HIGHNOON
LABORATORIES LTD.

ANNUAL REPORT 2014

growth
by innovation

Growth by Innovation

Innovation is a powerful lever to address the challenges of a growing world. It allows us to use resources more efficiently, produce more with less and deliver better methodologies to help company drive growth and improve quality of life.

Investing in innovation is an essential ingredient of Highnoon's corporate philosophy and it comes in many forms -- from traditional R&D to new products, markets and business models.

At Highnoon, we are up for the challenge, ready to adopt and deploy a modern approach to innovation that will deliver both value and meaningful solutions.

Corporate

Financial Statements

Financial Highlights 2014

increased by
Sales 23%
Rs. 3.7 billion (2013: Rs. 3 billion)

Gross 45% Profit Margin
(2013: 41%)

Operating Profit up by 81%
Rs. 451 million
(2013: Rs. 249 million)

Profit After Tax up by 75%
Rs. 272 million
(2013: Rs. 155 million)

EPS Rs. 14.96
(2013: Rs. 8.56)

Return on Capital Employed
increased to 28%
(2013: 20%)

increased by
Equity 28%
Rs. 913 million (2013: Rs. 715 million)

reduced to Rs.
Interest Bearing Liabilities 59 million
(2013: Rs. 97 million)

increased by
86%
Market Value
per share Rs. 220
(2013: Rs. 118.53)

Payout (Proposed)
77* %
(2013: 45%)
* (Include 12% Bonus Shares)

"Innovation doesn't come from organized plans. It comes from our preparedness to deal with the uncertainty of the future."

Company Information

Board of Directors

Mr. Tausif Ahmad Khan
Chairman

Mr. Anees Ahmad Khan
Vice Chairman

Mr. Baqar Hasan
Chief Executive Officer

Mr. Ghulam Hussain Khan

Mr. Taufiq Ahmed Khan

Mr. Shazib Masud

Mst. Siddiqa Begum

Mrs. Zainub Abbas

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

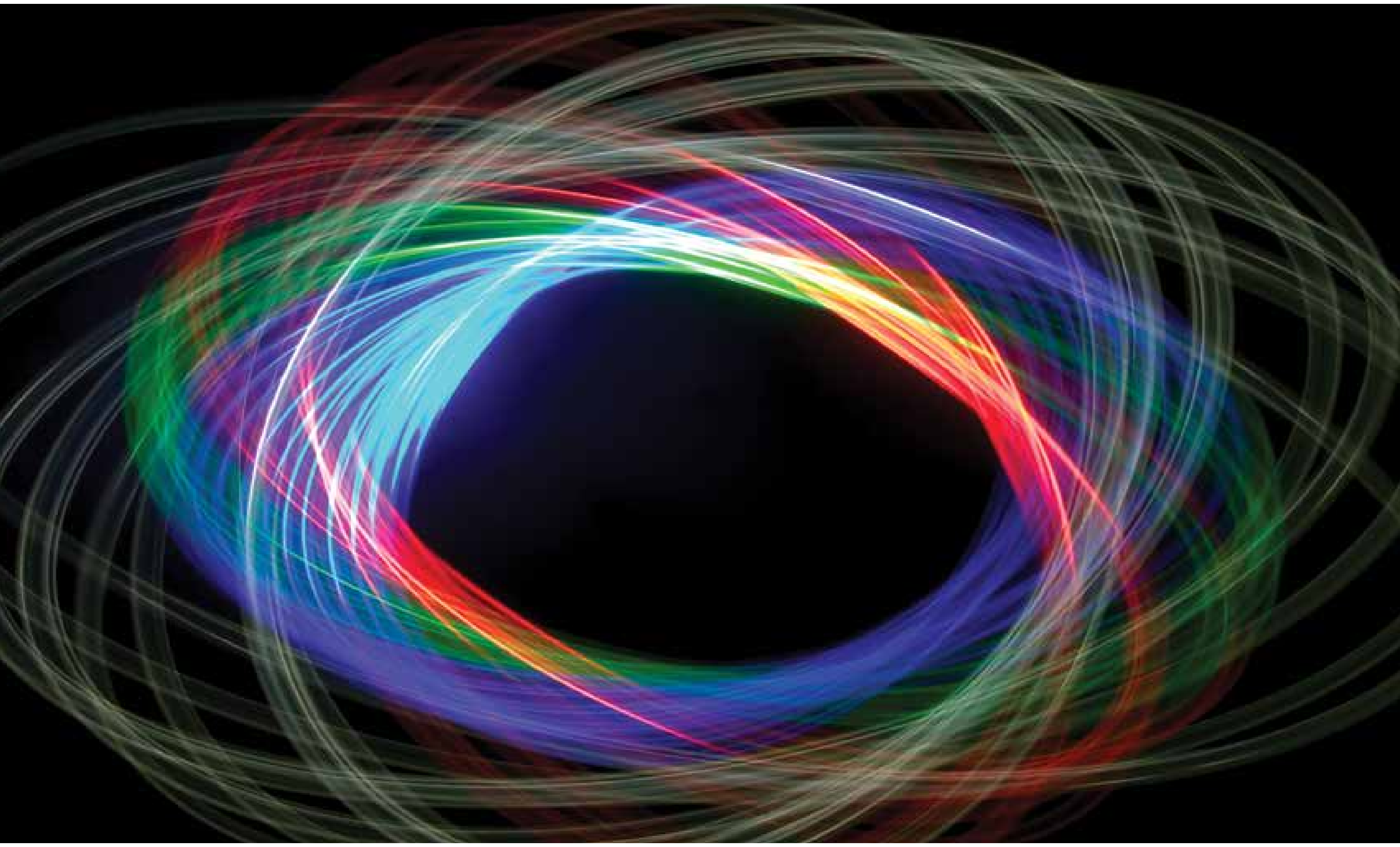
17.5 Kilometer Multan Road,
Lahore-53700, Pakistan
UAN: 111 000 465 Fax: +92 (42) 37510037
Email: info@highnoon.com.pk
URL: www.highnoon-labs.com

Legal Advisors

Raja Muhammad Akram & Company

Tax Advisors

Yousuf Islam & Associates



Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Shares Registrar

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

Audit Committee

Mr. Shazib Masud
Chairman

Mr. Ghulam Hussain Khan
Member

Mrs. Zainub Abbas
Member

Mr. Khadim Hussain Mirza
Secretary

Human Resource and Remuneration Committee

Mr. Tausif Ahmad Khan
Chairman

Mr. Baqar Hasan
Member

Mrs. Zainub Abbas
Member

Executive Committee

Mr.Baqar Hasan Chairman
CEO / MD

Dr. Adeel Abbas Member
COO

Mr. Javed Hussain Member
ED (Finance) / CFO

Dr. Rizwan Mehmood Member
Director (Technical)

Mr. Ahmad Raza Member
Director (Research & Development)

Mr. Aamir Zafar Member
Director (Strategic Business – 1)

Mr. Shahnawaz Baig Member
Director (Strategic Business – 2)

Dr. Azfar Abbas Hydrie Member
Head of Strategic Business – 3

I.T. Steering Committee

Dr. Adeel Abbas Chairman
COO

Mr. Javed Hussain Member
ED (Finance) / CFO

Mr. Aamir Zafar Member
Director (Strategic Business – 1)

Dr. Azfar Abbas Hydrie Member
Head of Strategic Business – 3

Mr. Muhammad Ilyas Member / Secretary
Head of Information Technology

Notice of Annual General Meeting

NOTICE is hereby given that 32nd Annual General Meeting of Highnoon Laboratories Limited will be held on Tuesday, April 21, 2015 at 10.00 a.m. at Registered Office, 17.5 Kilometer, Multan Road, Lahore to transact the following business:

1. To confirm minutes of last Annual General Meeting held on April 24, 2014.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2014 together with Directors' and Auditors' Reports thereon.
3. To consider and approve payment of Cash Dividend at the rate of sixty five percent (65%) 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, 2015.
5. **Special Business**

   To consider and pass the following resolution with or without modification as a special resolution:

   RESOLVED THAT the authorized capital of the Company be and is hereby increased from Rs. 200 million to Rs. 250 million and the words and figures of capital as appearing in the Memorandum & Articles of Association "Rs. 200,000,000 (Rupees two hundred million) divided into 20,000,000 (twenty million) ordinary shares" be and are hereby changed to "Rs. 250,000,000 (Rupees Two hundred fifty million) divided into 25,000,000 (twenty five million) ordinary shares."
6. To discuss any other business with the permission of the Chair.

Statement U/S 160(1) (b) of the Companies Ordinance, 1984

The Board of Directors in its meeting held on March 20, 2015 has recommended bonus shares to the existing shareholders and in consequence that of the paid up capital of the Company will increase. The Board of Directors has also recommended to increase the authorized capital of the Company to accommodate the increase in paid up capital. None of the Directors has personal interest except to the extent of shares held by him.

By Order Of the Board

Lahore
30 March 2015

KHADIM HUSSAIN MIRZA
Company Secretary

Notes:

1. Share transfer books of the Company will remain closed from April 17, 2015 to April 27, 2015 (both days inclusive) for the purpose of determining the entitlement of payout.
2. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote instead of him. The instrument of proxy must be received at the Registered Office of the Company, 17.5 K.M. Multan Road, Lahore not less than 48 hours before the time of holding the meeting. Members are advised to immediately intimate our share registrar M/s Corplink (Pvt.) Limited any change in their address.

3. All account holders registered through Central Depository System shall authenticate their identity by showing original CNIC at the time of attending the meeting. In case of corporate entity, a certified copy of resolution of the Board of Directors / valid Power of Attorney having the name and specimen signature of the nominee should be produced at the time of meeting.
4. As directed by SECP, the dividend warrant should bear the CNIC No. of the shareholders. Shareholders whose CNIC Nos. are not available shall not be issued Dividend Warrants in compliance with regulatory requirement. Shareholders who have not yet provided copy of their CNIC are requested to provide the same to our share registrar M/s Corplink (Pvt.) Limited at the earliest.
5. To enable the company to make tax deduction on the amount of cash dividend @10% instead of @15%, all shareholders who are filer of tax return are advised to make sure that their names are entered into the Active Tax Payers List (ATL) provided on the website of FBR, before the date of AGM, otherwise tax on their cash dividend will be deducted @15% instead @10%. Corporate shareholders having CDC account are required to have their NTN updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to our Share Registrar M/s Corplink (Pvt.) Limited.
6. Shareholders who wish to receive Audited Financial Statements and Notices in future through e-mail are hereby advised to give their consent by sending filled and signed Standard Request Form available on our website i.e. www.highnoon-labs.com, to Registered Office of the Company or our Registrar M/s Corplink (Pvt.) Limited. Please note that giving email address to receive Audited Accounts is optional, in case, you don't want to give the email address the same will be sent to you by post.
7. In compliance with directive of SECP the shareholders may authorize the Company to directly credit in their bank account the cash dividend, if any, declared in future. Please note that this mandate is optional. In case shareholder doesn't want their dividend to be directly credited into their bank account then the same shall be paid to them through the dividend warrants. Shareholders who wish to avail the facility of direct credit into their bank account are requested to fill in the Dividend Mandate Form available on website of the Company and send the same to our Share Registrar M/s Corplink (Pvt.) Limited.
8. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the company will arrange video conference facility in the city subject to availability of such facility in the city. The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting.

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

Signature of Member

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

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

"Excel in meeting customer needs."

"Maintain leadership in national pharmaceutical industry."

"Seek employee involvement, continuous improvement and enhanced performance goals."

"Enhance export business."

Statement of Ethics & Core Values

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

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

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

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

Directors' Report to the Shareholders

On behalf of Board of Directors, I am pleased to present the annual audited financial statements of the Company for the year ended 31 December 2014.

Financial Highlights of the Company

	2014 Rs. '000'
Profit before tax	414,424
Taxation	(142,516)
Profit after tax	271,908
Un-appropriated profit brought forward	419,568
Incremental depreciation relating to surplus on revaluation of fixed assets	9,366
Other Comprehensive income, net of tax	(1,675)
Profit available for appropriation	699,167
Appropriations:	
Cash Dividend for the financial year 31 December 2013@ Rs.4.50 per share.	81,812
	617,355

Earnings Per Share

The earnings per share (EPS) of the Company is Rs.14.96 (2013 : Rs.8.56).

Dividend Announcement

The Directors of the Company have recommended a final cash dividend of 65 percent i.e. Rs.6.50 per share (2013: Rs. 4.50 per share) and bonus shares at the rate of 12 percent i.e. 12 shares for every hundred shares for the financial year ended 31 December 2014, for consideration and approval by the shareholders in Annual General Meeting.

Pattern of Shareholding

The pattern of shareholding along with categories of shareholders as at 31 December 2014 as required under Section 236 of the Companies Ordinance and listing regulations is presented on Page 32 of the Annual Report 2014.

Board of Directors & Attendence in Board Meeting

All directors on the board are well aware of their duties and powers under the Companies Ordinance, listing regulations of stock exchanges and memorandum and articles of association of the Company. The board is carrying out its fiduciary duties with a sense of objective judgment and independence in the best interest of the Company.

During the year under review the board of directors of the company met 5 times. The attendance at meetings of the board is summarized as under:

Sr. No.	Members of the Board	No. of Meetings Attended
1.	Mr. Tausif Ahmad Khan	5
2.	Mr. Anees Ahmad Khan	5
3.	Mr. Baqar Hasan	5
4.	Mr. Ghulam Hussain Khan	5
5.	Mr. Taufiq Ahmed Khan	3
6.	Mr. Shazib Masud	5
7.	Mst. Siddiqa Begum	5
8.	Mrs. Zainub Abbas	5
9.	Mr. Javed Hussain (Alternate director to Taufiq Ahmed Khan)	2

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 2014 except following:

S. No.	Name	Addition
1	Mr. Taufiq Ahmed Khan	60,614
2	Mrs. Saweela Anees Khan	44,579

In compliance with requirements of Companies Ordinance and listing regulations of stock exchanges, the Board of Directors was apprised with the above sale / purchase (by the directors and their spouse) in the meeting held just after the transactions took place.

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.

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

The 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. Audit Committee met 6 times in the year, attendance by each member in the meetings is summarized as under.

Sr. No.	Names of the Members	No. of Meetings Attended
1.	Mr. Shazib Masud	5
2.	Mr. Ghulam Hussian Khan	6
3.	Mrs. Zainub Abbas	6

Directors' Report to the Shareholders

Human Resource and Remuneration Committee

In compliance with the requirements of Code of Corporate Governance, Human Resource and Remuneration (HR&R) Committee as constituted by Board of Directors consists of three members. 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. The Committee meets once in a year. Following are the members of HR&R Committee:

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

Statement of Ethics and Business Practices

The Board has prepared and 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 Ernst Young Ford Rhodes Sidat Hyder, Chartered Accountants shall retire on the conclusion of Annual General Meeting. Being eligible for re-appointment under the listing regulations, they have offered their services as auditors of the Company for the financial year 2015. The Audit Committee has recommended the appointment of Ernst Young Ford Rhodes Sidat Hyder, Chartered Accountants as Auditors of the Company for the year ended 31 December 2015 and the Board agrees to the recommendation of the Audit Committee.

