HIGHNOON for a Healthier Nation

HIGHNOON LABORATORIES LIMITED

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

Fax: + 92 42 3751 0037
Email: info@highnoon.com.pk
Web: www.highnoon-labs.com

ANNUAL REPORT 2018

HIGHNOON LABORATORIES LIMITED

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for a Healthier Nation

ANNUAL REPORT 2018

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Financial Highlights

Sales
Increased by
26%
2018: Rs. 7.50 billion
2017: Rs. 5.97 billion

Profit
After Tax up by
16%
2018: Rs. 725 Million
2017: Rs. 626 Million

Total Assets
Grew by
12%
2018: Rs. 3.77 Billion
2017: Rs. 3.36 Billion

Gross Profit Margin
47%
2018: 47%
2017: 48%

EPS Rupees
25.37
2018: Rs. 25.37
2017: Rs. 21.90

Payout
55%
2018: 55%
2017: 46%

Operating Profit up by
16%
2018: Rs. 1.064 billion
2017: Rs. 917 Million

Equity
Increased by
19%
2018: Rs. 2.87 billion
2017: Rs. 2.41 billion

Break-up Value
Per Share Increased by
9.8%
2018: Rs, 87.39
2017: Rs, 79.55

Company Information

Board of Directors

Mr. Tausif Ahmad Khan
Chairman

Dr. Adeel Abbas Haideri
Chief Executive Officer

Mr. Ghulam Hussain Khan
Mr. Shazib Masud
Mr. Taufiq Ahmed Khan
Mrs. Zainub Abbas
Mr. Romesh Elapata
Miss Nael Najam
(Alternate Director)

Chief Financial Officer

Mr. Javed Hussain
Tel : +92 42 3751 1953
Email : javed@highnoon.com.pk

Company Secretary

Mr. Khadim Hussain Mirza
Tel: +92 42 3751 0036
Email: khadim@highnoon.com.pk

Bankers

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

Registered, Head Office & Plant

17.5 Kilometer Multan Road,
Lahore - 53700, Pakistan
UAN : +92 42 111 000 465
Fax : +92 42 3751 0037
E-mail : info@highnoon.com.pk
Web : www.highnoon-labs.com

Legal Advisor

Raja Muhammad Akram
& Company

Tax Advisor

Yousuf Islam & Associates

Auditors

EY Ford Rhodes
Chartered Accountants

Shares Registrar

Corplink (Pvt.) Ltd.
Wings Arcade,
1-K Commercial,
Model Town, Lahore.
Tel : +92 42 3591 6714, 3591 6719
Fax : +92 42 3586 9637

Audit Commitee

Mr. Shazib Masud
Chairman

Mr. Ghulam Hussain Khan
Member

Mrs. Zainub Abbas
Member

Mr. Khadim Hussain Mirza
Secretary

Human Resource and Remuneration Committee

Mr. Shazib Masud
Chairman

Dr. Adeel Abbas Haideri
Member

Mrs. Zainub Abbas
Member

Executive Committee

Dr. Adeel Abbas Haideri CEO	Chairman
Mr. Javed Hussain ED Finance / CFO	Member
Mr. Sajjad Hafeez Butt ED Operations	Member
Dr. Saleem Akhtar Director Quality Operations	Member
Mr. Ahmad Raza Director Product Development	Member
Mr. Aamir Zafar Director Commercial - I	Member
Mr. Azfar Abbas Haideri Director Commercial - II	Member

I.T. Steering Committee

Dr. Adeel Abbas Haideri CEO	Chairman
Mr. Javed Hussain ED Finance / CFO	Member
Mr. Sajjad Hafeez Butt ED Operations	Member
Mr. Aamir Zafar Director Commercial - I	Member
Mr. Azfar Abbas Haideri Director Commercial - II	Member
Mr. Amir Hafeez Head of Information Technology	Member / Secretary

Notice of Annual General Meeting

NOTICE is hereby given that 36th Annual General Meeting of Highnoon Laboratories Limited will be held on Monday, 29 April 2019 at 11:00 a.m. at Registered Office, 17.5 Kilometer Multan Road, Lahore to transact the following business:

1. To confirm minutes of the Extraordinary General Meeting held on 31 August 2018.

2. To receive, consider and adopt the annual audited financial statements of the Company and consolidated financial statements with its subsidiary for the year ended 31 December 2018 together with Directors' and Auditors' Reports thereon.

3. To consider and approve payment of Cash Dividend at the rate of one hundred thirty percent (130%) and Bonus Shares at the rate of ten percent (10%) to the shareholders as recommended by the Board of Directors.

4. To appoint Auditors and fix their remuneration for the year ending 31 December 2019.

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

By order of the Board

Khadim Hussain Mirza
Company Secretary

Lahore
4 April 2019

Notes:

1. Share transfer books of the Company will remain closed from 23 April 2019 to 29 April 2019 (both days inclusive) for the purpose of determining the entitlement of payout.

2. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote instead of him. The instrument of proxy must be received at the Registered Office of the Company, 17.5 K.M. Multan Road, Lahore not less than 48 hours before the time of holding the meeting. Members are advised to immediately intimate our Shares Registrar M/s Corplink (Pvt.) Limited any change in their address.

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

4. In compliance with regulatory requirement dividend will not be paid to shareholders whose CNIC Nos. are not available with the Company. Shareholders who have not yet provided copy of their CNIC are requested to provide the same to our 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 @15% instead of @ 20%, all shareholders who are filer of tax return are advised to make sure that their names are entered in the Active Tax Payers List (ATL) provided on the website of FBR. Corporate shareholders having CDC account are required to have their NTN updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to our Share Registrar M/s Corplink (Pvt.) Ltd.

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

7. In compliance with S.RO. 1145(I) 2017 of SECP and Section 242 of the Companies Act 2017, it is mandatory to make payment of any cash dividend through electronic mode by directly crediting the dividend amount in shareholder's designated bank account. Notices seeking bank account details were sent to shareholders earlier. The shareholders who have not yet provided details of their bank account are once again requested to provide the details giving Name of designated Bank, Branch Name and Address, Title of Account and IBAN No., along-with valid copy of CNIC. CDC shareholders are requested to have their bank account details updated with their respective participant and physical shareholders send the details to the Company or our Shares Registrar, M/S Corplink (Pvt.) Ltd. Please mention Company name and Folio No., while sending the details of Bank Account.

8. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 7 days prior to date of meeting, the company will arrange video conference facility in the city subject to availability of such facility in the city. The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting.

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

   Signature of Member

9. The shareholders, who by any reason could not claim their outstanding dividend or bonus shares/physical share certificates, if any are advised to contact our Shares Registrar M/s Corplink (Private) Limited to collect/enquire about their unclaimed dividend / pending share certificates, if any. The Company in compliance with section 244 of the Companies Act, 2017 after having completed the stipulated procedure, shall deposit/deliver all such unclaimed amount of dividend and shares certificates outstanding for period of 3 years or more from the due date in the credit of Federal Government in case of dividend and shall deliver unclaimed shares certificates to SECP.

10. Annual Audited Financial Statements for the year ended 31 December 2018 along-with Auditors' and Directors Report of the Company are placed on website: **www.highnoon-labs.com**

سالانہ اجلاس عام

ہائی نون لیبارٹریز لمیٹڈ کے حصص داران کا چھتیسواں سالانہ اجلاس عام بروز پیر 29 اپریل 2019ء بوقت 11:00 بجے صبح کمپنی کے رجسٹرڈ دفتر 17.5 کلومیٹر ملتان روڈ، لاہور میں مندرجہ ذیل امور پر فیصلہ کیلئے منعقد ہوگا۔

-1 گزشتہ غیر معمولی اجلاس عام منعقدہ 31 اگست 2018ء کی کاروائی کی توثیق۔

-2 31 دسمبر 2018ء کو ختم ہونے والے مالی سال کی بابت کمپنی کے تنقیح شدہ حسابات بمعہ اشتمال شدہ حسابات ہمراہ ڈائریکٹران و آڈیٹران کی رپورٹس پر غور اور ان کی قبولیت۔

-3 ڈائریکٹران کے سفارش کردہ ایک سوتیس فیصد 130% نقد منافع کی ادائیگی اور دس فیصد 10% بونس شیئرز کے اجراء کی منظوری۔

-4 آئندہ مالی سال مختتمہ 31 دسمبر 2019ء کے لیے آڈیٹران کا تقرر اور ان کے صلہ خدمت کا تعین۔

-5 چیئرمین کی اجازت سے دیگر امور کی انجام دہی۔

بحکم بورڈ آف ڈائریکٹرز

(خادم حسین مرزا)

کمپنی سیکرٹری

لاہور:

مورخہ 4 اپریل 2019ء

نوٹ:

-1 کمپنی کی منتقلی حصص کتب 23 تا 29 اپریل 2019ء (بشمول ہردوایام) اعلان کردہ منافع کے حقداران کے تعین کے لیے بند رہیں گی۔

-2 حصص داران جو کہ اجلاس میں شرکت کے اہل ہیں اپنی جگہ دوسرے حصص دار کو شرکت کرنے اور ووٹ دینے کے لیے اپنا نمائندہ مقرر کر سکتے ہیں۔ اختیار نامہ نمائندگی اجلاس کے وقت سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ دفتر میں لازماً وصول ہو جانا چاہیے۔ اجلاس میں شرکت کے لیے اپنا اصل شناختی کارڈ ہمراہ لائیں۔ حصص داران سے درخواست ہے کہ ان کے پتہ جات میں اگر کوئی تبدیلی ہے تو فوراً مطلع فرمائیں۔

-3 اپنے کمپوٹرائزڈ شناختی کارڈ کی کاپی اگر پہلے فراہم نہیں کی تو فوراً ارسال کریں۔ ایس ای سی پی کی ہدایت کے مطابق جن شیئر ہولڈرز کے شناختی کارڈ نمبر کا اندراج کمپنی کے ریکارڈ میں نہیں ہوگا انھیں ڈیویڈنڈ کی ادائیگی نہیں ہوگی۔

-4 سینٹرل ڈیپازٹری کمپنی کی وساطت سے درج تمام حصہ داران سے گزارش ہے کہ اجلاس میں شرکت کے لیے اپنا اصل شناختی کارڈ ضرور ہمراہ لائیں تاکہ ان کی شناخت میں آسانی ہو جبکہ کمپنی یا ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد کی مصدقہ کاپی یا مئوثر مختار نامہ جس پر ان کے نام تحریر ہوں اور دستخط تصدیق کیے گئے ہوں نمائندگان اپنے ہمراہ لائیں۔

-5 اس امر کو یقینی بنانے کے لیے کہ کمپنی آپ کے نقد منافع (کیش ڈیویڈنڈ) میں سے 15% کے بجائے 20% ٹیکس کٹوتی نہ کرے وہ تمام شیئر ہولڈرز جن کے نام FBR (فیڈرل بورڈ آف ریونیو) کی ویب سائٹ پر ٹیکس کی ادائیگی کرنے والے فعال افراد کے طور پر موجود نہیں ہیں باوجود اس کے کہ وہ ٹیکس کی ادائیگی کرتے ہیں ان سے گزارش ہے کہ وہ اس امر کو یقینی بنائیں کہ ان کے نام ٹیکس کی ادائیگی کرنے والے فعال افراد (ایکٹیو ٹیکس پیئر ز لسٹ) کی فہرست میں شامل ہو جائیں۔ کارپوریٹ شیئر ہولڈرز جو سی ڈی سی اکاؤنٹس کے حامل ہوں ان کے لیے لازمی ہے کہ وہ اپنے متعلقہ شراکت داروں سے اپنا نیشنل ٹیکس نمبر (این ٹی این) اَپ ڈیٹ کرالیں جبکہ کارپوریٹ فزیکل شیئر ہولڈرز کے لیے ضروری ہے کہ وہ اپنے این ٹی این سرٹیفکیٹ کی نقل کمپنی یا اس کے شیئرز رجسٹرار کارپ لنک (پرائیویٹ) لمیٹڈ کو ارسال کریں۔

سالانہ اجلاس عام

-6 SECP کے نوٹیفکیشن کے مطابق آڈٹ شدہ حسابات بمعہ سالانہ اجلاس عام کے نوٹس شیئر ہولڈرز کو بذریعہ ای میل ارسال کیے جاسکتے ہیں لہٰذا وہ تمام ممبران جو کہ سالانہ رپورٹ کی سافٹ کاپی حاصل کرنا چاہتے ہیں ان سے گزارش ہے کہ وہ کمپنی کو اپنا ای میل ایڈریس فراہم کریں۔ الیکٹرانک ترسیل کے لیے اجازت نامے کا فارم کمپنی کی ویب سائٹ www.highnoon-labs.com سے ڈاؤن لوڈ کیا جاسکتا ہے تاہم کمپنی اپنے شیئر ہولڈرز کو ان کی درخواست پر آڈٹ شدہ حسابات کی ہارڈ کاپی درخواست موصول ہونے کے 7 دن کے اندر بالکل مفت فراہم کرے گی۔

-7 کمپنیز ایکٹ کی دفعہ 242 اور ایس ای سی پی کے ایس آر او نمبر 2017(1)1145 کی روشنی میں اس امر کو یقینی بنایا جانا لازم ہے کہ حصص داران کو نقد منافع کی ترسیل برقی طریقہ کار سے حصص دار کے فراہم کردہ بینک اکاؤنٹس میں کی جائے۔ حصص داران کے بینک اکاؤنٹ کی تفصیلات جاننے کے لیے کمپنی پہلے ہی حصص داران کو خط کے ذریعے نوٹس جاری کر چکی ہے جن حصص داران نے اب تک اپنے بینک اکاؤنٹ کی تفصیلات فراہم نہیں کی ہیں۔ اُن سے گزارش ہے کہ وہ جلد از جلد اپنے بینک اکاؤنٹ کی تفصیلات جو کہ بینک کے نام، برانچ کا نام اور پتہ، بینک اکاؤنٹ ہولڈر کا نام، اور انٹرنیشنل بینک اکاؤنٹ نمبر (IBAN No.) CNIC, کی کاپی پر مشتمل ہیں فراہم کردیں۔ وہ حصص داران جن کے حصص سی ڈی سی پر ہیں وہ اپنے بینک اکاؤنٹ کی تفصیلات اپنے شیئر بروکر کو فراہم کریں جبکہ فزیکل شیئر ہولڈر اپنے بینک کی اکاؤنٹ کی تفصیلات کمپنی کے شیئرز رجسٹرار میسرز کارپ لنک (پرائیویٹ) لمیٹڈ کو فراہم کریں۔ بینک اکاؤنٹ کی تفصیلات بھیجتے ہوئے اپنا فولیو نمبر اور کمپنی کا نام ضرور لکھیں۔

-8 سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی ہدایت پر سالانہ اجلاس عام کے لیے ممبران کسی بھی مقام پر ویڈیو کانفرنس کی سہولت سے استفادہ کرسکتے ہیں بشرطیکہ کمپنی کو ممبران کی طرف سے جن مقامات سے تجاویز موصول ہوں ان کے مجموعی حصص 10% یا زائد ہوں۔ اور ان کی درخواست اجلاس سے کم از کم 7 دن پہلے موصول ہو جائے۔ مذکورہ بالا شرائط وضوابط کی تکمیل پر ممبران کو اجلاس عام سے 5 روز قبل اجلاس کے مقام اور مذکورہ سہولت سے متعلق تفصیلات سے آگاہ کر دیا جائے گا اس سلسلے میں درج ذیل فارمیٹ پر اجلاس کے انعقاد سے 7 دن پہلے اپنی درخواست بھیج دیں۔

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

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

دستخط حصہ دار

-9 شیئر ہولڈرز (جو کسی بناء پر) اپنے ڈیویڈینڈ یا بونس شیئرز یا اپنے فزیکل شیئرز کو حاصل نہیں کر سکے ہیں (اگر ایسا کوئی ہے) تو ان سے درخواست ہے کہ وہ شیئرز رجسٹرار میسرز کارپ لنک (پرائیویٹ) لمیٹڈ سے رابطہ کریں۔ اس طرح کے تمام ڈیویڈینڈ اور شیئر سرٹیفیکیٹس جو ان کی ادائیگی کی واجب الادا تاریخ سے 3 سال یا اس سے زائد عرصہ سے بغیر کسی دعویٰ کے پڑے ہوئے ہیں۔ کو کمپنی کمپنیز ایکٹ 2017 کے سیکشن 244 کے تحت ضروری کاروائی کے بعد حکومت کے بینک اکاؤنٹ میں جمع کرادے گی اور شیئر سرٹیفیکیٹس سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو بھیج دے گی۔

-10 کمپنی کے تنقیح شدہ حسابات سال مختتمہ 31 دسمبر 2018ء کمپنی کی ویب سائٹ **www.highnoon-labs.com** پر موجود ہیں۔

Our Vision

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

"Highnoon for a Healthier Nation"

Our Mission

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

Corporate Objectives

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

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Statement of Ethics & Core Value

Shared Responsibility

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

Intellectual Honesty

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

Personal Conduct

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

Research

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

Directors' Report
to the Shareholders

The directors of your Company are pleased to present the audited financial statements for the year ended 31 December, 2018. Financial highlights are given hereunder:

Financial Highlights of the Company

	2018	2017
	(Rupees in thousands)	
Profit before tax	1,056,267	912,299
Taxation	(330,375)	(285,835)
Profit after tax	725,891	626,464
Profit available for appropriation	2,099,966	1,662,525
Appropriations:		
Final cash dividend for the FY 2018 @ Rs. 13 per share (FY 2017:@ Rs. 10 per share)	(371,896)	(255,423)
Bonus share @ 10% (FY 2017:12%)	(28,607)	(30,650)

Earnings per share

Based on the audited accounts for the year ended 31 December 2018 the earnings per share (EPS) of the Company worked to Rs. 25.37 (2017: Rs.21.90 Restated).

Dividend Announcement

The Board of Directors of the Company have recommended a final cash dividend of one hundred thirty percent (130%) (2017:100%) i.e. Rs. 13/- per share (2017: Rs. 10.00 per share) and bonus shares at the rate of ten percent (10%) i.e., Ten (10) shares for every 100 shares (2017: 12%) for the financial year ended 31 December 2018, for consideration and approval by the shareholders at the Annual General Meeting.

Pattern of shareholding

The pattern of shareholding along with categories of shareholders as at 31 December 2018 as required under Section 227 of the Companies Act, 2017 and listing regulations, is presented on Page 40 of the Annual Report 2018.

Board of Directors and their attendance at meetings

Shareholders of the Company have elected seven members of the Board of Directors in an Extraordinary General Meeting held on 31 August 2018. Members of Board of Directors of the Company consists of:

a.	Male members	6
b.	Female members	1

Composition of members of the Board is:

Independent Directors	Mr. Shazib Masud Mr. Romesh Elapata
Non-executive Directors	Mr. Tausif Ahmad Khan Mr. Ghulam Hussain Khan Mr. Taufiq Ahmed Khan Mrs. Zainub Abbas
Executive Director	Dr. Adeel Abbas Haideri

During the year six meetings of the Board of Directors of the Company were held. The attendance of members at meetings of the board is summarized as under:

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

*Mr. Anees Ahmad Khan, Director of the Company expired on 14 January 2018.
The Board in January 2019 appointed Miss Nael Najam as alternate director to represent Mr. Romesh Elapata during his absence from Pakistan.

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 2018 except following:

Sr. No.	Name	Deletion/Sale No of Shares	Remarks
1.	Mr. Ghulam Hussain Khan (non-executive director)	40100	Sold in the market

In compliance with requirements of Regulations PSX and SECP were informed of the details of transactions, the members of the Board were also apprised with the details of these transactions in a meeting held immediately after the transactions.

AUDIT COMMITTEE

The board has established an Audit Committee in accordance with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017. The Audit Committee consists of three non-executive directors of the Board. Chairman of the Committee is an independent director; rest of the members are non-executive directors of the Company.

1.	Mr. Shazib Masud	Chairman
2.	Mr. G. H. Khan	Member
3.	Mrs. Zainub Abbas	Member

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

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

In compliance with requirement of Listed Companies (Code of Corporate Governance) Regulations, 2017, Human Resource and Remuneration (HR & R) Committee consists of three members, majority of which are non-executive directors. 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 consideration & approval on recommendation of CEO on such matters for key management positions who report directly to the CEO. Undertaking a formal process of evaluation of performance of the Board as a whole and its committees directly or by engaging external independent consultant. Following are the members of HR & R Committee:

1.	Mr. Shazib Masud (Independent Director)	Chairman
2.	Dr. Adeel Abbas Haideri (CEO/Executive director)	Member
3.	Mrs. Zainub Abbas (Non-executive director)	Member

The meetings of the Committee held twice in the year under review, attendance in the meetings is given as under.

Sr. No.	Name of the Members	No. of Meetings Attended
1.	Mr. Shazib Masud	2
2.	Dr. Adeel Abbas Haideri	2
3.	Mrs. Zainub Abbas	-

Directors' Report
to the Shareholders

PRINCIPAL RISKS AND UNCERTAINTIES

Highnoon has a vigorous risk management framework in place, where risks to the business are identified and counter measures are proposed in a timely manner. Following are major risk to the business along with their remedial action:

Law in order/ risk of fire

An adequate insurance coverage is in place for all the fixed and current assets so that in case of adverse event impact can be minimized.

Maintenance Risk

This risk relates to possibility of production loss due to capacity or breakdown factor. In order to mitigate maintenance risk, effective technical monitoring programs with regards to preventive maintenance are in place.

Product Quality Risk

In order to mitigate quality risk, an efficient quality management system is in place so that each and every batch is subject to stringent quality process and only compliant product is released in the market.

Foreign Exchange Risk

Finished pharma products prices are fixed by DRAP, while any adverse movement in the foreign exchange can not be directly passed on to end consumer. In order to minimize impact of this risk a number of measures like alternative sourcing, inventory buildup is followed by management.

Information System Risk

Business continuity and disaster recovery plans (DRPs) are in place to ensure that the Company's production and sales operations are not disrupted. The DRPs cover all business aspects with special focus on information technology and the ERP environment which spans multiple functions. Detailed responsibilities of DRP lead, steering committee and key team members are defined to ensure rapid response in the event of a business disruption.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the contribution to the National Exchequer has further increased and the Company paid/accrued over Rs. 699 million (2017: Rs. 652 million) to the government and its various agencies on account of different government levies, including custom duty, sales tax, WPPF, WWF, CRF and income tax.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has prepared and disseminated the Statement of Ethics and Business Practices. The statement was placed on website of the Company and circulated throughout the Company to every Director and employee for awareness and understanding of the standards of conduct in relation to persons associated or dealing with the Company.

ENVIROMENT PROTECTION

Strict preventive maintenance schedule is in place to ensure exhaust emission values meet the legal requirements. A proper waste management system is in place and we manage the hazardous and nonhazardous waste as per legal requirement through approved vendors.

EXTERNAL AUDITORS

The external auditors of the Company EY Ford Rhodes, Chartered Accountants shall retire on the conclusion of Annual General Meeting. Being eligible for re-appointment under the listing regulations, they have offered their services as auditors of the Company for the financial year 2019. The Audit Committee has recommended the appointment of EY Ford Rhodes, Chartered Accountants as Auditors of the Company for the year ended 31 December 2019 and the Board agrees to the recommendation of the Audit Committee.

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

SUBSIDIARY COMPANY
Curexa Health (The Subsidiary) Performance Review

This was first full operational year for the Subsidiary Company Curexa Health (Pvt) Ltd. Curexa is engaged in the manufacturing of Cephalosporins, these are bacterial beta-lactam antibiotics. As of close of December 2018, the total market size of Cephalosporins is estimated to be Rs 33 billion. Curexa's flagship product Ceftro (Ceftriaxone) was ranked one of the top 10 products in new product category.

The net sale of Curexa for the year ended 31 December 2018 closed at Rs. 246 million against last year sales of Rs 29.7 million. Gross profit of the subsidiary was Rs 60.4 million with a GP ratio of 24.3%. This translated in to an earning per share (EPS) of Rs 1.19 against loss per share (LPS) of Rs 0.94 for 2017.

In the first year of operations, Curexa was manufacturing only IV dosage form of Cephalosporins. However, going forward Curexa is actively working on manufacturing of oral dosage form of Cephalosporins and we are expecting first oral product launch by the close of second quarter of current financial year. A separate Directors' Report has been attached with consolidated financial statements of the Company with its wholly owned subsidiary.

DIRECTORS' REMUNERATION

The Company has an approved Directors Remuneration policy governing remuneration of executive, non-executive and independent directors of the Company. The significant features of the policy are:

- Non-executive directors are entitled to receive fees as per provision contained in Articles of Association of the Company for attending meetings of the Board and its Committees.

- The Board of Directors ("BOD") on recommendation of Human Resource & Remuneration (HR & R) Committee shall, from time to time, determine and approve the remuneration of the members of the BOD for attending Board Meetings.

RELATED PARTY TRANSACTIONS

In compliance with requirements of Companies Act, 2017 the details of all related party transactions occurred during the year under review were placed before the Board of Directors periodically for consideration and approval on recommendation of the Audit Committee. The pricing method for related party transaction was approved by the board. All the transactions were at arms length and the Audit Committee and the Board of Directors of the Company have approved all related party transactions in their respective meetings in compliance with approved pricing method. The details of transactions of related party are given at note - 38 & 41 of the financial statements.

ADEQUATE INTERNAL CONTROLS

The Board of Directors with assistance of management team has established an adequate internal control system in the Company. The System of internal controls is sound in design and has been effectively implemented at all levels in the organization and being monitored for its consistent operations. The system establishes structures, reporting line, and delegation of authority. Levels of authorities are well defined, policies, procedures & practices are formulated and implemented in true spirit to achieve business and strategic objectives of the Company. The board and its sub-committee(s) are independent of management and take the responsibility for providing oversight for the development and operation of controls. In compliance with Code of Corporate Governance the management established an effective internal audit function which report to Audit Committee. The audit function provide assurance to the audit committee on the adequacy and effectiveness of internal controls as well as review of compliance with the Company's policies, procedures and work practices.

CORPORATE GOVERNANCE

The Directors confirm compliance with the Corporate and Financial Reporting framework of the Code of Corporate Governance and other regulations for the following:

1. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 2017. These Statements, prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.

2. Proper Books of accounts have been maintained.

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

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

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

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

7. Accounting estimates are based on prudent judgments and there are no outstanding statutory payments on account of Government taxes, duties, levies and charges except for those which have been disclosed in note 12 and note 15 to the financial statements.

8. There have been no material changes since 31 December 2018 and the Company has not entered into any commitment, which would affect the financial position at the report date.

9. None of the Directors has been convicted as a defaulter in payment of any loans of Banks / DFIs, neither they nor their spouses are engaged in the business of stock brokerage. The Board has separately appended "Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017" and auditors have given unqualified review report thereon.

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

11. The value of investment of the Provident Fund based on un-audited accounts as on 31 December 2018 was Rs.199.984 million as compared to Rs. 176.114 million as per audited accounts of 31 December 2017.

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

WEB PRESENCE

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

CHAIRMAN'S REVIEW

The Directors endorse the contents of the Chairman's Review, which form part of the Directors' Report. The Board in compliance with requirement of section 227(5) of Companies Act 2017, authorized the Chief Executive Officer and a director to sign the Directors' Report on behalf of the Board.

For and on behalf of the Board

Dr. Adeel Abbas Haideri
Chief Executive Officer

Taufiq Ahmed Khan
Director

Lahore: 29 March 2019

ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے سالانہ تنقیح شدہ مالیاتی گوشوارے برائے سال 31 دسمبر 2018ء حصص داران کو پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

کمپنی کے مالیاتی حسابات کی جھلکیاں

	2018 '000' روپے	2017 '000' روپے
ٹیکس سے پہلے کا منافع	1,056,266	912,299
ٹیکس	(330,375)	(285,834)
بعد از ٹیکس منافع	725,891	626,465
منافع برائے تقسیم	2,099,966	1,662,525
منافع کی تقسیم		
سالانہ کیش ڈیویڈنڈ 2018 فی حصص 13 روپے (2017 فی حصص 10 روپے)	(371,896)	(255,423)
بونس حصص بحساب 10%(2017 بحساب 12%)	(28,607)	(30,650)

اس سال کمپنی کی خالص فروخت آمدن 7.503 ارب روپے ہے اور اس کا موازنہ پچھلے سال کی اسی مدت کی خالص فروخت آمدن 5.971 ارب روپے سے کیا جائے تو اضافے کی شرح 26 فیصد ہے زیر جائزہ مدت میں خام منافع 3.500 ارب روپے رہا اور اس کے موازنہ میں پچھلے سال اسی مدت میں خام منافع 2.845 ارب روپے تھا کل فروخت پر خام منافع کی شرح برائے سال 31 دسمبر 47/2018 فیصد اور برائے سال 31 دسمبر 48/2017 فیصد رہی۔ ڈسٹری بیوشن، مارکیٹنگ اور انتظامی اخراجات میں پچھلے سال اسی عرصہ کی نسبت بالترتیب 27 فیصد اور 29 فیصد اضافہ ہوا اخراجات میں اضافہ کی بڑی وجہ کسٹمرز پر بہتر توجہ دینے اور مارکیٹ میں بہتر رسائی کے لیے مارکیٹنگ ٹیم کے حجم میں اضافہ ہے۔ اس سال خالص منافع بعد از ٹیکس 725.89 ملین روپے رہا جو پچھلے سال اسی مدت میں 626.46 ملین روپے تھا۔

کمپنی کا فی حصص منافع۔

کمپنی کے مالیاتی حسابات برائے سال 2018 کی بنیاد پر کمپنی کی فی حصص آمدن 25.37 روپے فی حصص رہی جو کہ 2017ء میں 21.90 روپے فی حصص تھی۔

ڈیویڈنڈ کا اعلان

کمپنی کے بورڈ آف ڈائریکٹرز نے برائے سال 31 دسمبر 2018ء حصص داران کے لیے ایک سوتیس فیصد 130% نقد ڈیویڈنڈ اور دس فیصد 10% بونس شیئرز کے اجراء کی سفارش کی ہے یہ ڈیویڈنڈ حصص داران کی طرف سے سالانہ اجلاس عام مورخہ 29 اپریل 2019ء میں منظوری سے منسوب ہے۔

شیئر ہولڈنگ کی تفصیل

کمپنیز ایکٹ 2017ء کی دفعہ 227 کے تحت شیئر ہولڈنگ کی تفصیل سالانہ رپورٹ 2018 کے صفحہ 40 پر موجود ہے۔

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

جائزہ از چیئرمین اس رپورٹ کا اہم حصہ ہے۔

منجانب بورڈ آف ڈائریکٹرز

ڈاکٹر عدیل عباس حیدری
مینجنگ ڈائریکٹر

توفیق احمد خان
ڈائریکٹر

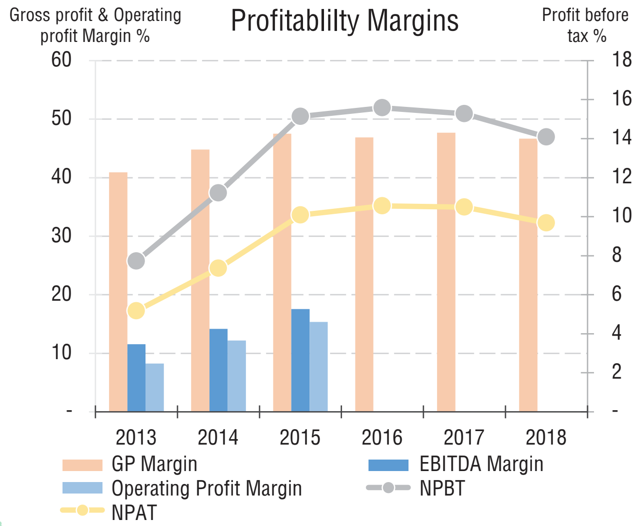
لاہور
29 مارچ 2019ء

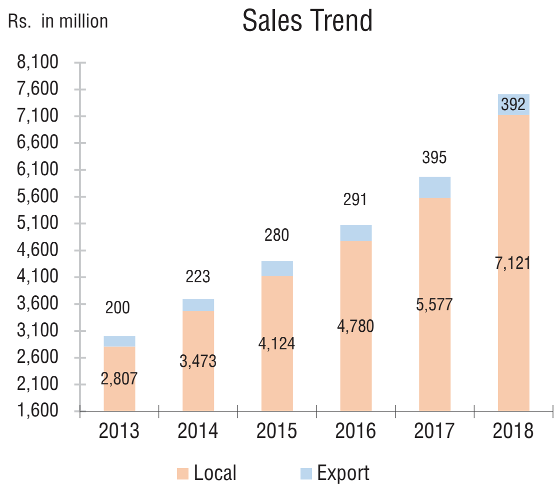
Chairman's Review

I welcome you to the 36th Annual General Meeting of Highnoon Laboratories Limited. I am happy to present company's annual performance review along with the audited financial statements and the auditor's report thereon for the year ended 31st December 2018.

I am proud of the progress we have made as an organization over the past several years. Our performance reflects shared sense of purpose and continued pursuit of operational excellence. We remain focused on execution and enhancing efficiency by investing heavily in our systems and people to consistently produce quality products. We have built a stronger Highnoon and shall continue to do better than we have ever done before, to outperform competition in key therapeutic segments where we operate.

Net sales revenue increased to Rs.7,503 million registering a growth of 26 percent over last year and restated earnings per share rose by 16 percent to Rs. 25.37. Over the last six years we have achieved compound annual growth rate of 17 percent. During the year under review export remained flat mainly due to intermittent closure of border and change of distribution





setup in Afghanistan. The company is however, making inroads in newer geographies as more and more product registrations come in place.

We continue to perform despite the political unrest and economic instability. Massive depreciation of Pak Rupee impacted our cost curves on a large scale as pharmaceuticals is an import dependent industry. These factors forced our gross profit margin to drop by 1 percent. However, we remained persistent in our goal to increase strong presence in the market and managed the operations well to minimize the impact on gross profit.

2018 was the sixth consecutive year of high double-digit growth of our topline. Company's four brands Combivair (long-acting beta-agonist), Kestine (antihistamine), Tagipmet (oral antihyperglycemic) and Cyrocin (ciprofloxacin) featured among top 200 brands. The company plans to continue its focused pursuit to harness the potential of the existing products, launch new products selectively and increase productivity. This approach has given us focus to grow our brands in cardiometabolics, anti-infectives and respiratory segments. Distribution and selling expenses rose by Rs. 427 million over the preceding year, the increase represents higher investments towards new product launches and expansion in sales personnel for broader customer base. These investments yielded 26% sales growth as compared to 14% growth of Pakistan's pharmaceutical industry. Other operational expenses remained under control with no significant increase over last year.

Chairman's Review

Products & Market Update

We redesigned marketing approach of your company in 2018 for higher market penetration and prioritized allocation of capital across our offering. Last year, we expanded product portfolio with new pharmaceutical products and products from our subsidiary and associated companies. Now, through a seamless partnership, we offer our customers a wide variety of pharmaceuticals, cephalosporin antibiotics and nutraceuticals. We have a crisper portfolio of products that meet customer's needs of today and tomorrow. Ceftro, an antibiotic brand manufactured at subsidiary company Curexa Health, is one of the fastest growing products in the market.

We ensured that our core therapeutic segments remained strong and vibrant. Sales revenue from alimentary tract and metabolism segments grew to Rs. 2,264 million showing an increase of 20% over last year (IMS MAT 12/2018). The growth in this segment exceeded the industry growth by 5 percent. In this segment, our core brands namely Tres Orix Forte, Ulsanic and Skilax maintained their market position, whereas Tagipmet, which is a relatively a new brand rose by 51 percent over last year by recording a turnover of Rs. 586 million. The success of Tagipmet was fortified with the launch of a sustained release formulation.

Growth in respiratory segment remained phenomenal. In a short span of few years, respiratory portfolio of the company is at the leadership position and our flagship brands Combivair and Tiovair are the most prescribed brands in this therapeutic category. Combivair crossed Rs.700 million to become the largest brand of the inhalation market. Our respiratory business grew by 27 percent as compared to segment growth of 17 percent (IMS MAT 12/2018). Kestine, an anti-histamine is another successful brand registering a growth of 25 percent with topline of Rs. 500 million.

Our cardiovascular portfolio grew by 21 percent (IMS MAT 12/2018) as compared to the market growth of 13 percent. This growth is being driven by the newly launched products and variants. Misar, an angiotensin receptor blocker (ARB) for the management of hypertension grew by over 38 percent. Similarly, growth of Nebix, a cardio selective beta blocking agent also remained in limelight and registered a growth of 30 percent. Triforge, a combination tablet of amlodipine, valsartan and hydrochlorothiazide has been well received by the cardiologist and has netted a revenue of Rs.122 million. We are confident that Triforge will soon become the drug of choice prescribed by the medical practitioners. In the meanwhile, we are working on several new cardiology products that will augment and build a constant revenue base.

