

Financial Statements

Highnoon Laboratories Limited

2008



Paying-in slip

Date

27th Feb

Cashier's Star

Account No.

Acco

91102

Transaction Code

22	4	10
22	30	
22	00	

[Handwritten Signature]

438



Auditors' Report to the Members

We have audited the annexed balance sheet of **Highnoon Laboratories Limited** (“the Company”) as at 31 December 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the companies ordinance 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the companies ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company’s business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company’s affairs as at 31 December 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore: 31 March 2009

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants



BALANCE SHEET

	<i>Note</i>	2008 Rupees	2007 Rupees
EQUITY AND LIABILITIES			
Authorized Share capital			
Ordinary shares of Rs. 10 each 20,000,000 (2007: 20,000,000)		200,000,000	200,000,000
Share capital	5	165,277,431	150,252,210
Reserves		332,801,257	299,940,216
		498,078,688	450,192,426
Surplus on revaluation of assets	6	200,959,459	208,260,158
NON CURRENT LIABILITIES			
Long term loan - secured	7	53,743,350	28,968,113
Liabilities against assets subject to finance lease	8	42,728,792	57,213,902
Long term advances	9	17,125,963	15,566,011
Deferred liabilities	10	143,020,219	115,083,696
Deferred gain	11	-	1,021,970
		256,618,324	217,853,692
CURRENT LIABILITIES			
Trade and other payables	12	108,439,083	152,282,357
Liability for patent and trade mark	13	6,408,375	-
Markup payable on secured loans	14	16,062,923	7,286,339
Short term bank borrowings - secured	15	345,066,734	255,396,844
Income tax - net		-	14,074,845
Current portion of long term liabilities	16	44,513,080	33,623,069
		520,490,195	462,663,454
CONTINGENCIES AND COMMITMENTS	17	1,476,146,666	1,338,969,730

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



AS AT 31 DECEMBER 2008

	Note	2008 Rupees	2007 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	18	683,287,724	618,701,930
Intangible assets	19	66,492,067	43,830,384
		749,779,791	662,532,314
Long term investment	20	10,000,000	20,000,000
Long term deposits		1,562,054	1,562,054
CURRENT ASSETS			
Stock in trade	21	449,901,115	418,422,577
Trade debts	22	140,987,435	187,340,942
Advances, deposits and prepayments	23	25,007,203	26,781,122
Other receivables	24	53,585,975	10,473,404
Income tax - net		38,145,209	-
Cash and bank balances	25	7,177,884	11,857,317
		714,804,821	654,875,362
		1,476,146,666	1,338,969,730


ANEES AHMAD KHAN
DIRECTOR



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	<i>Note</i>	2008 Rupees	2007 Rupees
Sales - net	26	1,933,343,989	1,851,717,899
Cost of sales	27	1,246,405,592	1,096,308,716
GROSS PROFIT		686,938,397	755,409,183
Operating expenses			
Administrative and general	28	142,506,596	139,686,783
Distribution, selling and promotional	29	371,770,470	436,647,548
Finance cost	30	67,133,122	42,735,728
Research and development	31	9,350,482	10,663,578
		590,760,670	629,733,637
OPERATING PROFIT		96,177,727	125,675,546
Other operating income	32	8,924,882	10,258,646
		105,102,609	135,934,192
Other operating charges	33	27,130,917	13,668,929
PROFIT BEFORE TAXATION		77,971,692	122,265,263
Taxation	34	14,848,297	21,341,555
PROFIT AFTER TAXATION		63,123,395	100,923,708
Earnings per share - basic and diluted	35	3.82	6.11

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE AHMAD KHAN
DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	77,971,692	122,265,263
Adjustments for non-cash charges and other items		
Depreciation	56,275,772	55,527,214
Amortization of intangible assets	8,529,121	5,541,457
Gain on sale of property, plant and equipment	(6,515,276)	(5,507,582)
Exchange loss	12,065,143	355,540
Provision for defined benefit obligation	25,623,783	21,973,988
Impairment loss	10,000,000	-
Finance cost	67,133,122	42,380,188
Amortization of deferred gain	(1,021,970)	(3,326,260)
	172,089,695	116,944,545
<i>Profit before working capital changes</i>	250,061,387	239,209,808
WORKING CAPITAL CHANGES		
<i>(Increase) / decrease in current assets</i>		
Stores, spares and loose tools	-	295,960
Stock in trade	(31,478,538)	(58,854,061)
Trade debts	46,515,870	(61,755,522)
Advances, deposits and prepayments	1,773,919	8,908,441
Other receivables	(43,112,571)	28,439,479
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	(52,421,964)	32,127,340
Liability for patent and trademark	2,463,780	-
	(76,259,504)	(50,838,363)
Cash generated from operations	173,801,883	188,371,445
Taxes paid	(58,088,104)	(28,210,319)
Gratuity paid	(6,667,507)	(12,976,323)
Finance cost paid	(47,422,579)	(31,105,267)
Long term advances - net	297,806	3,552,888
<i>Net cash generated from operating activities</i>	61,921,499	119,632,424