The Auditors have also given their consent to work as Auditors for the next year and have conveyed that they have been given satisfactory rating under the Quality Control Review of Institute of Chartered Accountants of Pakistan and that the firm and all its partners are fully compliant with the code of ethics issued by International Federation of Accountants (IFAC). Further they are also not rendering any related services to the Company. The Auditors have also confirmed that neither the firm nor any of their partners, their spouses or minor children at any time during the year held or traded in the shares of the Company.

Corporate Governance

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

1. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These Statements, prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.

2. Proper Books of accounts have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

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

5. The system of internal control 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 12 and note 16 to the financial statements.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Directors' Report to the Shareholders

8. There have been no material changes since 31 December 2014 and the Company has not entered into any commitment, which would affect the financial position at the date.

9. None of the Directors have 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 principal value of investment of the Provident Fund based on un-audited figure as on 31 December 2014 was Rs.176.04 million as compared to audited figures as at 31 December 2013 of Rs. 155.034 million.

12. Key financial data for the last six periods as an investors’ guide is annexed to the Directors’ Report.

Web Presence

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

Chairman’s Review

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

For and on behalf of the Board

Baqar Hasan
Chief Executive Officer
Lahore: 20 March 2015

> “Technological innovation is indeed important to growth and the enhancement of human possibilities.”

"I welcome you to the 32nd Annual General Meeting of the company and I am delighted to present Highnoon's annual performance review along with the audited financial statements and the auditors' report for the year ended 31 December 2014."

Chairmans' Review

Financial Highlights

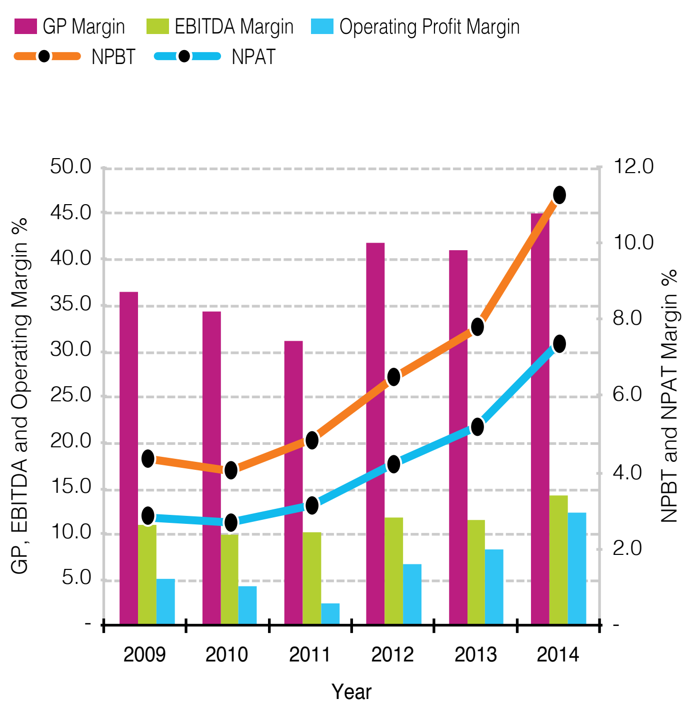
This year's results build on our impressive track record, clearly demonstrating our consistent ability to create sustainable shareholder value. Fundamental to our success has been our focus on top-line growth combined with a rigorous approach to control costs and effective utilization of all resources. Growing sales volumes, productivity improvement and ongoing focus on costs, all together have delivered earnings per share of Rs.14.96 an increase of 75 percent over last year.

Challenges continued to persist in 2014. Economic recovery has been fragile, the pricing environment and the regulatory framework have not yet matured, however, we have shown a consistent ability to improve our operating margin and increase market share. Our sales grew to Rs. 3.69 billion registering an increase of 23 percent. Local sales registered an increase of 23 percent while export sales registered an increase of 12 percent. Third party sales also recorded an increase of 22 percent. Together with increase in sales revenue we were able to improve our gross margins from 41% to 45% by refining our operating model and bringing operational efficiencies.

The increase in local sales revenue has been mainly due to volume increase of 15 percent over previous year. The principal volume drivers were our relatively new brands as well the established brands. Consistent with the increase in sales volume, cost of goods sold increased from Rs. 1.77 billion to Rs. 2.04 billion during fiscal year 2014. Cost of sales as a percentage of sales however registered decrease of 4 % on account of favorable impact of exchange rate parity and productivity improvement. Distribution and sales promotion expenses increased by 29 percent over last year primarily due to increase in the size of sales team and increased promotional focus on our core brands. Administrative and general expenses were contained and remained within limits. Finance cost showed decline of 39 percent owing to better management of working capital.

Sales Trend

Profitability Margins



Products & Market Update

Transforming our culture into one of a growth company is gaining traction and we believe that it is paying off as we are amongst the few companies that have returned double digit growth. We have made progress by staying focused and by investing on our product portfolio thus creating many new opportunities for long-term growth.

During the year our local market sales demonstrated a 23% growth, with chronic therapy largely driving the growth. We have enhanced our ability to deliver quality growth from our most important products. Revenue from Respiratory, Cardiology and alimentary tract segments constitute more than 78% of our portfolio and we continue to demonstrate market leadership in these therapeutic segments.

Revenues from alimentary tract and metabolism related products increased to 21 percent in the current year. Cardiovascular segment also remained in the forefront and showed an increase of 22 percent over last year. Our respiratory portfolio showed an astounding top line increase of 47 percent.

Revenues from alimentary tract and metabolism segment stood at Rs. 1 billion. The major contribution in this segment came from our established brands Tres Orix Forte, Ulsanic and Skilax which together contributed 70 percent. We have been successful in our diabetes portfolio and sales of our diabetes medicines increased by 58 percent over last year.

Blokium, Loprin and Lipirex are few of our leading brands for cardiovascular diseases. With the successful launch of Misar, our cardiovascular portfolio continued to drive sales of this segment. Misar, an angiotensin receptor blocker (ARB) was very well received by the prescribers and the revenues from this product shall further strengthen our cardiology portfolio.

Our respiratory portfolio has further strengthened with the introduction of Metered Dosage Inhalers launched during the year. The addition of the MDI's will support our push towards treatment of respiratory ailments.

We have restructured our R&D and Business Development teams by aligning our efforts and investments on fewer areas with greater potential. We aim to be more efficient and effective in developing portfolio of distinctive and innovative generics in our chosen areas of specialization. The team is focused to bring new chemical entities and generics where there is significant unmet need and where we have strong expertise. Our current pipeline is promising and consists of products from in-licensing arrangements from foreign principals and our own generics.

Your Company's market share in the exports is improving steadily; during the year export sales registered an increase of 12% over last year. We market our products in diverse international markets and have further strengthened our foot print in Afghanistan by placing a marketing and sales team for promotion of our products in the market. We are also actively pursuing registration of more products to strengthen our product portfolio in the export markets. Looking forward we shall fortify our strengths i.e. wide portfolio of specialty products and strong promotional skills to gain sizeable share in exports.

"Investing in innovation is a critical piece of global competitiveness and it comes in many forms -- from traditional R&D to new products, markets and business models"

Chairmans' Review

We plan to continue on our growth trajectory by optimizing our portfolio and by capitalizing on opportunities. Our pipe line of new products remains strong and we are fully geared to go all-out for a higher market share.

The new drug price policy has been unveiled by the Drug Regulatory Authority of Pakistan (DRAP). The policy has expanded the number of drugs significantly under the purview of a pricing control regime. The policy in its present form will do more harm than good to the industry. The fears of the industry are well founded as the present policy will result in severe shortage of life saving medicines, besides promoting production of substandard products of low quality. The industry is therefore right in demanding fair and transparent policy that promotes and encourages quality manufactures.

Operational Excellence

We remain committed to deliver sustained growth and to do so over the coming years, we are making substantial investments in upgrading and modernization of our manufacturing facilities. Under the plan the machinery for solid dosage area is being added to cope with our growth plans.

We continued to work on refining our operating model and driving operational efficiencies through increase in productivity and yield improvement. During the year our production volume increased to 55.3 million units which is an increase of 15% percent over last year. Alongwith productivity improvement, we are emphasizing on cost reduction initiatives and maximization of supply chain benefits.

At Highnoon quality is the main ingredients in our products and utmost importance is given to stringent quality control and quality systems. As part of the quality system we regularly review and update our operating procedures to bring in line with the best practices in the industry. The Company has in place an expert quality team which ensures that our processes and documentation meet the required standards. We have successfully gained approvals in recent times from the regulatory authorities of Kenya, Tanzania and Yemen. Besides, the local regulatory authorities have also maintained the GMP status for the plant.

HIGHFORUM
...its all about adding value

One Team

We recognize that for us to constantly move forward, we need to encourage our people to achieve extra-ordinary growth. Throughout our business we run several development programs for our employees and enable our people to develop the skills they need to take the company forward. It is our priority to develop leadership at every level and in every dimension of our business. This year alone we conducted more than 60,000 hours of the training programs in which 700 employees received training in various aspects of their work. Likewise the sales & marketing teams received intensive training programs from international trainers.

We recognize that reward and recognition plays an important role in human motivation. Our reward philosophy was redefined towards making it more performance oriented and business driven, at the same time, acknowledging employee's commitment to growth. Our performance based compensation system has given the desired results and more and more employees are benefitting from this system. We believe that an open culture is crucial to developing a motivated and a contributing work force. As part of the engagement program and to recognize contribution of the employees the "Star Performer" for our production staff and "Accolade" program for our field staff continued to run successfully throughout the year.

Corporate Social Responsibility

Our principal value to society lies in what we do every day: providing people with access to quality medicine. There is a close alignment between our moral obligation and good business practice and it is reflected in everything we do. Your organization has identified health, education, disaster relief and patient awareness as areas of priority where assistance is provided on need basis and on case to case basis.

Medicines are donated to the Government hospitals on regular basis. In addition to this, your company produces a medicine especially for children suffering from blood disorders. This product is not commercialized but the entire quantity produced is donated. The company also organizes medical camps in the rural areas for the benefit of poor patients. Medical camps were also organized for the benefits of Internally Displaced Persons in Bannu. These medical camps are arranged to facilitate the people residing in areas where modern medical facilities are scarce and include free medical checkups, diagnosis and

Chairmans' Review

> “Innovation is change that unlocks new value”

distribution of free medicines.

Your company believes that one person’s education can make a difference to an entire family. The company provides assistance to the deserving children of workers for primary education. In order to promote higher education, a program has been initiated to support deserving children of employees who shall be accommodated each year for attaining professional education at high ranking universities of the country.

The company also participates actively in running awareness programs by sponsoring symposia, seminars and other health related activities for the patients and community at large.

