

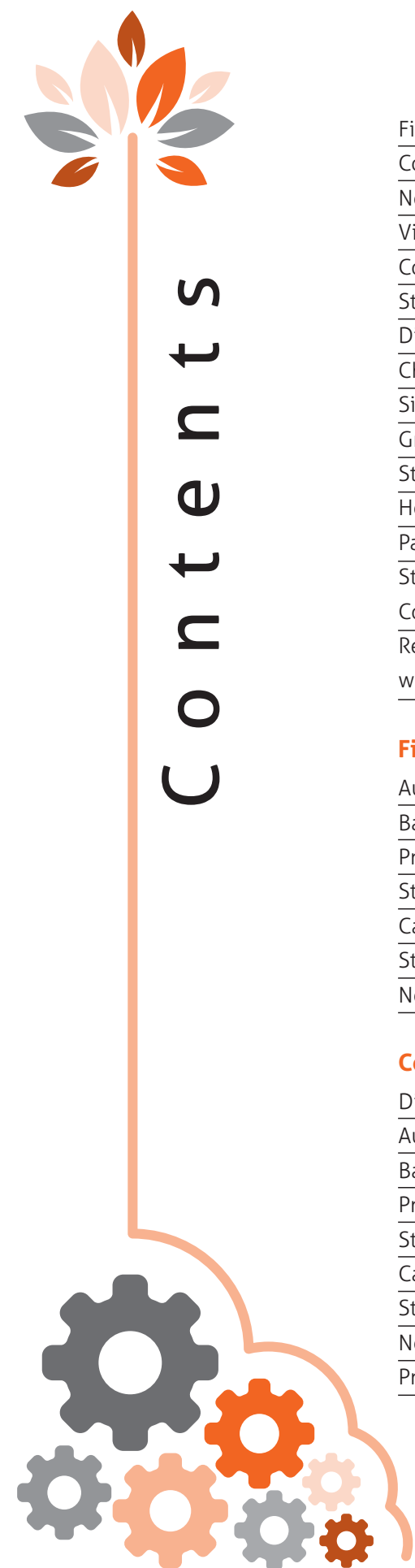


**ANNUAL
REPORT** | 2017



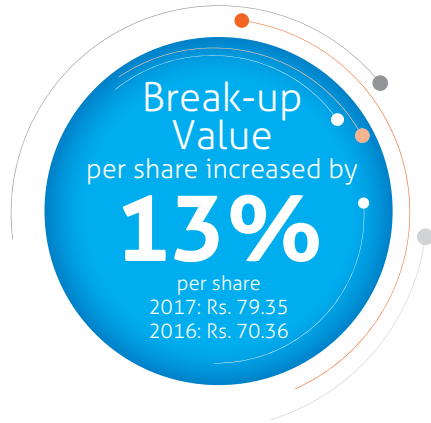
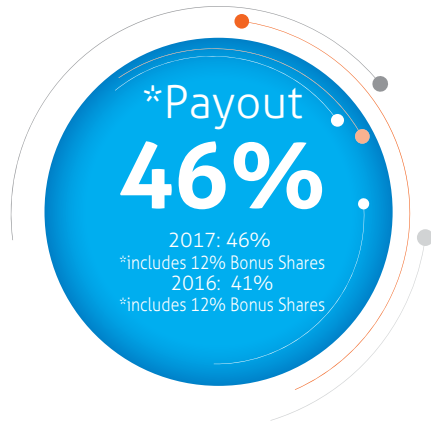
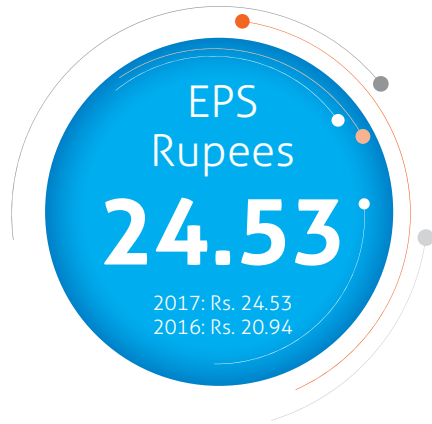
HIGHNOON LABORATORIES LIMITED

ANNUAL REPORT | 2017



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Financial Highlights



Company Information

Board of Directors

Mr. Tausif Ahmad Khan
Chairman

Dr. Adeel Abbas Haideri
Chief Executive Officer

Mr. Ghulam Hussain Khan
Mr. Romesh Elapata
Mr. Shazib Masud
Mr. Taufiq Ahmed Khan
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 Advisor

Raja Muhammad Akram
& Company

Tax Advisor

Yousuf Islam & Associates

Auditors

EY Ford Rhodes
Chartered Accountants

Shares Registrar

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

Audit Committee

Mr. Shazib Masud
Chairman
Mr. Ghulam Hussain Khan
Member
Mrs. Zainub Abbas
Member
Mr. Khadim Hussain Mirza
Secretary

Human Resource and Remuneration Committee

Mr. Tausif Ahmad Khan
Chairman
Dr. Adeel Abbas Haideri
Member
Mrs. Zainub Abbas
Member

Executive Committee

Dr. Adeel Abbas Haideri
CEO Chairman

Mr. Javed Hussain
ED (Finance) / CFO Member

Dr. Saleem Akhtar
Director
(Quality Operations) Member

Mr. Ahmad Raza
Director
(Product Development) Member

Mr. Aamir Zafar
Director - SB-1 Member

Mr. Ihsanullah Khan
Director
(Plant Operations) Member

Mr. Azfar Abbas Haideri
Director - SB-2 Member

I.T. Steering Committee

Dr. Adeel Abbas Haideri
CEO/MD Chairman

Mr. Javed Hussain
ED (Finance) / CFO Member

Mr. Aamir Zafar
Director - SB-1 Member

Mr. Azfar Abbas Haideri
Director - SB-2 Member

Mr. Amir Hafeez
Head of Information
Technology Member /
Secretary



Notice of Annual General Meeting

NOTICE is hereby given that 35th Annual General Meeting of Highnoon Laboratories Limited will be held on Tuesday, April 24, 2018 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 Annual General Meeting held on April 27, 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, 2017 together with Directors' and Auditors' Reports thereon.
3. To consider and approve payment of Cash Dividend at the rate of one hundred percent (100%) 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, 2018.
5. To discuss any other business with the permission of the Chair.

By order of the Board

Khadim Hussain Mirza
Company Secretary

Lahore
28 March 2018

Notes:

1. Share transfer books of the Company will remain closed from April 12, 2018 to April 23, 2018 (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 Shares 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. In compliance with regulatory requirement dividend will not be paid to shareholders whose CNIC Nos. are not available with the Company. Shareholders who have not yet provided copy of their CNIC are requested to provide the same to our Shares Registrar, M/s Corplink (Pvt.) Limited at the earliest.
5. To enable the Company to make tax deduction on the amount of cash dividend @15% instead of @ 20%, all shareholders who are filer of tax return are advised to make sure that their names are entered in the Active Tax Payers List (ATL) provided on the website of FBR, before the date of AGM. 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 Shares 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 on our website i.e. www.highnoon-labs.com to Registered Office of the Company or our Shares Registrar, M/s Corplink (Pvt.) Ltd. Please note that giving email address to receive Audited Accounts is optional; in case, you don't want to give the email address the same will be sent to you by post.

7. In compliance with S.R.O. 1145(I) 2017 of SECP and Section 242 of the Companies Act 2017, it is mandatory to make payment of any cash dividend through electronic mode by directly crediting the dividend amount in shareholder's designated bank account. Notices seeking bank account details were sent to shareholders earlier. The shareholders who have not yet provided details of their bank accounts are once again requested to provide the details giving Name of designated Bank, Branch Name and Address, Title of Account and IBAN No., copy of valid CNIC. CDC shareholders are requested to have their bank account details updated with their respective participant and physical shareholders send the details to the Company or our Shares Registrar, M/S Corplink (Pvt.) Ltd. Please mention Company name and Folio No. while sending the details of Bank Account.
8. If the Company receives consent on the following format from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 7 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. Annual Report for the year ended December 31, 2017 has been placed on website:
www.highnoon-labs.com



- 6- SECP کے نوٹیفکیشن کے مطابق آڈٹ شدہ حسابات بمعہ سالانہ اجلاس عام کے نوٹس شیئر ہولڈرز کو بذریعہ ای میل ارسال کیے جاسکتے ہیں لہذا وہ تمام ممبران جو کہ 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- کمپنیز ایکٹ کی دفعہ 242 اور ایس ای سی پی کے ایس آر نمبر 2017(1) 1145 کی روشنی میں اس امر کو یقینی بنایا جانا لازم ہے کہ حصص داران کو نقد منافع کی ترسیل برقی طریقہ کار سے حصص دار کے فراہم کردہ بینک اکاؤنٹس میں کی جائے۔ حصص داران کے بینک اکاؤنٹ کی تفصیلات جاننے کے لیے کمپنی پہلے ہی حصص داران کو خط کے ذریعے نوٹس جاری کر چکی ہے جن حصص داران نے اب تک اپنے بینک اکاؤنٹ کی تفصیلات فراہم نہیں کی ہیں۔ اُن سے گزارش ہے کہ وہ جلد از جلد اپنے بینک اکاؤنٹس کی تفصیلات جو کہ بینک کے نام، برانچ کا نام اور پتہ، بینک اکاؤنٹس ہولڈر کا نام، اور انٹرنیشنل بینک اکاؤنٹ نمبر (IBAN NO.)، CNIC کی کاپی پر مشتمل ہیں فراہم کر دیں۔ وہ حصص داران جن کے حصص سی ڈی سی پر ہیں وہ اپنے بینک اکاؤنٹ کی تفصیلات اپنے شیئر بروکر کو فراہم کریں جبکہ فزیکل شیئر ہولڈرز اپنے بینک کی اکاؤنٹ کی تفصیلات کمپنی کے شیئر رجسٹرار میسرز کارپ لنک (پرائیویٹ) لمیٹڈ کو فراہم کریں۔ بینک اکاؤنٹ کی تفصیلات بھیجتے ہوئے اپنا فونو نمبر اور کمپنی کا نام ضرور لکھیں۔
- 8- سیکورٹیز 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 بشرطیکہ کمپنی کو ممبران کی طرف سے جن مقامات سے تجاویز موصول ہوں ان کے مجموعی حصص 10% یا زائد ہوں۔ اور ان کی درخواست اجلاس سے کم از کم 7 دن پہلے موصول ہو جائے۔ 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 جائے گا اس سلسلے میں درج ذیل فارمیٹ پر اجلاس کے انعقاد سے 7 دن پہلے اپنی درخواست بھیج دیں۔

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

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

دستخط حصہ دار

9- کمپنی کے تفتیح شدہ حسابات سال مختتمہ 31 دسمبر 2017ء کمپنی کی ویب سائٹ www.highnoon-labs.com پر موجود ہیں۔

- ہائی نون لیبارٹریز لمیٹڈ کے حصص داران کا پینتیسواں سالانہ اجلاس عام بروز منگل 24 اپریل 2018ء بوقت 10:30 بجے صبح کمپنی کے رجسٹرڈ دفتر 17.5 کلومیٹر ملتان روڈ، لاہور میں مندرجہ ذیل امور پر فیصلہ کیلئے منعقد ہوگا۔
- 1- گزشتہ سالانہ اجلاس عام منعقدہ 27 اپریل 2017ء کی کارروائی کی توثیق۔
 - 2- 31 دسمبر 2017ء کو ختم ہونے والے مالی سال کی بابت کمپنی کے تفتیح شدہ حسابات بمعہ اشتمال شدہ حسابات ہمراہ ڈائریکٹران و آڈیٹران کی رپورٹس پر غور اور ان کی قبولیت۔
 - 3- ڈائریکٹران کے سفارش کردہ سو فیصد (100%) نقد منافع کی ادائیگی اور بارہ فیصد (12%) بونس شیئرز کے اجراء کی منظوری۔
 - 4- آئندہ مالی سال مختتمہ 31 دسمبر 2018ء کے لیے آڈیٹران کا تقرر اور ان کے صلہ خدمت کا تعین۔
 - 5- چیئرمین کی اجازت سے دیگر امور کی انجام دہی۔

بجلم بورڈ آف ڈائریکٹرز

(خادم حسین مرزا)

کمپنی سیکرٹری

لاہور

مورخہ 28 مارچ 2018ء

نوٹ:

- 1- کمپنی کی منتقلی حصص کتب 12 تا 23 اپریل 2018ء (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 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 کمپوٹرائزڈ شناختی کارڈ کی کاپی اگر پہلے فراہم نہیں کی تو فوراً ارسال کریں۔ ایس ای سی پی کی ہدایت کے مطابق جن شیئر ہولڈرز کے شناختی کارڈ نمبر کا اندراج کمپنی کے ریکارڈ میں نہیں ہوگا انھیں ڈیویڈنڈ کی ادائیگی نہیں ہوگی۔
- 4- سینٹرل ڈیپازٹری کمپنی کی وساطت سے درج تمام حصہ 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- اس امر کو یقینی بنانے کے لیے کہ کمپنی آپ کے نقد منافع (کیش ڈیویڈنڈ) میں سے 15% کے بجائے 20% ٹیکس کٹوتی نہ کرے وہ تمام شیئر 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 ہیں 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۔ کارپوریٹ شیئر 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) آپ ڈیٹ کرالیں جبکہ کارپوریٹ فزیکل شیئر ہولڈرز کے لیے ضروری ہے کہ وہ اپنے این ٹی این سرٹیفکیٹ کی نقل کمپنی یا اس کے شیئر 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.

Enhance export business.

Gain confidence of Doctors, Pharmacists and Consumers who use our products.

Seek employee involvement, continuous improvement and enhanced performance goals.



Statement of Ethics & Core Value

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, 2017. Financial highlights are given hereunder:

Financial Highlights of the Company

| | 2017 Rs. '000' |
|--|-------------------|
| Profit before tax | 912,299 |
| Taxation | (285,834) |
| Profit after tax | 626,465 |
| Un-appropriated profit brought forward | 1,262,456 |
| Incremental Depreciation relating to surplus on revaluation of fixed assets - net of tax | 6,101 |
| Other Comprehensive loss - net of tax | (11,281) |
| Profit available for appropriation | 1,883,741 |
| Appropriations: | |
| Cash Dividend for the FY 2016 @ Rs.8.50 per share. | (193,849) |
| Bonus Shares @ 12% FY 2016 | (27,367) |
| | 1,662,525 |

Earnings per share

Based on the audited accounts for the year ended December 31, 2017, the earnings per share (EPS) of the Company worked to Rs. 24.53 (2016: Rs.20.94 Restated).

Dividend Announcement

The Board of Directors of the Company have recommended a final cash dividend of one hundred percent (100%) (2016:85%) i.e. Rs.10/- per share (2016: Rs. 8.50 per share) and bonus shares at the rate of twelve percent (12%) i.e., 12 (twelve) shares for every 100 shares (2016: 12%) for the financial year ended 31 December 2017, 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 2017 as required under Section 227 of the Companies Act 2017 and listing regulations is presented on Page 40 of the Annual Report 2017.

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

Mr. Anees Ahmad Khan Vice Chairman / Director of the Company passed away on January 14, 2018. He associated with the Company for more than two decades. He was a meticulous professional and a great human. His love and affection will be remembered in times to come. He was a strong believer of Dua. Allah almighty may rest the departed soul in eternal peace and grant courage and patience to his family and those all associated with him to bear this irreparable loss Amen.

Mr. Romesh Elapata has been appointed as director of the Company to fill casual vacancy occurred due to sad demise of Mr. Anees Ahmad Khan Vice Chairman / Director of the Company.

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 2017 except following:

| S. No. | Name | Deletion/Sale No of Shares | Remarks |
|--------|-------------------------|----------------------------|--------------------|
| 1. | Mr. Ghulam Hussain Khan | 7,000 | Sold in the market |
| 2. | Mr. Taufiq Ahmed Khan | 5,350 | Sold in the market |

In compliance with requirements of Regulations of Pakistan Stock Exchange, the members of the board in a meeting held immediately after the transactions 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. G. H. Khan, | Member |
| 3. | Mrs. Zainub Abbas | Member |

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

| S. No. | Name of Members | Attendance |
|--------|-------------------------|------------|
| 1. | Mr. Shazib Masud | 6 |
| 2. | Mr. Ghulam Hussain Khan | 6 |
| 3. | Mrs. Zainub Abbas | 4 |

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 |

The meeting of the Committee held one time in the year under review, attendance in the meeting is given as under.

| S. No. | Name of Members | Attendance |
|--------|-------------------------|------------|
| 1. | Mr. Tausif Ahmad Khan | - |
| 2. | Dr. Adeel Abbas Haideri | 1 |
| 3. | Mrs. Zainub Abbas | 1 |

Directors' Report to the Shareholders

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.

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 2018. The Audit Committee has recommended the appointment of EY Ford Rhodes, Chartered Accountants as Auditors of the Company for the year ended 31 December 2018 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.

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 applicable laws and regulations. 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 2017 and the Company has not entered into any commitment, which would affect the financial position at the report date.
9. None of the Directors has been convicted as a defaulter in payment of any loans of Banks / DFIs, neither they nor their spouses are engaged in the business of stock brokerage. The Board has separately appended "Statement of Compliance with Best Practices of Corporate Governance" and auditors have given unqualified review report thereon.

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

11. The value of investment of the Provident Fund based on un-audited accounts as on 31 December 2017 was Rs.176.113 million as compared to Rs.223.912 million as per audited accounts of 31 December 2016.

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 in compliance with requirement of section 227(5) of Companies Act 2017, authorized the Chief Executive Officer and a Director to sign the Directors' Report on behalf of the Board.

For and on behalf of the Board

Dr. Adeel Abbas Haideri
Chief Executive Officer

Taufiq Ahmed Khan
Director

Lahore: March 09, 2018



ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے سالانہ نتیجے شدہ مالیاتی گوشوارے برائے سال دسمبر 31 2017ء، حصص داران کو پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

کمپنی کے مالیاتی حسابات کی جھلکیاں

| 2017 '000 روپے | |
|-------------------|---|
| 912,299 | ٹیکس سے پہلے کا منافع |
| (285,834) | ٹیکس |
| 626,465 | بعد از ٹیکس منافع |
| 1,262,456 | سابقہ غیر تقسیم شدہ منافع |
| 6,101 | مستقل اثاثوں کی ریبیلیویشن سے متعلق اضافی فرسودگی |
| (11,281) | متفرق آمدن بعد از ٹیکس |
| 1,883,741 | منافع برائے تقسیم |
| | منافع کی تقسیم سال 2016ء |
| (193,849) | نقد منافع کی تقسیم با حساب 8.50 روپے فی حصص |
| (27,367) | بونس حصص با حساب %12 فیصد |
| 1,662,525 | |

اس سال کمپنی کی خالص فروخت آمدن 5.971 ارب روپے ہے اور اس کا موازنہ پچھلے سال کی اسی مدت کی خالص فروخت 5.070 ارب روپے سے کیا جائے تو اضافے کی شرح 17.75 فیصد ہے۔ زیر جائزہ مدت میں خام منافع 2.845 ارب روپے رہا اور اس کے موازنہ میں پچھلے سال اسی مدت میں خام منافع 2.378 ارب روپے تھا۔ کل فروخت پر خام منافع کی شرح برائے سال 31 دسمبر 2017/48 فیصد اور برائے سال 31 دسمبر 2016/47 فیصد رہی۔ ڈسٹری بیوشن، مارکیٹنگ اور انتظامی اخراجات میں پچھلے سال اسی عرصہ کی نسبت بالترتیب 25 فیصد اور 13.59 فیصد اضافہ ہوا۔ اخراجات میں اضافہ کی بڑی وجہ کسٹمر پر بہتر توجہ دینے اور مارکیٹ میں بہتر رسائی کے لیے مارکیٹنگ ٹیم کے حجم میں اضافہ ہے۔ اس سال خالص منافع بعد از ٹیکس 626.46 ملین روپے رہا جو پچھلے سال اسی مدت میں 534.97 ملین روپے تھا۔

کمپنی کا فی حصص منافع

کمپنی کے مالیاتی حسابات برائے سال 2017 کی بنیاد پر کمپنی کی فی حصص آمدن 24.53 روپے فی حصص رہی جو کہ 2016ء میں 20.94 روپے فی حصص تھی۔

ڈیویڈنڈ کا اعلان

کمپنی کے بورڈ آف ڈائریکٹرز نے برائے سال دسمبر 31 2017ء، حصص داران کے لیے سو فیصد 100% نقد ڈیویڈنڈ اور بارہ فیصد 12% بونس شیئرز کے اجراء کی سفارش کی ہے۔ یہ ڈیویڈنڈ حصص داران کی طرف سے سالانہ اجلاس عام مورخہ 24 اپریل 2018ء میں منظوری سے منسوب ہے۔

شیئرز ہولڈنگ کی تفصیل

کمپنیز ایکٹ 2017ء کی دفعہ 227 کے تحت شیئرز ہولڈنگ کی تفصیل سالانہ رپورٹ 2017 کے صفحہ 40 پر موجود ہے۔

میں بورڈ آف ڈائریکٹرز کی جانب سے اپنے یہ تمام حصص داران، ڈاکٹرز، فارماسیسٹس، صارفین، شراکت داروں اور بینکوں کی دست گیری 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 رپورٹ کا اہم حصہ ہے۔

منجانب بورڈ آف ڈائریکٹرز

ڈاکٹر عدیل عباس
چیئنگ ڈائریکٹر

توفیق احمد خان
ڈائریکٹر

لاہور

9 مارچ 2018ء

رفتار اپنا جنون

Chairman's Review

On January 14, 2018, our Vice Chairman and former Managing Director Mr. Anees Ahmad Khan breathed his last. The entire Highnoon family is bereaved on his sudden and untimely death. We were very fortunate to have had the benefit of his wisdom and experience as a member of our Board of Directors since 1988. The late Mr. Anees Ahmad Khan provided invaluable guidance throughout his association with the company. His approach and attention to details and search for innovation will always be remembered with love and respect.

Let's pray that Allah Almighty may rest his soul in peace and grant courage and patience to the family, relatives, friends and all those who were associated with him to bear the irreparable loss.



I now welcome you to the 35th Annual General Meeting of the Company. I am delighted to present Highnoon's annual performance review along with the audited financial statements and the auditor's report for the year ended 31st December 2017.

This past year was an exceptional year in Highnoon's history, one of our best, and I cannot be prouder of our team. We kept promises made to ourselves, to our customers and to our shareholders. Throughout 2017, we made great strides in solidifying our progress. Our team achieved record sales, earnings and our growth in business outperformed the Industry. Our performance reflected our unrelenting focus on strong operational execution and a commitment to innovation. Our ability to deliver quality products continues to be our key and driving strength. We continued to show improvement in our profitability and are geared to deliver future growth. The performance of the Company clearly demonstrates that we are executing our strategy very well.

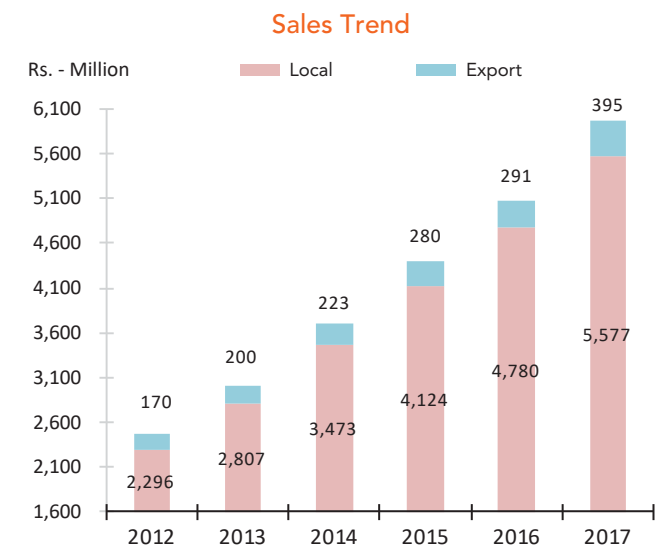
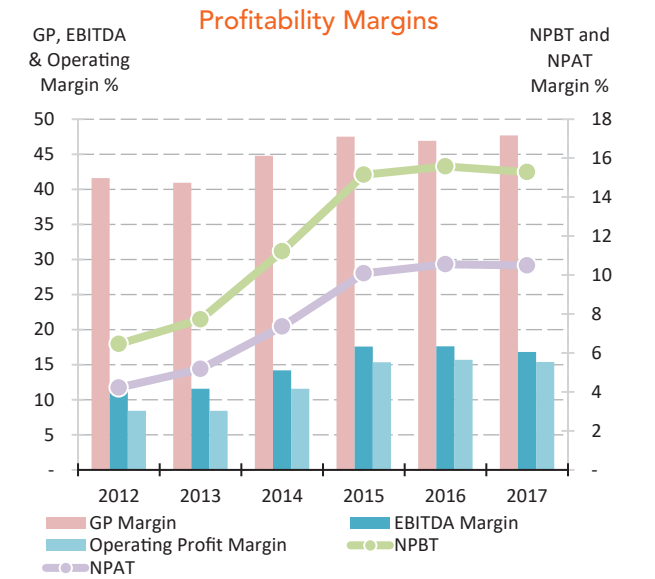
Net sales revenue increased to Rs.5,971 million registering a growth of 18 percent over last year and earnings per share rose by 17 percent to Rs. 24.53. Local sales revenue increased by 19 percent while revenue from exports registered an increase of 36 percent. International Business remains our priority. We will expand our international business as approvals and

product registrations that are currently pending in various countries come in place. We are increasing our foot print in new markets and territories as our products get registered. In the current year we have added Somalia, Tanzania and Zambia in our export territories.



Cost of sales was kept under control through continuously building capacities and efficiency improvements. These measures have resulted in cost savings in the current year and as a result gross profit increased by 0.77 percent.

Distribution and selling expenses increased by Rs. 321 million over preceding year. Increase in selling and marketing costs is primarily due to planned launches of new products and significant expansion in sales personnel for broader customer base and an increased emphasis on patient awareness and education. Other operational expenses remained under control with no significant increase over last year.



Chairman's Review

Products & Market Update

This was the fifth consecutive year of high double-digit growth of sales revenue. The Company in terms of revenue is now ranked 19th in the domestic industry (IMS MAT 12/2017) with the Company's three brands Combivair (long-acting beta-agonist), Kestine (antihistamine) and Tagipmet (oral antihyperglycemic) featured among top 200 brands. The company plans to continue its focused pursuit to harness the potential of the existing products, launch new products selectively and increase productivity. This approach has given us focus to grow our brands in cardiometabolics, anti-infectives and respiratory segments.

Our key therapeutic segments: Alimentary tract & Metabolism, Cardiometabolic and Respiratory continued to outpace the growth of the industry in similar segments.

Sales revenue from Alimentary tract and Metabolism segments grew to Rs. 1,885 million showing an increase of 18% over last year (IMS MAT 12/2017). The growth in this segment exceeded the industry growth by 6 percent. In this segment, our core brands namely Tres Orix Forte, Ulsanic and Skilax maintained their market position whereas Rabecid and Cidine improved respective market share by registering growth of over 20 percent. Tagipmet which is relatively a newer brand rose by 43 percent over last year by recording a turnover of over Rs. 380 million. The success of Tagipmet was fortified with the launch of a sustained release formulation.



Our growth in Respiratory segment has remained phenomenal. In a short span of few years, our respiratory portfolio has attained leadership position and our flagship brands Combivair and Tiovaair are now the most prescribed brands in the respective therapeutic category. Combivair has crossed Rs.500 million to become the largest brand of the inhalation market. The respiratory business grew by 19 percent as compared to segment growth of 5 percent (IMS MAT 12/2017). Kestine, an anti-histamine drug is another success registering a growth of 25 percent over last year and sales of Rs. 400 million.



Our Cardiovascular portfolio grew by 23 percent (IMS MAT 12/2017) as compared to the market growth of 11 percent. This growth is being driven by the newly launched products and variants. Misar, an angiotensin receptor blocker (ARB) for the management of hypertension has grown by over 37 percent. Similarly, growth of Nebix, a cardio selective beta blocking agent also remained in limelight and registered a growth of over 78 percent. Our recently launched, Triforge, a combination tablet of amlodipine, valsartan and hydrochlorothiazide has been very well received by the cardiologists. We are confident that Triforge will soon be the drug of choice prescribed by the medical practitioners. We are working on several new products that will augment and build a constant revenue base in this therapeutic segment.



Bonnisan™
For bonny, healthy babies
بچوں کی بہترین نشوونما کا ضامن

The herbal portfolio of the company is also progressing well, Bonnisan a herbal medicine for common GI disorders in infants and children crossed sales of Rs. 100 million in a short span of two years.

We have a vigorous business and a product development team that searches and follows medical advancements all over the world. We participate in global medical conferences to ensure that we are aware and connected with the latest research. In the year under review, we filed record 60 new product applications. This brings our total filings to 113 with Drug Regulatory Authority of Pakistan. Likewise, we have filed several dossiers in various countries and await approvals. We plan to grow our international business in several regions around the world where the pharmaceutical spend is projected to grow by double digits in the next few years, such as the CIS countries, Africa, and Far East.



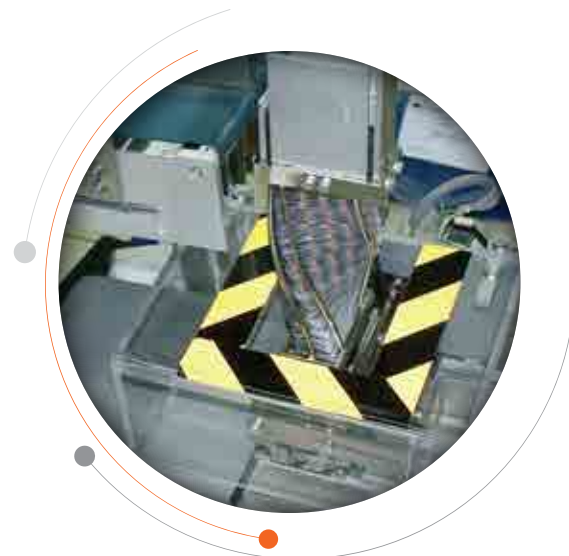
Chairman's Review

Operational Excellence

Our manufacturing operations are geared to meet the rising challenges of compliance requirements. Your Company pays special attention to the quality of its products. We rely on our processes, controls, checks and balances at all levels to ensure that we consistently produce quality products. We endeavor to raise operational efficiencies to derive maximum productivity from our resources. Key Operational Excellence initiatives are implemented to facilitate production output and to ensure compliance with the evolving regulatory standards.

The efforts to match our production capacity to our sales growth has resulted in increased productivity of 9% over last year. As reported last year, we had committed Rs 100 million towards upgrading our liquid dosage form facility. The new liquid line with auto cartonating capability will be operational at the end of 2nd quarter of 2018. We also plan to increase our packaging capacity and our storage capacity. These investments will enable our manufacturing plant to deliver the growing demand of the market.

Quality compliance strengthens every aspect of our business. Our consistent focus on quality is demonstrated at every stage, from product development to manufacturing and finally to distribution. In addition, we also ensure that quality standards are met in the processes, procedures and products. The manufacturing facilities adhere to rigorous quality framework and assurance procedures. Quality is a key driver in our manufacturing process that ensures that our products are manufactured in line with cGMP norms and the quality benchmark standards. Our mission to raise our benchmark standards year by year is validated by our ability to consistently comply to numerous regulatory audits.



One Team

Our people are our partners in progress. Employee empowerment drives our growth to the next level. Our leadership team plays an important role and ensures that our strategies are implemented and that there are no gaps in execution. The Leadership Team aligns the objectives of our employees with those of the organization and sustains a motivated culture. Enhancing organizational effectiveness remained a top priority. During the year, the Company initiated several training and self-development activities to enhance and enrich employee knowledge and capabilities.

We continuously invest in our people and strive to maintain a work culture around trust and transparency. We retain the best people and provide a healthy, happy and motivating work place. As part of our recognizing, appreciating and caring outlook, we provide health insurance cover for our employees and this year we extended health insurance coverage to the parents of the employees as well.

Human Resource acts as a nucleus of the company. An effective employee performance appraisal program is in place to assess work performance. Quarterly and annual performance assessments are conducted effectively with necessary feedback and employees are encouraged to raise the bar and perform to their potential.

Our consistent and structured interactions and communication platforms keep everyone informed of the strategy, performance and objectives. Encouraged by the results of pilot program launched last year of equipping one of our sales team with e-detailing solution, we have extended the digital solution across all teams to enhance the impact of their communication to establish brand awareness.