	<i>Note</i>	2008	2007
		Rupees	Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(118,867,599)	(45,495,144)
Intangible assets acquired		(31,190,804)	(8,963,945)
Sale proceeds from disposal of property, plant and equipment		26,808,025	16,040,392
<i>Net cash used in investing activities</i>		(123,250,378)	(38,418,697)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		(48,360,551)	(55,287,987)
Long term loan		37,582,160	30,492,750
Short term bank borrowings - net		89,669,890	(26,112,102)
Dividend paid		(22,242,053)	(34,013,815)
<i>Net cash used in financing activities</i>		56,649,446	(84,921,154)
Net increase / (decrease) in cash and cash equivalents		(4,679,433)	(3,707,427)
Cash and cash equivalents at beginning of the year		11,857,317	15,564,744
Cash and cash equivalents at end of the year	25	7,177,884	11,857,317

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEES AHMAD KHAN
DIRECTOR



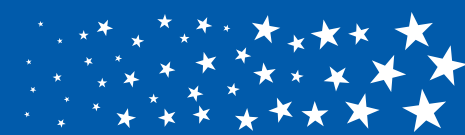
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	SHARE CAPITAL	REVENUE RESERVES			TOTAL
		GENERAL RESERVE	UN-APPROPRIATED PROFIT	SUB TOTAL	
----- Rupees -----					
Balance as at 01 January 2007	130,654,100	114,000,000	131,126,591	245,126,591	375,780,691
Final dividend for the year ended 31 December 2006 @ Rs. 1.5 per share	-	-	(19,598,639)	(19,598,639)	(19,598,639)
Issuance of bonus shares @ 15%	19,598,110	-	(19,598,110)	(19,598,110)	-
Interim dividend @ Re. 1 per share for the year ended 31 December 2007	-	-	(15,025,221)	(15,025,221)	(15,025,221)
	150,252,210	114,000,000	76,904,621	190,904,621	341,156,831
Current year incremental depreciation - net of tax	-	-	8,111,887	8,111,887	8,111,887
Profit for the year	-	-	100,923,708	100,923,708	100,923,708
Total recognised income and expense for the year	-	-	109,035,595	109,035,595	109,035,595
Balance as at 31 December 2007	150,252,210	114,000,000	185,940,216	299,940,216	450,192,426
Final dividend for the year ended 31 December 2007 @ Rs. 1.5 per share	-	-	(22,537,832)	(22,537,832)	(22,537,832)
Issuance of bonus shares @ 10%	15,025,221	-	(15,025,221)	(15,025,221)	-
	165,277,431	114,000,000	148,377,163	262,377,163	427,654,594
Current year incremental depreciation - net of tax	-	-	7,300,699	7,300,699	7,300,699
Profit for the year	-	-	63,123,395	63,123,395	63,123,395
Total recognised income and expense for the year	-	-	70,424,094	70,424,094	70,424,094
Balance as at 31 December 2008	165,277,431	114,000,000	218,801,257	332,801,257	498,078,688

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. THE COMPANY, OPERATIONS AND REGISTERED OFFICE

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments and interpretations to published approved accounting standards that are relevant but not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The application of this standard is not likely to have any effect on the Company's financial statements.

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of this standard is not likely to have any effect on the company's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have any effect on the Company's financial statements.



IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have any effect on Company's financial statements.

'- IFRS 7 'Financial Instruments : Disclosures' is applicable to the Company's financial statements covering annual periods, beginning on or after 01 October 2008. It requires disclosures about the significance of financial instruments for the Company's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks. The adoption of this standard is not likely to have significant impact on Company's financial statements other than increase in disclosure.

2.2.2 Standards, amendments and interpretations to published approved accounting standards that are not relevant and not yet effective

Standards or Interpretation	Effective date
IFRS 2 - Share-based Payments	'01 January 2009
IFRS 3 - Business Combinations	'01 July 2009
IFRS 5 - Non current assets held for sale and discontinued operations	'01 July 2009
IFRS 8 - Operating Segments	'01 January 2009
IAS 29 - Financial reporting in Hyperinflationary Economies	'28 April 2008
IAS 32 (amendments) - Financial instruments	'01 January 2009
IAS 39 (amendments) - Financial instruments	'01 July 2009
IAS 41 - Agriculture	'01 January 2009
IFRIC 12 - Service concession arrangements	'01 October 2008
IFRIC 13 - Customer loyalty programmes	'01 July 2008
IFRIC 15 - Accounting for agreements for the construction of real estate	'01 October 2009
IFRIC 16 - Hedge of net investment in a foreign operation	'01 October 2008
IFRIC 17 - Distribution of non cash assets to owners	'01 July 2009

In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board but has not yet been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) or notified by the SECP and, hence, presently do not form part of the local financial reporting framework.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for revaluation of certain assets as referred to in note 18 and recognition of certain employees benefits at present value. In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.