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

For & on behalf of the Board

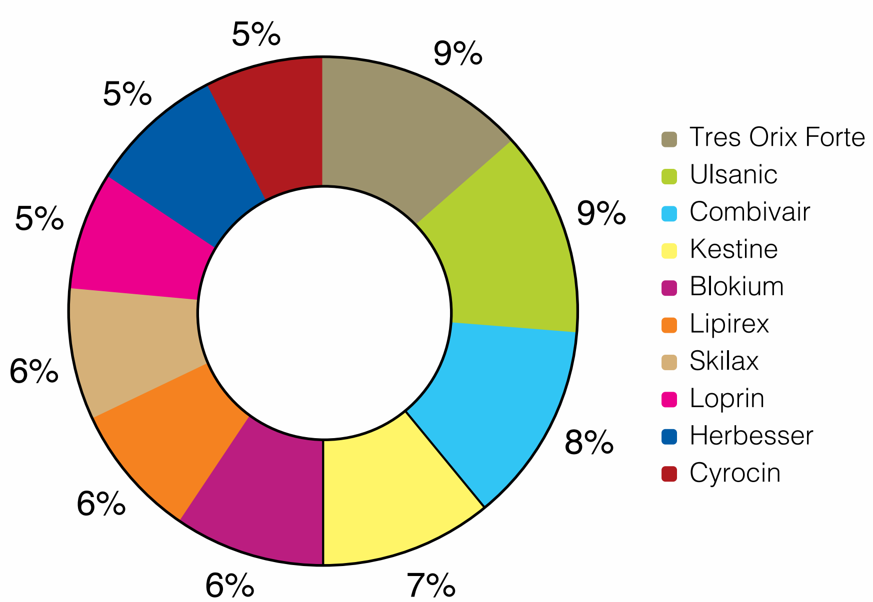
Tausif Ahmad Khan

Chairman

Lahore: 20 March 2015

Top Ten Brands of Highnoon

TOP TEN BRANDS OF HIGHNOON

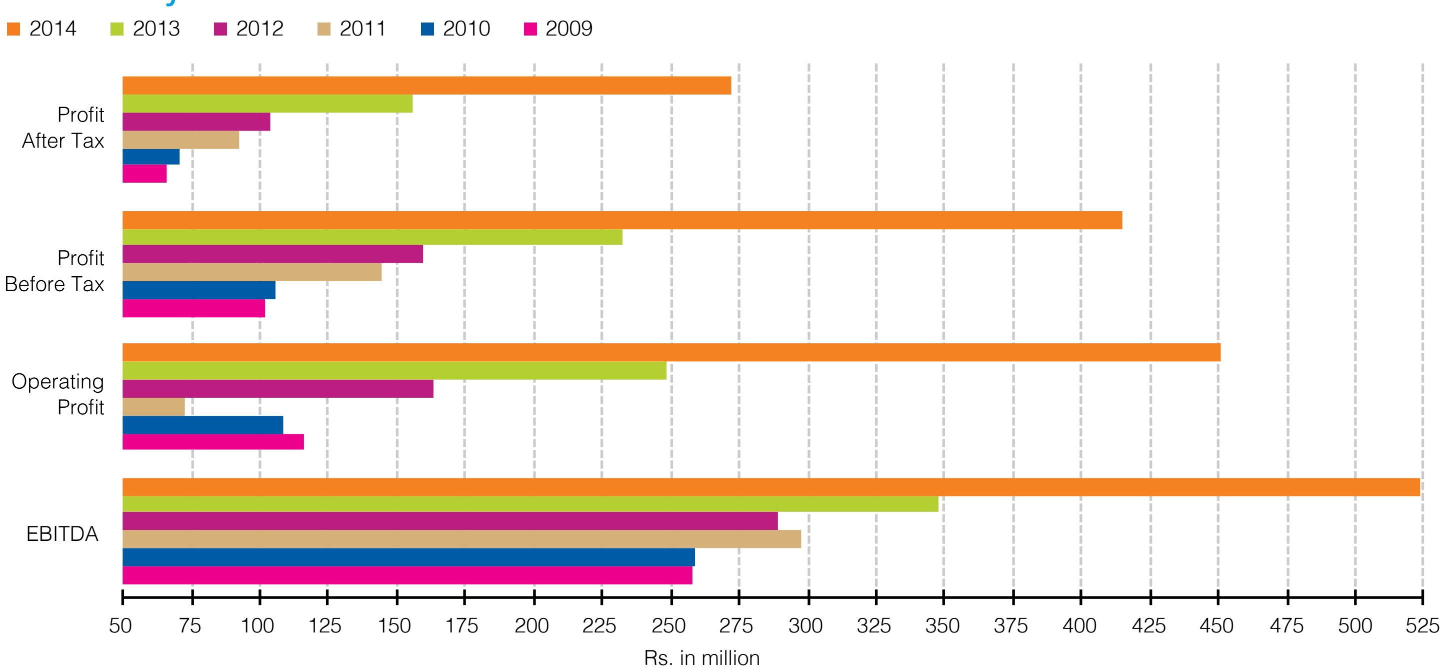


Six Years at a Glance

		2014	2013	2012	2011	2010	2009
				(Rupees in '000')			
Summary of Balance Sheet							
Share Capital		181,805	181,805	181,805	181,805	165,277	165,277
Reserves		731,355	533,568	438,931	385,324	358,856	323,918
Operating Fixed Assets		751,243	747,514	765,185	701,972	696,937	675,982
Non Current Assets		73,374	96,481	113,209	127,039	144,145	104,145
Net Working Capital		622,204	436,466	347,670	284,416	259,483	201,138
Long Term Liabilities		43,331	71,013	76,403	83,898	127,850	70,554
Deferred Liabilities		269,170	267,233	296,469	279,245	260,106	227,126
Summary of Profit and Loss Account							
Sales - Net		3,696,092	3,007,925	2,465,621	2,944,907	2,636,538	2,334,752
Gross Profit		1,655,234	1,230,661	1,025,253	914,171	903,555	846,157
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)		523,594	347,766	289,531	297,360	258,772	258,042
Operating Profit		450,569	248,739	162,925	72,751	108,748	115,827
Profit Before Tax		414,424	232,302	159,106	144,053	105,580	101,847
Net Profit After Tax		271,908	155,535	104,016	92,381	70,344	65,762
Summary of Cash Flow Statement							
Net Cash Flow from Operating Activities		479,594	370,435	69,878	388,077	270,151	(13,919)
Net Cash Flow from Investing Activities		(20,883)	(11,354)	(22,378)	(47,473)	(115,634)	(71,394)
Net Cash Flow from Financing Acitivites		(172,920)	(316,010)	(53,634)	(391,339)	(122,111)	113,337
Changes in Cash and Cash Equivalents		285,791	43,071	(6,135)	(50,735)	32,406	28,024
Cash and Cash Equivalents at Year End		335,324	49,533	6,462	12,597	63,331	30,925
Financial Performance/Profitability Analysis							
Gross Profit Margin	%	44.78	40.91	41.58	31.04	34.27	36.24
EBITDA to Sales Margin	%	14.17	11.56	11.74	10.10	9.81	11.05
Operating Profit Margin	%	12.19	8.27	6.61	2.47	4.12	4.96
Profit Before Tax Margin	%	11.21	7.72	6.45	4.89	4.00	4.36
Profit After Tax Margin	%	7.36	5.17	4.22	3.14	2.67	2.82
Return on Equity	%	29.78	21.74	16.76	16.29	13.42	13.44
Return on Capital Employed	%	28.43	19.78	14.92	14.19	10.79	11.75
Operating Performance/Liquidity Analysis							
Inventory Turnover	Days	107	120	143	104	141	141
Debtors Turnover	Days	7	8	9	6	6	14
Creditors Turnover	Days	62	49	51	29	28	32
Cash Operating Cycle	Days	52	79	101	81	119	123
Assets Turnover Ratio	Times	1.90	1.90	1.46	1.89	1.51	1.34
Fixed Assets Turnover	Times	4.49	3.57	2.81	3.56	3.19	3.18
Return on Assets	%	21.31	14.68	9.45	9.25	6.06	5.83
Current Ratio	Times	2.25	2.45	1.76	1.64	1.41	1.26
Quick Ratio	Times	0.97	0.60	0.43	0.47	0.40	0.35

		2014	2013	2012	2011	2010	2009
Distribution Analysis							
Pay out-Proposed							
- Cash Dividend per share	Rs.	6.50	4.50	3.50	3.00	2.50	2.50
- Bonus	%	12.00	-	-	-	10.00	-
Payout Ratio (after tax)	%	51.48	52.60	61.17	59.04	82.23	62.83
Dividend Yield	%	3.49	3.80	7.37	10.58	12.09	8.20
Earnings Per Share (after tax)	Rs./share	14.96	8.56	5.72	5.08	4.26	3.98
Price Earning Ratio	Times	14.74	13.85	8.30	5.58	6.80	7.66
Capital Structure/Market Value Analysis							
Long Term Debt : Equity Ratio		06:94	08:92	09:91	11:89	19:81	11:89
Shareholders' Net Worth as % of Total Assets	%	58.32	59.55	50.66	48.17	40.93	39.14
Financial Charges Coverage	Times	33.69	11.62	3.92	1.73	2.09	2.17
Number of Shares	in '000'	18,181	18,181	18,181	18,181	16,528	16,528
Break-up Value of Share							
- Excluding Surplus on Revaluation	Rs.	50.23	39.35	34.14	31.19	31.71	29.60
- Including Surplus on Revaluation	Rs.	62.39	51.83	46.93	41.27	43.12	41.36
Market Value of Share							
- Year End	Rs.	220.46	118.53	47.50	28.35	28.94	30.50
- Highest	Rs.	305.00	185.00	50.36	33.50	33.99	40.45
- Lowest	Rs.	117.50	45.00	28.50	24.50	22.10	27.71
- Average	Rs.	207.97	92.00	37.20	27.94	27.30	30.54
Market Capitalization	Rs. in '000'	4,008,077	2,154,937	863,575	515,418	478,313	504,095

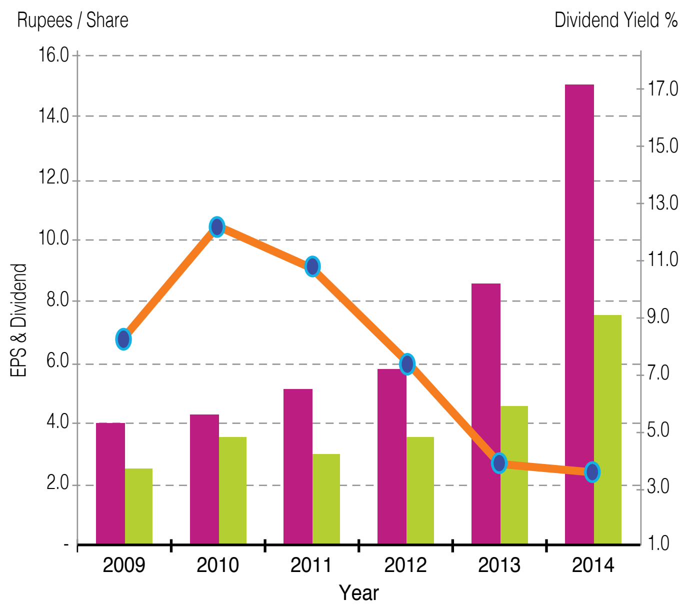
Profitability



Graphical Presentation

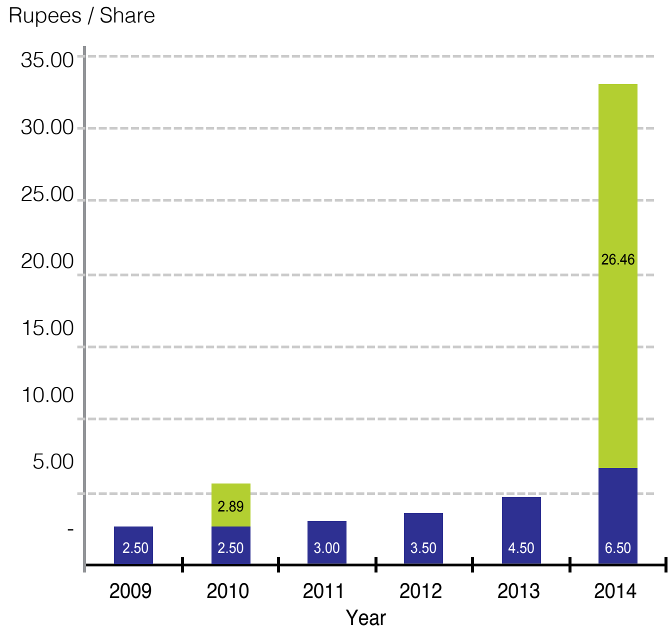
Dividends & Earnings

EPS Dividend Div. Yield %



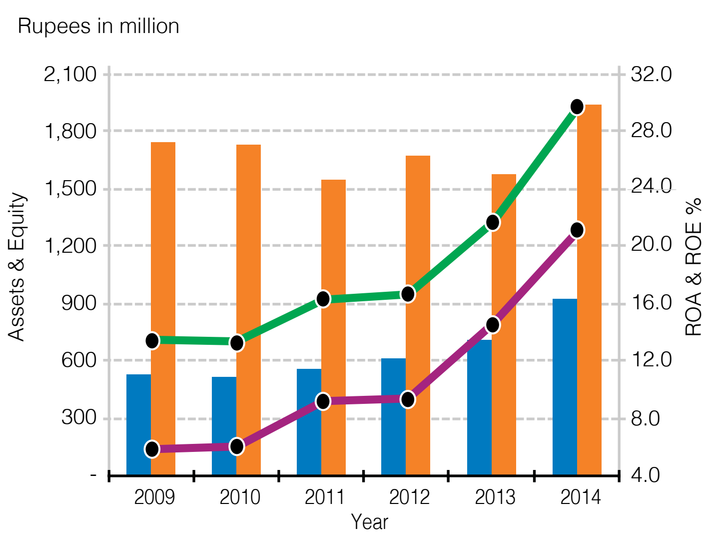
Value of Payout (Rupees / Share)

Cash Dividend Stock Dividend



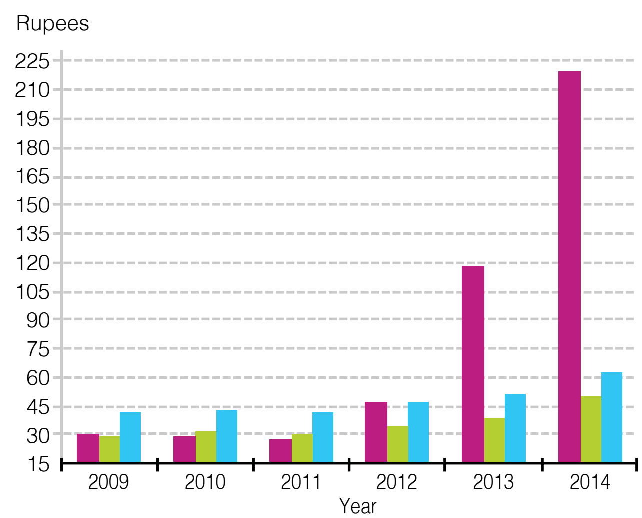
Shareholders' Equity Assets and Return

Assets Equity ROE ROA



Market Value/Breakup Value of Share

Market Value Break-up Value BV Including Revaluation Surplus

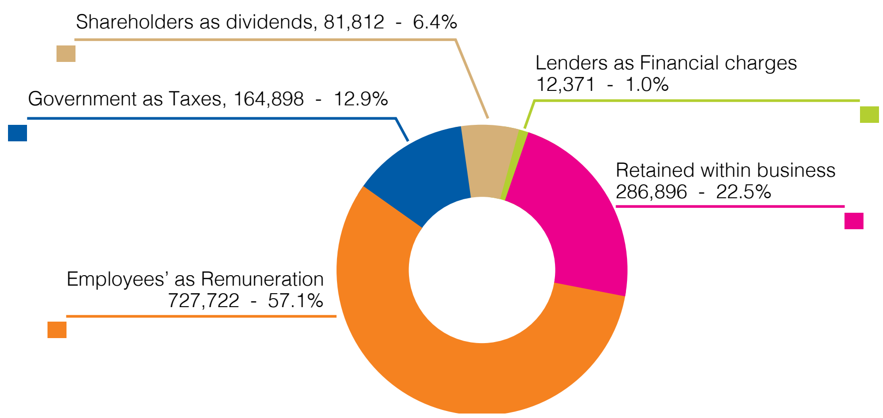


Statement of Value Addition and its Distribution

	2014 Rs. in '000'	2013 Rs. in '000'
Value Added		
Net Sales	3,705,292	3,014,164
Material & Services	2,441,579	2,074,248
Other Income	9,987	15,309
	1,273,699	955,224
Distribution		
Employees		
Salaries Wages & Benefits	705,911	581,465
Workers Profit Participation Fund	21,812	12,227
	727,722	593,692
Government		
Income Tax	142,516	76,767
Sales Tax	9,199	6,239
Central Research Fund	4,186	2,455
Workers Welfare Fund	8,997	5,074
	164,898	90,535
Provider of Finances		
To Shareholder as Dividend	81,812	63,632
To Banks as financial charges	12,371	20,424
	94,183	84,056
Retained in Business		
Depreciation and amortization	96,800	95,040
Retained Profit	190,096	91,900
	286,896	186,941
	1,273,699	955,224

Value Addition and its Distribution Year 2014

(Rupees in '000')