ANNUAL REPORT 2018

The herbal portfolio of the company is also progressing well. Bonnisan, a herbal medicine for common GI disorders in infants and children crossed sales of Rs. 139 million.

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

Our focus throughout the year has been and continues to drive organic growth across our portfolio. As a forward-looking company, new product development is our heartbeat and is the foundation of our success. We will continue to invest wisely and selectively in therapeutic segments that support growth of profitable products.

Your company's dynamic business and product development teams keep a keen eye on recent medical advancements all over the world. We participate in relevant global medical and scientific conferences to ensure that we are up to date.

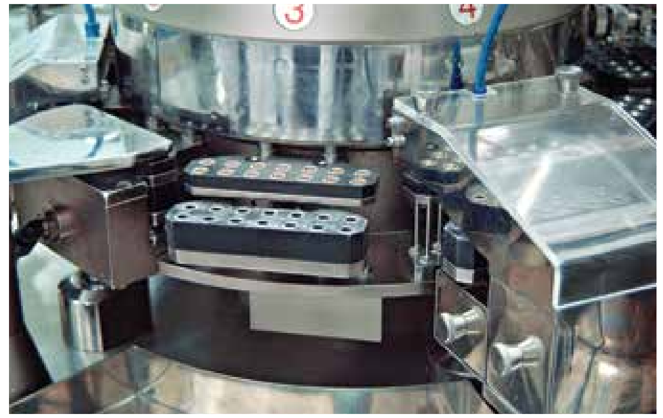
The future of your company is being built on new and novel therapeutic solutions. In 2018, we filed record number of 37 new product applications to the Drug Regulatory Authority (DRAP). Likewise, we have filed dossiers in various countries and await approvals. We plan to grow our international business in several regions around the world where the pharmaceutical spend is projected to grow by double digits in the next few years, such as the CIS countries, Africa, and the Far East.

Chairman's Review

Operational Excellence

Our continual improvement process enabled us to optimize operations, supply chain and business practices thereby generating sustainable efficiencies throughout the company. Efficiencies in our manufacturing operations led to significant cost improvements. We are proud of this progress as we continue to improve efficiency and productivity across the organization. Having realized significant benefits from manufacturing capacities, we remain focused on delivering higher operating efficiencies and process improvements throughout the operations. We have transformed workspace, to achieve manufacturing excellence at all levels, with the introduction of various Overall Equipment Effectiveness (OEE) initiatives. This has resulted in production of record number of units during the year.

Highnoon is committed to produce quality products consistently. During the year your company remained focused on its quality culture and its total quality momentum across operations. In line with our quality vision, we prepare to obtain international compliance certifications. We are moving ahead to have our quality control laboratory accredited in the coming years. This shall reiterate our emphasis on quality operations.



ANNUAL REPORT 2018

One Team

Our people are backbone of the company. We stand at a beginning point of a new journey and our enabled and capable team is ready to take Highnoon to higher altitudes. We invest in human capital to continuously nurture performance culture and to practice our core values of trust, transparency, empowerment and accountability. Through the learning & development programs, our business leaders get exposed to management courses at the leading business schools of the world. The company identifies the developmental needs of individual employees and tailor makes development plans. During the year under review a total of 24,320 man hours were dedicated on training and development.

We continue to bring improvements in all aspects of human resource management. We provide the best work culture and ensure that the working environment is happy, pleasant and safe. Safety is important to us, we take multiple initiatives across different levels to ensure that our people work in a risk free environment. We encourage safety and organize campaigns and workshops on topics such as road safety, work place safety etc. The company also encourages healthy life styles and provides opportunities to play and be healthy, happy and motivated.

Chairman's Review

Corporate Social Responsibility

The company has always been conscious of 'giving back to society.' We regularly support variety of health-related causes including relief and rehabilitation, promotion of education, provision of free medicines, child and women development initiatives to name a few. The helping philosophy of the company guides us, and we give back to the society in our humble way.

We feel, we can assist patients living with serious health challenges. Thalassemia is one such disease affecting thousands of Pakistani children every year. We have supported these children for the last many years and continue to provide free of cost iron chelating agent to patients suffering from blood disorders. Last year, we took a step forward and broadened the scope of our contribution and established a Thalassemia Centre in Lahore in collaboration with Pakistan Red Crescent Society. The company is not only providing this center with free of cost iron chelating medicine, but it is also providing financial assistance towards operation of the Thalassemia Centre.

Improving educational opportunities and hence employability has been another initiative that integrates and aligns with our business operations. Education is another area where the company regularly contributes. Our objective is to financially assist needy students, so they pursue their education. The company provides financial assistance to the needy students of Punjab University College of Pharmacy. Similarly, a program has been initiated to support deserving children of company employees towards professional education at undergraduate/post graduate level.

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

Board's Performance Review

Highnoon Laboratories Limited complies with all the requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company. Improvement areas if any, identified during the process of performance evaluation are duly considered by the board and corrective action plans are framed and implemented accordingly.

A comprehensive criterion has been developed and the performance of the board is evaluated against this criterion. The board has completed annual evaluation for the year ended 31 December 2018. Based on the performance evaluation, the overall performance of the board was satisfactory.

Looking Ahead

We continue to face numerous challenges. Macroeconomic conditions, sluggish economy, a weaker currency, volatile raw material prices and supplies, energy prices, and regulatory challenges in our business are battles that we will fight.

The decision of the Government to settle hardship cases and allow 15 percent price increase is helping the industry to partly offset the negative impact of Rupee devaluation. Similarly, initiative taken by the Government to provide Sehat Insaf cards shall be beneficial for the patient and the pharmaceutical industry.

Our focus shall remain on driving organic growth across our portfolio and accelerating growth through new products, line extensions and improved product mix. I believe that with our strong portfolio of existing brands, new products pipeline, ongoing investments in infrastructure and investments in our people are the ingredients that will enable us to successfully deliver strong business results as we go forward.

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

I look forward to another successful year.

For & on behalf of the Board

Tausif Ahmad Khan
Chairman

Date: 29 March 2019

PACE UNSTOPPABLE

PASSION | ACCOMPLISH | CHALLENGE | EFFICIENCY

جائزہ از چیئرمین

ایک ٹیم

ہمارے لوگ کمپنی کی ریڑھ کی ہڈی ہیں۔ ہم ایک نئے سفر کا آغاز کرنے جا رہے ہیں۔ ہمارے قابل اور با اختیار افراد ہائی نون کو انتہائی بلندیوں پر لے جانے کے لیے پُرعظم ہیں۔ اپنی کارکردگی کو بہتر کرنے کی فضا کے فروغ اور اعتماد شفافیت، اختیارات کا استعمال اور جواب دہی کی قدروں کی عملداری کے لیے ہم اپنے لوگوں پر مسلسل سرمایہ کاری کرتے رہیں گے۔ ہمارے کاروباری لیڈر دنیا کے اعلیٰ ترین اداروں سے تنظیمی کورسز کے حصول کے ذریعے کاروبار کی ترقی کے طریقے سیکھتے ہیں۔ کمپنی ملازمین کی ترقی کی ضروریات کی نشاندہی کر کے ملازمین کی ترقی کے لیے منصوبہ مرتب کرتی ہے۔ زیر جائزہ سال کے دوران ملازمین کی تربیت پر مجموعی طور پر 24,320 افرادی گھنٹے صرف کیے گئے۔

ہم اپنی افرادی قوت میں ہر پہلو سے بہتری لانے کے عمل کو جاری رکھیں گے۔ ہم کمپنی میں کام کرنے کے لیے بہتر خوش کن اور پسندیدہ ماحول کو یقینی بناتے ہیں۔ حفاظتی تدابیر ہمارے لیے بہت اہمیت کی حامل ہیں۔ اس امر کو یقینی بنانے کے لیے ہم نے بہت سے قدم اُٹھائے ہیں تا کہ لوگ خطرات سے مبرا ماحول میں کام کریں۔ ہم احتیاطی تدابیر اختیار کرنے کی حوصلہ افزائی کرتے ہیں۔ اس موزوں پر ہم نے آگاہی مہم چلائی اور ورکشاپس کا انعقاد کیا۔ کمپنی ایک صحت مند طرز زندگی کی حوصلہ افزائی کرتی ہے اور ملازمین کو کھیل اور صحت مند زندگی گزارنے کے مواقع فراہم کرتی ہے۔

سماجی ذمہ داری

ہائی نون لیبارٹریز لمیٹڈ بہت عرصے سے اپنی سماجی ذمہ داری کو جانتے ہوئے بہت سے سماجی کاموں میں حصہ لیتی رہی ہے۔ جن میں امداد، بحالی کا عمل، تعلیم کا فروغ اور ادویات کی مفت فراہمی، عورتوں اور بچوں کی ترقی کے عمل کے منصوبے اور اس کے علاوہ اور بہت سے کام شامل ہیں۔ مدد کرنے کے فلسفہ کے تحت ہم نہایت ہی عاجزی کے ساتھ سماج کی مدد میں اپنا حصہ ڈالتے ہیں۔

ہم سمجھتے ہیں کہ ہم سنگین امراض میں مبتلا مریضوں کی زندگی بہتر بنانے میں ان کی مدد کر سکتے ہیں۔ سنگین امراض میں سے ایک مرض تھیلیسمیا ہے۔ ہر سال ہزاروں پاکستانی بچے اس مرض میں مبتلا ہو جاتے ہیں۔ ہم اس مسئلے کے سلسلے میں خون کے امراض سے متعلق بیماریوں کے مریضوں کو آئرن کی زیادتی دور کرنے سے متعلق ادویات مفت فراہم کر رہے ہیں۔ پچھلے سال ہم نے ایک قدم اور آگے بڑھتے ہوئے پاکستان ریڈ کریسنٹ سوسائٹی کے اشتراک سے ایک تھیلیسمیا سنٹر لاہور میں قائم کیا۔ کمپنی اس سنٹر کو نہ صرف آئرن کی زیادتی دور کرنے والی ادویات مفت فراہم کر رہی ہے بلکہ اس سنٹر کو چلانے کے لیے مالیاتی مدد بھی فراہم کر رہی ہے۔

اپنے کاروبار کی مطابقت میں تعلیم اور روزگار کے مواقعوں کی فراہمی کمپنی کا ایک اہم قدم ہے۔ تعلیمی عمل کی بہتری کے لیے کمپنی ہمیشہ اپنا حصہ ڈالتی رہی ہے۔ ہمارا مقصد ضرورت مند طلبہ کی مالیاتی مدد کرنا ہے۔ تا کہ وہ تعلیم پر اپنی توجہ دے سکیں۔ کمپنی پنجاب یونیورسٹی کالج آف فارمیسی کے ضرورت مند طلبہ کی تعلیم کے حصول کے لیے مالی معاونت کر رہی ہے۔ اسی طرح ایک پروگرام کا آغاز کیا گیا جس کے تحت کمپنی کے ملازمین کے مستحق بچوں کو پیشہ ورانہ تعلیم کے حصول کے لیے کمپنی کی مدد شامل ہے۔

کمپنی خواتین میں خود اعتمادی کو فروغ دینے اور با اختیار عورت کے منصوبے پر پورا یقین رکھتی ہے، خواتین کو معاشرے کا اہم ستون بننے میں ان کی مددگار ہے۔ اس سلسلے میں ایک وومن فورم بنایا گیا ہے۔ یہ فورم خواتین کو اپنے روزمرہ کے مسائل میں حل کے لیے ان کی مدد کرے گا۔

بورڈ آف ڈائریکٹرز کی کارکردگی

ہائی نون لیبارٹریز لمیٹڈ کمپنیز ایکٹ 2017 لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017 کے تحت قوانین وضوابط برائے بورڈ آف ڈائریکٹرز اور اس کی کمیٹیز کی میٹنگز اور ساخت کی تعمیل کرتی ہے۔ کوڈ آف کارپوریٹ گورننس کے قانونی تقاضوں کو مدنظر رکھتے ہوئے ہائی نون لیبارٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ کارکردگی کا جائزہ لیا گیا۔

جائزہ از چیئرمین

اسی جائزہ کا مقصد کمپنی کے طے شدہ مقاصد کی نسبت سے بورڈ آف ڈائریکٹرز کی مجموعی کارکردگی کا اندازہ لگانا تھا۔ اس جائزہ کے دوران وہ ایریاز جن میں بہتری کی ضرورت ہے کی نشاندہی کی گئی اور ان ایریاز کو ٹھیک کرنے کے لیے منصوبہ ترتیب دے کر اسے عملی جامہ پہنایا گیا۔

بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ لینے کے لیے ایک نہایت ہی جامع طریقہ کار ترتیب دیا گیا ہے۔ اس طریقہ کار کے جائزہ کے مطابق بورڈ آف ڈائریکٹرز کی کارکردگی تسلی بخش رہی،

مستقبل پر نظر

ہم بہت سی آزمائشوں کا سامنا کر رہے ہیں۔ طویل المدتی معاشی حالات، سست رفتار معیشت، کمزور کرنسی، خام مال کی نا قابل اعتماد قیمتیں اور ترسیل، توانائی کی قیمتیں اور قانون و ضوابط کے تقاضے کچھ ایسی جنگیں ہیں، جو ہمیں اپنے کاروبار کے لیے لڑنی پڑیں گی۔ ہماری توجہ اپنی مجموعہ ادویات میں آرگینک شرح نمو پر مرکوز رہے گی اور ہم اپنے موجودہ مجموعہ ادویات کے ساتھ ساتھ نئی ادویات کے مارکیٹ میں تعارف کے ذریعے اپنی فروخت آمدن کی شرح نمو میں اضافہ کے عمل کو جاری رکھیں گے۔

مجھے یقین ہے کہ ہمارا موجودہ مضبوط مجموعہ ادویات ہماری نئی آنے والی ادویات اور بنیادی ڈھانچے اور لوگوں پر سرمایہ کاری ایسے اجزا ہیں جو ہمیں اس قابل بناتے ہیں کہ ہم گزرتے ہوئے وقت کے ساتھ مضبوط کاروباری نتائج دے سکتے ہیں۔

گورنمنٹ کے قیمتوں میں پندرہ فیصد اضافہ کے فیصلے سے صنعت کچھ حد تک روپے کی قدر میں کمی سے پیدا ہونے والے منفی اثرات کو کم کرنے میں کامیاب رہی ہے۔ اسی طرح گورنمنٹ کی طرف سے مریضوں کو صحت کارڈ جاری کرنے کا فیصلہ بھی مریضوں کے ساتھ ساتھ دواساز صنعت کے لیے بھی فائدہ مند ہے۔

میں اس موقع سے فائدہ اٹھاتے ہوئے پیشۂ طب سے تعلق رکھنے والے صاحبان، تجارتی اداروں، سرکاری اور نیم سرکاری ہسپتالوں، کسٹمرز اور حصص داروں کے مسلسل اعتماد اور سپورٹ کا شکریہ ادا کرنا چاہتا ہوں۔ میں کمپنی کے انتظامی افراد کی جانب سے کمپنی کے مقاصد کے حصول کے لیے ملازمین کی انتھک محنت پر ان کا شکریہ ادا کرتا ہوں۔ مجھے پورا یقین ہے کہ ہائی نون اپنی تیزی سے ترقی کے عمل کو جاری رکھے گی۔ میں آنے والے سال کو ایک اور کامیاب سال کے طور پر دیکھ رہا ہوں۔

بورڈ آف ڈائریکٹرز کی جانب سے

29 مارچ 2019ء

توصیف احمد خان
چیئرمین

جائزہ از چیئرمین

میں آپ لوگوں کو ہائی نون لیبارٹریز کے چھتیسویں سالانہ اجلاس عام میں خوش آمدید کہتا ہوں۔ میں کمپنی کی کارکردگی کے سالانہ جائزہ کے ساتھ تنقیح شدہ مالیاتی گوشوارے اور آڈیٹران کی رپورٹ برائے سال 31 دسمبر 2018 پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

پچھلے چند سالوں میں ہم نے ایک تنظیم کی حیثیت سے جو ترقی کی ہے اس پر مجھے فخر ہے۔ ہماری کارکردگی ہماری بامقصد سوچ اور آپریشن میں ہر سوخوب سے خوب تر کی تلاش کی عکاس ہے۔ معیاری ادویات کی مسلسل پیداوار کے لیے ہم اپنے لوگوں، بہتر انتظامی صلاحیتوں، بہتر کارکردگی اور بہتری کی عملداری کے لیے بھاری سرمایہ کاری کرتے رہیں گے۔ ہم نے ایک مضبوط ہائی نون کی تعمیر کی ہے۔ اپنے کلیدی طبقہ علاج میں اپنے مدمقابل سے بہتر کارکردگی دکھانے کے لیے ہم اپنی کارکردگی کو مزید بہتر بنائیں گے۔ کمپنی کی خالص فروخت آمدن 7,503 ملین روپے رہی جو کہ پچھلے سال کی نسبت 26 فی صد اضافہ ظاہر کرتی ہے۔ فی حصص آمدن 16 فیصد کی شرح سے بڑھ کر 25.37 روپے ہوگئی۔ پچھلے چھ سالوں میں ہم نے سالانہ 17 فیصد کے حساب سے مرکب اضافہ حاصل کیا ہے۔ زیر جائزہ سال کے دوران برآمدی فروخت آمدن پچھلے سال کے مقابلہ میں یکساں رہی۔ جس کی بڑی وجہ افغانستان کی سرحد کی بندش اور تقسیم کاری کے سیٹ اپ میں تبدیلی رہی۔

معاشی عدم استحکام اور سیاسی بے چینی کے باوجود ہم نے ترقی کی ہے۔ دواسازی کی صنعت درآمدات پر انحصار کرتی ہے، جس کی بناء پر روپے کی قدر میں بڑی گراوٹ نے ہمارے اخراجات پر ایک منفی اثر چھوڑا۔ یہ عناصر ہمارے خام منافع میں 1 فیصد کمی کا باعث بنے۔ تاہم ہم نے مارکیٹ میں اپنے کاروبار کی مضبوط موجودگی کے اضافہ کے مقصد پر کاربند رہتے ہوئے اپنے آپریشنز کو بہتر طریقے سے منظّم کیا، جس کی بناء پر ہمارے خام منافع پر پڑنے والے منفی اثرات میں کمی واقع ہوئی۔

2018 مسلسل چھٹا سال ہے، جس میں ہمیں فروخت آمدن میں دوعددی اعلیٰ شرح نمو حاصل ہوئی۔ کمپنی کے چار برانڈز کومبی وائیر، کیسٹین، ٹیگ اِپ میٹ اور سائروسین پہلے دو سو نمایاں برانڈز کی فہرست میں شامل ہوگئیں۔ کمپنی اپنی موجودہ ادویات کی شرح نمو میں ممکنہ اضافہ، منتخب نئی ادویات کے مارکیٹ میں تعارف اور پیداواری صلاحیت کو بڑھانے کے منصوبے پر کاربند ہے۔ اس سوچ کے تحت ہم استحکام قلب، انٹی انفیکٹو اور عمل تنفس سے متعلق اپنے برانڈز کی شرح نمو میں بھی اضافہ کے لیے کام کر رہے ہیں۔ ہمارے فروخت و تقسیم کاری کے اخراجات میں پچھلے سال کی نسبت 427 ملین روپے کا اضافہ ہوا۔ افرادی قوت میں اضافہ، نئی ادویات کے مارکیٹ میں تعارف سے متعلق اخراجات اور وسیع حلقۂ کسٹمر کے لیے اضافی سرمایہ کاری کا نتیجہ دواساز صنعت کی 14 فیصد شرح نمو کے مقابلہ میں کمپنی کی 26 فیصد شرح نمو کی صورت میں سامنے آیا۔ باقی آپریشنل اخراجات قابو میں رہے اور ان میں پچھلے سال کی نسبت کوئی قابل ذکر اضافہ نہ ہوا۔

ادویات اور مارکیٹنگ پر اپ ڈیٹ

2018 میں ہم نے مارکیٹ میں بہتر رسائی کے لیے اپنی مارکیٹنگ کی سوچ میں تبدیلی لاتے ہوئے ادویات پر سرمایہ کاری کی ترجیحات کو بھی بدل دیا۔ ہم نے کمپنی کی کلی ذیلی کمپنی اور ایسوسی ایٹڈ کمپنی کی نئی ادویات سے اپنی پیشکشوں میں اضافہ کے عمل کو جاری رکھا۔ اب ہم اس ہموار شراکت داری کے ذریعے اپنے کسٹمرز کو مختلف اقسام کی فارماسیوٹیکل، سیفلوسپرن اینٹی بائیوٹک، اور نیوٹراسیوٹیکل ادویات پیش کر رہے ہیں۔ کسٹمرز کی آج اور آنے والے کل کی ضروریات کو پورا کرنے کے لیے ہمارے پاس معیاری مجموعہ ادویات موجود ہیں۔ سیفٹرو جو کہ ایک اینٹی بائیوٹک برانڈ ہے ہماری کلی ذیلی کمپنی کیوریکسا میں تیار کیا جاتا ہے۔ یہ مارکیٹ میں تیز ترین ترقی کرنے والی ادویات میں سے ایک دوائی ہے۔

ہم نے اس امر کو یقینی بنایا ہے کہ ہمارے مرکزی تھراپیوٹک سیگمینٹس متحرک اور مضبوط رہیں۔ ایلیمنٹری ٹریکٹ اور میٹابولزم میں ہماری فروخت آمدن بڑھ کر 2,264 ملین روپے ہو گئی جو کہ پچھلے سال کی نسبت 20 فیصد اضافہ ظاہر کرتی ہے۔ اس سیگمنٹ میں شرح نمو دواساز صنعت کی شرح نمو سے 5 فیصد زائد ہے۔ اس سیگمنٹ میں ہمارے اہم برانڈز جن کے نام ٹریس اور ریکس فورٹ، السانک اور سِکی لیکس ہیں اپنی پوزیشن پر قائم ہیں جبکہ ٹیگ اِپ میٹ جوان کے مقابلہ میں ایک نیا برانڈ ہے کی فروخت آمدن 586 ملین روپے رہی جو کہ پچھلے سال کے مقابلہ میں 51 فیصد زائد ہے۔

جائزہ از چیئرمین

ریسپائریٹری سیگمنٹ میں ہماری ترقی کی رفتار نہایت شاندار رہی۔ پچھلے چند سالوں کے چھوٹے سے عرصہ میں ہمارے ریسپائریٹری کے سیگمنٹ کے مجموعہ ادویات نے لیڈرشپ کی پوزیشن حاصل کر لی اور فلیگ شپ برانڈز کومبی وائیر اور ٹائیو وائیر نسخہ جات میں لکھے جانے والے سب سے زیادہ برانڈز کے زمرہ میں شامل ہوگئے۔ کومبی وائیر 700 ملین روپے سے زائد پر پہنچ گیا۔ اور سانس کی بیماریوں کے علاج سے متعلق برانڈز میں مارکیٹ کا سب سے بڑا برانڈ بن گیا۔ ہمارے ریسپائریٹری بزنس کی شرح نمو ستائیس فیصد رہی۔ کیسٹین ہماری ایک اور کامیاب برانڈ ہے۔ جس کی فروخت آمدن 500 ملین روپے اور شرح نمو 25 فیصد رہی۔

ہماری دل سے متعلق بیماریوں کے مجموعہ ادویات کی شرح نمو مارکیٹ کی شرح نمو 13 فیصد کے موازنہ میں 21 فیصد رہی۔ اس شرح میں اضافہ کی وجہ نئی ادویات کا مارکیٹ میں تعارف رہا۔ ان ادویات میں مِسار کی شرح نمو 38 فیصد اور نَیبِکس کی شرح نمو 30 فیصد رہی۔ ہم نے حال ہی میں اپنی ایک نئی دوائی ٹرائی فورج مارکیٹ میں متعارف کروائی ہے، جس کو دل کے امراض کے معالجوں نے بہت سراہا ہے اور اس دوائی سے ہم نے 122 ملین روپے کی خالص فروخت آمدن حاصل کی۔ ہم پُر اعتماد ہیں کہ ٹرائی فورج جلد ہی نسخوں میں لکھے جانے والی معالجوں کی پسندیدہ ادویات میں شامل ہو جائے گی۔ کمپنی کا جڑی بوٹیوں سے بنی ہوئی دوائیوں کا مجموعہ ادویات بھی تسلی بخش طریقے سے ترقی کر رہا ہے۔ بونی سان جو کہ جڑی بوٹیوں سے تیار کردہ دوائی ہے جو کہ شیر خوار اور بڑے بچوں کی دوائی ہے 139 ملین روپے سے زائدہ کی فروخت آمدن پر پہنچ گئی۔

آگے کی سوچ رکھنے والی ایک کمپنی کے طور پر نئی ادویات کی تیاری ہمارے دل کی آواز اور ہماری کامیابی کی بنیاد ہے۔ ہم منتخب طبقہ علاج میں احتیاط کو مدنظر رکھتے ہوئے سرمایہ کاری کرتے رہیں گے۔ یہ سرمایہ کاری منافع بخش ادویات کی ترقی میں ہماری مدد کرے گی۔

ہماری بزنس اور ادویات کی تیاری کی ٹیم دنیا میں میڈیکل سائنس پر ہونے والی ترقی پر گہری نظر رکھے ہوئے ہے۔ اپنے آپ کو دورِ حاضر سے ہم آہنگ رکھنے کے لیے ہم دنیا میں ہونے والے متعلقہ میڈیکل اور سائنٹفک کانفرنسوں میں شرکت کرتے ہیں۔ ہمارا مستقبل نئے طریقہ علاج کی تلاش پر منحصر ہے۔ 2018 میں ہم نے ڈرگ ریگولیشن اتھارٹی کو 37 نئی ادویات کی رجسٹریشن کے لئے درخواستیں جمع کروائیں۔ اسی طرح ہم نے مختلف ممالک میں بھی ڈوزیئرز جمع کرائے ہیں اور ان کی منظوری کا انتظار کر رہے ہیں۔ ہم اپنے بین الاقوامی کاروبار میں اضافہ کا منصوبہ رکھتے ہیں۔ اور ایسے ممالک جن میں ادویات کے استعمال کی شرح نمو اگلے چند سالوں میں دوعددی ہونے کی امید ہے میں اپنی کاروباری سرگرمیوں کو پھیلانا چاہتے ہیں ان میں CIS ممالک افریقہ اور مشرقِ بعید شامل ہیں۔

آپریشنل ایکسیلینس

بہتری لانے کے مسلسل عمل کی بناء پر ہم اپنے آپریشنز کاروباری عملداری، سپلائی چین اور پوری کمپنی میں ایک قابل تائید کارکردگی دکھانے میں کامیاب رہے۔ ہمارے مینوفیکچرنگ آپریشن کی بہتر کارکردگی کی بناء پر ہم اپنے اخراجات کی کمی میں نمایاں بہتری لانے میں کامیاب رہے۔ ہمیں اپنے اس ارتقاء پر فخر ہے۔ جس کی وجہ سے ہم اپنی پیداوار اور کارکردگی بہتر کرنے میں کامیاب رہے چونکہ پیدواری صلاحیت کا بہتر استعمال نمایاں فائدہ کا باعث بنتا ہے۔ چنانچہ ہم اپنی پیداواری صلاحیت میں بہتری لانے کے لیے اپنے پیداواری طریقوں اور کارکردگی میں بہتری لانے کے عمل کو جاری رکھیں گے۔

آلات کار کے پراثر اور بہتر استعمال کے طریقہ کاروں کے آغاز کے عمل سے۔ مینوفیکچرنگ یونٹ کے مختلف درجوں پر کام کرنے والے لوگ مینوفیکچرنگ کے عمل، کو بہتر سے بہتر بنانے کے عمل پر کوشاں ہوگئے جس کے نتیجے میں پیداواری یونٹ میں پچھلے تمام ریکارڈز کے مقابلے میں بہتری آ گئی۔ ہائی نون معیاری ادویات کی پیداوار اور ادویات کے معیار کو قائم رکھنے کے اصول پر ہمیشہ کی طرح کاربند ہے۔ کمپنی ادویات کے معیار کو بہتر سے بہتر کرنے کے عمل کو جاری رکھے گی۔ اپنے نظریہ معیار کی مطابقت میں ہم اپنے معیار کے اصولوں پر بین الاقوامی تصدیق نامے لینے کے لیے تیار ہیں۔ ہم ایک قدم آگے بڑھتے ہوئے آنے والے سالوں میں اپنی ایک تسلیم شدہ کوالٹی کنٹرول لیبارٹری بنانے جا رہے ہیں۔ یہ کوالٹی پر ہماری توجہ کی اہمیت کا ثبوت ہے۔

Six Years at a Glance

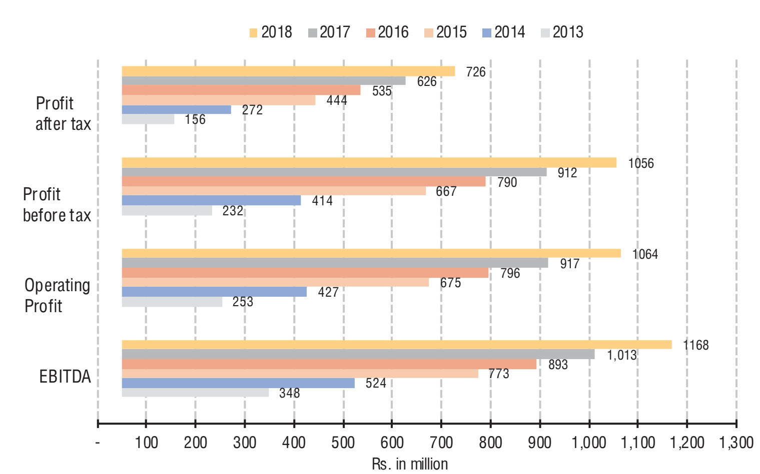
		2018	2017	2016	2015	2014	2013
				(Rupees in '000')			
Summary of Financial Position							
Share Capital		286,074	255,423	228,056	203,622	181,805	181,805
Reserves		2,213,967	1,776,525	1,376,456	1,021,981	731,355	533,568
Operating Fixed Assets		976,068	934,826	728,635	763,884	751,243	747,514
Non Current Assets		243,337	233,843	249,407	134,845	74,977	96,481
Current Assets		2,551,664	2,193,453	1,855,578	1,391,757	1,120,377	738,344
Current Liabilities		437,899	522,981	662,211	523,048	498,172	301,878
Net Working Capital		2,113,765	1,670,472	1,193,367	868,709	620,601	436,466
Non-current Liabilities		88,596	49,959	44,093	31,429	43,331	71,013
Deferred Liabilities		374,124	373,230	312,920	293,727	269,170	267,233
Summary of Profit or Loss							
Sales - Net		7,503,101	5,971,229	5,070,755	4,403,995	3,696,092	3,007,925
Gross Profit		3,500,431	2,845,891	2,378,020	2,092,316	1,655,234	1,230,661
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)		1,167,771	1,012,530	893,293	773,439	523,594	347,766
Operating Profit		1,064,654	917,258	795,946	675,458	426,795	252,726
Profit Before Tax		1,056,267	912,299	789,875	666,705	414,424	232,302
Net Profit After Tax		725,891	626,464	534,976	444,021	271,908	155,535
Summary of Cash Flows							
Net Cash Flow from Operating Activities		433,184	267,060	637,570	335,766	479,594	370,435
Net Cash Flow from Investing Activities		23,244	(139,081)	(142,274)	(163,911)	(20,883)	(11,354)
Net Cash Flow from Financing Acitivites		(289,019)	(196,113)	(167,402)	(154,547)	(172,920)	(316,010)
Changes in Cash and Cash Equivalents		167,409	(68,134)	327,894	17,308	285,791	43,071
Cash and Cash Equivalents at Year End		779,975	612,566	680,700	352,795	335,324	49,533
Financial Performance/Profitability Analysis							
Sales Growth	%	25.65	17.76	15.14	19.15	22.88	21.99
Gross Profit Margin	%	46.65	47.66	46.90	47.51	44.78	40.91
EBITDA to Sales Margin	%	15.56	16.96	17.62	17.56	14.17	11.56
Operating Profit Margin	%	14.19	15.36	16.64	15.34	11.55	8.40
Profit Before Tax Margin	%	14.08	15.28	15.58	15.14	11.21	7.72
Profit After Tax Margin	%	9.67	10.49	10.55	10.08	7.36	5.17
Return on Equity	%	29.04	30.83	33.34	36.23	29.78	21.74
Return on Capital Employed	%	28.04	30.09	32.45	35.32	28.43	19.78
Operating Performance/Liquidity Analysis							
Inventory Turnover	Days	113	115	126	118	107	120
Debtors Turnover	Days	13	10	5	6	7	8
Creditors Turnover	Days	37	51	63	66	62	49
Cash Operating Cycle	Days	88	74	68	58	52	79
Assets Turnover Ratio	Times	1.99	1.78	1.79	1.92	1.90	1.90
Fixed Assets Turnover	Times	6.15	5.11	5.18	4.90	4.49	3.57
Return on Assets	%	30.83	27.13	27.88	29.11	21.31	14.68
Current Ratio	Times	5.83	4.19	2.80	2.66	2.25	2.45
Quick Ratio	Times	2.74	2.06	1.30	1.02	0.97	0.60

Six Years at a Glance

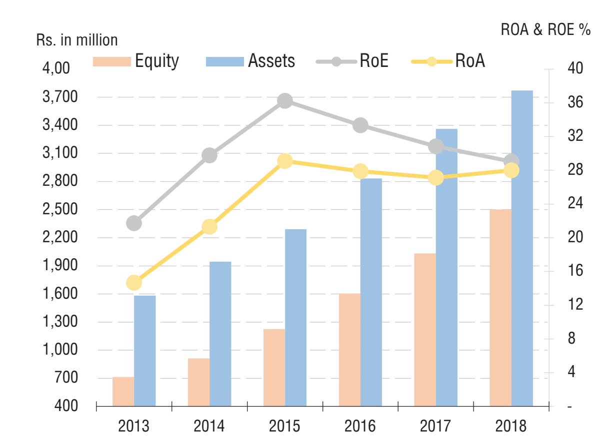
		2018	2017	2016	2015	2014	2013
				(Rupees in '000')			
Distribution Analysis							
Pay out-Proposed							
- Cash Dividend per share	Rs.	13.00	10.00	8.50	7.50	6.50	4.50
- Bonus	%	10.00	12.00	12.00	12.00	12.00	-
Payout Ratio (after tax)	%	55.00	45.66	41.35	39.90	51.48	52.60
Dividend Yield	%	4.03	2.62	1.52	1.51	3.49	3.80
Earnings Per Share (after tax)	Rs./share	25.37	24.53	23.46	19.47	14.96	8.56
Price Earning Ratio	Times	13.70	17.40	27.24	29.66	14.74	13.85
Capital Structure/Market Value Analysis							
Long Term Debt : Equity Ratio		03:97	02:98	02:98	03:97	06:94	08:92
Financial leverage	Times	1.34	1.65	1.77	1.87	2.13	2.21
Shareholders' Net Worth as % of Total Assets	%	74.36	60.44	56.62	53.51	46.95	45.21
Financial Charges Coverage	Times	122.99	179.03	127.90	73.75	33.69	11.62
Number of Shares	in '000'	28,607	25,542	22,806	20,362	18,181	18,181
Break-up Value of Share							
- Excluding Surplus on revaluation	Rs.	87.39	79.55	70.36	60.19	50.23	39.35
- Including Surplus on revaluation	Rs.	100.34	94.59	79.56	70.83	62.39	51.83
Market Value of Share							
- Year End	Rs.	347.65	426.78	639.00	577.40	220.46	118.53
- Highest	Rs.	495.81	750.00	658.91	619.95	305.00	185.00
- Lowest	Rs.	240.00	375.00	398.04	203.00	117.50	45.00
Market Capitalization	Rs. '000'	9,945,363	10,900,943	14,572,804	11,757,019	4,008,077	2,154,937