Corporate Social Responsibility

The Company has always believed in 'giving back to society' and has regularly supported and contributed to a variety of causes including relief and rehabilitation, promotion of education, provision of free medicines, child and women development schemes. The operating philosophy of the Company has been guided by the approach to give back and the Company has been regularly contributing to socially responsible activities as an integral part of its governance.

We have responsibility towards society and towards patients living with serious health challenges. Thalassaemia is one such issue affecting thousands of Pakistani children every year. We have been supporting these children for the last many years by providing free of cost iron chelating agent to the patients suffering from blood disorders. This year however, we took a step forward and broadened the scope of our contribution and established a Thalassaemia Centre in Lahore in collaboration with Pakistan Red Crescent Society.

Improving educational opportunities and employability has been another initiative that integrates and aligns with our business operations. Education is another area where the Company regularly contributes with an objective that the students get needed assistance and right environment and facility to pursue their education. During the year the Company signed an Memorandum of Understanding for provision of financial assistance to the needy students of Punjab University College of Pharmacy. Similarly, a program has been initiated to support deserving children of company employees towards professional education at undergraduate/ post graduate level.



The company also supports women empowerment projects to boost the confidence and to help women to fully participate in society. We launched a 'Women's Forum' where the female employees of the company are encouraged to participate, discuss and resolve various facets of everyday work life.

Looking Ahead

The pharmaceutical market in Pakistan is growing faster than the markets of many countries. Population growth and increasing access to healthcare will increase demand for all healthcare services. Demand for pharmaceuticals will also rise.

Undoubtedly, the road to growth is not without challenges. In fact, the pharmaceutical business in Pakistan has multiple challenges such as price control of medicines and the devaluation of the Rupee. However, we are confident of our capability to deliver even during the challenging times.

I take this opportunity to thank the members of the medical profession, trade, institutions, government and semi-government hospitals, customers and shareholders for their continued trust and support. On behalf of the management, I would also like to thank all the employees of the company for their deep commitment towards achieving the company's objectives. I am confident that with this commitment and support, Highnoon will continue to surge forward on the path to greater growth.

I look forward to another successful year.

For & on behalf of the Board

Tausif Ahmad Khan
Chairman

March 09, 2018



جائزہ از چیمبر مین

ہماری ہمیشہ کوشش رہی ہے کہ ہم اپنے وسائل کو بروئے کار لاتے ہوئے اپنی پیداواری صلاحیت اور کارکردگی میں اضافہ کریں۔ پیداواری صلاحیت بڑھانے اور بہتر کارکردگی کے حصول کے لیے کمپنی کے تمام شعبہ جات کا مستقل بنیادوں پر تجزیہ کمپنی میں ایک مسلسل عمل ہے۔ ضابطہ معیار کی تعمیل اور اس میں بہتری کے عمل کو برقرار رکھنے کے لیے کمپنی کے ادویات کے پیداواری یونٹ میں کارکردگی کو جانچنے کے لیے اہم نکات تیار کر کے نافذ العمل کر دیئے گئے ہیں۔ ہماری پیداواری صلاحیتوں کو بڑھانے کی کوششوں اور پیداواری یونٹ میں سرمایہ کاری کے نتیجے میں ہماری ادویات کی پیداواریں 9 فیصد اضافہ ہوا۔

ہم نے پچھلے سال کی رپورٹ میں مانع ادویات کی تیاری کے سیکشن میں 100 ملین روپے کی سرمایہ کاری کا ذکر کیا تھا۔ یہ مانع ادویات کی لائن بمعہ خود کار رنگ مشین 2018ء کی دوسری سہ ماہی میں کام شروع کر دے گی۔ ہم اپنی ادویات کی سٹوریج اور پیکنگ کی صلاحیت بڑھانے کی منصوبہ بندی بھی رکھتے ہیں۔ یہ سرمایہ کاری مارکیٹ میں ہماری ادویات کی بڑھتی ہوئی مانگ پوری کرنے کے سلسلہ میں مددگار ثابت ہوگی۔

معیار کی تعمیل ہمارے کاروبار کے ہر پہلو میں نمایاں ہے۔ ادویات کی تیاری، ان کی پیداوار اور ترسیل کے عمل میں معیار کی برقراری ہمیشہ ہماری توجہ کا مرکز رہتی ہے اس کے علاوہ ہماری ہمیشہ کوشش رہتی ہے کہ ہم ادویات کی تیاری اور ان کو تیار کرنے کے طریقہ کار میں معیار کی تعمیل کو ہمیشہ یقینی بنائیں۔ ہم ادویات کی تیاری کے نہایت ہی سخت قوانین پر عمل کو ہمیشہ یقینی بناتے ہیں۔ ہم ہمیشہ دور حاضر کے ادویات بنانے کے طریقہ کار پر عمل کرتے ہوئے اچھی معیاری ادویات تیار کرتے ہیں۔ ادویات کے معیار کو برقرار رکھنے اور ادویات کی تیاری کے عمل میں بہتری لانا کمپنی میں ایک مسلسل عمل ہے۔ ہمارے ریگولیٹری آڈٹ کے ذریعے ہمارے ان کاموں کی توثیق تواتر سے ہوتی ہے۔

ہمارے ملازمین ترقی میں ہمارے شراکت دار ہیں اور ترقی کی اگلی منازل میں ان کا کردار نہایت اہم ہے۔ ہماری سربراہ ٹیم بھی اس سلسلے میں نہایت اہم کردار کی حامل ہے۔ یہ ملازمین کی اپنے کام کے مقاصد کے ساتھ کمپنی کے مقاصد میں ہم آہنگی پیدا کرنے میں ان کی مدد کرتے ہیں اور صحیح سمت کے تعین میں ان کی حوصلہ افزائی اور مدد کرتے ہیں۔ ملازمین کی علمی قابلیت اور صلاحیت بڑھانے کے لیے زیر جائزہ سال میں کمپنی نے تربیتی اور خود انحصاری سے متعلق بہت سی سرگرمیاں منعقد کیں۔

ہماری پالیسی یہ ہے کہ ہم اپنی افرادی قوت پر سرمایہ کاری کے عمل کو جاری رکھیں گے۔ اس سال کے دوران ہم نے اپنے ملازمین اور ان پر انحصار کرنے والے خاندان کے افراد جن میں ان کے والدین بھی شامل ہیں کی صحت کے متعلق کمپنی کی نئی پالیسی متعارف کروائی ہے۔ ملازمین کے کام سے متوقع امور اور ان کی عملی کارکردگی کو جانچنے کے لیے کمپنی میں ایک نہایت ہی مؤثر طریقہ کار نافذ العمل ہے۔ اس طریقہ کار سے ملازمین کی عملی کارکردگی کو سہ ماہی اور سالانہ بنیادوں پر جانچا جاتا ہے۔ بہتر کارکردگی دکھانے والے ملازمین کی حوصلہ افزائی کی جاتی ہے اور انھیں پورا موقع فراہم کیا جاتا ہے کہ وہ اپنی کارکردگی کو مزید نکھاریں۔

ملازمین کو مختلف پلیٹ فارمز کے توسط سے کمپنی کی حکمت عملی اور ان کے کام سے متعلق مقاصد اور کارکردگی سے مسلسل آگاہی دی جاتی ہے۔ پچھلے سال ہم نے ایک پائلٹ پروگرام کے تحت اپنی ایک فروخت کاری کی ٹیم کو برقی تفصیلات فراہمی (e-detailing) کے آلات فراہم کیے تھے۔ اس پروگرام کے نتائج نہایت حوصلہ افزاء رہے، جس کی بناء پر یہ فیصلہ کیا گیا ہے کہ کمپنی کی فروخت کاری کی تمام ٹیموں میں ان برقی تفصیلات فراہمی (e-detailing) کے آلات فراہم کر دیئے جائیں۔ جس کے نتیجے میں ان کی برانڈ سے متعلق معلومات میں اضافہ ہوگا اور وہ بہتر طریقہ سے یہ معلومات دوسروں تک پہنچا سکیں گے۔

ہائی نون لیبارٹریز لمیٹڈ بہت عرصہ سے اپنی سماجی ذمہ داری نبھاتے ہوئے بہت سے سماجی کاموں میں حصہ لیتی رہی ہے۔ جن میں امداد، بحالی کا عمل، تعلیم کا فروغ، مفت ادویات کی فراہمی، عورتوں اور بچوں کی ترقی کا عمل اور بہت سے اور کام شامل ہیں۔

جائزہ از چیمبر مین

نگین امراض کے شکار مریضوں کے فوائد اور اچھا معاشرہ تشکیل دینے کے لئے کمپنی بہت سے کام کرتی رہی ہے۔ نگین امراض میں سے ایک مرض تھیلیسیما ہے ہر سال ہزاروں پاکستانی بچے اس مرض میں مبتلا ہو جاتے ہیں۔ ہم اس مسئلے کے سلسلے میں خون کے امراض سے متعلق بیماریوں کے مریضوں کو آئرن کی زیادتی دور کرنے سے متعلق ادویات مفت فراہم کر رہے ہیں۔ زیر جائزہ سال میں ہم ایک قدم اور آگے بڑھے ہیں اور پاکستان ریڈ کریسنٹ سوسائٹی کے اشتراک سے تھیلیسیما سنٹر لاہور قائم کیا ہے۔ تعلیم اور روزگار کے مواقعوں کی فراہمی کمپنی کا ایک اور نہایت اہم عمل ہے۔ ضرورت مند طالب علموں کی مدد اور انھیں اچھے ماحول کی فراہمی کمپنی کے اہم مقاصد میں سے ایک مقصد ہے۔ زیر جائزہ سال میں کمپنی نے ضرورت مند طلباء کی مالی معاونت کے لیے پنجاب یونیورسٹی کالج آف فارمیسی کے ساتھ ایک یادداشت پر دستخط کیے۔ اسی طرح ایک پروگرام کا آغاز کیا گیا جس کے تحت کمپنی کے ملازمین کے مستحق بچوں کو پیشہ ورانہ تعلیم کے حصول کے لیے کمپنی کی مدد شامل ہے۔

کمپنی خواتین میں خود اعتمادی کو فروغ دینے اور بااختیار عورت کے منصوبے پر پورا یقین رکھتی ہے۔ انھیں معاشرے کا ایک اہم ستون بننے میں ان کی مددگار ہے۔ اسی سلسلے میں ایک 'وو مین فورم' کا آغاز کیا گیا ہے۔ یہ فورم خواتین کو اپنے روزمرہ کے مسائل میں حل کے لیے ان کو رہنمائی فراہم کرے گا۔

بے شک ترقی کا راستہ بہت مشکل ہے۔ پاکستان میں دواسازی کی صنعت کو بہت سی مشکلات کا سامنا ہے جن میں ادویات کی قیمتوں پر کنٹرول اور روپے کی گرتی ہوئی قدر شامل ہیں۔ ان مشکلات کے باوجود ہم کاروبار میں بہتری کے لئے پُر اعتماد ہیں۔

اس موقع پر میں طب کے شعبہ سے تعلق رکھنے والے صاحبان، کاروباری حضرات، سرکاری اور نیم سرکاری اداروں اور ہسپتالوں، اپنے کسٹمرز اور حصص داران کے تعاون کا تہہ دل سے شکر گزار ہوں۔ اس کے ساتھ میں کمپنی کے تمام ملازمین کے عزم اور کوششوں کا بھی شکر گزار ہوں۔ میں پُر اعتماد ہوں کہ ملازمین کی پُر عزم کوششوں حوصلے، محنت اور تعاون سے ہم ترقی کی منازل طے کرتے جائیں گے۔

منجانب بورڈ آف ڈائریکٹرز

توصیف احمد خان

چیمبر مین

9 مارچ 2018ء

جائزہ از چیرمین

14 جنوری 2018 کو ہمارے وائس چیرمین اور سابقہ منیجر ڈائریکٹر جناب انیس احمد خان انتقال کر گئے۔ پوری ہائی نون فیملی ان کے اچانک انتقال پر افسردہ ہے۔ مرحوم 1988 سے ہائی نون لیبارٹریز لمیٹڈ کے بورڈ کے ممبر تھے۔ کمپنی اُن کے تجربے، مہارت اور حکمت عملی سے بہت مستفید ہوئی۔ کمپنی کے لیے ان کی خدمات کو ہمیشہ عزت کی نگاہ سے دیکھا جائے گا۔

آئیں ہم سب مل کر دعا کریں کہ اللہ تبارک و تعالیٰ انھیں جنت الفردوس میں اعلیٰ مقام عطا فرمائے اور اُن کی فیملی، اُن کے دوست احباب اور ایسوسی ایٹس کو اس ناقابل تلافی نقصان کو برداشت کرنے کا حوصلہ عطا فرمائے۔

میں حصص داران کو پینتیسویں سالانہ اجلاس عام میں خوش آمدید کہتا ہوں۔ میں کمپنی کی کارکردگی کا سالانہ جائزہ اور ہائی نون کے نتیجہ شدہ حسابات بمعہ آڈیٹرز اور ڈائریکٹرز رپورٹ برائے سال ختمہ 31 دسمبر 2017ء پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

سابقہ سال ہائی نون کی تاریخ میں نہایت ہی غیر معمولی سالوں میں سے ایک تھا۔ میں اس سلسلے میں صرف اپنی ٹیم پر ہی فخر نہیں کروں گا کیونکہ ہم اس سال کے دوران اپنے آپ سے اپنے کسٹمرز اور حصص داران سے کیے ہوئے وعدوں کو نبھانے میں کامیاب رہے۔

2017 کے پورے سال کے دوران ہم نے اپنی ترقی کو بہتر کرنے کے لیے زبردست جدوجہد کی اس سال میں ہماری ٹیم نے ریکارڈ فروختگی آمدن اور خالص آمدن حاصل کی۔ ہم نے کاروباری شرح کی بڑھوتری میں پوری دواساز انڈسٹری کو پیچھے چھوڑ دیا۔ ہماری کارکردگی اس بات کی عکاس ہے کہ ہم کام کو عملی جامہ پہنانے کے لیے غیر معمولی توجہ اور جدت کے عزم پر یقین رکھتے ہیں۔ معیاری ادویات فراہم کرنے کی صلاحیت ہماری ایک اہم امتیازی طاقت رہے گی۔ ہماری بہتر کارکردگی کی بناء پر ملک کی غیر مناسب معاشی صورت حال بھی ہم پر اتنی زیادہ اثر انداز نہ ہو پائی۔ چونکہ ہم اپنے کاروبار کو ایک بہتر شرح نمو کی سمت دینے میں کامیاب رہے ہیں۔ اس لئے آنے والے سالوں میں ہماری آمدن میں تیزی سے اضافہ کے رجحان میں امید برقرار رہے گی۔ کمپنی کی کارکردگی اس بات کا ثبوت ہے کہ ہم اپنی حکمت عملی کو عملی جامہ پہنانے میں کامیاب رہے ہیں۔

زیر جائزہ سال میں کل فروخت آمدن بڑھ کر 15.971 ارب روپے ہو گئی جبکہ پچھلے سال کی نسبت شرح نمو کا تناسب 18 فیصد رہا۔ فی حصص منافع 24.53 روپے اور شرح نمو کا تناسب 17 فیصد رہا۔ مقامی فروخت آمدن میں اضافہ 19 فیصد جبکہ برآمد فروخت آمدن میں اضافہ 36 فیصد رہا۔

بین الاقوامی کاروبار میں اضافہ ہمیشہ ہماری ترجیح رہی ہے۔ اس سلسلے میں ہماری بہت سی ادویات کی رجسٹریشن کی منظوری بہت سے ممالک میں زیر التواء ہے۔ جیسے ہی ادویات رجسٹرڈ ہوتی ہیں۔ ہم نہایت خوش اسلوبی کے ساتھ نئی مارکیٹوں میں اپنے قدم بھانے کا عمل شروع کر دیں گے۔ موجودہ سال کے دوران ہم نے صومالیہ، زیمبیا اور تنزانیہ کو اپنی ادویات کی برآمد کرنے والے ممالک میں شامل کر لیا ہے۔

پیداواری صلاحیت میں بہتری اور بہتر کارکردگی کی بناء پر پیداواری لاگت کنٹرول میں رہی اور پیداواری لاگت سے بچت کی بناء پر خام منافع میں 0.77 فیصد کا اضافہ ہوا۔ ڈسٹری بیوٹن اور مارکیٹنگ کے اخراجات میں پچھلے سال کی نسبت 321 ملین روپے کا اضافہ ہوا۔ مارکیٹنگ کے اخراجات میں اضافہ کی بڑی وجہ نئی ادویات مارکیٹ میں متعارف کروانے اور کسٹمرز پر بہتر توجہ مرکوز کرنے اور مریضوں کو ادویات سے متعلق بہتر معلومات فراہم کرنے کے لیے نئے مارکیٹنگ سٹاف کی بھرتی پر اٹھنے والے اخراجات بنے۔ جبکہ باقی آپریشنل اخراجات میں بہتر کنٹرول کی وجہ سے قابل ذکر اضافہ نہ ہوا۔

جائزہ از چیرمین

یہ مسلسل پانچواں سال تھا جس میں کمپنی کی فروخت آمدن کی شرح نمو دو عددی رہی (IMS MAT) دسمبر 2017 کی رپورٹ کے مطابق کمپنی فروخت آمدن کے اعتبار سے انیسویں نمبر پر رہی۔ کمپنی کے تین برانڈ کومی وائیر، کیسٹین اور ٹیگ اپ میٹ کا شمار پہلے دو سو برانڈز میں ہوتا ہے۔ کمپنی اپنے منصوبوں پر کاربند رہتے ہوئے موجودہ دواؤں کی فروخت آمدن میں بڑھوتری اور منتخب شدہ نئی ادویات کے مارکیٹ میں متعارف کرانے کے مسلسل عمل کو جاری رکھے ہوئے ہے۔ اسی حکمت عملی کے ذریعے ہم اپنی بہت سی بیماریوں سے شفا یاب ہونے والے برانڈز کی فروخت آمدن کی شرح نمو بڑھانے میں کامیاب رہے ہیں۔

ایلیمنٹری ٹریکٹ اور میٹابولزم سیکمنٹ میں فروخت آمدن 1885 ملین روپے کو جا پہنچی، جو کہ پچھلے سال کی نسبت 18 فیصد کا اضافہ ظاہر کرتی ہے۔ اس سیکمنٹ کی شرح نمو نے دواساز انڈسٹری کی شرح نمو کو چھ فیصد بنیادی پوائنٹس سے پیچھے چھوڑ دیا۔ اس سیکمنٹ میں ہمارے برانڈز TOF السائیک اور سکی لیکس نے مارکیٹ میں اپنی پوریشن کو برقرار رکھا۔ جبکہ رہی سڈ اور سیڈین نے 20 فیصد شرح نمو کے حساب سے مارکیٹ میں اپنے حصے کو بڑھایا۔ ٹیگ اپ میٹ جو کہ ایک نیا برانڈ ہے کی شرح نمو 43 فیصد رہی۔

ہمارے ریپاسیریٹری سیکمنٹ میں شرح نمو غیر معمولی رہی۔ اور صرف چند سالوں میں ہمارے ریپاسیریٹری کے مجموعہ ادویات کی مانگ نے بلند ترین سطح کو چھو لیا۔ ہمارے کومی وائیر اور ٹائیو وائیر برانڈز کا شمار ریپاسیریٹری کی بیماریوں سے شفا یاب ہونے والے سب سے زیادہ تجویز کردہ نسخوں میں ہونے لگے۔ کومی وائیر کی فروخت آمدن 500 ملین روپے سے زیادہ ہونے کی بناء پر یہ ان ہیٹنٹ مارکیٹ کا سب بڑا برانڈ بن گیا۔ ریپاسیریٹری میں شرح نمو اس سیکمنٹ کی شرح نمو 5% کے مقابلے میں 19% رہی۔ کیسٹین ہماری ایک اور کامیابی ہے جس کی شرح نمو 25% رہی۔

دل کی بیماریوں سے متعلق ہماری مجموعہ ادویات کی فروخت میں شرح نمو مارکیٹ کے 11 فیصد کے مقابلے میں 23 فیصد رہی۔ مسار میں 37 فیصد اور ٹیکس میں 78 فیصد شرح نمو رہی۔ ہم نے ایک نئی دوائی فوریج مارکیٹ میں متعارف کروائی ہے۔ اس دوا کو ماہر امراض دل نے بہت سراہا ہے۔ ہم بہت زیادہ پراعتماد ہیں کہ یہ دوا جلد ہی ڈاکٹروں کے پسندیدہ نسخوں میں شمار ہونے لگے گی۔ ہم اور بہت سی دوائیوں پر کام کر رہے ہیں۔ جو کہ ہماری کمپنی کی فروخت آمدن میں نمایاں اضافہ کا سبب بن سکتی ہیں۔

ہربل دواؤں کے مجموعہ کی فروخت آمدن میں بھی خاطر خواہ اضافہ ہو رہا ہے۔ بونی سان جو کہ ایک ہربل دوا ہے نے صرف دو سال کے قلیل عرصہ میں 100 ملین روپے کی فروخت آمدن حاصل کر لی ہے۔

ہمارے پاس نئی ادویات بنانے کی ایک نہایت ہی قابل ٹیم ہے یہ ٹیم ایک طویل تحقیق کے بعد اچھی ادویات کی شناخت اور تیاری میں مصروف عمل رہتی ہے۔ دنیا میں ہونے والی نئی تحقیق سے آگاہی کے لئے ہم طب سے متعلق بین الاقوامی کانفرنسز میں شرکت کرتے ہیں۔ زیر جائزہ سال کے دوران ہم نے ساٹھ (60) نئی ادویات کی رجسٹریشن کے لیے درخواستیں جمع کرائیں جنہیں ملا کر ہماری دواؤں کی رجسٹریشن کے لیے ڈرگ رجسٹریشن اتھارٹی کو دی گئی درخواستوں کی کل تعداد ایک سو تیرہ (113) ہو گئی۔ اسی طرح ہم نے اپنے کاروبار کے بین الاقوامی پھیلاؤ کے لیے بہت سے ممالک جن میں ادویات کے استعمال کی شرح نمو اگلے چند سالوں میں دو عددی متوقع ہے۔ ادویات کے بہت سے ڈوزیز جمع کروائے ہیں۔ ان میں CIS ممالک مشرق بعید اور افریقہ شامل ہیں۔

ہمارے مینوفیکچرنگ آپریشن دور حاضر کے چیلنجز سے نہرڈ آزما ہونے کے لیے ہر وقت کوشاں ہیں۔ آپ کی کمپنی ادویات کے معیار کو برقرار رکھنے پر خاص توجہ دیتی ہے۔ کمپنی کے مینوفیکچرنگ یونٹ میں چیک اینڈ بیلنس کا ایک قابل عمل نظام موجود ہے۔ جو ادویات کی تیاری کے مختلف مراحل میں بہت مددگار ثابت ہوتا ہے۔

2017 2016 2015 2014 2013 2012
(Rupees in '000')

Summary of Balance Sheet

| | | | | | | |
|-------------------------|-----------|-----------|-----------|-----------|---------|---------|
| Share Capital | 255,423 | 228,056 | 203,622 | 181,805 | 181,805 | 181,805 |
| Reserves | 1,776,525 | 1,376,456 | 1,021,981 | 731,355 | 533,568 | 438,931 |
| Operating Fixed Assets | 934,826 | 728,635 | 763,884 | 751,243 | 747,514 | 765,185 |
| Non Current Assets | 233,843 | 249,407 | 134,845 | 74,977 | 96,481 | 113,209 |
| Current Assets | 2,193,453 | 1,855,578 | 1,391,757 | 1,120,377 | 738,344 | 805,784 |
| Current Liabilities | 522,981 | 662,211 | 523,048 | 498,172 | 301,878 | 458,114 |
| Net Working Capital | 1,670,472 | 1,193,367 | 868,709 | 620,601 | 436,466 | 347,670 |
| Non-current Liabilities | 49,959 | 44,093 | 31,429 | 43,331 | 71,013 | 76,403 |
| Deferred Liabilities | 373,230 | 312,920 | 293,727 | 269,170 | 267,233 | 296,469 |

Summary of Profit and Loss Account

| | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Sales - Net | 5,971,229 | 5,070,755 | 4,403,995 | 3,696,092 | 3,007,925 | 2,465,621 |
| Gross Profit | 2,845,891 | 2,378,020 | 2,092,316 | 1,655,234 | 1,230,661 | 1,025,253 |
| Earning Before Interest, Tax, Depreciation and Amortization (EBITDA) | 1,002,610 | 893,293 | 773,439 | 523,594 | 347,766 | 289,531 |
| Operating Profit | 917,258 | 795,946 | 675,459 | 426,795 | 252,726 | 207,288 |
| Profit Before Tax | 912,299 | 789,875 | 666,705 | 414,424 | 232,302 | 159,106 |
| Net Profit After Tax | 626,464 | 534,976 | 444,021 | 271,908 | 155,535 | 104,016 |

Summary of Cash Flow Statement

| | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|----------|
| Net Cash Flow from Operating Activities | 281,215 | 637,570 | 335,766 | 479,594 | 370,435 | 69,878 |
| Net Cash Flow from Investing Activities | (141,083) | (142,274) | (163,911) | (20,883) | (11,354) | (22,378) |
| Net Cash Flow from Financing Activities | (208,762) | (167,402) | (154,547) | (172,920) | (316,010) | (53,634) |
| Changes in Cash and Cash Equivalents | (68,630) | 327,894 | 17,308 | 285,791 | 43,071 | (6,135) |
| Cash and Cash Equivalents at Year End | 612,566 | 680,700 | 352,795 | 335,324 | 49,533 | 6,462 |

Financial Performance/Profitability Analysis

| | | | | | | | |
|----------------------------|---|-------|-------|-------|-------|-------|---------|
| Sales Growth | % | 17.76 | 15.14 | 19.15 | 22.88 | 21.99 | (16.28) |
| Gross Profit Margin | % | 47.66 | 46.90 | 47.51 | 44.78 | 40.91 | 41.58 |
| EBITDA to Sales Margin | % | 16.79 | 17.62 | 17.56 | 14.17 | 11.56 | 11.74 |
| Operating Profit Margin | % | 15.36 | 15.70 | 15.34 | 11.55 | 8.40 | 8.41 |
| Profit Before Tax Margin | % | 15.28 | 15.58 | 15.14 | 11.21 | 7.72 | 6.45 |
| Profit After Tax Margin | % | 10.49 | 10.55 | 10.08 | 7.36 | 5.17 | 4.22 |
| Return on Equity | % | 30.83 | 33.34 | 36.23 | 29.78 | 21.74 | 16.76 |
| Return on Capital Employed | % | 30.09 | 32.45 | 35.32 | 28.43 | 19.78 | 14.92 |

Operating Performance/Liquidity Analysis

| | | | | | | | |
|-----------------------|-------|-------|-------|-------|-------|-------|------|
| Inventory Turnover | Days | 115 | 126 | 118 | 107 | 120 | 143 |
| Debtors Turnover | Days | 10 | 5 | 6 | 7 | 8 | 9 |
| Creditors Turnover | Days | 51 | 63 | 66 | 62 | 49 | 51 |
| Cash Operating Cycle | Days | 74 | 68 | 58 | 52 | 79 | 101 |
| Assets Turnover Ratio | Times | 1.78 | 1.79 | 1.92 | 1.90 | 1.90 | 1.46 |
| Fixed Assets Turnover | Times | 5.11 | 5.18 | 4.90 | 4.49 | 3.57 | 2.81 |
| Return on Assets | % | 27.13 | 27.88 | 29.11 | 21.31 | 14.68 | 9.45 |
| Current Ratio | Times | 4.19 | 2.80 | 2.66 | 2.25 | 2.45 | 1.76 |
| Quick Ratio | Times | 1.83 | 1.30 | 1.02 | 0.97 | 0.60 | 0.43 |

2017 2016 2015 2014 2013 2012

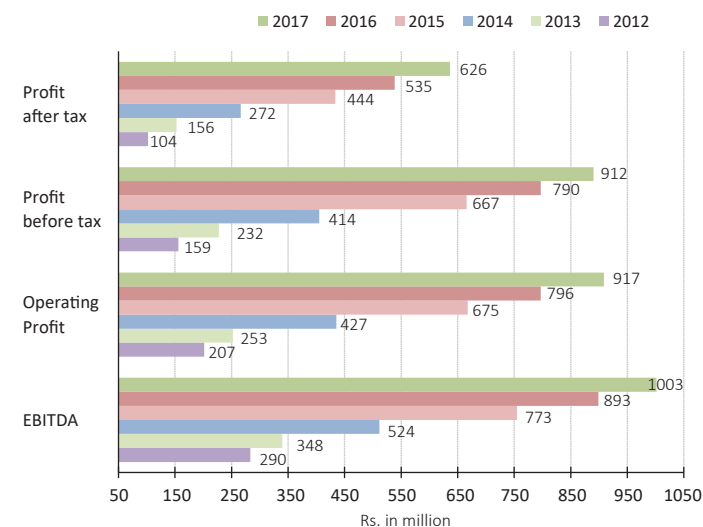
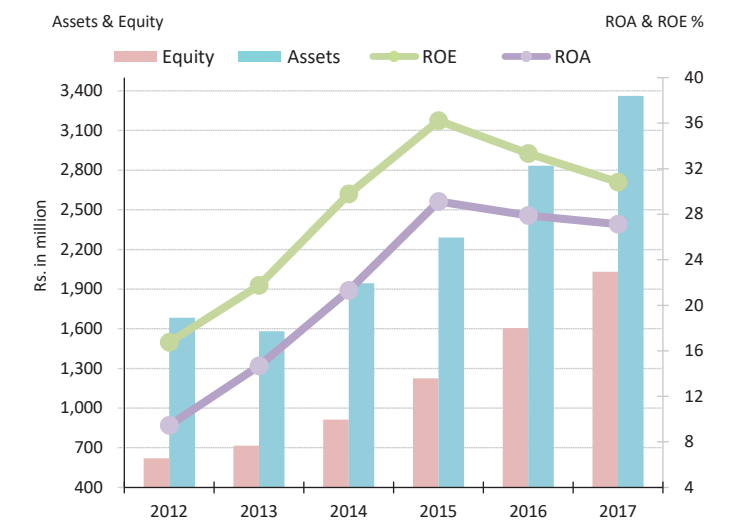
Distribution Analysis

| | | | | | | | |
|--------------------------------|-----------|-------|-------|-------|-------|-------|-------|
| Pay out-Proposed | | | | | | | |
| - Cash Dividend per share | Rs. | 10.00 | 8.50 | 7.50 | 6.50 | 4.50 | 3.50 |
| - Bonus | % | 12 | 12 | 12 | 12 | - | - |
| Payout Ratio (after tax) | % | 45.66 | 41.35 | 39.90 | 51.48 | 52.60 | 61.17 |
| Dividend Yield | % | 2.62 | 1.52 | 1.51 | 3.49 | 3.80 | 7.37 |
| Earnings Per Share (after tax) | Rs./share | 24.53 | 23.46 | 19.47 | 14.96 | 8.56 | 5.72 |
| Price Earning Ratio | Times | 17.40 | 27.24 | 29.66 | 14.74 | 13.85 | 8.30 |

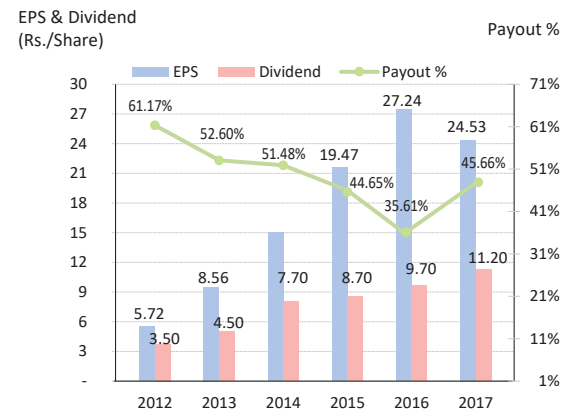
Capital Structure/Market Value Analysis

| | | | | | | | |
|--|--------------|------------|------------|------------|-----------|-----------|---------|
| Long Term Debt : Equity Ratio | | 02:98 | 02:98 | 03:97 | 06:94 | 08:92 | 09:91 |
| Financial leverage | Times | 1.65 | 1.77 | 1.87 | 2.13 | 2.21 | 2.71 |
| Shareholders' Net Worth as % of Total Assets | % | 60.44 | 56.62 | 53.51 | 46.95 | 45.21 | 36.86 |
| Financial Charges Coverage | Times | 179.03 | 127.90 | 73.75 | 33.69 | 11.62 | 3.92 |
| Number of Shares | in '000' | 25,542 | 22,806 | 20,362 | 18,181 | 18,181 | 18,181 |
| Break-up Value of Share | | | | | | | |
| - Excluding Surplus on Revaluation | Rs. | 79.55 | 70.36 | 60.19 | 50.23 | 39.35 | 34.14 |
| - Including Surplus on Revaluation | Rs. | 94.59 | 79.56 | 70.83 | 62.39 | 51.83 | 46.93 |
| Market Value of Share | | | | | | | |
| - Year End | Rs. | 426.78 | 639.00 | 577.40 | 220.46 | 118.53 | 47.50 |
| - Highest | Rs. | 750.00 | 669.00 | 619.95 | 305.00 | 185.00 | 50.36 |
| - Lowest | Rs. | 375.00 | 398.04 | 203.00 | 117.50 | 45.00 | 28.50 |
| - Average | Rs. | 550.71 | 543.14 | 311.27 | 207.97 | 92.00 | 37.20 |
| Market Capitalization | Rs. in '000' | 10,900,943 | 14,572,804 | 11,757,019 | 4,008,077 | 2,154,937 | 863,575 |