3.2 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised 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:

	<i>Notes</i>
- defined benefit obligation	4.1
- revaluation of property, plant and equipment	4.4
- residual values and useful lives of assets	4.4
- impairment	4.13
- taxation	4.17
- provisions and contingencies	4.20

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

Defined benefit plan

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

Qualified actuaries have carried out the valuation as at 31 December 2008. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2008	2007
- Discount rate	15% per annum	10% per annum
- Expected rate of increase in salary	14% per annum	9% per annum
- Expected average remaining working life time	14 years	14 years

The Company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 "Employees Benefits" by which actuarial gains / losses exceeding 10 % of present value of benefit obligation are amortized over a period of five years.

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% of basic salary and cost of living allowance.



Compensated leave absences

Provision for compensated absences is made to the extent of value of accumulated accrued leaves / leave fare assistance of the employees at the balance sheet date as per entitlement on the basis of last drawn salary.

4.2 Foreign currency translation

All monetary assets and liabilities in foreign currency are translated at the rates of exchange prevailing on the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Transactions in foreign currencies are converted into Pak rupees at exchange rates prevailing on the date of transaction. All exchange gains / losses are taken to profit and loss account currently.

4.3 Trade and other payables

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

4.4 Property, plant and equipment and depreciation

Owned operating assets

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

Depreciation is charged on reducing balance method at the rates mentioned in note 18.1 to write off the cost / revalued amount of an asset over its estimated useful life. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Full month's depreciation is charged on additions, while no depreciation is charged in the month of disposal or deletion or transfer of assets. Surplus on revaluation of fixed assets relating to incremental depreciation (net of deferred taxation) is transferred directly to unappropriated profit.

Gains and losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

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

Leasehold assets

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



The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 8. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to produce a constant periodic rate of interest on the balance outstanding. The interest element of the rental is charged to income 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 18.1. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Depreciation of leased assets is charged to profit and loss account. Depreciation on additions in leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off/transferred to freehold assets.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss less any identified losses 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.

4.5 Intangible assets and amortization

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

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

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

Subsequent expenditures on intangible assets after its purchase 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.

4.6 Deferred gain

Deferred gain arising on sale and lease back of assets is amortized on straight line basis over the lease term.

4.7 Borrowing costs

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



4.8 Investments

Subsidiary Company

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

Investments available for sale - Quoted securities

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

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

Unrealized gains and losses arising from changes in fair value are directly recognized in equity in the period in which these arise. Cumulative gains and losses arising from changes in fair value are included in the net profit and loss for the period in which an investment is derecognized or determined to be impaired.

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

4.9 Stores, spares and loose tools

These are valued at moving average cost, except for items in transit, which are valued at invoice price and related expenses incurred up to the balance sheet date. For items which are slow moving, a provision is made for excess of book value over estimated realizable value.

4.10 Stock in trade

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

Raw materials	-	on moving average
Work-in-process	-	at actual manufacturing cost including appropriate overheads
Finished goods		
- Imported	-	on moving average
- Local	-	on moving 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 the estimated costs of completion and estimated costs necessary to make the sale.

4.11 Trade debts

These are initially carried at original invoice amount, which is the fair value of consideration to be received in future and subsequently measure 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.



4.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balance with banks on current and deposit accounts. These are carried in balance sheet at cost.

4.13 Impairment

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

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

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

4.14 Revenue recognition

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

Service income is recognised when the related services are rendered.

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

4.15 Transactions with related parties and transfer pricing

The Company under the direction of Securities and Exchange Commission of Pakistan's Notification SRO 66(I)/ 2003 dated 22 January 2003 adopted the following policies of transfer pricing for the determination of arm's length prices with subsidiary company / 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.

- | | |
|--|---------------------|
| - Subsidiary Company | Resale price method |
| - Associated companies / related parties | Cost plus method |

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

4.16 Research and development cost

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



4.17 Taxation

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

Current

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

Deferred

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

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

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

Deferred tax is charged or credited in the income except for deferred tax asset/liability on deficit/surplus on revaluation of fixed assets which is adjusted against the related surplus as per the requirements of revised IAS 12 "Income Taxes".

4.18 Dividend

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

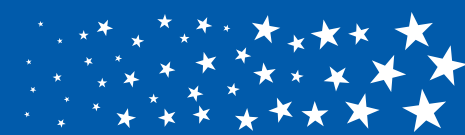
4.19 Financial instruments

These comprise financial assets and financial liabilities. Significant financial assets include trade debts, advances and deposits, other receivables and cash and bank balances. Significant financial liabilities include 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 derecognition is of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statement associated with each item.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to offset the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.



4.20 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.