* Based on proposed final dividend

Profitability

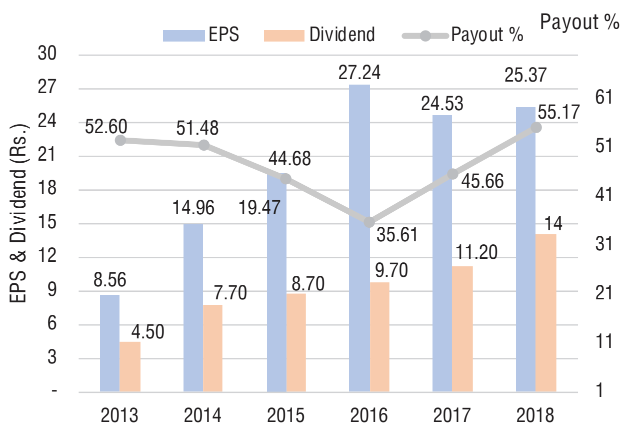


Shareholders' Equity, Assets and Return

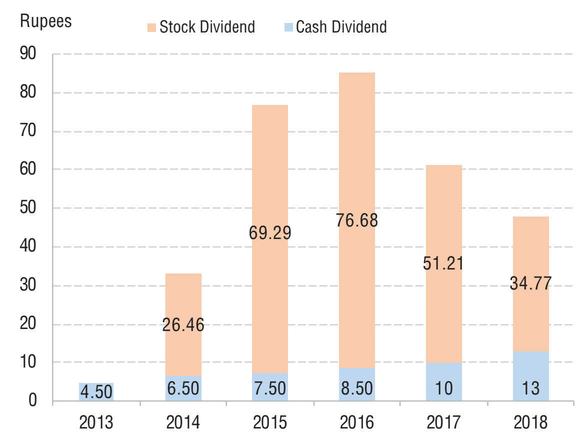


Graphical Presentation

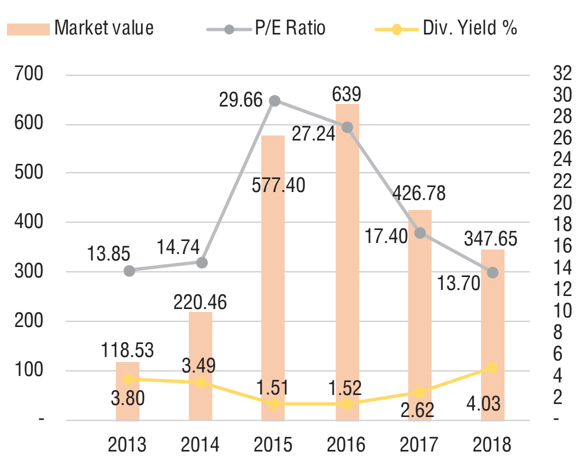
EPS, Dividend and Payout %



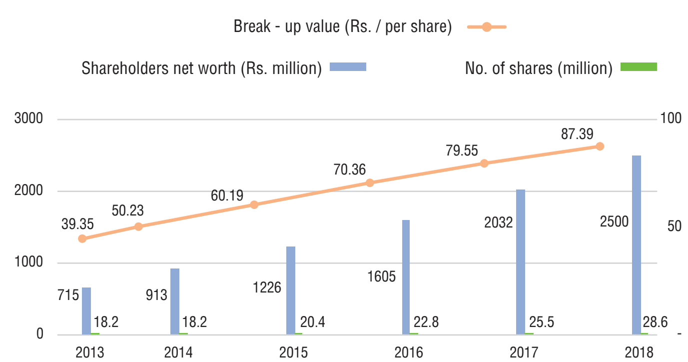
Market Value of Payout Proposed



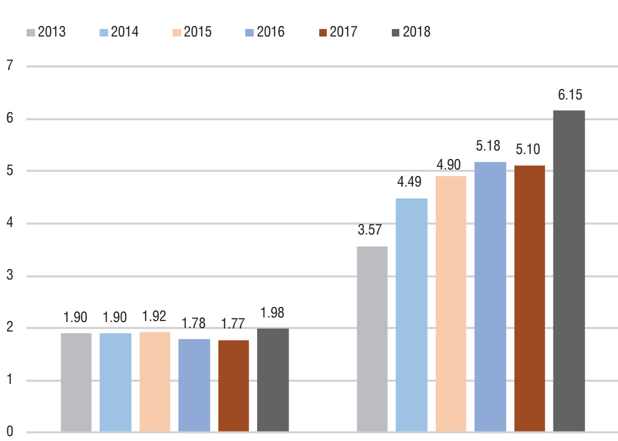
Dividend Yield, P/E Ratio and Market Value



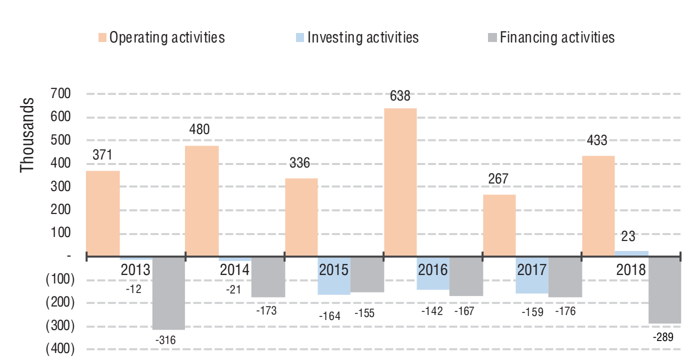
Shareholders' Net Worth



Asset Turnover (Times)



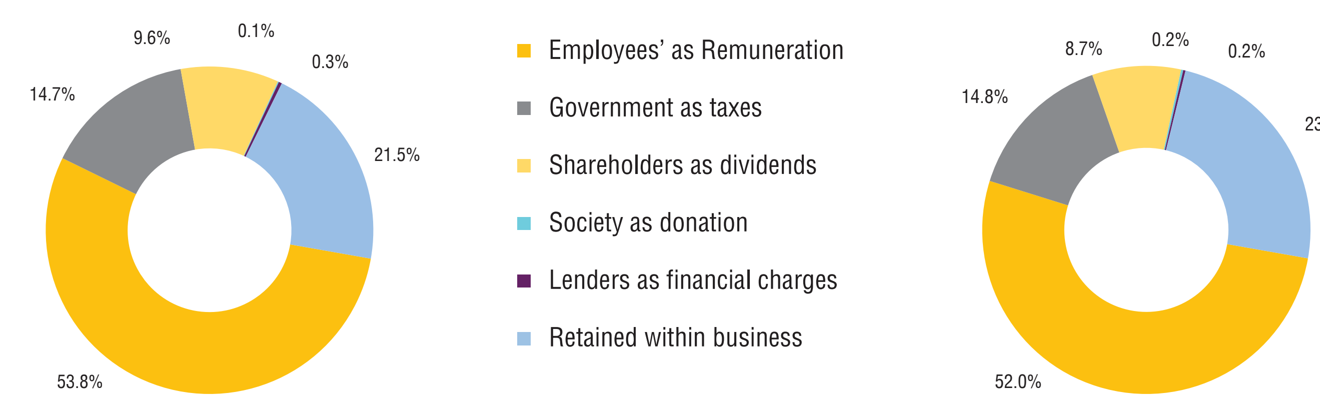
Cash Flows Analysis



Statement of Value Addition and its Distribution

	2018 Rs. in 000		2017 Rs. in 000
Value Added			
Net Sales	7,533,819		5,985,125
Material & Services	4,896,802		3,798,932
Other Income	33,044		29,278
	2,670,063		2,215,471
Distribution			
Employees			
Salaries Wages & Benefits	1,379,844		1,105,076
Workers Profit Participation Fund	56,711		48,011
	1,436,555		1,153,087
Government			
Income Tax	330,375		285,834
Sales Tax	30,718		13,896
Central Research Fund	11,345		10,587
Workers Welfare Fund	20,954		18,244
	393,392		328,561
Society			
Donation	2,719		4,646
Provider of Finances			
To Shareholder as Cash dividend	255,423		193,848
To Banks as financial charges	8,388		4,960
	263,811		198,808
Retained in Business			
Depreciation and amortization	103,117		97,752
Retained Profit	470,469		432,617
	573,586		530,369
	2,670,063		2,215,471

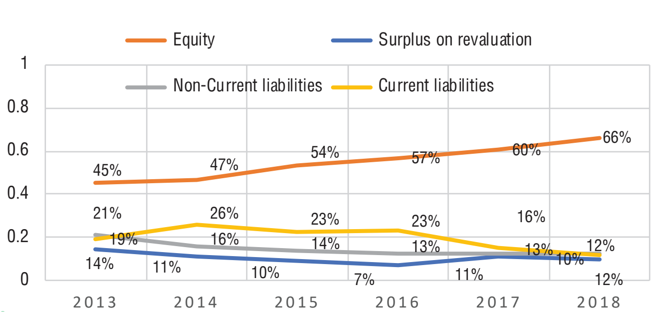
Year 2018 Year 2017



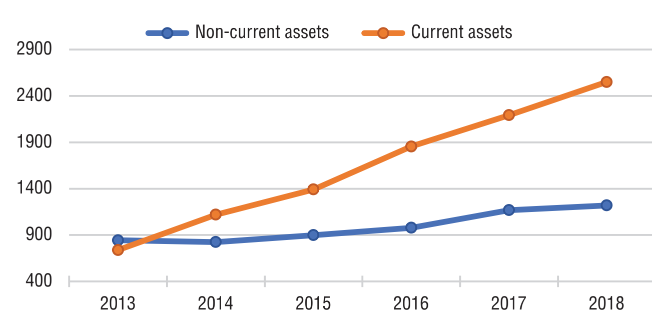
Horizontal Analysis

STATEMENT OF FINANCIAL POSITON	2018		2017		2016		2015		2014		2013	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Share Capital and Reserve												
Share capital	286,074	12.0	255,423	12.0	228,056	12.0	203,622	12.0	181,805	0.0	181,805	0.0
Revenue reserves	2,213,966	24.6	1,776,525	29.1	1,376,456	34.7	1,021,981	39.7	731,355	37.1	533,568	21.6
Surplus on revaluation of fixed assets	370,409	-3.5	384,003	83.0	209,884	-3.1	216,680	-2.0	221,160	-2.5	226,843	-25.0
	2,870,449	18.8	2,415,951	33.2	1,814,396	25.8	1,442,283	27.1	1,134,321	20.4	942,216	51.8
Non Current Liabilities												
Long term loan - secured	-	-	-	-	-	-	-	-	-	-	37,500	93.5
Liabilities against assets subject to finance lease	44,486	208.0	14,442	-14.3	16,844	50.9	11,162	-63.1	30,274	22.2	24,779	-35.8
Long term advances	44,110	24.2	35,517	30.3	27,249	34.4	20,267	55.2	13,057	49.5	8,734	-9.9
Deferred liabilities	374,124	0.2	373,230	19.3	312,920	6.5	293,727	9.1	269,170	0.7	267,232	-9.3
Total Non Current Liabilities	462,720	9.3	423,189	18.5	357,013	9.8	325,156	4.0	312,500	-7.6	338,245	30.2
Current Liabilities												
Trade and other payables	362,887	-16.8	436,250	-11.3	491,812	20.1	409,596	0.1	409,027	57.6	259,540	-74.0
Mark-up payable on secured loans	31	-51.6	64	243.7	19	-64.9	53	-76.4	225	-86.9	1,715	-100.0
Short term bank borrowings - secured	-	-	-	-	-	-	-	-	-	-	73	87.9
Provision for Taxation-net	38,025	-35.7	59,102	-58.7	143,275	62.4	88,197	58.5	55,638	100.0	-	-
Current portion of long term liabilities	36,957	34.1	27,566	1.7	27,105	7.6	25,202	-24.3	33,283	-17.9	40,550	-6.0
Total Current Liabilities	437,900	-16.3	522,982	0.0	662,211	26.6	523,048	5.0	498,172	65.0	301,877	-2.3
	3,771,069	12.2	3,362,122	-21.0	2,833,619	23.7	2,290,487	17.8	1,944,994	22.9	1,582,339	-18.1
Non Current Assets												
Property,plant and equipments	976,068	4.4	934,826	18.7	728,634	-4.6	763,884	1.7	751,243	0.5	747,513	-
Intangible assets	-	-	5,073	28.3	21,766	-43.4	38,459	-39.4	63,511	-21.2	80,553	8.6
Long Term Investment	200,000	-	200,000	-76.7	200,000	137.2	84,300	100.0	-	-	-	-
Long Term deposits	14,021	10.4	12,696	4.8	12,112	14.5	10,580	577.3	1,562	-	1,562	-
Long Term advances	29,316	82.4	16,074	3.5	15,529	931.1	1,506	-81.9	8,301	-42.2	14,367	-
	1,219,405	4.3	1,168,669	19.5	978,041	9.0	897,223	9.9	816,316	-1.6	829,628	-8.0
Current Assets												
Stock in trade	1,352,925	21.3	1,115,539	12.4	992,638	15.4	860,324	35.5	634,792	13.8	557,767	-12.4
Trade debts	281,510	12.3	250,692	233.6	75,154	10.7	67,898	-10.1	75,535	18.9	63,517	38.9
Advances	75,264	30.0	57,879	-22.5	74,673	-6.6	79,941	84.8	43,258	32.7	32,587	-8.5
Trade deposits and short term prepayments	30,573	25.7	24,330	39.6	17,423	-11.6	19,709	11.7	17,638	42.8	12,355	-
Profit accrued	319	-84.2	2,016	63.2	1,235	110.9	586	100.0	-	-	-	-
Other receivables	3,458	-28.2	4,819	44.2	3,341	31.1	2,549	38.1	1,846	41.8	1,302	91.8
Loan to subsidiary	20,000	100.0	20,000	100.0	-	-	-	-	-	-	-	-
Tax refund due from government	7,638	36.1	5,611	-46.1	10,413	30.9	7,955	-33.6	11,984	-38.4	19,462	-4.8
Short term investment	-	-	100,000	100.0	-	-	-	-	-	-	-	-
Income Tax-net	-	-	-	-	-	-	-	-	-	-	1,820	-97.1
Cash and bank balances	779,976	27.3	612,566	-10.0	680,700	92.9	352,795	5.2	335,324	577.0	49,533	666.5
	2,551,663	16.3	2,193,452	18.2	1,855,578	33.3	1,391,757	24.2	1,120,377	51.7	738,344	-8.4
	3,771,069	12.2	3,362,122	18.7	2,833,619	23.8	2,290,487	18.2	1,944,994	23.5	1,582,339	-6.2

EQUITY AND LIABILITIES



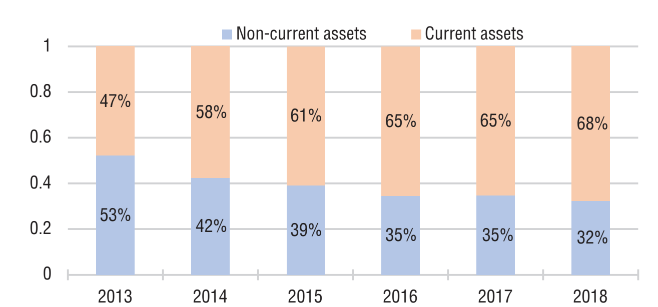
Assets



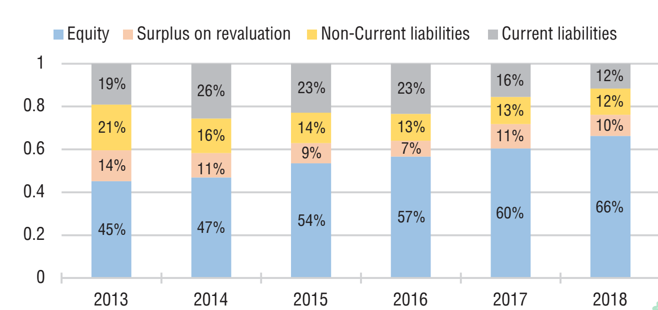
Vertical Analysis

STATEMENT OF FINANCIAL POSITON	2018		2017		2016		2015		2014		2013	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Share Capital and Reserve												
Share capital	286,074	8.5	255,423	7.6	228,056	6.8	203,622	8.9	181,805	9.3	181,805	11.5
Revenue reserves	2,213,966	65.9	1,776,525	52.8	1,376,456	40.9	1,021,981	44.6	731,355	37.6	533,568	33.7
Surplus on revaluation of fixed assets	370,409	11.0	384,003	11.4	209,884	6.2	216,680	9.5	221,160	11.4	226,843	14.3
	2,870,449	85.4	2,415,951	71.8	1,814,396	53.9	1,442,283	63.0	1,134,320	58.3	942,216	59.5
Non Current Liabilities												
Long term loan - secured	-	-	-	-	-	-	-	-	-	-	37,500	2.4
Liabilities against assets subject to finance lease	44,486	1.3	14,442	0.4	16,844	0.5	11,162	0.5	30,274	1.6	24,779	1.6
Long term advances	44,110	1.3	35,517	1.1	27,249	0.8	20,267	0.9	13,057	0.7	8,734	0.6
Deferred liabilities	374,124	11.1	373,230	11.1	312,920	9.1	293,727	12.8	269,170	13.8	267,232	16.9
Total Non Current Liabilities	462,720	13.8	423,189	12.6	357,013	10.4	325,156	14.2	312,500	16.1	338,245	21.4
Current Liabilities												
Trade and other payables	362,887	10.8	436,250	13.0	491,812	14.6	409,596	17.9	409,027	21.0	259,540	16.4
Mark-up payable on secured loans	31	-	64	-	19	-	53	-	225	-	1,715	0.1
Short term bank borrowings - secured	-	-	-	-	-	-	-	-	-	-	73	-
Income tax-net	38,025	1.1	59,102	1.8	143,275	4.3	88,197	3.9	55,638	2.9	-	-
Current portion of long term liabilities	36,957	1.1	27,566	0.8	27,105	0.8	25,202	1.1	33,283	1.7	40,550	2.6
Total Current Liabilities	437,900	13.1	522,982	15.7	662,211	19.8	523,048	22.9	498,172	25.6	301,877	19.1
	3,771,069	112.2	3,362,122	100.0	2,833,619	84.1	2,290,486	100.0	1,944,994	100.0	1,582,339	100.0
Non Current Assets												
Property,plant and equipments	976,068	25.9	934,826	27.8	728,634	25.7	763,884	33.4	751,243	38.6	747,513	47.2
Intangible assets	-	-	5,073	0.2	21,766	0.8	38,459	1.7	63,511	3.3	80,553	5.1
Long term Investment	200,000	5.3	200,000	5.9	200,000	7.1	84,300	3.7	-	-	-	-
Long Term advances	29,316	0.8	16,074	0.5	15,529	0.5	1,506	0.1	8,301	0.4	14,367	0.9
Long Term deposits	14,021	0.4	12,696	0.4	12,112	0.4	10,580	0.5	1,562	0.1	1,562	0.1
	1,219,405	32.3	1,168,669	34.8	978,041	34.5	898,729	39.2	824,617	42.4	843,995	53.3
Current Assets												
Stock in trade	1,352,925	35.9	1,115,539	33.2	992,638	35.0	860,324	37.6	634,792	32.6	557,767	35.2
Trade debts	281,510	7.5	250,692	7.5	75,154	2.7	67,898	3.0	75,535	3.9	63,517	4.0
Advances	75,264	2.0	57,879	1.7	74,673	2.6	79,941	3.5	43,258	2.2	32,587	2.1
Trade deposits and short term prepayments	30,573	0.8	24,330	0.7	17,423	0.6	19,709	0.9	17,638	0.9	12,355	0.8
Profit accrued	319	-	2,016	0.1	1,235	-	586	-	-	-	-	-
Other receivables	3,458	0.1	4,819	0.1	3,341	0.1	2,549	0.1	1,846	0.1	1,302	0.1
Loan to subsidiary	20,000	0.5	20,000	0.6	-	-	-	-	-	-	-	-
Tax refund due from government	7,638	0.2	5,611	0.2	10,413	0.4	7,955	0.3	11,984	0.6	19,462	1.2
Income Tax-net	-	-	-	-	-	-	-	-	-	-	1,820	0.1
Short term investment	-	-	100,000	3.0	-	-	-	-	-	-	-	-
Cash and bank balances	779,976	20.7	612,566	18.2	680,700	24.0	352,795	15.4	335,324	17.2	49,533	3.1
	2,551,663	67.7	2,193,452	65.2	1,855,578	65.5	1,391,757	60.8	1,120,377	57.6	738,344	46.7
	3,771,069	100.0	3,362,122	100.0	2,833,619	100.0	2,290,486	100.0	1,944,994	100.0	1,582,339	100.0

Assets

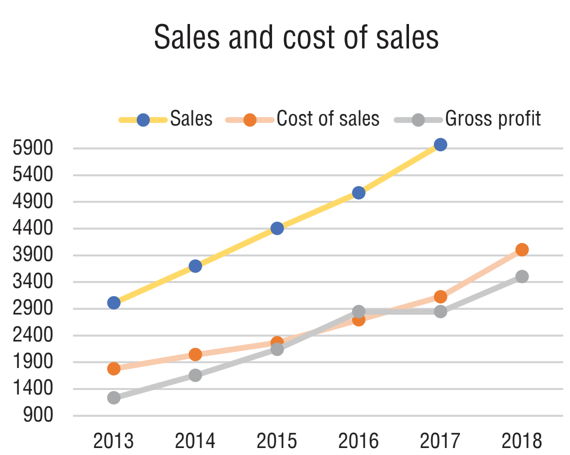


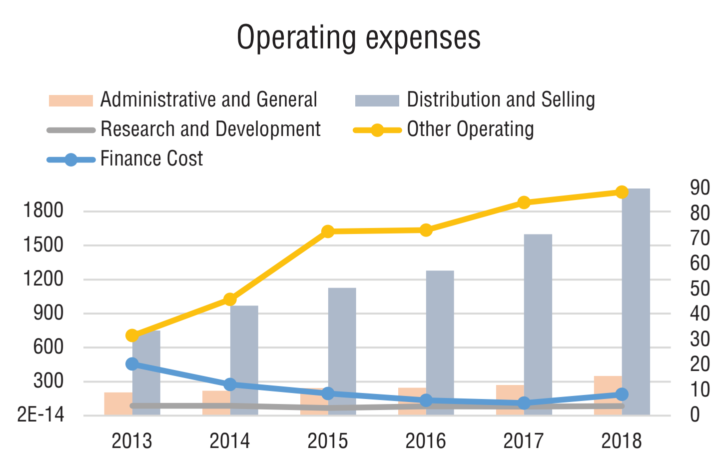
Equity and Liabilities



Horizontal Analysis

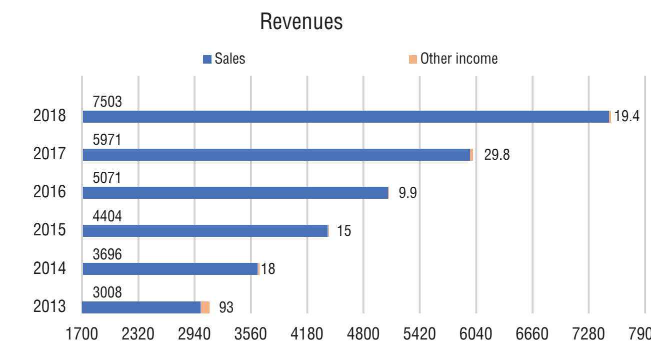
STATEMENT OF PROFIT OR LOSS	2018		2017		2016		2015		2014		2013	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Sales - net	7,503,101	25.7	5,971,229	17.8	5,070,755	15.1	4,403,995	19.2	3,696,092	22.9	3,007,925	22.0
Cost of Sales	4,002,669	28.1	3,125,338	16.1	2,692,735	16.5	2,311,679	13.3	2,040,858	14.8	1,777,264	23.4
Gross Profit	3,500,432	23.0	2,845,891	0.0	2,845,891	36.0	2,092,316	26.4	1,655,234	34.5	1,230,661	20.0
Distribution, Selling and Promotional Expenses	2,026,734	26.7	1,599,737	25.1	1,279,005	13.6	1,125,961	16.2	968,753	29.0	751,181	23.2
Administrative and General Expenses	349,635	29.5	270,080	10.1	245,280	0.2	244,669	11.4	219,629	6.4	206,437	5.6
Research and Development Expenses	3,799	5.3	3,607	-1.2	3,653	20.1	3,041	-22.3	3,912	0.8	3,880	-56.2
Other Operating Expenses	88,655	4.9	84,486	14.9	73,550	0.7	73,022	58.3	46,132	45.3	31,746	43.3
	2,468,823	26.1	1,957,910	22.3	1,601,488	10.7	1,446,693	16.8	1,238,426	24.7	993,244	18.8
	1,031,609	16.2	887,981	14.4	776,532	20.3	645,623	54.9	416,808	75.6	237,416	25.6
Other Operating Income	33,046	12.9	29,278	50.8	19,414	-34.9	29,837	198.8	9,987	-34.8	15,309	-16.5
	1,064,654	16.1	917,258	15.2	795,946	17.8	675,460	58.3	426,795	68.9	252,725	21.9
Finance Cost	8,388	69.1	4,960	-18.3	6,071	-30.6	8,754	-29.2	12,371	-39.4	20,424	-57.6
Profit Before Taxation	1,056,266	15.8	912,298	15.5	789,875	18.5	666,706	60.9	414,424	78.4	232,301	46.0
Taxation	330,375	15.6	285,834	12.1	254,899	14.5	222,683	56.3	142,516	85.6	76,767	39.3
Profit After Taxation	725,891	15.9	626,464	17.1	534,976	20.5	444,023	63.3	271,908	74.8	155,534	49.5

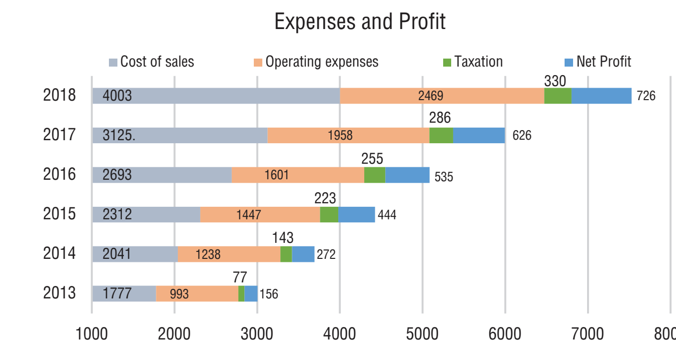


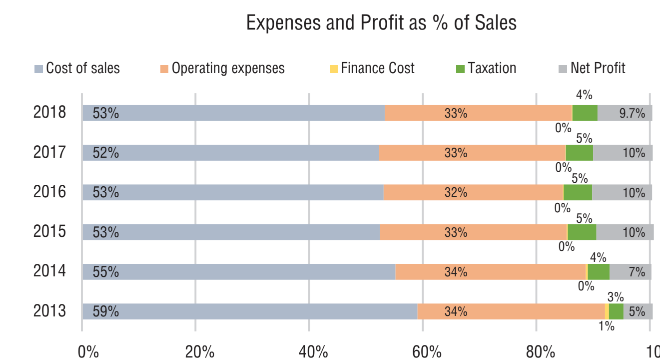


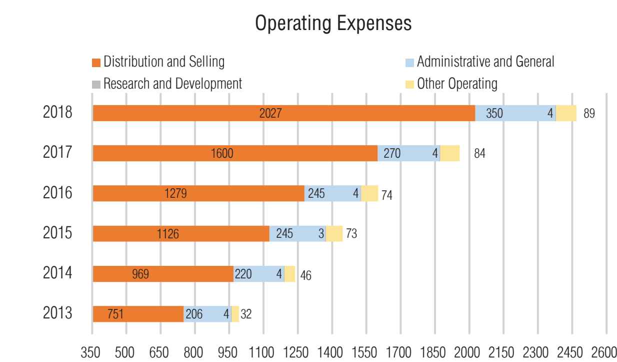
Vertical Analysis

STATEMENT OF PROFIT OR LOSS	2018		2017		2016		2015		2014		2013	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Sales - net	7,503,101	100.0	5,971,229	100.0	5,070,755	100.0	4,403,995	100.0	3,696,092	100.0	3,007,925	100.0
Cost of Sales	4,002,669	53.3	3,125,338	52.3	2,692,735	53.1	2,311,679	52.5	2,040,858	55.2	1,777,264	59.1
Gross Profit	3,500,432	46.7	2,845,891	47.7	2,845,891	46.9	2,092,316	47.5	1,655,234	44.8	1,230,661	40.9
Distribution, Selling and Promotional Expenses	2,026,734	27.0	1,599,737	26.8	1,279,005	25.2	1,125,961	25.6	968,753	26.2	751,181	25.0
Administrative and General Expenses	349,635	4.7	270,080	4.5	245,280	4.8	244,669	5.6	219,629	5.9	206,437	6.9
Research and Development Expenses	3,799	0.1	3,607	0.1	3,653	0.1	3,041	0.1	3,912	0.1	3,880	0.1
Other Operating Expenses	88,655	1.2	84,486	1.4	73,550	1.5	73,022	1.7	46,132	1.2	31,746	1.0
	2,468,823	32.9	1,957,910	32.8	1,601,488	31.6	1,446,693	32.9	1,238,426	33.4	993,244	33.0
	1,031,609	13.7	887,981	14.9	776,532	15.3	645,623	14.6	416,808	11.4	237,417	7.9
Other Operating Income	33,046	0.4	29,278	0.5	19,414	0.4	29,837	0.7	9,987	0.3	15,309	0.5
	1,064,654	14.2	917,258	15.4	795,946	15.7	675,460	15.3	426,795	11.7	252,725	8.4
Finance Cost	8,388	0.1	4,960	0.1	6,071	0.1	8,754	0.2	12,371	0.3	20,424	0.7
Profit Before Taxation	1,056,266	14.1	912,298	15.3	789,875	15.6	666,706	15.1	414,424	11.4	232,301	7.7
Taxation	330,375	4.4	285,834	4.8	254,899	5.0	222,683	5.1	142,516	3.9	76,767	2.5
Profit After Taxation	725,891	9.7	626,464	10.5	534,976	10.6	444,023	10.2	271,908	7.5	155,534	5.2









Pattern of Shareholding
as at December 31, 2018

Sr. #	No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
1	1105	1	100	38,990
2	1259	101	500	300,134
3	317	501	1000	224,319
4	591	1001	5000	1,112,796
5	54	5001	10000	385,854
6	19	10001	15000	238,675
7	13	15001	20000	225,605
8	3	20001	25000	67,597
9	2	25001	30000	51,014
10	3	30001	35000	98,701
11	2	35001	40000	72,786
12	5	40001	45000	207,538
13	3	45001	50000	139,358
14	2	50001	55000	103,622
15	2	55001	65000	129,914
16	2	65001	75000	144,753
17	1	75001	80000	78,461
18	1	80001	90000	87,943
19	2	90001	105000	204,163
20	1	105001	115000	112,000
21	1	115001	120000	115,305
22	1	120001	145000	141,035
23	1	145001	215000	212,821
24	1	215001	250000	249,159
25	1	250001	265000	261,871
26	1	265001	305000	304,967
27	1	305001	310000	307,493
28	1	310001	420000	418,202
29	1	420001	450000	446,613
30	1	450001	525000	521,379
31	1	525001	570000	569,875
32	1	570001	1035000	1,032,383
33	1	1035001	1040000	1,037,879
34	1	1040001	1150000	1,146,592
35	1	1150001	1255000	1,252,071
36	1	1255001	1990000	1,982,025
37	1	1990001	2150000	2,118,278
38	1	2150001	2385000	2,384,471
39	1	2385001	2825000	2,824,137
40	1	2825001	3425000	3,385,586
41	1	3425001	3875000	3,871,028
Total	3408			28,607,393

Categories of Shareholders	No. of Shareholders	No. of Shares Held	Percentage
Directors, CEO and their Spouse and Minor Children			
Mr. Tausif Ahmad Khan	1	2,118,278	7.40%
Mr. Ghulam Hussain Khan	1	569,875	1.99%
Mr. Shazib Masud	1	773	0.00%
Mr. Romesh Elapata	1	562	0.00%
Mr. Taufiq Ahmed Khan	1	2,824,137	9.87%
Dr. Adeel Abbas Haideri	1	694	0.00%
Mrs. Zainub Abbas	1	1,252,071	4.38%
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	3	521,694	1.82%
Banks, Development Financial Institutions, Non Banking Financial Intitutions, Joint Stock Companies & Trusts	47	741,048	2.59%
Insurance Companies	12	5,261,909	18.39%
Modarabas and Mutual Funds	15	30,905	0.11%
*Shareholders holding 5% or more	-	-	-
Non-Resident Companies	4	2,397,365	8.38%
General Public			
a. Local	3317	12,082,474	42.24%
b. Foreign	2	494,046	1.73%
Others			
Government Holding	1	311,562	1.09%
TOTAL	3408	28,607,393	100%
***Shareholders holding five percent or more of the total capital**			
Jubilee Life Insurance Company Limited		3,871,028	13.53%
Pharmatec Investment Limited		2,384,471	8.34%
Mr. Tausif Ahmad Khan		2,118,278	7.40%
Mr. Taufiq Ahmed Khan		2,824,137	9.87%
Mr. Tauqeer Ahmed Khan		3,385,586	11.83%
Mrs.Nosheen Riaz Khan		1,982,025	6.93%
Mutual Funds - Name Wise			
CDC - Trustee ABL Stock Fund		3,592	0.0126%
CDC - Trustee Al Meezan Mutual Fund		917	0.0032%
CDC - Trustee Al Meezan Islamic Asset Allocation Fund		179	0.0006%
CDC - Trustee Alfalah GHP Islamic Stock Fund		5	0.0000%
CDC - Trustee HBL PF Equity Sub Fund		627	0.0022%
CDC - Trustee Meezan Balanced Fund		1,281	0.0045%
CDC - Trustee Meezan Islamic Fund		503	0.0018%
CDC - Trustee UBL Asset Allocation Fund		259	0.0009%
CDC - Trustee UBL Retirement Saving FUND - Equity Sub Fund		2,288	0.0080%
CDC-Trustee Al-Ameen Islamic RET. SAV. Fund-Equity Sub Fund		7,559	0.0264%
M C F S L-Trustee Askari Islamic Asset Allocation Fund		1,500	0.0052%
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund		1,500	0.0052%

Statement of Compliance

with Listed Companies (Code of Corporate Goverance) Regulations, 2017

Name of Company: HIGHNOON LABORATORIES LIMITED
Year ended: December 31, 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:

   a. Male: 6
   b. Female: 1

2. The composition of board is as follows:

   a) Independent Directors 2
   b) Other Non-executive Directors 4
   c) Executive Director 1

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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

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

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. During the period under review the Board has arranged Directors' Training program for the following:

Directors:

1.	Mr. Shazib Masud	Director
2.	Mr. Romesh Elapata	Director

Executives:

1.	Mr. Javed Hussain	Executive Director Finance / CFO
2.	Miss Iram Naila	Associate Director (Regulatory Affairs)
3.	Mr. Fazal H. Rizwan Pirzada	Head of Internal Audit

Out of remaining five directors of the Company one director obtained Certification of Directors Training Program in 2015 three directors qualify the criteria of exemption laid down by the Securities & Exchange Commission of Pakistan and the one director will get certification within the prescribed time limit. Miss Nael Najam, Alternate Director is also a certified director from Pakistan Institute of Corporate Governance.

Statement of Compliance

with Listed Companies (Code of Corporate Goverance) Regulations, 2017

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However, there were no new appointments of CFO, Company Secretary and Head of internal audit.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee

1.	Mr. Shazib Masud	Chairman / Member
2.	Mr. G.H. Khan	Member
3.	Mrs. Zainub Abbas	Member

b) HR and Remuneration Committee

1.	Mr. Shazib Masud	Chairman / Member
2.	Dr. Adeel Abbas Haideri	Member
3.	Mrs. Zainub Abbas	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a)	Audit Committee	5
b)	HR and Remuneration Committee	2

15. The board has set up an effective internal audit function and the internal auditors of the Company are suitably qualified and experienced for the purpose and fully conversant with the policies and procedures of the Company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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 ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

TAUSIF AHMAD KHAN
Chairman

Dr. ADEEL ABBAS HAIDERI
Chief Executive Officer

29 March, 2019

Independent Auditor's Review Report

To the members of Highnoon Laboratories Limited

Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2017.

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Highnoon Laboratories Limited (the Company) for the year ended 31 December 2018 in accordance with the requirements of Regulation 40 of the Regulations.