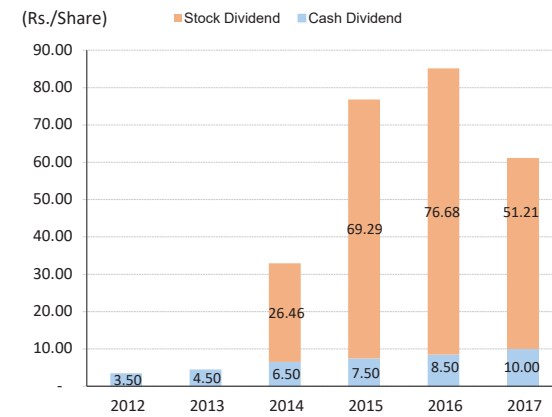
* Based on proposed final dividend

Profitability**Shareholders' Equity, Assets and Return**

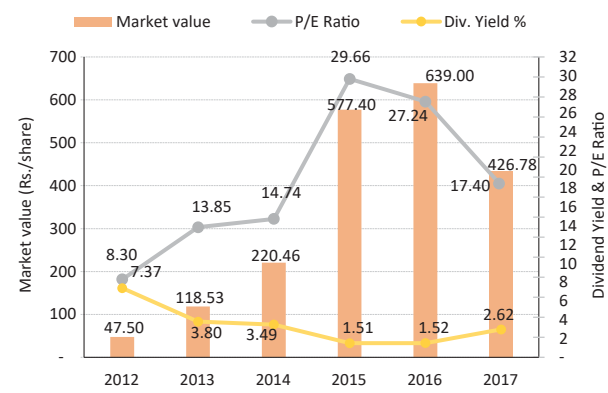
EPS, Dividend and Payout %



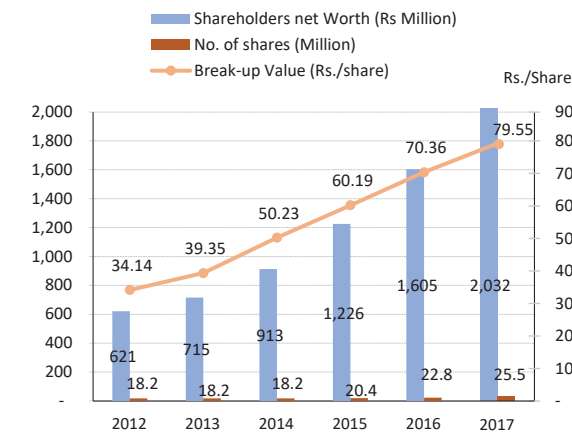
Market Value of Payout Proposed



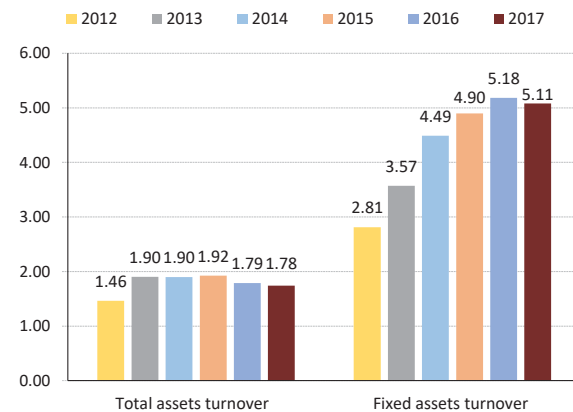
Dividend Yield, P/E Ratio and Market Value



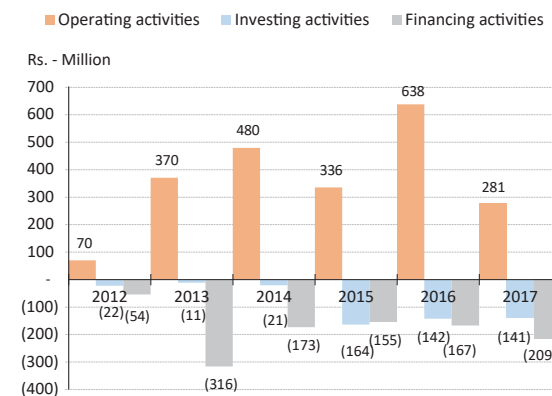
Shareholders' Net Worth



Asset Turnover (Times)



Cash Flows Analysis



Statement of Value Addition and its Distribution

Value Added

Net Sales
Material & Services
Other Income

| | 2017 Rs. in 000 | 2016 Rs. in 000 |
|---------------------|--------------------|--------------------|
| Net Sales | 5,985,125 | 5,085,648 |
| Material & Services | 3,798,932 | 3,191,231 |
| Other Income | 29,278 | 19,414 |
| Total | 2,215,471 | 1,913,831 |

Distribution

Employees
Salaries Wages & Benefits
Workers Profit Participation Fund

| | | |
|-----------------------------------|------------------|----------------|
| Salaries Wages & Benefits | 1,105,076 | 934,281 |
| Workers Profit Participation Fund | 48,011 | 41,442 |
| Total | 1,153,087 | 975,723 |

Government
Income Tax
Sales Tax
Central Research Fund
Workers Welfare Fund

| | | |
|-----------------------|----------------|----------------|
| Income Tax | 285,834 | 254,899 |
| Sales Tax | 13,896 | 14,893 |
| Central Research Fund | 10,587 | 7,873 |
| Workers Welfare Fund | 18,244 | 17,458 |
| Total | 328,561 | 295,123 |

Society

Donation

| | | |
|----------|-------|-------|
| Donation | 4,646 | 4,592 |
|----------|-------|-------|

Provider of Finances

To Shareholder as Cash dividend
To Banks as financial charges

| | | |
|---------------------------------|----------------|----------------|
| To Shareholder as Cash dividend | 193,848 | 152,716 |
| To Banks as financial charges | 4,960 | 6,071 |
| Total | 198,808 | 158,787 |

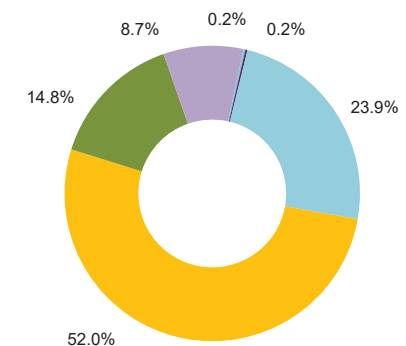
Retained in Business

Depreciation and amortization
Retained Profit

| | | |
|-------------------------------|----------------|----------------|
| Depreciation and amortization | 97,752 | 97,347 |
| Retained Profit | 432,617 | 382,259 |
| Total | 530,369 | 479,606 |

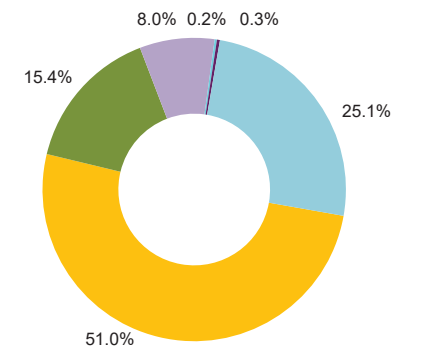
| | | |
|--------------|------------------|------------------|
| Total | 2,215,471 | 1,913,831 |
|--------------|------------------|------------------|

Year 2017



Employees' as Remuneration
Government as taxes
Shareholders as dividends
Society as donation
Lenders as financial charges
Retained within business

Year 2016

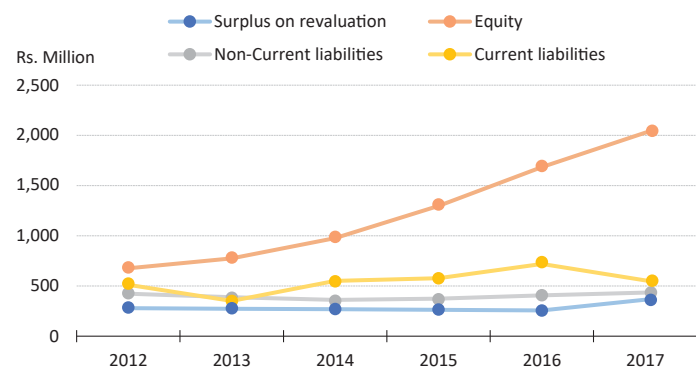


Horizontal Analysis

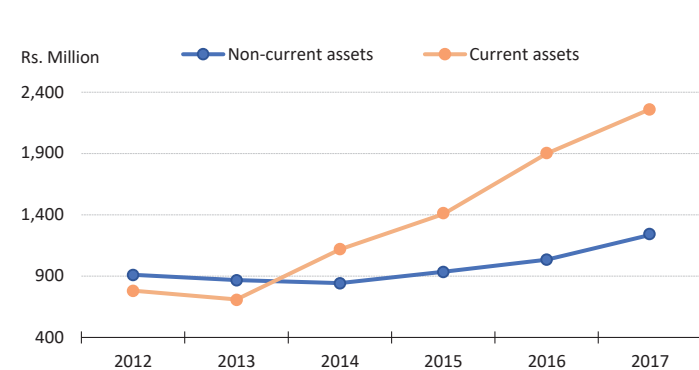
BALANCE SHEET

| | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|---|------------|-------|------------|-------|------------|-------|------------|--------|------------|--------|------------|-------|
| | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % |
| Share Capital and Reserve | | | | | | | | | | | | |
| Share capital | 255,423 | 12.0 | 228,056 | 12.0 | 203,622 | 12.0 | 181,805 | 0.0 | 181,805 | 0.0 | 181,805 | 0.0 |
| Revenue reserves | 1,776,525 | 29.1 | 1,376,456 | 34.7 | 1,021,981 | 39.7 | 731,355 | 37.1 | 533,568 | 21.6 | 438,931 | 13.9 |
| | 2,031,948 | 26.6 | 1,604,512 | 30.9 | 1,225,603 | 34.2 | 913,161 | 37.1 | 715,373 | 21.6 | 620,737 | 13.9 |
| Surplus on revaluation of fixed assets | 384,003 | 83.0 | 209,884 | -3.1 | 216,680 | -2.0 | 221,160 | -2.5 | 226,843 | -2.4 | 232,455 | 26.9 |
| Non Current Liabilities | | | | | | | | | | | | |
| Long term loan - secured | - | - | - | - | - | - | - | -100.0 | 37,500 | -25.0 | 50,000 | -13.3 |
| Liabilities against assets subject to finance lease | 14,442 | -14.3 | 16,844 | 50.9 | 11,162 | -63.1 | 30,274 | 22.2 | 24,779 | 93.5 | 12,805 | 13.4 |
| Long term advances | 35,517 | 30.3 | 27,249 | 34.4 | 20,267 | 55.2 | 13,057 | 49.5 | 8,734 | -35.8 | 13,598 | -9.0 |
| Deferred liabilities | 373,230 | 19.3 | 312,920 | 6.5 | 293,727 | 9.1 | 269,170 | 0.7 | 267,232 | -9.9 | 296,469 | 6.2 |
| Total Non Current Liabilities | 423,189 | 18.5 | 357,013 | 9.8 | 325,156 | 4.0 | 312,500 | -7.6 | 338,245 | -9.3 | 372,872 | 2.7 |
| Current Liabilities | | | | | | | | | | | | |
| Trade and other payables | 436,250 | -11.3 | 491,812 | 20.1 | 409,596 | 0.1 | 409,027 | 57.6 | 259,540 | 30.2 | 199,348 | 6.8 |
| Mark-up payable on secured loans | 64 | 243.7 | 19 | -64.9 | 53 | -76.4 | 225 | -86.9 | 1,715 | -74.0 | 6,589 | -36.9 |
| Short term bank borrowings - secured | - | - | - | - | - | - | - | -100.0 | 73 | -100.0 | 230,600 | 38.7 |
| Income tax-net | 59,102 | -58.7 | 143,275 | 62.4 | 88,197 | 58.5 | 55,638 | 100.0 | 0 | - | - | - |
| Current portion of long term liabilities | 27,566 | 1.7 | 27,105 | 7.6 | 25,202 | -24.3 | 33,283 | -17.9 | 40,550 | 87.9 | 21,577 | -73.3 |
| Total Current Liabilities | 522,982 | -21.0 | 662,211 | 26.6 | 523,048 | 5.0 | 498,172 | 65.0 | 301,877 | -34.1 | 458,114 | 3.1 |
| | 3,362,122 | 18.7 | 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 |
| Non Current Assets | | | | | | | | | | | | |
| Property, plant and equipments | 934,826 | 28.3 | 728,634 | -4.6 | 763,884 | 1.7 | 751,243 | 0.5 | 747,513 | -2.3 | 765,184 | 6.9 |
| Intangible assets | 5,073 | -76.7 | 21,766 | -43.4 | 38,459 | -39.4 | 63,511 | -21.2 | 80,553 | -18.1 | 98,413 | -12.0 |
| Long Term Investment | 200,000 | 0.0 | 200,000 | 137.2 | 84,300 | 100.0 | 0 | - | - | - | - | - |
| Long Term deposits | 16,074 | 3.5 | 15,529 | 46.8 | 10,580 | 577.3 | 1,562 | 0.0 | 1,562 | 0.0 | 1,562 | - |
| Long Term advances | 12,696 | 4.8 | 12,112 | 704.2 | 1,506 | -81.9 | 8,301 | -42.2 | 14,367 | 8.6 | 13,234 | 0.8 |
| | 1,168,669 | 21.0 | 978,041 | 8.8 | 898,729 | 9.0 | 824,617 | -2.3 | 843,995 | -3.9 | 878,393 | 6.0 |
| Current Assets | | | | | | | | | | | | |
| Stock in trade | 1,115,539 | 12.4 | 992,638 | 15.4 | 860,324 | 35.5 | 634,792 | 13.8 | 557,767 | -8.0 | 606,595 | 17.0 |
| Trade debts | 250,692 | 233.6 | 75,154 | 10.7 | 67,898 | -10.1 | 75,535 | 18.9 | 63,517 | -12.4 | 72,532 | 31.2 |
| Advances | 57,879 | -22.5 | 74,673 | -6.6 | 79,941 | 84.8 | 43,258 | 32.7 | 32,587 | 38.9 | 23,454 | -44.0 |
| Trade deposits and short term prepayments | 24,330 | 39.6 | 17,423 | -11.6 | 19,709 | 11.7 | 17,638 | 42.8 | 12,355 | -8.5 | 13,510 | 46.3 |
| Profit accrued | 2,016 | 63.2 | 1,235 | 110.9 | 586 | 100.0 | - | - | - | - | - | - |
| Other receivables | 4,819 | 44.2 | 3,341 | 31.1 | 2,549 | 38.1 | 1,846 | 41.8 | 1,302 | 91.8 | 679 | 194.3 |
| Loan to subsidiary | 20,000 | 100.0 | - | - | - | - | - | - | - | - | - | - |
| Tax refund due from government | 5,611 | -46.1 | 10,413 | 30.9 | 7,955 | -33.6 | 11,984 | -38.4 | 19,462 | -4.8 | 20,437 | 21.8 |
| Short term investment | 100,000 | 100.0 | - | - | - | - | - | - | 1,820 | -97.1 | 62,117 | -16.1 |
| Income Tax-net | - | 0.0 | - | - | - | - | - | -100.0 | 49,533 | 666.5 | 6,462 | -48.7 |
| Cash and bank balances | 612,566 | -10.0 | 680,700 | 92.9 | 352,795 | 5.2 | 335,324 | 577.0 | 49,533 | 666.5 | 6,462 | -48.7 |
| | 2,193,452 | 18.2 | 1,855,578 | 33.3 | 1,391,757 | 24.2 | 1,120,377 | 51.7 | 738,344 | -8.4 | 805,784 | 10.6 |
| | 3,362,122 | 19.2 | 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 |

Equity and Liabilities



Assets

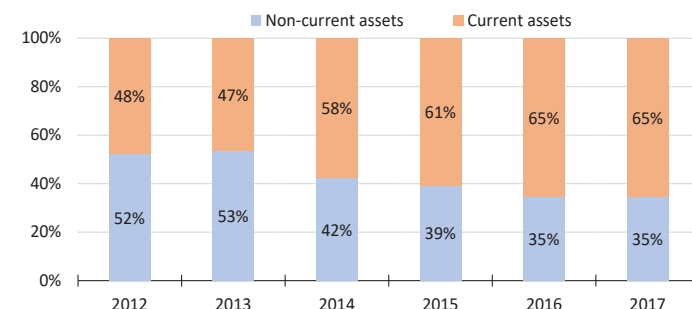


Vertical Analysis

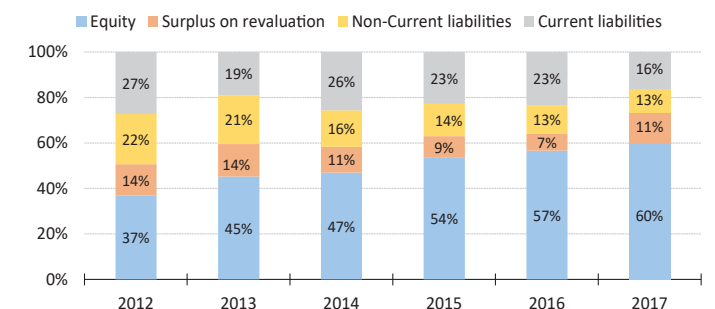
BALANCE SHEET

| | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|---|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|
| | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % |
| Share Capital and Reserve | | | | | | | | | | | | |
| Share capital | 255,423 | 7.6 | 228,056 | 8.0 | 203,622 | 8.9 | 181,805 | 9.3 | 181,805 | 11.5 | 181,805 | 10.8 |
| Revenue reserves | 1,776,525 | 52.8 | 1,376,456 | 48.6 | 1,021,981 | 44.6 | 731,355 | 37.6 | 533,568 | 33.7 | 438,931 | 26.1 |
| | 2,031,948 | 60.4 | 1,604,512 | 56.6 | 1,225,603 | 53.5 | 913,161 | 46.9 | 715,373 | 45.2 | 620,737 | 36.9 |
| Surplus on revaluation of fixed assets | 384,003 | 11.4 | 209,884 | 7.4 | 216,680 | 9.5 | 221,160 | 11.4 | 226,843 | 14.3 | 232,455 | 13.8 |
| Non Current Liabilities | | | | | | | | | | | | |
| Long term loan - secured | - | - | - | 0.0 | - | 0.0 | - | 0.0 | 37,500 | 2.4 | 50,000 | 3.0 |
| Liabilities against assets subject to finance lease | 14,442 | 0.4 | 16,844 | 0.6 | 11,162 | 0.5 | 30,274 | 1.6 | 24,779 | 1.6 | 12,805 | 0.8 |
| Long term advances | 35,517 | 1.1 | 27,249 | 1.0 | 20,267 | 0.9 | 13,057 | 0.7 | 8,734 | 0.6 | 13,598 | 0.8 |
| Deferred liabilities | 373,230 | 11.1 | 312,920 | 11.0 | 293,727 | 12.8 | 269,170 | 13.8 | 267,232 | 16.9 | 296,469 | 17.6 |
| Total Non Current Liabilities | 423,189 | 12.6 | 357,013 | 12.6 | 325,156 | 14.2 | 312,500 | 16.1 | 338,245 | 21.4 | 372,872 | 22.1 |
| Current Liabilities | | | | | | | | | | | | |
| Trade and other payables | 436,250 | 13.0 | 491,812 | 17.4 | 409,596 | 17.9 | 409,027 | 21.0 | 259,540 | 16.4 | 199,348 | 11.8 |
| Mark-up payable on secured loans | 64 | 0.0 | 19 | 0.0 | 53 | 0.0 | 225 | 0.0 | 1,715 | 0.1 | 6,589 | 0.4 |
| Short term bank borrowings - secured | - | - | - | 0.0 | - | 0.0 | - | 0.0 | 73 | 0.0 | 230,600 | 13.7 |
| Income tax-net | 59,102 | 1.8 | 143,275 | 5.1 | 88,197 | 3.9 | 55,638 | 2.9 | - | 0.0 | - | 0.0 |
| Current portion of long term liabilities | 27,566 | 0.8 | 27,105 | 1.0 | 25,202 | 1.1 | 33,283 | 1.7 | 40,550 | 2.6 | 21,577 | 1.3 |
| Total Current Liabilities | 522,982 | 15.7 | 662,211 | 23.5 | 523,048 | 22.9 | 498,172 | 25.6 | 301,878 | 19.1 | 458,114 | 27.2 |
| | 3,362,122 | 100.0 | 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 |
| Non Current Assets | | | | | | | | | | | | |
| Property, plant and equipments | 934,826 | 27.8 | 728,634 | 25.7 | 763,884 | 33.4 | 751,243 | 38.6 | 747,513 | 47.2 | 765,184 | 45.4 |
| Intangible assets | 5,073 | 0.2 | 21,766 | 0.8 | 38,459 | 1.7 | 63,511 | 3.3 | 80,553 | 5.1 | 98,413 | 5.8 |
| Long term Investment | 200,000 | 5.9 | 200,000 | 7.1 | 84,300 | 3.7 | - | - | - | - | - | - |
| Long Term advances | 12,696 | 0.4 | 12,112 | 0.4 | 1,506 | 0.1 | 8,301 | 0.4 | 14,367 | 0.9 | 13,234 | 0.8 |
| Long Term deposits | 16,074 | 0.5 | 15,529 | 0.5 | 10,580 | 0.5 | 1,562 | 0.1 | 1,562 | 0.1 | 1,562 | 0.1 |
| | 1,168,669 | 34.8 | 978,041 | 34.5 | 898,729 | 39.2 | 824,617 | 42.4 | 843,995 | 53.3 | 878,393 | 52.2 |
| Current Assets | | | | | | | | | | | | |
| Stock in trade | 1,115,539 | 33.2 | 992,638 | 35.0 | 860,324 | 37.6 | 634,792 | 32.6 | 557,767 | 35.2 | 606,595 | 36.0 |
| Trade debts | 250,692 | 7.5 | 75,154 | 2.7 | 67,898 | 3.0 | 75,535 | 3.9 | 63,517 | 4.0 | 72,532 | 4.3 |
| Advances | 57,879 | 1.7 | 74,673 | 2.6 | 79,941 | 3.5 | 43,258 | 2.2 | 32,587 | 2.1 | 23,454 | 1.4 |
| Trade deposits and short term prepayments | 24,330 | 0.7 | 17,423 | 0.6 | 19,709 | 0.9 | 17,638 | 0.9 | 12,355 | 0.8 | 13,510 | 0.8 |
| Profit accrued | 2,016 | 0.1 | 1,235 | 0.0 | 586 | 0.0 | - | 0.0 | - | 0.0 | - | 0.0 |
| Other receivables | 4,819 | 0.1 | 3,341 | 0.1 | 2,549 | 0.1 | 1,846 | 0.1 | 1,302 | 0.1 | 679 | 0.0 |
| Loan to subsidiary | 20,000 | 0.6 | - | - | - | - | - | - | - | - | - | - |
| Tax refund due from government | 5,611 | 0.2 | 10,413 | 0.4 | 7,955 | 0.3 | 11,984 | 0.6 | 19,462 | 1.2 | 20,437 | 1.2 |
| Income Tax-net | - | - | - | 0.0 | - | 0.0 | - | 0.0 | 1,820 | 0.1 | 62,117 | 3.7 |
| Short term investment | 100,000 | 3.0 | - | - | - | - | - | - | - | - | - | - |
| Cash and bank balances | 612,566 | 18.2 | 680,700 | 24.0 | 352,795 | 15.4 | 335,324 | 17.2 | 49,533 | 3.1 | 6,462 | 0.4 |
| | 2,193,452 | 65.2 | 1,855,578 | 65.5 | 1,391,757 | 60.8 | 1,120,377 | 57.6 | 738,344 | 46.7 | 805,784 | 47.8 |
| | 3,362,122 | 100.0 | 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 |

Assets



Equity and Liabilities

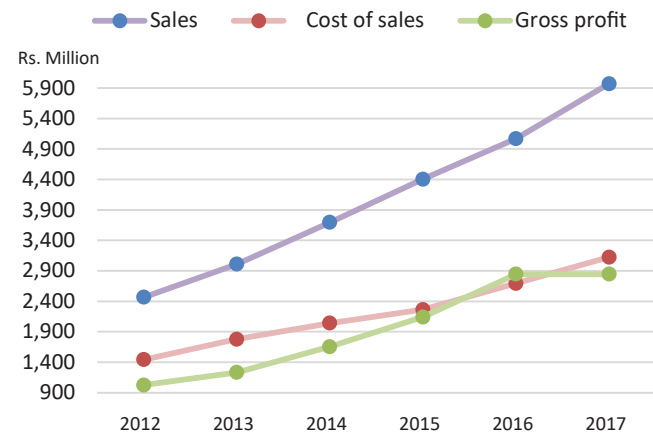


Horizontal Analysis

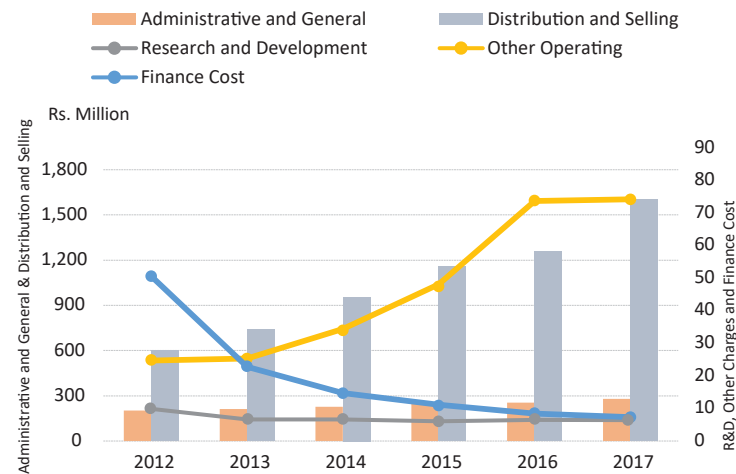
PROFIT AND LOSS ACCOUNT

| | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|--|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|
| | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % |
| Sales - net | 5,971,229 | 17.8 | 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 |
| Cost of Sales | 3,125,338 | 16.1 | 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 |
| Gross Profit | 2,845,891 | 19.7 | 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 |
| Distribution, Selling and Promotional Expenses | 1,599,737 | 25.1 | 1,279,005 | 13.6 | 1,125,961 | 16.2 | 968,753 | 29.0 | 751,181 | 23.2 | 609,764 | 7.2 |
| Administrative and General Expenses | 270,080 | 10.1 | 245,280 | 0.2 | 244,669 | 11.4 | 219,629 | 6.4 | 206,437 | 5.6 | 195,518 | -0.1 |
| Research and Development Expenses | 3,607 | -1.2 | 3,653 | 20.1 | 3,041 | -22.3 | 3,912 | 0.8 | 3,880 | -56.2 | 8,864 | 31.8 |
| Other Operating Expenses | 84,486 | 14.9 | 73,550 | 0.7 | 73,022 | 58.3 | 46,132 | 45.3 | 31,746 | 43.3 | 22,149 | 3.3 |
| | 1,957,910 | 22.3 | 1,601,488 | 10.7 | 1,446,693 | 16.8 | 1,238,426 | 24.7 | 993,244 | 18.8 | 836,295 | 5.5 |
| | 887,981 | 14.4 | 776,532 | 20.3 | 645,623 | 54.9 | 416,808 | 75.6 | 237,416 | 25.6 | 188,958 | 55.3 |
| Other Operating Income | 29,278 | 50.8 | 19,414 | -34.9 | 29,837 | 198.8 | 9,987 | -34.8 | 15,309 | -16.5 | 18,331 | -80.2 |
| | 917,258 | 15.2 | 795,946 | 17.8 | 675,460 | 58.3 | 426,795 | 68.9 | 252,725 | 21.9 | 207,289 | -3.3 |
| Finance Cost | 4,960 | -18.3 | 6,071 | -30.6 | 8,754 | -29.2 | 12,371 | -39.4 | 20,424 | -57.6 | 48,182 | -31.5 |
| Profit Before Taxation | 912,298 | 15.5 | 789,875 | 18.5 | 666,706 | 60.9 | 414,424 | 78.4 | 232,301 | 46.0 | 159,107 | 10.5 |
| Taxation | 285,834 | 12.1 | 254,899 | 14.5 | 222,683 | 56.3 | 142,516 | 85.6 | 76,767 | 39.3 | 55,091 | 6.6 |
| Profit After Taxation | 626,464 | 17.1 | 534,976 | 20.5 | 444,023 | 63.3 | 271,908 | 74.8 | 155,534 | 49.5 | 104,016 | 12.6 |

Sales and Cost of Sales



Operating Expenses

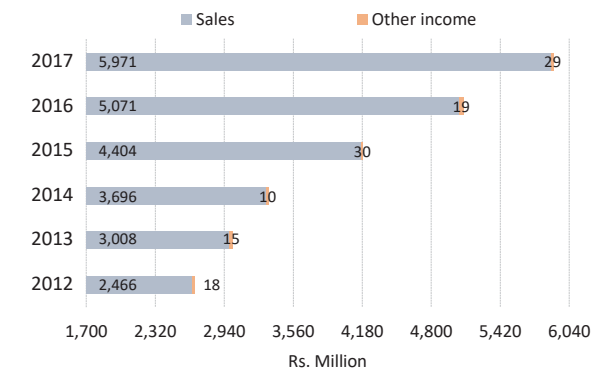


Vertical Analysis

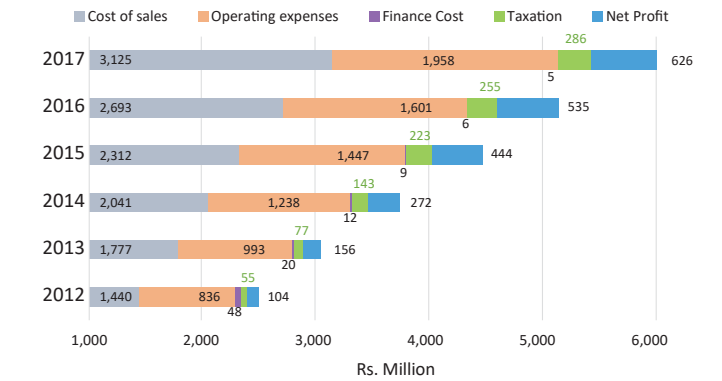
PROFIT AND LOSS ACCOUNT

| | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|--|------------|------|------------|------|------------|------|------------|-------|------------|-------|------------|-------|
| | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % | Rs. in 000 | % |
| Sales - net | 5,971,229 | 100 | 5,070,755 | 100 | 4,403,995 | 100 | 3,696,092 | 100.0 | 3,007,925 | 100.0 | 2,465,621 | 100.0 |
| Cost of Sales | 3,125,338 | 52.3 | 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 |
| Gross Profit | 2,845,891 | 47.7 | 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 |
| Distribution, Selling and Promotional Expenses | 1,599,737 | 26.8 | 1,279,005 | 25.2 | 1,125,961 | 25.6 | 968,753 | 26.2 | 751,181 | 25.0 | 609,764 | 24.7 |
| Administrative and General Expenses | 270,080 | 4.5 | 245,280 | 4.8 | 244,669 | 5.6 | 219,629 | 5.9 | 206,437 | 6.9 | 195,518 | 7.9 |
| Research and Development Expenses | 3,607 | 0.1 | 3,653 | 0.1 | 3,041 | 0.1 | 3,912 | 0.1 | 3,880 | 0.1 | 8,864 | 0.4 |
| Other Operating Expenses | 84,486 | 1.4 | 73,550 | 1.5 | 73,022 | 1.7 | 46,132 | 1.2 | 31,746 | 1.0 | 22,149 | 0.9 |
| | 1,957,910 | 32.8 | 1,601,488 | 31.6 | 1,446,693 | 32.9 | 1,238,426 | 33.4 | 993,244 | 33.0 | 836,295 | 33.8 |
| | 887,981 | 14.9 | 776,532 | 15.2 | 645,623 | 14.6 | 416,808 | 11.4 | 237,417 | 7.9 | 188,958 | 7.7 |
| Other Operating Income | 29,278 | 0.5 | 19,414 | 0.4 | 29,837 | 0.7 | 9,987 | 0.3 | 15,309 | 0.5 | 18,331 | 0.7 |
| | 917,258 | 15.4 | 795,946 | 15.7 | 675,460 | 15.3 | 426,795 | 11.7 | 252,726 | 8.4 | 207,289 | 8.4 |
| Finance Cost | 4,960 | 0.1 | 6,071 | 0.1 | 8,754 | 0.2 | 12,371 | 0.3 | 20,424 | 0.7 | 48,182 | 2.0 |
| Profit Before Taxation | 912,298 | 15.3 | 789,875 | 15.6 | 666,706 | 15.1 | 414,424 | 11.4 | 232,302 | 7.7 | 159,107 | 6.4 |
| Taxation | 285,834 | 4.8 | 254,899 | 5.0 | 222,683 | 5.1 | 142,516 | 3.9 | 76,767 | 2.5 | 55,090 | 2.2 |
| Profit After Taxation | 626,464 | 10.5 | 534,976 | 10.6 | 444,022 | 10.2 | 271,908 | 7.5 | 155,535 | 5.2 | 104,017 | 4.2 |