	<i>Note</i>	2008	2007
		Rupees	Rupees
5. SHARE CAPITAL			
Issued, subscribed and paid-up			
5,905,000 (2007: 5,905,000) Ordinary shares of Rs.10 each fully paid in cash		59,050,000	59,050,000
95,000 (2007: 95,000) Ordinary shares of Rs.10 each issued for consideration other than cash	5.1	950,000	950,000
10,527,743 (2007: 9,025,221) Ordinary shares of Rs.10 each issued as bonus shares		105,277,431	90,252,210
		165,277,431	150,252,210

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

5.2 Reconciliation of issued, subscribed and paid-up capital

	2008	2007
	(Number of Shares)	
Opening balance	15,025,221	13,065,410
Bonus shares issued during the year	1,502,522	1,959,811
	16,527,743	15,025,221

6. SURPLUS ON REVALUATION OF ASSETS

This represent surplus arising on revaluation of freehold land, building on freehold land, plant and machinery both owned and leased carried out in the year 1995, 1999, 2004 and 2007 respectively. This has been adjusted by surplus realized on disposal of revalued assets and incremental depreciation arising due to revaluation net of deferred tax.



	Note	2008 Rupees	2007 Rupees
Surplus on revaluation of assets as at 01 January		247,571,612	192,129,438
Surplus arising on revaluation of assets during the period		-	67,922,000
Surplus relating to incremental depreciation charged on related assets - transferred to unappropriated profit			
Net of deferred tax		(7,300,699)	(8,111,887)
Related deferred tax liability		(3,931,145)	(4,367,939)
		(11,231,844)	(12,479,826)
Surplus on revaluation of assets as at 31 December		236,339,768	247,571,612
Less: Related deferred tax liability on			
Balance at the beginning of the year		39,311,454	43,679,393
Transferred to profit and loss account incremental depreciation charged during the year		(3,931,145)	(4,367,939)
	10.1	35,380,309	39,311,454
		200,959,459	208,260,158
7. LONG TERM LOAN - SECURED			
Habib Bank Limited	7.1	68,074,910	30,492,750
Less: Current portion shown under current liabilities	16	14,331,560	1,524,637
		53,743,350	28,968,113

7.1 This loan has been obtained for the purpose of expansion and carries markup at the rate of three months KIBOR plus 2.25% per annum. The effective markup charged during the year was 14.82% (2007: 12%) of the aggregate facility of Rs. 150 million, the amount availed as at 31 December 2008 is Rs. 68.074 million (2007: Rs. 30.493 million) repayable in 19 equal quarterly installments. This loan is secured by way of first pari passu charge for Rs. 326 million on fixed assets and first joint pari passu hypothecation charge of Rs. 320 million on stocks including but not limited to raw materials, medicines, goods in process and finished goods of the Company.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments		69,425,745	84,565,621
Less: current portion shown under current liabilities	16	26,696,953	27,351,719
		42,728,792	57,213,902

	2008		
	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees		
Not later than one year	36,062,824	9,365,871	26,696,953
Later than one year but not later than five years	49,733,313	7,004,521	42,728,792
	85,796,137	16,370,392	69,425,745



	2007		
	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees		
Not later than one year	36,311,140	8,959,421	27,351,719
Later than one year but not later than five years	67,539,777	10,325,875	57,213,902
	103,850,917	19,285,296	84,565,621

Salient features of the leases are as follows:

	2008	2007
Discounting factor	8.01% - 20.20%	7.5% - 14.94%
Period of lease	36 months	36 months
Security deposits	5% - 10%	10%

The Company has entered into finance lease arrangements with various financial institutions for the lease of plant and machinery, office equipment and vehicles as shown in note 18.1 below. The liabilities under these arrangements are payable in monthly instalments. These markup 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 are already been paid at the inception of the lease in the form of security deposit. There are no financial restrictions imposed by lessors. Taxes, repairs, replacements and insurance costs are borne by the lessee.

	Note	2008 Rupees	2007 Rupees
9. LONG TERM ADVANCES			
Balance at the end of year		20,610,530	20,312,724
Less: current portion shown under current liabilities	16	3,484,567	4,746,713
		17,125,963	15,566,011

This represents advances taken from employees against future sale of vehicles as per Company's policy.