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

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

The Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017 (the Act). 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018

Chartered Accountants

Audit Engagement Partner: Naseem Akbar
Lahore

01 April 2019

Financial Statements

Highnoon Laboratories Limited

for the Year ended
31 December 2018

Auditor's Report to the Members

To the members of Highnoon Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the annexed financial statements of Highnoon Laboratories Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code)and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key Audit Matters	How the matter was addressed in our audit
1. Valuation of stock in trade:	
As disclosed in note 19 to the accompanying financial statements, the stock in trade balance constitutes 35 % of total assets of the Company. These are valued at lower of cost and net realizable value. The cost of work in process (WIP) and finished goods is determined at average	**Our audit procedures included, amongst others:** - Obtaining an understanding of internal controls over valuation of stock in trade and testing their design, implementation and operating effectiveness; - Assessing the Company's accounting policies for valuation of stock in trade and compliance of those policies with applicable accounting standards;

Key Audit Matters	How the matter was addressed in our audit
1. Valuation of stock in trade:	
manufacturing cost including a proportion of appropriate overheads. The basis for allocation of overheads includes management judgment. This, in combination with the significant share of stock in trade as part of total assets, made us conclude that valuation of stock in trade is a key audit matter of our audit.	- Obtaining an understanding and reviewing the management's determination of net realizable value (NRV) and key estimates adopted including future selling prices, future cost to complete work in process and the costs necessary to make the sales and their basis; - Physical attendance at inventory count and reconciling the count results to the inventory listings to test the completeness of data; - Evaluating management's basis for the allocation of cost and overheads; - Substantive analytical and other procedures including the recalculation of valuation based on accounting and costing policy; and - Assessment of the disclosures made in respect of the accounting policies and the details of inventory balances held by the Company at the year end.
2. Preparation of financial statements under Companies Act, 2017	
As referred to in note 3 to the accompanying financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 31 December 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as referred to in note 3 to the financial statements. Further, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of fixed assets as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 6 to the financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.	**Our key audit procedures to address this risk included the following:** - We assessed the procedures applied by the management for identifying the changes required in the financial statements due the application of the Act; - We reviewed the additional disclosures and changes to the previous disclosures based on the new requirements; - We evaluated the sources of information used by the management for the preparation disclosures and the internal consistency of such disclosures with other elements of the financial statements; and - In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to in note 6 to the financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Company.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) The statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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.

The engagement partner on the audit resulting in this independent auditor's report is Naseem Akbar.

Chartered Accountants
Engagement Partner: Naseem Akbar
Lahore: 01 April 2019

Statement of Financial Position

	Note	2018 Rupees	2017 Rupees Restated	1 January 2017 Rupees Restated
EQUITY AND LIABILITIES				
EQUITY				
Share capital and reserves				
Authorized share capital				
50,000,000 (2017: 50,000,000) Ordinary shares of Rs. 10 each		500,000,000	500,000,000	250,000,000
Issued, subscribed and paid up share capital	7	286,073,930	255,423,160	228,056,400
Revenue reserves		2,213,966,374	1,776,525,305	1,376,455,659
Revaluation surplus on property, plant and equipment	8	370,409,400	384,003,155	209,883,736
Total Equity		2,870,449,704	2,415,951,620	1,814,395,795
Non-current liabilities				
Liabilities against assets subject to finance lease	9	44,486,094	14,442,288	16,843,781
Long term advances	10	44,110,306	35,516,612	27,248,879
Deferred liabilities	11	374,124,390	373,229,929	312,920,256
		462,720,790	423,188,829	357,012,916
Current liabilities				
Trade and other payables	12	342,711,626	396,054,603	463,044,827
Unclaimed Dividend		20,175,464	40,194,970	28,767,015
Mark up accrued		30,476	64,035	18,622
Short term borrowing	13	-	-	-
Current portion of long term liabilities	14	36,956,830	27,565,672	27,104,927
Provision for taxation - net		38,024,485	59,101,868	143,275,421
		437,898,881	522,981,148	662,210,812
Total Liabilities		900,619,671	946,169,977	1,019,223,728
TOTAL EQUITY AND LIABILITIES		3,771,069,375	3,362,121,597	2,833,619,523
CONTINGENCIES AND COMMITMENTS	15			

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

Dr. Adeel Abbas Haideri
Chief Executive Officer

Taufiq Ahmed Khan
Director

As at 31 December 2018

	Note	2018 Rupees	2017 Rupees Restated	1 January 2017 Rupees Restated
ASSETS				
Non-current assets				
Property, plant and equipment	16	976,068,012	934,825,946	728,634,523
Intangible assets	17	-	5,073,017	21,765,868
Long term investment	18	200,000,000	200,000,000	200,000,000
Long term deposits		14,020,764	12,695,663	12,111,613
Long term advances		29,316,392	16,074,304	15,529,356
		1,219,405,168	1,168,668,930	978,041,360
Current assets				
Stock in trade	19	1,352,928,094	1,115,539,075	992,637,743
Trade debts	20	281,509,755	250,692,198	75,154,453
Advances	21	75,263,456	57,879,171	74,672,999
Trade deposits and short term prepayments	22	30,572,873	24,329,555	17,423,457
Profit accrued		318,836	2,015,658	1,235,074
Other receivables	23	3,457,488	4,819,473	3,341,447
Loan to subsidiary	24	20,000,000	20,000,000	-
Tax refunds due from the Government	25	7,638,162	5,611,106	10,413,130
Short term investments	26	-	100,000,000	-
Cash and bank balances	27	779,975,543	612,566,431	680,699,860
		2,551,664,207	2,193,452,667	1,855,578,163
TOTAL ASSETS		3,771,069,375	3,362,121,597	2,833,619,523

Javed Hussain
Chief Financial Officer

Statement of Profit or Loss

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	28	7,503,100,506	5,971,228,748
Cost of sales	29	4,002,668,618	3,125,337,924
Gross profit		3,500,431,888	2,845,890,824
Distribution, selling and promotional expenses	30	2,026,733,691	1,599,737,319
Administrative and general expenses	31	349,634,787	270,080,061
Research and development expenses	32	3,799,270	3,606,954
Other operating expenses	33	88,654,494	84,485,841
		2,468,822,242	1,957,910,175
Other income	34	33,044,391	29,277,764
Operating Profit		1,064,654,037	917,258,413
Finance costs	35	8,387,492	4,959,755
Profit before taxation		1,056,266,545	912,298,658
Taxation	36	330,375,342	285,834,489
Profit for the year		725,891,203	626,464,169
			Restated
Earnings per share - basic and diluted	37	25.37	21.90

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

Dr. Adeel Abbas Haideri	Taufiq Ahmed Khan	Javed Hussain
Chief Executive Officer	Director	Chief Financial Officer

Statement of Comprehensive Income

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees Restated
Profit for the year		725,891,203	626,464,169
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement adjustments on defined benefit plan - net of tax		(17,263,203)	(11,280,880)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	8	14,886,999	6,101,057
Total other comprehensive loss - net of tax		(2,376,204)	(5,179,823)
Total comprehensive income for the year		723,514,999	621,284,346

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

Dr. Adeel Abbas Haideri	Taufiq Ahmed Khan	Javed Hussain
Chief Executive Officer	Director	Chief Financial Officer

Statement of Cash Flows

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,056,266,545	912,298,658
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of operating fixed assets	16.1.1	98,044,124	78,578,655
Amortization of intangible assets	17.1	5,073,017	16,692,851
Gain on disposal of operating fixed assets	34	(15,492,271)	(10,897,854)
Exchange (gain) / loss - net	33	(355,193)	7,643,364
Provision for slow moving and obsolete stocks	19.1	4,024,543	2,683,726
Provision for defined benefit obligation	11.3.3	49,030,111	44,210,142
Provision for Worker's Profit Participation Fund	12.3	56,711,066	48,011,417
Finance costs	35	8,387,492	4,959,755
Provision for doubtful debts	20.2	-	1,571,012
		205,422,889	193,453,068
Profit before working capital changes		1,261,689,434	1,105,751,726
Working capital changes:			
(Increase) / decrease in current assets:			
Stock in trade		(241,413,562)	(125,585,058)
Trade debts		(30,462,364)	(177,108,757)
Advances		(17,384,285)	16,793,828
Trade deposits and short term prepayments		(6,243,318)	(6,906,098)
Profit accrued		1,696,822	(780,584)
Other receivables		1,361,985	(1,478,026)
Loan to subsidiary		-	(20,000,000)
Tax refund due from government		(2,027,056)	4,802,024
Increase / (decrease) in current liabilities:			
Trade and other payables		(109,255,839)	(123,548,447)
		(403,727,617)	(433,811,118)
Cash generated from operations		857,961,817	671,940,608
Taxes paid		(359,170,983)	(381,579,171)
Gratuity paid		(57,185,554)	(18,386,753)
Finance cost paid		(8,421,051)	(4,914,342)
Net cash flow generated from operating activities		433,184,229	267,060,342

Statement of Cash Flows

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(99,217,212)	(65,987,470)
Additions in long term advances		(13,242,089)	(544,948)
Proceeds from disposal of short term investment - net		100,000,000	(100,000,000)
Increase in long term deposits - net		(1,325,101)	(584,050)
Proceeds from disposal of operating fixed assets	16.1.4	37,028,793	28,035,197
Net cash flows generated / used in investing activities		23,244,391	(139,081,271)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities - net		(23,959,766)	(25,887,752)
Long term advances - net		10,382,924	12,195,237
Dividend paid		(275,442,666)	(182,419,985)
Net cash flows used in financing activities		(289,019,508)	(196,112,500)
Net increase in cash and cash equivalents		167,409,112	(68,133,429)
Cash and cash equivalents at beginning of the year		612,566,431	680,699,860
Cash and cash equivalents at end of the year	27	779,975,543	612,566,431

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

Dr. Adeel Abbas Haideri Chief Executive Officer	Taufiq Ahmed Khan Director	Javed Hussain Chief Financial Officer

Statement of Changes in Equity

For The Year Ended 31 December 2018

	Share capital	Capital Reserves Revaluation Surplus on PPE	Revenue reserves General reserve	Revenue reserves Unappropriated profit	Revenue reserves Sub total	Total
	----------	----------	----------	Rupees	----------	----------
Balance as at 01 January 2017	228,056,400	-	114,000,000	1,262,455,659	1,376,455,659	1,604,512,059
Adjustment due to change in accounting policy note - 6	-	209,883,736	-	-	-	209,883,736
Balance as at 01 January 2017 - restated	228,056,400	209,883,736	114,000,000	1,262,455,659	1,376,455,659	1,814,395,795
Profit for the year ended 31 December 2017	-	-	-	626,464,169	626,464,169	626,464,169
Other comprehensive loss	-	-	-	(11,280,880)	(11,280,880)	(11,280,880)
Total comprehensive income for the year	-	-	-	615,183,289	615,183,289	615,183,289
Surplus transferred to accumulated profit						
On account of incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	(6,101,057)	-	6,101,057	6,101,057	-
Effect on change in tax rate on account of surplus on property, plant and equipment	-	-	-	-	-	-
Effect of change in proportion of normal sales	-	77,449	-	-	-	77,449
Addition during the year in revaluation surplus	-	180,143,027	-	-	-	180,143,027
Transaction with owners of the company, recognized directly in equity - Distributions						
Issuance of bonus shares @ 12%	27,366,760	-	-	(27,366,760)	(27,366,760)	-
Final dividend @ Rs. 8.50 per share for the year ended 31 December 2016	-	-	-	(193,847,940)	(193,847,940)	(193,847,940)
Balance as at 31 December 2017 - restated	255,423,160	384,003,155	114,000,000	1,662,525,305	1,776,525,305	2,415,951,620
Balance as at 1 January 2018	255,423,160	-	114,000,000	1,662,525,305	1,776,525,305	2,415,951,620
Effect of change in accounting policy as stated in note - 6	-	384,003,155	-	-	-	-
Balance as at 1 January 2018	255,423,160	384,003,155	114,000,000	1,662,525,305	1,776,525,305	2,415,951,620
Profit for the year ended 31 December 2018	-	-	-	725,891,203	725,891,203	725,891,203
Other comprehensive loss	-	-	-	(17,263,203)	(17,263,203)	(17,263,203)
Total comprehensive income for the year	-	-	-	708,628,000	708,628,000	708,628,000
Surplus transferred to accumulated profit						
On account of incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	(14,886,999)	-	14,886,999	14,886,999	-
Effect on change in tax rate on account of surplus on property, plant and equipment	-	1,701,013	-	-	-	1,701,013
Effect of change in proportion of normal sales	-	(407,769)	-	-	-	(407,769)
Transaction with owners of the company, recognized directly in equity - Distributions						
Issuance of bonus shares @ 12%	30,650,770	-	-	(30,650,770)	(30,650,770)	-
Final dividend @ Rs. 10 per share for the year ended 31 December 2017	-	-	-	(255,423,160)	(255,423,160)	(255,423,160)
Balance as at 31 December 2018	286,073,930	370,409,400	114,000,000	2,099,966,374	2,213,966,374	2,870,449,704

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

Dr. Adeel Abbas Haideri Chief Executive Officer	Taufiq Ahmed Khan Director	Javed Hussain Chief Financial Officer

Notes to the Financial Statements

For The Year Ended 31 December 2018

1. CORPORATE INFORMATION

Highnoon Laboratories Limited ("the Company") was incorporated as a private limited company in Pakistan in year 1984 under the Companies Act, 1913 which was repealed by Companies Ordinance, 1984 (repealed with the enactment of Companies Act, 2017) and converted into an unquoted public limited company in 1985. Its shares are quoted on Pakistan Stock Exchange since November 1994. The Company is principally engaged in the manufacture, import, sale and marketing of pharmaceutical and allied consumer products. The registered office of the Company is situated at 17.5 Km, Multan Road, Lahore.

1.1 Geographical location and addresses of major business units of the Company are as under:

Business Units	Geographical Location	Address
Regional Marketing Office	Lahore	2nd Floor , 587 - Block H-III, Abdul Haq Road, Opposite Emporium Mall Gate No. 5, Johar Town, Lahore.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS IN THE CURRENT REPORTING YEAR

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- The accounting policies for surplus on revaluation of property, plant and equipment was changed during the year due to enactment of the Companies Act, 2017. Consequently, some of the amounts reported in the prior years have been restated (note 6).

- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified (note 47).

- For a detailed discussion about the Company's performance please refer to the Director's report.

3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

3.1 Statement of compliance

3.1.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standard (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and

- Provision and directives issued under the Companies Act, 2017.

- Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act , 2017 have been followed.

Notes to the Financial Statements

For The Year Ended 31 December 2018

3.1.2 The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of financial statements of the Company. These changes also include change in respect of surplus on revaluation of property, plant and equipment as fully explained in note 4.7 and 6.

Further, the disclosure requirement contained in the fourth schedule to the Act has been revised, resulting in the:

- Elimination of duplicate disclosures with the IFRS disclosure requirements; and
- Incorporation of significant additional disclosures.

Keeping in view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act along with the impact on the recognition and measurement of the revaluation surplus on property, plant and equipment in equity.

3.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for revaluation of certain assets as referred to in Note 4.7 and recognition of certain employees retirement benefits at present value. In these financial statements all the transactions have been accounted for on accrual basis.

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

3.3 Functional and presentation currency

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

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS EFFECTIVE IN THE CURRENT PERIOD

The Company has adopted the following revised standard, amendments and interpretation of IFRS which became effective for the current year.

Standard or Interpretation

- IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)
- IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration

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

4.1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Notes to the Financial Statements

For The Year Ended 31 December 2018

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	4.4
-	Property, plant and equipment	4.7
-	Intangibles assets	4.8
-	Impairment of non-financial assets	4.14
-	Taxation	4.19
-	Provisions	4.23
-	Impairment of financial assets	4.24

4.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for as mentioned in note 3.1 and as follows:

4.3 Segment reporting

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

4.4 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for all of its permanent employees who have joined on or before 19 March 2013, under which benefits are paid on cessation of employment subject to a minimum qualifying period of service. Qualified actuaries have carried out the valuation as at 31 December 2018 using the project unit credit method.

Remeasurement adjustments are recognized in other comprehensive income when they occur. Amounts recorded in profit or loss are limited to current and past service cost, gains or losses on settlements, and net interest income / (expense). All other changes in net defined benefit liability are recognized in other comprehensive income with no subsequent recycling to profit or 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% (2017: 8.33%) of basic salary and cost of living allowance.

Compensated leave absences

Provision for compensated leave absences is made to the extent of value of accumulated accrued leaves / leave fare assistance of the employees at the balance sheet date as per entitlement on the basis of last drawn salary. The managers or other executives are not allowed to carry forward un-availed leaves while labour can carry forward maximum 10 un-availed leaves for a maximum period of one year.

Notes to the Financial Statements

For The Year Ended 31 December 2018

4.5 Foreign currency translation

All monetary assets and liabilities in foreign currency are translated at the rates of exchange prevailing at the reporting 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 or loss account.

4.6 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of consideration to be paid in the future, for goods and services to be received, whether or not billed to the Company.

4.7 Property, plant and equipment

Owned operating assets:

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

Deprecation is charged on reducing balance method at the rates in note 16.1 to write off the cost / revalued amount of an asset over its estimated useful life. The asset's 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 equity.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

A revaluation surplus is recorded in other comprehensive income (OCI) and presented as a separate part of equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognized in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets. The revaluation reserve is not available for distribution to the Company's shareholders.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to unappropriated profit.

Leasehold assets:

Leases, where all the risks and rewards incidental to ownership of the leased assets have been transferred to the Company, are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of

Notes to the Financial Statements

For The Year Ended 31 December 2018

minimum lease payments under the lease agreements and the fair value of the leased assets at the commencement of lease, less accumulated depreciation and any identified impairment loss.

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

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

Assets acquired under finance lease are depreciated over the useful lives of assets on reducing balance method at the rates given in Note 16.1. The asset's 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 or 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.

4.8 Intangible assets

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

Changes in the expected useful lives or the expected pattern of consumption of future economic benefits at the rate in Note 16, embodied in the intangible assets, are accounted for by changing the recognized period or amortization method, as appropriate, and treated as a change in accounting estimate. The recognized expense on intangible assets with finite lives is recognized in the profit or loss account in the expense category, consistent with the function of the intangible asset.

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

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

4.9 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 or loss account in the period in which they are incurred.

4.10 Investments

Subsidiary Company

Investment in subsidiary company is measured at cost as per the requirements of IAS-27 "Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amounts of the investment and its recoverability to determine whether there is an indication that such investments have suffered an impairment

Notes to the Financial Statements

For The Year Ended 31 December 2018

loss. If such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense in profit or loss account.

Investments available for sale - Quoted securities

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

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

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

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

4.11 Stock in trade

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

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

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

4.12 Trade debts

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

4.13 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 saving accounts.

4.14 Impairment of non-financial assets

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

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

Notes to the Financial Statements

For The Year Ended 31 December 2018

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

4.15 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 / airway bill is prepared for shipment to customers.

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

4.16 Transactions with related parties and transfer pricing

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

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

4.17 Research and development cost

These costs are charged to profit or 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.

4.18 Ijarah

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

4.19 Taxation

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

Current

Provision of current tax is based on the taxable income, alternative corporate tax or minimum tax provisions in accordance with Income Tax Ordinance 2001. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the reporting date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Notes to the Financial Statements

For The Year Ended 31 December 2018

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

4.20 Dividend

Dividend to shareholder's is recognized as a liability in the period in which it is approved.

4.21 Financial instruments

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

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

4.22 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position 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.

4.23 Provisions

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

4.24 Impairment of financial assets

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

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

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

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below and have not been adopted early by the Company:

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Standard or Interpretation	Effective date: (Annual periods beginning on or after)
IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments).	01 January 2020
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment).	Not yet finalized
IFRS 15	Revenue from Contracts with Customers.	01 July 2018
IFRS 9	Prepayment Features with Negative Compensation - (Amendments).	01 January 2019
IFRS 16	Leases.	01 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures – (Amendments).	01 January 2020
IAS 19	Employee benefits (amendments) - Plan Amendment, Curtailment or Settlement.	01 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments.	01 January 2019
IFRIC 22	Foreign Currency Translations and Advance Consideration - (Amendments).	01 January 2020
		Effective date: "(Annual periods ending on or after)"
IFRS 9	Financial Instruments*	30 June 2019

*The SECP has modified the effective date of application of IFRS 9 in place of IAS 39, through SRO. 229 (I)/2019, dated: 14 February, 2019, as reporting period / year ending on or after June 30, 2019.

The Company expects that the adoption of the above standards, amendments and interpretations will have no material effect in the period of initial application except for IFRS 16 - Leases, IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contract with Customers. The management of the Company is in the process of assessing the impact of changes laid down by the IFRS 9, IFRS 16 and IFRS 15 on its financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

		IASB effective date (Annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 17	Insurance Contracts	01 January 2021

The above amendments and interpretations are not expected to have any significant impact on the financial statements of the Company.

Notes to the Financial Statements

For The Year Ended 31 December 2018

6. Changes in accounting policy:

During current year, the Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984.The repealed Ordinance specified the accounting treatment for the surplus / (deficit) on revaluation of property, plant and equipment, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit or loss account as an impairment of the assets. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IFRS are being followed by the Company. The new accounting policy is explained under note 4.7 above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity and the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with applicable financial reporting standards. Accordingly, any surplus/(deficit) arising on revaluation of fixed assets is accounted for at individual asset level wherein any deficit on revaluation is charged to profit or loss account after netting off any surplus already recorded on that asset.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information and the Company has presented its statement of financial position as at the beginning of the earliest comparative period i.e., January 01, 2017, and related notes in accordance with requirement of IAS 1- Presentation of Financial Statements (Revised) (IAS 1). Had the accounting policy not been changed, the surplus on revaluation of freehold land would have been shown as a separate line item (below equity in the statement of financial position) amounting to Rs. 384,003,155 and Rs. 209,883,736 for the year ended 31 Dec 2017 and 31 December 2016 respectively.

	as at 01 January 2017			as at 31 December 2017		
	As previously reported	Adjustments	As restated (restated)	As previously reported	Adjustments	As restated (restated)
Effect on statement of financial position:						
Surplus on revaluation of PPE (below equity)	209,883,736	(209,883,736)	-	384,003,155	(384,003,155)	-
Share capital and reserves	-	209,883,736	209,883,736	-	384,003,155	384,003,155
Effect on statement of changes in equity:						
Capital reserves						

	2018		
Effect on statement of other comprehensive income:	As previously reported	Adjustments	As restated (restated)
Incremental Depreciation Transferred to Retained Earnings	-	14,886,999	14,886,999

Notes to the Financial Statements

For The Year Ended 31 December 2018

7. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	Note	2018 Rupees	2017 Rupees
5,905,000 (2017: 5,905,000) ordinary shares of Rs. 10 each fully paid in cash		59,050,000	59,050,000
95,000 (2017: 95,000) ordinary shares of Rs.10 each issued for consideration other than cash	7.1	950,000	950,000
22,607,393 (2017: 19,542,316) ordinary shares of Rs. 10 each issued as bonus shares		226,073,930	195,423,160
	7.2	286,073,930	255,423,160

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

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

	2018 Number	2017 Number	2018 Rupees	2017 Rupees
Issued, subscribed and paid-up of Rs. 10 each as at 01 January	25,542,316	22,805,640	255,423,160	228,056,400
Issuance of bonus shares of Rs. 10 each	3,065,077	2,736,676	30,650,770	27,366,760
Issued, subscribed and paid-up of Rs. 10 each as at 31 December	28,607,393	25,542,316	286,073,930	255,423,160

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
8. SURPLUS ON REVALUATION OF FIXED ASSETS			
Gross surplus on revaluation of fixed assets as at 01 January		440,703,587	233,239,791
Additions during the year		-	215,900,458
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit:			
Net of deferred tax		(14,886,999)	(6,101,057)
Related deferred tax liability		(5,670,043)	(2,335,605)
		(20,557,042)	(8,436,662)
		420,146,545	440,703,587
Less related deferred tax liability on:			
Balance at the beginning of the year		56,700,432	23,356,055
Addition during the year		-	35,757,431
Effect of change in proportion of normal sales		407,769	(77,449)
Effect of change in tax rate		(1,701,013)	-
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		(5,670,043)	(2,335,605)
	11.1	49,737,145	56,700,432
Surplus on revaluation of fixed assets as at 31 December	8.1	370,409,400	384,003,155

8.1 This represent surplus arising on revaluation of freehold land, building on freehold land, plant and machinery both owned and leased. This has been adjusted by incremental depreciation arising due to revaluation, net of deferred tax. The latest revaluation of land, building on freehold land and plant and machinery was carried out on 31 December 2017 by M/S Surval which resulted in a surplus of Rs. 215 million. In the current year 2018 there is no increase in the surplus amount.

	Note	2018 Rupees	2017 Rupees
9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		69,249,350	31,603,616
Less: Current portion shown under current liabilities	14	24,763,256	17,161,328
		44,486,094	14,442,288

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Minimum lease payments	Finance cost for future periods	Principal outstanding
	2018		
	----------Rupees----------		
Not later than one year	29,568,460	4,805,204	24,763,256
Later than one year but not later than five years	48,904,573	4,418,479	44,486,094
	78,473,033	9,223,683	69,249,350
	2017		
	----------Rupees----------		
Not later than one year	18,922,140	1,760,812	17,161,328
Later than one year but not later than five years	15,641,542	1,199,254	14,442,288
	34,563,682	2,960,066	31,603,616

Salient features of the leases are as follows:	2018	2017
Discounting factor	7.00%-11.3%	7.00%-8.50%
Period of lease	36 - 48 months	36 - 48 months
Security deposits	5%-10%	5%-10%

The Company has entered into finance lease arrangements with various financial institutions for leased vehicles as shown in Note 16.1. The liabilities under these arrangements are payable in monthly installments and above mentioned mark-up rates are used as discounting factor to determine the present value of minimum lease payments.

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

	Note	2018 Rupees	2017 Rupees
10. LONG TERM ADVANCES			
Balance at 31 December		56,303,880	45,920,956
Less: Current portion shown under current liabilities	14	12,193,574	10,404,344
		44,110,306	35,516,612

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

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
11. DEFERRED LIABILITIES			
Deferred tax - net	11.1	17,289,233	31,021,399
Gratuity	11.3	356,835,157	342,208,530
		374,124,390	373,229,929
11.1 Deferred tax - net			
Deferred tax liabilities on taxable temporary differences:			
Surplus on revaluation of assets	8	49,737,145	56,700,432
Accelerated tax depreciation		43,722,774	49,778,320
Finance lease		4,486,861	3,735,750
		97,946,780	110,214,502
Deferred tax assets on deductible temporary differences:			
Provision for doubtful debts		(701,891)	(720,141)
Provision for gratuity		(77,644,735)	(75,629,303)
Provision for stock		(2,310,921)	(2,843,659)
		(80,657,547)	(79,193,103)
Net deferred tax liability		17,289,233	31,021,399
11.2 Movement in deferred tax balances is as follows:			
At beginning of the year		31,021,399	12,010,129
Recognized as deferred tax expense / (income) in profit or loss account:			
- Surplus on revaluation of fixed assets		(5,670,043)	(2,335,605)
- Accelerated tax depreciation on fixed assets		(6,055,546)	(4,126,719)
- Leased Assets		751,111	(120,416)
- Provision for Stock		532,739	1,498,058
- Provision for doubtful debts		18,250	(430,053)
- Gratuity		3,503,435	(6,957,641)
		(6,920,054)	(12,472,376)
Recognized in surplus on revaluation of fixed assets:			
-Effect of revaluation during the year		-	35,757,431
-Effect of change in tax rate		(1,701,013)	-
-Effect of change in proportion of Normal sales		407,769	(77,449)
		(1,293,244)	35,679,982
Recognized as deferred tax expense in other comprehensive income:			
- Gratuity		(5,518,868)	(4,196,336)
		17,289,233	31,021,399

Notes to the Financial Statements

For The Year Ended 31 December 2018

11.3 Gratuity

11.3.1 General description:

As discussed in note 4.4, the Company operates an unfunded gratuity scheme for its 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 2018 using the projected unit credit method.

	Note	2018 Rupees	2017 Rupees
11.3.2 Statement of financial position:			
Present value of defined benefit obligation	11.3.3	356,835,157	342,208,530
11.3.3 Net recognized liability:			
Liability as at 01 January		342,208,530	293,352,116
Amount recognized during the year	11.3.4	49,030,111	44,210,142
Remeasurement adjustments recognized during the year		22,782,070	15,477,217
Benefit paid during the year		(57,185,554)	(10,830,945)
Liability as at 31 December		356,835,157	342,208,530
11.3.4 Expense recognized in statement of profit or loss:			
Current service cost		23,166,036	21,175,211
Interest cost		25,864,075	23,034,931
Amount chargeable to profit or loss		49,030,111	44,210,142
11.3.5 Remeasurement recognized in other comprehensive income:			
Remeasurement losses in OCI		22,782,070	15,477,217
11.3.6 Movement in the present value of define benefit obligation:			
Liability as at 01 January		342,208,530	293,352,116
Current service cost		23,166,036	21,175,211
Interest cost		25,864,075	23,034,931
Remeasurement adjustments recognized during the year		22,782,070	15,477,217
Benefit paid during the year		(57,185,554)	(10,830,945)
Liability as at 31 December		356,835,157	342,208,530

Notes to the Financial Statements

For The Year Ended 31 December 2018

11.3.7 Historical information for gratuity plan

	2018	2017	2016	2015	2014
	Rupees				
Present value of defined benefit obligation	356,835,157	342,208,530	293,352,116	256,124,870	216,774,395
Remeasurement adjustment arising on plan liabilities	22,782,070	15,477,217	14,019,989	27,758,209	2,412,983
Remeasurement adjustment as percentage of outstanding liability	6.38%	4.52%	4.78%	10.84%	1.11%

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

	2018	2017
- Discount rate	13.25% p.a.	8.25% p.a.
- Expected rate of increase in salary	12.25% p.a.	7.25% p.a.
- Expected average remaining working life time	8 years	9 years
- Mortality rates	SLIC 2001-2005	SLIC 2001-2005

11.3.8 Estimated expense of current service cost and interest cost on defined benefit obligation to be charged to Profit or Loss in 2019 amounting to Rs. 25.7 million and Rs. 45.1 million respectively.

11.3.9 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.

	2018 Rupees	2017 Rupees
Discount rate + 100 bps	328,868,308	316,156,054
Discount rate - 100 bps	388,392,990	372,294,457
Salary increase + 100 bps	388,703,239	372,586,375
Salary increase - 100 bps	328,126,871	315,442,142

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
12. TRADE AND OTHER PAYABLES			
Trade creditors		109,765,948	128,373,331
Bills payable		33,437,220	10,748,773
Accrued expenses		142,619,431	214,793,891
Advances from customers	12.1	30,551,545	16,456,522
Payable to Provident Fund Trust	12.2	6,291,047	5,029,453
Worker's Profit Participation Fund	12.3	1,678,410	1,842,893
Payable to Central Research Fund		10,180,345	9,922,724
Withholding tax payable		7,660,800	8,459,004
Payable to Employees Welfare Trust		526,880	428,012
		342,711,626	396,054,603

12.1 This includes a balance amounting to Rs.3.2 million (2017: Rs. Nil) due to Route 2 Health (Private) Limited, a related party.

12.2 Provident fund

	2018	2017
Balance at the beginning of the year	5,029,453	4,130,226
Addition during the year	32,334,403	25,836,973
Paid during the year	(31,072,809)	(24,937,746)
Closing balance	6,291,047	5,029,453

12.3 Worker's Profit Participation Fund

	Note	2018	2017
Balance at the beginning of the year		1,842,893	2,706,681
Add: Provision for the year	33	56,711,066	48,011,417
		58,553,959	50,718,098
Add: Interest on funds utilized by the Company	35	289,688	125,138
		58,843,647	50,843,236
Less: Paid during the year to the Fund		57,165,237	49,000,343
		1,678,410	1,842,893

12.3.1 Mark-up @ 75% (2017: 63.75%) per annum is provided on unpaid balance of the Fund in accordance with the rules of the Fund.

Notes to the Financial Statements

For The Year Ended 31 December 2018

	2018 Rupees	2017 Rupees
13. SHORT TERM BORROWINGS	-	-

Following are the credit facilities available to the Company but are not availed at year end:

13.1 The Company has short term running finance facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 505 million (2017: Rs. 505 million).Out of these facilities, Rs. 305 million is available as sublimit and can interchangeably be utilized for L/C sight/Usance. These facilities carry mark-up at rates ranging from one month KIBOR to three months KIBOR plus 50 to 100 basis points (2017: one month KIBOR to six months KIBOR plus 100 to 150 basis points) per annum. These facilities along with import credit facility are secured by way of first pari passu charge for Rs. 639.46 million (2017: Rs. 639.46 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 474 million (2017: Rs. 482.5 million) on stocks including but not limited to raw materials, goods in process and finished goods of the Company. The company has also available a lease finance facility amounting to Rs. 150 Million.

13.2 Out of total borrowing facility, an amount of Rs. 50 million (2017: Rs. 50 million) represents Export Refinance Facility obtained from a commercial bank under SBP regulations at a subsidized mark up rate of 4% (2017: 4%) per annum.

13.3 The Company also has aggregate sanctioned import credit facilities available from various commercial banks amounting to Rs. 1,200 million (2017: Rs. 1000 million). Out of these facilities, Rs. 220 million is available as sublimit and can interchangeably be utilized as Running Finance.

	Note	2018 Rupees	2017 Rupees
14. CURRENT PORTION OF LONG TERM LIABILITIES			
Liabilities against assets subject to finance lease	9	24,763,256	17,161,328
Long term advances	10	12,193,574	10,404,344
		36,956,830	27,565,672

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

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

- While finalizing income tax assessments for the tax year 2011, ACIR made additions amounting to Rs. 42.2 million with aggregate tax impact of Rs. 24 million. The Company filed an appeal before CIR (Appeals) who deleted additions aggregating to Rs. 39.7 million. For the remaining amount Rs. 2.5 million the Company has filed an appeal before the ATIR which is pending adjudication. Provision has not been recognized by the Company, as the management expects a favorable outcome.

Notes to the Financial Statements

For The Year Ended 31 December 2018

- The ACIR had issued an amended assessment order u/s 122(1)/122(5)/177 of the Income Tax Ordinance, 2001 and made certain addition amounting to Rs. 24.1 million for the Tax year 2013. The company preferred an appeal to CIR against the aforesaid order. The CIR vide his appellate order, upheld the addition amounting to Rs. 24.1 million. Being aggrieved the company has filed an appeal against the aforementioned addition before the ITAT, which is still pending.

- The Deputy Commissioner Inland Revenue has passed orders under section 161/205 in respect of Tax Years 2013, 2015 and 2016 and created a demand of Rs. 3.7 million based on the observation that the Company has not deducted Withholding Tax while making payment to certain suppliers. Being aggrieved with the order the Company has filed appeal in CIR (Appeals). Provision has not been recognized by the Company, as the management expects a favorable outcome.

- The DCIR issued an order under section 45B of the Sales Tax Act, 1990 by creating demand of Rs. 4.3 million. The Company has preferred appeal against the said order which has been partially decided in the favor of the Company and demand has been reduced by Rs. 3.73 million. The Company has preferred appeal against the remaining addition before ATIR, which is pending adjudication. Provision has not been recognized by the Company, as the management expects a favorable outcome.

- The DCIR issued an order under section 161/205 in respect of income tax year 2014 and created a demand of Rs. 1.5 million based on the observation that the Company has not deducted Withholding Tax while making payments to certain suppliers against purchases and other services. Being aggrieved with the order the Company has filed an appeal before the CIR (Appeals) which is pending adjudication. Provision has not been recognized by the Company, as the management expects a favorable outcome.

	Note	2018 Rupees	2017 Rupees
15.2 Commitments			
Commitments against irrevocable letters of credit include:			
Raw materials		324,563,123	241,304,472
Packing materials		23,515,118	32,055,375
Finished Goods		15,861,921	26,313,228
Plant and machinery		128,128,340	23,536,496
		492,068,502	323,209,571
Rentals under ijarah agreements:			
Not later than one year		9,987,189	19,314,806
Later than one year but not later than five years		17,225,638	3,927,008
		27,212,827	23,241,814

- Bank guarantees issued on behalf of the Company aggregate to Rs. 1.60 million (2017: Rs 1.60 million).

- Facilities of letters of guarantee amounting to Rs. 20 million (2017: Rs. 10 million) are available to the Company under charge of stocks and on present and future current assets and property, plant and equipment of the Company.