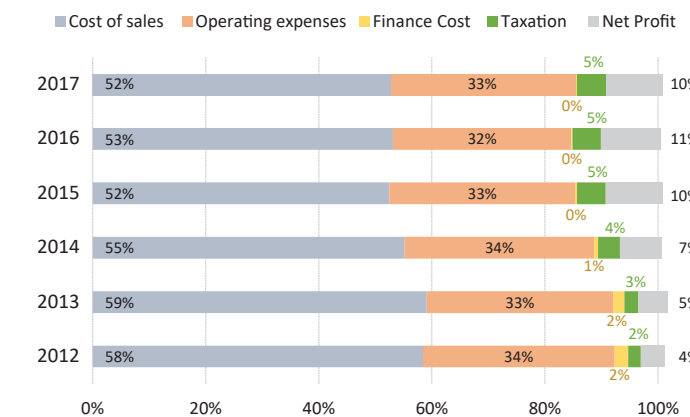
Revenues



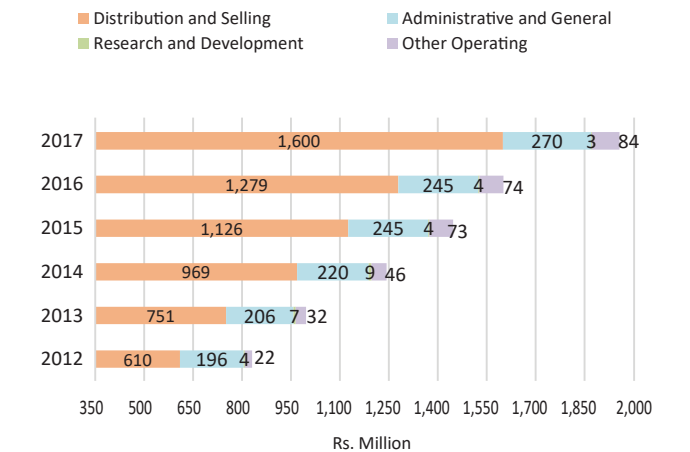
Expenses and Profit



Expenses and Profit as % of Sales



Operating Expenses



Pattern of Shareholding as at December 31, 2017

| Sr. # | No. of Shareholders | Shareholding | | Total Shares Held |
|--------------|---------------------|--------------|---------|-------------------|
| | | From | To | |
| 1 | 1112 | 1 | 100 | 39,249 |
| 2 | 1155 | 101 | 500 | 265,511 |
| 3 | 276 | 501 | 1000 | 193,697 |
| 4 | 553 | 1001 | 5000 | 981,592 |
| 5 | 55 | 5001 | 10000 | 386,176 |
| 6 | 21 | 10001 | 15000 | 259,317 |
| 7 | 14 | 15001 | 20000 | 235,227 |
| 8 | 5 | 20001 | 25000 | 118,191 |
| 9 | 1 | 25001 | 30000 | 26,943 |
| 10 | 7 | 30001 | 35000 | 226,685 |
| 11 | 4 | 35001 | 40000 | 149,000 |
| 12 | 4 | 40001 | 45000 | 165,542 |
| 13 | 2 | 45001 | 55000 | 102,091 |
| 14 | 2 | 55001 | 60000 | 116,620 |
| 15 | 2 | 60001 | 70000 | 137,290 |
| 16 | 1 | 70001 | 80000 | 77,238 |
| 17 | 1 | 80001 | 85000 | 83,600 |
| 18 | 1 | 85001 | 95000 | 91,574 |
| 19 | 2 | 95001 | 100000 | 195,733 |
| 20 | 1 | 100001 | 105000 | 103,506 |
| 21 | 1 | 105001 | 130000 | 126,603 |
| 22 | 1 | 130001 | 170000 | 157,137 |
| 23 | 1 | 170001 | 180000 | 179,125 |
| 24 | 1 | 180001 | 215000 | 211,660 |
| 25 | 2 | 215001 | 230000 | 456,117 |
| 26 | 1 | 230001 | 375000 | 374,491 |
| 27 | 1 | 375001 | 405000 | 400,910 |
| 28 | 1 | 405001 | 470000 | 468,025 |
| 29 | 1 | 470001 | 540000 | 540,000 |
| 30 | 2 | 540001 | 935000 | 1,858,405 |
| 31 | 1 | 935001 | 1025000 | 1,023,743 |
| 32 | 1 | 1025001 | 1125000 | 1,123,942 |
| 33 | 1 | 1125001 | 1785000 | 1,779,198 |
| 34 | 1 | 1785001 | 1905000 | 1,902,013 |
| 35 | 1 | 1905001 | 2130000 | 2,128,992 |
| 36 | 1 | 2130001 | 2600000 | 2,535,134 |
| 37 | 1 | 2600001 | 3000000 | 2,956,424 |
| 38 | 1 | 3000001 | 3370000 | 3,365,615 |
| Total | 3239 | | | 25,542,316 |

| Categories of Shareholders | No. of Shareholders | No. of Shares Held | Percentage |
|---|---------------------|--------------------|-------------|
| Directors, CEO and their Spouses and Minor Children | | | |
| Mr. Tausif Ahmad Khan | 1 | 1,902,013 | 7.4% |
| Mr. Anees Ahmad Khan | 1 | 854 | 0.00% |
| Mr. Ghulam Hussain Khan | 1 | 550,000 | 2.15% |
| Mr. Shazib Masud | 1 | 694 | 0.00% |
| Mr. Taufiq Ahmed Khan | 1 | 2,535,134 | 9.93% |
| Dr. Adeel Abbas Haideri | 1 | 623 | 0.00% |
| Mrs. Zainub Abbas | 1 | 1,123,942 | 4.40% |
| Mrs. Saweela Anees Khan | 1 | 926,736 | 3.63% |
| Associated Companies, Undertakings and Related Parties | - | - | - |
| NIT and ICP | 3 | 468,309 | 1.83% |
| Banks, Development Financial Institutions, Non Banking Financial Institutions, Joint Stock Companies & Trusts | 45 | 450,798 | 1.76% |
| Insurance Companies | 13 | 4,533,987 | 17.75% |
| Modarabas and Mutual Funds | 15 | 175,397 | 0.69% |
| *Shareholders holding 5% | - | - | - |
| Non-Resident Companies | 4 | 2,145,540 | 8.40% |
| General Public | | | |
| a. Local | 3148 | 10,102,022 | 39.55% |
| b. Foreign | 2 | 443,489 | 1.74% |
| Others | 1 | 182,778 | 0.72% |
| TOTAL | 3239 | 25,542,316 | 100% |
| *Shareholders holding five percent or more of the total capital | | | |
| Jubilee Life Insurance Company Limited | | 3,365,615 | 13.18% |
| Pharmatec Investment Limited | | 2,128,992 | 8.34% |
| Mr. Tausif Ahmad Khan | | 1,902,013 | 7.45% |
| Mr. Taufiq Ahmed Khan | | 2,535,134 | 9.93% |
| Mr. Tauqeer Ahmed Khan | | 2,956,424 | 11.57% |
| Mrs. Nosheen Riaz Khan | | 1,779,198 | 6.69% |
| Mutual Funds - Name Wise | | | |
| CDC - Trustee ABL Stock Fund | | 3,225 | 0.01% |
| CDC - Trustee Al Meezan Mutual Fund | | 32,024 | 0.13% |
| CDC - Trustee Almeezan Islamic Asset Allocation Fund | | 36,961 | 0.14% |
| CDC - Trustee Alfalah GHP Islamic Stock Fund | | 5 | 0.00% |
| CDC - Trustee Meezan Balanced Fund | | 13,650 | 0.05% |
| CDC - Trustee Meezan Islamic Fund | | 452 | 0.00% |
| CDC - Trustee UBL Asset Allocation Fund | | 4,721 | 0.02% |
| CDC - Trustee UBL Retirement Savings Fund DIND-Equity Sub Fund | | 50,691 | 0.20% |
| CDC-Trustee Almeezan Islamic Ret. Sav Fund Equity Sub Fund | | 24,739 | 0.10% |
| Trustee Pak Qatar Family Takaful Limited Addressive Fund | | 85 | 0.00% |
| Trustee Pak Qatar Family Takaful Limited Balanced Fund | | 42 | 0.00% |

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:

- 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 | Dr. Adeel Abbas Haideri |
| Non Executive Directors | Mr. Tausif Ahmad Khan |
| | Mr. Ghulam Hussain Khan |
| | Mr. Romesh Elapata |
| | Mr. Taufiq Ahmed Khan |
| | Mrs. Zainub Abbas |

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

- The directors have confirmed that none of them is serving as a director in more than seven listed companies, including Highnoon Laboratories Limited.
- 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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No Casual vacancy occurred on the board during the year 2017. Subsequent to the year, a casual vacancy occurred on the board on January 14, 2018 which was filled up by the directors within 27 days.
- 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.
- 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.
- 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.
- 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.
- The board arranged two orientation courses for its Directors during the year.
- 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.
- 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.
- The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
- 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.
- The Company has complied with all the corporate and financial reporting requirements of the Code.

Statement of Compliance with the Code of Corporate Governance

- The board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors the Chairman of the committee is an independent director.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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).
- Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 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.
- 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

Taufiq Ahmed Khan
Director

Lahore:
9 March 2018

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 2017 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 2017.



Chartered Accountants

Engagement Partner: Naseem Akbar

21 March 2018

The background of the cover features a close-up photograph of a white calculator with dark grey buttons and a white pen resting on a document with printed numbers. The calculator's '+' and '=' buttons are prominent. The document shows various numerical values, some with plus signs, and horizontal lines indicating summations. The entire image is framed by large, flowing, curved shapes in shades of red and orange, creating a modern and professional aesthetic.

Financial Statements

Highnoon Laboratories Limited

for the Year ended
31 December 2017

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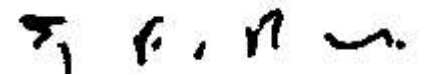
Auditors' Report to the Members

We have audited the annexed balance sheet of Highnoon Laboratories Limited (the Company) as at 31 December 2017 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;
 - 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 2017 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.



Chartered Accountants
Engagement Partner: Naseem Akbar
Lahore: 21st March 2018

Balance Sheet

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital and reserves | | | |
| Authorized share capital | | | |
| 50,000,000 (2016: 25,000,000) Ordinary shares of Rs. 10 each | | 500,000,000 | 250,000,000 |
| Share capital | 6 | 255,423,160 | 228,056,400 |
| Revenue reserves | | 1,776,525,305 | 1,376,455,659 |
| Total Equity | | 2,031,948,465 | 1,604,512,059 |
| Surplus on revaluation of fixed assets | 7 | 384,003,155 | 209,883,736 |
| Non-current liabilities | | | |
| Liabilities against assets subject | | | |
| to finance lease | 8 | 14,442,288 | 16,843,781 |
| Long term advances | 9 | 35,516,612 | 27,248,879 |
| Deferred liabilities | 10 | 373,229,929 | 312,920,256 |
| | | 423,188,829 | 357,012,916 |
| Current liabilities | | | |
| Trade and other payables | 11 | 436,249,573 | 491,811,842 |
| Mark up accrued | 12 | 64,035 | 18,622 |
| Short term borrowing | 13 | - | - |
| Current portion of long term liabilities | 14 | 27,565,672 | 27,104,927 |
| Income tax-net | | 59,101,868 | 143,275,421 |
| | | 522,981,148 | 662,210,812 |
| Total Liabilities | | 946,169,977 | 1,019,223,728 |
| TOTAL EQUITY AND LIABILITIES | | 3,362,121,597 | 2,833,619,523 |

CONTINGENCIES AND COMMITMENTS

15

The annexed notes from 1 to 47 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

As at 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 934,825,946 | 728,634,523 |
| Intangible assets | 17 | 5,073,017 | 21,765,868 |
| Long term investment | 18 | 200,000,000 | 200,000,000 |
| Long term deposits | | 12,695,663 | 12,111,613 |
| Long term advances | | 16,074,304 | 15,529,356 |
| | | 1,168,668,930 | 978,041,360 |
| Current assets | | | |
| Stock in trade | 19 | 1,115,539,075 | 992,637,743 |
| Trade debts | 20 | 250,692,198 | 75,154,453 |
| Advances | 21 | 57,879,171 | 74,672,999 |
| Trade deposits and short term prepayments | 22 | 24,329,555 | 17,423,457 |
| Profit accrued | | 2,015,658 | 1,235,074 |
| Other receivables | 23 | 4,819,473 | 3,341,447 |
| Loan to subsidiary | 24 | 20,000,000 | - |
| Tax refunds due from the Government | 25 | 5,611,106 | 10,413,130 |
| Short term investments | 26 | 100,000,000 | - |
| Cash and bank balances | 27 | 612,566,431 | 680,699,860 |
| | | 2,193,452,667 | 1,855,578,163 |
| TOTAL ASSETS | | 3,362,121,597 | 2,833,619,523 |

Javed Hussain
Chief Financial Officer

Profit and Loss Account

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------|----------------|
| Sales - net | 28 | 5,971,228,748 | 5,070,755,394 |
| Cost of sales | 29 | 3,125,337,924 | 2,692,735,362 |
| Gross profit | | 2,845,890,824 | 2,378,020,032 |
| Distribution, selling and promotional expenses | 30 | 1,599,737,319 | 1,279,004,735 |
| Administrative and general expenses | 31 | 270,080,061 | 245,280,377 |
| Research and development expenses | 32 | 3,606,954 | 3,652,557 |
| Other operating expenses | 33 | 84,485,841 | 73,550,002 |
| | | 1,957,910,175 | 1,601,487,671 |
| Other income | 34 | 29,277,764 | 19,413,957 |
| Operating Profit | | 917,258,413 | 795,946,318 |
| Finance costs | 35 | 4,959,755 | 6,071,247 |
| Profit before taxation | | 912,298,658 | 789,875,071 |
| Taxation | 36 | 285,834,489 | 254,899,404 |
| Profit for the year | | 626,464,169 | 534,975,667 |
| | | | Restated |
| Earnings per share - basic and diluted | 37 | 24.53 | 20.94 |

The annexed notes from 1 to 47 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Statement of Comprehensive Income

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|--------|----------------|----------------|
| Profit for the year | | 626,464,169 | 534,975,667 |
| Other comprehensive income | | | |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | - | - |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Remeasurement adjustments on defined benefit plan | 10.2.3 | (15,477,217) | (14,019,989) |
| Income tax effect | | 4,196,337 | 3,891,237 |
| Other comprehensive loss, net of tax | | (11,280,880) | (10,128,752) |
| Total comprehensive income for the year | | 615,183,289 | 524,846,915 |

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 repealed Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 47 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Cash Flow Statement

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|--------|----------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 912,298,658 | 789,875,071 |
| Adjustments to reconcile profit before tax to net cash flows: | | | |
| Depreciation of property, plant and equipment | 16.1.1 | 78,578,655 | 80,654,033 |
| Amortization of intangible assets | 17.2 | 16,692,851 | 16,692,851 |
| Gain on disposal of property, plant and equipment | 16.1.4 | (10,897,854) | (7,500,756) |
| Exchange loss - net | 33 | 7,643,364 | 6,766,073 |
| Provision for slow moving and obsolete stocks | 19.1 | 2,683,726 | 12,168,711 |
| Provision for defined benefit obligation | 10.2.1 | 44,210,142 | 42,308,358 |
| Finance costs | 35 | (4,959,755) | 6,071,247 |
| Provision for doubtful debts | 20.2 | 1,571,012 | - |
| | | 135,522,141 | 157,160,517 |
| Profit before working capital changes | | 1,047,820,799 | 947,035,588 |
| Working capital changes: | | | |
| (Increase) / decrease in current assets: | | | |
| Stock in trade | | (125,585,058) | (144,482,250) |
| Trade debts | | (177,108,757) | (7,256,554) |
| Advances | | 16,793,828 | 5,268,340 |
| Trade deposits and short term prepayments | | (6,906,098) | 2,285,180 |
| Profit accrued | | (780,584) | (649,464) |
| Other receivables | | (1,478,026) | (792,436) |
| Loan to subsidiary | | (20,000,000) | - |
| Tax refund due from government | | 4,802,024 | (2,457,653) |
| (Decrease) / increase in current liabilities: | | | |
| Trade and other payables | | (75,130,409) | 63,870,802 |
| | | (385,393,080) | (84,214,035) |
| Cash generated from operations | | 662,427,719 | 862,821,553 |
| Taxes paid | | (382,480,418) | (221,248,182) |
| Gratuity paid | | (18,386,753) | (11,833,293) |
| Finance cost paid | | 7,459,315 | (2,613,489) |
| Long term advances | | 12,195,237 | 10,443,604 |
| Net cash flow generated from operating activities | | 281,215,100 | 637,570,193 |

Cash Flow Statement

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|--------|----------------------|----------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (65,987,467) | (34,400,206) |
| Long term Investment | | - | (115,700,000) |
| Additions in long term advances | | (544,948) | (14,023,201) |
| Additions in short term investment | | (100,000,000) | - |
| Additions in long term deposits-net | | (2,586,000) | (1,531,449) |
| Proceeds from disposal of property, plant and equipment | 16.1.4 | 28,035,194 | 23,380,913 |
| Net cash flow used in investing activities | | (141,083,221) | (142,273,943) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of finance lease liabilities - net | | (26,342,144) | (26,253,972) |
| Dividend paid | | (182,419,985) | (141,148,297) |
| Net cash flow used in financing activities | | (208,762,129) | (167,402,269) |
| Net increase in cash and cash equivalents | | (68,630,250) | 327,893,981 |
| Cash and cash equivalents at beginning of the year | | 680,699,860 | 352,794,973 |
| Net foreign exchange difference | | 496,821 | 10,906 |
| Cash and cash equivalents at end of the year | 27 | 612,566,431 | 680,699,860 |

The annexed notes from 1 to 47 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Statement Of Changes In Equity

For The Year Ended 31 December 2017

| | Share capital | Revenue reserves | | | Total |
|--|--------------------|--------------------|-----------------------|----------------------|----------------------|
| | | General reserves | Unappropriated profit | Sub total | |
| -----Rupees----- | | | | | |
| Balance as at 01 January 2016 | 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 |
| Profit for the year ended 31 December 2017 | - | - | 626,464,169 | 626,464,169 | 626,464,169 |
| Other comprehensive loss | - | - | (11,280,880) | (11,280,880) | (11,280,880) |
| Total comprehensive income for the year | - | - | 615,183,289 | 615,183,289 | 615,183,289 |
| Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax | - | - | 6,101,057 | 6,101,057 | 6,101,057 |
| Issuance of bonus shares @ 12% | 27,366,760 | - | (27,366,760) | (27,366,760) | - |
| Final dividend @ Rs. 8.50 per share for the year ended 31 December 2016 | - | - | (193,847,940) | (193,847,940) | (193,847,940) |
| Balance as at 31 December 2017 | 255,423,160 | 114,000,000 | 1,662,525,305 | 1,776,525,305 | 2,031,948,465 |

The annexed notes from 1 to 47 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Notes to the Financial Statements

For The Year Ended 31 December 2017

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

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 23 of 2017 dated 04 October 2017 communicated that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

Hence, these financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of repealed Companies Ordinance, 1984. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984. Wherever, the requirements of the repealed Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of repealed Companies Ordinance, 1984 or the requirements of the said directives shall 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 2017

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

Standard or Interpretation

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

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

Notes to the Financial Statements

For The Year Ended 31 December 2017

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 |
| - impairment of financial assets | 4.22 |

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.

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 2017.

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.

Notes to the Financial Statements

For The Year Ended 31 December 2017

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 8.25% (2016: 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.

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.

Notes to the Financial Statements

For The Year Ended 31 December 2017

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-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 at the rate in Note 17, 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.

Notes to the Financial Statements

For The Year Ended 31 December 2017

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

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

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

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

4.9 Stock in trade

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

| | |
|-----------------|--|
| Raw materials | - on moving average |
| Work-in-process | - at estimated manufacturing cost including appropriate overheads |
| Finished goods | |
| - Imported | - on moving average |
| - Local | - on annual average manufacturing cost including appropriate overheads |

Merchandise in transit/pledged - at invoice value plus other charges incurred thereon

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

Notes to the Financial Statements

For The Year Ended 31 December 2017

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.

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 commission 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.

Notes to the Financial Statements

For The Year Ended 31 December 2017

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.

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, profit accrued and deposits, other receivables and cash and bank balances. Significant financial liabilities include short term 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.

Notes to the Financial Statements

For The Year Ended 31 December 2017

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.

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

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

| | Standard or Interpretation | Effective date: (Annual periods on or after) |
|----------|--|---|
| IFRS 2 | Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments) | 01 January 2018 |
| IFRS 10 | Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRS 9 | Financial Instruments: Classification and Measurement | 01 July 2018 |
| IFRS 9 | Prepayment Features with Negative Compensation – (Amendments) | 01 January 2019 |
| IFRS 4 | Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments) | 01 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 01 July 2018 |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | 01 January 2018 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 01 January 2019 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

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 14 | Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 16 | Leases | 01 January 2019 |
| IFRS 17 | Insurance Contracts | 01 January 2021 |

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 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------|----------------|
| 6. SHARE CAPITAL | | | |
| Issued, subscribed and paid-up capital | | | |
| 5,905,000 (2016: 5,905,000) ordinary shares of Rs. 10 each fully paid in cash | | 59,050,000 | 59,050,000 |
| 95,000 (2016: 95,000) ordinary shares of Rs.10 each issued for consideration other than cash | 6.1 | 950,000 | 950,000 |
| 19,542,316 (2016: 16,805,640) ordinary shares of Rs. 10 each issued as bonus shares | 6.2 | 195,423,160 | 168,056,400 |
| | | 255,423,160 | 228,056,400 |

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

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

| | 2017 Number | 2016 Number | 2017 Rupees | 2016 Rupees |
|---|----------------|----------------|----------------|----------------|
| Issued, subscribed and paid-up of Rs. 10 each as at 01 January | 22,805,640 | 20,362,179 | 228,056,400 | 203,621,790 |
| Issuance of bonus shares of Rs. 10 each | 2,736,676 | 2,443,461 | 27,366,760 | 24,434,610 |
| Issued, subscribed and paid-up of Rs. 10 each as at 31 December | 25,542,316 | 22,805,640 | 255,423,160 | 228,056,400 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------|----------------|
| 7. SURPLUS ON REVALUATION OF FIXED ASSETS | | | |
| Gross surplus on revaluation of fixed assets as at 01 January | | 233,239,791 | 242,613,860 |
| Additions during the year | | 215,900,458 | - |
| Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit: | | | |
| Net of deferred tax | | (6,101,057) | (6,778,964) |
| Related deferred tax liability | | (2,335,605) | (2,595,105) |
| | | (8,436,662) | (9,374,069) |
| | | 440,703,587 | 233,239,791 |
| Less related deferred tax liability on: | | | |
| Balance at the beginning of the year | | 23,356,055 | 25,934,299 |
| Addition during the year | | 35,757,431 | - |
| Effect of change in proportion of normal sales | | (77,449) | 16,861 |
| Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit | | (2,335,605) | (2,595,105) |
| | 7.1 | 56,700,432 | 23,356,055 |
| Surplus on revaluation of fixed assets as at 31 December | | 384,003,155 | 209,883,736 |

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 2017 by M/S Surval which resulted in a surplus of Rs. 215,900,458.

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------|----------------|
| 8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | | | |
| Present value of minimum lease payments | | 31,603,616 | 37,471,868 |
| Less: Current portion shown under current liabilities | 14 | 17,161,328 | 20,628,087 |
| | | 14,442,288 | 16,843,781 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Minimum lease payments | Finance cost for future periods | Principal outstanding |
|---|------------------------|---------------------------------|-----------------------|
| | 2017 | | |
| | -----Rupees----- | | |
| Not later than one year | 18,922,140 | 1,760,812 | 17,161,328 |
| Later than one year but not later than five years | 15,641,542 | 1,199,254 | 14,442,288 |
| | 34,563,682 | 2,960,066 | 31,603,616 |
| | 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 |

Salient features of the leases are as follows:

| | 2017 | 2016 |
|--------------------|-------------|-------------|
| Discounting factor | 7.00%-8.50% | 7.00%-8.50% |
| Period of lease | 36 months | 36 months |
| Security deposits | 5%-10% | 5%-10% |

The Company has entered into finance leased arrangements with various financial institutions for leased 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 | 2017 Rupees | 2016 Rupees |
|---|------|-------------|-------------|
| 9. LONG TERM ADVANCES | | | |
| Balance at 31 December | | 45,920,956 | 33,725,719 |
| Less: Current portion shown under current liabilities | 14 | 10,404,344 | 6,476,840 |
| | | 35,516,612 | 27,248,879 |

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 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|--------|--------------|--------------|
| 10. DEFERRED LIABILITIES | | | |
| Deferred tax - net | 10.1 | 31,021,399 | 12,012,332 |
| Gratuity | 10.2 | 342,208,530 | 300,907,924 |
| | | 373,229,929 | 312,920,256 |
| 10.1 Deferred tax - net | | | |
| Deferred tax liabilities on taxable temporary differences: | | | |
| Surplus on revaluation of assets | 7 | 56,700,432 | 23,356,055 |
| Accelerated tax depreciation | | 49,778,320 | 53,905,039 |
| Finance lease | | 3,735,750 | 3,856,166 |
| | | 110,214,502 | 81,117,260 |
| Deferred tax assets on deductible temporary differences: | | | |
| Provision for doubtful debts | | (720,141) | (287,885) |
| Provision for gratuity | | (75,629,303) | (64,475,325) |
| Provision for stock | | (2,843,659) | (4,341,718) |
| | | (79,193,103) | (69,104,928) |
| Net deferred tax liability | | 31,021,399 | 12,012,332 |
| 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 | 342,208,530 | 293,352,116 |
| Benefits due but not paid | | - | 7,555,808 |
| Net liability as at 31 December | | 342,208,530 | 300,907,924 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees | | | |
|---|--------|----------------|----------------|-------------|-------------|-------------|
| 10.2.1 The following is movement in the net recognized liability for gratuity: | | | | | | |
| Liability as at 01 January | | 293,352,116 | 256,124,870 | | | |
| Amount recognized during the year | 10.2.2 | 44,210,142 | 42,308,358 | | | |
| Remeasurement adjustments recognized during the year | | 15,477,217 | 14,019,989 | | | |
| Benefits due but not paid | | - | (7,555,808) | | | |
| Benefit payments made by the Company | | (10,830,945) | (11,545,293) | | | |
| Liability as at 31 December | | 342,208,530 | 293,352,116 | | | |
| 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 | | 21,175,211 | 19,500,233 | | | |
| Interest cost | | 23,034,931 | 22,808,125 | | | |
| Amount chargeable to Profit and Loss | | 44,210,142 | 42,308,358 | | | |
| 10.2.3 Historical information | | | | | | |
| | | 2017 | 2016 | 2015 | 2014 | 2013 |
| -----Rupees----- | | | | | | |
| Present value of defined benefit obligation | | 342,208,530 | 293,352,116 | 256,124,870 | 216,774,395 | 191,453,615 |
| Remeasurement adjustment arising on plan liabilities | | 15,477,217 | 14,019,989 | 27,758,209 | 2,412,983 | 6,311,278 |
| Remeasurement adjustment as percentage of outstanding liability | | 4.52% | 4.78% | 10.84% | 1.11% | 3.30% |
| The projected unit credit method with the following significant assumptions was used for the valuation of this scheme: | | | | | | |
| | | 2017 | 2016 | | | |
| - Discount rate | | 8.25% p.a. | 8% p.a. | | | |
| - Expected rate of increase in salary | | 7.25% p.a. | 7% p.a. | | | |
| - Expected average remaining working life time | | 9 years | 9 years | | | |
| - Mortality rates | | SLIC | SLIC | | | |
| | | 2001-2005 | 2001-2005 | | | |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | | Rupees | |
|--|------|----------------|----------------|
| 10.2.4 Estimated expense to be charged to Profit and Loss in 2018 | | | |
| Current service cost | | 23,166,036 | |
| Interest cost on defined benefit obligation | | 27,836,162 | |
| Expense for the year | | 51,002,198 | |
| 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 | 2017 Rupees | 2016 Rupees |
| Discount rate + 100 bps | | 316,156,054 | 269,145,587 |
| Discount rate - 100 bps | | 372,294,457 | 321,390,964 |
| Salary increase + 100 bps | | 372,586,375 | 321,666,014 |
| Salary increase - 100 bps | | 315,442,142 | 268,479,000 |
| 11. TRADE AND OTHER PAYABLES | | | |
| Trade creditors | | 128,373,331 | 123,303,355 |
| Bills payable | | 10,748,773 | 70,903,861 |
| Accrued expenses | | 214,793,891 | 219,787,157 |
| Advances from customers | 11.1 | 16,456,522 | 26,393,992 |
| Payable to Provident Fund Trust | | 5,029,453 | 4,130,226 |
| Unclaimed dividends | | 40,194,970 | 28,767,015 |
| Workers' Profit Participation Fund | 11.2 | 1,842,893 | 2,706,681 |
| Payable to Central Research Fund | | 9,922,724 | 7,902,484 |
| Taxes deducted at source | | 8,459,004 | 7,555,562 |
| Payable to Employees Welfare Trust | | 428,012 | 361,509 |
| | | 436,249,573 | 491,811,842 |

11.1 This includes a balance amounting to Rs. Nil (2016: Rs. 2,083,998) due to Route 2 Health (Private) Limited, a related party.

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------|----------------|
| 11.2 Workers' Profit Participation Fund | | | |
| Balance at the beginning of the year | | 2,706,681 | 89,752 |
| Add: Provision for the year | 33 | 48,011,417 | 41,441,924 |
| | | 50,718,098 | 41,531,676 |
| Add: Interest on funds utilized by the Company | 35 | 125,138 | 8,010 |
| | | 50,843,236 | 41,539,686 |
| Less: Paid during the year to the Fund | | 49,000,343 | 38,833,005 |
| | | 1,842,893 | 2,706,681 |
| Mark-up @ 63.75% (2016: 56.26%) per annum is provided on unpaid balance of the Fund in accordance with the rules of the Fund. | | | |
| | | 2017 Rupees | 2016 Rupees |
| 12. MARK UP ACCRUED | | | |
| | | 64,035 | 18,622 |
| 12.1 This represents mark up accrued on short term running finance facility. | | | |
| | | 2017 Rupees | 2016 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. 505 million (2016: Rs. 605 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 100 to 150 basis points (2016: 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. 639.46 million (2016: Rs. 782 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 482.5 million (2016: Rs. 657 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 (2016: 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% (2016: 5.75%) per annum.

13.3 The Company also has aggregate sanctioned import credit facilities negotiated with various commercial banks amounting to Rs. 1000 million (2016: Rs. 900 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2016: 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.