10. DEFERRED LIABILITIES

Taxation	10.1	56,053,455	47,073,208
Gratuity	10.2	86,966,764	68,010,488
		143,020,219	115,083,696
10.1	Taxable temporary differences arising in respect of		
Surplus on revaluation of assets	6	35,380,309	39,311,454
Accelerated tax depreciation		20,673,146	7,761,754
		56,053,455	47,073,208



	<i>Note</i>	2008 Rupees	2007 Rupees
10.2	The net value of defined benefit obligation as at valuation date is as follows:		
Present value of defined benefit obligation		115,195,393	90,159,674
Unrecognized actuarial losses		(28,228,629)	(22,512,586)
Benefits due but not paid		-	363,400
Net liability as at 31 December		86,966,764	68,010,488

10.2.1 The following is the reconciliation of movement in the net recognized liability for gratuity:

Liability as at 01 January		68,010,488	59,012,823
Amount recognized during the year	<i>11.2.3</i>	25,623,783	21,973,988
Benefit payments made by the Company		(6,667,507)	(12,976,323)
Net liability as at 31 December		86,966,764	68,010,488

10.2.2 Movement in the liability for un - funded defined benefit obligations

Present value of defined benefit obligations as at 01 January		90,159,674	78,007,892
Current service costs		13,908,492	11,688,921
Interest cost		9,015,967	7,800,789
Benefits due but not paid		-	(363,400)
Benefits paid by the plan		(6,304,107)	(11,749,211)
Actuarial losses recognized		8,415,367	4,774,683
Liability for defined benefit obligations as at 31 December		115,195,393	90,159,674

10.2.3 The following amounts have been charged to profit and loss account during the year in respect of gratuity scheme:

Current service cost		13,908,492	11,688,921
Interest cost		9,015,967	7,800,789
Actuarial losses - charge for the year		2,699,324	2,484,278
		25,623,783	21,973,988



10.2.4 Historical Information for Gratuity plan

	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees	2004 Rupees
Present value of defined benefits obligations	115,195,393	90,159,674	78,007,892	75,380,276	56,671,886
Experience adjustment arising on plan liabilities	8,415,367	4,774,683	(1,487,573)	13,836,183	-

	<i>Note</i>	2008 Rupees	2007 Rupees
11. DEFERRED GAIN			
Opening balance as on 01 January		1,021,970	4,348,230
Less: amortization for the year	32	1,021,970	3,326,260
Balance as on 31 December		-	1,021,970

12. TRADE AND OTHER PAYABLES

Trade creditors		33,243,979	45,633,551
Bills payable		10,782,139	42,422,515
Advances from customers		9,457,094	3,321,703
Accrued expenses		30,633,157	32,641,975
Income tax deducted at source		1,212,531	28,518
Workers' Profit Participation Fund	12.1	4,816,873	11,745,361
Workers' Welfare Fund		11,495,373	9,904,114
Payable to Central Research Fund		1,009,507	1,289,329
Payable to Provident Fund Trust		1,992,488	1,841,028
Un-claimed dividends		3,510,142	3,214,363
Payable to Employees Welfare Trust		285,800	239,900
		108,439,083	152,282,357

12.1 Workers' Profit Participation Fund

Balance at the beginning of the year		11,745,361	9,842,754
Add: provision for the year	33	4,151,873	6,645,783
		15,897,234	16,488,537
Add: interest on funds utilized by the Company	30	468,200	1,353,876
		16,365,434	17,842,413
Less: Paid during the year to the trustees of the fund		8,996,553	5,316,971
Deposited with the Government Treasury		865,143	780,081
Excess charge of interest in prior periods		1,686,865	-
		11,548,561	6,097,052
		4,816,873	11,745,361

Mark-up @ 22.50% (2007: 22.50%) is being provided on the unpaid balance of the fund in accordance with the rules of the Fund.



	2008 Rupees	2007 Rupees
13 Liabilities for patent and trademark		
Purchase consideration for patent and trademark	31,034,176	-
Less: Paid during the year	28,570,396	-
	2,463,780	-
Exchange loss due to revaluation	3,944,595	-
Total payable as on 31 December	6,408,375	-

This represents the purchase consideration amounting to Rs. 31.03 million equivalent to Euros 290,000 net of local taxes for registration of trade mark of brand "Skilax Drops" for the territory of Pakistan and Kenya payable to M/s laboratorios Almirall, S.A (Spain). During the year, an amount of Rs. 28.57 million equivalent to Euros 276,000 net of taxes was paid.

The liability is secured against intangible assets and in the case of default by the Company, M/s laboratorios Almiral S.A shall be entitled to claim compensation for damages.

	<i>Note</i>	2008 Rupees	2007 Rupees
14. MARKUP PAYABLE ON SECURED LOANS			
On cash finances		-	1,432,206
On other borrowings		16,062,923	5,854,133
		16,062,923	7,286,339
15. SHORT TERM BANK BORROWINGS - SECURED			
Running finance	15.1	341,744,312	147,430,481
Cash finance	15.2	-	41,773,063
Import credit	15.3	3,322,422	66,193,300
		345,066,734	255,396,844

15.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 550 million (2007: Rs. 450 million). These facilities have various maturity dates upto 31 August 2009. These facilities carry markup rates ranging from one month KIBOR to three months KIBOR plus 150 to 200 basis points (2007: one month KIBOR to three months KIBOR plus 150 to 200 basis points) per annum. These finances are secured by way of joint pari passu and ranking hypothecation charge over present and future current and fixed assets of the Company.