	Note	2018 Rupees	2017 Rupees
16. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	16.1	945,085,035	934,825,946
Capital work in progress	16.2	30,982,977	-
		976,068,012	934,825,946

16.1 Operating fixed assets

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

	2018													
	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 2018														
Cost / revalued amount	249,700,000	485,107,146	984,757,500	39,816,307	26,423,197	32,162,868	54,095,194	201,636,548	52,806	204,990	166,100	2,074,122,656	62,922,500	2,137,045,156
Accumulated depreciation	-	330,107,146	666,757,500	17,850,860	14,692,065	20,777,958	43,692,215	90,246,884	50,771	141,766	127,322	1,184,444,487	17,774,723	1,202,219,210
Net book value	249,700,000	155,000,000	318,000,000	21,965,447	11,731,132	11,384,910	10,402,979	111,389,664	2,035	63,224	38,778	889,678,169	45,147,777	934,825,946
Movement during the year														
Additions - cost	-	3,187,218	15,432,676	3,822,971	9,237,019	3,082,129	18,470,961	15,001,261	-	-	-	68,234,235	61,605,500	129,839,735
Transfer from leasehold assets														
Cost	-	-	-	-	-	-	-	5,331,000	-	-	-	5,331,000	(5,331,000)	-
Accumulated Depreciation	-	-	-	-	-	-	-	2,568,357	-	-	-	2,568,357	(2,568,357)	-
	-	-	-	-	-	-	-	2,762,643	-	-	-	2,762,643	(2,762,643)	-
Disposals														
Cost	-	-	-	2,835,775	-	-	-	45,239,353	-	-	-	48,075,128	-	48,075,128
Accumulated Depreciation	-	-	-	642,145	-	-	-	25,896,461	-	-	-	26,538,606	-	26,538,606
	-	-	-	2,193,630	-	-	-	19,342,892	-	-	-	21,536,522	-	21,536,522
Depreciation charge for the year	-	15,526,560	32,789,178	2,106,398	1,333,157	1,189,574	4,824,926	22,212,973	203	6,322	3,878	79,993,169	18,050,955	98,044,124
Closing net book value	249,700,000	142,660,658	300,643,498	21,488,390	19,634,994	13,277,465	24,049,014	87,597,703	1,832	56,902	34,900	859,145,356	85,939,679	945,085,035
At 31 December 2018														
Cost / revalued amount	249,700,000	488,294,364	1,000,190,176	40,803,503	35,660,216	35,244,997	72,566,155	176,729,456	52,806	204,990	166,100	2,099,612,763	119,197,000	2,218,809,763
Accumulated depreciation	-	345,633,706	699,546,678	19,315,113	16,025,222	21,967,532	48,517,141	89,131,753	50,974	148,088	131,200	1,240,467,407	33,257,321	1,273,724,728
Net book value	249,700,000	142,660,658	300,643,498	21,488,390	19,634,994	13,277,465	24,049,014	87,597,703	1,832	56,902	34,900	859,145,356	85,939,679	945,085,035
Depreciation rates (%)		10%	10%	10%	10%	10%	25%	20%	10%	10%	10%		20%	

16.1 Operating fixed assets (continued)

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

	2017													
	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 2017														
Cost / revalued amount	163,440,000	324,430,962	724,835,775	39,231,307	26,218,917	31,330,368	53,380,717	158,276,017	52,806	204,990	166,100	1,521,567,959	73,182,000	1,594,749,959
Accumulated depreciation	-	209,251,827	469,751,176	15,442,755	13,391,825	19,532,829	40,899,018	75,756,798	50,545	134,741	123,013	844,334,527	21,780,909	866,115,436
Net book value	163,440,000	115,179,135	255,084,599	23,788,552	12,827,092	11,797,539	12,481,699	82,519,219	2,261	70,249	43,087	677,233,432	51,401,091	728,634,523
Movement during the year														
Additions - cost	-	-	11,102,301	585,000	204,280	832,500	1,417,665	51,845,724	-	-	-	65,987,470	20,019,500	86,006,970
Revaluation adjustment														
Cost	86,260,000	160,676,184	250,164,724	-	-	-	-	-	-	-	-	497,100,908	-	497,100,908
Accumulated depreciation	-	109,337,405	171,863,045	-	-	-	-	-	-	-	-	281,200,450	-	281,200,450
	86,260,000	51,338,779	78,301,679	-	-	-	-	-	-	-	-	215,900,458	-	215,900,458
Transfer from leasehold assets														
Cost	-	-	-	-	-	-	-	30,279,000	-	-	-	30,279,000	(30,279,000)	-
Accumulated Depreciation	-	-	-	-	-	-	-	14,789,447	-	-	-	14,789,447	(14,789,447)	-
	-	-	-	-	-	-	-	15,489,553	-	-	-	15,489,553	(15,489,553)	-
Disposals														
Cost	-	-	1,345,300	-	-	-	703,188	38,764,193	-	-	-	40,812,681	-	40,812,681
Accumulated Depreciation	-	-	981,165	-	-	-	536,209	22,157,957	-	-	-	23,675,331	-	23,675,331
	-	-	364,135	-	-	-	166,979	16,606,236	-	-	-	17,137,350	-	17,137,350
Depreciation charge for the year	-	11,517,914	26,124,444	2,408,105	1,300,240	1,245,129	3,329,406	21,858,596	226	7,025	4,309	67,795,394	10,783,261	78,578,655
Closing net book value	249,700,000	155,000,000	318,000,000	21,965,447	11,731,132	11,384,910	10,402,979	111,389,664	2,035	63,224	38,778	889,678,169	45,147,777	934,825,946
At 31 December 2017														
Cost / revalued amount	249,700,000	485,107,146	984,757,500	39,816,307	26,423,197	32,162,868	54,095,194	201,636,548	52,806	204,990	166,100	2,074,122,656	62,922,500	2,137,045,156
Accumulated depreciation	-	330,107,146	666,757,500	17,850,860	14,692,065	20,777,958	43,692,215	90,246,884	50,771	141,766	127,322	1,184,444,487	17,774,723	1,202,219,210
Net book value	249,700,000	155,000,000	318,000,000	21,965,447	11,731,132	11,384,910	10,402,979	111,389,664	2,035	63,224	38,778	889,678,169	45,147,777	934,825,946
Depreciation rates (%)		10%	10%	10%	10%	10%	25%	20%	10%	10%	10%		20%	

Notes to the Financial Statements

For The Year Ended 31 December 2018

		Note	2018 Rupees	2017 Rupees
16.1.1	Depreciation charge has been allocated as under:			
	Cost of sales	29	55,235,464	44,233,359
	Distribution, selling and promotional expenses	30	20,937,243	16,973,766
	Administrative and general expenses	31	21,871,417	17,371,530
			98,044,124	78,578,655

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

16.1.3 Had the assets not been revalued, the carrying values would have been:

	2018	2017
Land - freehold	14,566,828	14,566,828
Building on freehold land	77,774,542	82,904,315
Plant and machinery (Owned)	180,516,241	184,525,270
	272,857,611	281,996,413

16.1.4 Disposal of property, plant and equipment

Description		Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sale	Particulars of Purchasers
		---------- Rupees ----------						
Vehicles sold to employees:								
Vehicle Type								
Cars	Reg. No							
Honda City	LEA-14-2854	1,512,000	788,820	723,180	748,524	25,344	Company Policy	Aamir Bashir
Honda City	LEA-13-5466	1,512,000	1,001,065	510,935	510,935	-	Company Policy	Jawad Zafar
Honda City	LEC-12-6386	1,488,000	1,078,291	409,709	409,709	-	Company Policy	Azfar Shams
Suzuki Cultus	LEE-16-8929	1,119,000	420,744	698,256	928,770	230,514	Company Policy	Syed Ashar Hussain
Suzuki Cultus	LEA-14-1384	1,059,000	604,750	454,250	753,807	299,557	Company Policy	Ghulam Mustafa
Suzuki Cultus	LEA-14-3167	1,059,000	636,530	422,470	753,761	331,291	Company Policy	Mateen Shahzad
Suzuki Cultus	LEA-16-7920	1,044,000	486,968	557,032	852,726	295,694	Company Policy	Sameer Jan
Suzuki Cultus	LEF-14-7975	1,039,000	601,013	437,987	753,807	315,820	Company Policy	Muhammad Asad Ullah
Suzuki Cultus	LEF-14-7816	1,039,000	567,322	471,678	782,738	311,060	Company Policy	Nasir Khan
Suzuki Cultus	LEC-12-2731	1,020,000	754,470	265,530	623,406	357,876	Company Policy	Muhammad Ramzan
Suzuki Cultus	LEA-13-3428	1,005,000	690,089	314,911	678,696	363,785	Company Policy	Anis Ur Rehman
Suzuki Mehran VXR EII	LE-15A-3408	790,962	300,038	490,924	696,999	206,075	Company Policy	Muddasser Jamal
Suzuki Mehran VXR-EII	LE-17A-8658	739,500	24,650	714,850	714,850	-	Company policy	Farooq ul hassan
Suzuki Mehran VXR-EII	LE-17A-8659	739,500	24,650	714,850	714,850	-	Company policy	Mohammad Junaid
Suzuki Mehran VXR-EII	LE-17A-8660	739,500	24,650	714,850	714,850	-	Company policy	Mohammad Afzal
Suzuki Mehran VXR-EII	LE-17A-8661	739,500	24,650	714,850	714,850	-	Company policy	Waqar ul Hassan
Suzuki Mehran VXR-EII	LE-17A-8662	739,500	24,650	714,850	714,850	-	Company policy	Jahanzeb Rahim
Suzuki Cultus VXR EII	LEA-16A-7921	708,000	242,608	465,392	590,000	124,608	Insurance Claim	Insurance Company
Suzuki Mehran	LEA-14-1845	693,000	378,988	314,012	516,671	202,659	Company Policy	Syed Riffat Irfan Ahmed
Suzuki Mehran	LEA-14-3678	688,000	398,563	289,437	491,175	201,738	Company Policy	Alam Zeb Khan
Suzuki Mehran VX EII	LEC-14-8058	683,000	395,666	287,334	497,242	209,908	Company Policy	Muhammad Naveed Shahzad
Suzuki Cultus VXR EII	LED-16-8284	683,000	233,131	449,869	599,440	149,571	Company Policy	Zeeshan Ali
Suzuki Mehran VXR EII	LEA-13-6562	673,000	410,969	262,031	474,463	212,432	Company Policy	Hina Rasheed
Suzuki Mehran VX EII	LEA-13-6561	673,000	406,451	266,549	490,656	224,107	Company Policy	Shafiq Ahmad
Suzuki Mehran VXR EII	LEA-13-7112	668,000	443,181	224,819	779,108	554,289	Company Policy	Hassan ur Rehman
Suzuki Mehran VX EII	LEA-13-6726	668,000	444,550	223,450	448,433	224,983	Company Policy	Yasir Arfat
Suzuki Mehran VX EII	LEC-14-8051	663,000	384,080	278,920	600,000	321,080	Insurance Claim	Insurance Company
Suzuki Mehran VXR EII	LEA-13-6029	658,000	444,183	213,817	444,475	230,658	Company Policy	Usman Wahid Bhatti
Suzuki Mehran VXR EII	LEA-13-5192	657,000	418,840	238,160	466,222	228,062	Company Policy	Noureen Afzal
Suzuki Mehran VXR EII	LEA-13-4615	657,000	427,661	229,339	444,200	214,861	Company Policy	Qadir Khan
Suzuki Mehran VXR EII	AZF-846	652,000	447,996	204,004	444,320	240,316	Company Policy	Muhammad Farhan
Suzuki Mehran	LEA-14-3727	640,000	344,360	295,640	570,000	274,360	Insurance Claim	Insurance Company
Suzuki Mehran VXR EII	LEF-14-9051	635,000	372,014	262,986	480,811	217,825	Company Policy	Muhammad Younis
Suzuki Mehran	LE-14-2082	423,191	205,013	218,178	444,256	226,078	Company Policy	Rajesh Raiy

Notes to the Financial Statements

For The Year Ended 31 December 2018

16.1.4 Disposal of property, plant and equipment

Description		Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sale	Particulars of Purchasers
		---------- Rupees ----------						
Vehicles sold to employees:								
Vehicle Type								
Bikes	Reg. No							
Honda CD 70	KHC-1005	69,900	42,223	27,677	60,000	32,323	Insurance Claim	Insurance Company
Honda CD 70	BDD-206	69,900	42,223	27,677	60,000	32,323	Insurance Claim	Insurance Company
Honda CD 70	KGM-8113	68,000	45,114	22,886	57,500	34,614	Insurance Claim	Insurance Company
Honda CD 70	LEO-17A-3086	63,500	17,621	45,879	63,500	17,621	Company Policy	Abdul Hanan
Honda CD 70	LEM-16B-3157	63,500	20,038	43,462	63,500	20,038	Company Policy	Abid Khan
Honda CD 70	LEO-15B-6613	63,500	30,864	32,636	63,500	30,864	Company Policy	Babar Mushtaq
Honda CD 70	LEV-16A-9530	63,500	20,814	42,686	63,500	20,814	Company Policy	Baqir Fayyaz
Honda CD 70	LEY-15-7713	63,500	31,214	32,286	55,500	23,214	Company Policy	Danish Iqbal
Honda CD 70	LEQ-16B-6237	63,500	17,709	45,791	63,500	17,709	Company Policy	Deepak Singh
Honda CD 70	LEO-15B-8725	63,500	30,198	33,302	63,500	30,198	Company Policy	Ghulam Murtaza
Honda CD 70	LEL-16-5108	63,500	30,864	32,636	63,500	30,864	Company Policy	Hafiz Muhammad Aleem Saqib
Honda CD 70	LEV-15A-2981	63,500	30,582	32,918	63,500	30,582	Company Policy	Haseeb Ahmed
Honda CD 70	LEO-15B-6603	63,500	30,864	32,636	63,500	30,864	Company Policy	Iqbal Manzoor
Honda CD 70	LEQ-17A-3418	63,500	18,556	44,944	63,500	18,556	Company Policy	Irfan Bacha
Honda CD 70	KIK-7443	63,500	28,730	34,770	63,500	28,730	Company Policy	Jazib Talal
Honda CD 70	LEP-17B-8273	63,500	7,303	56,197	63,500	7,303	Company Policy	Muhammad Atif
Honda CD 70	LEO-15B-1265	63,500	29,453	34,047	63,500	29,453	Company Policy	Muhammad Azeem
Honda CD 70	LEY-15-7188	63,500	31,835	31,665	63,500	31,835	Company Policy	Muhammad Mushtaq
Honda CD 70	LEO-15A-8305	63,500	29,972	33,528	63,500	29,972	Company Policy	Muhammad Raheel Yasir
Honda CD 70	LEY-15-5479	63,500	31,835	31,665	63,500	31,835	Company Policy	Muhammad Saleem
Honda CD 70	LEM-16B-3147	63,500	17,667	45,833	55,500	9,667	Insurance Claim	Insurance Company
Honda CD 70	LEY-15-5438	63,500	31,835	31,665	63,500	31,835	Company Policy	Munawar Saeed Shakoor
Honda CD 70	LEO-15B-6579	63,500	30,198	33,302	63,500	30,198	Company Policy	Qasim Ali
Honda CD 70	KIE-8925	63,500	30,582	32,918	63,500	30,582	Company Policy	Rafique Ahmed
Honda CD 70	LEO-15B-6583	63,500	30,198	33,302	63,500	30,198	Company Policy	Rana Muhammad Ishaq
Honda CD 70	LEL-16-5120	63,500	30,864	32,636	63,500	30,864	Company Policy	Raza Khan
Honda CD 70	LEZ-16-1735	63,500	26,077	37,423	63,500	26,077	Company Policy	Sadiq Akbar
Honda CD 70	LEO-15A-8303	63,500	30,582	32,918	63,500	30,582	Company Policy	Syed Zain Ul Abideen
Honda CD 70	LEY-15-5431	63,500	31,835	31,665	63,500	31,835	Company Policy	Umair Saeed
Honda CD 70	LEY-15-5443	63,500	31,835	31,665	63,500	31,835	Company Policy	Umar Farooq
Honda CD 70	LEV-16-2405	63,500	21,872	41,628	65,000	23,372	Company Policy	Usama Ali
Honda CD 70	LEO-15B-8723	63,500	25,535	37,965	63,500	25,535	Company Policy	Waseem Ali
Honda CD 70	LEN-17-8404	63,500	8,202	55,298	63,500	8,202	Company Policy	Wasim Ashraf
Honda CD 70	LEO-15B-6587	63,500	24,203	39,297	63,500	24,203	Company Policy	Zahid Latif
Honda CD 70	LEO-15A-8309	63,500	30,582	32,918	63,500	30,582	Company Policy	Zakir Khan
Vehicles sold to others:								
Cars								
Toyota Corolla	LED-10-5624	1,830,000	1,471,380	358,620	1,125,000	766,380	Negotiation	Muhammad Asif
Honda City	AYZ-303	1,578,500	1,112,083	466,417	1,172,786	706,369	Negotiation	Shahid
Toyota Corolla	LEA-13-4726	1,554,500	1,039,462	515,038	1,405,000	889,962	Negotiation	Sajjad Mahmood
Honda Civic	LEB-08-6776	1,519,500	1,358,044	161,456	1,156,600	995,144	Negotiation	Irfan Shah
Honda City	LEB-09-5692	1,312,000	1,144,222	167,778	1,052,000	884,222	Negotiation	Sajjad Mahmood
Suzuki Cultus	LRG-4567	1,079,000	1,050,147	28,853	425,000	396,147	Negotiation	Muhammad Hamza
Honda City	LED-07-4988	840,500	766,196	74,304	900,786	826,482	Negotiation	Saleem Akhtar
Suzuki Mehran VX EII	LEE-17-9042	718,000	189,073	528,927	683,100	154,173	Negotiation	Irfan Shah
Suzuki Bolan	LEA-14-1840	695,000	385,913	309,087	585,000	275,913	Negotiation	Ali Akbar
Suzuki Bolan	LEA-13-6203	680,000	446,270	233,730	515,100	281,370	Negotiation	Sameer Khan
Suzuki Bolan	LEA-13-5463	674,000	429,371	244,629	505,000	260,371	Negotiation	Aman Ullah
Suzuki Mehran VX EII	LED-15-8477	667,000	346,484	320,516	577,700	257,184	Negotiation	Irfan Shah
Suzuki Mehran VX EII	LEA-14-3728	640,000	333,801	306,199	530,000	223,801	Negotiation	Aman Ullah
Suzuki Mehran VXR- EII	LEF-14-9052	635,000	361,899	273,101	510,000	236,899	Negotiation	Muhammad Usman
Bikes								
Honda cd 70	LEL-14B-9759	69,900	40,434	29,467	24,000	(5,467)	Negotiation	Ali Ahmed
		45,239,353	25,896,461	19,342,892	34,211,672	14,868,780		
Office Equipment								
Metal Detector		2,835,775	642,145	2,193,630	2,817,121	623,491	Negotiation	Abbott Laboratories Pak Ltd
		2,835,775	642,145	2,193,630	2,817,121	623,491		
2018		48,075,128	26,538,606	21,536,522	37,028,793	15,492,271		
2017		40,812,681	23,675,331	17,137,350	28,035,197	10,897,854		

Notes to the Financial Statements

For The Year Ended 31 December 2018

16.1.5 Forced sale value as per the last revaluation report as of 31 December 2017 - note 16.1.6

Asset Class	Forced sale value
	------Rupees ------
Freehold land	199,760,000
Building on freehold land	124,000,000
Plant and machinery	254,400,000
Total	578,160,000

16.1.6 The above amount does not include property (i.e. land and building), plant and machinery which are capitalized from 1st January 2018 to 31 December 2018.

16.1.7 Particulars of immovable assets of the Company are as follows:

Location and address	Usage of immovable property	Land area (kanal)	Coverage area (sqr.ft)
Land: Situated at 17.5 KM Multan Road Hadbast Mouza Kanjra, Tehsil & Distt. Lahore	Head Office, Manufacturing and Registered Office	45.4	246,976
Building: 17.5 KM Multan Road Hadbast Mouza Kanjra, Tehsil & Distt. Lahore	Head Office, Manufacturing and Registered Office	28.9	157,160

16.2 Capital work in progress

	Plant and machinery		Others	
	2018	2017	2018	2017
Movement in capital work in progress is as follows:	----------------------------- Rupees		-----------------------------	
Opening balance	-	-	-	-
Additions during the year	30,982,977	-	14,603,484	-
Capitalized during the year	-	-	(14,603,484)	-
	30,982,977	-	-	-

Notes to the Financial Statements

For The Year Ended 31 December 2018

17. INTANGIBLE ASSETS

PARTICULARS	COST			AMORTIZATION			Book value as at 31 December 2018	Rate %
2018	As at 01 January 2018	Additions	As at 31 December 2018	As at 01 January 2018	For the year	As at 31 December 2018		
	-------------------			Rupees		-------------------		
Registration and trademark*	154,434,175	-	154,434,175	149,361,158	5,073,017	154,434,175	-	10
Computer software	11,305,681	-	11,305,681	11,305,681	-	11,305,681	-	10-33
	165,739,856	-	165,739,856	160,666,839	5,073,017	165,739,856	-	

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

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

In the current year the intangible assets includes fully amortized registration & trade mark and computer software.

17.1 Amortization charge has been allocated as under:

	Note	2018 Rupees	2017 Rupees
Cost of sales	29	4,199,712	15,443,418
Distribution, selling and promotional expenses	30	873,305	1,249,433
		5,073,017	16,692,851

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
18. LONG TERM INVESTMENT			
Subsidiary Company - Unlisted			
Curexa Health (Private) Limited			
(formerly Procef Laboratories (Private) Limited)			
20,000,000 (2017: 20,000,000) ordinary shares			
of Rs.10 equity held: 100% (2017: 100%)	18.1	200,000,000	200,000,000

18.1 Curexa Health (Private) Limited (formerly Procef Laboratories (Private) Limited) a wholly owned subsidiary company engaged in the production of cephalosporin drugs was incorporated on 10 June 2015 as a private limited company with an authorized share capital of Rs. 200 million. It is set up with the principle object to carry on business as manufacturers, importers, exporters, producers, preparers, refiners, buyer, seller and dealers of all kinds of pharmaceutical, drugs, medicines, medicaments, basic raw material, herbs salts, acids, alkalis, chemicals & surgical material, instruments and appliances patent and proprietary articles. It owns Greenfield pharmaceuticals project that envisages production of cephalosporin drugs. Investment into Subsidiary Company will provide the Company with an access to a dedicated Cephalosporin manufacturing facility and a quick entry into the Cephalosporin market.

18.2 Investments in associated company has been made in accordance with the requirements of Companies Act, 2017

	Note	2018 Rupees	2017 Rupees
19. STOCK IN TRADE			
Raw materials			
In hand		575,196,237	559,879,435
In transit		125,235,676	70,525,143
With third party		10,782,962	16,867,741
		711,214,875	647,272,319
Packing material			
In hand		181,389,732	139,470,565
In transit		11,201,294	4,592,598
With third party		-	2,751,235
		192,591,026	146,814,398
Work in process		111,922,424	75,994,076
Finished goods			
Trading		232,567,466	162,873,013
Manufactured		113,228,519	92,895,107
		345,795,985	255,768,120
Less: Provision for slow moving and obsolete items	19.1	(8,596,216)	(10,309,838)
		1,352,928,094	1,115,539,075

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
19.1 Provision for slow moving and obsolete items			
Opening provision		10,309,838	15,683,130
Charge for the year		4,024,543	2,683,726
Written off during the year		(5,738,165)	(8,057,018)
Closing provision		8,596,216	10,309,838
20. TRADE DEBTS			
Foreign - considered good	20.3	47,932,356	16,830,047
Local - Unsecured:			
Considered good	20.1	233,577,399	233,862,151
Considered doubtful		2,610,909	2,610,909
Less: Provision against doubtful debts	20.2	2,610,909	2,610,909
		-	-
		281,509,755	250,692,198

20.1 These customers have no history of default. Age analysis of these trade debts is given in Note 39.

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

Provision against doubtful debts:	2018 Rupees	2017 Rupees
Opening balance	2,610,909	1,039,897
Addition during the year	-	1,571,012
	2,610,909	2,610,909

20.3 The amount of outstanding trade debts in respect of export sales along with their foreign jurisdiction is mentioned below:

	2018 Rupees	2017 Rupees
- Afghanistan	33,129,590	5,066,536
- Dubai United Arab Emirates	5,303,693	2,270,824
- France	2,300,825	-
- Tanzania	2,127,405	1,509,365
- Other countries	5,070,843	7,983,322
	47,932,356	16,830,047

None of the foreign debtors defaulted during the current year.

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
21. ADVANCES - considered good			
Advances to staff - secured			
Executives:			
- Against salary		4,350,000	-
Other employees:			
- Against expenses		21,552,687	14,333,243
- Against salary		19,572,805	13,137,463
		41,125,492	27,470,706
	21.1	45,475,492	27,470,706
Advance to suppliers against goods and services- considered good			
- Un secured		29,787,964	30,408,465
		75,263,456	57,879,171

21.1 Advances to staff provided to meet business expenses are settled as and when the expenses are incurred. Advances to staff are interest free and settled against immediate salary. Any outstanding advance due from an employee at the time of leaving the service of the Company is adjustable against final settlement of staff provident fund.

	Note	2018 Rupees	2017 Rupees
22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		18,736,636	17,560,461
Short term prepayments		11,836,237	6,769,094
		30,572,873	24,329,555
23. OTHER RECEIVABLES	23.1	3,457,488	4,819,473

23.1 These represent claims receivable from insurance company against vehicles and equipment.

	Note	2018 Rupees	2017 Rupees
24. LOAN TO SUBSIDIARY	24.1	20,000,000	20,000,000

24.1 The loan has been provided to the subsidiary (Curexa Health Pvt Ltd) for working capital requirement of its cephalosporin unit. The tenure of loan is one year including a markup of 6-Months KIBOR plus 1.25%. A promissory note representing loan is delivered as security. The return on such investment is not less than the borrowing cost of the company as per the requirement of the Companies Act, 2017.

	Note	2018 Rupees	2017 Rupees
25. TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax recoverable		7,638,162	5,611,106

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
26. SHORT TERM INVESTMENTS			
Mutual funds designated at fair value through profit or loss	26.1	-	100,000,000
26.1 These investments are "held for trading"			
Carrying value at 01 January		100,000,000	-
Acquisition during the year		50,000,000	300,000,000
Redemption during the year		(154,517,282)	(200,374,169)
Realized gain on sale of investments during the year		4,517,282	374,169
Carrying and fair value of short term investments		-	100,000,000

	Units 2018	Units 2017	Fair Value 2018	Fair Value 2017
26.2 Mutual Fund wise detail is as follows:	Number		Rupees	
UBL Growth and Income Fund.	-	1,180,659	-	100,000,000

26.3 Realized gain of Rs. 4.52 million (2017: Rs 0.37 million) on sale of mutual funds and bonus dividend of Rs. nil (2017: Rs. nil) has been recorded in other income. These investments and related gain is from non shariah compliant arrangement.

	Note	2018 Rupees	2017 Rupees
27. CASH AND BANK BALANCES			
Cash and imprest		2,026,976	1,997,258
Balance with banks			
Current accounts			
-Local currency		206,465,433	401,143,095
-Foreign currency		27,824,075	9,426,078
Saving accounts	27.1	293,659,059	-
Term deposit receipts	27.2	250,000,000	200,000,000
		777,948,567	610,569,173
		779,975,543	612,566,431

27.1 These represents saving accounts which carry profit at the rate of 5.82% - 6% (2017: nil).

27.2 These represents investments in term deposit receipts which carry profit at the rate of 6.1% - 10.2% (2017: 5.04%-6.15%).

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
28. SALES - Net			
Manufactured products:			
Local	28.1	6,866,935,204	5,308,113,680
Export		391,592,448	394,914,006
		7,258,527,652	5,703,027,686
Toll manufacturing		360,008,971	301,745,324
		7,618,536,623	6,004,773,010
Less:			
Discount		84,718,033	19,648,334
Sales tax		30,718,084	13,895,928
		(115,436,117)	(33,544,262)
		7,503,100,506	5,971,228,748

28.1 Sale of local manufactured products is net of sales returns amounting to Rs. 20 million (2017: Rs. 33.9 million).

	Note	2018 Rupees	2017 Rupees
29. COST OF SALES			
Raw and packing material consumed		2,641,405,598	2,016,939,350
Salaries, wages and benefits	29.1	357,008,000	337,525,160
Fuel and power		73,916,668	65,611,033
Repair and maintenance		60,295,552	45,770,927
Depreciation	16.1.1	55,235,464	44,233,359
Rent, rates and taxes		34,090,134	12,113,546
Factory supplies		31,090,338	26,659,186
Vehicle running and maintenance		25,338,288	22,712,695
Stores consumed		24,659,453	24,396,759
Insurance		9,253,386	6,326,975
Printing and stationery		4,508,670	5,319,943
Amortization of intangible assets	17.1	4,199,712	15,443,418
Fee and subscription		3,859,742	5,532,880
Ijarah rentals		3,611,497	7,701,035
Other direct cost		2,583,465	1,969,495
Traveling and conveyance		2,429,592	3,899,315
Telephone, postage and communication		1,296,115	1,160,460
Consultancy and professional charges		1,167,300	96,200
Trainings, seminars and symposia		3,804	364,387
		3,335,952,778	2,643,776,123

Notes to the Financial Statements

For The Year Ended 31 December 2018

	2018 Rupees	2017 Rupees
Inventory effect of work in process		
Opening	75,994,076	51,610,441
Closing	(111,922,424)	(75,994,076)
	(35,928,348)	(24,383,635)
Cost of goods manufactured	3,300,024,430	2,619,392,488
Inventory effect of finished goods		
Opening	255,768,120	247,732,321
Purchases	792,672,053	513,981,235
Closing	(345,795,985)	(255,768,120)
	702,644,188	505,945,436
Cost of goods sold	4,002,668,618	3,125,337,924

29.1 This includes the following staff retirement benefits:

	2018 Rupees	2017 Rupees
Defined benefit plan - Gratuity	22,461,692	24,034,544
Defined contribution plan - Provident Fund	7,770,268	8,262,506
Provision for compensated leave absences	4,632,108	4,702,908
	34,864,068	36,999,958

Notes to the Financial Statements

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	Note	2018 Rupees	2017 Rupees
30. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES			
Salaries and benefits	30.1	799,355,280	589,502,696
Traveling and conveyance		311,672,845	215,892,293
Training, seminars and symposia		303,156,063	272,880,939
Literature, promotion and advertisement material		266,464,513	251,128,660
Vehicle running and maintenance		90,583,255	48,556,770
Freight		67,232,540	55,449,151
Sample goods		52,556,672	52,789,728
Telephone, postage and communication		41,295,146	29,263,328
Newspapers and subscriptions		28,436,629	20,601,909
Insurance		24,197,186	13,398,192
Depreciation	16.1.1	20,937,243	16,973,766
Commission on sales		7,085,340	1,961,832
Office supplies		3,963,366	1,064,687
Ijarah rentals		3,893,936	20,569,283
Printing and stationery		3,226,004	3,117,792
Repair and maintenance		1,106,971	4,879,720
Amortization of intangible assets	17.1	873,305	1,249,433
Legal and professional charges		81,272	76,588
Others		72,647	274,997
Donation	30.2	543,478	105,555
		2,026,733,691	1,599,737,319

30.1 This includes following staff retirement benefits:

	2018 Rupees	2017 Rupees
Defined benefit plan - Gratuity	11,162,564	7,932,281
Defined contribution plan - Provident Fund	17,755,518	12,377,953
Provision for compensated leave absences	7,516,080	7,592,560
	36,434,162	27,902,794

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

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
31. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	31.1	220,228,419	174,900,055
Vehicle running and maintenance		29,248,067	21,932,362
Depreciation	16.1.1	21,871,417	17,371,530
Rent, rates and taxes		15,395,387	9,020,152
Traveling and conveyance		9,145,812	7,397,353
Advertisement, seminars and symposia		8,641,765	3,403,665
Legal and professional charges		6,140,473	1,708,820
Insurance		5,504,762	4,294,187
Newspapers and subscriptions		5,090,336	3,314,930
Printing and stationery		4,815,925	5,475,370
Telephone, postage and communication		4,801,439	4,008,090
Ijarah rentals		4,667,508	2,765,551
Others		2,644,419	901,877
Repairs and maintenance		3,336,369	2,276,176
Office supplies		2,568,340	2,480,888
Donation	31.3	1,980,623	4,540,446
Electricity, gas and water		1,858,267	1,098,947
Auditor's remuneration	31.2	1,695,459	1,618,650
Provision against doubtful debts		-	1,571,012
		349,634,787	270,080,061

31.1 It includes the following staff retirement benefits:

	2018 Rupees	2017 Rupees
Defined benefit plan - Gratuity	15,405,855	12,243,317
Defined contribution plan - Provident Fund	6,669,822	5,072,620
Provision for compensated leave absences	2,464,068	2,466,708
	24,539,745	19,782,645

31.2 Auditor's remuneration

	2018 Rupees	2017 Rupees
Statutory audit	1,152,113	1,097,250
Fee for review of half yearly financial information	351,698	334,950
Other certifications	109,148	103,950
Out of pocket	82,500	82,500
	1,695,459	1,618,650

31.3 Donation includes an amount of Rs.0.5 million paid to Saifee Hospital Trust. 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 2018

	Note	2018 Rupees	2017 Rupees
32. RESEARCH AND DEVELOPMENT EXPENSES			
Salaries and benefits	32.1	3,252,003	3,148,518
Traveling		104,651	67,372
Insurance		42,552	50,180
Vehicle repair and maintenance		299,439	220,361
Printing and stationery		57,914	59,326
Office supplies		8,072	18,187
Training, seminars and symposia		-	-
Others		34,639	43,010
		3,799,270	3,606,954

32.1 It includes the defined contribution plan - Provident fund of Rs. 0.14 million (2017: 0.12 million).

	Note	2018 Rupees	2017 Rupees
33. OTHER OPERATING EXPENSES			
Worker's Profit Participation Fund	12.3	56,711,066	48,011,417
Exchange (gain) / loss- net		(355,193)	7,643,364
Worker's Welfare Fund		20,954,021	18,244,339
Central Research Fund		11,344,600	10,586,721
		88,654,494	84,485,841
34. OTHER INCOME			
Income from financial assets:			
Return on deposit		11,333,129	13,376,579
Profit on loan to subsidiary		1,621,397	452,396
Income from non-financial assets:			
Gain on disposal of operating fixed assets	16.1.4	15,492,271	10,897,854
Scrap sales		4,096,122	4,492,534
Others		501,472	58,401
		33,044,391	29,277,764
35. FINANCE COSTS			
Mark-up on short term borrowings	35.1	228,955	118,346
Finance cost on liability against assets subject to finance lease		4,843,867	2,456,342
Interest on Worker's Profit Participation Fund	12.3	289,688	125,138
Bank charges		3,024,982	2,259,929
		8,387,492	4,959,755

35.1 This represents the mark up cost incurred on running finance facilities availed by the Company during the year from United Bank Limited and JS Bank Limited.

Notes to the Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
36. TAXATION			
Current:			
For the year		323,127,379	273,580,354
Prior year		14,168,017	24,726,511
		337,295,396	298,306,865
Deferred:			
Relating to origination and reversal of temporary differences		(6,920,054)	(12,472,376)
		330,375,342	285,834,489

36.1 Reconciliation of tax charge for the year

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

	2018	2017
Average effective tax rate charged on income	31.28%	31.33%
Applicable tax rate	29.00%	30.00%
Tax effect of prior year	1.34%	2.71%
Tax effect of tax credit and tax rebate	-0.26%	-0.29%
Tax effect under presumptive tax regime and others	1.20%	-1.09%
	31.28%	31.33%

36.2 As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2017	2016	2015
		---------------- Rupees ----------------	
Provision as per financial statement	273,580,354	253,710,317	226,758,535
Tax assessed	298,491,773	277,241,954	216,745,757

36.3 Under Section 5A of the Income Tax Ordinance, 2001 (the Ordinance), a tax shall be imposed on accounting profit before tax of the Company if it does not distribute, up to a minimum required limit as per the Ordinance, its after tax profit for the year within six months of the end of the year ended 31 December 2018 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on 29 March 2019 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

		2018 Rupees	2017 Rupees Restated
37. EARNINGS PER SHARE - BASIC AND DILUTED			
There is no dilutive effect on the basic earnings per share of the Company which is based on:			
Profit after taxation	Rupees	725,891,203	626,464,169
Weighted average number of ordinary shares	Number of shares	28,607,393	28,607,393
Earnings per share	Rupees	25.37	21.90

37.1 The weighted average number of ordinary shares of 2017 have been restated due to issuance of 3,065,077 bonus shares in 2018 in accordance with the requirement of IAS 33.

Notes to the Financial Statements

For The Year Ended 31 December 2018

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2018			2017		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives Restated
	---Rupees---					
Managerial remuneration	9,259,920	-	148,874,282	7,703,600	11,608,200	121,814,787
House allowance	3,703,968	-	53,222,113	3,081,440	1,200,000	42,921,035
Provident fund	771,501	-	9,919,617	641,860	967,113	7,817,436
Gratuity	1,535,135	-	29,044,740	1,098,428	5,768,112	15,383,097
Bonus	2,314,980	-	27,223,485	3,049,883	3,518,213	19,780,894
Utilities	925,992	-	13,527,696	770,360	1,423,342	10,730,259
Medical	-	-	5,095,483	65,786	469,577	4,734,398
	18,511,496	-	286,907,416	16,411,357	24,954,557	223,181,906
Number of persons	1	-	53	1	1	46

38.1 In addition to the above, the chief executive and some of the executives have been provided with free use of the Company maintained and self-finance cars. Further, medical expenses are reimbursed in accordance with the Company's policies.