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------|----------------|
| 14. CURRENT PORTION OF LONG TERM LIABILITIES | | | |
| Liabilities against assets subject to finance lease | 8 | 17,161,328 | 20,628,087 |
| Long term advances | 9 | 10,404,344 | 6,476,840 |
| | | 27,565,672 | 27,104,927 |

15. CONTINGENCIES AND COMMITMENTS**15.1 Contingencies**

- While finalizing income tax assessments for the tax year 2010, Additional Commissioner Inland Revenue (ACIR) had made certain additions with aggregate tax impact of Rs. 12 million. The Company had filed an appeal before Commissioner Inland Revenue CIR (Appeals) who had upheld the additions made by assessing officer. Being aggrieved, the Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR), who deleted the aforesaid additions. However, the Tax Department has filed reference before honorable Lahore High Court against the judgment of ATIR. The case is pending adjudication. Provision has not been recognized by the Company, as the management expects a favorable outcome.
- While finalizing income tax assessments for the tax year 2011, ACIR made additions amounting to Rs. 42.2 million with aggregate tax impact of Rs. 24 million. The Company had filed an appeal before CIR (Appeals) who deleted additions aggregating to Rs. 39.7 million. For the remaining amount Rs. 2.5 million the Company had filed an appeal before ATIR. The case is pending adjudication before ATIR. Provision has not been recognized by the Company, as the management expects a favorable outcome.
- The Deputy Commissioner Inland Revenue has passed orders under section 161/205 in respect of Tax Years 2013, 2015 and 2016 and created a demand of Rs. 3.6 million based on the observation that the Company has not deducted Withholding Tax while making payment to certain suppliers. Being aggrieved with the order the Company has filed appeal in CIR (Appeals). Provision has not been recognized by the Company, as the management expects a favorable outcome.
- The DCIR issued an order under section 45B of the Sales Tax Act, 1990 by creating demand of Rs. 4.3 million. The Company has preferred appeal against the said order which has been partially decided in the favor of the Company and demand has been reduced by Rs. 3.73 million. The Company has preferred appeal against the remaining addition of before ATIR, which is pending adjudication. Provision has not been recognized by the Company, as the management expects a favorable outcome.
- Bank guarantees issued on behalf of the Company aggregate to Rs. 1.60 million (2016: Rs 3.37 million).
- Facilities of letters of guarantee amounting to Rs. 10 million (2016: 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.

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------|----------------|
| 15.2 Commitments | | | |
| Commitments against irrevocable letters of credit include: | | | |
| Raw materials | | 241,304,472 | 137,935,968 |
| Packing materials | | 32,055,375 | 14,018,692 |
| Finished Goods | | 26,313,228 | 13,075,056 |
| Plant and machinery | | 23,536,496 | 902,781 |
| | | 323,209,571 | 165,932,497 |
| Rentals under ijarah agreements: | | | |
| Not later than one year | | 19,314,806 | 30,755,447 |
| Later than one year but not later than five years | | 3,927,008 | 22,086,957 |
| | | 23,241,814 | 52,842,404 |
| 16. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating assets (owned) | 16.1 | 889,678,169 | 677,233,432 |
| Operating assets (leased) | 16.1 | 45,147,777 | 51,401,091 |
| | | 934,825,946 | 728,634,523 |

16.1 PROPERTY, PLANT AND EQUIPMENT

| | | | |
|---------------------------|------|-------------|-------------|
| Operating assets (owned) | 16.1 | 889,678,169 | 677,233,432 |
| Operating assets (leased) | 16.1 | 45,147,777 | 51,401,091 |
| | | 934,825,946 | 728,634,523 |

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 2017 | | | | | | | | | | | Assets subject to finance lease vehicles | Total operating fixed assets | |
|---------------------------------------|--------------------------------|---------------------------|---------------------|----------------------|------------------------|-----------------------------|------------------|-------------|---------------|-----------|---------------------|--|------------------------------|---------------|
| | Operating fixed assets - Owned | | | | | | | | | | | | | |
| | Land - freehold | Building on freehold land | Plant and machinery | Laboratory equipment | Furniture and fixtures | Electric and gas appliances | Office equipment | Vehicles | Library books | Neon sign | Arms and ammunition | Total operating fixed assets - owned | | |
| At 01 January 2017 | | | | | | | | | | | | | | |
| Cost / revalued amount | 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 |
| Accumulated depreciation | - | 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 |
| 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 |
| Movement during the year | | | | | | | | | | | | | | |
| Opening netbook 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 |
| Additions - cost | - | - | 11,102,301 | 585,000 | 204,280 | 832,500 | 1,417,665 | 51,845,724 | - | - | - | 65,987,470 | 20,019,500 | 86,006,970 |
| Revaluation adjustment | | | | | | | | | | | | | | |
| Cost | 86,260,000 | 160,676,184 | 250,164,724 | - | - | - | - | - | - | - | - | 497,100,908 | - | 497,100,908 |
| Accumulated depreciation | - | 109,337,405 | 171,863,045 | - | - | - | - | - | - | - | - | 281,200,450 | - | 281,200,450 |
| Transfer from leasehold assets | | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accumulated Depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | | | | | | | | | | | | | | |
| Cost | - | - | 1,345,300 | - | - | - | 703,188 | 38,764,193 | - | - | - | 40,812,681 | - | 40,812,681 |
| Accumulated Depreciation | - | - | 981,165 | - | - | - | 536,209 | 22,157,957 | - | - | - | 23,675,331 | - | 23,675,331 |
| Depreciation charge for the year | - | 11,517,914 | 26,124,444 | 2,408,105 | 1,300,240 | 1,245,129 | 3,329,406 | 21,858,596 | 226 | 7,025 | 4,309 | 67,795,394 | 10,783,261 | 78,578,655 |
| Closing netbook value | 249,700,000 | 155,000,000 | 318,000,000 | 21,965,447 | 11,731,132 | 11,384,910 | 10,402,979 | 111,389,664 | 2,035 | 63,224 | 38,778 | 889,678,169 | 45,147,777 | 934,825,946 |
| At 31 December 2017 | | | | | | | | | | | | | | |
| Cost / revalued amount | 249,700,000 | 485,107,146 | 984,757,500 | 39,816,307 | 26,423,197 | 32,162,868 | 54,095,194 | 201,636,548 | 52,806 | 204,990 | 166,100 | 2,074,122,656 | 62,922,500 | 2,137,045,156 |
| Accumulated depreciation | - | 330,107,146 | 666,757,500 | 17,850,860 | 14,692,065 | 20,777,958 | 43,692,215 | 90,246,884 | 50,771 | 141,766 | 127,322 | 1,184,444,487 | 17,774,723 | 1,202,219,210 |
| Netbook value | 249,700,000 | 155,000,000 | 318,000,000 | 21,965,447 | 11,731,132 | 11,384,910 | 10,402,979 | 111,389,664 | 2,035 | 63,224 | 38,778 | 889,678,169 | 45,147,777 | 934,825,946 |
| Depreciation rates (%) | | 10% | 10% | 10% | 10% | 10% | 25% | 20% | 10% | 10% | 10% | 10% | 20% | 20% |

16.1 Operating assets owned and leased (continued)

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 vehicles | Total operating fixed assets | |
|---------------------------------------|--------------------------------|---------------------------|---------------------|----------------------|------------------------|-----------------------------|------------------|-------------|---------------|-----------|---------------------|--|------------------------------|---------------|
| | Operating fixed assets - Owned | | | | | | | | | | | | | |
| | Land - freehold | Building on freehold land | Plant and machinery | Laboratory equipment | Furniture and fixtures | Electric and gas appliances | Office equipment | Vehicles | Library books | Neon sign | Arms and ammunition | Total operating fixed assets - owned | | |
| 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 |
| Netbook 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 |
| Movement during the year | | | | | | | | | | | | | | |
| Opening netbook 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 |
| Additions - cost | - | - | 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 |
| 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 | | | | | | | | | | | | | | |
| 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 | | | | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | 611,712 | - | - | - | 15,880,157 | - | 15,880,157 |
| Accumulated Depreciation | - | - | - | - | - | - | - | (1,476,716) | - | - | - | (1,476,716) | 1,476,716 | - |
| 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 netbook 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 | | | | | | | | | | | | | | |
| Cost | 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 |
| Accumulated depreciation | - | 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 |
| Netbook 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 |
| Depreciation rates (%) | - | 10% | 10% | 10% | 10% | 10% | 25% | 20% | 10% | 10% | 10% | 20% | 20% | 20% |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|--------------------|--------------------|
| 16.1.1 Depreciation charge has been allocated as under: | | | |
| Cost of sales | 29 | 44,233,359 | 46,931,474 |
| Distribution, selling and promotional expenses | 30 | 16,973,766 | 16,216,663 |
| Administrative and general expenses | 31 | 17,371,530 | 17,505,896 |
| | | 78,578,655 | 80,654,033 |
| 16.1.2 The latest revaluation of land, building on freehold land and plant and machinery was carried out on 31 December 2017 by M/S Surval which resulted in a surplus of Rs. 215,900,458 over the net carrying value of assets. | | | |
| | | 2017 Rupees | 2016 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 | | 82,904,315 | 92,115,906 |
| Plant and machinery (Owned) | | 184,525,270 | 193,781,209 |
| | | 281,996,413 | 300,463,943 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

16.1.4 Disposal of property, plant and equipment

| Description | Cost | Accumulated Depreciation | Written Down Value | Sales Proceeds | Gain / (Loss) | Mode of Sale |
|------------------------------------|-----------|--------------------------|--------------------|----------------|---------------|----------------|
| Vehicles sold to employees: Rupees | | | | | | |
| M. Rizwan Hamidi | 504,000 | 426,313 | 77,687 | 354,640 | 276,953 | Company policy |
| Umar Jamil | 567,000 | 389,592 | 177,408 | 365,164 | 187,756 | Company policy |
| Haji Gul | 567,000 | 379,464 | 187,536 | 382,202 | 194,666 | Company policy |
| Ameer Ali | 567,000 | 379,464 | 187,536 | 382,202 | 194,666 | Company policy |
| Jamshed Ahmed | 657,000 | 409,088 | 247,912 | 486,177 | 238,265 | Company policy |
| Nasir Hussain | 658,000 | 385,134 | 272,866 | 523,534 | 250,668 | Company policy |
| Raheel Zia | 658,000 | 409,497 | 248,503 | 477,503 | 229,000 | Company policy |
| Shakil Arshad | 668,000 | 390,957 | 277,043 | 509,675 | 232,632 | Company policy |
| Yasir Ali | 668,000 | 377,286 | 290,714 | 485,057 | 194,343 | Company policy |
| Muhammad Yasir Saeed | 673,000 | 354,123 | 318,877 | 513,312 | 194,435 | Company policy |
| Zishan Akhtar Karimi | 663,000 | 320,362 | 342,638 | 527,032 | 184,394 | Company policy |
| Muhammad Adeel Ahmed | 683,000 | 348,603 | 334,397 | 522,780 | 188,383 | Company policy |
| Imran Qurban | 635,000 | 255,242 | 379,758 | 576,465 | 196,707 | Company policy |
| Muhammad Aslam | 635,000 | 261,789 | 373,211 | 558,454 | 185,243 | Company policy |
| Adnan Abbas | 667,000 | 227,076 | 439,924 | 481,662 | 41,738 | Company policy |
| Raja Waqar ul Hasan | 625,000 | 250,694 | 374,306 | 545,440 | 171,134 | Company policy |
| Shah Khalid | 414,209 | 79,735 | 334,474 | 525,740 | 191,266 | Company policy |
| Mir Wali | 425,684 | 48,244 | 377,440 | 535,203 | 157,763 | Company policy |
| Sher Alam | 708,000 | 94,400 | 613,600 | 682,100 | 68,500 | Company policy |
| Shoaib Naseer | 1,034,000 | 566,007 | 467,993 | 296,129 | (171,864) | Company policy |
| Dr. Azfar Abbas Haidrie | 1,482,000 | 1,111,848 | 370,152 | 376,762 | 6,610 | Company policy |
| Kamran Ikram uddin | 1,412,000 | 969,237 | 442,763 | 476,822 | 34,059 | Company policy |
| Muhammad Ilyas | 1,498,000 | 944,073 | 553,927 | 553,927 | - | Company policy |
| Shahnawaz Baig | 1,886,500 | 1,060,666 | 825,834 | 1,086,624 | 260,790 | Company policy |
| Muhammad Tasleem | 67,000 | 46,783 | 20,217 | 56,458 | 36,241 | Company policy |
| M. Rafique | 67,500 | 41,219 | 26,281 | 10,000 | (16,281) | Company policy |
| Jahanzab Rahim | 67,500 | 44,391 | 23,109 | 67,500 | 44,391 | Company policy |
| Ghulam Mustafa | 68,000 | 41,859 | 26,141 | 54,274 | 28,133 | Company policy |
| Muhammad Asim Shah | 68,500 | 41,670 | 26,830 | 54,672 | 27,842 | Company policy |
| Husnain Gulzar | 69,000 | 35,998 | 33,002 | 69,000 | 35,998 | Company policy |
| Ubaid Ullah | 69,000 | 39,472 | 29,528 | 69,000 | 39,472 | Company policy |
| Azum Khan | 69,900 | 35,901 | 33,999 | 69,900 | 35,901 | Company policy |
| Rashid Amjad | 69,900 | 35,901 | 33,999 | 69,500 | 35,501 | Company policy |
| Anjum Majeed | 69,900 | 33,974 | 35,926 | 69,900 | 33,974 | Company policy |
| Adnan Nasir | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Zeeshan Ahmad | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Usman Ali | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Shabbir Hussain | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Ghulam Mustafa | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Arshad Mehmood | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Muhammad Farooq | 69,900 | 31,700 | 38,200 | 69,900 | 31,700 | Company policy |
| Muhammad Iftikhar | 69,900 | 36,311 | 33,589 | 69,900 | 36,311 | Company policy |
| Mahmood Khalil | 69,900 | 36,311 | 33,589 | 69,900 | 36,311 | Company policy |
| Fahad Hussain | 69,900 | 37,628 | 32,272 | 69,900 | 37,628 | Company policy |
| Farhan Saeed | 69,900 | 36,311 | 33,589 | 69,000 | 35,411 | Company policy |
| Ramiz Abbas | 69,900 | 36,311 | 33,589 | 69,900 | 36,311 | Company policy |
| Munir ul Hassan | 69,900 | 32,359 | 37,541 | 69,900 | 32,359 | Company policy |
| Irfan | 86,000 | 36,464 | 49,536 | 86,000 | 36,464 | Company policy |
| Ishtiaq Ahmad | 69,900 | 31,651 | 38,249 | 69,900 | 31,651 | Company policy |
| Waqas Khalid | 69,900 | 29,526 | 40,374 | 69,900 | 29,526 | Company policy |
| Zohaib Rasheed | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Muhammad Sufiyan | 69,900 | 35,192 | 34,708 | 63,500 | 28,792 | Company policy |
| Sajjad Haider | 69,900 | 35,192 | 34,708 | 69,900 | 35,192 | Company policy |
| Muhammad Aslam | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Adnan Ahmed | 69,900 | 35,192 | 34,708 | 63,500 | 28,792 | Company policy |
| Haider Ali Ghouri | 69,900 | 35,192 | 34,708 | 69,900 | 35,192 | Company policy |
| Saleem Shahzad | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Muhammad Qamar Saleem | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Ahtesham Ul Haque | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Muhammad Rafique | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Syed Imran Ali Shah | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Waseem Ammar | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Muhammad Shabbir Elahi | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Waqas Ahmed | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Waqas Ahmad | 63,500 | 28,236 | 35,264 | 63,500 | 28,236 | Company policy |

Notes to the Financial Statements

For The Year Ended 31 December 2017

16.1.4 Disposal of property, plant and equipment

| Description | Cost | Accumulated Depreciation | Written Down Value | Sales Proceeds | Gain / (Loss) | Mode of Sale |
|------------------------------------|------------|--------------------------|--------------------|----------------|---------------|-----------------|
| Vehicles sold to employees: Rupees | | | | | | |
| Muhammad Adeel Shahzad | 63,500 | 26,797 | 36,703 | 63,500 | 26,797 | Company policy |
| Muhammad Kamran Khan | 63,500 | 26,797 | 36,703 | 63,500 | 26,797 | Company policy |
| Waqar Ul Hassan | 63,500 | 26,797 | 36,703 | 63,500 | 26,797 | Company policy |
| Imran | 63,500 | 22,479 | 41,021 | 63,500 | 22,479 | Company policy |
| Salman Zaheer | 63,500 | 21,675 | 41,825 | 63,500 | 21,675 | Company policy |
| Muhammad Zuhaib | 63,500 | 26,077 | 37,423 | 63,500 | 26,077 | Company policy |
| Muhammad Sajid | 63,500 | 24,638 | 38,862 | 63,500 | 24,638 | Company policy |
| Waqas Hafeez | 63,500 | 26,162 | 37,338 | 63,500 | 26,162 | Company policy |
| Shah Muhammad Nadeem | 63,500 | 18,457 | 45,043 | 63,500 | 18,457 | Company policy |
| Waqas Ahmed | 63,500 | 21,618 | 41,882 | 63,500 | 21,618 | Company policy |
| Nareesh Kumar | 63,500 | 21,040 | 42,460 | 63,500 | 21,040 | Company policy |
| Adnan Hasan | 63,500 | 16,877 | 46,623 | 62,000 | 15,377 | Company policy |
| Tayyab Ashraf | 63,500 | 22,705 | 40,795 | 69,900 | 29,105 | Company policy |
| Wajid Ali | 63,500 | 19,420 | 44,080 | 63,500 | 19,420 | Company policy |
| Waqas Ali | 63,500 | 17,621 | 45,879 | 63,500 | 17,621 | Company policy |
| Muhammad Sajid | 63,500 | 17,621 | 45,879 | 63,500 | 17,621 | Company policy |
| Muhammad Shahzad Asghar | 63,500 | 16,722 | 46,778 | 63,500 | 16,722 | Company policy |
| Rizwan Fayyaz | 63,500 | 18,556 | 44,944 | 63,500 | 18,556 | Company policy |
| Syed Umair Ali | 63,500 | 14,023 | 49,477 | 63,500 | 14,023 | Company policy |
| Adnan Ahmed | 63,500 | 15,099 | 48,401 | 63,500 | 15,099 | Company policy |
| Farhan Siddiqui | 63,500 | 9,525 | 53,975 | 63,500 | 9,525 | Company policy |
| Vehicles sold to others: | | | | | | |
| Irfan Shah | 635,000 | 312,589 | 322,411 | 451,500 | 129,089 | Negotiation |
| Mohammad Ali | 635,000 | 301,075 | 333,925 | 450,000 | 116,075 | Negotiation |
| Naghmana Zia | 1,882,000 | 1,545,641 | 336,359 | 1,200,000 | 863,641 | Negotiation |
| Mansoor Usman Awan | 10,071,000 | 6,126,391 | 3,944,609 | 7,000,000 | 3,055,391 | Negotiation |
| Aman Ullah | 367,000 | 326,362 | 40,638 | 310,000 | 269,362 | Negotiation |
| Aman Ullah | 300,000 | 253,653 | 46,347 | 297,000 | 250,653 | Negotiation |
| Aman Ullah | 675,000 | 451,128 | 223,872 | 480,000 | 256,128 | Negotiation |
| Liaquat Ali | 67,000 | 46,782 | 20,218 | 22,000 | 1,782 | Negotiation |
| Amir Nazir | 63,500 | 24,638 | 38,862 | 40,000 | 1,138 | Negotiation |
| Zubair Ahmed | 63,500 | 24,638 | 38,862 | 63,500 | 24,638 | Negotiation |
| Amir Nazir | 63,500 | 20,285 | 43,215 | 50,000 | 6,785 | Negotiation |
| Reliance Insurance | 663,000 | 356,429 | 306,571 | 469,500 | 162,929 | Insurance claim |
| Reliance Insurance | 63,500 | 23,199 | 40,301 | 60,000 | 19,699 | Insurance claim |
| Alfalal Insurance | 63,500 | 23,199 | 40,301 | 55,000 | 14,699 | Insurance claim |
| | 38,764,193 | 22,157,957 | 16,606,236 | 27,264,610 | 10,658,384 | |
| Office Equipment | | | | | | |
| HP ProBook 440 G1 Notebook | 92,430 | 52,353 | 40,077 | - | (40,077) | Scrap |
| HP 242 G1 Notebook | 67,400 | 34,819 | 32,581 | 14,900 | (17,681) | Scrap |
| HP ProBook 450 | 71,358 | 25,520 | 45,838 | 24,240 | (21,598) | Scrap |
| HP LaserJet 1300 Printer | 160,000 | 146,281 | 13,719 | - | (13,719) | Scrap |
| HP LaserJet 1300 Printer | 160,000 | 145,168 | 14,832 | - | (14,832) | Scrap |
| Zebra Thermal Z4M Plus Printer | 82,000 | 68,556 | 13,444 | 13,444 | - | Scrap |
| HP ScanJet G2410 Scanner | 70,000 | 63,510 | 6,488 | - | (6,488) | Scrap |
| | 703,188 | 536,209 | 166,979 | 52,584 | (114,395) | |
| Plant and machinery | | | | | | |
| APC Smart UPS Rt 3000 VA | 172,413 | 83,020 | 89,394 | 84,000 | (5,394) | Negotiation |
| APC Smart UPS Rt 3000 VA | 172,413 | 83,020 | 89,393 | 84,000 | (5,393) | Negotiation |
| Generator | 1,000,473 | 815,125 | 185,348 | 550,000 | 364,652 | Negotiation |
| | 1,345,299 | 981,165 | 364,135 | 718,000 | 353,865 | |
| 2017 | 40,812,680 | 23,675,337 | 17,137,350 | 28,035,194 | 10,897,854 | |
| 2016 | 34,706,393 | 18,826,236 | 15,880,157 | 23,380,913 | 7,500,756 | |

Notes to the Financial Statements

For The Year Ended 31 December 2017

17. INTANGIBLE ASSETS

| PARTICULARS | 2017 | | | | | | | Book value as at 31 December 2017 | Rate % |
|--|-----------------------|-----------|------------------------|-----------------------|--------------|------------------------|-----------|-----------------------------------|--------|
| | COST | | | AMORTIZATION | | | | | |
| | As at 01 January 2017 | Additions | As at 31 December 2017 | As at 01 January 2017 | For the year | As at 31 December 2017 | | | |
| | ----- Rupees ----- | | | | | | | | |
| Registration and trademark (Note 17.1) | 154,434,175 | - | 154,434,175 | 133,917,740 | 15,443,418 | 149,361,158 | 5,073,017 | 10 | |
| Computer software | 11,305,681 | - | 11,305,681 | 10,056,248 | 1,249,433 | 11,305,681 | - | 10-33 | |
| | 165,739,856 | - | 165,739,856 | 143,973,988 | 16,692,851 | 160,666,839 | 5,073,017 | | |

| PARTICULARS | 2016 | | | | | | | Book value as at 31 December 2016 | Rate % |
|--|-----------------------|-----------|------------------------|-----------------------|--------------|------------------------|------------|-----------------------------------|--------|
| | COST | | | AMORTIZATION | | | | | |
| | As at 01 January 2016 | Additions | As at 31 December 2016 | As at 01 January 2016 | For the year | As at 31 December 2016 | | | |
| | ----- Rupees ----- | | | | | | | | |
| Registration and trademark (Note 17.1) | 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 | | |

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

17.2 Amortization charge has been allocated as under:

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|-------------|-------------|
| Cost of sales | 29 | 15,443,418 | 15,443,418 |
| Distribution, selling and promotional expenses | 30 | 1,249,433 | 1,249,433 |
| | | 16,692,851 | 16,692,851 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

18. LONG TERM INVESTMENT

Subsidiary Company - Unlisted

Curexa Health (Private) Limited

(formerly Procef Laboratories (Private) Limited)

20,000,000 (2016: 20,000,000) ordinary shares of

Rs.10 equity held: 100% (2016: 100%)

| Note | 2017 Rupees | 2016 Rupees |
|------|-------------|-------------|
|------|-------------|-------------|

| | | |
|------|-------------|-------------|
| 18.1 | 200,000,000 | 200,000,000 |
|------|-------------|-------------|

18.1 Curexa Health (Private) Limited (formerly Procef Laboratories (Private) Limited) a wholly owned subsidiary company engaged in the production of cephalosporin drugs was incorporated on 10 June 2015 as a private limited company with an authorized share capital of Rs. 200 million.

| Note | 2017 Rupees | 2016 Rupees |
|------|-------------|-------------|
|------|-------------|-------------|

19. STOCK IN TRADE

Raw materials

In hand

559,879,435

445,923,691

In transit

70,525,143

66,638,762

With third party

16,867,741

9,631,538

647,272,319

522,193,991

Packing material

In hand

139,470,565

150,436,820

In transit

4,592,598

18,285,690

With third party

2,751,235

3,774,757

146,814,398

172,497,267

Work in process

75,994,076

51,610,441

Finished goods

In hand

255,768,120

247,732,321

In transit

-

14,286,853

255,768,120

262,019,174

Less: Provision for slow moving and obsolete items

19.1 (10,309,838) (15,683,130)

1,115,539,075

992,637,743

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------|----------------|
| 19.1 Provision for slow moving and obsolete items | | | |
| Opening provision | | 15,683,130 | 11,083,975 |
| Charge for the year | | 2,683,726 | 12,168,711 |
| Written off during the year | | (8,057,018) | (7,569,556) |
| Closing provision | | 10,309,838 | 15,683,130 |
| 20. TRADE DEBTS | | | |
| Secured - considered good | | 16,830,047 | 9,696,988 |
| Unsecured: | | | |
| Considered good | 20.1 | 233,862,151 | 65,457,465 |
| Considered doubtful | | 2,610,909 | 1,039,897 |
| Less: Provision against doubtful debts | 20.2 | 2,610,909 | 1,039,897 |
| | | - | - |
| | | 250,692,198 | 75,154,453 |
| 20.1 These customers have no history of default. Age analysis of these trade debts is given in Note 39 | | | |
| 20.2 The carrying amount of these trade debts approximate their fair values. | | | |
| Provision against doubtful debts: | | | |
| Opening balance | | 1,039,897 | 1,039,897 |
| Addition during the year | | 1,571,012 | - |
| | | 2,610,909 | 1,039,897 |
| 21. ADVANCES | | | |
| Advances - considered good | | | |
| Staff against: | | | |
| Expenses | | 14,333,243 | 15,994,237 |
| Salary | | 13,137,463 | 8,489,793 |
| Suppliers | | 30,408,465 | 50,188,969 |
| | | 57,879,171 | 74,672,999 |
| 22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS | | | |
| Trade deposits | | 17,560,461 | 11,580,227 |
| Short term prepayments | | 6,769,094 | 5,843,230 |
| | | 24,329,555 | 17,423,457 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------|----------------|
| 23. OTHER RECEIVABLES | 23.1 | 4,819,473 | 3,341,447 |
| 23.1 These represent claim receivables from various insurance companies against vehicles and equipments. | | | |
| 24. LOAN TO SUBSIDIARY | 24.1 | 20,000,000 | - |
| 24.1 The loan has been provided to the subsidiary (Curexa) for working capital requirement of its cephalosporin unit. The tenure of loan is one year including a markup of 3-Months KIBOR plus 100 bps. A promissory note representing loan is delivered as security. | | | |
| 25. TAX REFUNDS DUE FROM THE GOVERNMENT | 25.1 | 5,611,106 | 10,413,130 |
| 25.1 These represent sales tax recoverable. | | | |
| 26. SHORT TERM INVESTMENTS | | | |
| Mutual funds designated at fair value through profit and loss | | 100,000,000 | - |
| 27. CASH AND BANK BALANCES | | | |
| Cash and imprest | | 1,997,258 | 2,029,608 |
| Balance with banks | | | |
| Current accounts | | | |
| Local currency | | 401,143,095 | 271,182,345 |
| Foreign currency | | 9,426,078 | 7,487,907 |
| Term deposit receipt | | 200,000,000 | 400,000,000 |
| | | 610,569,173 | 678,670,252 |
| | | 612,566,431 | 680,699,860 |
| 27.1 These represents investments in term deposit receipts which carry profit at the rate of 5.04%-6.15% (2016: 3.75%-6.5%). | | | |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|------------------------|------|----------------|----------------|
| 28. SALES - Net | | | |
| Manufactured products: | | | |
| Local | | 5,308,113,680 | 4,455,749,000 |
| Export | | 394,914,006 | 290,612,075 |
| | | 5,703,027,686 | 4,746,361,075 |
| Toll manufacturing | | 301,745,324 | 358,709,604 |
| | | 6,004,773,010 | 5,105,070,679 |
| Less: | | | |
| Discount | | 19,648,334 | 19,422,438 |
| Sales tax | | 13,895,928 | 14,892,847 |
| | | (33,544,262) | (34,315,285) |
| | | 5,971,228,748 | 5,070,755,394 |

29. COST OF SALES

| | | | |
|--------------------------------------|--------|---------------|---------------|
| Raw and packing material consumed | | 2,016,939,350 | 1,790,076,197 |
| Salaries, wages and benefits | 29.1 | 337,525,160 | 297,902,233 |
| Vehicle running and maintenance | | 22,712,695 | 20,323,723 |
| Fuel and power | | 65,611,033 | 66,476,650 |
| Stores consumed | | 24,396,759 | 20,934,432 |
| Repair and maintenance | | 45,770,927 | 38,000,943 |
| Insurance | | 6,326,975 | 5,761,382 |
| Rent, rates and taxes | | 12,113,546 | 4,696,877 |
| Fee and subscription | | 5,532,880 | 3,534,266 |
| Printing and stationery | | 5,319,943 | 3,790,751 |
| Telephone, postage and communication | | 1,160,460 | 1,019,412 |
| Traveling and conveyance | | 3,899,315 | 3,214,024 |
| Trainings, seminars and symposia | | 364,387 | 903,924 |
| Consultancy and professional charges | | 96,200 | 287,000 |
| Factory supplies | | 26,659,186 | 25,003,025 |
| Ijarah rentals | | 7,701,035 | 7,487,731 |
| Depreciation | 16.1.1 | 44,233,359 | 46,931,474 |
| Amortization of intangible assets | 17.2 | 15,443,418 | 15,443,418 |
| Other direct cost | | 1,969,495 | 1,562,410 |
| | | 2,643,776,123 | 2,353,349,872 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------|----------------|
| Inventory effect of work in process | | | |
| Opening | | 51,610,441 | 54,006,164 |
| Closing | | (75,994,076) | (51,610,441) |
| | | (24,383,635) | 2,395,723 |
| Cost of goods manufactured | | 2,619,392,488 | 2,355,745,595 |
| Inventory effect of finished goods | | | |
| Opening | | 247,732,321 | 210,447,080 |
| Purchases | | 513,981,235 | 374,275,008 |
| Closing | | (255,768,120) | (247,732,321) |
| | | 505,945,436 | 336,989,767 |
| Cost of goods sold | | 3,125,337,924 | 2,692,735,362 |

29.1 This includes the following staff retirement benefits:

| | | | |
|--|--|------------|------------|
| Defined benefit plan - Gratuity | | 24,034,544 | 23,191,991 |
| Defined contribution plan - Provident Fund | | 8,262,506 | 7,219,527 |
| Provision for compensated leave absences | | 4,702,908 | 4,632,100 |
| | | 36,999,958 | 35,043,618 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|--------|----------------------|----------------------|
| 30. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES | | | |
| Salaries and benefits | 30.1 | 589,502,696 | 479,003,485 |
| Literature, promotion and advertisement material | | 251,128,660 | 204,523,589 |
| Sample goods | | 52,789,728 | 43,005,177 |
| Printing and stationery | | 3,117,792 | 3,063,167 |
| Traveling and conveyance | | 215,892,293 | 236,548,457 |
| Telephone, postage and communication | | 29,263,328 | 6,081,260 |
| Insurance | | 13,398,192 | 11,696,990 |
| Vehicle running and maintenance | | 48,556,770 | 39,129,544 |
| Donation | 30.2 | 105,555 | 555,619 |
| Freight | | 55,449,151 | 44,739,783 |
| Legal and professional charges | | 76,588 | 305,978 |
| Training, seminars and symposia | | 272,880,939 | 152,337,413 |
| Newspapers and subscriptions | | 20,601,909 | 13,884,462 |
| Ijarah rentals | | 20,569,283 | 17,140,675 |
| Depreciation | 16.1.1 | 16,973,766 | 16,216,663 |
| Amortization of intangible assets | 17.2 | 1,249,433 | 1,249,433 |
| Commission on sales | | 1,961,832 | 7,428,687 |
| Office supplies | | 1,064,687 | 1,833,348 |
| Repair and maintainance | | 4,879,720 | - |
| Others | | 274,997 | 261,005 |
| | | 1,599,737,319 | 1,279,004,735 |
| 30.1 This includes following staff retirement benefits: | | | |
| Defined benefit plan - Gratuity | | 7,932,281 | 7,385,072 |
| Defined contribution plan - Provident Fund | | 12,377,953 | 8,858,155 |
| Provision for compensated leave absences | | 7,592,560 | 7,516,073 |
| | | 27,902,794 | 23,759,300 |