Horizontal Analysis

BALANCE SHEET	2014		2013		2012		2011		2010		2009	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Share Capital and Reserve												
Share capital	181,805	0.0	181,805	0.0	181,805	0.0	181,805	10.0	165,277	0.0	165,277	0.0
Revenue reserves	731,355	37.1	533,568	21.6	438,931	13.9	385,324	7.4	358,856	-1.3	363,512	9.2
	913,161	27.6	715,373	15.2	620,737	9.5	567,130	8.2	524,134	-0.9	528,789	6.2
Surplus on revaluation of fixed assets	221,160	-2.5	226,843	-2.4	232,455	26.9	183,153	-2.8	188,475	21.8	154,797	-23.0
Non Current Liabilities												
Long term loan - secured	-	-100.0	37,500	-25.0	50,000	-13.3	57,659	-42.3	99,947	153.6	39,412	-26.7
Liabilities against assets subject to finance lease	30,274	22.2	24,779	93.5	12,805	13.4	11,296	-59.5	27,903	-10.4	31,143	-27.1
Long term advances	13,057	49.5	8,734	-35.8	13,598	-9.0	14,942	41.1	10,589	-31.2	15,389	-10.1
Deferred liabilities	269,170	0.7	267,232	-9.9	296,469	6.2	279,245	11.9	249,517	17.8	211,736	48.0
Total Non Current Liabilities	312,500	-7.6	338,245	-9.3	372,872	2.7	363,142	-6.4	387,956	30.3	297,680	16.0
Current Liabilities												
Trade and other payables	409,027	57.6	259,540	30.2	199,348	6.8	186,674	55.0	120,441	-11.1	135,493	24.9
Mark-up payable on secured loans	225	-86.9	1,715	-74.0	6,589	-36.9	10,436	-49.2	20,544	11.3	18,452	14.9
Short term bank borrowings - secured	-	-100.0	73	-100.0	230,600	38.7	166,291	-61.6	433,153	-23.0	562,307	63.0
Income tax-net	55,638	100.0	-	-	-	-	-	-	-	-	-	-
Current portion of long term liabilities	33,283	-17.9	40,550	87.9	21,577	-73.3	80,742	21.8	66,266	34.7	49,188	10.5
Total Current Liabilities	498,172	65.0	301,877	-34.1	458,114	3.1	444,143	-30.6	640,404	-16.3	765,440	47.1
	1,944,994	22.9	1,582,339	-6.0	1,684,178	8.1	1,557,568	-10.5	1,740,969	-0.3	1,746,705	18.3
Non Current Assets												
Property,plant and equipments	759,544	-0.3	761,880	-2.1	778,418	8.8	715,604	0.7	710,421	-1.4	720,546	5.5
Intangible assets	63,511	-21.2	80,553	-18.1	98,413	-12.0	111,844	-13.4	129,099	122.5	58,018	-12.7
Long Term deposits	1,562	0.0	1,562	0.0	1,562	-	1,562	-	1,562	-	1,562	-
	824,617	-2.3	843,995	-3.9	878,393	6.0	829,010	-1.4	841,082	7.8	780,126	2.5
Current Assets												
Stock in trade	634,792	13.8	557,767	-8.0	606,595	17.0	518,480	-19.1	640,845	-8.5	700,500	55.7
Trade debts	75,535	18.9	63,517	-12.4	72,532	31.2	55,270	26.9	43,544	17.7	36,989	-73.8
Advances	43,258	32.7	32,587	38.9	23,454	-44.0	41,899	97.6	21,204	-64.9	60,373	404.3
Trade deposits and short term prepayments	17,638	42.8	12,355	-8.5	13,510	46.3	9,237	-26.2	12,510	26.9	9,861	-24.3
Balance with statutory authorities	11,984	-38.4	19,462	-4.8	20,437	21.8	16,774	29.0	13,007	11.9	11,620	6.0
Other receivables	1,846	41.8	1,302	91.8	679	194.3	231	-97.3	8,579	-83.6	52,290	22.7
Income Tax-net	-	-100.0	1,820	-97.1	62,117	-16.1	74,071	-23.5	96,866	51.3	64,021	67.8
Cash and bank balances	335,324	577.0	49,533	666.5	6,462	-48.7	12,596	-80.1	63,331	104.8	30,925	330.8
	1,120,377	51.7	738,344	-8.4	805,784	10.6	728,558	-19.0	899,887	-6.9	966,579	35.2
	1,944,994	22.9	1,582,339	-6.0	1,684,178	8.1	1,557,568	-10.5	1,740,969	-0.3	1,746,705	18.3

Horizontal Analysis	2014		2013		2012		2011		2010		2009	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Sales - net	3,696,092	22.9	3,007,925	22.0	2,465,621	-16.3	2,944,907	11.7	2,636,538	12.9	2,334,752	20.8
Cost of Sales	2,040,858	14.8	1,777,264	23.4	1,440,368	-29.1	2,030,736	17.2	1,732,983	16.4	1,488,595	19.4
Gross Profit	1,655,234	34.5	1,230,661	20.0	1,025,253	12.2	914,171	1.2	903,555	6.8	846,157	23.2
Distribution, Selling and Promotional Expenses	968,753	29.0	751,181	23.2	609,764	7.2	568,589	5.2	540,518	11.8	483,376	30.0
Administrative and General Expenses	219,629	6.4	206,437	5.6	195,518	-0.1	195,733	21.5	161,148	0.3	160,668	12.7
Research and Development Expenses	3,912	0.8	3,880	-56.2	8,864	31.8	6,727	81.0	3,716	-46.5	6,945	-25.7
Other Operating Expenses	46,132	45.3	31,746	43.3	22,149	3.3	21,450	97.2	10,876	-53.1	23,170	-14.6
	1,238,426	24.7	993,244	18.8	836,295	5.5	792,499	10.6	716,258	6.2	674,159	22.4
	416,808	75.6	237,417	25.6	188,958	55.3	121,672	-35.0	187,298	8.9	171,998	26.3
Other Operating Income	9,987	-34.8	15,309	-16.5	18,331	-80.2	92,752	1103.4	7,708	-16.1	9,191	3.0
	426,795	68.9	252,726	21.9	207,289	-3.3	214,424	10.0	195,005	7.6	181,189	24.9
Finance Cost	12,371	-39.4	20,424	-57.6	48,182	-31.5	70,371	-21.3	89,425	12.7	79,341	18.2
Profit Before Taxation	414,424	78.4	232,302	46.0	159,107	10.5	144,053	36.4	105,580	3.7	101,848	30.6
Taxation	142,516	85.6	76,767	39.3	55,091	6.6	51,672	46.6	35,236	-2.4	36,085	143.0
Profit After Taxation	271,908	74.8	155,535	49.5	104,016	12.6	92,381	31.3	70,344	7.0	65,763	4.2

Vertical Analysis

BALANCE SHEET	2014 Rs. in 000	%	2013 Rs. in 000	%	2012 Rs. in 000	%	2011 Rs. in 000	%	2010 Rs. in 000	%	2009 Rs. in 000	%
Share Capital and Reserve												
Share capital	181,805	9.3	181,805	11.5	181,805	10.8	181,805	11.7	165,277	9.5	165,277	9.5
Revenue reserves	731,355	37.6	533,568	33.7	438,931	26.1	385,324	24.7	358,856	20.6	363,512	20.8
	913,161	46.9	715,373	45.2	620,737	36.9	567,130	36.4	524,134	30.1	528,789	30.3
Surplus on revaluation of fixed assets	221,160	11.4	226,843	14.3	232,455	13.8	183,153	11.8	188,475	10.8	154,797	8.9
Non Current Liabilities												
Long term loan - secured	-	-	37,500	2.4	50,000	3.0	57,659	3.7	99,947	5.7	39,412	2.3
Liabilities against assets subject to finance lease	30,274	1.6	24,779	1.6	12,805	0.8	11,296	0.7	27,903	1.6	31,143	1.8
Long term advances	13,057	0.7	8,734	0.6	13,598	0.8	14,942	1.0	10,589	0.6	15,389	0.9
Deferred liabilities	269,170	13.8	267,232	16.9	296,469	17.6	279,245	17.9	249,517	14.3	211,736	12.1
Total Non Current Liabilities	312,500	16.1	338,245	21.4	372,872	22.1	363,142	23.3	387,956	22.3	297,680	17.1
Current Liabilities												
Trade and other payables	409,027	21.0	259,540	16.4	199,348	11.8	186,674	12.0	120,441	6.9	135,493	7.8
Mark-up payable on secured loans	225	0.0	1,715	0.1	6,589	0.4	10,436	0.7	20,544	1.2	18,452	1.1
Short term bank borrowings - secured	-	0.0	73	0.0	230,600	13.7	166,291	10.7	433,153	24.9	562,307	32.2
Income tax-net	55,638	2.9	-	-	-	-	-	-	-	-	-	-
Current portion of long term liabilities	33,283	1.7	40,550	2.6	21,577	1.3	80,742	5.1	66,266	3.8	49,188	2.7
Total Current Liabilities	498,172	25.6	301,877	19.1	458,114	27.2	444,143	28.5	640,404	36.8	765,440	43.8
	1,944,994	100.0	1,582,339	100.0	1,684,178	100.0	1,557,567	100.0	1,740,969	100.0	1,746,705	100.1
Non Current Assets												
Property,plant and equipments	759,544	39.1	761,880	48.1	778,418	46.2	715,604	45.9	710,421	40.8	720,546	41.3
Intangible assets	63,511	3.3	80,553	5.1	98,413	5.8	111,844	7.2	129,099	7.4	58,018	3.3
Long Term deposits	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1
	824,617	42.4	843,995	53.3	878,393	52.2	829,010	53.2	841,082	48.3	780,126	44.7
Current Assets												
Stock in trade	634,792	32.6	557,767	35.2	606,595	36.0	518,480	33.3	640,845	36.8	700,500	40.1
Trade debts	75,535	3.9	63,517	4.0	72,532	4.3	55,270	3.5	43,544	2.5	36,989	2.1
Advances	43,258	2.2	32,587	2.1	23,454	1.4	41,899	2.7	21,204	1.2	60,373	3.5
Trade deposits and short term prepayments	17,638	0.9	12,355	0.8	13,510	0.8	9,237	0.6	12,510	0.7	9,861	0.6
Balance with statutory authorities	11,984	0.6	19,462	1.2	20,437	1.2	16,774	1.1	13,007	0.7	11,620	0.7
Other receivables	1,846	0.1	1,302	0.1	679	0.0	231	0.0	8,579	0.6	52,290	3.0
Income Tax-net	-	0.0	1,820	0.1	62,117	3.7	74,071	4.8	96,866	5.6	64,021	3.7
Cash and bank balances	335,324	17.2	49,533	3.1	6,462	0.4	12,596	0.8	63,331	3.6	30,925	1.7
	1,120,377	57.6	738,344	46.7	805,784	47.8	728,558	46.8	899,887	51.7	966,579	55.3
	1,944,994	100.0	1,582,339	100.0	1,684,178	100.0	1,557,568	100.0	1,740,969	100.0	1,746,705	100.0

Vertical Analysis	2014 Rs. in 000	%	2013 Rs. in 000	%	2012 Rs. in 000	%	2011 Rs. in 000	%	2010 Rs. in 000	%	2009 Rs. in 000	%
Sales - net	3,696,092	100.0	3,007,925	100.0	2,465,621	100.0	2,944,907	100.0	2,636,538	100.0	2,334,752	100.0
Cost of Sales	2,040,858	55.2	1,777,264	59.1	1,440,368	58.4	2,030,736	69.0	1,732,983	65.7	1,488,595	63.8
Gross Profit	1,655,234	44.8	1,230,661	40.9	1,025,253	41.6	914,171	31.0	903,555	34.3	846,157	36.2
Distribution, Selling and Promotional Expenses	968,753	26.2	751,181	25.0	609,764	24.7	568,589	19.3	540,518	20.5	483,376	20.7
Administrative and General Expenses	219,629	5.9	206,437	6.9	195,518	7.9	195,733	6.6	161,148	6.1	160,668	6.9
Research and Development Expenses	3,912	0.1	3,880	0.1	8,864	0.4	6,727	0.2	3,716	0.1	6,945	0.3
Other Operating Expenses	46,132	1.2	31,746	1.0	22,149	0.9	21,450	0.7	10,876	0.4	23,170	1.0
	1,238,426	33.4	993,244	33.0	836,295	33.8	792,499	26.8	716,258	27.1	674,159	28.9
	416,808	11.4	237,417	7.9	188,958	7.7	121,672	4.1	187,298	7.2	171,998	7.3
Other Operating Income	9,987	0.3	15,309	0.5	18,331	0.7	92,752	3.1	7,708	0.3	9,191	0.4
	426,795	11.7	252,726	8.4	207,289	8.4	214,424	7.3	195,005	7.5	181,189	7.7
Finance Cost	12,371	0.3	20,424	0.7	48,182	2.0	70,371	2.4	89,425	3.4	79,341	3.4
Profit Before Taxation	414,424	11.4	232,302	7.7	159,107	6.4	144,053	4.9	105,580	4.1	101,848	4.3
Taxation	142,516	3.9	76,767	2.5	55,090	2.2	51,672	1.8	35,236	1.3	36,085	1.5
Profit After Taxation	271,908	7.5	155,535	5.2	104,017	4.2	92,381	3.1	70,344	2.8	65,763	2.8

Pattern of Shareholding as at Dec. 31, 2014

Sr. #	No. of Shareholders	Shareholding		Total Shares Held
		From	To	
1	1290	1	100	63,010
2	975	101	500	264,042
3	597	501	1000	503,242
4	294	1001	5000	671,038
5	50	5001	10000	371,014
6	17	10001	15000	205,244
7	8	15001	20000	143,778
8	2	20001	25000	47,200
9	5	25001	30000	139,402
10	3	30001	35000	96,648
11	1	35001	40000	35,514
12	3	40001	45000	124,168
13	3	45001	55000	154,487
14	1	55001	60000	59,584
15	2	60001	65000	121,614
16	1	65001	70000	67,000
17	2	70001	75000	145,480
18	1	75001	80000	75,968
19	1	90001	95000	90,879
20	1	95001	100000	100,000
21	1	100001	105000	104,300
22	1	105001	110000	109,061
23	1	125001	130000	125,942
24	2	130001	185000	364,300
25	1	185001	275000	274,420
26	1	275001	290000	288,443
27	1	290001	450000	445,276
28	1	450001	525000	523,756
29	1	525001	530000	528,865
30	1	530001	740000	736,552
31	1	740001	790000	789,682
32	1	790001	800000	800,000
33	1	800001	815000	811,600
34	1	815001	1050000	1,038,897
35	1	1050001	1075000	1,073,377
36	1	1075001	1275000	1,127,104
37	1	1275001	1280000	1,275,881
38	1	1280001	1335000	1,381,871
39	1	1335001	1370000	1,386,502
40	1	1370001	1520000	1,515,376
Total	32787			18,180,517

Pattern of Shareholding as at Dec. 31, 2014

Categories of Shareholders	No. of Shareholders	No. of Shares Held	Percentage
Directors, CEO and their Spouse and Minor Children			
Mr. Tausif Ahmad Khan	1	1,386,502	7.63%
Mr. Anees Ahmad Khan	1	613	0.00%
Mr. Ghulam Hussain Khan	1	523,756	2.88%
Mr. Shazib Masud	1	500	0.00%
Mr. Taufiq Ahmed Khan	1	1,381,871	7.60%
Mst. Siddiqa Begum	1	872	0.00%
Mrs. Zainub Abbas	1	800,000	4.40%
Mrs. Saweela Anees Khan	1	528,865	2.91%
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	3	445,495	2.45%
Banks, Development Financial Institutions, Non Banking Financial Intitutions, Joint Stock Companies & Trusts	46	495,547	2.73%
Insurance Companies	5	892,778	4.91%
Modarabas and Mutual Funds	9	46,610	0.26%
*Shareholders holding 5%	-	-	-
Non-Resident Companies	2	1,568,076	8.63%
General Public			
a. Local	3203	9,789,789	53.85%
b. Foreign	2	319,243	1.76%
Others	-	-	-
TOTAL	3278	18,180,517	100%

*Shareholders holding five percent or more of the total capital

Pharmatec Investment Limited	1,515,376	8.34%
Mr. Tausif Ahmad Khan	1,386,502	7.63%
Mr. Tauqeer Ahmed Khan	1,275,881	7.02%
Mr. Taufiq Ahmed Khan	1,381,871	7.60%
Mr. Jawaid Tariq Khan	1,127,104	6.20%
Mrs.Nosheen Riaz Khan	1,038,897	5.71%
Mrs. Bia Babar Agha	1,073,377	5.90%

Statement of Compliance
with best practices of the Code of Corporate Governance

This Statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the board includes;

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

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including Highnoon Laboratories Limited.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Company has prepared a statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.