15.2 This has been repaid during the year.

15.3 Aggregate sanctioned import credit facilities negotiated with various banks amount to Rs. 345 million (2007: Rs. 245 million). These facilities carry markup rates ranging from one month KIBOR to three months KIBOR plus 150 to 200 basis points (2007: one month KIBOR to six months KIBOR plus 150 to 200 basis points) per annum. These facilities are secured by way of 1st pari passu charge over the present and future current asset of the company and have various maturity dates upto 31 August 2009.



	<i>Note</i>	2008	2007
		Rupees	Rupees
16. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term loan	7	14,331,560	1,524,637
Liabilities against assets subject to finance lease	8	26,696,953	27,351,719
Long term advances	9	3,484,567	4,746,713
		44,513,080	33,623,069

17. CONTINGENCIES AND COMMITMENTS

Contingencies

- Bank guarantees issued on behalf of the Company aggregate to Rs. 2.945 million (2007: Rs. 2.238 million).
- The Company has not acknowledged the demand relating to sales tax / central excise duty amounting to Rs. 12.057 million (2007: Rs. 16.641 million) as debt as the matter is pending adjudication. An amount of Rs. 10.793 million (2007: Rs. 6.981 million) has been deposited under protest and is shown under other receivables in note 24.

	2008	2007
	(Rupees in thousand)	
Commitments		
- Commitments against irrevocable letters of credit include:		
Plant and machinery	-	36,286
Raw materials	67,112	75,631
Packing materials	1,560	4,602
Finished goods	7,101	11,789

- Facilities of letters of guarantee amounting to Rs. 16.285 million (2007: Rs. 9.209 million) are available to the Company under hypothecation / pledge of stocks and on present and future current assets and property, plant and equipment of the Company.
- Counter corporate guarantee given in favour of wholly owned subsidiary company "Dynalog Services (Private) Limited" amounting to Rs. 40 million (2007: Rs. 40 million) to Habib Bank Limited against their working capital finance limits.

	<i>Note</i>	2008	2007
		Rupees	Rupees
18. PROPERTY, PLANT AND EQUIPMENT			
Operating assets (owned)	18.1	563,398,394	450,306,319
Operating assets (leased)	18.1	90,501,633	114,404,581
Capital work-in-progress	18.2	29,387,697	53,991,030
		683,287,724	618,701,930



18.1 Operating assets

PARTICULARS	COST			DEPRECIATION				BOOK VALUE as at 31 December 2008	Rate %
	As at 01 January 2008	DURING THE YEAR		As at 31 December 2008	For the year	Adjustment	As at 31 December 2008		
		Additions	Deletions						
OWNED									
Land - Freehold	149,820,000	-	-	149,820,000	-	-	-	149,820,000	-
Building on freehold land	168,908,691	20,364,597	-	189,273,288	9,304,844	-	88,559,191	100,714,097	10
Plant and machinery	235,850,905	103,651,664	(523,870)	338,978,699	16,750,023	(176,977)	103,901,716	235,076,983	10
Laboratory equipment	6,163,063	6,003,816	-	12,166,879	807,098	-	3,117,219	9,049,660	10
Furniture and fixtures	11,225,606	439,979	-	11,665,585	593,085	-	6,118,408	5,547,177	10
Electric and gas appliances	21,468,595	1,832,650	-	23,301,245	1,247,236	-	11,534,673	11,766,572	10
Office equipment	27,213,671	16,775,397	(339,500)	43,649,568	2,504,592	(137,723)	13,708,535	29,941,033	10
Vehicles	30,772,334	20,971,816	(23,383,935)	28,360,215	5,438,829	(3,639,857)	6,961,842	21,398,373	20
Library books	52,806	-	-	52,806	584	-	47,554	5,252	10
Neon sign	105,000	-	-	105,000	6,371	-	47,658	57,342	10
Arms and ammunition	106,100	-	-	106,100	2,434	-	84,195	21,905	10
	651,686,771	170,039,919	(24,247,305)	797,479,385	36,655,096	(3,954,557)	234,080,991	563,398,394	
ASSETS SUBJECT TO FINANCE LEASE									
Plant and machinery	27,961,623	-	-	27,961,623	2,073,044	-	9,304,231	18,657,392	10
Office Equipment	20,028,330	-	(20,028,330)	-	657,826	(6,778,189)	-	-	10
Vehicles	106,445,337	22,286,715	(25,670,100)	103,061,952	16,889,806	(12,351,254)	31,217,711	71,844,241	20
	154,435,290	22,286,715	(45,698,430)	131,023,575	19,620,676	(19,129,443)	40,521,942	90,501,633	
	806,122,061	192,326,634	(69,945,735)	928,502,960	56,275,772	(23,084,000)	274,602,933	653,900,027	