30.2 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 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|--------|--------------------|--------------------|
| 31. ADMINISTRATIVE AND GENERAL EXPENSES | | | |
| Salaries and benefits | 31.1 | 174,900,055 | 154,684,713 |
| Telephone, postage and communication | | 4,008,090 | 3,660,332 |
| Rent, rates and taxes | | 9,020,152 | 6,588,429 |
| Electricity, gas and water | | 1,098,947 | 800,362 |
| Printing and stationery | | 5,475,370 | 5,607,142 |
| Repairs and maintenance | | 2,276,176 | 3,149,881 |
| Vehicle running and maintenance | | 21,932,362 | 20,663,744 |
| Traveling and conveyance | | 7,397,353 | 9,872,119 |
| Provision against doubtful debts | | 1,571,012 | - |
| Newspapers and subscriptions | | 3,314,930 | 1,804,835 |
| Insurance | | 4,294,187 | 3,863,195 |
| Auditors' remuneration | 31.2 | 1,618,650 | 1,471,500 |
| Legal and professional charges | | 1,708,820 | 1,702,973 |
| Advertisement, seminars and symposia | | 3,403,665 | 1,277,505 |
| Donation | 31.3 | 4,540,446 | 4,034,940 |
| Ijarah rentals | | 2,765,551 | 5,618,077 |
| Depreciation | 16.1.1 | 17,371,530 | 17,505,896 |
| Office supplies | | 2,480,888 | 2,811,045 |
| Others | | 901,877 | 163,689 |
| | | 270,080,061 | 245,280,377 |
| 31.1 It includes the following staff retirement benefits: | | | |
| Defined benefit plan - Gratuity | | 12,243,317 | 11,731,295 |
| Defined contribution plan - Provident Fund | | 5,072,620 | 4,879,645 |
| Provision for compensated leave absences | | 2,466,708 | 2,480,138 |
| | | 19,782,645 | 19,091,078 |
| 31.2 Auditors' remuneration | | | |
| Statutory audit | | 1,097,250 | 997,500 |
| Fee for review of half yearly financial information | | 334,950 | 304,500 |
| Other certifications | | 103,950 | 94,500 |
| Out of pocket | | 82,500 | 75,000 |
| | | 1,618,650 | 1,471,500 |
| 31.3 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 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|--------|-------------------|-------------------|
| 32. RESEARCH AND DEVELOPMENT EXPENSES | | | |
| Salaries and benefits | 32.1 | 3,148,518 | 2,691,038 |
| Traveling | | 67,372 | 265,530 |
| Insurance | | 50,180 | 53,816 |
| Vehicle repair and maintenance | | 220,361 | 251,128 |
| Printing and stationery | | 59,326 | 57,826 |
| Office supplies | | 18,187 | 24,670 |
| Training, seminars and symposia | | - | 247,402 |
| Others | | 43,010 | 61,147 |
| | | 3,606,954 | 3,652,557 |
| 32.1 It includes the following staff retirement benefits: | | | |
| Defined contribution plan - Provident Fund | | 123,894 | 112,605 |
| 33. OTHER OPERATING EXPENSES | | | |
| Workers' Profit Participation Fund | 11.2 | 48,011,417 | 41,441,924 |
| Exchange loss- net | | 7,643,364 | 6,776,979 |
| Workers' Welfare Fund | | 18,244,339 | 17,458,386 |
| Central Research Fund | | 10,586,721 | 7,872,713 |
| | | 84,485,841 | 73,550,002 |
| 34. OTHER INCOME | | | |
| Income from financial assets: | | | |
| Return on deposit | | 13,376,579 | 6,775,778 |
| Profit on loan to subsidiary | | 452,396 | - |
| Income from non-financial assets: | | | |
| Gain on disposal of property, plant and equipment | 16.1.4 | 10,897,854 | 7,500,756 |
| Scrap sales | | 4,492,534 | 4,074,115 |
| Others | | 58,401 | 1,063,308 |
| | | 29,277,764 | 19,413,957 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------------------|--------------------|--------------------|
| 35. FINANCE COSTS | | | |
| Mark-up on short term borrowings | | 118,346 | 143,416 |
| Finance cost on liability against assets subject to finance lease | | 2,456,342 | 3,491,658 |
| Interest on Workers' Profit Participation Fund | 11.2 | 125,138 | 8,010 |
| Bank charges | | 2,259,929 | 2,428,163 |
| | | 4,959,755 | 6,071,247 |
| 36. TAXATION | | | |
| Current: | | | |
| For the year | | 273,580,354 | 253,710,317 |
| Prior year | | 24,726,511 | 22,616,105 |
| | | 298,306,865 | 276,326,422 |
| Deferred: | | | |
| Relating to origination and reversal of temporary differences | | (12,472,376) | (21,427,018) |
| | | 285,834,489 | 254,899,404 |
| 36.1 Reconciliation of tax charge for the year | | | |
| Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows: | | | |
| Applicable tax rate | | 30.00% | 31.00% |
| Tax effect of amounts that are not deductible for tax purposes | | 0.15% | 0.18% |
| Tax effect of prior year | | 2.71% | 2.86% |
| Tax effect of tax credit and tax rebate | | -0.29% | -0.49% |
| Tax effect under presumptive tax regime and others | | -0.84% | -1.28% |
| | | 1.73% | 1.27% |
| Average effective tax rate charged on income | | 31.73% | 32.27% |
| 37. 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 | 626,464,169 | 534,975,667 |
| Weighted average number of ordinary shares | Number of shares | 25,542,316 | 25,542,316 |
| Earnings per share | Rupees | 24.53 | 20.94 |

37.1 The weighted average number of ordinary shares of 2016 have been restated due to issuance of 2,736,676 bonus shares in 2017 in accordance with the requirement of IAS 33.

Notes to the Financial Statements

For The Year Ended 31 December 2017

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, allowances including all benefits to the Chief Executive, Director and other Executives of the Company are as follows:

| | 31 December 2017 | | | 31 December 2016 | | |
|-------------------------|------------------|------------|-------------|------------------|------------|-------------|
| | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
| | -----Rupees----- | | | | | |
| Managerial remuneration | 7,703,600 | 11,608,200 | 179,238,599 | 6,418,800 | 18,344,400 | 147,300,463 |
| House allowance | 3,081,440 | 1,200,000 | 65,890,560 | 2,567,520 | 792,303 | 53,643,305 |
| Provident fund | 641,860 | 967,113 | 11,881,889 | 534,836 | 879,148 | 9,947,777 |
| Gratuity | 1,098,428 | 5,768,112 | 37,343,602 | 565,784 | 5,619,453 | 21,876,397 |
| Bonus | 3,049,883 | 3,518,213 | 26,567,157 | 1,496,000 | 1,407,997 | 18,022,286 |
| Utilities | 770,360 | 1,423,342 | 16,472,641 | 641,880 | 1,593,731 | 13,410,826 |
| Medical | 65,786 | 469,577 | 4,817,946 | - | 1,128,002 | 3,435,246 |
| | 16,411,357 | 24,954,557 | 342,212,394 | 12,224,820 | 29,765,034 | 267,636,300 |
| Number of persons | 1 | 2 | 121 | 1 | 2 | 105 |

38.1 The Chief Executive, Executive Directors and 44 executives (2016: 42) have been provided with Company maintained cars while 74 executives (2016: 61) have been provided with cars under self-finance scheme with limited fuel and maintenance facility.

38.2 No meeting fee is paid to an independent, non-executive director for attending Board meetings.

Notes to the Financial Statements

For The Year Ended 31 December 2017

39. FINANCIAL RISK MANAGEMENT

39.1 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, profit accrued, mark up payable and advances, other receivables and cash and 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 Dollar and Euro exchange rates, with all other variables held constant, of the Company's profit before tax.

| | 2017 | 2016 |
|--|-----------------------|------------------------------|
| Rupees per US Dollar Reporting date rate | 110.5 | 104.4 |
| | Changes in US \$ Rate | Effects on Profit Before Tax |
| | | Rupees |
| 2017 | +10% | (582,213) |
| | -10% | 582,213 |
| 2016 | +10% | (2,423,573) |
| | -10% | 2,423,573 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | 2017 | 2016 |
|--|---------------------------|---|
| Rupees per Euro Reporting date rate | 131.79 | 109.46 |
| | Changes in Euro € Rate | Effects on Profit Before Tax Rupees |
| 2017 | +10% | (92,319) |
| | -10% | 92,319 |
| 2016 | +10% | (2,316,174) |
| | -10% | 2,316,174 |

(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:

| | 2017 Rupees | 2016 Rupees |
|---|----------------|----------------|
| Floating rate instruments | | |
| Financial liabilities | | |
| Liabilities against assets subject to finance lease | 31,603,616 | 37,471,868 |

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 2017

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 | | |
| 2017 | +1.50 | (474,054) |
| | -1.50 | 474,054 |
| 2016 | +1.50 | (562,078) |
| | -1.50 | 562,078 |

(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:

| | 2017 Rupees | 2016 Rupees |
|-------------------------|----------------|----------------|
| Trade debts - unsecured | 233,862,151 | 65,457,465 |
| Advances-salaries | 13,137,463 | 8,489,793 |
| Trade deposits | 17,560,461 | 11,580,227 |
| Profit accrued | 2,015,658 | 1,235,074 |
| Other receivables | 4,819,473 | 3,341,447 |
| Bank balances | 610,569,173 | 678,670,252 |
| | 881,964,379 | 768,774,308 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

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 2017, the Company has 35 (2016:15) customers who owed the Company more than R.s 1 million each and accounted for approximately 88% (2016:78%) of all receivables owing.

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

| | 2017 Rupees | 2016 Rupees |
|--------------------------------------|--------------------|-------------------|
| Neither past due nor impaired | 11,265,836 | 3,452,393 |
| Past due but not impaired | | |
| Past due 1–30 days | 102,575,887 | 38,830,584 |
| Past due 31–60 days | 49,895,422 | 5,014,587 |
| Past due 61–90 days | 16,858,339 | 10,771,321 |
| Over 90 days | 53,266,667 | 17,085,568 |
| | 222,596,315 | 71,702,060 |
| Past due and impaired | | |
| Past due 1–30 days | - | - |
| Past due 31–60 days | - | - |
| Past due 61–90 days | - | - |
| Over 90 days | 2,610,909 | 1,039,897 |
| | 2,610,909 | 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 2017

| | Rating | | | 2017 Rupees | 2016 Rupees |
|--|------------|-----------|-----------|--------------------|--------------------|
| | Short term | Long term | Agency | | |
| Banks | | | | | |
| National Bank of Pakistan | A-1+ | AAA | PACRA | 1,514,932 | 3,714,818 |
| United Bank Limited | A-1+ | AAA | JCR - VIS | 11,360,049 | 16,896,534 |
| Faysal Bank Limited | A1+ | AA+ | PACRA | 14,092 | 14,092 |
| Habib Bank Limited | A1+ | AAA | JCR - VIS | 507,948,970 | 576,049,721 |
| Allied Bank Limited | A1+ | AA+ | PACRA | 1,591,801 | 670,293 |
| JS Bank Limited | A1+ | AA- | PACRA | 19,548,290 | 3,229,790 |
| Bank Al Habib Limited | A1+ | AA+ | PACRA | 529,949 | 1,236,184 |
| Meezan Bank Limited | A-1+ | AA | JCR - VIS | 52,861 | 1,505,313 |
| Askari Bank Ltd | AA+ | A1+ | PACRA | 6,845,115 | 2,266,014 |
| Mobilink MicroFinance Bank Ltd | A-1 | A | PACRA | 5,078,496 | 927,522 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | 56,084,618 | 72,159,971 |
| | | | | 610,569,173 | 678,670,252 |

(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 2017

| | Carrying amount | Contractual cash flows | Less than 6 months | 6 to 12 months | 1 to 2 years | 2 to 5 years |
|---------------------------------------|-----------------|------------------------|--------------------|----------------|--------------|--------------|
| -----Rupees----- | | | | | | |
| 31 December 2017 | | | | | | |
| Liabilities against assets subject to | | | | | | |
| finance lease | 31,603,616 | 34,563,682 | 9,030,683 | 9,891,457 | 10,503,849 | 5,542,866 |
| Trade and other payables | | | | | | |
| Mark up accrued | 64,035 | 64,035 | 64,035 | - | - | - |
| | 431,236,081 | 434,196,147 | 408,663,148 | 9,891,457 | 10,503,849 | 5,542,866 |

| | 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 | 37,471,868 | 40,484,174 | 9,519,737 | 13,201,967 | 10,069,627 | 7,692,843 |
| Trade and other payables | | | | | | |
| Mark up accrued | 18,622 | 18,622 | 18,622 | - | - | - |
| | 484,743,613 | 487,755,919 | 456,791,482 | 13,201,967 | 10,069,627 | 7,692,843 |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2017 and 2016 respectively. The rates of mark up have been disclosed in respective notes to the financial statements.

39.2 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 2017

39.3 Financial instruments by categories

| | 2017 | | | |
|-------------------------------------|------------------------------------|---------------------------|--------------------|---------------|
| | Fair value through profit and loss | 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 | - | - | 12,695,663 | 12,695,663 |
| Advances-salaries | - | - | 13,137,463 | 13,137,463 |
| Trade debts | - | - | 250,692,198 | 250,692,198 |
| Trade deposits | - | - | 17,560,461 | 17,560,461 |
| Profit accrued | - | - | 2,015,658 | 2,015,658 |
| Other receivables | - | - | 4,819,473 | 4,819,473 |
| Short term Investment | 100,000,000 | - | - | 100,000,000 |
| Cash and bank balances | - | 612,566,431 | - | 612,566,431 |
| | 100,000,000 | 612,566,431 | 500,920,916 | 1,213,487,347 |

| | 2017 |
|---|-------------|
| Financial Liabilities at amortized cost | |
| Rupees | |
| Liabilities as per balance sheet: | |
| Liabilities against assets subject to finance lease | 31,603,616 |
| Markup accrued on secured loans | 64,035 |
| Trade and other payables | 399,568,430 |
| | 431,236,081 |

Notes to the Financial Statements

For The Year Ended 31 December 2017

39.3 Financial instruments by categories

| | 2016 | | Total |
|------------------------|---------------------------|--------------------|-------------|
| | Cash and cash equivalents | Loans and advances | |
| | -----Rupees----- | | |
| Long term deposits | - | 12,111,613 | 12,111,613 |
| Advances-salaries | - | 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 | 111,912,607 | 792,612,467 |

Assets as per balance sheet:

| | | | |
|------------------------|-------------|------------|-------------|
| Long term deposits | - | 12,111,613 | 12,111,613 |
| Advances-salaries | - | 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 |

Liabilities as per balance sheet:

| | 2016 |
|---|-------------|
| 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 |

39.4 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 2017

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 liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in Note 8 and 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.

| | 2017 Rupees | 2016 Rupees |
|------------------------------|----------------|----------------|
| Debt (See note 8, 12 and 13) | 31,667,651 | 37,490,490 |
| Equity | 2,031,948,465 | 1,604,512,059 |
| Total equity and debt | 2,063,616,116 | 1,642,002,549 |
| Gearing ratio | 2:98 | 2:98 |

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

The carrying values of other financial assets and financial liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

40.1 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2017, the Company held the following financial instruments carried at fair value:

| Financial Assets measured at fair value - available for sale | 2017 | Level 1 | Level 2 | Level 3 |
|--|-------------|------------------|---------|---------|
| | | -----Rupees----- | | |
| Investment in mutual funds | 100,000,000 | 100,000,000 | - | - |
| | 100,000,000 | 100,000,000 | - | - |

Date of valuation: 31 December 2017

There were no liabilities measured at fair value as at 31 December 2017.

There were no financial assets measured at fair value as at 31 December 2016.

There were no financial liabilities measured at fair value as at 31 December 2016.

Notes to the Financial Statements

For The Year Ended 31 December 2017

41. 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:

| | 2017 Rupees | 2016 Rupees |
|---|----------------|----------------|
| 41.1 Sales of goods-net | | |
| Associated undertaking | 225,625,789 | 300,016,829 |
| 41.2 Purchases-net | | |
| Associated undertaking | 267,476,781 | 156,731,096 |
| Subsidiary | 29,774,069 | - |
| 41.3 Contribution to employees' benefits fund: | | |
| Contribution to Staff Provident Fund | 25,836,972 | 21,069,932 |
| Contribution to Employees' Welfare Trust | 2,119,050 | 2,096,869 |

42. 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 repealed Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

| Note | 2017 Rupees | % | 2016 Rupees | % |
|--|------------------|-----|----------------|-----|
| Size of the fund | 251,850,174 | | 236,931,084 | |
| Cost of investments made | 167,188,038 | | 119,951,373 | |
| Percentage of investments made | | 70% | | 95% |
| Fair value of investment | 42.1 176,113,509 | | 223,912,450 | |
| 42.1 Breakup of investments | | | | |
| Investment in shares (Listed Securities) | 44,924,061 | 26% | 60,134,144 | 27% |
| Special Saving Certificates | 52,088,129 | 30% | 49,098,096 | 22% |
| Mutual Funds | 79,101,319 | 45% | 114,680,210 | 51% |
| | 176,113,509 | | 223,912,450 | |

42.2 The figures of 2017 are based on un-audited financial statements.

Notes to the Financial Statements

For The Year Ended 31 December 2017

| | 2017 | 2016 |
|---|-------|-------|
| 43. 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 |

44. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 09th March 2018 has proposed cash dividend at the rate of Rs. 10.00 (2016: Rs. 8.50) per share and 12% bonus shares for the year ended 31st December 2017, (2016: 12%) subject to the approval of shareholders in the Annual General Meeting to be held on 24th April 2018. These financial statements do not reflect these appropriations.

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

Based on the fact the Board of Directors of the Company has proposed 100% dividend for the year ended 31st December 2017 and 12% bonus shares, 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 31st December 2017.

45. 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.

46. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on 09th March 2018.

47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, where necessary, for better and fair presentation. However, no significant reclassifications / restatements made except as given below.

| Reclassified from: | Reclassified to: | Amount |
|-------------------------------|--------------------|------------|
| Account Head | Account Head | Rupees |
| Property, plant and equipment | Long term advances | 15,529,356 |

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

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Consolidated Financial Statements

Highnoon Laboratories Limited
and its subsidiary
Curexa Health (Private) Limited

for the Year ended
31 December 2017

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, 2017.

The Group generated a net sales revenue of Rs. 5.971 billion during the period under review compared to 5.070 billion for the last year registering a growth of around 18%. Gross profit and gross profit as a percentage of sales for the period under review came to Rs. 2.851 billion and 48% compared to Rs. 2.378 billion and 47% of last year respectively. Distribution, Selling and Promotional expenses and Administrative and general expenses have increased by 25% and 13.56% respectively as compared to last year. The increase in expenses largely due to increase in size of sales teams to further improve market penetration and customer focus. Net profit after tax further improved to Rs. 609.937 million as compared to last year figure of Rs.525.256 million. Earnings per share of the Group increased further by Rs.3.32 to Rs. 23.88 (16%) as compared to last year EPS of Rs. 20.56.

The subsidiary company commenced its commercial operations in the month of October 2017 after receiving all regulatory approvals. The Company has been successful in obtaining product registration letters of 27 products. In the first phase the Company has started production of dry powder for injections. The company successfully produced 6 variants of Ceftriaxone (Ceftriaxone Sodium) and 3 variants of Xorbact (Cefoperazone + Salbactum). Both Ceftriaxone and Cefoperazone are broad spectrum third generation cephalosporins used for treatment of variety of infections. In the coming months we shall be producing more variant of Cefotaxime and Cefepime. All the above cephalosporin antibiotics are in the list of WHO list of Essential medicines and are most effective and safe medicine needed in the health system.

The consolidated financial highlights are summarized below:

| | 2017 |
|---|--------------|
| Financial Highlights of the Group | Rupees (000) |
| Profit before tax | 896,143 |
| Taxation | (286,206) |
| Profit after tax | 609,937 |
| Un-appropriated profit brought forward | 1,249,429 |
| Incremental depreciation relating to surplus on revaluation of fixed assets | 6,101 |
| Other Comprehensive income net of tax | (11,281) |
| Profit available for appropriation | 1,854,186 |
| Appropriations: | |
| Cash Dividend for the FY 2016 @ Rs.8.50 per share. | (193,847) |
| Bonus shares @12% FY 2016 | (27,367) |
| | 1,632,972 |

Based on the consolidated accounts for the year ended December 31, 2017, the earnings per share (EPS) worked to Rs.23.88 (2016: Rs.20.56 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

For and on behalf of the Board

Dr. Adeel Abbas Haideri
Chief Executive Officer

Taufiq Ahmed Khan
Director

Lahore: March 9, 2018

ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے ہائی نون لیبارٹریز لمیٹڈ اور اس کی 100% ملکیتی کمپنی کے اہتمام شدہ حسابات برائے سال 31 دسمبر 2017 پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

زیر جائزہ مدت کے دوران گروپ نے 5.971 ارب روپے کی خالص فروخت آمدن حاصل کی۔ جو کہ پچھلے سال کی خالص فروخت آمدن 5.070 ارب روپے کے مقابلے میں 18 فیصد زیادہ ہے۔ خام منافع اور اس کا فروخت آمدن سے تناسب بالترتیب 2.851 ارب روپے اور 48 فیصد تھا۔ پچھلے سال کا خام منافع 2.378 ارب روپے اور تناسب 47 فیصد تھا۔ ڈسٹری بیوٹن۔ مارکیٹنگ اور انتظامی اخراجات میں پچھلے سال کے اسی عرصہ کی نسبت بالترتیب 25 فیصد اور 13.56 فیصد اضافہ ہوا۔ اخراجات میں اضافہ کی وجہ کسٹمر پر بہتر توجہ دینے اور مارکیٹ میں بہتر رسائی کے لیے مارکیٹنگ ٹیم کے حجم میں اضافہ ہے۔ خالص منافع بعد از ٹیکس مبلغ 609.937 ملین روپے رہا جو کہ پچھلے سال کے اسی عرصہ میں 525.256 ملین روپے تھا جبکہ گروپ کا فی حصص خالص منافع پچھلے سال کی نسبت 3.32 روپے کی بڑھوتری کے ساتھ 23.88 روپے رہا جبکہ پچھلے سال کی نسبت فی حصص خالص منافع کی بڑھوتری کا تناسب 16% رہا۔

ہائی نون لیبارٹریز لمیٹڈ کی کلی ذیلی کمپنی کو تمام باضابطہ قانونی منظوریوں مل چکی ہیں۔ جن میں 27 ادویات کی رجسٹریشن اور ادویات سازی کے اجازت نامے بھی شامل ہیں۔ کمپنی نے اکتوبر 2017 میں تجارتی بنیادوں پر ادویات کی تیاری شروع کر دی ہے۔ پہلے مرحلے میں کمپنی نے ڈرائی پاؤڈر انجیکشن کی پیداوار کی ہے۔ کمپنی سینفرو (Ceftriaxone) کی چھ مختلف اقسام اور زوربیکٹ (Xorbact) کی تین مختلف اقسام کی تیاری اور ان کی مارکیٹ میں فراہمی کرنے میں کامیاب رہی ہے۔ یہ دونوں ادویات مختلف اقسام کے انفیکشن کے علاج کے لیے استعمال کی جاتی ہیں۔ آنے والے مہینوں میں ہم سینفرو ٹیکسیم اور سینفرو پائیم انجیکشنز کی نئی اقسام کی پیداوار شروع کر دیں گے۔ یہ تمام سینفرو سپورن انٹی بائیوٹک ادویات WHO کی ضروری ادویات کی فہرست میں شامل ہیں اور انتہائی موثر اور محفوظ ہیں۔

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

| | 2017 | 2016 |
|---|-----------|-----------|
| ٹیکس سے پہلے کا منافع | 896,143 | 896,143 |
| ٹیکس | (286,206) | (286,206) |
| بعد از ٹیکس منافع | 609,937 | 609,937 |
| سابقہ غیر تقسیم شدہ منافع | 1,249,429 | 1,249,429 |
| مستقل اثاثوں کی ریویویشن سے متعلق اضافہ فرسودگی | 6,101 | 6,101 |
| متفرق آمدن بعد از ٹیکس | (11,281) | (11,281) |
| منافع برائے تقسیم | 1,854,186 | 1,854,186 |
| منافع کی تقسیم سال 2016ء | (193,847) | (193,847) |
| نقد منافع کی تقسیم بحساب 8.50 روپے فی حصص | (27,367) | (27,367) |
| بونس حصص بحساب 12% | 1,632,972 | 1,632,972 |

گروپ کے مالیاتی حسابات برائے سال 2017 کی بنیاد پر گروپ کی فی حصص آمدن 23.88 روپے (2016 : 20.56 روپے) رہی۔

ہولڈنگ کمپنی کی ڈائریکٹرز رپورٹ اور جائزہ از چیئرمین کے متعلقہ حصے اس رپورٹ کا اہم حصہ ہیں۔

منجانب بورڈ آف ڈائریکٹرز

ڈاکٹر عدیل عباس
چیئنگ ڈائریکٹر

توفیق احمد خان
ڈائریکٹر

لاہور

9 مارچ 2018ء

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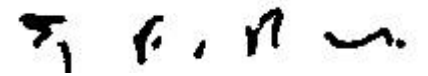
Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Highnoon Laboratories Limited (the Holding Company) and its subsidiary company (together referred to as Group) as at 31 December 2017 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 (the Holding Company) for the year ended 31 December 2017 and financial statements of its subsidiary company namely Curexa Health (Private) Limited (formerly Procef Laboratories (Private) Limited) for eighteen month period ended 31 December 2017.

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 2017 and the results of its operations for the year then ended.



Chartered Accountants
Engagement Partner: Naseem Akbar
Lahore: 21st March 2018

Consolidated Balance Sheet

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital and reserves | | | |
| Authorized share capital 50,000,000 (2016: 25,000,000) Ordinary shares of Rs. 10 each | | 500,000,000 | 250,000,000 |
| Share Capital | 6 | 255,423,160 | 228,056,400 |
| Revenue reserves | | 1,746,972,154 | 1,363,429,484 |
| Equity attributable to equity holders of the parent | | 2,002,395,314 | 1,591,485,884 |
| Non-Controlling Interest | | - | - |
| Total Equity | | 2,002,395,314 | 1,591,485,884 |
| Surplus on revaluation of fixed assets | 7 | 384,003,155 | 209,883,736 |
| Non-current liabilities | | | |
| Long term loan | 8 | 71,250,000 | 95,000,000 |
| Liabilities against assets subject to finance lease | 9 | 14,442,288 | 16,843,781 |
| Long term advances | 10 | 35,770,552 | 27,248,879 |
| Deferred liabilities | 11 | 373,229,929 | 312,920,256 |
| | | 494,692,769 | 452,012,916 |
| Current liabilities | | | |
| Trade and other payables | 12 | 448,283,315 | 494,131,845 |
| Mark up accrued | 13 | 2,198,087 | 148,684 |
| Short term borrowing | 14 | 21,148,760 | - |
| Current portion of long term liabilities | 15 | 51,315,672 | 27,104,927 |
| Income Tax-net | | 53,856,541 | 143,275,421 |
| | | 576,802,375 | 664,660,877 |
| Total liabilities | | 1,071,495,144 | 1,116,673,793 |
| TOTAL EQUITY AND LIABILITIES | | 3,457,893,613 | 2,918,043,413 |

CONTINGENCIES AND COMMITMENTS

16

The annexed notes from 1 to 47 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive OfficerTaufiq Ahmed Khan
DirectorJaved Hussain
Chief Financial Officer

As at 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 17 | 1,227,713,797 | 939,072,737 |
| Intangible assets | 18 | 6,642,350 | 21,765,868 |
| Goodwill | 19 | 834,230 | 834,230 |
| Long term deposits | | 13,431,963 | 12,111,613 |
| Long term advances | | 16,074,304 | 15,529,356 |
| | | 1,264,696,644 | 989,313,804 |
| Current assets | | | |
| Stock in trade | 20 | 1,127,919,266 | 992,637,743 |
| Trade debts | 21 | 250,692,198 | 75,154,453 |
| Advances | 22 | 59,903,602 | 74,772,999 |
| Trade deposits and short term prepayments | 23 | 24,684,710 | 17,548,529 |
| Profit accrued | | 2,015,658 | 1,235,074 |
| Other receivables | 24 | 4,819,473 | 3,341,447 |
| Tax refund due from the Government | 25 | 5,611,106 | 13,746,565 |
| Short term investments | 26 | 100,000,000 | - |
| Cash and bank balances | 27 | 617,550,956 | 750,292,799 |
| | | 2,193,196,969 | 1,928,729,609 |
| TOTAL ASSETS | | 3,457,893,613 | 2,918,043,413 |

Consolidated Profit and Loss Account

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|-----------------|-----------------|
| Sales - net | 28 | 5,971,228,748 | 5,070,755,394 |
| Cost of sales | 29 | (3,119,718,409) | (2,692,735,362) |
| Gross profit | | 2,851,510,339 | 2,378,020,032 |
| Distribution, selling and promotional expenses | 30 | (1,599,737,319) | (1,279,004,735) |
| Administrative and general expenses | 31 | (289,576,123) | (254,985,395) |
| Research and development expenses | 32 | (3,606,954) | (3,652,557) |
| Other operating expenses | 33 | (84,485,841) | (73,550,002) |
| | | (1,977,406,237) | (1,611,192,689) |
| Other income | | 874,104,102 | 766,827,343 |
| Operating Profit | 34 | 28,825,368 | 19,413,957 |
| | | 902,929,470 | 786,241,300 |
| Finance costs | 35 | (6,785,858) | (6,085,875) |
| Profit before taxation | | 896,143,612 | 780,155,425 |
| Taxation | 36 | (286,206,418) | (254,899,404) |
| Profit after taxation | | 609,937,194 | 525,256,021 |
| Profit/(loss) after tax attributable to: | | | |
| Shareholders of the Parent | | 609,937,194 | 525,659,120 |
| Non Controlling Interest | | - | (403,099) |
| | | 609,937,194 | 525,256,021 |
| | | | Restated |
| Earnings per share - basic and diluted | 37 | 23.88 | 20.56 |

The annexed notes from 1 to 47 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|--------|----------------|----------------|
| Profit for the year | | 609,937,194 | 525,256,021 |
| Other comprehensive income | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | - | - |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | |
| Remeasurement adjustments on defined benefit plan | 11.2.1 | (15,477,217) | (14,019,989) |
| Income tax effect | | 4,196,337 | 3,891,237 |
| Other comprehensive loss, net of tax | | (11,280,880) | (10,128,752) |
| Total comprehensive income for the year | | 598,656,314 | 515,127,269 |
| Total comprehensive income/(loss) attributable to: | | | |
| Shareholders of the Parent | | 598,656,314 | 515,530,368 |
| Non Controlling Interest | | - | (403,099) |
| | | 598,656,314 | 515,127,269 |

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 47 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Consolidated Cash Flow Statement

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|--------|----------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 896,143,612 | 780,155,425 |
| Adjustments to reconcile profit before tax to net cash flows: | | | |
| Depreciation of property, plant and equipment | 17.1.1 | 85,318,557 | 83,263,604 |
| Amortization of intangible assets | 18.2 | 16,823,518 | 16,692,851 |
| Gain on disposal of property, plant and equipment | 17.1.4 | (10,897,854) | (7,500,756) |
| Exchange loss - net | | 7,643,364 | 6,766,073 |
| Provision for slow moving and obsolete items | 20.1 | 3,735,000 | 12,168,711 |
| Provision for defined benefit obligation | 11.3.2 | 44,210,142 | 42,308,358 |
| Finance costs | 34 | 6,785,858 | 6,085,875 |
| Provision for doubtful debts | 20.2 | 1,571,012 | - |
| | | 155,189,597 | 159,784,716 |
| Profit before working capital changes | | 1,051,333,209 | 939,940,141 |
| Working capital changes: | | | |
| (Increase) / decrease in current assets: | | | |
| Stock in trade | | (139,016,523) | (144,482,250) |
| Trade debts | | (177,108,757) | (7,256,554) |
| Advances | | 14,869,397 | 5,168,340 |
| Trade deposits and short term prepayments | | (7,136,181) | 2,160,108 |
| Profit accrued | | (780,584) | (649,464) |
| Other receivables | | (1,478,026) | (792,436) |
| Tax refund due from the Government | | 8,135,459 | (5,754,137) |
| Increase / (decrease) in current liabilities: | | | |
| Trade and other payables | | (65,416,670) | 65,355,771 |
| | | (367,931,885) | (86,250,622) |
| Cash generated from operations | | 683,401,324 | 853,689,519 |
| Taxes paid | | (388,097,674) | (221,248,182) |
| Gratuity paid | | (18,386,753) | (11,833,293) |
| Finance cost paid | | (2,282,309) | (2,498,055) |
| Long term advances | | 12,449,177 | 10,443,604 |
| Net cash flow generated from operating activities | | 287,083,765 | 628,553,593 |

Consolidated Cash Flow Statement

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|--------|----------------------|----------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred on tangible | | (155,177,006) | (194,210,821) |
| Intangible assets acquired | | (1,700,000) | - |
| Additions in long term advances | | (544,948) | - |
| Additions in short term investment | | (100,000,000) | - |
| Additions in long term deposits-net | | (3,322,300) | (1,531,449) |
| Proceeds from disposal of property, plant and equipment | 17.1.4 | 28,035,194 | 23,380,913 |
| Net cash flow used in investing activities | | (232,709,060) | (172,361,357) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of finance lease liabilities - net | | (26,342,144) | (26,253,972) |
| Long term loan | | - | 95,000,000 |
| Acquisition of non-controlling interest | | - | (11,077,000) |
| Short term borrowings - net | | 21,148,760 | - |
| Dividend paid | | (182,419,985) | (141,148,297) |
| Net cash flow used in financing activities | | (187,613,369) | (83,479,269) |
| Net increase in cash and cash equivalents | | (133,238,664) | 372,712,967 |
| Cash and cash equivalents at beginning of the year | | 750,292,799 | 377,568,926 |
| Effect of exchange rate changes on cash and cash equivalent | | 496,821 | 10,906 |
| Cash and cash equivalents at end of the year | 27 | 617,550,956 | 750,292,799 |

The annexed notes from 1 to 47 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive OfficerTaufiq Ahmed Khan
DirectorJaved Hussain
Chief Financial Officer

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2017

| | Share capital | Revenue reserves | | | Non Controlling Interest | Total |
|--|--------------------|--------------------|-----------------------|----------------------|--------------------------|----------------------|
| | | General reserves | Unappropriated profit | Sub total | | |
| -----Rupees----- | | | | | | |
| Balance as at 01 January 2016 | 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 |
| Profit for the year ended 31 December 2017 | - | - | 609,937,194 | 609,937,194 | - | 609,937,194 |
| Other comprehensive loss | - | - | (11,280,880) | (11,280,880) | - | (11,280,880) |
| Total comprehensive income for the year | - | - | 598,656,314 | 598,656,314 | - | 598,656,314 |
| Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax | - | - | 6,101,056 | 6,101,056 | - | 6,101,056 |
| Issuance of bonus shares @ 12% | 27,366,760 | - | (27,366,760) | (27,366,760) | - | - |
| Final dividend @ Rs. 7.50 per share for the year ended 31 December 2016 | - | - | (193,847,940) | (193,847,940) | - | (193,847,940) |
| Balance as at 31 December 2017 | 255,423,160 | 114,000,000 | 1,632,972,154 | 1,746,972,154 | - | 2,002,395,314 |

The annexed notes from 1 to 47 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

1. THE GROUP AND ITS OPERATIONS

The Highnoon Group ("the Group") comprises of Highnoon Laboratories Limited ("HNL") ("the Holding Company") and Curexa Health (Private) Limited (formerly Procef Laboratories (Private) Limited ("CHL") ("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 CHL 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. However, the Subsidiary has started its commercial operation in the month of November 2017.

