1	20,115,467	18,050,533
Office supplies		2,811,045	5,150,432
Others		392,220	409,550
		254,985,395	246,634,261
30.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		11,731,295	10,547,137
Defined contribution plan - Provident Fund		4,879,645	4,150,185
Provision for compensated leave absences		2,480,138	2,097,324
		19,091,078	16,794,646
30.2 Auditors' remuneration			
Statutory audit		1,098,000	875,000
Fee for review of half yearly financial information		290,000	265,000
Other certifications		90,000	60,000
Out of pocket		75,000	75,000
		1,553,000	1,275,000
30.3 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 2016

	Note	2016 Rupees	2015 Rupees
31. RESEARCH AND DEVELOPMENT EXPENSES			
Salaries and benefits	31.1	2,691,038	2,539,214
Traveling		265,530	45,024
Insurance		53,816	111,030
Vehicle repair and maintenance		251,128	194,461
Printing and stationery		57,826	57,271
Office supplies		24,670	8,708
Training, seminars and symposia		247,402	-
Others		61,147	85,110
		3,652,557	3,040,818
31.1 It includes the following staff retirement benefits:			
Defined contribution plan - Provident Fund		112,605	102,346
Provision for compensated leave absences		-	36,000
		112,605	138,346
32. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	12.2	41,441,924	35,089,751
Exchange loss- net		6,776,979	7,652,186
Workers' Welfare Fund		17,458,386	14,342,582
Central Research Fund		7,872,713	6,734,479
Intangible assets written off		-	9,203,431
		73,550,002	73,022,429
33. OTHER INCOME			
Income from financial assets			
Return on deposit		6,775,778	7,108,988
Income from non-financial assets			
Gain on disposal of property, plant and equipment	17.1.4	7,500,756	7,983,144
Scrap sales		4,074,115	4,791,944
Others		1,063,308	9,952,645
		19,413,957	29,836,721

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
34. FINANCE COSTS			
Mark-up on short term borrowings		143,416	428,345
Finance cost on liability against assets subject to finance lease		3,491,658	5,363,314
Interest on Workers' Profit Participation Fund	12.2	8,010	164,291
Bank charges		2,442,791	2,807,882
		6,085,875	8,763,832
35. TAXATION			
Current:			
For the year		253,710,317	226,758,535
Prior year		22,616,105	-
		276,326,422	226,758,535
Deferred:			
Relating to origination and reversal of temporary differences		(21,427,018)	(1,495,129)
Relating to changes in tax rate		-	(2,580,302)
		(21,427,018)	(4,075,431)
		254,899,404	222,683,104

35.1 The current and deferred tax charge as above relates to the Holding Company only. Since the Subsidiary Company has not yet started its commercial operation and can also avail tax credit under section 65D of the Income Tax Ordinance, 2001 upto 5 years from date of commercial production, due to which no current tax liability arises at reporting dates or in foreseeable future and deferred tax asset of the Subsidiary Company has also not been recognised as mentioned in note 11.2.

35.2 Reconciliation of tax charge for the year

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

	2016	2015
Applicable tax rate	31.00%	32.00%
Tax effect of amounts that are not deductible for tax purposes	0.18%	0.51%
Tax effect of prior year	2.90%	-
Tax effect of tax credit and tax rebate	-0.50%	-
Tax effect of applicability of lower rate on temporary differences	0.00%	-0.39%
Tax effect under presumptive tax regime and others	-0.91%	1.44%
	1.67%	1.56%
Average effective tax rate charged on income	32.67%	33.56%

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

		2016	2015
36. EARNINGS PER SHARE - BASIC AND DILUTED			
There is no dilutive effect on the basic earnings per share of the group which is based on:			
Profit after taxation	Rupees	525,256,021	440,924,434
			Restated
Weighted average number of ordinary shares	Number of shares	22,805,640	22,805,640
			Restated
Earnings per share	Rupees	23.03	19.33

36.1 The weighted average number of ordinary shares of 2015 have been restated due to issuance of 2,443,461 bonus shares by the Holding Company in 2016 in accordance with the requirement of IAS 33.