Statement of Compliance

with best practices of the Code of Corporate Governance

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
7. 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.
8. The Board arranged an orientation course and a training program for its Directors to apprise them of their duties and responsibilities.
9. 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.
10. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The board has formed an Audit Committee. It comprises of three members including the Chairman, who is an independent Director, rest of the two are non-executive directors.
15. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been fully complied with.
16. The board has formed an HR and Remuneration Committee. The Committee comprises of three members, of whom Chairman of the committee is non-executive director and other two members are CEO and a non executive director.
17. The Board has set-up an effective internal audit function and the internal auditors of the Company are fully conversant with the policies and procedures of the Company and working on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which, may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all other material principles contained in the Code have been complied with.

For and on Behalf of the Board

Baqar Hasan
Chief Executive Officer
Lahore:
20 March 2015

Review Report to the Members
on Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance prepared by the Board of Directors of **Highnoon Laboratories Limited (the Company)** for the year ended **31 December 2014** to comply with the Listing Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on Internal controls covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended **31 December 2014.**

Chartered Accountants
Engagement Partner:
Naseem Akbar

Lahore
20 March 2015

Financial Statements

for the year ended 31 December 2014

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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 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for changes as stated in Note 2.2 with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants

Lahore: 20 March 2015

Engagement Partner: Nasem Akbar

Balance Sheet

	Note	2014 Rupees	2013 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
20,000,000 (2013: 20,000,000) Ordinary			
shares of Rs. 10 each		200,000,000	200,000,000
Share capital	6	181,805,170	181,805,170
Revenue reserves		731,355,424	533,568,145
		913,160,594	715,373,315
Surplus on revaluation of fixed assets	7	221,160,158	226,842,522
Non-current liabilities			
Long term loan	8	-	37,500,000
Liabilities against assets subject to finance lease	9	30,273,913	24,778,541
Long term advances	10	13,056,828	8,734,244
Deferred liabilities	11	269,169,709	267,232,781
		312,500,450	338,245,566
Current liabilities			
Trade and other payables	12	409,027,390	259,539,592
Mark up payable on secured loans	13	224,687	1,714,617
Short term borrowings	14	-	73,203
Income tax-net		55,637,689	-
Current portion of long term liabilities	15	33,282,639	40,550,058
		498,172,405	301,877,470
		810,672,855	640,123,036
TOTAL EQUITY AND LIABILITIES		1,944,993,607	1,582,338,873
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes from 1 to 45 form an integral part of these financial statements.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

As at 31 December 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
Non- current assets			
Property, plant and equipment	17	759,544,053	761,880,224
Intangible assets	18	63,510,996	80,552,715
Long term deposits		1,562,054	1,562,054
		824,617,103	843,994,993
Current assets			
Stock in trade	19	634,792,103	557,766,682
Trade debts	20	75,535,273	63,517,462
Advances	21	43,258,150	32,587,083
Trade deposits and short term prepayments	22	17,637,699	12,355,321
Interest accrued		359,589	-
Other receivables	23	1,485,660	1,301,880
Balance with statutory authorities	24	11,983,557	19,461,964
Income tax - net		-	1,820,196
Cash and bank balances	25	335,324,473	49,533,292
		1,120,376,504	738,343,880
TOTAL ASSETS		1,944,993,607	1,582,338,873

ANEES AHMAD KHAN
DIRECTOR

Profit and Loss Account

For The Year Ended 31 December 2014

	Note	2014 Rupees	2013 Rupees
Sales - net	26	3,696,092,459	3,007,924,648
Cost of sales	27	2,040,858,289	1,777,264,097
Gross profit		1,655,234,170	1,230,660,551
Distribution, selling and promotional expenses	28	968,752,907	751,181,459
Administrative and general expenses	29	219,629,011	206,435,939
Research and development expenses	30	3,912,162	3,880,187
Other operating expenses	31	46,131,809	31,745,545
		1,238,425,889	993,243,130
		416,808,281	237,417,421
Other income	32	9,986,506	15,308,665
		426,794,787	252,726,086
Finance cost	33	12,370,593	20,424,178
Profit before taxation		414,424,194	232,301,908
Taxation	34	142,515,891	76,766,703
Profit after taxation		271,908,303	155,535,205
Earnings per share - basic and diluted	35	14.96	8.56

The annexed notes from 1 to 45 form an integral part of these financial statements.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Statement of Comprehensive Income

For The Year Ended 31 December 2014

	2014 Rupees	2013 Rupees
Profit after tax for the year	271,908,303	155,535,205
Other comprehensive income:		
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial losses on defined benefit plans	(2,412,983)	(6,311,278)
Income tax effect	738,315	2,145,835
Total other comprehensive income, net of tax	(1,674,668)	(4,165,443)
Total comprehensive income for the year	270,233,635	151,369,762

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.

The annexed notes from 1 to 45 form an integral part of these financial statements.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Cash Flow Statement

For The Year Ended 31 December 2014

	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	414,424,194	232,301,908
Adjustments for non-cash and other items:		
Depreciation	78,724,999	77,033,678
Amortization of intangible assets	18,074,637	18,006,669
Gain on disposal of property, plant and equipment	(5,595,185)	(12,485,600)
Exchange loss	11,136,985	11,989,923
Provision for defined benefit obligation	40,264,858	39,436,697
Finance cost	12,370,593	20,424,178
	154,976,887	154,405,545
Profit before working capital changes	569,401,081	386,707,453
Working capital changes		
(Increase) / decrease in current assets:		
Stock in trade	(77,025,421)	48,827,834
Trade debts	(12,017,811)	9,014,508
Advances	(10,671,067)	(9,133,527)
Trade deposits and short term prepayments	(5,282,378)	1,154,783
Other receivables	(543,369)	(623,215)
Balance with statutory authorities	7,478,407	974,878
Increase/(decrease) in current liabilities:		
Trade and other payables	136,188,498	46,360,070
	38,126,859	96,575,331
Cash generated from operations	607,527,940	483,282,784
Income tax paid	(105,020,461)	(50,644,919)
Gratuity paid	(16,356,536)	(37,377,364)
Finance cost paid	(7,914,766)	(21,379,082)
Long term advances - net	1,357,507	(3,446,470)
Net cash from operating activities	479,593,684	370,434,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(33,377,002)	(40,714,378)
Intangible assets acquired	(1,032,918)	(146,462)
Proceeds from disposal of property, plant and equipment	13,527,359	29,506,724
Net cash used in investing activities	(20,882,561)	(11,354,116)

Cash Flow Statement
For The Year Ended 31 December 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan repayment		(50,000,000)	-
Repayment of finance lease liabilities - net		(43,196,727)	(23,692,738)
Decrease in short term borrowings - net		(73,203)	(230,526,555)
Dividend paid		(79,650,012)	(61,790,339)
Net cash used in financing activities		(172,919,942)	(316,009,632)
Net increase in cash and cash equivalents		285,791,181	43,071,201
Cash and cash equivalents at beginning of the year		49,533,292	6,462,091
Cash and cash equivalents at end of the year	25	335,324,473	49,533,292

The annexed notes from 1 to 45 form an integral part of these financial statements.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Statement of Changes in Equity
For The Year Ended 31 December 2014

	Share capital	General reserve	Revenue reserves		Total
			Unappropriated profit	Sub total	
	-----------------------	-----------	-Rupees-	-----------	-----------------------
Balance as at 01 January 2013	181,805,170	114,000,000	324,931,431	438,931,431	620,736,601
Profit for the year ended 31 December 2013	-	-	155,535,205	155,535,205	155,535,205
Other comprehensive income	-	-	(4,165,443)	(4,165,443)	(4,165,443)
Total comprehensive income for the year	-	-	151,369,762	151,369,762	151,369,762
Final dividend @ Rs. 3.50 per share for the year ended 31 December 2012	-	-	(63,631,810)	(63,631,810)	(63,631,810)
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	6,898,762	6,898,762	6,898,762
Balance as at 31 December 2013	181,805,170	114,000,000	419,568,145	533,568,145	715,373,315
Profit for the year ended 31 December 2014	-	-	271,908,303	271,908,303	271,908,303
Other comprehensive income	-	-	(1,674,668)	(1,674,668)	(1,674,668)
Total comprehensive income for the year	-	-	270,233,635	270,233,635	270,233,635
Final dividend @ Rs. 4.50 per share for the year ended 31 December 2013	-	-	(81,812,327)	(81,812,327)	(81,812,327)
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	9,365,971	9,365,971	9,365,971
Balance as at 31 December 2014	181,805,170	114,000,000	617,355,424	731,355,424	913,160,594

The annexed notes from 1 to 45 form an integral part of these financial statements.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Notes to the Financial Statements
For The Year Ended 31 December 2014

1. THE COMPANY, OPERATIONS AND REGISTERED OFFICE

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

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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

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

IAS 32	-	Financial Instruments : Presentation - (Amendment) -Offsetting Financial Assets and Financial Liabilities
IAS 36	-	Impairment of Assets – (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	-	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	-	Levies

The adoption of the above amendments did not have any significant impact on the financial statements.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for revaluation of certain assets as referred to in note 17 and recognition of certain employees retirement benefits at present value.

2.4 Functional and presentation currency

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

Notes to the Financial Statements

For The Year Ended 31 December 2014

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

		Notes
-	staff retirement benefits	4.2
-	property, plant and equipment	4.5
-	amortization	4.6
-	impairment	4.13
-	taxation	4.17
-	provisions	4.21

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as mentioned in note 2.2 and as follows:

4.1 Segment reporting

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

4.2 Staff retirement benefits

Defined benefit plan

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

Qualified actuaries have carried out the valuation as at 31 December 2014. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2014	2013
- Discount rate	11.25% p.a.	12.5% p.a.
- Expected rate of increase in salary	9.25% p.a.	10.5% p.a.
- Expected average remaining working life time	9 years	9 years

Notes to the Financial Statements

For The Year Ended 31 December 2014

Actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit & loss are limited to current and past service cost, gains or losses on settlements, and net interest income (expense). All other changes in net defined benefit assets liability are recognized in other comprehensive income with no subsequent recycling to profit and loss account.

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

Defined contribution plan

The Company also operates a recognized provident fund scheme for all of its permanent employees in accordance with the trust deed and rules made there under. Equal monthly contributions are made to the fund by the Company and employees at the rate of 8.33% (2013: 8.33%) of basic salary and cost of living allowance.

Compensated leave absences

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

4.3 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.

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

Gains and losses on disposal of fixed assets are included in profit and loss account 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 2014

Normal repairs and maintenance is charged to profit and loss account as and when incurred, while major renewals and replacements are capitalized if it is probable that the respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and assets so replaced, if any, are retired.

Leasehold assets

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

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease. 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 includes Intellectual Property, Rights, Trademarks and Software, which are non-monetary assets without physical substance. These are recognized at cost, which comprises its purchase price, non-refundable purchase taxes and any directly attributable expenditures.

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

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

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

Notes to the Financial Statements

For The Year Ended 31 December 2014

4.7 Borrowing costs

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

4.8 Investments

Investments available for sale

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 profit and loss account 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 Stores and spares

These are valued at the lower of cost and net realizable value. Cost is determined using moving average cost method and charged to profit and loss account.

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.

Notes to the Financial Statements

For The Year Ended 31 December 2014

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 recognised when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivable.

4.12 Cash and cash equivalents

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

4.13 Impairment

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

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

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

4.14 Revenue recognition

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

Service income is recognized when related services are rendered.