HNL acquired 80% shares of CHL in September 2015 and it became subsidiary company of HNL. Subsequently HNL also acquired right shares of CHL and it 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 CHL became wholly owned subsidiary of HNL.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 23 of 2017 dated 04 October 2017 communicated that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

2.3 Basis of consolidation

The Group's consolidated financial statements include the financial statement of the Holding Company HNL and its subsidiary company CHL. The Group uses the acquisition method of accounting to account for business combination. The consideration transferred is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group, if any. Acquisition related cost is expensed as incurred. The Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the identifiable net assets of the acquiree. The financial statement of the Holding Company and its Subsidiary are prepared upto the same reporting date using consistent accounting 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 CHL 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 interests as transaction with parties external to the Group. Disposals of non-controlling interests results in gain and losses for the Group that are 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 2017

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

Standard or Interpretation

| | |
|--------|--|
| IAS 7 | Statement of Cash Flows - Disclosure Initiative - (Amendment) |
| IAS 12 | Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments) |

Improvements to Accounting Standards Issued by the IASB in September 2014.

| | |
|---------|--|
| IFRS 12 | Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12 |
|---------|--|

The adoption of the above amendments, interpretations and improvements did not have any material effect on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

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 |
| - impairment of non-financial assets | 4.13 |
| - taxation | 4.18 |
| - provisions | 4.22 |
| - impairment of financial assets | 4.23 |

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.

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 2017. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

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.

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

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

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.

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

4.8 Borrowing costs

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

4.9 Investments**Investments available for sale - Quoted securities**

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

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

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

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

4.10 Stock in trade

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

| | |
|--------------------------------|--|
| Raw materials | - on moving average |
| Work-in-process | - at estimated manufacturing cost including appropriate overheads |
| Finished goods | |
| - Imported | - on moving average |
| - 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

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.

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 Commission of Pakistan. Ijarah rental under such agreements are charged to profit and loss account on a straight line basis over the Ijarah term.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

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.

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, profit accrued and deposits, other receivables and cash and bank balances. Significant financial liabilities include short term 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

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 2017

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

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

| | Standard or Interpretation | Effective date: (Periods beginning on or after) |
|----------|--|--|
| IFRS 2 | Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments) | 01 January 2018 |
| IFRS 10 | Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRS 9 | Financial Instruments: Classification and Measurement | 01 July 2018 |
| IFRS 9 | Prepayment Features with Negative Compensation – (Amendments) | 01 January 2019 |
| IFRS 4 | Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments) | 01 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 01 July 2018 |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | 01 January 2018 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 01 January 2019 |

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 14 | Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 16 | Leases | 01 January 2019 |
| IFRS 17 | Insurance Contracts | 01 January 2021 |

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 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------|----------------|
| 6. SHARE CAPITAL | | | |
| Issued, subscribed and paid-up capital | | | |
| 5,905,000 (2016: 5,905,000) ordinary shares of Rs. 10 each fully paid in cash | | 59,050,000 | 59,050,000 |
| 95,000 (2016: 95,000) ordinary shares of Rs.10 each issued for consideration other than cash | 6.1 | 950,000 | 950,000 |
| 19,542,316 (2016: 16,805,640) ordinary shares of Rs. 10 each issued as bonus shares | | 195,423,160 | 168,056,400 |
| | 6.2 | 255,423,160 | 228,056,400 |

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

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

| | 2017 Number | 2016 Number | 2017 Rupees | 2016 Rupees |
|---|----------------|----------------|----------------|----------------|
| Issued, subscribed and paid-up of Rs. 10 each as at 01 January | 22,805,640 | 20,362,179 | 228,056,400 | 203,621,790 |
| Issuance of bonus shares of Rs. 10 each | 2,736,676 | 2,443,461 | 27,366,760 | 24,434,610 |
| Issued, subscribed and paid-up of Rs. 10 each as at 31 December | 25,542,316 | 22,805,640 | 255,423,160 | 228,056,400 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------|----------------|
| 7. SURPLUS ON REVALUATION OF FIXED ASSETS | | | |
| Gross surplus on revaluation of fixed assets as at 01 January | | 233,239,791 | 242,613,860 |
| Additions during the year | | 215,900,458 | - |
| Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit | | (6,101,056) | (6,778,964) |
| Net of deferred tax | | (2,335,605) | (2,595,105) |
| Related deferred tax liability | | (8,436,661) | (9,374,069) |
| | | 440,703,588 | 233,239,791 |
| Less related deferred tax liability on: | | | |
| Balance at the beginning of the year | | 23,356,055 | 25,934,299 |
| Addition during the year | | 35,757,431 | - |
| Effect of change in proportion of normal sales | | (77,449) | 16,861 |
| Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit | | (2,335,605) | (2,595,105) |
| | 11.1 | 56,700,432 | 23,356,055 |
| Surplus on revaluation of fixed assets as at 31 December | | 384,003,155 | 209,883,736 |
| 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 2017 by M/S Surval which resulted in a surplus of Rs. 215,900,458. | | | |
| 8. LONG TERM LOAN | | | |
| Long term loan | | 95,000,000 | 95,000,000 |
| Less: Current portion | | 23,750,000 | - |
| | | 71,250,000 | 95,000,000 |

8.1 In 2016 Subsidiary Company has obtained loan 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 (31 December 2016: Nil) per annum on the outstanding amount of loan. The tenure of loan is 5 years and principle amount is repayable in equal quarterly installments after lapse of grace period of one year.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|------------------------|---|
| This loan has been secured against: | | | |
| - | | | first parri passu charge over plant and machinery to be imported by CHL; |
| - | | | land and building owned by CHL located at 517 Sunder Industrial Estate Raiwind Road, Lahore measuring 3,377.15 square meters; and |
| - | | | personal guarantee by the Director of CHL. |
| 9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | | | |
| Present value of minimum lease payments | | 31,603,616 | 37,471,868 |
| Less: Current portion shown under current liabilities | 15 | 17,161,328 | 20,628,087 |
| | | 14,442,288 | 16,843,781 |
| | | Minimum lease payments | Finance cost for future periods |
| | | Principal outstanding | |
| | | 2017 | |
| | | -----Rupees----- | |
| Not later than one year | | 18,922,140 | 1,760,812 |
| Later than one year but not later than five years | | 15,641,542 | 1,199,254 |
| | | 34,563,682 | 2,960,066 |
| | | 2016 | |
| | | -----Rupees----- | |
| Not later than one year | | 22,721,704 | 2,093,617 |
| Later than one year but not later than five years | | 17,762,470 | 918,689 |
| | | 40,484,174 | 3,012,306 |

Salient features of the leases are as follows:

| | 2017 | 2016 |
|--------------------|-------------|-------------|
| Discounting factor | 7.00%-8.50% | 7.00%-8.50% |
| 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 leased 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 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|-------------|----------------|----------------|
| 10. LONG TERM ADVANCES | | | |
| Balance at 31 December | | 46,174,896 | 33,725,719 |
| Less: Current portion shown under current liabilities | 15 | 10,404,344 | 6,476,840 |
| | | 35,770,552 | 27,248,879 |
| These represent advances taken from employees against future sale of vehicles as per Group's policy. | | | |
| 11. DEFERRED LIABILITIES | | | |
| Deferred Tax- net | 11.1&11.1.1 | 31,021,399 | 12,012,332 |
| Gratuity | 11.2 | 342,208,530 | 300,907,924 |
| | | 373,229,929 | 312,920,256 |
| 11.1 DEFERRED TAX- NET | | | |
| Deferred tax liabilities on taxable temporary differences | | | |
| Surplus on revaluation of assets | 7 | 56,700,432 | 23,356,055 |
| Accelerated tax depreciation | | 49,778,320 | 53,905,039 |
| Finance lease | | 3,735,750 | 3,856,166 |
| | | 110,214,502 | 81,117,260 |
| Deferred tax assets on deductible temporary differences | | | |
| Provision for doubtful debts | | (720,141) | (287,885) |
| Provision for gratuity | | (75,629,303) | (64,475,325) |
| Provision for stock | | (2,843,659) | (4,341,718) |
| | | (79,193,103) | (69,104,928) |
| Net deferred tax liability | | 31,021,399 | 12,012,332 |

11.1.1 Deferred tax represents liability relating to taxable temporary differences of HNL. Since the subsidiary Company is eligible for minimum tax of 1.25% on net revenue, hence deferred tax asset of Rs.30,597,933 (30 June 2016: Rs.4,651,679) has not been recognized as a result of unused accumulated taxable losses of Rs. 101,993,110 (30 June 2016: Rs.14,536,496) due to uncertainty regarding its recoverability.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|--------|----------------|----------------|
| 11.2 Gratuity | | | |
| The net value of un-funded defined benefit obligation as at valuation date was as follows: | | | |
| Present value of defined benefit obligation | 11.2.1 | 342,208,530 | 293,352,116 |
| Benefits due but not paid | | - | 7,555,808 |
| Net liability as at 31 December | | 342,208,530 | 300,907,924 |
| 11.2.1 The following is movement in the net recognized liability for gratuity: | | | |
| Liability as at 01 January | | 293,352,116 | 256,124,870 |
| Amount recognized during the year | 11.2.2 | 44,210,142 | 42,308,358 |
| Remeasurement adjustments recognized during the year | | 15,477,217 | 14,019,989 |
| Benefits due but not paid | | - | (7,555,808) |
| Benefit payments made by the Company | | (10,830,945) | (11,545,293) |
| Liability as at 31 December | | 342,208,530 | 293,352,116 |
| 11.2.2 The following amounts have been charged to profit and loss account during the year in respect of gratuity scheme: | | | |
| Current service cost | | 21,175,211 | 19,500,233 |
| Interest cost | | 23,034,931 | 22,808,125 |
| Amount chargeable to Profit and Loss | | 44,210,142 | 42,308,358 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

11.2.3 Historical information for gratuity plan

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-------------|-------------|-------------|-------------|-------------|
| Present value of defined benefit obligation | 342,208,530 | 293,352,116 | 256,124,870 | 216,774,395 | 191,453,615 |
| Remeasurement adjustment arising on plan liabilities | 15,477,217 | 14,019,989 | 27,758,209 | 2,412,983 | 6,311,278 |
| Remeasurement adjustment as percentage of outstanding liability | 4.52% | 4.78% | 10.84% | 1.11% | 3.30% |

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

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Discount rate | 8.25% p.a. | 8% p.a. |
| Expected rate of increase in salary | 7.25% p.a. | 7% p.a. |
| Expected average remaining working life time | 9 years | 9 years |
| Mortality rates | SLIC 2001-2005 | SLIC 2001-2005 |

11.2.4 Estimated expense to be charged to

| Profit and Loss in 2018 | Rupees |
|---|------------|
| Current service cost | 23,166,036 |
| Interest cost on defined benefit obligation | 27,836,162 |
| Expense for the year | 51,002,198 |

11.2.5 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.

| | 2017 Rupees | 2016 Rupees |
|---------------------------|----------------|----------------|
| Discount rate + 100 bps | 316,156,054 | 269,145,587 |
| Discount rate - 100 bps | 372,294,457 | 321,390,964 |
| Salary increase + 100 bps | 372,586,375 | 321,666,014 |
| Salary increase - 100 bps | 315,442,142 | 268,479,000 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|-------------------------------------|------|----------------|----------------|
| 12. TRADE AND OTHER PAYABLES | | | |
| Trade creditors | | 136,628,429 | 123,303,355 |
| Bills payable | | 10,748,773 | 70,903,861 |
| Accrued expenses | | 217,968,222 | 219,928,301 |
| Advances from customers | 12.1 | 16,465,736 | 26,393,992 |
| Payable to Provident Fund Trust | | 5,029,453 | 4,130,226 |
| Unclaimed dividends | | 40,194,970 | 28,767,015 |
| Workers' Profit Participation Fund | 12.2 | 1,842,893 | 2,706,681 |
| Workers' Welfare Fund | | - | - |
| Payable to Central Research Fund | | 9,922,724 | 7,902,484 |
| Taxes deducted at source | | 9,054,103 | 9,734,433 |
| Payable to Employees Welfare Trust | | 428,012 | 361,497 |
| | | 448,283,315 | 494,131,845 |

12.1 This includes a balance amounting to Rs. Nil (2016: Rs. 2,083,998) due to Route 2 Health (Private) Limited, a related party.

12.2 Workers' Profit Participation Fund

| | | | |
|---|----|------------|------------|
| Balance at the beginning of the year | | 2,706,681 | 89,752 |
| Add: Provision for the year | 33 | 48,011,417 | 41,441,924 |
| | | 50,718,098 | 41,531,676 |
| Add: Interest on Fund utilized by the Company | 35 | 125,138 | 8,010 |
| | | 50,843,236 | 41,539,686 |
| Less: Paid during the year to the Fund | | 49,000,343 | 38,833,005 |
| | | 1,842,893 | 2,706,681 |

12.3 Mark-up @ 63.75% (2016: 56.26%) per annum is provided on unpaid balance of the Fund in accordance with the rules of the Fund.

| | 2017 Rupees | 2016 Rupees |
|----------------------------|----------------|----------------|
| 13. MARK UP ACCRUED | 2,198,087 | 148,684 |

13.1 This represents markup payable on short term running finance facility and long term loan.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|-----------|----------------|----------------|
| 14. SHORT TERM BORROWINGS | | | |
| Short term borrowings from commercial banks | 14.1&14.2 | 21,148,760 | - |

14.1 Short term running finances are availed from various commercial banks against aggregate sanctioned limit of Rs. 555 million (2016: Rs. 605 million) (including Rs. 30 million for FATR (funds against trust receipt) and Rs.15 million related to Running finance (2016: Nil).These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 100 to 200 basis points (2016: 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. 639.46 million (2016: Rs. 782 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 482.5 million (2016: Rs. 657 million) on stocks including but not limited to raw materials, goods in process and finished goods of the Holding Company and overall present and future current assets with 20% margin of the Subsidiary 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 (2016: 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% (2016: 5.75%) per annum.

14.3 The Group also has aggregate sanctioned import credit facilities negotiated with various commercial banks amounting to Rs. 1000 million (2016: Rs. 900 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2016: 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.

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------|----------------|
| 15. CURRENT PORTION OF LONG TERM LIABILITIES | | | |
| Long term loan | 8 | 23,750,000 | - |
| Liabilities against assets subject to finance lease | 9 | 17,161,328 | 20,628,087 |
| Long term advances | 10 | 10,404,344 | 6,476,840 |
| | | 51,315,672 | 27,104,927 |

16. CONTINGENCIES AND COMMITMENTS**16.1 Contingencies**

- While finalizing income tax assessments for the tax year 2010, Additional Commissioner Inland Revenue (ACIR) had made certain additions with aggregate tax impact of Rs. 12 million. The Company had filed an appeal before Commissioner Inland Revenue CIR (Appeals) who had upheld the additions made by assessing officer. Being aggrieved, the Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR), who deleted the aforesaid additions. However, the Tax Department has filed reference before honorable Lahore High Court against the judgment of ATIR. The case is pending adjudication. Provision has not been recognized by the Company, as the management expects a favorable outcome.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

- While finalizing income tax assessments for the tax year 2011, ACIR made additions amounting to Rs. 42.2 million with aggregate tax impact of Rs. 24 million. The Company had filed an appeal before CIR (Appeals) who deleted additions aggregating to Rs. 39.7 million. For the remaining amount Rs. 2.5 million the Company had filed an appeal before ATIR. The case is pending adjudication before ATIR. Provision has not been recognized by the Company, as the management expects a favorable outcome.
- The Deputy Commissioner Inland Revenue has passed orders under section 161/205 in respect of Tax Years 2013, 2015 and 2016 and created a demand of Rs. 3.6 million based on the observation that the Company has not deducted Withholding Tax while making payment to certain suppliers. Being aggrieved with the order the Company has filed appeal in CIR (Appeals). Provision has not been recognized by the Company, as the management expects a favorable outcome.
- The DCIR issued an order under section 45B of the Sales Tax Act, 1990 by creating demand of Rs. 4.3 million. The Company has preferred appeal against the said order which has been partially decided in the favor of the Company and demand has been reduced by Rs. 3.73 million. The Company has preferred appeal against the remaining addition of before ATIR, which is pending adjudication. Provision has not been recognized by the Company, as the management expects a favorable outcome.
- Bank guarantees issued on behalf of the Holding Company aggregate to Rs. 1.60 million (2016: Rs 3.37million).
- Facilities of letters of guarantee amounting to Rs. 10 million (2016: 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.

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------|----------------|
| 16.2 Commitments | | | |
| Commitments against irrevocable letters of credit include: | | | |
| Raw materials | | 247,475,952 | 137,935,968 |
| Packing materials | | 33,881,308 | 14,018,692 |
| Finished Goods | | 26,313,228 | 13,075,056 |
| Plant and machinery | | 23,536,496 | 902,781 |
| | | 331,206,984 | 165,932,497 |
| Rentals under ijarah agreements: | | | |
| Not later than one year | | 21,261,914 | 30,755,447 |
| Later than one year but not later than five years | | 8,644,956 | 22,086,957 |
| | | 29,906,870 | 52,842,404 |

17. PROPERTY, PLANT AND EQUIPMENT

| | | | |
|---------------------------|------|---------------|-------------|
| Operating assets (owned) | 17.1 | 1,182,566,020 | 725,649,060 |
| Operating assets (leased) | 17.1 | 45,147,777 | 51,401,091 |
| Capital work-in-progress | 17.2 | - | 162,022,586 |
| | | 1,227,713,797 | 939,072,737 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|-------------------|-------------------|
| 17.1.1 Depreciation charge has been allocated as under: | | | |
| Cost of sales | 29 | 48,758,370 | 46,931,474 |
| Distribution, selling and promotional expenses | 30 | 16,973,766 | 16,216,663 |
| Administrative and general expenses | 31 | 19,586,421 | 20,115,467 |
| | | 85,318,557 | 83,263,604 |

17.1.2 The latest revaluation of land, building on freehold land and plant and machinery of HNL was carried out on 31 December 2017 by M/S Surval which resulted in a surplus of Rs. 215,900,458 over the net carrying value of assets.

| | 2017 Rupees | 2016 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 | 174,414,074 | 115,153,253 |
| Plant and machinery (Owned) | 324,952,594 | 193,781,209 |
| | 538,933,496 | 348,501,290 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

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: | | | | | | |
| M. Rizwan Hamidi | 504,000 | 426,313 | 77,687 | 354,640 | 276,953 | Company policy |
| Umar Jamil | 567,000 | 389,592 | 177,408 | 365,164 | 187,756 | Company policy |
| Haji Gul | 567,000 | 379,464 | 187,536 | 382,202 | 194,666 | Company policy |
| Ameer Ali | 567,000 | 379,464 | 187,536 | 382,202 | 194,666 | Company policy |
| Jamshed Ahmed | 657,000 | 409,088 | 247,912 | 486,177 | 238,265 | Company policy |
| Nasir Hussain | 658,000 | 385,134 | 272,866 | 523,534 | 250,668 | Company policy |
| Raheel Zia | 658,000 | 409,497 | 248,503 | 477,503 | 229,000 | Company policy |
| Shakil Arshad | 668,000 | 390,957 | 277,043 | 509,675 | 232,632 | Company policy |
| Yasir Ali | 668,000 | 377,286 | 290,714 | 485,057 | 194,343 | Company policy |
| Muhammad Yasir Saeed | 673,000 | 354,123 | 318,877 | 513,312 | 194,435 | Company policy |
| Zishan Akhtar Karimi | 663,000 | 320,362 | 342,638 | 527,032 | 184,394 | Company policy |
| Muhammad Adeel Ahmed | 683,000 | 348,603 | 334,397 | 522,780 | 188,383 | Company policy |
| Imran Qurban | 635,000 | 255,242 | 379,758 | 576,465 | 196,707 | Company policy |
| Muhammad Aslam | 635,000 | 261,789 | 373,211 | 558,454 | 185,243 | Company policy |
| Adnan Abbas | 667,000 | 227,076 | 439,924 | 481,662 | 41,738 | Company policy |
| Raja Waqar ul Hasan | 625,000 | 250,694 | 374,306 | 545,440 | 171,134 | Company policy |
| Shah Khalid | 414,209 | 79,735 | 334,474 | 525,740 | 191,266 | Company policy |
| Mir Wali | 425,684 | 48,244 | 377,440 | 535,203 | 157,763 | Company policy |
| Sher Alam | 708,000 | 94,400 | 613,600 | 682,100 | 68,500 | Company policy |
| Shoaib Naseer | 1,034,000 | 566,007 | 467,993 | 296,129 | (171,864) | Company policy |
| Dr. Azfar Abbas Haidrie | 1,482,000 | 1,111,848 | 370,152 | 376,762 | 6,610 | Company policy |
| Kamran Ikram uddin | 1,412,000 | 969,237 | 442,763 | 476,822 | 34,059 | Company policy |
| Muhammad Ilyas | 1,498,000 | 944,073 | 553,927 | 553,927 | - | Company policy |
| Shahnawaz Baig | 1,886,500 | 1,060,666 | 825,834 | 1,086,624 | 260,790 | Company policy |
| Muhammad Tasleem | 67,000 | 46,783 | 20,217 | 56,458 | 36,241 | Company policy |
| M. Rafique | 67,500 | 41,219 | 26,281 | 10,000 | (16,281) | Company policy |
| Jahanzaib Rahim | 67,500 | 44,391 | 23,109 | 67,500 | 44,391 | Company policy |
| Ghulam Mustafa | 68,000 | 41,859 | 26,141 | 54,274 | 28,133 | Company policy |
| Muhammad Asim Shah | 68,500 | 41,670 | 26,830 | 54,672 | 27,842 | Company policy |
| Husnain Gulzar | 69,000 | 35,998 | 33,002 | 69,000 | 35,998 | Company policy |
| Ubaid Ullah | 69,000 | 39,472 | 29,528 | 69,000 | 39,472 | Company policy |
| Azum Khan | 69,900 | 35,901 | 33,999 | 69,900 | 35,901 | Company policy |
| Rashid Amjad | 69,900 | 35,901 | 33,999 | 69,500 | 35,501 | Company policy |
| Anjum Majeed | 69,900 | 33,974 | 35,926 | 69,900 | 33,974 | Company policy |
| Adnan Nasir | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Zeeshan Ahmad | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Usman Ali | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Shabbir Hussain | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Ghulam Mustafa | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Arshad Mehmood | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Muhammad Farooq | 69,900 | 31,700 | 38,200 | 69,900 | 31,700 | Company policy |
| Muhammad Iftikhar | 69,900 | 36,311 | 33,589 | 69,900 | 36,311 | Company policy |
| Mahmood Khalil | 69,900 | 36,311 | 33,589 | 69,900 | 36,311 | Company policy |
| Fahad Hussain | 69,900 | 37,628 | 32,272 | 69,900 | 37,628 | Company policy |
| Farhan Saeed | 69,900 | 36,311 | 33,589 | 69,000 | 35,411 | Company policy |
| Ramiz Abbas | 69,900 | 36,311 | 33,589 | 69,900 | 36,311 | Company policy |
| Munir ul Hassan | 69,900 | 32,359 | 37,541 | 69,900 | 32,359 | Company policy |
| Irfan | 86,000 | 36,464 | 49,536 | 86,000 | 36,464 | Company policy |
| Ishtiaq Ahmad | 69,900 | 31,651 | 38,249 | 69,900 | 31,651 | Company policy |
| Waqas Khalid | 69,900 | 29,526 | 40,374 | 69,900 | 29,526 | Company policy |
| Zohaib Rasheed | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Muhammad Sufiyan | 69,900 | 35,192 | 34,708 | 63,500 | 28,792 | Company policy |
| Sajjad Haider | 69,900 | 35,192 | 34,708 | 69,900 | 35,192 | Company policy |
| Muhammad Aslam | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Adnan Ahmed | 69,900 | 35,192 | 34,708 | 63,500 | 28,792 | Company policy |
| Haider Ali Ghouri | 69,900 | 35,192 | 34,708 | 69,900 | 35,192 | Company policy |
| Saleem Shahzad | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Muhammad Qamar Saleem | 69,900 | 33,776 | 36,124 | 69,900 | 33,776 | Company policy |
| Ahtesham Ul Haque | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Muhammad Rafique | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Syed Imran Ali Shah | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Waseem Ammar | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Muhammad Shabbir Elahi | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Waqas Ahmed | 69,900 | 33,975 | 35,925 | 69,900 | 33,975 | Company policy |
| Waqas Ahmad | 63,500 | 28,236 | 35,264 | 63,500 | 28,236 | Company policy |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

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: | | | | | | |
| Muhammad Adeel Shahzad | 63,500 | 26,797 | 36,703 | 63,500 | 26,797 | Company policy |
| Muhammad Kamran Khan | 63,500 | 26,797 | 36,703 | 63,500 | 26,797 | Company policy |
| Waqar Ul Hassan | 63,500 | 26,797 | 36,703 | 63,500 | 26,797 | Company policy |
| Imran | 63,500 | 22,479 | 41,021 | 63,500 | 22,479 | Company policy |
| Salman Zaheer | 63,500 | 21,675 | 41,825 | 63,500 | 21,675 | Company policy |
| Muhammad Zuhaib | 63,500 | 26,077 | 37,423 | 63,500 | 26,077 | Company policy |
| Muhammad Sajid | 63,500 | 24,638 | 38,862 | 63,500 | 24,638 | Company policy |
| Waqas Hafeez | 63,500 | 26,162 | 37,338 | 63,500 | 26,162 | Company policy |
| Shah Muhammad Nadeem | 63,500 | 18,457 | 45,043 | 63,500 | 18,457 | Company policy |
| Waqas Ahmed | 63,500 | 21,618 | 41,882 | 63,500 | 21,618 | Company policy |
| Naresh Kumar | 63,500 | 21,040 | 42,460 | 63,500 | 21,040 | Company policy |
| Adnan Hasan | 63,500 | 16,877 | 46,623 | 62,000 | 15,377 | Company policy |
| Tayyab Ashraf | 63,500 | 22,705 | 40,795 | 69,900 | 29,105 | Company policy |
| Wajid Ali | 63,500 | 19,420 | 44,080 | 63,500 | 19,420 | Company policy |
| Muhammad Sajid | 63,500 | 17,621 | 45,879 | 63,500 | 17,621 | Company policy |
| Muhammad Shahzad Asghar | 63,500 | 16,722 | 46,778 | 63,500 | 16,722 | Company policy |
| Rizwan Fayyaz | 63,500 | 18,556 | 44,944 | 63,500 | 18,556 | Company policy |
| Syed Umair Ali | 63,500 | 14,023 | 49,477 | 63,500 | 14,023 | Company policy |
| Adnan Ahmed | 63,500 | 15,099 | 48,401 | 63,500 | 15,099 | Company policy |
| Farhan Siddiqui | 63,500 | 9,525 | 53,975 | 63,500 | 9,525 | Company policy |

Vehicles sold to others:

| | | | | | | |
|--------------------|------------|------------|------------|------------|------------|-----------------|
| Irfan Shah | 635,000 | 312,589 | 322,411 | 451,500 | 129,089 | Negotiation |
| Mohammad Ali | 635,000 | 301,075 | 333,925 | 450,000 | 116,075 | Negotiation |
| Naghmana Zia | 1,882,000 | 1,545,641 | 336,359 | 1,200,000 | 863,641 | Negotiation |
| Mansoor Usman Awan | 10,071,000 | 6,126,391 | 3,944,609 | 7,000,000 | 3,055,391 | Negotiation |
| Aman Ullah | 367,000 | 326,362 | 40,638 | 310,000 | 269,362 | Negotiation |
| Aman Ullah | 300,000 | 253,653 | 46,347 | 297,000 | 250,653 | Negotiation |
| Aman Ullah | 675,000 | 451,128 | 223,872 | 480,000 | 256,128 | Negotiation |
| Liaqat Ali | 67,000 | 46,782 | 20,218 | 22,000 | 1,782 | Negotiation |
| Amir Nazir | 63,500 | 24,638 | 38,862 | 40,000 | 1,138 | Negotiation |
| Zubair Ahmed | 63,500 | 24,638 | 38,862 | 63,500 | 24,638 | Negotiation |
| Amir Nazir | 63,500 | 20,285 | 43,215 | 50,000 | 6,785 | Negotiation |
| Reliance Insurance | 663,000 | 356,429 | 306,571 | 469,500 | 162,929 | Insurance claim |
| Reliance Insurane | 63,500 | 23,199 | 40,301 | 60,000 | 19,699 | Insurance claim |
| Alfalsh Insurance | 63,500 | 23,199 | 40,301 | 55,000 | 14,699 | Insurance claim |
| | 38,764,193 | 22,157,957 | 16,606,236 | 27,264,610 | 10,658,384 | |

Office Equipment

| | | | | | | |
|--------------------------------|---------|---------|---------|--------|-----------|-------|
| HP ProBook 440 G1 Notebook | 92,430 | 52,353 | 40,077 | - | (40,077) | Scrap |
| HP 242 G1 Notebook | 67,400 | 34,819 | 32,581 | 14,900 | (17,681) | Scrap |
| HP ProBook 450 | 71,358 | 25,520 | 45,838 | 24,240 | (21,598) | Scrap |
| HP LaserJet 1300 Printer | 160,000 | 146,281 | 13,719 | - | (13,719) | Scrap |
| HP LaserJet 1300 Printer | 160,000 | 145,168 | 14,832 | - | (14,832) | Scrap |
| Zebra Thurnal Z4M Plus Printer | 82,000 | 68,556 | 13,444 | 13,444 | - | Scrap |
| HP ScanJet G2410 Scanner | 70,000 | 63,510 | 6,488 | - | (6,488) | Scrap |
| | 703,188 | 536,209 | 166,979 | 52,584 | (114,395) | |

Plant and machinery

| | | | | | | |
|--------------------------|-----------|---------|---------|---------|---------|-------------|
| APC Smart UPS Rt 3000 VA | 172,414 | 83,020 | 89,394 | 84,000 | (5,394) | Negotiation |
| APC Smart UPS Rt 3000 VA | 172,413 | 83,020 | 89,393 | 84,000 | (5,393) | Negotiation |
| Generator | 1,000,473 | 815,125 | 185,348 | 550,000 | 364,652 | Negotiation |
| | 1,345,300 | 981,165 | 364,135 | 718,000 | 353,865 | |

| | | | | | | |
|------|------------|------------|------------|------------|------------|--|
| 2017 | 40,812,681 | 23,675,331 | 17,137,350 | 28,035,194 | 10,897,854 | |
| 2016 | 34,706,393 | 18,826,236 | 15,880,157 | 23,380,913 | 7,500,756 | |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|--------|-------------|-------------|
| 17.2 Capital work-in-progress (CWIP) | | | |
| Civil work | | - | 56,723,459 |
| Plant and machinery - owned | 17.2.1 | - | 98,666,108 |
| Laboratory equipments | | - | 5,834,119 |
| Furniture and fixture | | - | 798,900 |
| | | - | 162,022,586 |

17.2.1 The Group has capitalised borrowing costs amounting to Rs. 6,029,192 (31 December 2016: Rs. 130,062) 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 kibor plus 1.5%. (31 December 2016: 3 months kibor plus 1.5%).