..... Rupees

PARTICULARS	COST				DEPRECIATION			BOOK VALUE as at 31 December 2007	Rate %
	As at 01 January 2007	DURING THE YEAR		As at 31 December 2007	For the year	Adjustment	As at 31 December 2007		
		Additions/ revaluation	Deletions						
OWNED									
Land - Freehold	81,898,000	67,922,000	-	149,820,000	-	-	-	149,820,000	-
Building on freehold land	168,908,691	-	-	168,908,691	9,961,594	-	-	89,654,344	10
Plant and machinery	193,151,549	42,699,356	-	235,850,905	14,433,036	-	-	148,522,235	10
Laboratory equipment	6,165,063	-	-	6,165,063	428,105	-	-	3,852,942	10
Furniture and fixtures	10,776,099	449,507	-	11,225,606	618,680	-	-	5,700,283	10
Electric and gas appliances	19,933,206	1,535,389	-	21,468,595	1,153,828	-	-	11,181,158	10
Office equipment	22,419,339	4,801,057	(6,725)	27,213,671	1,530,428	(923)	-	15,872,005	10
Vehicles	27,942,128	23,495,427	(20,665,221)	30,772,334	4,080,790	(2,169,779)	-	25,609,464	20
Library books	52,806	-	-	52,806	648	-	-	5,836	10
Neon sign	105,000	-	-	105,000	7,079	-	-	63,713	10
Arms and ammunition	106,100	-	-	106,100	2,704	-	-	24,339	10
	531,455,981	140,902,736	(20,671,946)	651,686,771	32,216,892	(2,170,702)	201,380,452	450,306,319	

Rupees

ASSETS SUBJECT TO FINANCE LEASE

Plant and machinery	94,083,757	4,000,000	(70,122,134)	27,961,623	35,523,551	4,093,874	(32,386,238)	7,231,187	20,730,436	10
Office Equipment	20,028,330	-	-	20,028,330	4,575,033	1,545,330	-	6,120,363	13,907,967	10
Vehicles	93,415,086	52,089,751	(39,059,500)	106,445,337	26,746,694	17,671,118	(17,738,653)	26,679,159	79,766,178	20
	207,527,173	56,089,751	(109,181,634)	154,435,290	66,845,278	23,310,322	(50,124,891)	40,030,709	114,404,581	
	738,983,154	196,992,487	(129,853,580)	806,122,061	238,179,540	55,527,214	(52,295,593)	241,411,161	564,710,900	



18.1.1 Addition in freehold assets includes transfer of assets costing Rs. 45,698,430 (2007: Rs. 109,181,634) less accumulated depreciation of Rs. 19,129,443 (2007: Rs. 50,124,891) from leasehold assets. Whereas additions in leasehold include assets costing Rs. Nil (2007: Rs. 8,103,492) less accumulated depreciation of Rs. Nil (2007: Rs. 135,058) transferred from freehold assets under sale and leaseback arrangements.

	<i>Note</i>	2008 Rupees	2007 Rupees
18.1.2 Depreciation charge has been allocated as under:			
Cost of sales	27	30,944,586	30,874,281
Administrative and general	28	13,720,296	13,341,941
Distribution, selling and promotional	29	11,610,890	11,310,992
		56,275,772	55,527,214

18.1.3 Land, building on freehold land and plant and machinery were first revalued on 30 June 1995, resulting in a surplus of Rs. 68,809,377. Subsequently land, building on freehold land and plant and machinery were revalued on 30 June 1999 resulting in a surplus of Rs. 48,731,393. Land, building on freehold land and plant and machinery were again revalued on 31 May 2004 and 31 December 2004 respectively by M/s Hamid Mukhtar & Co., and certified by Ford, Rhodes, Sidat Hyder & Co. Chartered Accountants, which resulted in a surplus of Rs. 168,473,204 over the net book value of assets. Revaluation of land has been carried out by an approved and independent valuer namely M/s Surval on 01 January 2007 resulting in revaluation surplus of Rs. 67,922,000.

	2008 Rupees	2007 Rupees
18.1.4 Had the assets not been revalued the carrying values would have been:		
Land - Freehold	14,566,828	14,566,828
Building on freehold land	62,098,728	46,748,378
Plant and machinery (Owned)	176,324,470	83,246,897
Plant and machinery (Leased)	14,933,970	16,593,300
	267,923,996	161,155,403