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

4.15 Transactions with related parties and transfer pricing

The Company under the direction of Securities and Exchange Commission of Pakistan's Notification SRO 66(I)/ 2003 dated 22 January 2003 adopted the following policy 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:

- Associated companies / related parties	Cost plus method

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

Notes to the Financial Statements
For The Year Ended 31 December 2014

4.16 Research and development cost

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

4.17 Taxation

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

Current

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

Deferred

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

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

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

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

4.18 Dividend

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

4.19 Financial instruments

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

Notes to the Financial Statements

For The Year Ended 31 December 2014

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.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard or Interpretation			Effective Date (Annual periods beginning on or after)
IFRS 10	-	IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 11	-	IFRS 11 – Joint Arrangements	01 January 2015
IFRS 12	-	IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015
IFRS 13	-	IFRS 13 – Fair Value Measurement	01 January 2015
IAS 1	-	IAS 1 – Presentation of Financial Statements – (Amendment) - Disclosure Initiative	01 January 2016
IAS 16 and 38	-	Property, Plant and Equipment & intangible assets - (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 and 41	-	Property, Plant and Equipment & Agriculture - (Amendment) - Agriculture: Bearer Plants	01 January 2016
IAS 19	-	Employee Benefits – (Amendment) Defined Benefit Plans: Employee Contributions	01 July 2014

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

Notes to the Financial Statements
For The Year Ended 31 December 2014

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014 and 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard		IASB effective date (Annual periods beginning on or after)
IFRS 9	- Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	- Regulatory Deferral Accounts	01 January 2016
IFRS 15	- Revenue from Contracts with Customers	01 January 2017

		Note	2014 Rupees	2013 Rupees
6.	SHARE CAPITAL			
	Issued, subscribed and paid - up			
	5,905,000 (2013: 5,905,000) ordinary shares of Rs. 10 each fully paid in cash		59,050,000	59,050,000
	95,000 (2013: 95,000) ordinary shares of Rs.10 each issued for consideration other than cash	(6.1)	950,000	950,000
	12,180,517 (2013: 12,180,517) ordinary shares of Rs. 10 each issued as bonus shares		121,805,170	121,805,170
			181,805,170	181,805,170

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

Notes to the Financial Statements
For The Year Ended 31 December 2014

		Note	2014 Rupees	2013 Rupees
7.	SURPLUS ON REVALUATION OF FIXED ASSETS			
	Surplus on revaluation of fixed assets as at 01 January		267,008,553	277,461,222
	Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit			
	Net of deferred tax		(9,365,971)	(6,898,762)
	Related deferred tax liability		(4,613,090)	(3,553,907)
			(13,979,061)	(10,452,669)
	Surplus on revaluation of fixed assets as at 31 December		253,029,492	267,008,553
	Less related deferred tax liability on:			
	Balance at the beginning of the year		40,166,031	45,005,818
	Effect of reduction in tax rate		(1,181,355)	(1,285,880)
	Effect of change in proportion of normal income		(2,502,252)	-
	Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		(4,613,090)	(3,553,907)
			31,869,334	40,166,031
		(7.1)	221,160,158	226,842,522

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

		Note	2014 Rupees	2013 Rupees
8.	LONG TERM LOAN - secured			
	Habib Bank Limited - Term loan	(8.1)	-	50,000,000
	Less: Current portion shown under current liabilities	(15)	-	12,500,000
			-	37,500,000

8.1 This loan was obtained to finance the expansion of production facility and carried mark-up at the rate of three months KIBOR plus 1.50% per annum (2013: three months KIBOR plus 1.50% per annum). The effective mark-up charged during the year was 11.63% (2013: 10.95% per annum) of outstanding loan facility. The loan was repayable in 16 quarterly installments starting after 15 months grace period from date of draw down. This loan along with working capital facilities provided by the bank were secured by way of first pari passu charge for Rs. 362 million (2013: Rs. 362 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 230 million (2013: Rs. 230 million) on stocks including but not limited to raw materials, medicines, goods in process and finished goods of the Company. During the year, the Company has repaid the entire outstanding principal amount of the loan to effectively utilize its surplus cash flow from operations and to improve its capital structure.

Notes to the Financial Statements

For The Year Ended 31 December 2014

		Note	2014 Rupees	2013 Rupees
9.	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
	Present value of minimum lease payments		58,690,629	44,997,599
	Less: Current portion shown under current liabilities	(15)	28,416,716	20,219,058
			30,273,913	24,778,541

	Minimum lease payments	Finance cost for future periods	Principal outstanding
	----------Rupees----------		
	2014		
Not later than one year	33,662,659	5,245,943	28,416,716
Later than one year but not later than five years	32,967,976	2,694,063	30,273,913
	66,630,635	7,940,006	58,690,629
	2013		
Not later than one year	24,209,119	3,990,061	20,219,058
Later than one year but not later than five years	26,959,335	2,180,794	24,778,541
	51,168,454	6,170,855	44,997,599

Salient features of the leases are as follows:	2014	2013
Discounting factor	10.95%-14.31%	11.30%-12.80%
Period of lease	36 months	36 months
Security deposits	5%-10%	5%-10%

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

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

Notes to the Financial Statements

For The Year Ended 31 December 2014

		Note	2014 Rupees	2013 Rupees
10.	LONG TERM ADVANCES			
	Balance at 31 December		17,922,751	16,565,244
	Less: Current portion	(15)	4,865,923	7,831,000
			13,056,828	8,734,244

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

		Note	2014 Rupees	2013 Rupees
11.	DEFERRED LIABILITIES			
	Taxation	(11.1)	51,260,651	75,645,030
	Gratuity	(11.2)	217,909,058	191,587,751
			269,169,709	267,232,781
11.1	Taxable / (deductible) temporary differences arising in respect of:			
	Surplus on revaluation of assets	(7)	31,869,334	40,166,031
	Accelerated tax depreciation		63,290,500	75,544,083
	Finance lease		6,955,856	2,589,790
	Provision for doubtful debts		(318,184)	(353,565)
	Provision for gratuity		(50,536,855)	(42,301,309)
			51,260,651	75,645,030
11.2	The net value of un-funded defined benefit obligation as at valuation date was as follows:			
	Present value of defined benefit obligation		216,774,395	191,453,615
	Benefits due but not paid		1,134,663	134,136
	Net liability as at 31 December		217,909,058	191,587,751
11.2.1	The following is movement in the net recognized liability for gratuity:			
	Liability as at 01 January		191,453,615	183,147,140
	Amount recognized during the year	(11.2.2)	40,264,858	39,436,697
	Actuarial losses recognized during the year		2,412,983	6,311,278
	Benefits due but not paid		(1,134,663)	(134,136)
	Benefit payments made by the Company		(16,222,398)	(37,307,364)
	Liability as at 31 December		216,774,395	191,453,615

Notes to the Financial Statements

For The Year Ended 31 December 2014

		2014 Rupees	2013 Rupees
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	17,417,973	19,290,512
	Interest cost	22,846,885	20,146,185
		40,264,858	39,436,697

11.2.3 Historical Information for gratuity plan

	2014	2013	2012	2011	2010
	----------Rupees----------				
Present value of defined benefit obligation	216,774,395	191,453,615	183,147,410	188,823,998	159,003,810
Experience adjustment arising on plan liabilities (surplus) / deficit	2,412,983	6,311,278	1,011,543	(1,649,876)	3,184,301
Experience adjustment arising on plan liabilities (surplus) / deficit	1.11%	3.30%	0.55%	-0.87%	2.00%

11.2.4 Sensitivity analysis

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

	Note	2014 Rupees	2013 Rupees
Discount rate + 100 bps		198,766,737	175,312,488
Discount rate - 100 bps		237,514,749	210,051,211
Salary increase + 100 bps		237,949,444	210,230,541
Salary increase - 100 bps		198,096,196	174,900,831

12. TRADE AND OTHER PAYABLES

	Note	2014 Rupees	2013 Rupees
Trade creditors		177,602,127	104,772,818
Bills payable		41,747,653	7,813,371
Advances from customers	(12.1)	15,867,730	19,203,924
Accrued expenses		143,966,058	104,658,910
Income tax deducted at source		6,331,751	2,657,871
Workers' Profit Participation Fund	(12.2)	800,353	2,133,557
Payable to Central Research Fund		4,215,872	2,347,563
Payable to Provident Fund Trust		3,134,645	2,773,897
Unclaimed dividends		15,069,920	12,907,605
Payable to Employees Welfare Trust		291,281	270,076
		409,027,390	259,539,592

Notes to the Financial Statements

For The Year Ended 31 December 2014

12.1 This includes a balance amounting to Rs. 251,200 (2013: Rs. 289,618) due to Route 2 Health (Private) Limited, an associated company.

		Note	2014 Rupees	2013 Rupees
12.2	Workers' Profit Participation Fund			
	Balance at the beginning of the year		2,133,557	8,324,918
	Add: Provision for the year	(31)	21,811,800	12,226,410
			23,945,357	20,551,328
	Add: Interest on funds utilized by the Company	(33)	119,683	238,104
			24,065,040	20,789,432
	Less: Paid during the year to the fund		23,264,687	18,655,875
			800,353	2,133,557

Mark-up @ 26.25% (2013: 22.5%) per annum is provided on unpaid balance of the fund in accordance with the rules of the Fund.

		Note	2014 Rupees	2013 Rupees
13.	MARK UP PAYABLE ON SECURED LOANS			
	On long term loan		-	1,512,329
	On short term borrowings		224,687	202,288
			224,687	1,714,617
14.	SHORT TERM BORROWINGS			
	Running finance	14.1&14.2	-	73,203

14.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 660 million (2013: Rs. 655 million). These facilities have various maturity dates up to 31 October 2015 and renewable on the date of maturity. These facilities carry mark-up rates ranging from one month KIBOR to six months KIBOR plus 100 to 150 basis points (2013: one month KIBOR to six months KIBOR plus 100 to 150 basis points) per annum. These facilities along with import credit facility are secured by way of first pari passu charge for Rs. 532 (2013: Rs. 532 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 693 (2013: Rs. 693 million) on stocks including but not limited to raw materials, medicines, goods in process and finished goods of the Company.

14.2 Out of total borrowing facility, an amount of Rs. 50,000,000 (2013: Rs. 50,000,000) represents Export Refinance Facility obtained from a commercial bank under SBP regulations at a subsidized mark up rate of 9.5% (2013: 9.5%) per annum.

14.3 The Company also has aggregate sanctioned import credit facilities negotiated with various banks amount to Rs. 275 million (2013: Rs. 275 million). These facilities carry mark-up rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2013: one month KIBOR to six months KIBOR plus 125 to 150 basis points) per annum. These available facilities are secured by way of joint pari passu, ranking hypothecation charge over present and future current assets of the Company and lien on export documents or firm contracts and have various maturity dates.

Notes to the Financial Statements

For The Year Ended 31 December 2014

15.	CURRENT PORTION OF LONG TERM LIABILITIES	Note	2014 Rupees	2013 Rupees
	Long term loan	(8)	-	12,500,000
	Liabilities against assets subject to finance lease	(9)	28,416,716	20,219,058
	Long term advances	(10)	4,865,923	7,831,000
			33,282,639	40,550,058

16. CONTINGENCIES AND COMMITMENTS

16.1

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

- Bank guarantees issued on behalf of the Company aggregate to Rs. 4.620 million (2013: Rs 4.620 million).

- Facilities of letters of guarantee amounting to Rs. 20 million (2013: Rs. 20 million) are available to the Company under hypothecation / pledge of stocks and on present and future current assets and property, plant and equipment of the Company.

		Note	2014 Rupees	2013 Rupees
16.2	Commitments			
	Commitments against irrevocable letters of credit include:			
	Raw materials		169,018,435	164,456,000
	Packing materials		16,624,255	44,858,000
	Finished Goods		14,984,750	-
	Plant and machinery		39,726,075	-
			240,353,515	209,314,000
17.	PROPERTY, PLANT AND EQUIPMENT			
	Operating fixed assets (owned)	(17.1)	669,818,556	694,898,950
	Operating fixed assets (leased)	(17.1)	81,423,968	52,614,628
	Capital work in progress	(17.2)	8,301,529	14,366,646
			759,544,053	761,880,224

17.1 Operating fixed assets owned and leased

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

2014

	Operating fixed assets - owned												`Assets subject to finance lease vehicles	Total operating fixed assets
	Land freehold	Building on freehold land	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric and gas appliances	Office equipment	Vehicles	Library books	Neon sign	Arms and ammunition	Total operating fixed assets owned		
	Rupees													
At 01 January 2014														
Cost / revalued amount	163,440,000	322,148,363	669,425,232	21,353,014	23,093,737	24,825,366	51,469,230	87,108,486	52,806	204,990	166,100	1,363,287,324	66,991,986	1,430,279,310
Accumulated depreciation	-	166,735,481	393,019,885	8,599,559	9,267,205	16,343,462	30,869,560	43,287,898	49,705	108,625	106,994	668,388,374	14,377,358	682,765,732
Net book value	163,440,000	155,412,882	276,405,347	12,753,455	13,826,532	8,481,904	20,599,670	43,820,588	3,101	96,365	59,106	694,898,950	52,614,628	747,513,578
Movement during the year														
Opening net book value	163,440,000	155,412,882	276,405,347	12,753,455	13,826,532	8,481,904	20,599,670	43,820,588	3,101	96,365	59,106	694,898,950	52,614,628	747,513,578
Additions - cost	-	-	2,975,340	8,814,112	155,928	1,162,400	1,971,739	24,362,600	-	-	-	39,442,119	50,944,000	90,386,119
Transfer from leasehold assets														
Cost	-	-	-	-	-	-	-	13,478,500	-	-	-	13,478,500	(13,478,500)	-
Depreciation	-	-	-	-	-	-	-	5,852,645	-	-	-	5,852,645	(5,852,645)	-
	-	-	-	-	-	-	-	7,625,855	-	-	-	7,625,855	(7,625,855)	-
Disposals														
Cost	-	-	-	-	-	-	1,006,840	19,174,568	-	-	-	20,181,408	-	20,181,408
Depreciation	-	-	-	-	-	-	639,339	11,609,895	-	-	-	12,249,234	-	12,249,234
	-	-	-	-	-	-	367,501	7,564,673	-	-	-	7,932,174	-	7,932,174
Depreciation charge for the year	-	15,541,288	27,806,647	1,967,101	1,386,332	900,463	5,437,070	11,161,435	310	9,637	5,911	64,216,194	14,508,805	78,724,999
Closing net book value	163,440,000	139,871,594	251,574,040	19,600,466	12,596,128	8,743,841	16,766,838	57,082,935	2,791	86,728	53,195	669,818,556	81,423,968	751,242,524
At 31 December 2014														
Cost / revalued amount	163,440,000	322,148,363	672,400,572	30,167,126	23,249,665	25,987,766	52,434,129	105,775,018	52,806	204,990	166,100	1,396,026,535	104,457,486	1,500,484,021
Accumulated depreciation	-	182,276,769	420,826,532	10,566,660	10,653,537	17,243,925	35,667,291	48,692,083	50,015	118,262	112,905	726,207,979	23,033,518	749,241,497
Net book value	163,440,000	139,871,594	251,574,040	19,600,466	12,596,128	8,743,841	16,766,838	57,082,935	2,791	86,728	53,195	669,818,556	81,423,968	751,242,524
Depreciation rates (%)		10%	10%	10%	10%	10%	25%	20%	10%	10%	10%		20%	

2013

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

Notes to the Financial Statements

For The Year Ended 31 December 2014

		Note	2014 Rupees	2013 Rupees
17.1.1	Depreciation charge has been allocated as under:			
	Cost of sales	(27)	48,525,821	51,252,124
	Distribution, selling and promotional expenses	(28)	13,348,525	10,457,203
	Administrative and general expenses	(29)	16,850,653	15,324,351
			78,724,999	77,033,678

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

		2014 Rupees	2013 Rupees
17.1.3	Had the assets not been revalued, the carrying values would have been:		
	Land - freehold	14,566,828	14,566,828
	Building on freehold land	91,774,740	121,303,187
	Plant and machinery (Owned)	169,261,541	216,441,025
		275,603,109	352,311,040