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

38.3 Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

Notes to the Financial Statements

For The Year Ended 31 December 2018

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

(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.

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Company are periodically restated to Pak rupee equivalent and the associated gain or loss is taken to the profit or loss account.

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

	Changes in FC Rate	Effects on Profit Before Tax 2018	Effects on Profit Before Tax 2017
		Rupees	Rupees
Receivables - USD	+10%	2,531,280	582,213
	-10%	(2,531,280)	(582,213)
Payables - Euro	+10%	(391,814)	(92,319)
	-10%	391,814	92,319
Bank balance - USD	+10%	2,096,339	942,609
	-10%	(2,096,339)	(942,609)
Reporting date rate:			
USD		138.60	110.50
Euro		158.52	131.79

Notes to the Financial Statements

For The Year Ended 31 December 2018

(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 liabilities against assets subject to finance lease and short term deposits. 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 reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2018 Rupees	2017 Rupees
Floating rate instruments		
Financial assets		
Term deposit receipts	250,000,000	200,000,000
Cash and bank balances - deposit accounts	293,659,059	-
Loan to subsidiary	20,000,000	20,000,000
	563,659,059	220,000,000
Financial liabilities		
Liabilities against assets subject to finance lease	69,249,350	31,603,616

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 reporting date would not affect profit or loss of the Company.

Notes to the Financial Statements

For The Year Ended 31 December 2018

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 reporting date, were outstanding for the whole year.

	Year	Changes in Interest Rate	Effects on Profit Before Tax Rupees
Liabilities against assets subject to finance lease	2018	+1.50	(1,038,740)
		-1.50	1,038,740
	2017	+1.50	(474,054)
		-1.50	474,054
Short term deposits	2018	+1.50	3,750,000
		-1.50	(3,750,000)
	2017	+1.50	3,000,000
		-1.50	(3,000,000)
Loan to subsidiary	2018	+1.50	300,000
		-1.50	(300,000)
	2017	+1.50	300,000
		-1.50	(300,000)
Cash and bank balances - deposit accounts	2018	+1.50	4,404,886
		-1.50	(4,404,886)
	2017	+1.50	-
		-1.50	-

(b) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual counter-party. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored.

The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in case of trade debts.

Notes to the Financial Statements

For The Year Ended 31 December 2018

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 Rupees	2017 Rupees
Trade debts - unsecured	233,577,399	233,862,151
Advances to employees against salaries	23,922,805	13,137,463
Trade deposits	32,757,400	30,256,124
Profit accrued	318,836	2,015,658
Other receivables	3,457,488	4,819,473
Loan to subsidiary	20,000,000	20,000,000
Term deposit receipts	250,000,000	200,000,000
Bank balances	777,948,567	610,569,173
	1,341,982,495	1,114,660,042

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.

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

At 31 December 2018, the Company has 40 (2017:35) customers who owed the Company more than Rs. 1 million each and accounted for approximately 97% (2017:78%) of all receivables owing.

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

	2018 Rupees	2017 Rupees
Neither past due nor impaired	-	11,265,836
Past due but not impaired		
Past due 1–30 days	160,351,933	102,575,887
Past due 31–60 days	10,404,680	49,895,422
Past due 61–90 days	9,943,231	16,858,339
Over 90 days	52,877,555	53,266,667
	233,577,399	222,596,315
Past due and impaired		
Past due 1–30 days	-	-
Past due 31–60 days	-	-
Past due 61–90 days	-	-
Over 90 days	2,610,909	2,610,909
	2,610,909	2,610,909

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.

Notes to the Financial Statements

For The Year Ended 31 December 2018

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 reporting date:

	Rating			2018 Rupees	2017 Rupees
	Short term	Long term	Agency		
Banks					
National Bank of Pakistan	A-1+	AAA	JCR - VIS	111,789	1,514,932
United Bank Limited	A-1+	AAA	JCR - VIS	13,027,914	11,360,049
Faysal Bank Limited	A1+	AA	PACRA	-	14,092
Habib Bank Limited	A-1+	AAA	JCR - VIS	488,985,321	507,948,970
Allied Bank Limited	A1+	AAA	PACRA	36,708	1,591,801
JS Bank Limited	A1+	AA-	PACRA	212,550,404	19,548,290
Bank Al Habib Limited	A1+	AA+	PACRA	18,730	529,949
Meezan Bank Limited	A-1+	AA+	JCR - VIS	24,122	52,861
Askari Bank Ltd	A1+	AA+	PACRA	51,465,136	6,845,115
Mobilink MicroFinance Bank Ltd	A1	A	PACRA	712,134	5,078,496
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	11,016,309	56,084,618
				777,948,567	610,569,173

(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 statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Financial Statements

For The Year Ended 31 December 2018

	2018					
	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
	Rupees					
31 December 2018						
Liabilities against assets subject to finance lease	69,249,350	78,473,033	16,221,326	13,347,134	22,957,107	25,947,466
Trade and other payables	292,640,526	292,640,526	292,640,526	-	-	-
Mark up accrued	30,476	30,476	30,476	-	-	-
Unclaimed dividend	20,175,464	20,175,464	20,175,464	-	-	-
	382,095,816	391,319,499	329,067,792	13,347,134	22,957,107	25,947,466

	2017					
	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
	Rupees					
31 December 2017						
Liabilities against assets subject to finance lease	31,603,616	34,563,682	9,030,683	9,891,457	10,503,849	5,137,693
Trade and other payables	359,373,460	359,373,460	359,373,460	-	-	-
Mark up accrued	64,035	64,035	64,035	-	-	-
Unclaimed dividend	40,194,970	40,194,970	40,194,970	-	-	-
	391,041,111	394,001,177	368,468,178	9,891,457	10,503,849	5,137,693

39.2 Fair values of financial assets and liabilities

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

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

Notes to the Financial Statements

For The Year Ended 31 December 2018

39.3 Financial instruments by categories

	2018		
	Cash and cash equivalents	Loans and advances	Total
	Rupees		
Assets as per statement of financial position:			
Long term Investment	-	200,000,000	200,000,000
Long term deposits	-	14,020,764	14,020,764
Advances	-	23,922,805	23,922,805
Trade debts	-	281,509,755	281,509,755
Trade deposits	-	18,736,636	18,736,636
Profit accrued	-	318,836	318,836
Other receivables	-	3,457,488	3,457,488
Cash and bank balances	779,975,543	-	779,975,543
	779,975,543	541,966,284	1,321,941,827

	2018
	Financial Liabilities at amortized cost Rupees
Liabilities as per statement of financial position:	
Liabilities against assets subject to finance lease	69,249,350
Markup accrued on secured loans	30,476
Unclaimed dividend	20,175,464
Trade and other payables	292,640,526
	382,095,816

Notes to the Financial Statements

For The Year Ended 31 December 2018

39.3 Financial instruments by categories

	2017		
	Cash and cash equivalents	Loans and advances	Total
	---------------------Rupees---------------------		
Assets as per statement of financial position:			
Long term Investment	-	200,000,000	200,000,000
Long term deposits	-	12,695,663	12,695,663
Advances-salaries	-	13,137,463	13,137,463
Trade debts	-	250,692,198	250,692,198
Trade deposits	-	17,560,461	17,560,461
Profit accrued	-	2,015,658	2,015,658
Other receivables	-	4,819,473	4,819,473
Short term Investment	-	100,000,000	100,000,000
Cash and bank balances	612,566,431	-	612,566,431
	612,566,431	851,613,114	1,464,179,545

	2017
	Financial Liabilities at amortized cost Rupees
Liabilities as per statement of financial position:	
Liabilities against assets subject to finance lease	31,603,616
Markup accrued on secured loans	64,035
Unclaimed dividend	40,194,970
Trade and other payables	359,373,460
	431,236,081

39.4 Capital risk management

The Company's policy is to safeguard the Company's ability to remain as a going concern and ensure a strong capital base in order to maintain investor's, creditor's and market's confidence and to sustain future development of the business. The Board of Directors monitors the returns on capital, which the Company defines as net operating income divided by total shareholder's equity. The Company's objectives when managing:

(a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

(b) to provide an adequate return to shareholders by pricing products.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return on capital to shareholders, or issue new shares.

Notes to the Financial Statements

For The Year Ended 31 December 2018

Consistent with the industry norms, the Company monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt (as defined above).

The debt - to - equity ratio as at 31 December is as follows

	2018 Rupees	2017 Rupees
Debt (See note 9 and 13)	69,279,826	31,667,651
Equity	2,870,449,704	2,031,948,465
Total equity and debt	2,939,729,530	2,063,616,116

The Company is not subject to any externally-imposed capital requirements.

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

40.1 Fair value hierarchy

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

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

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

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

The Company did not have any financial instruments carried at fair value as at 31 December 2018 (2017:100 million).

Notes to the Financial Statements

For The Year Ended 31 December 2018

41. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise subsidiary, associated companies, companies in which directors are interested, staff retirement funds and directors and key management personnel (Note 38). The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes to the financial statements. Other significant transactions with related parties are as follows:

Undertaking	Relation	Nature of transaction	2018 Rupees	2017 Rupees
Route 2 health (Pvt) Ltd	Common directorship	Sales	37,914,685	225,625,789
Route 2 health (Pvt) Ltd	Common directorship	Purchases	481,504,425	267,476,781
Curexa Health (Pvt) Ltd	Subsidiary	Purchases	246,909,696	29,745,043
Curexa Health (Pvt) Ltd	Subsidiary	Interest on loan to subsidiary	1,621,397	452,396
Staff provident fund	Staff retirement benefits	Contribution	32,334,403	25,836,972
Employee's Welfare Trust	Staff welfare benefits	Contribution	2,687,350	2,119,050

41.1 Transactions with key management personnel under the terms of employment are excluded from related party transactions.

42. PROVIDENT FUND TRUST

The Company has maintained an employee provident fund trust and investments out of provident fund are in the process of regularization in accordance with the provisions of section 218 of Companies Act 2017, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	2018 Rupees	2017 Rupees
Size of the fund		257,346,776	251,850,174
Cost of investments made		176,794,884	167,188,038
Percentage of investments made		78%	70%
Fair value of investment	42.1	199,983,740	176,113,509

Notes to the Financial Statements

For The Year Ended 31 December 2018

42.1 Breakup of investments

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	2018		2017	
	Investment	% of investment	Investment	% of investment
	Rupees		Rupees	
Investment in shares (listed securities)	40,675,735	20%	44,924,061	25%
Special saving certificates	85,427,668	43%	52,088,129	30%
Mutual funds	73,880,337	37%	79,101,319	45%
	199,983,740	100%	176,113,509	100%

42.2 The figures of 2018 are based on un-audited financial statements.

43. NUMBER OF EMPLOYEES

	2018 Rupees	2017 Rupees
Number of employees at the end of the year	1,851	1,413
Average number of employees during the year	1,632	1,281
Total number of factory employees as at reporting date	451	439
Average number of factory employees during the year	445	383

44. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 29 March 2019 has proposed cash dividend at the rate of Rs.13 (2017: Rs. 10) per share and 10% bonus shares for the year ended 31 December 2018, (2017: 12%) subject to the approval of shareholders in the Annual General Meeting to be held on 29 April 2019. These financial statements do not reflect these appropriations.

45. PLANT CAPACITY AND PRODUCTION

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

Notes to the Financial Statements

For The Year Ended 31 December 2018

46. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on 29 March 2019.

47. CORRESPONDING FIGURES

47.1 The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year:

Description	Reclassified from	Reclassified to	Note	2017
Unclaimed Dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of financial position)	12	40,194,970

Corresponding figures have been re-arranged or reclassified wherever necessary, for better and fair presentation. However, no significant reclassification / rearrangement has been made except for mentioned above.

These reclassifications did not have any effect on profit or loss account.

Dr. Adeel Abbas Haideri
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Consolidated

Financial Statements

Highnoon Laboratories Limited

and its subsidiary

Curexa Health (Private) Limited

for the Year ended
31 December 2018

Directors' Report

I am pleased to present the Consolidated Audited Financial Statements of Highnoon Laboratories (the "Holding Company") and its wholly owned Subsidiary Company ("the Group") for the year ended 31 December 2018.

This was first full operational year for the Subsidiary Company Curexa Health (Pvt) Ltd. Curexa is engaged in the manufacturing of Cephalosporins, these are bacterial beta-lactam antibiotics. As of close of December 2018, the total market size of Cephalosporins is estimated to be Rs. 33 billion. Curexa's flagship product Ceftro (Ceftriaxone) was ranked one of the top 10 products in new product category.

In the first year of operations, Curexa was manufacturing only IV dosage form of Cephalosporins. However, going forward Curexa is actively working on manufacturing of oral dosage form of Cephalosporins and we are expecting first oral product launch by the close of second quarter of current financial year.

The group generated a net sales revenue of Rs. 7.503 billion during the period under review compared to Rs. 5.971 billion for the last year registering a growth of around 26%. Gross profit and gross profit as a percentage of sales for the period under review came to Rs. 3.543 billion and 47.22% compared to Rs. 2.851 billion and 47.74% of last year respectively. Distribution, Selling and Promotional expenses and Administrative and general expenses have increased by 26.69% and 28.38% respectively as compared to last year. The increase in expenses largely due to increase in size of sales teams to further improve market penetration and customer focus. Net profit after tax further improved to Rs. 732.157 million as compared to last year figure of Rs. 609.937 million. Earnings per share of the group increased further by Rs. 4.27 to Rs. 25.59 (20%) as compared to restated last year EPS of Rs. 21.32.

The consolidated financial highlights as summarized below:

	Consolidated	
	2018	2017
	(Rupees in thousand)	
Profit before tax	1,065,619	896,144
Taxation	(333,462)	(286,207)
Profit after tax	732,158	609,937
Profit available for appropriation	2,076,680	1,632,972
Appropriations		
Final cash dividend for the FY 2018 @ Rs. 13 per share	(371,896)	(255,423)
(FY 2017: @ Rs. 10 per share)		
Bonus share @ 10% (FY 2017:12%)	(28,607)	(30,650)

Based on the consolidated accounts for the year ended 31 December 2018, the earnings per share (EPS) worked to Rs. 25.59 (2017: Rs. 21.32 Restated).

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

For and on behalf of the Board

Lahore: 29 March 2019

Dr. Adeel Abbas Haideri
Chief Executive Officer

Taufiq Ahmed Khan
Director

ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے کمپنی اور اس کی کلی ذیلی کمپنی کے اشتمال شدہ حسابات برائے سال 31 دسمبر 2018 پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

یہ کمپنی کی کلی ذیلی کمپنی کیوریکسا ہیلتھ (پرائیویٹ) لمیٹیڈ کا پہلا پورا سال تھا۔ کیوریکسا سیفلوسپورن جو کہ ایک اینٹی بائیوٹک دوا ہے کی تیاری میں مصروف عمل ہے۔ دسمبر 2018 کے اختتام پر سیفلوسپورن کی مارکیٹ کا تخمینہ 33 ارب روپے لگایا گیا۔ کیوریکسا کا فلیگ شپ برانڈ سیفٹرو (Ceftro) نئی ادویات کی درجہ بندی کی فہرست میں پہلی 10 ادویات میں شامل ہو گیا ہے۔

کیوریکسا پہلے سال کے آپریشن میں سیفلوسپورن کی صرف IV ڈوزیج فارم بنا رہی تھی۔ اب ایک قدم آگے بڑھتے ہوئے کیوریکسا اپنی اورل ڈوزیج فارم کو متعارف کروانے کے لئے بہت مستعدی کے ساتھ کام میں مصروفِ عمل ہے۔ کمپنی بہت پر امید ہے کہ سال رواں کی دوسری سہ ماہی میں سیفلوسپورن کی اورل ڈوزیج فارم مارکیٹ میں متعارف کروا دے گی۔

زیرِ جائزہ مدت کے دوران گروپ نے 7.503 ارب روپے کی خالص فروخت آمدن حاصل کی۔ جو کہ پچھلے سال کی خالص فروخت آمدن 5.971 ارب روپے کے مقابلے میں 26 فیصد زیادہ ہے۔ خام منافع اور اس کا فروخت آمدن سے تناسب بالترتیب 3.543 ارب روپے اور 47.22 فیصد رہا جبکہ پچھلے سال کا خام منافع 2.851 ارب روپے اور تناسب 47.74 فیصد تھا ڈسٹری بیوشن مارکیٹنگ اور انتظامی اخراجات میں پچھلے سال کے اسی عرصہ کی نسبت بالترتیب 26.69 فیصد اور 28.38 فیصد اضافہ ہوا۔ اخراجات میں اضافہ کی وجہ کسٹمرز پر بہتر توجہ دینے اور مارکیٹ میں بہتر رسائی کے لئے مارکیٹنگ ٹیم کے حجم میں اضافہ ہے۔ خالص منافع بعد از ٹیکس مبلغ 732.157 ملین روپے رہا جو کہ پچھلے سال کے اسی عرصہ میں 609.937 ملین روپے تھا جبکہ گروپ کا فی حصص خالص منافع پچھلے سال کی نسبت 4.27 روپے کی بڑھوتری کے ساتھ 25.59 روپے رہا جبکہ پچھلے سال کی نسبت فی حصص خالص منافع کی بڑھوتری کا تناسب 20 فیصد رہا۔ پچھلے سال فی حصص منافع 21.32 روپے تھا۔

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

	اشتمال شدہ	
	۲۰۱۸	۲۰۱۷
	‘000’ روپے	
ٹیکس سے پہلے کا منافع	1,065,619	896,144
ٹیکس	(333,462)	(286,207)
بعد از ٹیکس منافع	732,158	609,937
منافع برائے تقسیم	2,076,680	1,632,972
منافع کی تقسیم		
سالانہ کیش ڈیویڈنڈ 2018 فی حصص 13 روپے	(371,896)	(255,423)
2017 فی حصص 10 روپے		
بونس حصص بحساب 10%(2017 بحساب 12%)	(28,607)	(30,650)

گروپ کے مالیاتی حسابات برائے سال 2018 کی بنیاد پر گروپ کی فی حصص آمدن 25.59 روپے (2017:21.32 روپے) رہی۔

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

منجانب بورڈ آف ڈائریکٹرز

لاہور
29 مارچ 2019ء

توفیق احمد خان
ڈائریکٹر

ڈاکٹر عدیل عباس حیدری
مینجنگ ڈائریکٹر

Auditor's Report to the Members

To the members of Highnoon Laboratories Limited and its subsidiary

Opinion

We have audited the annexed consolidated financial statements of Highnoon Laboratories Limited and its subsidiary (the group) which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of consolidated financial position of the group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flow for the year ended in accordance with the accounting and reporting standards applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan / The Institute of Cost and Management Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key Audit Matters	How the matter was addressed in our audit
1. Valuation of stock in trade:	
As disclosed in note 20 to the accompanying consolidated financial statements, the stock in trade balance constitutes 35% of total assets of the Group. These are valued at lower of cost and net realizable value. The cost of work in process (WIP) and finished goods is determined at average	**Our audit procedures included, amongst others:** - Obtaining an understanding of internal controls over valuation of stock in trade and testing their design, implementation and operating effectiveness; - Assessing the Group's accounting policies for valuation of stock in trade and compliance of those policies with applicable accounting standards;

Key Audit Matters	How the matter was addressed in our audit
1. Valuation of stock in trade:	
manufacturing cost including a proportion of appropriate overheads. The basis for allocation of overheads includes management judgment. This, in combination with the significant share of stock in trade as part of total assets, made us conclude that valuation of stock in trade is a key audit matter of our audit.	- Obtaining an understanding and reviewing the management's determination of net realizable value (NRV) and key estimates adopted including future selling prices, future cost to complete work in process and the costs necessary to make the sales and their basis; - Physical attendance at inventory count and reconciling the count results to the inventory listings to test the completeness of data; - Evaluating management's basis for the allocation of cost and overheads; - Substantive analytical and other procedures including the recalculation of valuation based on accounting and costing policy; and - Assessment of the disclosures made in respect of the accounting policies and the details of inventory balances held by the Group at the year end.
2. Preparation of financial statements under Companies Act, 2017	
As referred to in note 3 to the accompanying financial consolidated statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Group's annual financial statements for the year ended 31 December 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements. In case of the Group, specific additional disclosures and changes to the existing disclosures have been included in the consolidated financial statements as referred to in note 3 to the financial statements. Further, the Group has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of fixed assets as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 6 to the consolidated financial statements. The above changes and enhancements in the consolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes in the consolidated financial statements resulting from the transition to the new reporting requirements under the Act.	**Our key audit procedures to address this risk included the following:** - We assessed the procedures applied by the management for identifying the changes required in the consolidated financial statements due the application of the Act; - We reviewed the additional disclosures and changes to the previous disclosures based on the new requirements; - We evaluated the sources of information used by the management for the preparation of disclosures and the internal consistency of such disclosures with other elements of the consolidated financial statements; and - In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to in note 6 to the consolidated financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Group.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Naseem Akbar.

Chartered Accountants
Engagement Partner: Naseem Akbar
Lahore: 01 April 2019

Consolidated Statement of Financial Position

	Note	2018 Rupees	2017 Rupees Restated	1 January 2017 Rupees Restated
EQUITY AND LIABILITIES				
EQUITY				
Share capital and reserves				
Authorized share capital				
50,000,000 (2017: 50,000,000) Ordinary shares of Rs. 10 each		500,000,000	500,000,000	250,000,000
Issued, subscribed and paid up share capital	7	286,073,930	255,423,160	228,056,400
Revenue reserves		2,190,679,480	1,746,972,154	1,363,429,484
Revaluation surplus on property, plant and equipment	8	370,409,400	384,003,155	209,883,736
Total Equity		2,847,162,810	2,386,398,469	1,801,369,620
Non-current liabilities				
Long term loan	9	44,335,010	71,250,000	95,000,000
Liabilities against assets subject to finance lease	10	44,486,094	14,442,288	16,843,781
Long term advances	11	44,871,947	35,770,552	27,248,879
Deferred liabilities	12	374,124,390	373,229,929	312,920,256
		507,817,441	494,692,769	452,012,916
Current liabilities				
Trade and other payables	13	358,332,007	408,088,345	465,364,830
Unclaimed Dividend		20,175,464	40,194,970	28,767,015
Mark up accrued		2,651,012	2,198,087	148,684
Short term borrowing	14	22,011,812	21,148,760	-
Current portion of long term liabilities	15	62,289,325	51,315,672	27,104,927
Provision for taxation - net		30,597,052	53,856,541	143,275,421
		496,056,672	576,802,375	664,660,877
Total Liabilities		1,003,874,113	1,071,495,144	1,116,673,793
TOTAL EQUITY AND LIABILITIES		3,851,036,923	3,457,893,613	2,918,043,413

CONTINGENCIES AND COMMITMENTS 16

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

Dr. Adeel Abbas Haideri
Chief Executive Officer

Taufiq Ahmed Khan
Director

As at 31 December 2018

	Note	2018 Rupees	2017 Rupees Restated	1 January 2017 Rupees Restated
ASSETS				
Non-current assets				
Property, plant and equipment	17	1,254,937,388	1,227,713,797	939,072,737
Intangible assets	18	1,772,294	6,642,350	21,765,868
Goodwill	19	834,230	834,230	834,230
Long term deposits		14,998,514	13,431,963	12,111,613
Long term advances		29,316,392	16,074,304	15,529,356
		1,301,858,818	1,264,696,644	989,313,804
Current assets				
Stock in trade	20	1,367,923,887	1,127,919,266	992,637,743
Trade debts	21	281,509,755	250,692,198	75,154,453
Advances	22	76,376,676	59,903,602	74,772,999
Trade deposits and short term prepayments	23	31,242,162	24,684,710	17,548,529
Profit accrued		318,836	2,015,658	1,235,074
Other receivables	24	3,457,488	4,819,473	3,341,447
Tax refunds due from the Government	25	7,610,450	5,611,106	13,746,565
Short term investments	26	-	100,000,000	-
Cash and bank balances	27	780,738,851	617,550,956	750,292,799
		2,549,178,105	2,193,196,969	1,928,729,609
TOTAL ASSETS		3,851,036,923	3,457,893,613	2,918,043,413

Javed Hussain
Chief Financial Officer

Consolidated Statement of Profit or Loss

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	28	7,503,100,506	5,971,228,748
Cost of sales	29	3,959,685,559	3,119,718,409
Gross profit		3,543,414,947	2,851,510,339
Distribution, selling and promotional expenses	30	2,026,738,385	1,599,737,319
Administrative and general expenses	31	371,770,059	289,576,123
Research and development expenses	32	3,799,270	3,606,954
Other operating expenses	33	88,654,494	84,485,841
		2,490,962,208	1,977,406,237
Other income	34	31,422,994	28,825,368
Operating Profit		1,083,875,733	902,929,470
Finance costs	35	18,256,444	6,785,858
Profit before taxation		1,065,619,289	896,143,612
Taxation	36	333,461,829	286,206,418
Profit for the year		732,157,460	609,937,194
			Restated
Earnings per share - basic and diluted	37	25.59	21.32

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

Dr. Adeel Abbas Haideri	Taufiq Ahmed Khan	Javed Hussain
Chief Executive Officer	Director	Chief Financial Officer

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees Restated
Profit for the year		732,157,460	609,937,194
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement adjustments on defined benefit plan - net of tax		(17,263,203)	(11,280,880)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	8	14,886,999	6,101,057
Total other comprehensive loss - net of tax		(2,376,204)	(5,179,823)
Total comprehensive income for the year		729,781,256	604,757,371

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

Dr. Adeel Abbas Haideri	Taufiq Ahmed Khan	Javed Hussain
Chief Executive Officer	Director	Chief Financial Officer

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,065,619,289	896,143,612
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of operating fixed assets	17.1.1	125,919,428	85,318,557
Amortization of intangible assets	18.1	5,481,359	16,823,518
Gain on disposal of operating fixed assets	34	(15,492,271)	(10,897,854)
Exchange (gain) / loss - net	33	(355,193)	7,643,364
Provision for slow moving and obsolete stocks	20.1	4,583,349	3,735,000
Provision for defined benefit obligation	12.3.3	49,030,111	44,210,142
Provision for Worker's Profit Participation Fund	13.3	56,711,066	48,011,417
Finance costs	35	18,256,444	6,785,858
Provision for doubtful debts	21.2	-	1,571,012
		244,134,293	203,201,014
Profit before working capital changes		1,309,753,582	1,099,344,626
Working capital changes:			
(Increase) / decrease in current assets:			
Stock in trade		(244,587,970)	(139,016,523)
Trade debts		(30,462,364)	(177,108,757)
Advances		(16,473,074)	14,869,397
Trade deposits and short term prepayments		(6,557,452)	(7,136,181)
Profit accrued		1,696,822	(780,584)
Other receivables		1,361,985	(1,478,026)
Loan to subsidiary		-	-
Tax refund due from government		(1,999,344)	8,135,459
Increase / (decrease) in current liabilities:			
Trade and other payables		(105,242,891)	(113,428,087)
		(402,264,288)	(415,943,302)
Cash generated from operations		907,489,294	683,401,324
Taxes paid		(364,865,885)	(388,097,674)
Gratuity paid		(57,185,554)	(18,386,753)
Finance cost paid		(17,803,519)	(2,282,309)
Net cash flow generated from operating activities		467,634,336	274,634,588

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(113,074,041)	(155,177,009)
Intangible asset acquired		(611,303)	(1,700,000)
Additions in long term advances		(13,242,089)	(544,948)
Proceeds from disposal of short term investment - net		100,000,000	(100,000,000)
Increase in long term deposits - net		(1,566,551)	(3,322,300)
Proceeds from disposal of operating fixed assets	17.1.4	37,028,793	28,035,197
Net cash flows generated / used in investing activities		8,534,809	(232,709,060)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities - net		(23,959,766)	(25,845,323)
Long term advances - net		10,890,625	12,449,177
Repayment of long term loan - net		(25,332,495)	-
Short term borrowings - net		863,052	21,148,760
Dividend paid		(275,442,666)	(182,419,985)
Net cash flows used in financing activities		(312,981,250)	(174,667,371)
Net increase in cash and cash equivalents		163,187,895	(132,741,843)
Cash and cash equivalents at beginning of the year		617,550,956	750,292,799
Cash and cash equivalents at end of the year	27	780,738,851	617,550,956

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

Dr. Adeel Abbas Haideri Chief Executive Officer	Taufiq Ahmed Khan Director	Javed Hussain Chief Financial Officer

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2018

	Share capital	Capital Reserves	Revenue reserves			Total
		Revaluation Surplus on PPE	General reserve	Unappropriated profit	Sub total	
	Rupees					
Balance as at 01 January 2017	228,056,400	-	114,000,000	1,249,429,484	1,363,429,484	1,591,485,884
Adjustment due to change in accounting policy note - 6	-	209,883,736	-	-	-	209,883,736
Balance as at 01 January 2017 - restated	228,056,400	209,883,736	114,000,000	1,249,429,484	1,363,429,484	1,801,369,620
Profit for the year ended 31 December 2017	-	-	-	609,937,194	609,937,194	609,937,194
Other comprehensive loss	-	-	-	(11,280,880)	(11,280,880)	(11,280,880)
Total comprehensive income for the year	-	-	-	598,656,314	598,656,314	598,656,314
Surplus transferred to accumulated profit						
On account of incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	(6,101,057)	-	6,101,057	6,101,057	-
Effect on change in tax rate on account of surplus on property, plant and equipment	-	-	-	-	-	-
Effect of change in proportion of normal sales	-	77,449	-	-	-	77,449
Addition during the year in revaluation surplus	-	180,143,027	-	-	-	180,143,027
Transaction with owners of the company, recognized directly in equity - Distributions						
Issuance of bonus shares @ 12%	27,366,760	-	-	(27,366,760)	(27,366,760)	-
Final dividend @ Rs. 8.50 per share for the year ended 31 December 2016	-	-	-	(193,847,941)	(193,847,941)	(193,847,941)
Balance as at 31 December 2017 - restated	255,423,160	384,003,155	114,000,000	1,632,972,154	1,746,972,154	2,386,398,469
Balance as at 1 January 2018	255,423,160	-	114,000,000	1,632,972,154	1,746,972,154	2,386,398,469
Effect of change in accounting policy as stated in note - 6	-	384,003,155	-	-	-	-
Balance as at 1 January 2018	255,423,160	384,003,155	114,000,000	1,632,972,154	1,746,972,154	2,386,398,469
Profit for the year ended 31 December 2018	-	-	-	732,157,460	732,157,460	732,157,460
Other comprehensive loss	-	-	-	(17,263,203)	(17,263,203)	(17,263,203)
Total comprehensive income for the year	-	-	-	714,894,257	714,894,257	714,894,257
Surplus transferred to accumulated profit						
On account of incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	(14,886,999)	-	14,886,999	14,886,999	-
Effect on change in tax rate on account of surplus on property, plant and equipment	-	1,701,013	-	-	-	1,701,013
Effect of change in proportion of normal sales	-	(407,769)	-	-	-	(407,769)
Transaction with owners of the company, recognized directly in equity - Distributions						
Issuance of bonus shares @ 12%	30,650,770	-	-	(30,650,770)	(30,650,770)	-
Final dividend @ Rs. 10 per share for the year ended 31 December 2017	-	-	-	(255,423,160)	(255,423,160)	(255,423,160)
Balance as at 31 December 2018	286,073,930	370,409,400	114,000,000	2,076,679,480	2,190,679,480	2,847,162,810

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

Dr. Adeel Abbas Haideri Chief Executive Officer	Taufiq Ahmed Khan Director	Javed Hussain Chief Financial Officer

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

1. THE GROUP AND ITS OPERATIONS:

The Highnoon Group ("the Group") comprises of Highnoon Laboratories Limited ("HNL") ("the Holding Company") and Curexa Health (Private) Limited (formerly Procef Laboratories (Private) Limited ("CHL") ("the Subsidiary Company").

Highnoon Laboratories Limited ("the Holding Company") was incorporated as a private limited company in Pakistan in year 1984 under the Companies Act, 1913 which was repealed by Companies Ordinance, 1984 (repealed with the enactment of Companies Act, 2017) and converted into an unquoted public limited company in 1985. Its shares are quoted on Pakistan Stock Exchange since November 1994. The Holding Company is principally engaged in the manufacture, import, sale and marketing of pharmaceutical and allied consumer products. The registered office of the Holding Company is situated at 17.5 Km, Multan Road, Lahore.

The Subsidiary Company was incorporated on 10 June 2015 as a private limited company. The registered office of CHL is situated at 17.5 KM Multan Road, Lahore. It is set up with principle object to carry on business as manufacturers, importers, exporters, producers, preparers, refiners, buyers, seller and dealers of all kinds of pharmaceutical, drugs, medicines medicaments, basic raw material, herb salts, acids, alkalis, chemical and surgical material, instruments and appliances patent and proprietary articles. It owns Greenfield pharmaceuticals project that envisages production of cephalosporin drugs. However, the Subsidiary has started its commercial operation in the month of November 2017.

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

1.1 Geographical location and addresses of major business units of The Holding Company are as under:

Business Units	Geographical Location	Address
Regional Marketing Office	Lahore	2nd Floor , 587 - Block H-III, Abdul Haq Road, Opposite Emporium Mall Gate No. 5, Johar Town, Lahore.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS IN THE CURRENT REPORTING YEAR

The Group's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- The accounting policies for surplus on revaluation of property, plant and equipment was changed during the year due to enactment of the Companies Act, 2017. Consequently, some of the amounts reported in the prior years have been restated (note 6).
- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified (note 47).
- For a detailed discussion about the Group's performance please refer to the Director's report.

3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

3.1 Statement of compliance

3.1.1 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standard (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provision and directives issued under the Companies Act, 2017.
- Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act , 2017 have been followed.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

3.1.2 The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of consolidated financial statements of the Group. These changes also include change in respect of surplus on revaluation of property, plant and equipment as fully explained in note 4.7 and 6.

Further, the disclosure requirement contained in the fourth schedule to the Act has been revised, resulting in the:

- Elimination of duplicate disclosures with the IFRS disclosure requirements; and
- Incorporation of significant additional disclosures.

Keeping in view of the above, the presentation of these consolidated financial statements has been realigned with the provisions contained in the Act along with the impact on the recognition and measurement of the revaluation surplus on property, plant and equipment in equity.

3.2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of certain assets as referred to in Note 4.7 and recognition of certain employees retirement benefits at present value. In these consolidated financial statements all the transactions have been accounted for on accrual basis.

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

3.3 Basis of consolidated

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

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

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

3.4 Non Controlling interest

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

3.5 Functional and presentation currency

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS EFFECTIVE IN THE CURRENT PERIOD

The Group has adopted the following revised standard, amendments and interpretation of IFRS which became effective for the current year.

Standard or Interpretation

- IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)
- IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration

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

4.1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

		Notes
-	Staff retirement benefits	4.4
-	Property, plant and equipment	4.7
-	Intangibles assets	4.8
-	Impairment of non-financial assets	4.15
-	Taxation	4.20
-	Provisions	4.24
-	Impairment of financial assets	4.25

4.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except for as mentioned in note 3.1 and as follows:

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

4.3 Segment reporting

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

4.4 Staff retirement benefits

Defined benefit plan:

HNL operates an unfunded gratuity scheme for all of its permanent employees who have joined on or before 19 March 2013, under which benefits are paid on cessation of employment subject to a minimum qualifying period of service. Qualified actuaries have carried out the valuation as at 31 December 2018 using the project unit credit method.

Remeasurement adjustments are recognized in consolidated other comprehensive income when they occur. Amounts recorded in profit or loss are limited to current and past service cost, gains or losses on settlements, and net interest income / (expense). All other changes in net defined benefit liability are recognized in consolidated other comprehensive income with no subsequent recycling to consolidated profit or 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 Group also operates a recognized provident fund scheme for all of its permanent employees in accordance with the trust deed and rules made there under. Equal monthly contributions are made to the fund by the Group and employees at the rate of 8.33% (2017: 8.33%) of basic salary and cost of living allowance.

Compensated leave absences:

Provision for compensated leave absences is made to the extent of value of accumulated accrued leaves / leave fare assistance of the employees at the reporting date as per entitlement on the basis of last drawn salary. The managers or other executives are not allowed to carry forward un-availed leaves while labour can carry forward maximum 10 un-availed leaves for a maximum period of one year.