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2016			31 December 2015		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	-----Rupees-----					
Managerial remuneration	6,418,800	22,544,400	147,300,463	5,594,800	18,434,352	123,204,895
House allowance	2,567,520	792,303	53,643,305	2,237,920	1,200,000	44,485,078
Provident fund	534,836	879,148	9,947,777	466,197	799,176	8,593,765
Gratuity	565,784	5,619,453	21,876,397	539,636	5,371,224	17,946,068
Bonus	1,496,000	1,407,997	18,022,286	700,000	799,996	16,666,113
Utilities	641,880	1,593,731	13,410,826	559,480	2,034,045	11,121,270
Medical	-	1,128,002	3,435,246	86,584	2,574,387	2,564,232
	12,224,820	33,965,034	267,636,300	10,184,617	31,213,180	224,581,421
Number of persons	1	3	105	1	3	90

37.1 The Chief Executive, Executive Directors and 42 executives (2015: 40) have been provided with Company maintained cars while 61 executives (2015: 42) have been provided with cars under self-finance scheme with limited fuel and maintenance facility.

37.2 No meeting fees 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 2016

38. FINANCIAL RISK MANAGEMENT

38.1 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 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 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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

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

	2016	2015
Rupees per US Dollar Reporting date rate	104.40	104.70
	Changes in US \$ Rate	Effects on Profit Before Tax
		Rupees
2016	+10%	(2,423,573)
	-10%	2,423,573
2015	+10%	1,163,416
	-10%	(1,163,416)

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	2016	2015
Rupees per Euro Reporting date rate	109.46	121.74
	Changes in EUR € Rate	Effects on Profit Before Tax
		Rupees
2016	+10%	(2,316,174)
	-10%	2,316,174
2015	+10%	371,660
	-10%	(371,660)

(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:

	2016 Rupees	2015 Rupees
Floating rate instruments		
Financial liabilities		
Long term loan	95,000,000	-
Liabilities against assets subject to finance lease	37,471,868	33,349,682
Short term borrowings	-	-

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

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.

		Changes in Interest Rate	Effects on Profit Before Tax
			Rupees
Long term loan			
	2016	+1.50	(1,425,000)
		-1.50	1,425,000
	2015	-	-
Liabilities against assets subject to finance lease			
	2016	+1.50	(562,078)
		-1.50	562,078
	2015	+1.50	(500,245)
		-1.50	500,245

(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:

	2016 Rupees	2015 Rupees
Trade debts	75,154,453	67,897,899
Advances-Salaries	8,489,793	7,307,723
Trade deposits	23,816,912	24,946,919
Profit accrued	1,235,074	585,610
Other receivables	3,341,447	2,549,011
Bank balances	748,134,087	375,543,460
	860,171,766	478,830,622

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

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 2016, the Holding Company has 15 (2015:13) customers who owed the Company more than Rupees 1.00 million each and accounted for approximately 78% (2015:59%) of all receivables owing.

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

	2016 Rupees	2015 Rupees
Neither past due nor impaired	3,452,393	3,119,046
Past due but not impaired		
Past due 1-30 days	38,830,584	35,081,288
Past due 31-60 days	5,014,587	4,530,402
Past due 61-90 days	10,771,321	9,731,294
Over 90 days	17,085,568	15,435,867
	71,702,060	64,778,851
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:

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

Banks

	Rating			2016 Rupees	2015 Rupees
	Short term	Long term	Agency		
National Bank of Pakistan	A-1+	AAA	JCR - VIS	3,714,818	182,707
United Bank Limited	A-1+	AA+	JCR - VIS	18,086,996	15,124,764
Faysal Bank Limited	A1+	AA	JCR - VIS	14,092	14,092
Habib Bank Limited	A1+	AA+	JCR - VIS	576,112,152	355,777,572
Allied Bank Limited	A1+	AA	PACRA	670,293	718,460
JS Bank Limited	A1	A+	PACRA	71,440,732	1,400,844
Bank Al Habib Limited	A1+	AA+	PACRA	1,236,184	507,993
Meezan Bank Limited	A-1+	AA	JCR - VIS	1,505,313	469,957
Askari Bank Ltd	A-1+	AA	JCR - VIS	2,266,014	11,352
Mobilink MicroFinance Bank Ltd	A-1+	AA	JCR - VIS	927,522	-
Bank Islami Pakistan	A1	A+	PACRA	-	10,000
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	72,159,971	1,325,719
				748,134,087	375,543,460