Notes to the Financial Statements

For The Year Ended 31 December 2014

17.1.4 Disposal of property, plant & equipment

Sold to	Cost	Accumulated depreciation	Written down value	Sales proceeds	Gain / (loss)	Mode of sales
Vehicles	------------------- Rupees -------------------					
Nadeem Mehboob	400,000	267,472	132,528	226,020	93,492	Company Policy
Haris Naeem	544,000	367,599	176,401	367,260	190,859	Company Policy
Nawaz	68,000	12,939	55,061	68,000	12,939	Company Policy
Fayyaz Ahmad	884,000	598,153	285,847	590,520	304,673	Company Policy
Ghulam Mustfa	884,000	598,153	285,847	590,520	304,673	Company Policy
Liaqat Ali	530,000	357,536	172,464	354,240	181,776	Company Policy
Malik Arshad Mahmood	605,217	469,480	135,737	352,464	216,727	Company Policy
Muhammad Asif	395,000	312,853	82,147	209,556	127,409	Company Policy
Shahid Tofique	884,000	585,480	298,520	589,800	291,280	Company Policy
Dr. Nadem Kausar	1,517,000	1,151,804	365,196	1,200,000	834,804	Negotiation
Fazal H. Rizwan Pirz.	915,000	677,637	237,363	237,363	-	Company Policy
Imran Sheikh	444,333	326,438	117,895	450,000	332,105	Negotiation
Imran Sheikh	452,000	332,071	119,929	450,000	330,071	Negotiation
Imran Sheikh	427,000	329,523	97,477	410,000	312,523	Negotiation
Iram Naila	851,000	633,493	217,507	217,507	-	Company Policy
Muhammad Kamran	657,000	200,933	456,067	598,077	142,010	Company Policy
Shabnam Justin	637,000	220,827	416,173	500,068	83,895	Company Policy
Farhan Saeed	395,000	311,386	83,614	198,000	114,386	Company Policy
Muhammad Shahzad	434,509	303,994	130,515	270,879	140,364	Company Policy
Abdul Rehman	567,000	226,422	340,578	468,332	127,754	Company Policy
Syed Abid Abbas	637,000	195,347	441,653	539,327	97,674	Company Policy
Saif Afzal	1,232,000	760,454	471,546	471,546	-	Company Policy
Rao Muhammad Iqbal	567,000	207,900	359,100	481,321	122,221	Company Policy
Ateeq ur Rehman	530,000	363,807	166,193	336,086	169,893	Company Policy
Sheraz M. Sharif	434,509	319,221	115,288	261,715	146,427	Company Policy
Assets having individual net book value less than Rs. 50,000	3,283,000	1,478,973	1,804,027	3,088,758	1,284,731	Company Policy
	19,174,568	11,609,895	7,564,673	13,527,359	5,962,686	
Office equipment						
Sony VGNCS 38	125,000	61,984	63,016	-	(63,016)	Scrap
Assets having individual net book value less than Rs. 50,000	881,840	577,355	304,485	-	(304,485)	Scrap
	1,006,840	639,339	367,501	-	(367,501)	
2014	20,181,408	12,249,234	7,932,174	13,527,359	5,595,185	
2013	48,528,680	31,507,556	17,021,124	29,506,724	12,485,600	

Notes to the Financial Statements

For The Year Ended 31 December 2014

		Note	2014 Rupees	2013 Rupees
17.2	Capital work in progress (CWIP)			
	Civil works		1,763,058	146,211
	Plant and machinery - owned		2,967,471	-
	Laboratory equipment		-	4,215,435
	Advances to suppliers		3,571,000	10,005,000
		(17.2.1)	8,301,529	14,366,646

		2014 Rupees	2013 Rupees
17.2.1	Movement of CWIP is as follows:		
	Opening balance as at 01 January	14,366,646	13,233,582
	Addition made during the year		
	Civil works	1,616,847	4,415,369
	Plant and machinery - owned	2,967,471	2,870,691
	Laboratory equipment	-	4,215,435
	Furniture	-	793,240
	Advance for purchase of vehicles	3,571,000	10,005,000
		8,155,318	22,299,735
	Less: Capitalized during the year		
	Civil works	-	(4,269,158)
	Plant and machinery - owned	-	(2,870,691)
	Laboratory equipment	(4,215,435)	-
	Furniture	-	(8,446,822)
	Vehicles - leased	(10,005,000)	(5,580,000)
		(14,220,435)	(21,166,671)
	Closing balance as at 31 December	8,301,529	14,366,646

Notes to the Financial Statements
For The Year Ended 31 December 2014

18. INTANGIBLE ASSETS

PARTICULARS	COST			AMORTIZATION			Book value as at 31 December 2014	Rate %
	As at 01 January 2014	Additions	As at 31 December 2014	As at 01 January 2014	For the year	As at 31 December 2014		
	--------------------------------- Rupees---------------------------------							
Registration and trademark (Note18.1)	154,434,175	-	154,434,175	87,587,486	15,443,418	103,030,904	51,403,271	10
Computer softwares	25,665,073	1,032,918	26,697,991	11,959,047	2,631,219	14,590,266	12,107,725	10
	180,099,248	1,032,918	181,132,166	99,546,533	18,074,637	117,621,170	63,510,996	

2013

PARTICULARS	COST			AMORTIZATION			Book value as at 31 December 2013	Rate %
	As at 01 January 2013	Additions	As at 31 December 2013	As at 01 January 2013	For the year	As at 31 December 2013		
	--------------------------------- Rupees---------------------------------							
Registration and trademark (Note18.1)	154,434,175	-	154,434,175	72,144,068	15,443,418	87,587,486	66,846,689	10
Computer softwares	25,518,611	146,462	25,665,073	9,395,796	2,563,251	11,959,047	13,706,026	10
	179,952,786	146,462	180,099,248	81,539,864	18,006,669	99,546,533	80,552,715	

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

		Note	2014 Rupees	2013 Rupees
18.2	Amortization charge has been allocated as under:			
	Cost of sales	(27)	15,443,418	15,443,418
	Distribution, selling and promotional expenses	(28)	2,631,219	2,563,251
			18,074,637	18,006,669

Notes to the Financial Statements
For The Year Ended 31 December 2014

		2014 Rupees		2013 Rupees	
19.	STOCK IN TRADE				
	Raw materials				
	In hand	298,815,977		298,613,701	
	In transit	10,094,743		18,654,480	
			308,910,720		317,268,181
	Packing material				
	In hand	120,532,834		104,747,538	
	In transit	-		2,609,588	
			120,532,834		107,357,126
	Work in process		55,356,113		30,876,707
	Finished goods				
	In hand	149,221,552		101,229,780	
	With third party	770,884		1,034,888	
			149,992,436		102,264,668
			634,792,103		557,766,682
20.	TRADE DEBTS				
	Secured - considered good		19,995,287		13,569,544
	Unsecured:				
	Considered good		55,539,986		49,947,918
	Considered doubtful	1,039,897		1,039,897	
	Less: Provision against doubtful debts	1,039,897		1,039,897	
			-		-
			75,535,273		63,517,462
21.	ADVANCES				
	Advances - considered good				
	Staff against:				
	expenses	9,868,409		9,716,508	
	salary	7,029,518		4,658,661	
			16,897,927		14,375,169
	Suppliers		26,360,223		18,211,914
			43,258,150		32,587,083

Notes to the Financial Statements
For The Year Ended 31 December 2014

		2014 Rupees	2013 Rupees
22.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Trade deposits:		
	Securities	11,439,379	6,847,674
	Bank guarantee margin	1,602,710	1,558,085
		13,042,089	8,405,759
	Short term prepayments	4,595,610	3,949,562
		17,637,699	12,355,321

23. OTHER RECEIVABLES

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

24. BALANCE WITH STATUTORY AUTHORITIES

These represent balance receivable from Federal Board of Revenue (FBR) against Sales tax and excise duty.

		Note	2014 Rupees	2013 Rupees
25.	CASH AND BANK BALANCES			
	Cash and imprest		1,997,331	2,021,752
	Balance with banks			
	Current accounts		83,327,142	47,511,540
	Deposit account	(25.1)	250,000,000	-
			333,327,142	47,511,540
			335,324,473	49,533,292
25.1	This carries mark-up at the rate of 8.75% per annum.			
26.	SALES - net			
	Manufactured products:			
	Local		3,384,183,460	2,742,713,106
	Export		223,295,607	199,836,845
			3,607,479,067	2,942,549,951
	Purchased products - local		38,855,898	32,615,261
	Third party		354,208,134	290,215,834
			4,000,543,099	3,265,381,046
	Less:			
	Discount		295,251,531	251,217,360
	Sales tax		9,199,109	6,239,038
			304,450,640	257,456,398
			3,696,092,459	3,007,924,648

Notes to the Financial Statements

For The Year Ended 31 December 2014

		Note	2014 Rupees	2013 Rupees
27.	COST OF SALES			
	Raw and packing material consumed		1,584,945,136	1,271,151,155
	Salaries, wages and benefits	(27.1)	242,589,055	177,186,298
	Vehicle running and maintenance		23,821,689	19,544,956
	Fuel and power		89,583,945	73,787,464
	Stores consumed		9,037,827	8,586,738
	Repair and maintenance		27,162,195	28,275,617
	Insurance		4,560,870	3,248,434
	Rent, rates and taxes		3,536,988	3,369,210
	Fee and subscription		4,486,515	8,600,779
	Printing and stationery		3,544,211	2,658,599
	Traveling and conveyance		1,486,978	1,479,322
	Consultancy and professional charges		1,307,500	2,584,800
	Office supplies		14,245,010	10,016,236
	Depreciation	(17.1.1)	48,525,821	51,252,124
	Amortization of intangible assets	(18.2)	15,443,418	15,443,418
	Other direct cost		5,261,509	4,934,271
			2,079,538,667	1,682,119,421
	Inventory effect of work in process:			
	Opening		30,876,707	30,216,205
	Closing		(55,356,113)	(30,876,707)
			(24,479,406)	(660,502)
	Cost of goods manufactured		2,055,059,261	1,681,458,919
	Inventory effect of finished goods:			
	(excluding purchased products)			
	Opening		102,090,848	173,386,771
	Closing		(140,089,826)	(102,090,848)
			(37,998,978)	71,295,923
	Cost of goods sold - manufactured products		2,017,060,283	1,752,754,842
	Cost of goods sold - purchased products		23,798,006	24,509,255
			2,040,858,289	1,777,264,097

Notes to the Financial Statements
For The Year Ended 31 December 2014

		Note	2014 Rupees	2013 Rupees
27.1	It includes the following staff retirement benefits:			
	Defined benefit plan - Gratuity		19,824,928	8,102,894
	Defined contribution plan - Provident Fund		5,252,699	4,883,559
	Provision for compensated leave absences		2,316,444	2,195,869
			27,394,071	15,182,322
28.	DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES			
	Salaries and benefits	(28.1)	317,840,277	273,845,052
	Rent, rates and taxes		2,858	166,665
	Entertainment		487,281	278,087
	Advertisement and marketing		163,622,815	126,255,359
	Literature and promotional material		126,381,052	59,603,554
	Bonus and sample goods		92,366,633	81,949,974
	Printing and stationery		2,515,809	2,362,300
	Traveling and conveyance		109,011,538	81,265,882
	Telephone, postage and telex		3,431,118	2,934,391
	Insurance		7,458,869	2,859,251
	Vehicle running and maintenance		32,980,088	22,124,298
	Donation	(28.2)	2,935,239	3,254,998
	Freight		35,092,659	31,387,146
	Seminars, symposia and training		8,575,280	13,498,146
	Newspapers and subscriptions		24,722,768	16,833,177
	Depreciation	(17.1.1)	13,348,525	10,457,203
	Amortization of intangible assets	(18.2)	2,631,219	2,563,251
	Commission on export sales		16,613,285	14,368,113
	Others		8,735,594	5,174,612
			968,752,907	751,181,459
28.1	It includes following staff retirement benefits:			
	Defined benefit plan - Gratuity		8,139,184	19,071,846
	Defined contribution plan - Provident Fund		6,283,959	5,735,390
	Provision for compensated leave absences		3,724,284	3,779,276
			18,147,427	28,586,512

28.2 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 2014

		Note	2014 Rupees	2013 Rupees
29.	ADMINISTRATIVE AND GENERAL EXPENSES			
	Salaries and benefits	(29.1)	143,313,635	128,186,108
	Telephone, postage and telex		3,154,058	2,703,513
	Rent, rates and taxes		5,235,862	5,280,923
	Electricity, gas and water		697,976	640,452
	Printing and stationery		4,658,597	5,315,765
	Repairs and maintenance		1,857,850	1,898,475
	Vehicle running and maintenance		24,744,292	20,958,736
	Traveling and conveyance		6,070,095	7,726,044
	Newspapers and subscriptions		1,579,708	932,796
	Entertainment		812,466	616,919
	Insurance		3,487,242	7,519,735
	Auditors' remuneration	(29.2)	1,200,000	1,200,000
	Legal and professional		2,810,092	4,254,124
	Advertisement, seminars and symposia		142,370	448,350
	Donation	(29.3)	767,081	635,600
	Depreciation	(17.1.1)	16,850,653	15,324,351
	Others		2,247,034	2,794,048
			219,629,011	206,435,939

		2014 Rupees	2013 Rupees
29.1	It includes the following staff retirement benefits:		
	Defined benefit plan - Gratuity	12,167,247	12,129,118
	Defined contribution plan - Provident Fund	3,597,553	3,473,906
	Provision for compensated leave absences	1,292,844	1,292,881
		17,057,644	16,895,905

		2014 Rupees	2013 Rupees
29.2	Auditors' remuneration		
	Statutory audit	800,000	800,000
	Fee for review of half yearly financial information	265,000	265,000
	Other certifications	60,000	60,000
	Out of pocket	75,000	75,000
		1,200,000	1,200,000

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

Notes to the Financial Statements

For The Year Ended 31 December 2014

		Note	2014 Rupees	2013 Rupees
30.	RESEARCH AND DEVELOPMENT EXPENSES			
	Salaries and benefits	(30.1)	2,167,711	2,247,433
	Expenses on clinical trials and products evaluation		780,245	774,192
	Traveling		288,686	309,656
	Insurance		90,702	37,998
	Vehicle repair and maintenance		261,307	273,182
	Printing and stationery		43,079	38,978
	Office supplies		43,022	55,529
	Repairs and maintenance		-	2,100
	Staff cost		203,348	116,554
	Others		34,062	24,565
			3,912,162	3,880,187
30.1	It includes the following staff retirement benefits:			
	Defined benefit plan - Gratuity		133,499	132,839
	Defined contribution plan - Provident Fund		46,506	10,032
	Provision for compensated leave absences		-	56,192
			180,005	199,063
31.	OTHER OPERATING EXPENSES			
	Workers' Profit Participation Fund	(12.2)	21,811,800	12,226,410
	Exchange loss		11,136,985	11,989,923
	Workers' Welfare Fund		8,996,923	5,073,747
	Central Research Fund		4,186,101	2,455,465
			46,131,809	31,745,545