4.5 Foreign currency translation

All monetary assets and liabilities in foreign currency are translated at the rates of exchange prevailing at the reporting 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 consolidated profit or loss account.

4.6 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of consideration to be paid in the future, for goods and services to be received, whether or not billed to the Group.

4.7 Property, plant and equipment

Owned operating assets:

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

Deprecation is charged on reducing balance method at the rates in note 17.1 to write off the cost / revalued amount of an asset over its estimated useful life. The asset's 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 equity.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

A revaluation surplus is recorded in consolidated other comprehensive income (OCI) and presented as a separate part of equity. However, the increase is recorded in the consolidated statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognized in the consolidated statement of profit or loss however, a decrease is recorded in consolidated statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets. The revaluation reserve is not available for distribution to the Group's shareholders.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to unappropriated profit.

Leasehold assets:

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

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in Note 10. 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 consolidated profit or 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 asset's 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 consolidated profit or 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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

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.

4.8 Intangible assets

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

Changes in the expected useful lives or the expected pattern of consumption of future economic benefits at the rate in Note 18, embodied in the intangible assets, are accounted for by changing the recognized period or amortization method, as appropriate, and treated as a change in accounting estimate. The recognized expense on intangible assets with finite lives is recognized in the consolidated profit or loss account in the expense category, consistent with the function of the intangible asset.

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

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

4.9 Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred and the value of non- controlling interest using proportionate share method over the net identifiable assets acquired and liabilities assumed. After initial recognition it is measured at carrying value i.e. at date of acquisition less any accumulated impairment.

4.10 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 consolidated profit or loss account in the period in which they are incurred.

4.11 Investments

Investments available for sale - Quoted securities

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

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

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

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

4.12 Stock in trade

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

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

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

4.13 Trade debts

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

4.14 Cash and cash equivalents

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

4.15 Impairment of non-financial assets

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

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

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

4.16 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 / airway bill is prepared for shipment to customers.

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

4.17 Transactions with related parties and transfer pricing

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

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

4.18 Research and development cost

These costs are charged to consolidated profit or 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.

4.19 Ijarah

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

4.20 Taxation

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

Current

Provision of current tax is based on the taxable income, alternative corporate tax or minimum tax provisions in accordance with Income Tax Ordinance 2001. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the reporting date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

4.21 Dividend

Dividend to shareholder's is recognized as a liability in the period in which it is approved.

4.22 Financial instruments

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

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

4.23 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if the Group has legally enforceable right to offset the recognized amounts and it intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

4.24 Provisions

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

4.25 Impairment of financial assets

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

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

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

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 and have not been adopted early by the Group:

	Standard or Interpretation	Effective date: (Annual periods beginning on or after)
IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	01 January 2020
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15	Revenue from Contracts with Customers	01 July 2018
IFRS 9	Prepayment Features with Negative Compensation - (Amendments),	01 January 2019
IFRS 16	Leases.	01 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2020
IAS 19	Employee benefits (amendments) - Plan Amendment, Curtailment or Settlement	01 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	01 January 2019
IFRIC 22	Foreign Currency Translations and Advance Consideration - (Amendments)	01 January 2020
		Effective date: "(Annual periods ending on or after)"
IFRS 9	Financial Instruments*	30 June 2019

*The SECP has modified the effective date of application of IFRS 9 in place of IAS 39, through SRO. 229 (I)/2019, dated: 14 February, 2019, as reporting period / year ending on or after June 30, 2019.

The Group expects that the adoption of the above standards, amendments and interpretations will have no material effect in the period of initial application except for IFRS 16 - Leases, IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contract with Customers. The management of the Group is in the process of assessing the impact of changes laid down by the IFRS 9, IFRS 16 and IFRS 15 on its consolidated financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of consolidated financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

		IASB effective date (Annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 17	Insurance Contracts	01 January 2021

The above amendments and interpretations are not expected to have any significant impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

6. Changes in accounting policy:

During current year, HNL changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, HNL's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984.The repealed Ordinance specified the accounting treatment for the surplus / (deficit) on revaluation of property plant and equipment, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the consolidated profit or loss account as an impairment of the assets. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted HNL's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IFRS are being followed by the Group. The new accounting policy is explained under note 4.7 above. Further, the revaluation surplus on property, plant and equipment is now presented in the consolidated statement of financial position and consolidated statement of changes in equity as a capital reserve i.e. part of equity and the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with applicable financial reporting standards. Accordingly, any surplus/(deficit) arising on revaluation of fixed assets is accounted for at individual asset level wherein any deficit on revaluation is charged to consolidated profit or loss account after netting off any surplus already recorded on that asset.

In these consolidated financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information and the Group has presented its consolidated statement of financial position as at the beginning of the earliest comparative period i.e., January 01, 2017, and related notes in accordance with requirement of IAS 1- Presentation of Financial Statements (Revised) (IAS 1). Had the accounting policy not been changed, the surplus on revaluation of freehold land would have been shown as a separate line item (below equity in the consolidated statement of financial position) amounting to Rs. 384 million and Rs. 209 million for the year ended 31 December 2017 and 31 December 2016 respectively.

	as at 01 January 2017			as at 31 December 2017		
	As previously reported	Adjustments	As restated (restated)	As previously reported	Adjustments	As restated (restated)
Effect on statement of financial position:						
Surplus on revaluation of PPE (below equity)	209,883,736	(209,883,736)	-	384,003,155	(384,003,155)	-
Share capital and reserves	-	209,883,736	209,883,736	-	384,003,155	384,003,155
Effect on statement of changes in equity:						
Capital reserves						

	2018		
Effect on statement of other comprehensive income:	As previously reported	Adjustments	As restated (restated)
Incremental Depreciation Transferred to Retained Earnings	-	14,886,999	14,886,999

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

7. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	Note	2018 Rupees	2017 Rupees
5,905,000 (2017: 5,905,000) ordinary shares			
of Rs. 10 each fully paid in cash		59,050,000	59,050,000
95,000 (2017: 95,000) ordinary shares of Rs.10			
each issued for consideration other than cash	7.1	950,000	950,000
22,607,393 (2017: 19,542,316) ordinary shares			
of Rs. 10 each issued as bonus shares		226,073,930	195,423,160
	7.2	286,073,930	255,423,160

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

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

	2018 Number	2017 Number	2018 Rupees	2017 Rupees
Issued, subscribed and paid-up of Rs. 10				
each as at 01 January	25,542,316	22,805,640	255,423,160	228,056,400
Issuance of bonus shares of Rs. 10 each	3,065,077	2,736,676	30,650,770	27,366,760
Issued, subscribed and paid-up of Rs. 10				
each as at 31 December	28,607,393	25,542,316	286,073,930	255,423,160

8. SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2018 Rupees	2017 Rupees
Gross surplus on revaluation of fixed assets as at 01 January		440,703,587	233,239,791
Additions during the year		-	215,900,458
Incremental depreciation relating to surplus on revaluation			
of fixed assets - transferred to unappropriated profit:			
Net of deferred tax		(14,886,999)	(6,101,057)
Related deferred tax liability		(5,670,043)	(2,335,605)
		(20,557,042)	(8,436,662)
		420,146,545	440,703,587
Less related deferred tax liability on:			
Balance at the beginning of the year		56,700,432	23,356,055
Addition during the year		-	35,757,431
Effect of change in proportion of normal sales		407,769	(77,449)
Effect of change in tax rate		(1,701,013)	-
Incremental depreciation relating to surplus on revaluation			
of fixed assets - transferred to unappropriated profit		(5,670,043)	(2,335,605)
	12.1	49,737,145	56,700,432
Surplus on revaluation of fixed assets as at 31 December	8.1	370,409,400	384,003,155

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

8.1 This represent surplus arising on revaluation of freehold land, building on freehold land, plant and machinery both owned and leased. This has been adjusted by incremental depreciation arising due to revaluation, net of deferred tax. The latest revaluation of land, building on freehold land and plant and machinery was carried out on 31 December 2017 by M/S Surval which resulted in a surplus of Rs. 215 million. In the current year 2018 there is no increase in the surplus amount.

9. LONG TERM LOAN

	Note	2018 Rupees	2017 Rupees
Long term loan		69,667,505	95,000,000
Less: Current portion	15	25,332,495	23,750,000
		44,335,010	71,250,000

9.1 This loan has been obtained during the period by the Subsidiary Company for the purchase of machinery and equipment of cephalosporin manufacturing plant. The markup is payable quarterly at the rate of 3 months KIBOR plus 1.5% (2017: 3 months KIBOR plus 1.5%) per annum on the outstanding amount of loan. The tenor of loan is 5 years and principle amount is repayable in equal quarterly installments after lapse of grace period of one year. The loan was obtained in 2016.

This loan has been secured against:

- First parri passu charge over plant and machinery to be imported by CHL;
- Land and building owned by CHL located at 517 Sundar Industrial Estate Raiwind Road, Lahore, measuring 12,356 square meters; and
- Personal guarantee by director of CHL.

10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2018 Rupees	2017 Rupees
Present value of minimum lease payments		69,249,350	31,603,616
Less: Current portion shown under current liabilities	15	24,763,256	17,161,328
		44,486,094	14,442,288

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

	Minimum lease payments	Finance cost for future periods	Principal outstanding
	2018		
	------------------------Rupees------------------------		
Not later than one year	29,568,460	4,805,204	24,763,256
Later than one year but not later than five years	48,904,573	4,418,479	44,486,094
	78,473,033	9,223,683	69,249,350
	2017		
	------------------------Rupees------------------------		
Not later than one year	18,922,140	1,760,812	17,161,328
Later than one year but not later than five years	15,641,542	1,199,254	14,442,288
	34,563,682	2,960,066	31,603,616

Salient features of the leases are as follows:	2018	2017
Discounting factor	7.00%-11.3%	7.00%-8.50%
Period of lease	36 - 48 months	36 - 48 months
Security deposits	5%-10%	5%-10%

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

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

11. LONG TERM ADVANCES	Note	2018 Rupees	2017 Rupees
Balance at 31 December		57,065,521	46,174,896
Less: Current portion shown under current liabilities	15	12,193,574	10,404,344
		44,871,947	35,770,552

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

Notes to the Consolidated Financial Statements

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	Note	2018 Rupees	2017 Rupees
12. DEFERRED LIABILITIES			
Deferred tax - net	12.1	17,289,233	31,021,399
Gratuity	12.3	356,835,157	342,208,530
		374,124,390	373,229,929
12.1 Deferred tax - net			
Deferred tax liabilities on taxable temporary differences:			
Surplus on revaluation of assets	8	49,737,145	56,700,432
Accelerated tax depreciation		43,722,774	49,778,320
Finance lease		4,486,861	3,735,750
		97,946,780	110,214,502
Deferred tax assets on deductible temporary differences:			
Provision for doubtful debts		(701,891)	(720,141)
Provision for gratuity		(77,644,735)	(75,629,303)
Provision for stock		(2,310,921)	(2,843,659)
		(80,657,547)	(79,193,103)
Net deferred tax liability		17,289,233	31,021,399
12.2 Movement in deferred tax balances is as follows:			
At beginning of the year		31,021,399	12,010,129
Recognized as deferred tax expense / (income) in profit or loss account:			
- Surplus on revaluation of fixed assets		(5,670,043)	(2,335,605)
- Accelerated tax depreciation on fixed assets		(6,055,546)	(4,126,719)
- Leased Assets		751,111	(120,416)
- Provision for Stock		532,739	1,498,058
- Provision for doubtful debts		18,250	(430,053)
- Gratuity		3,503,435	(6,957,641)
		(6,920,054)	(12,472,376)
Recognized in surplus on revaluation of fixed assets:			
-Effect of revaluation during the year		-	35,757,431
-Effect of change in tax rate		(1,701,013)	-
-Effect of change in proportion of Normal sales		407,769	(77,449)
		(1,293,244)	35,679,982
Recognized as deferred tax expense in other comprehensive income:			
- Gratuity		(5,518,868)	(4,196,336)
		17,289,233	31,021,399

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
12.3 Gratuity			

12.3.1 General description:

As discussed in note 4.4, the Group operates an unfunded gratuity scheme for its 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 2018 using the projected unit credit method.

12.3.2 Consolidated statement of financial position:

	Note	2018 Rupees	2017 Rupees
Present value of defined benefit obligation	12.3.3	356,835,157	342,208,530

12.3.3 Net recognized liability:

	Note	2018 Rupees	2017 Rupees
Liability as at 01 January		342,208,530	293,352,116
Amount recognized during the year	12.3.4	49,030,111	44,210,142
Remeasurement adjustments recognized during the year		22,782,070	15,477,217
Benefit paid during the year		(57,185,554)	(10,830,945)
Liability as at 31 December		356,835,157	342,208,530

12.3.4 Expense recognized in statement of profit or loss:

	2018 Rupees	2017 Rupees
Current service cost	23,166,036	21,175,211
Interest cost	25,864,075	23,034,931
Amount chargeable to profit or loss	49,030,111	44,210,142

12.3.5 Remeasurement recognized in other comprehensive income:

	2018 Rupees	2017 Rupees
Remeasurement losses in OCI	22,782,070	15,477,217

12.3.6 Movement in the present value of define benefit obligation:

	2018 Rupees	2017 Rupees
Liability as at 01 January	342,208,530	293,352,116
Current service cost	23,166,036	21,175,211
Interest cost	25,864,075	23,034,931
Remeasurement adjustments recognized during the year	22,782,070	15,477,217
Benefit paid during the year	(57,185,554)	(10,830,945)
Liability as at 31 December	356,835,157	342,208,530

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

12.3.7 Historical information for gratuity plan

	2018	2017	2016	2015	2014
	Rupees				
Present value of defined benefit obligation	356,835,157	342,208,530	293,352,116	256,124,870	216,774,395
Remeasurement adjustment arising on plan liabilities	22,782,070	15,477,217	14,019,989	27,758,209	2,412,983
Remeasurement adjustment as percentage of outstanding liability	6.38%	4.52%	4.78%	10.84%	1.11%

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

	2018	2017
- Discount rate	13.25% p.a.	8.25% p.a.
- Expected rate of increase in salary	12.25% p.a.	7.25% p.a.
- Expected average remaining working life time	8 years	9 years
- Mortality rates	SLIC 2001-2005	SLIC 2001-2005

12.3.8 Estimated expense of current service cost and interest cost on defined benefit obligation to be charged to consolidated profit or loss account in 2019 amounting to Rs. 25.6 million and Rs. 45 million respectively.

12.3.9 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.

	2018 Rupees	2017 Rupees
Discount rate + 100 bps	328,868,308	316,156,054
Discount rate - 100 bps	388,392,990	372,294,457
Salary increase + 100 bps	388,703,239	372,586,375
Salary increase - 100 bps	328,126,871	315,442,142

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
13. TRADE AND OTHER PAYABLES			
Trade creditors		121,798,148	136,628,429
Bills payable		33,437,220	10,748,773
Accrued expenses		144,457,861	217,968,222
Advances from customers	13.1	30,551,545	16,465,736
Payable to Provident Fund Trust	13.2	7,872,008	5,029,453
Worker's Profit Participation Fund	13.3	1,678,410	1,842,893
Payable to Central Research Fund		10,180,345	9,922,724
Withholding tax payable		7,829,590	9,054,103
Payable to Employees Welfare Trust		526,880	428,012
		358,332,007	408,088,345

13.1 This includes a balance amounting to Rs. 3.2 million (2017: Rs. Nil) due to Route 2 Health (Private) Limited, a related party.

	Note	2018 Rupees	2017 Rupees
13.2 Provident fund			
Opening balance		5,029,453	4,130,226
Addition during the year		33,922,102	25,836,973
Paid during the year		(31,079,547)	(24,937,746)
Closing balance		7,872,008	5,029,453
13.3 Worker's Profit Participation Fund			
Opening balance		1,842,893	2,706,681
Add: Provision for the year	33	56,711,066	48,011,417
		58,553,959	50,718,098
Add: Interest on funds utilized by the Group	35	289,688	125,138
		58,843,647	50,843,236
Less: Paid during the year to the Fund		57,165,237	49,000,343
Closing balance		1,678,410	1,842,893

13.3.1 Mark-up @ 75% (2017: 63.75%) per annum is provided on unpaid balance of the Fund in accordance with the rules of the Fund.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
14. SHORT TERM BORROWINGS			
Short term borrowings from commercial banks		22,011,812	21,148,760

14.1 Short term running finances are availed by CHL from commercial banks against aggregate sanctioned limit of Rs. 50 million including Rs. 30 million for FATR (funds against trust receipt) and Rs. 20 million related to Running finance (2017: Rs. 45 million including Rs. 30 million for FATR (funds against trust receipt) and Rs.15 million related to Running finance). These facilities carry mark-up at the rate of three months KIBOR plus 200 basis points for the month of January, February and March and for the remaining months of the current year the rate was 1 month KIBOR plus 200 basis points (2017: three months KIBOR plus 200 basis points). These facilities are secured by way of hypothecation charge over all present and future current assets with 20% margin.

14.2 Following are the credit facilities available to the HNL but are not availed at year end:

14.2.1 HNL has short term running finance facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 505 million (2017: Rs. 505 million).Out of these facilities, Rs. 305 million is available as sublimit and can interchangeably be utilized for L/C sight/Usance. These facilities carry mark-up at rates ranging from one month KIBOR to three months KIBOR plus 50 to 100 basis points (2017: one month KIBOR to six months KIBOR plus 100 to 150 basis points) per annum. These facilities along with import credit facility are secured by way of first pari passu charge for Rs. 639.46 million (2017: Rs. 639.46 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 474 million (2017: Rs. 482.5 million) on stocks including but not limited to raw materials, goods in process and finished goods of the Company. The company has also available a lease finance facilty amounting to Rs. 150 million.

14.2.2 Out of total borrowing facility, an amount of Rs.50 million (2017: Rs. 50 million) represents Export Refinance Facility obtained from a commercial bank under SBP regulations at a subsidized mark up rate of 4% (2017: 4%) per annum.

14.2.3 The Company also has aggregate sanctioned import credit facilities available from various commercial banks amounting to Rs. 1,200 million (2017: Rs. 1000 million). Out of these facilities, Rs. 220 million is available as sublimit and can interchangeably be utilized as Running Finance.

	Note	2018 Rupees	2017 Rupees
15. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term loan	9	25,332,495	23,750,000
Liabilities against assets subject to finance lease	10	24,763,256	17,161,328
Long term advances	11	12,193,574	10,404,344
		62,289,325	51,315,672

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

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

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- While finalizing income tax assessments for the tax year 2011, ACIR made additions amounting to Rs. 42.2 million with aggregate tax impact of Rs. 24 million. The Group had filed an appeal before CIR (Appeals) who deleted additions aggregating to Rs. 39.7 million. For the remaining amount Rs. 2.5 million the Group had filed an appeal before ATIR. The case is pending adjudication before ATIR. Provision has not been recognized by the Group, as the management expects a favorable outcome.
- The ACIR had issued an amended assessment order u/s 122(1)/122(5)/177 of the Income Tax Ordinance, 2001 and made certain addition amounting to Rs. 24.1 million for the Tax year 2013. The Group preferred an appeal to CIR against the aforesaid order. The CIR vide his appellate order, upheld the addition amounting to Rs. 24.1 million. Being aggrieved the Group has filed an appeal against the aforementioned addition before the ITAT, which is still pending.
- The Deputy Commissioner Inland Revenue has passed orders under section 161/205 in respect of Tax Years 2013, 2015 and 2016 and created a demand of Rs. 3.7 million based on the observation that the Group has not deducted Withholding Tax while making payment to certain suppliers. Being aggrieved with the order the Group has filed appeal in CIR (Appeals). Provision has not been recognized by the Group, as the management expects a favorable outcome.
- The DCIR issued an order under section 45B of the Sales Tax Act, 1990 by creating demand of Rs. 4.3 million. The Group has preferred appeal against the said order which has been partially decided in the favor of the Group and demand has been reduced by Rs. 3.73 million. The Group has preferred appeal against the remaining addition of before ATIR, which is pending adjudication. Provision has not been recognized by the Group, as the management expects a favorable outcome.
- The DCIR issued an order under section 161/205 in respect of income tax year 2014 and created a demand of Rs. 1.5 million based on the observation that the Group has not deducted Withholding Tax while making payment to certain suppliers against purchases and other services. Being aggrieved with the order the Group has filed appeal in CIR (Appeals). Provision has not been recognized by the Group, as the management expects a favorable outcome.

16.2 Commitments

	Note	2018 Rupees	2017 Rupees
Commitments against irrevocable letters of credit include:			
Raw materials		324,563,123	247,475,952
Packing materials		23,515,118	33,881,308
Finished Goods		15,861,921	26,313,228
Plant and machinery		128,128,340	23,536,496
		492,068,502	331,206,984
Rentals under ijarah agreements:			
Not later than one year		9,987,189	21,261,914
Later than one year but not later than five years		17,225,638	8,644,956
		27,212,827	29,906,870

- Bank guarantees issued on behalf of the Group aggregate to Rs. 1.60 million (2017: Rs 1.60 million).
- Facilities of letters of guarantee amounting to Rs. 20 million (2017: Rs. 10 million) are available to the Group under charge of stocks and on present and future current assets and property, plant and equipment of the Group.

17. PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
Operating fixed assets	17.1	1,223,954,411	1,227,713,797
Capital work in progress	17.2	30,982,977	-
		1,254,937,388	1,227,713,797

17.1 Operating fixed assets

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

	2018													
	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 2018														
Cost / revalued amount	274,700,000	584,230,006	1,127,561,248	55,507,731	28,404,127	49,509,086	55,756,475	201,703,248	52,806	204,990	166,100	2,377,795,817	62,922,500	2,440,718,317
Accumulated depreciation	-	337,720,247	669,133,924	18,112,384	14,761,489	21,093,932	43,819,512	90,268,450	50,771	141,766	127,322	1,195,229,797	17,774,723	1,213,004,520
Net book value	274,700,000	246,509,759	458,427,324	37,395,347	13,642,638	28,415,154	11,936,963	111,434,798	2,035	63,224	38,778	1,182,566,020	45,147,777	1,227,713,797
Movement during the year														
Additions - cost	-	3,930,895	19,111,274	9,160,605	10,333,283	4,921,334	19,632,412	15,001,261	-	-	-	82,091,064	61,605,500	143,696,564
Transfer from leasehold assets														
Cost	-	-	-	-	-	-	-	5,331,000	-	-	-	5,331,000	(5,331,000)	-
Accumulated Depreciation	-	-	-	-	-	-	-	2,568,357	-	-	-	2,568,357	(2,568,357)	-
	-	-	-	-	-	-	-	2,762,643	-	-	-	2,762,643	(2,762,643)	-
Disposals														
Cost	-	-	-	2,835,775	-	-	-	45,239,353	-	-	-	48,075,128	-	48,075,128
Accumulated Depreciation	-	-	-	642,145	-	-	-	25,896,461	-	-	-	26,538,606	-	26,538,606
	-	-	-	2,193,630	-	-	-	19,342,892	-	-	-	21,536,522	-	21,536,522
Depreciation charge for the year		24,838,634	47,048,579	3,742,214	1,574,566	2,993,932	5,438,145	22,222,000	203	6,322	3,878	107,868,473	18,050,955	125,919,428
Closing net book value	274,700,000	225,602,020	430,490,019	40,620,108	22,401,355	30,342,556	26,131,230	87,633,810	1,832	56,902	34,900	1,138,014,732	85,939,679	1,223,954,411
At 31 December 2018														
Cost / revalued amount	274,700,000	588,160,901	1,146,672,522	61,832,561	38,737,410	54,430,420	75,388,887	176,796,156	52,806	204,990	166,100	2,417,142,753	119,197,000	2,536,339,753
Accumulated depreciation	-	362,558,881	716,182,503	21,212,453	16,336,055	24,087,864	49,257,657	89,162,346	50,974	148,088	131,200	1,279,128,021	33,257,321	1,312,385,342
Net book value	274,700,000	225,602,020	430,490,019	40,620,108	22,401,355	30,342,556	26,131,230	87,633,810	1,832	56,902	34,900	1,138,014,732	85,939,679	1,223,954,411
Depreciation rates (%)		10%	10%	10%	10%	10%	25%	20%	10%	10%	10%		20%	

17.1 Operating fixed assets (continued)

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

	2017													
	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 2017														
Cost / revalued amount	188,440,000	351,452,962	724,835,775	39,231,307	26,277,167	31,493,768	53,531,403	158,342,717	52,806	204,990	166,100	1,574,028,995	73,182,000	1,647,210,995
Accumulated depreciation	-	213,236,480	469,751,176	15,442,755	13,398,532	19,540,545	40,936,679	75,765,469	50,545	134,741	123,013	848,379,935	21,780,909	870,160,844
Net book value	188,440,000	138,216,482	255,084,599	23,788,552	12,878,635	11,953,223	12,594,724	82,577,248	2,261	70,249	43,087	725,649,060	51,401,091	777,050,151
Movement during the year														
Additions - cost	-	72,100,860	153,906,049	16,276,424	2,126,960	18,015,318	2,928,260	51,845,724	-	-	-	317,199,595	20,019,500	337,219,095
Revaluation adjustment														
Cost	86,260,000	160,676,184	250,164,724	-	-	-	-	-	-	-	-	497,100,908	-	497,100,908
Accumulated depreciation	-	109,337,405	171,863,045	-	-	-	-	-	-	-	-	281,200,450	-	281,200,450
	86,260,000	51,338,779	78,301,679	-	-	-	-	-	-	-	-	215,900,458	-	215,900,458
Transfer from leasehold assets														
Cost	-	-	-	-	-	-	-	30,279,000	-	-	-	30,279,000	(30,279,000)	-
Accumulated Depreciation	-	-	-	-	-	-	-	14,789,447	-	-	-	14,789,447	(14,789,447)	-
	-	-	-	-	-	-	-	15,489,553	-	-	-	15,489,553	(15,489,553)	-
Disposals														
Cost	-	-	1,345,300	-	-	-	703,188	38,764,193	-	-	-	40,812,681	-	40,812,681
Accumulated Depreciation	-	-	981,165	-	-	-	536,209	22,157,957	-	-	-	23,675,331	-	23,675,331
	-	-	364,135	-	-	-	166,979	16,606,236	-	-	-	17,137,350	-	17,137,350
Depreciation charge for the year	-	15,146,362	28,500,868	2,669,629	1,362,957	1,553,387	3,419,042	21,871,491	226	7,025	4,309	74,535,296	10,783,261	85,318,557
Closing net book value	274,700,000	246,509,759	458,427,324	37,395,347	13,642,638	28,415,154	11,936,963	111,434,798	2,035	63,224	38,778	1,182,566,020	45,147,777	1,227,713,797
At 31 December 2017														
Cost / revalued amount	274,700,000	584,230,006	1,127,561,248	55,507,731	28,404,127	49,509,086	55,756,475	201,703,248	52,806	204,990	166,100	2,377,795,817	62,922,500	2,440,718,317
Accumulated depreciation	-	337,720,247	669,133,924	18,112,384	14,761,489	21,093,932	43,819,512	90,268,450	50,771	141,766	127,322	1,195,229,797	17,774,723	1,213,004,520
Net book value	274,700,000	246,509,759	458,427,324	37,395,347	13,642,638	28,415,154	11,936,963	111,434,798	2,035	63,224	38,778	1,182,566,020	45,147,777	1,227,713,797
Depreciation rates (%)		10%	10%	10%	10%	10%	25%	20%	10%	10%	10%		20%	

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For The Year Ended 31 December 2018

		Note	2018 Rupees	2017 Rupees
17.1.1	Depreciation charge has been allocated as under:			
	Cost of sales	29	82,247,925	48,758,371
	Distribution, selling and promotional expenses	30	20,941,937	16,973,766
	Administrative and general expenses	31	22,729,566	19,586,421
			125,919,428	85,318,557

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

		2018 Rupees	2017 Rupees
17.1.3	Had the assets not been revalued, the carrying values would have been:		
	Land - freehold	39,566,828	39,566,828
	Building on freehold land	160,715,904	174,414,074
	Plant and machinery (Owned)	310,362,762	324,952,594
		510,645,494	538,933,496

17.1.4 Disposal of property, plant and equipment

Description		Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sale	Particulars of Purchasers
		Rupees						
Vehicles sold to employees:								
Vehicle Type								
Cars	Reg. No							
Honda City	LEA-14-2854	1,512,000	788,820	723,180	748,524	25,344	Company Policy	Aamir Bashir
Honda City	LEA-13-5466	1,512,000	1,001,065	510,935	510,935	-	Company Policy	Jawad Zafar
Honda City	LEC-12-6386	1,488,000	1,078,291	409,709	409,709	-	Company Policy	Azfar Shams
Suzuki Cultus	LEE-16-8929	1,119,000	420,744	698,256	928,770	230,514	Company Policy	Syed Ashar Hussain
Suzuki Cultus	LEA-14-1384	1,059,000	604,750	454,250	753,807	299,557	Company Policy	Ghulam Mustafa
Suzuki Cultus	LEA-14-3167	1,059,000	636,530	422,470	753,761	331,291	Company Policy	Mateen Shahzad
Suzuki Cultus	LEA-16-7920	1,044,000	486,968	557,032	852,726	295,694	Company Policy	Sameer Jan
Suzuki Cultus	LEF-14-7975	1,039,000	601,013	437,987	753,807	315,820	Company Policy	Muhammad Asad Ullah
Suzuki Cultus	LEF-14-7816	1,039,000	567,322	471,678	782,738	311,060	Company Policy	Nasir Khan
Suzuki Cultus	LEC-12-2731	1,020,000	754,470	265,530	623,406	357,876	Company Policy	Muhammad Ramzan
Suzuki Cultus	LEA-13-3428	1,005,000	690,089	314,911	678,696	363,785	Company Policy	Anis Ur Rehman
Suzuki Mehran VXR EII	LE-15A-3408	790,962	300,038	490,924	696,999	206,075	Company Policy	Muddasser Jamal
Suzuki Mehran VXR-EII	LE-17A-8658	739,500	24,650	714,850	714,850	-	Company policy	Farooq ul hassan
Suzuki Mehran VXR-EII	LE-17A-8659	739,500	24,650	714,850	714,850	-	Company policy	Mohammad Junaid
Suzuki Mehran VXR-EII	LE-17A-8660	739,500	24,650	714,850	714,850	-	Company policy	Mohammad Afzal
Suzuki Mehran VXR-EII	LE-17A-8661	739,500	24,650	714,850	714,850	-	Company policy	Waqar ul Hassan
Suzuki Mehran VXR-EII	LE-17A-8662	739,500	24,650	714,850	714,850	-	Company policy	Jahanzeb Rahim
Suzuki Cultus VXR EII	LEA-16A-7921	708,000	242,608	465,392	590,000	124,608	Insurance Claim	Insurance Company
Suzuki Mehran	LEA-14-1845	693,000	378,988	314,012	516,671	202,659	Company Policy	Syed Riffat Irfan Ahmed
Suzuki Mehran	LEA-14-3678	688,000	398,563	289,437	491,175	201,738	Company Policy	Alam Zeb Khan
Suzuki Mehran VX EII	LEC-14-8058	683,000	395,666	287,334	497,242	209,908	Company Policy	Muhammad Naveed Shahzad
Suzuki Cultus VXR EII	LED-16-8284	683,000	233,131	449,869	599,440	149,571	Company Policy	Zeeshan Ali
Suzuki Mehran VXR EII	LEA-13-6562	673,000	410,969	262,031	474,463	212,432	Company Policy	Hina Rasheed
Suzuki Mehran VX EII	LEA-13-6561	673,000	406,451	266,549	490,656	224,107	Company Policy	Shafiq Ahmad
Suzuki Mehran VXR EII	LEA-13-7112	668,000	443,181	224,819	779,108	554,289	Company Policy	Hassan ur Rehman
Suzuki Mehran VX EII	LEA-13-6726	668,000	444,550	223,450	448,433	224,983	Company Policy	Yasir Arfat
Suzuki Mehran VX EII	LEC-14-8051	663,000	384,080	278,920	600,000	321,080	Insurance Claim	Insurance Company
Suzuki Mehran VXR EII	LEA-13-6029	658,000	444,183	213,817	444,475	230,658	Company Policy	Usman Wahid Bhatti
Suzuki Mehran VXR EII	LEA-13-5192	657,000	418,840	238,160	466,222	228,062	Company Policy	Noureen Afzal
Suzuki Mehran VXR EII	LEA-13-4615	657,000	427,661	229,339	444,200	214,861	Company Policy	Qadir Khan
Suzuki Mehran VXR EII	AZF-846	652,000	447,996	204,004	444,320	240,316	Company Policy	Muhammad Farhan
Suzuki Mehran	LEA-14-3727	640,000	344,360	295,640	570,000	274,360	Insurance Claim	Insurance Company
Suzuki Mehran VXR EII	LEF-14-9051	635,000	372,014	262,986	480,811	217,825	Company Policy	Muhammad Younis
Suzuki Mehran	LE-14-2082	423,191	205,013	218,178	444,256	226,078	Company Policy	Rajesh Raiy

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17.1.4 Disposal of property, plant and equipment

Description		Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sale	Particulars of Purchasers
		---------- Rupees ----------						
Vehicles sold to employees:								
Vehicle Type								
Bikes	Reg. No							
Honda CD 70	KHC-1005	69,900	42,223	27,677	60,000	32,323	Insurance Claim	Insurance Company
Honda CD 70	BDD-206	69,900	42,223	27,677	60,000	32,323	Insurance Claim	Insurance Company
Honda CD 70	KGM-8113	68,000	45,114	22,886	57,500	34,614	Insurance Claim	Insurance Company
Honda CD 70	LEO-17A-3086	63,500	17,621	45,879	63,500	17,621	Company Policy	Abdul Hanan
Honda CD 70	LEM-16B-3157	63,500	20,038	43,462	63,500	20,038	Company Policy	Abid Khan
Honda CD 70	LEO-15B-6613	63,500	30,864	32,636	63,500	30,864	Company Policy	Babar Mushtaq
Honda CD 70	LEV-16A-9530	63,500	20,814	42,686	63,500	20,814	Company Policy	Baqir Fayyaz
Honda CD 70	LEY-15-7713	63,500	31,214	32,286	55,500	23,214	Company Policy	Danish Iqbal
Honda CD 70	LEQ-16B-6237	63,500	17,709	45,791	63,500	17,709	Company Policy	Deepak Singh
Honda CD 70	LEO-15B-8725	63,500	30,198	33,302	63,500	30,198	Company Policy	Ghulam Murtaza
Honda CD 70	LEL-16-5108	63,500	30,864	32,636	63,500	30,864	Company Policy	Hafiz Muhammad Aleem Saqib
Honda CD 70	LEV-15A-2981	63,500	30,582	32,918	63,500	30,582	Company Policy	Haseeb Ahmed
Honda CD 70	LEO-15B-6603	63,500	30,864	32,636	63,500	30,864	Company Policy	Iqbal Manzoor
Honda CD 70	LEQ-17A-3418	63,500	18,556	44,944	63,500	18,556	Company Policy	Irfan Bacha
Honda CD 70	KIK-7443	63,500	28,730	34,770	63,500	28,730	Company Policy	Jazib Talal
Honda CD 70	LEP-17B-8273	63,500	7,303	56,197	63,500	7,303	Company Policy	Muhammad Atif
Honda CD 70	LEO-15B-1265	63,500	29,453	34,047	63,500	29,453	Company Policy	Muhammad Azeem
Honda CD 70	LEY-15-7188	63,500	31,835	31,665	63,500	31,835	Company Policy	Muhammad Mushtaq
Honda CD 70	LEO-15A-8305	63,500	29,972	33,528	63,500	29,972	Company Policy	Muhammad Raheel Yasir
Honda CD 70	LEY-15-5479	63,500	31,835	31,665	63,500	31,835	Company Policy	Muhammad Saleem
Honda CD 70	LEM-16B-3147	63,500	17,667	45,833	55,500	9,667	Insurance Claim	Insurance Company
Honda CD 70	LEY-15-5438	63,500	31,835	31,665	63,500	31,835	Company Policy	Munawar Saeed Shakoor
Honda CD 70	LEO-15B-6579	63,500	30,198	33,302	63,500	30,198	Company Policy	Qasim Ali
Honda CD 70	KIE-8925	63,500	30,582	32,918	63,500	30,582	Company Policy	Rafique Ahmed
Honda CD 70	LEO-15B-6583	63,500	30,198	33,302	63,500	30,198	Company Policy	Rana Muhammad Ishaq
Honda CD 70	LEL-16-5120	63,500	30,864	32,636	63,500	30,864	Company Policy	Raza Khan
Honda CD 70	LEZ-16-1735	63,500	26,077	37,423	63,500	26,077	Company Policy	Sadiq Akbar
Honda CD 70	LEO-15A-8303	63,500	30,582	32,918	63,500	30,582	Company Policy	Syed Zain Ul Abideen
Honda CD 70	LEY-15-5431	63,500	31,835	31,665	63,500	31,835	Company Policy	Umair Saeed
Honda CD 70	LEY-15-5443	63,500	31,835	31,665	63,500	31,835	Company Policy	Umar Farooq
Honda CD 70	LEV-16-2405	63,500	21,872	41,628	65,000	23,372	Company Policy	Usama Ali
Honda CD 70	LEO-15B-8723	63,500	25,535	37,965	63,500	25,535	Company Policy	Waseem Ali
Honda CD 70	LEN-17-8404	63,500	8,202	55,298	63,500	8,202	Company Policy	Wasim Ashraf
Honda CD 70	LEO-15B-6587	63,500	24,203	39,297	63,500	24,203	Company Policy	Zahid Latif
Honda CD 70	LEO-15A-8309	63,500	30,582	32,918	63,500	30,582	Company Policy	Zakir Khan
Vehicles sold to others:								
Cars								
Toyota Corolla	LED-10-5624	1,830,000	1,471,380	358,620	1,125,000	766,380	Negotiation	Muhammad Asif
Honda City	AYZ-303	1,578,500	1,112,083	466,417	1,172,786	706,369	Negotiation	Shahid
Toyota Corolla	LEA-13-4726	1,554,500	1,039,462	515,038	1,405,000	889,962	Negotiation	Sajjad Mahmood
Honda Civic	LEB-08-6776	1,519,500	1,358,044	161,456	1,156,600	995,144	Negotiation	Irfan Shah
Honda City	LEB-09-5692	1,312,000	1,144,222	167,778	1,052,000	884,222	Negotiation	Sajjad Mahmood
Suzuki Cultus	LRG-4567	1,079,000	1,050,147	28,853	425,000	396,147	Negotiation	Muhammad Hamza
Honda City	LED-07-4988	840,500	766,196	74,304	900,786	826,482	Negotiation	Saleem Akhtar
Suzuki Mehran VX EII	LEE-17-9042	718,000	189,073	528,927	683,100	154,173	Negotiation	Irfan Shah
Suzuki Bolan	LEA-14-1840	695,000	385,913	309,087	585,000	275,913	Negotiation	Ali Akbar
Suzuki Bolan	LEA-13-6203	680,000	446,270	233,730	515,100	281,370	Negotiation	Sameer Khan
Suzuki Bolan	LEA-13-5463	674,000	429,371	244,629	505,000	260,371	Negotiation	Aman Ullah
Suzuki Mehran VX EII	LED-15-8477	667,000	346,484	320,516	577,700	257,184	Negotiation	Irfan Shah
Suzuki Mehran VX EII	LEA-14-3728	640,000	333,801	306,199	530,000	223,801	Negotiation	Aman Ullah
Suzuki Mehran VXR- EII	LEF-14-9052	635,000	361,899	273,101	510,000	236,899	Negotiation	Muhammad Usman
Bikes								
Honda cd 70	LEL-14B-9759	69,900	40,434	29,467	24,000	(5,467)	Negotiation	Ali Ahmed
		45,239,353	25,896,461	19,342,892	34,211,672	14,868,780		
Office Equipment								
Metal Detector		2,835,775	642,145	2,193,630	2,817,121	623,491	Negotiation	Abbott Laboratories Pak Ltd
		2,835,775	642,145	2,193,630	2,817,121	623,491		
2018		48,075,128	26,538,606	21,536,522	37,028,793	15,492,271		
2017		40,812,681	23,675,331	17,137,350	28,035,197	10,897,854		

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17.1.5 Forced sale value as per the last revaluation report as of 31 December 2017 - note 17.1.6

Asset Class	Forced sale value
	Rupees
Freehold land	199,760,000
Building on freehold land	124,000,000
Plant and machinery	254,400,000
Total	578,160,000

17.1.6 The above amount does not include property (i.e. land and building), plant and machinery which are capitalized from 1st January 2018 to 31 December 2018.