18. INTANGIBLE ASSETS

| PARTICULARS | 2017 | | | | | | | |
|--|-----------------------|-----------|------------------------|-----------------------|--------------|------------------------|-----------------------------------|--------|
| | COST | | | AMORTIZATION | | | Book value as at 31 December 2017 | Rate % |
| | As at 01 January 2017 | Additions | As at 31 December 2017 | As at 01 January 2017 | For the year | As at 31 December 2017 | | |
| | Rupees | | | | | | | |
| Registration and trademark (Note 18.1) | 154,434,175 | 1,600,000 | 156,034,175 | 133,917,740 | 15,554,085 | 149,471,825 | 6,562,350 | 10 |
| Computer software | 11,305,681 | - | 11,305,681 | 10,056,248 | 1,249,433 | 11,305,681 | - | 10-33 |
| License | - | 100,000 | 100,000 | - | 20,000 | 20,000 | 80,000 | 10 |
| | 165,739,856 | 1,700,000 | 167,439,856 | 143,973,988 | 16,823,518 | 160,797,506 | 6,642,350 | |

| PARTICULARS | 2016 | | | | | | | |
|--|-----------------------|-----------|------------------------|-----------------------|--------------|------------------------|-----------------------------------|--------|
| | COST | | | AMORTIZATION | | | Book value as at 31 December 2016 | Rate % |
| | As at 01 January 2016 | Additions | As at 31 December 2016 | As at 01 January 2016 | For the year | 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 | |

18.1 This represents registration and trademarks of brands named as Tres Orix Forte, Skilax Drops, Blokium, Ceftra, Claforte, Xorbact, Maxum, Cefia, Kefzy, Fortez, Proxit, Cetaclor, Fendinir and Cefatil.

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|-------------|-------------|
| 18.2 Amortization charge has been allocated as under: | | | |
| Cost of sales | 29 | 15,574,085 | 15,443,418 |
| Distribution, selling and promotional expenses | 30 | 1,249,433 | 1,249,433 |
| | | 16,823,518 | 16,692,851 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 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 | |
| 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 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------|----------------|
| 19.2 Acquisition of additional interest in Curexa Health (Private) Limited (formerly Procef Laboratories (Private) Limited) | | | |
| In May 2016, the group acquired an additional 11.61% interest in the voting shares of Curexa Health (Private) Limited (formerly 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.10,036,523. Following is a schedule of additional interest acquired in Curexa Health (Private) Limited (formerly Procef Laboratories (Private) Limited): | | | |
| | | 2017 Rupees | 2016 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 | | 561,751,173 | 445,923,691 |
| In transit | | 73,291,056 | 66,638,762 |
| With third party | | 16,867,741 | 9,631,538 |
| | | 651,909,970 | 522,193,991 |
| Packing material | | | |
| In hand | | 145,954,635 | 150,436,820 |
| In transit | | 4,592,598 | 18,285,690 |
| With third party | | 2,751,234 | 3,774,757 |
| | | 153,298,467 | 172,497,267 |
| Work in process | | 78,152,547 | 51,610,441 |
| Finished goods | | | |
| In hand | | 255,919,394 | 247,732,321 |
| In transit | | - | 14,286,853 |
| | | 255,919,394 | 262,019,174 |
| Less: Provision for slow moving and obsolete items | 20.1 | (11,361,112) | (15,683,130) |
| | | 1,127,919,266 | 992,637,743 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------|----------------|
| 20.1 Provision for slow moving and obsolete items | | | |
| Opening provision | | 15,683,130 | 11,083,975 |
| Charge for the year | | 3,735,000 | 12,168,711 |
| Written off during the year | | (8,057,018) | (7,569,556) |
| Closing provision | | 11,361,112 | 15,683,130 |
| 21. TRADE DEBTS | | | |
| Secured - considered good | | 16,830,047 | 9,696,988 |
| Unsecured: | | | |
| Considered good | 21.1 | 233,862,151 | 65,457,465 |
| Considered doubtful | | 2,610,909 | 1,039,897 |
| Less: Provision against doubtful debts | | 2,610,909 | 1,039,897 |
| | | - | - |
| | | 250,692,198 | 75,154,453 |
| 21.1 These customers have no history of default. For age analysis of these trade debts, refer to Note 39. | | | |
| | | | |
| 21.2 Provision against doubtful debts | | | |
| Opening balance | | 1,039,897 | 1,039,897 |
| Addition during the year | | 1,571,012 | - |
| | | 2,610,909 | 1,039,897 |
| 22. ADVANCES | | | |
| Advances - considered good | | | |
| Staff against: | | | |
| Expenses | | 16,331,274 | 15,994,237 |
| Salary | | 13,138,863 | 8,489,793 |
| Suppliers | | 30,433,465 | 50,288,969 |
| | | 59,903,602 | 74,772,999 |
| 23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS | | | |
| Trade deposits | | 17,560,461 | 11,705,299 |
| Short term prepayments | | 7,124,249 | 5,843,230 |
| | | 24,684,710 | 17,548,529 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|------|----------------|----------------|
| 24. OTHER RECEIVABLES | | | |
| | 24.1 | 4,819,473 | 3,341,447 |
| 24.1 These represent claim receivables from various insurance companies against vehicles and equipments. | | | |
| | | | |
| 25. TAX REFUND DUE FROM THE GOVERNMENT | | | |
| | | 5,611,106 | 13,746,565 |
| 25.1 These represent sales tax recoverable. | | | |
| 26. SHORT TERM INVESTMENTS | | | |
| Mutual funds designated at fair value through profit and loss | | 100,000,000 | - |
| 27. CASH AND BANK BALANCES | | | |
| Cash and imprest | | 2,015,266 | 2,158,712 |
| Balance with banks | | | |
| Current accounts | | | |
| Local Currency | | 406,109,612 | 340,646,180 |
| Foreign Currency | | 9,426,078 | 7,487,907 |
| Term deposit receipt | | 200,000,000 | 400,000,000 |
| | | 615,535,690 | 748,134,087 |
| | | 617,550,956 | 750,292,799 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--------------------------------------|--------|----------------|----------------|
| 28. SALES - Net | | | |
| Manufactured products: | | | |
| Local | | 5,308,113,680 | 4,455,749,000 |
| Export | | 394,914,006 | 290,612,075 |
| | | 5,703,027,686 | 4,746,361,075 |
| Toll manufacturing | | 301,745,324 | 358,709,604 |
| | | 6,004,773,010 | 5,105,070,679 |
| Less: | | | |
| Discount | | 19,648,334 | 19,422,438 |
| Sales tax | | 13,895,928 | 14,892,847 |
| | | (33,544,262) | (34,315,285) |
| | | 5,971,228,748 | 5,070,755,394 |
| 29. COST OF SALES | | | |
| Raw and packing material consumed | | 1,996,236,986 | 1,790,076,197 |
| Salaries, wages and benefits | 29.1 | 340,678,968 | 297,902,233 |
| Vehicle running and maintenance | | 22,712,695 | 20,323,723 |
| Fuel and power | | 67,306,514 | 66,476,650 |
| Stores consumed | | 25,879,907 | 20,934,432 |
| Repair and maintenance | | 46,257,258 | 38,000,943 |
| Insurance | | 6,394,287 | 5,761,382 |
| Rent, rates and taxes | | 12,113,546 | 4,696,877 |
| Fee and subscription | | 5,532,880 | 3,534,266 |
| Printing and stationery | | 5,441,496 | 3,790,751 |
| Telephone, postage and communication | | 1,160,460 | 1,019,412 |
| Traveling and conveyance | | 4,472,336 | 3,214,024 |
| Trainings, seminars and symposia | | 364,387 | 903,924 |
| Consultancy and professional charges | | 371,200 | 287,000 |
| Factory supplies | | 26,659,186 | 25,003,025 |
| Ijarah rentals | | 8,441,880 | 7,487,731 |
| Depreciation | 17.1.1 | 48,758,371 | 46,931,474 |
| Amortization of intangible assets | 18.2 | 15,574,085 | 15,443,418 |
| Other direct cost | | 2,748,892 | 1,562,410 |
| Provision for impairment of stocks | | 1,051,274 | - |
| | | 2,638,156,608 | 2,353,349,872 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|------|----------------|----------------|
| Inventory effect of work in process | | | |
| Opening | | 51,610,441 | 54,006,164 |
| Closing | | (75,994,076) | (51,610,441) |
| | | (24,383,635) | 2,395,723 |
| Cost of goods manufactured | | 2,613,772,973 | 2,355,745,595 |
| Inventory effect of finished goods | | | |
| Opening | | 247,732,321 | 210,447,080 |
| Purchases | | 513,981,235 | 374,275,008 |
| Closing | | (255,768,120) | (247,732,321) |
| | | 505,945,436 | 336,989,767 |
| Cost of goods sold | | 3,119,718,409 | 2,692,735,362 |
| 29.1 This includes the following staff retirement benefits: | | | |
| Defined benefit plan - Gratuity | | 24,034,544 | 23,191,991 |
| Defined contribution plan - Provident Fund | | 8,262,506 | 7,219,527 |
| Provision for compensated leave absences | | 4,702,908 | 4,632,100 |
| | | 36,999,958 | 35,043,618 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|--------|----------------------|----------------------|
| 30. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES | | | |
| Salaries and benefits | 30.1 | 589,502,696 | 479,003,485 |
| Literature, promotion and advertisement material | | 251,128,660 | 204,523,589 |
| Sample goods | | 52,789,728 | 43,005,177 |
| Printing and stationery | | 3,117,792 | 3,063,167 |
| Traveling and conveyance | | 215,892,293 | 236,548,457 |
| Telephone, postage and communication | | 29,263,328 | 6,081,260 |
| Insurance | | 13,398,192 | 11,696,990 |
| Vehicle running and maintenance | | 48,556,770 | 39,129,544 |
| Donation | 30.2 | 105,555 | 555,619 |
| Freight | | 55,449,151 | 44,739,783 |
| Legal and professional charges | | 76,588 | 305,978 |
| Training, seminars and symposia | | 272,880,939 | 152,337,413 |
| Newspapers and subscriptions | | 20,601,909 | 13,884,462 |
| Ijarah rentals | | 20,569,283 | 17,140,675 |
| Depreciation | 17.1.1 | 16,973,766 | 16,216,663 |
| Amortization of intangible assets | 18.2 | 1,249,433 | 1,249,433 |
| Commission on sales | | 1,961,832 | 7,428,687 |
| Office supplies | | 1,064,687 | 1,833,348 |
| Repairs and maintenance | | 4,879,720 | - |
| Others | | 274,997 | 261,005 |
| | | 1,599,737,319 | 1,279,004,735 |
| 30.1 This includes following staff retirement benefits: | | | |
| Defined benefit plan - Gratuity | | 7,932,281 | 7,385,072 |
| Defined contribution plan - Provident Fund | | 12,377,953 | 8,858,155 |
| Provision for compensated leave absences | | 7,592,560 | 7,516,073 |
| | | 27,902,794 | 23,759,300 |

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

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For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|--|--------|--------------------|--------------------|
| 31. ADMINISTRATIVE AND GENERAL EXPENSES | | | |
| Salaries and benefits | 31.1 | 184,225,835 | 160,546,179 |
| Telephone, postage and communication | | 4,418,705 | 3,660,332 |
| Rent, rates and taxes | | 9,020,152 | 6,588,429 |
| Electricity, gas and water | | 2,385,594 | 1,041,241 |
| Printing and stationery | | 6,087,314 | 5,628,491 |
| Repairs and maintenance | | 2,629,486 | 3,360,282 |
| Vehicle running and maintenance | | 22,849,463 | 20,663,744 |
| Traveling and conveyance | | 7,496,249 | 9,989,187 |
| Provision against doubtful debts | | 1,571,012 | - |
| Newspapers and subscriptions | | 3,523,955 | 1,932,336 |
| Insurance | | 4,807,062 | 3,902,431 |
| Auditors' remuneration | 31.2 | 1,743,650 | 1,767,500 |
| Legal and professional charges | | 1,837,739 | 1,619,989 |
| Advertisement, seminars and symposia | | 6,455,650 | 1,313,505 |
| Donation | 31.3 | 4,540,446 | 4,034,940 |
| Ijarah rentals | | 2,985,817 | 5,618,077 |
| Depreciation | 17.1.1 | 19,586,421 | 20,115,467 |
| Office supplies | | 2,480,888 | 2,811,045 |
| Others | | 930,685 | 392,220 |
| | | 289,576,123 | 254,985,395 |
| 31.1 It includes the following staff retirement benefits: | | | |
| Defined benefit plan - Gratuity | | 12,243,317 | 11,731,295 |
| Defined contribution plan - Provident Fund | | 5,072,620 | 4,879,645 |
| Provision for compensated leave absences | | 2,466,708 | 2,480,138 |
| | | 19,782,645 | 19,091,078 |
| 31.2 Auditors' remuneration | | | |
| Statutory audit | | 1,222,250 | 1,293,500 |
| Fee for review of half yearly financial information | | 334,950 | 304,500 |
| Other certifications | | 103,950 | 94,500 |
| Out of pocket | | 82,500 | 75,000 |
| | | 1,743,650 | 1,767,500 |

31.3 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 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|--------|-------------------|-------------------|
| 32. RESEARCH AND DEVELOPMENT EXPENSES | | | |
| Salaries and benefits | 32.1 | 3,148,518 | 2,691,038 |
| Traveling | | 67,372 | 265,530 |
| Insurance | | 50,180 | 53,816 |
| Vehicle repair and maintenance | | 220,361 | 251,128 |
| Printing and stationery | | 59,326 | 57,826 |
| Office supplies | | 18,187 | 24,670 |
| Training, seminars and symposia | | - | 247,402 |
| Others | | 43,010 | 61,147 |
| | | 3,606,954 | 3,652,557 |
| 32.1 It includes the following staff retirement benefits: | | | |
| Defined contribution plan - Provident Fund | | 123,894 | 112,605 |
| 33. OTHER OPERATING EXPENSES | | | |
| Workers' Profit Participation Fund | 12.2 | 48,011,417 | 41,441,924 |
| Exchange loss- net | | 7,643,364 | 6,776,979 |
| Workers' Welfare Fund | | 18,244,339 | 17,458,386 |
| Central Research Fund | | 10,586,721 | 7,872,713 |
| | | 84,485,841 | 73,550,002 |
| 34. OTHER INCOME | | | |
| Income from financial assets | | | |
| Return on deposit | | 13,376,579 | 6,775,778 |
| Income from non-financial assets | | | |
| Gain on disposal of property, plant and equipment | 17.1.4 | 10,897,854 | 7,500,756 |
| Scrap sales | | 4,492,534 | 4,074,115 |
| Others | | 58,401 | 1,063,308 |
| | | 28,825,368 | 19,413,957 |
| 35. FINANCE COSTS | | | |
| Mark-up on short term borrowings | | 1,944,449 | 143,416 |
| Finance cost on liability against assets subject to finance lease | | 2,456,342 | 3,491,658 |
| Interest on Workers' Profit Participation Fund | | 125,138 | 8,010 |
| Bank charges | 12.2 | 2,259,929 | 2,442,791 |
| | | 6,785,858 | 6,085,875 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---|--|--------------------|--------------------|
| 36. TAXATION | | | |
| Current: | | | |
| For the year | | 273,952,283 | 253,710,317 |
| Prior year | | 24,726,511 | 22,616,105 |
| | | 298,678,794 | 276,326,422 |
| Deferred: | | | |
| Relating to origination and reversal of temporary differences | | (12,472,376) | (21,427,018) |
| | | 286,206,418 | 254,899,404 |
| 36.1 | Since the subsidiary Company is eligible for minimum tax of 1.25% on net revenue, hence current tax liability is recorded with amount at Rs. 371,929 current reporting dates. The deferred tax charge as above relates to the Holding Company only and deferred tax charge on the Subsidiary Company has also not been recognised as mentioned in note 11.1. | | |
| 36.2 | Reconciliation of tax charge for the year | | |
| | Numerical reconciliation between the average effective tax rate and the applicable tax rate of the Holding Company is as follows: | | |
| | | 2017 | 2016 |
| Applicable tax rate | | 30.00% | 31.00% |
| Tax effect of amounts that are not deductible for tax purposes | | 0.15% | 0.18% |
| Tax effect of prior year | | 2.71% | 2.90% |
| Tax effect of tax credit and tax rebate | | -0.29% | -0.50% |
| Tax effect under presumptive tax regime and others | | -0.84% | -0.91% |
| | | 1.73% | 1.67% |
| Average effective tax rate charged on income | | 31.73% | 32.67% |
| 37. 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 | 609,937,194 | 525,256,021 |
| Weighted average number of ordinary shares | Number of shares | 25,542,316 | 25,542,316 |
| Earnings per share | Rupees | 23.88 | 20.56 |
| 37.1 | The weighted average number of ordinary shares of 2016 have been restated due to issuance of 2,736,676 bonus shares in 2017 in accordance with the requirement of IAS 33. | | |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, allowances including all benefits to the Chief Executive, Director and other Executives of the Group are as follows:

| | 31 December 2017 | | | 31 December 2016 | | |
|-------------------------|------------------|------------|-------------|------------------|------------|-------------|
| | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
| | -----Rupees----- | | | | | |
| Managerial remuneration | 12,253,600 | 11,608,200 | 179,238,599 | 6,418,800 | 22,544,400 | 147,300,463 |
| House allowance | 3,081,440 | 1,200,000 | 65,890,560 | 2,567,520 | 792,303 | 53,643,305 |
| Provident fund | 641,860 | 967,113 | 11,881,889 | 534,836 | 879,148 | 9,947,777 |
| Gratuity | 1,098,428 | 5,768,112 | 37,343,602 | 565,784 | 5,619,453 | 21,876,397 |
| Bonus | 3,049,883 | 3,518,213 | 26,567,157 | 1,496,000 | 1,407,997 | 18,022,286 |
| Utilities | 770,360 | 1,423,342 | 16,472,641 | 641,880 | 1,593,731 | 13,410,826 |
| Medical | 65,786 | 469,577 | 4,817,946 | - | 1,128,002 | 3,435,246 |
| | 20,961,357 | 24,954,557 | 342,212,394 | 12,224,820 | 33,965,034 | 267,636,300 |
| Number of persons | 1 | 3 | 121 | 1 | 3 | 105 |

38.1 The Chief Executive, Executive Directors and 44 executives (2016: 42) have been provided with Company maintained cars while 78 executives (2016: 61) have been provided with cars under self-finance scheme with limited fuel and maintenance facility.

38.2 No meeting fee is paid to an independent, non-executive director for attending Board meetings.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management 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 Dollar and Euro exchange rates, with all other variables held constant, of the Group's profit before tax.

| | 2017 | 2016 |
|--|-----------------------|------------------------------|
| Rupees per US Dollar Reporting date rate | 110.50 | 104.40 |
| | Changes in US \$ Rate | Effects on Profit Before Tax |
| | | Rupees |
| 2017 | +10% | (582,213) |
| | -10% | 582,213 |
| 2016 | +10% | (2,423,573) |
| | -10% | 2,423,573 |

Notes to the Consolidated Financial Statements

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| | 2017 | 2016 |
|------------------------|---------------------------|---------------------------------|
| Rupees per Euro | | |
| Reporting date rate | 131.79 | 109.46 |
| | Changes in Euro € Rate | Effects on Profit Before Tax |
| | | Rupees |
| 2017 | +10% | (92,319) |
| | -10% | 92,319 |
| 2016 | +10% | (2,316,174) |
| | -10% | 2,316,174 |

(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'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:

| | 2017 Rupees | 2016 Rupees |
|---|----------------|----------------|
| Floating rate instruments | | |
| Financial liabilities | | |
| Long term loan | 95,000,000 | 95,000,000 |
| Liabilities against assets subject to finance lease | 31,603,616 | 37,471,868 |
| Short term borrowings | 21,148,760 | - |

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 2017

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 | 2017 | +1.50 | 1,425,000 |
| | | -1.50 | (1,425,000) |
| | 2016 | +1.50 | 1,425,000 |
| | | -1.50 | (1,425,000) |
| Liabilities against assets subject to finance lease | 2017 | +1.50 | 474,054 |
| | | -1.50 | (474,054) |
| | 2016 | +1.50 | (562,078) |
| | | -1.50 | 562,078 |
| Short term borrowings | 2017 | +1.50 | 317,231 |
| | | -1.50 | (317,231) |
| | 2016 | - | - |
| | | - | - |

(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:

| | 2017 Rupees | 2016 Rupees |
|-------------------|----------------|----------------|
| Trade debts | 233,862,151 | 75,154,453 |
| Advances-salaries | 13,138,863 | 8,489,793 |
| Trade deposits | 17,560,461 | 11,705,299 |
| Profit accrued | 2,015,658 | 1,235,074 |
| Other receivables | 4,819,473 | 3,341,447 |
| Bank balances | 615,535,690 | 748,134,087 |
| | 886,932,296 | 848,060,153 |

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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 2017, the Group has 35 (2016:15) customers who owed the Group more than Rs. 1 million each and accounted for approximately 88% (2016:78%) of all receivables owing.

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

| | 2017 Rupees | 2016 Rupees |
|--------------------------------------|--------------------|-------------------|
| Neither past due nor impaired | 11,265,836 | 3,452,393 |
| Past due but not impaired | | |
| Past due 1–30 days | 102,575,887 | 38,830,584 |
| Past due 31–60 days | 49,895,422 | 5,014,587 |
| Past due 61–90 days | 16,858,339 | 10,771,321 |
| Over 90 days | 53,266,667 | 17,085,568 |
| | 222,596,315 | 71,702,060 |
| Past due and impaired | | |
| Past due 1–30 days | - | - |
| Past due 31–60 days | - | - |
| Past due 61–90 days | - | - |
| Over 90 days | 2,610,909 | 1,039,897 |
| | 2,610,909 | 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

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| | Rating | | | 2017 Rupees | 2016 Rupees |
|--|------------|-----------|-----------|--------------------|--------------------|
| | Short term | Long term | Agency | | |
| Banks | | | | | |
| National Bank of Pakistan | A-1+ | AAA | PACRA | 1,520,768 | 3,714,818 |
| United Bank Limited | A-1+ | AAA | JCR - VIS | 11,360,604 | 18,086,996 |
| Faysal Bank Limited | A1+ | AA+ | PACRA | 14,092 | 14,092 |
| Habib Bank Limited | A1+ | AAA | JCR - VIS | 512,909,096 | 576,112,152 |
| Allied Bank Limited | A1+ | AA+ | PACRA | 1,591,801 | 670,293 |
| JS Bank Limited | A1+ | AA- | PACRA | 19,548,290 | 71,440,732 |
| Bank Al Habib Limited | A1+ | AA+ | PACRA | 529,949 | 1,236,184 |
| Meezan Bank Limited | A-1+ | AA | JCR - VIS | 52,861 | 1,505,313 |
| Askari Bank Ltd | AA+ | A1+ | PACRA | 6,845,115 | 2,266,014 |
| Mobilink MicroFinance Bank Ltd | A-1 | A | PACRA | 5,078,496 | 927,522 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | 56,084,618 | 72,159,971 |
| | | | | 615,535,690 | 748,134,087 |

(c) Liquidity risk

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

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has positive working capital position at the year end. Therefore, management believes the liquidity risk to be low.

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

Notes to the Consolidated Financial Statements

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| | Carrying amount | Contractual cash flows | Less than 6 months | 6 to 12 months | 1 to 2 years | 2 to 5 years |
|---|-----------------|------------------------|--------------------|----------------|--------------|--------------|
| -----Rupees----- | | | | | | |
| 31 December 2017 | | | | | | |
| 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 | 31,603,616 | 34,563,682 | 9,030,683 | 9,891,457 | 10,503,849 | 5,542,866 |
| Trade and other payables | 410,997,859 | 410,997,859 | 410,997,859 | - | - | - |
| Mark up accrued | 2,198,087 | 2,198,087 | 2,198,087 | - | - | - |
| | 539,799,562 | 563,693,138 | 424,141,650 | 13,520,874 | 69,313,547 | 57,122,240 |

| | 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 accrued | 148,684 | 148,684 | 148,684 | - | - | - |
| | 580,014,807 | 603,960,623 | 458,977,697 | 16,831,384 | 68,879,325 | 59,272,217 |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2017 and 2016 respectively. The rates of mark up have been disclosed in respective notes to the financial statements.

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39.2 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.

39.3 Financial instruments by categories

| | 2017 | | | Total |
|------------------------------------|------------------------------------|---------------------------|--------------------|---------------|
| | Fair value through profit and loss | Cash and cash equivalents | Loans and advances | |
| -----Rupees----- | | | | |
| Assets as per balance sheet | | | | |
| Long term deposits | - | - | 13,431,963 | 13,431,963 |
| Advances - salaries | - | - | 13,138,863 | 13,138,863 |
| Trade debts | - | - | 250,692,198 | 250,692,198 |
| Trade deposits | - | - | 17,560,461 | 17,560,461 |
| Profit accrued | - | - | 2,015,658 | 2,015,658 |
| Other receivables | - | - | 4,819,473 | 4,819,473 |
| Short term Investment | 100,000,000 | - | - | 100,000,000 |
| Cash and bank balances | - | 617,550,956 | - | 617,550,956 |
| | 100,000,000 | 617,550,956 | 301,658,616 | 1,019,209,572 |

| | 2017 |
|---|-------------|
| Financial Liabilities at amortized cost | |
| Rupees | |
| Liabilities as per balance sheet | |
| Long term loan | 95,000,000 |
| Liabilities against assets subject to finance lease | 31,603,616 |
| Markup accrued on secured loans | 2,198,087 |
| Short term borrowings | 21,148,760 |
| Trade and other payables | 410,997,859 |
| | 560,948,322 |

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

39.3 Financial instruments by categories

| | 2016 | | Total |
|------------------------------------|---------------------------|--------------------|-------------|
| | Cash and cash equivalents | Loans and advances | |
| | -----Rupees----- | | |
| Assets as per balance sheet | | | |
| Long term deposits | - | 12,111,613 | 12,111,613 |
| Advances-salaries | - | 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 |

Liabilities as per balance sheet

| | 2016 |
|---|--|
| | Financial Liabilities at amortized cost Rupees |
| 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 |

39.4 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.

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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, 9, 13 and 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.

| | 2017 Rupees | 2016 Rupees |
|---------------------------------|----------------|----------------|
| Debt (See note 8, 9, 13 and 14) | 149,950,463 | 132,620,552 |
| Equity | 2,002,395,314 | 1,591,485,884 |
| Total equity and debt | 2,152,345,777 | 1,724,106,436 |
| Gearing ratio | 7:93 | 8:92 |

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

The carrying values of other financial assets and financial liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

40.1 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2017, the Group held the following financial instruments carried at fair value:

| Financial Assets measured at fair value - available for sale | 2017 | Level 1 | Level 2 | Level 3 |
|--|-------------|------------------|---------|---------|
| | | -----Rupees----- | | |
| Investment in mutual funds | 100,000,000 | 100,000,000 | - | - |
| | 100,000,000 | 100,000,000 | - | - |

Date of valuation: 31 December 2017

There were no liabilities measured at fair value as at 31 December 2017.

There were no financial assets measured at fair value as at 31 December 2016.

There were no financial liabilities measured at fair value as at 31 December 2016.

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41. 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:

| | 2017 Rupees | 2016 Rupees |
|--|----------------|----------------|
| 41.1 Sales of goods-net | | |
| Associated undertaking | 225,625,789 | 300,016,829 |
| 41.2 Purchases-net | | |
| Associated undertaking | 267,476,781 | 156,731,096 |
| 41.3 Contribution to employees' benefits fund: | | |
| Contribution to Staff Provident Fund | 25,836,972 | 21,069,932 |
| Contribution to Employees' Welfare Trust | 2,119,050 | 2,096,869 |
| 41.4 Related party transaction of subsidiary | | |
| Purchase of shares from Non-controlling interest of subsidiary | - | 11,070,000 |

42. PROVIDENT FUND TRUST

HNL 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 repealed Companies Ordinance, 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

| Note | 2017 Rupees | % | 2016 Rupees | % |
|--|------------------|-----|----------------|-----|
| Size of the fund | 251,850,174 | | 236,931,084 | |
| Cost of investments made | 167,188,038 | | 119,951,373 | |
| Percentage of investments made | | 70% | | 95% |
| Fair value of investment | 42.1 176,113,509 | | 223,912,450 | |
| 42.1 Breakup of investments | | | | |
| Investment in shares (Listed Securities) | 44,924,061 | 26% | 60,134,144 | 27% |
| Special Saving Certificates | 52,088,129 | 30% | 49,098,096 | 22% |
| Mutual Funds | 79,101,319 | 45% | 114,680,210 | 51% |
| | 176,113,509 | | 223,912,450 | |

42.2 The figures of 2017 are based on un-audited financial statements.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2017

| | 2017 | 2016 |
|---|-------|-------|
| 43. NUMBER OF EMPLOYEES | | |
| Number of employees at the end of the year | 1,452 | 1,420 |
| Average number of employees during the year | 1,436 | 1,286 |

44. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company in its meeting held on 09th March 2018 has proposed cash dividend at the rate of Rs.10 (2016: Rs. 8.50) per share and 12% bonus shares for the year ended 31st December 2017, (2016: 12%) subject to the approval of shareholders in the Annual General Meeting to be held on 24th April 2018. These financial statements do not reflect these appropriations.

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

Based on the fact the Board of Directors of the Holding Company has proposed 100 % dividend for the year ended 31st December 2017 and 12% bonus shares, 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 31st December 2017.

45. 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.

46. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Holding Company authorized the consolidated financial statements for issuance on 09th March 2018.

47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, where necessary, for better and fair presentation. However, no significant reclassifications / restatements made except as given below.

| Reclassified from: | Reclassified to: | Amount |
|-------------------------------|--------------------|------------|
| Account Head | Account Head | Rupees |
| Property, plant and equipment | Long term advances | 15,529,356 |

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

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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 24, 2018 at 10.30 a.m. and at any adjournment thereof.

As witness under my/our hand(s) this _____ day of _____ 2018.

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 STAMP

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

پراکسی فارم

فولیو/سی ڈی سی اکاؤنٹ نمبر _____

میں / ہم _____ از _____ ڈسٹرکٹ _____

بحیثیت ممبر ہائی نون لیبارٹریز 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 24 اپریل 2018 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 / ہم بروز _____ بتاریخ _____ کو اپنے دستخط / مہر کے ساتھ اس امر کی تصدیق کرتا / کرتی ہوں / کرتے ہیں۔

دستخط ممبر _____

گواہ ہان 1 _____

2 _____

تاریخ: _____

جگہ: _____

پانچ روپے کی ریونیوٹکٹ پر دستخط

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 داران 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

۱۷.۵ کلومیٹر ملتان روڈ، لاہور۔ ۵۳۷۰۰، پاکستان



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HIGHNOON
for a
Healthier
Nation



HIGHNOON LABORATORIES LIMITED

17.5 Kilometer Multan Road,
Lahore - 53700, Pakistan
Tel: + 92 42 111 000 465

Fax: + 92 42 375 100 37
Email: info@highnoon.com.pk
Web: www.highnoon-labs.com