			2014 Rupees	2013 Rupees
32.	OTHER INCOME			
	Income from financial assets			
	Return on deposit		359,589	-
	Income from non-financial assets			
	Gain on disposal of property, plant and equipment		5,595,185	12,485,600
	Scrap sales		3,838,810	2,645,348
	Others		192,922	177,717
			9,626,917	15,308,665
			9,986,506	15,308,665

Notes to the Financial Statements

For The Year Ended 31 December 2014

		Note	2014 Rupees	2013 Rupees
33.	FINANCE COST			
	Mark-up on long term loan		2,773,930	5,418,562
	Mark-up on short term borrowings		927,828	8,561,730
	Finance cost on liability against assets subject to finance lease		5,945,757	3,919,375
	Interest on Workers' Profit Participation Fund	(12.2)	119,683	238,104
	Bank charges		2,603,395	2,286,407
			12,370,593	20,424,178
34.	TAXATION			
	Current:			
	For the year		149,874,114	95,099,543
	Prior year		12,604,232	15,841,888
			162,478,346	110,941,431
	Deferred:			
	Relating to origination and reversal of temporary differences		(18,918,956)	(32,224,852)
	Relating to changes in tax rate		(1,043,499)	(1,949,876)
			(19,962,455)	(34,174,728)
			142,515,891	76,766,703

		2014	2013
34.1	Reconciliation of tax charge for the year		
	Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:		
	Applicable tax rate	33.00%	34.00%
	Tax effect of amounts that are not deductible for tax purposes	1.26%	0.57%
	Tax effect of prior years	-0.29%	-0.64%
	Tax effect under presumptive tax regime and others	0.42%	-0.88%
		1.39%	-0.95%
	Average effective tax rate charged on income	34.39%	33.05%

			2014	2013
35.	EARNINGS PER SHARE - BASIC AND DILUTED			
	There is no dilutive effect on the basic earnings per share of the Company which is based on:			
	Profit after taxation	Rupees	271,908,303	155,535,205
	Weighted average number of ordinary shares	Shares	18,180,517	18,180,517
	Earnings per share	Rupees	14.96	8.56

Notes to the Financial Statements
For The Year Ended 31 December 2014

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	------------------------Rupees------------------					
Managerial remuneration	5,640,176	16,402,800	98,362,089	5,222,000	15,764,400	87,843,913
House allowance	2,256,070	1,200,000	37,745,876	2,088,800	1,200,000	35,137,566
Provident fund	469,977	717,413	6,728,129	870,310	1,328,584	14,099,397
Gratuity	3,086,142	5,250,982	16,644,995	2,907,984	5,036,907	15,261,904
Bonus	1,838,805	4,294,971	29,927,314	435,167	664,350	8,015,070
Utilities	564,018	2,361,681	9,436,469	522,200	1,934,970	8,825,973
Medical	192,129	1,231,263	2,250,226	150,747	811,813	2,198,675
	14,047,316	31,459,110	201,095,098	12,197,208	26,741,024	171,382,498
Number of persons	1	2	78	1	2	67

36.1 The Chief Executive, Directors and 34 executives (2013: 28) have been provided with Company maintained cars while 23 executives (2013: 28) have been provided with cars under self finance scheme with limited fuel and maintenance facility.

36.2 Rs. 2,000 (2013 : Rs. 2,000) per meeting have been paid during the year to an independent non - executive director for attending board meetings.

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

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

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

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

Notes to the Financial Statements
For The Year Ended 31 December 2014

(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$ exchange rate, with all other variables held constant, of the Company's profit before tax.

	2014	2013
Rupees per US Dollar		
Reporting date rate	100.53	105.00

	Changes in US $ Rate	Effects on Profit Before Tax
		Rupees
2014	+10%	942,459
	-10%	(942,459)
2013	+10%	(544,194)
	-10%	544,194

(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:

	2014 Rupees	2013 Rupees
Floating rate instruments		
Financial liabilities		
Long term loan	-	50,000,000
Liabilities against assets subject to finance lease	58,690,629	44,997,599
Short term borrowings	-	73,203

Notes to the Financial Statements
For The Year Ended 31 December 2014

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

		Changes in Interest Rate	Effects on Profit Before Tax
Long term loan			Rupees
	2014	+1.50	-
		1.50	-
	2013	+1.50	(750,000)
		-1.50	750,000
Liabilities against assets subject to finance lease	2014	+1.50	(880,359)
		-1.50	880,359
	2013	+1.50	(674,964)
		-1.50	674,964
Short term borrowings	2014	+1.50	-
		-1.50	-
	2013	+1.50	(1,098)
		-1.50	1,098

(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:

	2014 Rupees	2013 Rupees
Trade debts	55,539,986	49,947,918
Advances	7,029,518	4,658,661
Trade deposits	13,042,089	8,405,759
Other receivables	1,485,660	1,301,880
Bank balances	333,327,142	47,511,540
	410,424,395	111,825,758

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.

Notes to the Financial Statements
For The Year Ended 31 December 2014

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

At 31 December 2014, the Company has 12 (2013: 12) customers who owed the Company more than Rupees 1.00 million each and accounted for approximately 84% (2013: 76%) of all receivables owing.

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

	2014 Rupees	2013 Rupees
Neither past due nor impaired	1,242,167	1,670,455
Past due but not impaired		
Past due 1–30 days	22,060,462	26,042,125
Past due 31–60 days	10,302,474	9,305,628
Past due 61–90 days	12,791,151	1,889,167
Over 90 days	9,143,732	11,040,543
	54,297,819	48,277,463
Past due and impaired		
Past due 1–30 days	-	-
Past due 31–60 days	-	-
Past due 61–90 days	-	-
Over 90 days	1,039,897	1,039,897
	1,039,897	1,039,897

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

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

	Rating			2014	2013
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
National Bank of Pakistan	A-1+	AAA	JCR - VIS	248,342	889,271
United Bank Limited	A-1+	AA+	JCR - VIS	360,135	8,893
Faysal Bank Limited	A1+	AA	JCR - VIS	29,092	829,092
Habib Bank Limited	A1+	AA+	JCR - VIS	326,685,969	38,981,825
Allied Bank Limited	A1+	AA	PACRA	1,145,572	1,639,545
JS Bank Limited	A1	A+	PACRA	2,779,287	2,740,178
Bank Al Habib Limited	A1+	AA+	PACRA	9,426	19,100
Meezan Bank Limited	A-1+	AA	JCR - VIS	1,526,307	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	543,012	2,403,636
				333,327,142	47,511,540

Notes to the Financial Statements

For The Year Ended 31 December 2014

(c) Liquidity risk

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

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

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

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
		--------------------- (Rupees)	---------------------			
31 December 2014						
Liabilities against assets subject to finance lease	58,690,629	66,630,635	9,519,737	24,142,922	10,069,627	22,898,349
Trade and other payables	384,717,509	384,717,509	384,717,509	-	-	-
Interest payable	224,687	224,687	224,687	-	-	-
	443,632,825	451,572,831	394,461,933	24,142,922	10,069,627	22,898,349
31 December 2013						
Long term financing	50,000,000	66,237,500	14,360,000	2,745,000	17,461,250	31,671,250
Liabilities against assets subject to finance lease	44,997,598	51,168,453	9,519,737	14,689,382	10,069,627	16,889,707
Trade and other payables	232,810,575	232,810,575	232,810,575	-	-	-
Short term borrowings	73,203	81,219	-	81,219	-	-
Interest payable	1,714,617	1,714,617	1,714,617	-	-	-
	329,595,993	352,012,364	258,404,929	17,515,601	27,530,877	48,560,957

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 31 December 2014 and 2013 respectively. The rates of mark up have been disclosed in respective notes to the financial statements.

37.2 Fair values of financial assets and liabilities

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

Notes to the Financial Statements

For The Year Ended 31 December 2014

37.3 Financial instruments by categories

	2014		
	Cash and cash equivalents	Loans and advances	Total
Assets as per balance sheet	---------------------- (Rupees) ----------------------		
Long term deposits	-	1,562,054	1,562,054
Trade debts	-	75,535,273	75,535,273
Advances	-	7,029,518	7,029,518
Trade deposits	-	13,042,089	13,042,089
Other receivables	-	1,485,660	1,485,660
Cash and bank balances	333,327,142	-	333,327,142
	333,327,142	98,654,594	431,981,736

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

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

	2013
	Financial liabilities at amortized cost
Liabilities as per balance sheet	Rupees
Long term financing	50,000,000
Liabilities against assets subject to finance lease	44,997,598
Mark-up accrued on secured loans	1,714,617
Short term borrowings	73,203
Trade and other payables	232,810,575
	329,595,994

Notes to the Financial Statements

For The Year Ended 31 December 2014

37.4 Capital risk management

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

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represent long-term financing (including current portion) plus liabilities against assets subject to finance lease, mark-up payable and short term borrowings obtained by the Company as referred to in note 8, 9, 13 and note 14. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	2014 Rupees	2013 Rupees
Debt (See note 8, 9,13 and 14)	58,915,316	96,785,419
Equity	913,160,594	715,373,315
Total equity and debt	972,075,910	812,158,734
Total debt to equity ratio	6.06%	11.92%

38. RELATED PARTY TRANSACTIONS

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

		2014 Rupees	2013 Rupees
38.1	Sales of goods-net		
	Associated undertaking	82,895,926	58,914,632
38.2	Contribution to employees benefits fund		
	Contribution to Staff Provident Fund	15,180,717	14,102,887
	Contribution to Employees' Welfare Trust	1,311,245	1,206,150

39. PROVIDENT FUND TRUST

The Company has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

	2014 Rupees	2013 Rupees
Size of the fund	180,983,364	152,414,140
Cost of investments made	156,097,184	132,997,992
Percentage of investments made	86%	87%
Fair value of investment	176,037,904	155,034,062

Notes To The Financial Statements
For The Year Ended 31 December 2014

		2014 Rupees	%	2013 Rupees	%
39.1	Breakup of investments				
	Investment in shares (Listed Securities)	17,375,959	10%	10,100,672	7%
	Term deposits	19,396,409	11%	19,284,159	12%
	Term Finance Certificates	15,000,000	8%	19,997,000	13%
	Special Saving Certificates	78,544,311	45%	71,445,992	46%
	Mutual Funds	45,721,225	26%	34,206,239	22%
		176,037,904		155,034,062	

39.2 The above information is based on un - audited financial statements of the provident fund for the year ended 31 December 2014.

40.	NUMBER OF EMPLOYEES	2014	2013
	Number of employees at the end of the year	964	868
	Average number of employees during the year	893	891

41. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 20 March 2015 has proposed cash dividend at the rate of Rs.6.50 (2013: Rs. 4.50) per share and 12 % bonus shares (2013:Nil) per share for the year ended 31 December 2014, subject to the approval of shareholders in the Annual General Meeting to be held on 21 April 2015. These financial statements do not reflect these appropriations.

42. PLANT CAPACITY AND PRODUCTION

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

43. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on 20 March 2015.

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for better and fair presentation. Following significant reclassifications have been made:

44.1 Advances amounting to Rs. 43,258,150 (2013: Rs. 32,587,083) have been shown separately on the face of the balance sheet while previously these were shown as part of the advances, deposits and prepayments.

44.2 Balances with statutory authorities amounting to Rs. 11,983,557 (2013: Rs. 19,461,964) have been shown separately on the face of the balance sheet while previously these were shown as part of the other receivables.

45. GENERAL

Figures have been rounded off to the nearest rupee.

BAQAR HASAN
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Form of Proxy

FOLIO NO. /

CDC A/C NO. ____________

I/We ____

of ______________________________ District ______________________________ being a

member of **H I G H N O O N L A B O R A T O R I E S L I M I T E D** and

holder of ____________________ ordinary shares, entitled to vote hereby appoint

______________________________ of ____________________ or ____________________

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

as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at **REGISTERED OFFICE, 17.5 K.M. MULTAN ROAD, LAHORE** on **April 21, 2015** at 10:00a.m and at any adjournment thereof.

As witness my/our hand(s) this ____________________ day of ____________________ **2015.**

(Witness's Signature)

01 ____________

02 ____________

Date: ____________________

Place: ____________________

____

(Member's Signature)

Affix Revenue Stamp of Rs.5/-

Note:

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

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

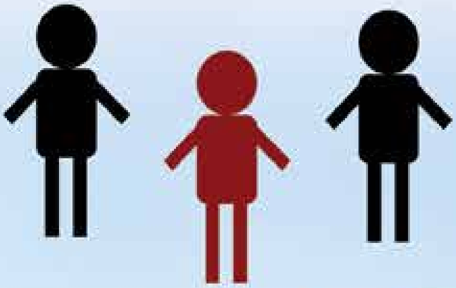
AFFIX
CORRECT
POSTAGE

The Company Secretary

HIGHNOON LABORATORIES LIMITED

17.5 Kilometer, Multan Road,

Lahore - 53700 Pakistan.



ایک ریسرچ کے مطابق
ہر 3 میں سے 1 فرد
ذیابیطس کے قریب ہوتا ہے

ذیابیطس سے محفوظ
جن افراد کا بلڈ شوگر نہار منہ 100 سے کم ہو
A1C-5.7% سے کم ہو

ذیابیطس کے قریب
جن افراد کا بلڈ شوگر نہار منہ 100 اور 125 کے درمیان ہو
A1C-5.7 سے 6.4% ہو

ذیابیطس
جن افراد کا نہار منہ بلڈ شوگر 126 یا اس سے اوپر ہو
A1C-6.5% سے اوپر ہو

ذیابیطس کے قریب وہ افراد ہوتے ہیں جب ان کا بلڈ شوگر لیول نارمل سے اُوپر ہو لیکن اِتنا اُوپر نہ ہو کہ انہیں ٹائپ 2 ذیابیطس شمار کیا جائے

ذیابیطس کے قریب ہونے کے امکانات

- حمل کے دوران ذیابیطس ہونا (GESTATIONAL DIABETES)
- فیملی ہسٹری میں ذیابیطس ہونا
- وزن زیادہ ہونا
- عمر 45 سال یا اس سے زیادہ ہونا
- جسمانی لحاظ سے غیر متحرک ہونا

- وزن کم کیے بغیر
- جسمانی لحاظ سے درمیانی قسم کی ورزش کے بغیر

15 سے 30% افراد ذیابیطس کے قریب ہونے کے باعث ٹائپ 2 ذیابیطس کا شکار ہو سکتے ہیں

صرف 5 سالوں میں

ٹائپ 2 ذیابیطس صحت کے حوالے تشویشناک صورتحال ہوتی ہے جس کی وجہ سے مندرجہ ذیل امراض کا خدشہ ہوتا ہے

- نابینا پن
- ہارٹ اٹیک
- گردے فیل ہونا
- پاؤں، انگلیوں اور ٹانگوں کا نقصان

اپنی صحت کا خیال رکھیں، ذیابیطس کے مرض میں مبتلا ہونے سے بچیں!

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