(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 Company 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
-----Rupees-----						
31 December 2016						
Long term loan	95,000,000	115,933,510	1,915,021	3,629,417	58,809,698	51,579,374
Liabilities against assets subject to finance lease	37,471,868	40,484,174	9,519,737	13,201,967	10,069,627	7,692,843
Trade and other payables	447,394,255	447,394,255	447,394,255	-	-	-
Mark up payable	148,684	148,684	148,684	-	-	-
	580,014,807	603,960,623	458,977,697	16,831,384	68,879,325	59,272,217

	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	-	-	-
Mark up 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

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2016 and 2015 respectively. The rates of mark up have been disclosed in respective notes to the financial statements.

38.2 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

38.3 Financial instruments by categories

	2016		
	Cash and cash equivalents	Loans and advances	Total
-----Rupees-----			
Assets as per balance sheet			
Long term deposits	-	12,111,613	12,111,613
Advances	-	8,489,793	8,489,793
Trade debts	-	75,154,453	75,154,453
Trade deposits	-	11,705,299	11,705,299
Profit accrued	-	1,235,074	1,235,074
Other receivables	-	3,341,447	3,341,447
Cash and bank balances	750,292,799	-	750,292,799
	750,292,799	112,037,679	862,330,478

	2016
-----Rupees-----	
Financial Liabilities at amortized cost	
Liabilities as per balance sheet	
Long term loan	95,000,000
Liabilities against assets subject to finance lease	37,471,868
Markup accrued on secured loans	148,684
Trade and other payables	447,394,255
	580,014,807

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

38.3 Financial instruments by categories

	2015		
	Cash and cash equivalents	Loans and advances	Total
	-----Rupees-----		
Long term deposits	-	10,580,164	10,580,164
Advances	-	7,307,723	7,307,723
Trade debts	-	67,897,899	67,897,899
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

Assets as per balance sheet

Long term deposits	-	10,580,164	10,580,164
Advances	-	7,307,723	7,307,723
Trade debts	-	67,897,899	67,897,899
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

Liabilities as per balance sheet

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

38.4 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, 13 and note 14. 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

	2016 Rupees	2015 Rupees
Debt (See note 8, 13 and 14)	132,620,552	33,402,204
Equity	1,591,485,884	1,222,933,371
Total equity and debt	1,724,106,436	1,256,335,575
Gearing ratio	8:92	2:97

39. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprises subsidiary company, 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 not disclosed elsewhere are as follows:

	2016 Rupees	2015 Rupees
39.1 Sales of goods-net		
Associated undertaking	300,016,829	23,940,183
39.2 Purchases-net		
Associated undertaking	156,731,096	84,979,723
39.3 Contribution to employees' benefits fund:		
Contribution to Staff Provident Fund	21,069,932	18,312,196
Contribution to Employees' Welfare Trust	2,096,869	2,126,207
39.4 Related party transaction of subsidiary:		
Issue of shares to Non controlling interest of subsidiary	-	800
Repayment of interest free loans to directors of subsidiary	-	1,265,477
Purchase of shares from Non-controlling interest of subsidiary	11,070,000	-

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

40. PROVIDENT FUND TRUST

HNL has maintained an employee provident fund trust and investments out of provident fund are in the process of regularisation 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	2016 Rupees	%	2015 Rupees	%
Size of the fund		236,931,084		211,413,462	
Cost of investments made		119,951,373		99,951,373	
Percentage of investments made			95%		99%
Fair value of investment	40.1	223,912,450		208,612,141	
40.1 Breakup of investments					
Investment in shares (Listed Securities)		60,134,144	27%	48,441,355	23%
Term Deposits		-	-	21,766,791	10%
Term Finance Certificates		-	-	5,000,000	2%
Special Saving Certificates		49,098,096	22%	84,987,128	42%
Mutual Funds		114,680,210	51%	48,416,867	23%
		223,912,450	100%	208,612,141	100%