17.1.7 Particulars of immovable assets of the Group are as follows:

Location and address	Usage of immovable property	Land area (kanal)	Coverage area (sqr.ft)
Land: Situated at 17.5 KM Multan Road Hadbast Mouza Kanjra, Tehsil & Distt. Lahore	Head Office, Manufacturing and Registered Office	45.4	246,976
Building: 17.5 KM Multan Road Hadbast Mouza Kanjra, Tehsil & Distt. Lahore	Head Office, Manufacturing and Registered Office	28.9	157,160

17.2 Capital work in progress

	Plant and machinery		Others	
Movement in capital work in progress is	2018	2017	2018	2017
	---------- Rupees ----------			
as follows:				
Opening balance	-	-	-	-
Additions during the year	30,982,977	-	14,603,484	-
Capitalized during the year	-	-	(14,603,484)	-
	30,982,977	-	-	-

17.2.1 The Group has capitalized borrowing costs amounting to Rs. nil (2017: Rs. 6 million) that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of that asset. The rate used to determine the amount of borrowing cost eligible for capitalization was nil. (2017: 3 months KIBOR plus 1.5%).

Notes to the Consolidated Financial Statements

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18. INTANGIBLE ASSETS

PARTICULARS	COST			AMORTIZATION			Book value as at 31 December 2018	Rate %
	As at 01 January 2018	Additions	As at 31 December 2018	As at 01 January 2018	For the year	As at 31 December 2018		
	Rupees							
Registration and trademark*	156,034,175	60,000	156,094,175	149,471,825	5,402,017	154,873,842	1,220,333	10
Computer software	11,305,681	-	11,305,681	11,305,681	-	11,305,681	-	10-33
License	100,000	551,303	651,303	20,000	79,342	99,342	551,961	10
	167,439,856	611,303	168,051,159	160,797,506	5,481,359	166,278,865	1,772,294	

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

*This represents registration and trademarks of brands named as "Tres Orix Forte", "Skilax Drops", "Blokium", "Ceftro", "Clafort", "Xorbact", "Maxum" and "Cefatil".

In the current year the intangible assets of parent company includes fully amortized registration & trade mark and computer software.

18.1 Amortization charge has been allocated as under:

	Note	2018 Rupees	2017 Rupees
Cost of sales	29	4,608,054	15,574,085
Distribution, selling and promotional expenses	30	873,305	1,249,433
		5,481,359	16,823,518

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

19. GOODWILL

	Note	2018 Rupees	2017 Rupees
Goodwill on acquisition of subsidiary	19.1	834,230	834,230

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

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

		2015 Rupees
Assets Acquired:		
Property, plant and equipment	51,815,300	
Capital work in progress	3,887,304	
Cash and cash equivalents	11,816	
		55,714,420
Less:		
Liabilities assumed:		
Trade and other payables	115,730	
Director's loans	1,265,477	
		1,381,207
Total identifiable net assets at fair value		54,333,213
Purchase consideration transferred in cash	44,300,800	
Non-Controlling Interest at acquisition date	10,866,643	
		55,167,443
Goodwill arising on acquisition		834,230

Net cash flow on acquisition of subsidiary company:

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

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For The Year Ended 31 December 2018

19.2 Acquisition of additional interest in Curexa Health (Private) Limited

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

	2016 Rupees
Cash consideration paid to non- controlling interest	11,077,000
Carrying value of the additional interest in Curexa Health (Private) Limited	(10,036,523)
Difference recognized in unappropriated profits	1,040,477

20. STOCK IN TRADE

	Note	2018 Rupees	2017 Rupees
Raw materials			
In hand		591,435,860	561,751,173
In transit		125,235,676	73,291,056
With third party		10,782,962	16,867,741
		727,454,498	651,909,970
Packing material			
In hand		196,311,774	145,954,635
In transit		11,821,638	4,592,598
With third party		-	2,751,234
		208,133,412	153,298,467
Work in process		112,613,709	78,152,547
Finished goods			
Trading		232,567,466	162,873,013
Manufactured		96,461,098	93,046,381
		329,028,564	255,919,394
Less: Provision for slow moving and obsolete items	20.1	(9,306,296)	(11,361,112)
		1,367,923,887	1,127,919,266

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	Note	2018 Rupees	2017 Rupees
20.1 Provision for slow moving and obsolete items			
Opening provision		11,361,112	15,683,130
Charge for the year		4,583,349	3,735,000
Written off during the year		(6,638,165)	(8,057,018)
Closing provision		9,306,296	11,361,112

21. TRADE DEBTS

	Note	2018 Rupees	2017 Rupees
Foreign - considered good	21.3	47,932,356	16,830,047
Local - Unsecured:			
Considered good	21.1	233,577,399	233,862,151
Considered doubtful		2,610,909	2,610,909
Less: Provision against doubtful debts	21.2	2,610,909	2,610,909
		-	-
		281,509,755	250,692,198

21.1 These customers have no history of default. Age analysis of these trade debts is given in Note 39.

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

Provision against doubtful debts:

	2018 Rupees	2017 Rupees
Opening balance	2,610,909	1,039,897
Addition during the year	-	1,571,012
	2,610,909	2,610,909

21.3 The amount of outstanding trade debts in respect of export sales along with their foreign jurisdiction is mentioned below:

	2018 Rupees	2017 Rupees
- Afghanistan	33,129,590	5,066,536
- Dubai United Arab Emirates	5,303,693	2,270,824
- France	2,300,825	-
- Tanzania	2,127,405	1,509,365
- Other countries	5,070,843	7,983,322
	47,932,356	16,830,047

None of the foreign debtors defaulted during the current year.

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	Note	2018 Rupees	2017 Rupees
22. ADVANCES - considered good			
Advances to staff - secured			
Executives:			
- Against salary		4,350,000	-
Other employees:			
- Against expenses		21,624,749	16,331,274
- Against salary		19,626,575	13,138,863
		41,251,324	29,470,137
	22.1	45,601,324	29,470,137
Advance to suppliers against goods and services- considered good			
- Un secured		30,775,352	30,433,465
		76,376,676	59,903,602

22.1 Advances to staff, provided to meet business expenses, are settled as and when the expenses are incurred. Advances to staff are interest free and settled against immediate salary. Any outstanding advance due from an employee at the time of leaving the service of the Group is adjustable against final settlement of staff provident fund.

	Note	2018 Rupees	2017 Rupees
23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		18,860,957	17,560,461
Short term prepayments		12,381,205	7,124,249
		31,242,162	24,684,710
24. OTHER RECEIVABLES	24.1	3,457,488	4,819,473

24.1 These represent claims receivable from insurance company against vehicles and equipment.

	Note	2018 Rupees	2017 Rupees
25. TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax recoverable		7,610,450	5,611,106
		7,610,450	5,611,106

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
26. SHORT TERM INVESTMENTS			
Mutual funds designated at fair value through profit or loss	26.1	-	100,000,000
26.1 These investments are "held for trading"			
Carrying value at 01 January		100,000,000	-
Acquisition during the year		50,000,000	300,000,000
Redemption during the year		(154,517,282)	(200,374,169)
Realized gain on sale of investments during the year		4,517,282	374,169
Carrying and fair value of short term investments		-	100,000,000

	Units 2018	Units 2017	Fair Value 2018	Fair Value 2017
26.2 Mutual Fund wise detail is as follows:	Number		Rupees	
UBL Growth and Income Fund.	-	1,180,659	-	100,000,000

26.3 Realized gain of Rs. 4.52 million (2017: Rs 0.37 million) on sale of mutual funds and bonus dividend of Rs. nil (2017: Rs. nil) has been recorded in other income. These investments and related gain is from non shariah compliant arrangement.

	Note	2018 Rupees	2017 Rupees
27. CASH AND BANK BALANCES			
Cash and imprest		2,198,982	2,015,266
Balance with banks			
Current accounts			
-Local currency		207,056,735	406,109,612
-Foreign currency		27,824,075	9,426,078
Saving accounts	27.1	293,659,059	-
Term deposit receipts	27.2	250,000,000	200,000,000
		778,539,869	615,535,690
		780,738,851	617,550,956

27.1 These represents saving accounts which carry profit at the rate of 5.82% - 6% (2017: nil).

27.2 These represents investments in term deposit receipts which carry profit at the rate of 6.1% - 10.2% (2017: 5.04%-6.15%).

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	Note	2018 Rupees	2017 Rupees
28. SALES - Net			
Manufactured products:			
Local	28.1	6,866,935,204	5,308,113,680
Export		391,592,448	394,914,006
		7,258,527,652	5,703,027,686
Toll manufacturing		360,008,971	301,745,324
		7,618,536,623	6,004,773,010
Less:			
Discount		84,718,033	19,648,334
Sales tax		30,718,084	13,895,928
		(115,436,117)	(33,544,262)
		7,503,100,506	5,971,228,748

28.1 Sale of local manufactured products is net of sales returns amounting to Rs. 20 million (2017: Rs. 33.9 million).

	Note	2018 Rupees	2017 Rupees
29. COST OF SALES			
Raw and packing material consumed		2,515,459,158	1,998,395,457
Salaries, wages and benefits	29.1	379,096,536	340,678,968
Fuel and power		85,417,437	67,306,514
Repair and maintenance		63,908,740	46,257,258
Depreciation	17.1.1	82,247,925	48,758,371
Rent, rates and taxes		34,090,134	12,113,546
Factory supplies		31,090,338	26,659,186
Vehicle running and maintenance		29,160,487	22,712,695
Stores consumed		30,120,641	25,879,907
Insurance		9,993,593	6,394,287
Printing and stationery		5,242,025	5,441,496
Amortization of intangible assets	18.1	4,608,054	15,574,085
Fee and subscription		3,859,742	5,532,880
Ijarah rentals		5,582,711	8,441,880
Other direct cost		2,583,465	2,748,892
Traveling and conveyance		2,445,276	4,472,336
Telephone, postage and communication		1,296,115	1,160,460
Provision for impairment of stocks		558,807	1,051,274
Consultancy and professional charges		1,167,300	371,200
Staff welfare and entertainment		2,570,901	-
Legal and professional		502,834	-
Freight		496,510	-
Trainings, seminars and symposia		3,804	364,387
		3,291,502,533	2,640,315,079

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	2018 Rupees	2017 Rupees
Inventory effect of work in process:		
Opening	78,152,547	51,610,441
Closing	(112,613,709)	(78,152,547)
	(34,461,162)	(26,542,106)
Cost of goods manufactured	3,257,041,371	2,613,772,973
Inventory effect of finished goods:		
Opening	255,768,120	247,732,321
Purchases	792,672,053	513,981,235
Closing	(345,795,985)	(255,768,120)
	702,644,188	505,945,436
Cost of goods sold	3,959,685,559	3,119,718,409

29.1 This includes the following staff retirement benefits:

	2018 Rupees	2017 Rupees
Defined benefit plan - Gratuity	22,461,692	24,034,544
Defined contribution plan - Provident Fund	8,907,729	8,262,506
Provision for compensated leave absences	4,632,108	4,702,908
	36,001,529	36,999,958

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For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
30. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES			
Salaries and benefits	30.1	799,355,280	589,502,696
Traveling and conveyance		311,672,845	215,892,293
Training, seminars and symposia		303,156,063	272,880,939
Literature, promotion and advertisement material		266,464,513	251,128,660
Vehicle running and maintenance		90,583,255	48,556,770
Freight		67,232,540	55,449,151
Sample goods		52,556,672	52,789,728
Telephone, postage and communication		41,295,146	29,263,328
Newspapers and subscriptions		28,436,629	20,601,909
Insurance		24,197,186	13,398,192
Depreciation	17.1.1	20,941,937	16,973,766
Commission on sales		7,085,340	1,961,832
Office supplies		3,963,366	1,064,687
Ijarah rentals		3,893,936	20,569,283
Printing and stationery		3,226,004	3,117,792
Repair and maintenance		1,106,971	4,879,720
Amortization of intangible assets	18.1	873,305	1,249,433
Legal and professional charges		81,272	76,588
Others		72,647	274,997
Donation	30.2	543,478	105,555
		2,026,738,385	1,599,737,319

30.1 This includes following staff retirement benefits:

	2018 Rupees	2017 Rupees
Defined benefit plan - Gratuity	11,162,564	7,932,281
Defined contribution plan - Provident Fund	17,755,518	12,377,953
Provision for compensated leave absences	7,516,080	7,592,560
	36,434,162	27,902,794

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
31. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	31.1	233,673,694	184,225,835
Vehicle running and maintenance		30,510,373	22,849,463
Depreciation	17.1.1	22,729,566	19,586,421
Rent, rates and taxes		15,395,387	9,020,152
Traveling and conveyance		9,683,863	7,496,249
Advertisement, seminars and symposia		8,641,765	6,455,650
Legal and professional charges		6,727,158	1,837,739
Insurance		5,675,379	4,807,062
Newspapers and subscriptions		5,090,336	3,523,955
Printing and stationery		4,898,510	6,087,314
Telephone, postage and communication		5,523,346	4,418,705
Ijarah rentals		5,089,708	2,985,817
Others		2,644,419	930,685
Repairs and maintenance		5,091,148	2,629,486
Office supplies		2,568,340	2,480,888
Donation	31.3	1,980,623	4,540,446
Electricity, gas and water		1,858,267	2,385,594
Auditor's remuneration	31.2	2,105,459	1,743,650
Staff welfare and entertainment		1,480,002	-
Staff Training & Development		205,187	-
Fee and subscription		197,529	-
Provision against doubtful debts		-	1,571,012
		371,770,059	289,576,123

31.1 It includes the following staff retirement benefits:

	2018 Rupees	2017 Rupees
Defined benefit plan - Gratuity	15,405,855	12,243,317
Defined contribution plan - Provident Fund	7,120,060	5,072,620
Provision for compensated leave absences	2,464,068	2,466,708
	24,989,983	19,782,645

31.2 Auditor's remuneration

	2018 Rupees	2017 Rupees
Statutory audit	1,502,113	1,222,250
Fee for review of half yearly financial information	351,698	334,950
Other certifications	109,148	103,950
Out of pocket	142,500	82,500
	2,105,459	1,743,650

31.3 Donation includes an amount of Rs. 0.5 million paid to Saifee Hospital Trust. None of the Directors or their spouses have any interest in the donee's fund.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

	Note	2018 Rupees	2017 Rupees
32. RESEARCH AND DEVELOPMENT EXPENSES			
Salaries and benefits	32.1	3,252,003	3,148,518
Traveling		104,651	67,372
Insurance		42,552	50,180
Vehicle repair and maintenance		299,439	220,361
Printing and stationery		57,914	59,326
Office supplies		8,072	18,187
Others		34,639	43,010
		3,799,270	3,606,954

32.1 It includes the defined contribution plan - Provident fund of Rs. 0.14 million (2017: 0.12 million)

	Note	2018 Rupees	2017 Rupees
33. OTHER OPERATING EXPENSES			
Worker's Profit Participation Fund	13.3	56,711,066	48,011,417
Exchange (gain) / loss- net		(355,193)	7,643,364
Worker's Welfare Fund		20,954,021	18,244,339
Central Research Fund		11,344,600	10,586,721
		88,654,494	84,485,841
34. OTHER INCOME			
Income from financial assets:			
Return on deposit		11,333,129	13,376,579
Income from non-financial assets:			
Gain on disposal of operating fixed assets	17.1.4	15,492,271	10,897,854
Scrap sales		4,096,122	4,492,534
Others		501,472	58,401
		31,422,994	28,825,368
35. FINANCE COSTS			
Mark-up on LTL		6,782,523	-
Mark-up on short term borrowings		3,315,384	1,944,449
Finance cost on liability against assets subject to finance lease		4,843,867	2,456,342
Interest on Worker's Profit Participation Fund	13.3	289,688	125,138
Bank charges		3,024,982	2,259,929
		18,256,444	6,785,858

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	Note	2018 Rupees	2017 Rupees
36. TAXATION			
Current:			
For the year		326,213,866	273,952,283
Prior year		14,168,017	24,726,511
		340,381,883	298,678,794
Deferred:			
Relating to origination and reversal of temporary differences	12.2	(6,920,054)	(12,472,376)
		333,461,829	286,206,418

36.1 Reconciliation of tax charge for the year

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

	2018	2017
Average effective tax rate charged on income	31.29%	31.94%
Applicable tax rate	29.00%	30.00%
Tax effect of prior year	1.33%	2.71%
Tax effect of tax credit and tax rebate	-0.36%	-0.29%
Tax effect under presumptive tax regime and others	1.32%	-0.48%
	31.29%	31.94%

36.2 As per the management's assessment, sufficient tax provision has been made in the Group's consolidated financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2017	2016	2015
	------------------	Rupees	------------------
Provision as per financial statement	274,324,212	253,710,317	226,758,535
Tax assessed	298,863,586	277,241,954	216,745,757

36.3 Under Section 5A of the Income Tax Ordinance, 2001 (the Ordinance), a tax shall be imposed on accounting profit before tax of the Group if it does not distribute, up to a minimum required limit as per the Ordinance, its after tax profit for the year within six months of the end of the year ended 31 December 2018 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Group in their meeting held on 29 March 2019 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

37. EARNINGS PER SHARE - BASIC AND DILUTED		2018 Rupees	2017 Rupees Restated
There is no dilutive effect on the basic earnings per share of the Group which is based on:			
Profit after taxation	Rupees	732,157,460	609,937,194
Weighted average number of ordinary shares	Number of shares	28,607,393	28,607,393
Earnings per share	Rupees	25.59	21.32

37.1 The weighted average number of ordinary shares of 2017 have been restated due to issuance of 3,065,077 bonus shares in 2018 in accordance with the requirement of IAS 33.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2018			2017		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives Restated
	------Rupees------					
Managerial remuneration	15,258,454	-	148,874,282	12,253,600	11,608,200	121,814,787
House allowance	3,703,968	-	53,222,113	3,081,440	1,200,000	42,921,035
Provident fund	771,501	-	9,919,617	641,860	967,113	7,817,436
Gratuity	1,535,135	-	29,044,740	1,098,428	5,768,112	15,383,097
Bonus	2,314,980	-	27,223,485	3,049,883	3,518,213	19,780,894
Utilities	925,992	-	13,527,696	770,360	1,423,342	10,730,259
Medical	-	-	5,095,483	65,786	469,577	4,734,398
	24,510,030	-	286,907,416	20,961,357	24,954,557	223,181,906
Number of persons	2	-	53	2	1	46

38.1 In addition to the above, the chief executives and some of the executives have been provided with free use of the Group maintained and self-Finance cars. Further, medical expenses are reimbursed in accordance with the Group's policies.

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

38.3 Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

Notes to the Consolidated Financial Statements

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39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Group's activities.

(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.

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Group are periodically restated to Pak rupee equivalent and the associated gain or loss is taken to the consolidated profit or loss account.

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

	Changes in FC Rate	Effects on Profit Before Tax 2018	Effects on Profit Before Tax 2017
		Rupees	Rupees
Receivables - USD	+10%	2,531,280	582,213
	-10%	(2,531,280)	(582,213)
Payables - Euro	+10%	(391,814)	(92,319)
	-10%	391,814	92,319
Bank balance - USD	+10%	2,096,339	942,609
	-10%	(2,096,339)	(942,609)
Reporting date rate:			
USD		138.60	110.50
Euro		158.52	131.79

Notes to the Consolidated Financial Statements

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(ii) Interest rate risk

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

The Group has no significant long-term interest-bearing assets. The Group interest rate risk arises from liabilities against assets subject to finance lease and term deposit receipts. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Group to fair value interest rate risk.

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

	2018 Rupees	2017 Rupees
Floating rate instruments		
Financial assets		
Term deposit receipts	250,000,000	200,000,000
Cash and bank balances - deposit accounts	293,659,059	-
	543,659,059	200,000,000
Financial liabilities		
Liabilities against assets subject to finance lease	69,249,350	31,603,616
Long term loan	44,335,010	71,250,000
Short term borrowings	22,011,812	21,148,760
	135,596,172	124,002,376

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

Notes to the Consolidated Financial Statements

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		Changes in Interest Rate	Effects on Profit Before Tax Rupees
Liabilities against assets subject to finance lease	2018	+1.50	(1,038,740)
		-1.50	1,038,740
	2017	+1.50	(474,054)
		-1.50	474,054
Term deposit receipts	2018	+1.50	3,750,000
		-1.50	(3,750,000)
	2017	+1.50	3,000,000
		-1.50	(3,000,000)
Cash and bank balances - deposit accounts	2018	+1.50	4,404,886
		-1.50	(4,404,886)
	2017	+1.50	-
		-1.50	-
Long term loan	2018	+1.50	665,025
		-1.50	(665,025)
	2017	+1.50	1,068,750
		-1.50	(1,068,750)
Short term borrowings	2018	+1.50	330,177
		-1.50	(330,177)
	2017	+1.50	317,231
		-1.50	(317,231)

(b) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Group does not have significant exposure to any individual counter-party. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored.

The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. The Group believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in case of trade debts.

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For The Year Ended 31 December 2018

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 Rupees	2017 Rupees
Trade debts - unsecured	233,577,399	233,862,151
Advances to employees against salaries	23,976,575	13,138,863
Trade deposits	33,859,471	30,992,424
Profit accrued	318,836	2,015,658
Other receivables	3,457,488	4,819,473
Term deposit receipts	250,000,000	200,000,000
Bank balances	778,539,869	615,535,690
	1,323,729,638	1,100,364,259

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.

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

At 31 December 2018, the Group has 40 (2017: 35) customers who owed more than Rs. 1 million each and accounted for approximately 97% (2017: 78%) of all receivables owing.

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

	2018 Rupees	2017 Rupees
Neither past due nor impaired	-	11,265,836
Past due but not impaired		
Past due 1–30 days	160,351,933	102,575,887
Past due 31–60 days	10,404,680	49,895,422
Past due 61–90 days	9,943,231	16,858,339
Over 90 days	52,877,555	53,266,667
	233,577,399	222,596,315
Past due and impaired		
Past due 1–30 days	-	-
Past due 31–60 days	-	-
Past due 61–90 days	-	-
Over 90 days	2,610,909	2,610,909
	2,610,909	2,610,909

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

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 reporting date:

	Rating			2018 Rupees	2017 Rupees
	Short term	Long term	Agency		
Banks					
National Bank of Pakistan	A-1+	AAA	JCR - VIS	117,625	1,520,768
United Bank Limited	A-1+	AAA	JCR - VIS	13,028,469	11,360,604
Faysal Bank Limited	A1+	AA	PACRA	-	14,092
Habib Bank Limited	A-1+	AAA	JCR - VIS	489,570,232	512,909,096
Allied Bank Limited	A1+	AAA	PACRA	36,708	1,591,801
JS Bank Limited	A1+	AA-	PACRA	212,550,404	19,548,290
Bank Al Habib Limited	A1+	AA+	PACRA	18,730	529,949
Meezan Bank Limited	A-1+	AA+	JCR - VIS	24,122	52,861
Askari Bank Ltd	A1+	AA+	PACRA	51,465,136	6,845,115
Mobilink MicroFinance Bank Ltd	A1	A	PACRA	712,134	5,078,496
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	11,016,309	56,084,618
				778,539,869	615,535,690

(c) Liquidity risk

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

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

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

	2018					
	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
31 December 2018	---Rupees---					
Long term loan	69,667,505	80,847,633	16,388,462	15,681,749	29,017,544	19,759,878
Liabilities against assets subject to finance lease	69,249,350	78,473,033	16,221,326	13,347,134	22,957,107	25,947,466
Short term borrowings	22,011,812	26,316,278	26,316,278	-	-	-
Trade and other payables	308,092,117	308,092,117	308,092,117	-	-	-
Mark up accrued	2,651,012	2,651,012	2,651,012	-	-	-
Unclaimed dividend	20,175,464	20,175,464	20,175,464	-	-	-
	491,847,260	516,555,537	389,844,659	29,028,883	51,974,651	45,707,344

	2017					
	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
31 December 2017	---Rupees---					
Long term loan	95,000,000	115,933,510	1,915,021	3,629,417	58,809,698	51,579,374
Liabilities against assets subject to finance lease	31,603,616	34,563,682	9,030,683	9,891,457	10,503,849	5,137,693
Short term borrowings	21,148,760	23,782,541	23,782,541	-	-	-
Trade and other payables	370,802,889	370,802,889	370,802,889	-	-	-
Mark up accrued	2,198,087	2,198,087	2,198,087	-	-	-
Unclaimed dividend	40,194,970	40,194,970	40,194,970	-	-	-
	560,948,322	587,475,679	447,924,191	13,520,874	69,313,547	56,717,067

39.2 Fair values of financial assets and liabilities

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. The carrying values of other financial assets and financial liabilities reflected in consolidated financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

39.3 Financial instruments by categories

	2018		
	Cash and cash equivalents	Loans and advances	Total
	---Rupees---		
Assets as per consolidated statement of financial position:			
Long term deposits	-	14,998,514	14,998,514
Advances	-	4,350,000	4,350,000
Trade debts	-	281,509,755	281,509,755
Trade deposits	-	18,860,957	18,860,957
Profit accrued	-	318,836	318,836
Other receivables	-	3,457,488	3,457,488
Cash and bank balances	780,738,851	-	780,738,851
	780,738,851	323,495,550	1,104,234,401

	2018
	Financial Liabilities at amortized cost Rupees
Liabilities as per consolidated statement of financial position:	
Long term loan	69,667,505
Liabilities against assets subject to finance lease	69,249,350
Markup accrued on secured loans	2,651,012
Unclaimed dividend	20,175,464
Short term borrowings	22,011,812
Trade and other payables	308,092,117
	422,179,755

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

39.3 Financial instruments by categories

	2017		
	Cash and cash equivalents	Loans and advances	Total
	---------------------Rupees---------------------		
Assets as per consolidated statement of financial position:			
Long term deposits	-	13,431,963	13,431,963
Advances-salaries	-	13,138,863	13,138,863
Trade debts	-	250,692,198	250,692,198
Trade deposits	-	17,560,461	17,560,461
Profit accrued	-	2,015,658	2,015,658
Other receivables	-	4,819,473	4,819,473
Short term Investment	-	100,000,000	100,000,000
Cash and bank balances	617,550,956	-	617,550,956
	617,550,956	652,350,814	1,269,901,770

	2017
	Financial Liabilities at amortized cost
	Rupees
Liabilities as per consolidated statement of financial position:	
Long term loan	95,000,000
Liabilities against assets subject to finance lease	31,603,616
Markup accrued on secured loans	2,198,087
Unclaimed dividend	40,194,970
Short term borrowings	21,148,760
Trade and other payables	370,802,889
	560,948,322

39.4 Capital risk management

The Group's policy is to safeguard its ability to remain as a going concern and ensure a strong capital base in order to maintain investor's, creditor's and market's confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholder's equity. The Group's objectives when managing:

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

(a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

(b) to provide an adequate return to shareholders by pricing products.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return on capital to shareholders or issue new shares.

Consistent with the industry norms, the Group monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated statement of financial position less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt (as defined above).

The debt - to- equity ratio as at 31 December is as follows

	2018 Rupees	2017 Rupees
Debt (See note 9,10 and 14)	163,579,679	149,950,463
Equity	2,847,162,810	2,386,398,469
Total equity and debt	3,010,742,489	2,536,348,932

The Group is not subject to any externally-imposed capital requirements.

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

40.1 Fair value hierarchy

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

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

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

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

The Group did not have any financial instruments carried at fair value as at 31 December 2018 (2017: 100 million).

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

41. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Group comprise associated companies, associated undertakings and companies in which directors are interested, staff retirement funds and directors and key management personnel (Note 38). The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes to the consolidated financial statements. Other significant transactions with related parties are as follows:

Undertaking	Relation	Nature of transaction	2018 Rupees	2017 Rupees
Route 2 health (Pvt) Ltd	Common directorship	Sales	37,914,685	225,625,789
Route 2 health (Pvt) Ltd	Common directorship	Purchases	481,504,425	267,476,781
Staff provident fund	Staff retirement benefits	Contribution	32,334,403	25,836,972
Employees' Welfare Trust	Staff welfare benefits	Contribution	2,687,350	2,119,050

41.1 Transactions with key management personnel under the terms of employment are excluded from related party transactions.

42. PROVIDENT FUND TRUST

The Group has maintained an employee provident fund trust and investments out of provident fund are in the process of regularization in accordance with the provisions of section 218 of Companies Act 2017, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	2018 Rupees	2017 Rupees
Size of the fund		257,346,776	251,850,174
Cost of investments made		176,794,884	167,188,038
Percentage of investments made		78%	70%
Fair value of investment	42.1	199,983,740	176,113,509

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

42.1 Breakup of investments

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	2018		2017	
	Investment	% of investment	Investment	% of investment
	Rupees		Rupees	
Investment in shares (listed securities)	40,675,735	20%	44,924,061	25%
Special saving certificates	85,427,668	43%	52,088,129	30%
Mutual funds	73,880,337	37%	79,101,319	45%
	199,983,740	100%	176,113,509	100%

42.2 The figures of 2018 are based on un-audited consolidated financial statements.

43. NUMBER OF EMPLOYEES

	2018 Rupees	2017 Rupees
Number of employees at the end of the year	1,899	1,450
Average number of employees during the year	1,675	1,299
Total number of factory employees as at reporting date	480	461
Average number of factory employees during the year	471	383

44. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Group in its meeting held on 29 March 2019 has proposed cash dividend at the rate of Rs. 13 (2017: Rs. 10) per share and 10% bonus shares for the year ended 31 December 2018, (2017: 12%) subject to the approval of shareholders in the Annual General Meeting to be held on 29 April 2019. These consolidated financial statements do not reflect these appropriations.

45. PLANT CAPACITY AND PRODUCTION

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2018

46. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Group authorized the consolidated financial statements for issuance on 29 March 2019.

47. CORRESPONDING FIGURES

47.1 The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of Group financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year:

Description	Reclassified from	Reclassified to	Note	2017
Unclaimed Dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of consolidated financial position)	13	40,194,970

Corresponding figures have been re-arranged or reclassified wherever necessary, for better and fair presentation. However, no significant reclassification / rearrangement has been made except for mentioned above.

These reclassifications did not have any effect on consolidated profit or loss account.

Dr. Adeel Abbas Haideri
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Form of Proxy

FOLIO NO./

CDC A/C NO.________________

I/We ____

of ________________________________ District ____________________________ being a

member of HIGHNOON LABORATORIES LIMITED and

holder of ____________________________ ordinary shares, entitled to vote hereby appoint

Mr.______________________ of _____________________ or failing him

Mr.________________________________ of ________________________________

as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at REGISTERED OFFICE, 17.5 K.M. MULTAN ROAD, LAHORE on APRIL 29, 2019 at 11:00 a.m. and at any adjournment thereof.

As witness under my/our hand(s) this ____________________ day of __________________ 2019.

Witness:

____

(Member's Signature)

01 ____________________

02 ____________________

Affix Revenue Stamp of Rs.5/-

Date:____________________

Place:____________________

Note:

1. This Form of Proxy duly completed in all respects, in order to be effective, must be submitted, at the Company's Registered Office at 17.5 K.M., Multan Road, Lahore not less than 48 hours before the time of holding the meeting. A Proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.
2. The Proxy Form should be signed by two witnesses, mentioning their name address and CNIC number. Attested copy of the CNIC or the passport of beneficial owner and the proxy shall be furnished with the Proxy Form. Proxy shall produce his original CNIC or passport at the time of the meeting.
3. In case of corporate entity, the board of directors' resolution / power of attorney with specimen signature shall be submitted along-with proxy to the Company.

AFFIX CORRECT POSTAGE STAMP

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

پراکسی فارم

فولیو/سی ڈی سی اکاؤنٹ نمبر ____________________

میں/ہم ____________________ از ____________________ ڈسٹرکٹ ____________________

بحیثیت ممبر ہائی نون لیبارٹریز لمیٹیڈ اور حامل ____________________ عمومی حصص کے مالکان ہیں۔ جناب ____________________

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

سالانہ اجلاس عام جو کمپنی کے رجسٹرڈ دفتر 17.5 کلومیٹر ملتان روڈ لاہور میں 29 اپریل 2019 بوقت صبح 11:00 بجے ہے
میں شرکت کرنے حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں/ کرتے ہیں۔

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

دستخط ممبر ____________________

گواہان 1 ____________________

2 ____________________

پانچ روپے کی ریونیو ٹکٹ پر دستخط

تاریخ: ____________________

جگہ: ____________________

اہم نکات۔

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

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

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

صحیح ڈاک ٹکٹ چسپاں کریں

کمپنی سیکریٹری

ہائی نون لیبارٹریز لمیٹیڈ

۱۷.۵ کلومیٹر ملتان روڈ، لاہور۔ ۵۳۷۰۰، پاکستان

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

HIGHNOON
for a
Healthier Nation

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