40.2 The figures of 2016 are based on un-audited financial statements.

	2016	2015
41. NUMBER OF EMPLOYEES		
Number of employees at the end of the year	1,420	1,152
Average number of employees during the year	1,286	1,081

42. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company in its meeting held on 16th March 2017 has proposed cash dividend at the rate of Rs. 8.50 (2015: Rs. 7.50) per share and 12% bonus shares for the year ended 31 December 2016, (2015: 12%) subject to the approval of shareholders in the Annual General Meeting to be held on 27th April 2017. These financial statements do not reflect these appropriations.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

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 85% dividend for the year ended 31 December 2016, 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 2016.

43. PLANT CAPACITY AND PRODUCTION

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

44. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Holding Company authorized the financial statements for issuance on 16th March 2017.

Dr. Adeel Abbas
Chief Executive Officer

Anees Ahmad Khan
Director

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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 failing him

Mr. _____ of _____

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 27, 2017 at 10.30 a.m. and at any adjournment thereof.

As witness under my/our hand(s) this _____ day of _____ 2017.

Witness:

(Member's Signature)

01 _____

02 _____

Affix Revenue
Stamp of Rs.5/-

Date: _____

Place: _____

Note:

1. This Form of Proxy duly completed in all respects, in order to be effective, must be submitted, 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. A Proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.
2. The Proxy Form should be signed by two 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.
3. In case of corporate entity, the board of directors' resolution / power of attorney with specimen signature shall be submitted along-with proxy to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary
HIGHNOON LABORATORIES LIMITED
17.5 Kilometer, Multan Road,
Lahore - 53700, Pakistan

پراکسی فارم

فولیو/سی ڈی سی اکاؤنٹ نمبر _____

میں/اہم _____ از _____ ڈسٹرکٹ _____

بحیثیت ممبر ہائی نون لیبارٹری لمیٹیڈ اور حامل _____ عمومی حصص کے مالکان ہیں۔ جناب _____

از _____ یا ان کی عدم دستیابی کی صورت میں جناب _____ از _____ کو کمپنی کے

سالانہ اجلاس عام جو کمپنی کے رجسٹرڈ دفتر 17.5 کلومیٹر ملتان روڈ لاہور میں 27 اپریل 2017 بوقت صبح 10:30 بجے ہے

میں شرکت کرنے حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

میں/اہم بروز _____ بتاریخ کو اپنے دستخط/مہر کے ساتھ اس امر کی تصدیق کرتا/کرتی ہوں/کرتے ہیں۔

دستخط ممبر

گواہ ہان

پانچ روپے کی ریونیو مہر پر دستخط

تاریخ:

جگہ:

اہم نکات۔

۱۔ باضابطہ مکمل شدہ اور دستخط کردہ یہ پراکسی فارم کمپنی کے رجسٹرڈ آفس بمقام 17.5 کلومیٹر ملتان روڈ لاہور میں اجلاس کے وقت سے 48 گھنٹے قبل پہنچ جانا

چاہئے۔

۲۔ پراکسی فارم دو افراد کی جانب سے گواہی کے ہمراہ ہونا چاہئے جن کے نام پتے اور سی این آئی سی نمبر فارم پر درج ہوں۔ پراکسی فارم کے ساتھ حصص دار اور پراکسی (نمائندہ) کی تصدیق شدہ شناختی کارڈ یا پاسپورٹ کی کاپی بھیجنا لازم ہے۔

۳۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نمونہ دستخط پراکسی فارم کے ساتھ کمپنی کو پیش کئے جائیں (اگر وہ پہلے پیش نہ کئے گئے ہوں)۔

صحیح ڈاک ٹکٹ چسپاں کریں

کمپنی سیکریٹری
ہائی نون لیبارٹریز لمیٹیڈ
۱۷۰۵ کلومیٹر ملتان روڈ، لاہور۔ ۵۳۷۰۰، پاکستان



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