18.1.5 Disposal of property, plant and equipment

Particulars	Sold to	Cost**	Accumulated Depreciation**	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
Vehicles		Rupees					
	Waseem Ahmad	2,881,200	48,020	2,833,180	3,250,000	416,820	Negotiation
	Khurram Imtiaz	287,815	14,231	273,584	400,000	126,416	Negotiation
	Muhammad Younus	193,283	12,724	180,559	125,000	(55,559)	Negotiation
	Arif Naseem	827,468	324,073	503,395	605,000	101,605	Employee
	Mubashir Hayee Khan	317,084	5,285	311,799	476,017	164,218	Employee
	Dr. Ahmad Atif Mirza	561,175	172,094	389,081	389,081	-	Employee
	Rizwan Ahmad	293,026	14,651	278,375	473,847	195,472	Employee
	Amir Riaz	39,780	9,547	30,233	54,000	23,767	Employee
	Muhammad Zia	30,066	6,414	23,652	45,252	21,600	Employee
	Mrs. Shumail Asad	558,965	126,699	432,266	700,000	267,734	Employee
	Muhammad Aslam	193,283	18,845	174,438	230,000	55,562	Employee
	Khawaja Imtiaz Ahmad Butt	560,315	162,865	397,450	397,450	-	Negotiation
	Dr. M. Ajmal Nasir	640,899	140,998	499,901	499,901	-	Employee
	Muhammad Shafique	441,347	171,243	270,104	650,000	379,896	Negotiation
	Saad Aamir	402,850	242,140	160,710	640,000	479,290	Negotiation
	Ghulam Sarwar	193,283	34,147	159,136	320,000	160,864	Negotiation
	Shahzad Sohail	192,302	63,417	128,885	300,000	171,115	Negotiation
	Azadar H. Naqvi	305,751	107,692	198,059	391,680	193,621	Employee
	Muhammad Ashfaq	188,632	9,432	179,200	357,525	178,325	Employee
	Nadeem -Ud- Din Rehmani	440,284	139,521	300,763	300,763	-	Employee
	Ch. Fayyaz Ahmad	224,159	89,464	134,695	285,480	150,785	Employee
	Ghulam Mustafa	180,673	72,109	108,564	231,660	123,096	Employee
	Syed Ashar Ali Abbas	183,482	73,597	109,885	237,000	127,115	Employee
	Muhammad Nasir Baig	293,314	64,448	228,866	390,005	161,139	Employee
	Najam Ul Arfeen	177,826	71,328	106,498	228,060	121,562	Employee
	Adil Nawaz	177,826	71,328	106,498	228,060	121,562	Employee
	Irfan Bhatti	177,826	71,328	106,498	228,060	121,562	Employee
	Muhammad Shakeel	177,826	71,328	106,498	228,060	121,562	Employee
	M. Munir	182,507	86,792	95,715	211,500	115,785	Employee
	Rahat Mahmood	33,048	4,792	28,256	54,000	25,744	Employee
	Reliance Insurance	33,048	5,783	27,265	42,000	14,735	Insurance claim
	M. Shafique Awan	50,490	4,937	45,553	62,490	16,937	Employee
	Asgar Ali	33,048	4,792	28,256	54,000	25,744	Employee
	Zulfiqar Ali	38,250	10,634	27,617	54,000	26,384	Employee
	Shakeel Arshad	33,048	4,792	28,256	54,000	25,744	Employee
	Arif Murtaza	33,048	4,792	28,256	54,000	25,744	Employee
	Jannat Gull	39,780	11,563	28,217	54,000	25,783	Employee
	Saghir Ul Hasan	39,780	11,563	28,217	54,000	25,783	Employee
	Khalid Hussain	39,780	11,563	28,217	54,000	25,783	Employee
	Jamshaid Akhtar	39,780	11,563	28,217	54,000	25,783	Employee
	Adeel Khaliq	36,936	7,018	29,918	54,000	24,082	Employee
	Irfan Junaid	36,936	7,018	29,918	54,000	24,082	Employee
	M. Arif	36,936	7,572	29,364	54,000	24,636	Employee
	Khurram Yousuf	192,302	68,374	123,928	300,000	176,072	Employee
	Nadeem Mehboob	186,515	66,026	120,489	256,260	135,771	Employee
	Ch. Liaqat Ali	186,515	66,026	120,489	256,260	135,771	Employee
	Anwar Saeed	186,515	66,026	120,489	256,260	135,771	Employee
	Arif S. Qureshi	301,517	106,737	194,780	414,240	219,460	Employee
	G H. Khan	613,611	203,310	410,301	505,000	94,699	Negotiation
	Salah Ud Din	197,418	49,190	148,228	266,677	118,449	Employee
	Abdul Qayyum	185,069	49,043	136,026	250,149	114,123	Employee
	Shahid Ghafoor	290,822	77,068	213,754	393,877	180,123	Employee
	Faisal Ramzan	38,880	9,137	29,743	48,628	18,885	Employee



Particulars	Sold to	Cost**	Accumulated Depreciation**	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
Rupees							
	M. Arfeen Khan	50,490	8,836	41,654	50,490	8,836	Employee
	Muhammad Rizwan	39,750	6,956	32,794	54,000	21,206	Employee
	Nauman Ahmed Siddiqui	30,233	9,937	20,296	20,000	(296)	Employee
	Syed Kashif Raza	39,750	6,956	32,794	59,662	26,868	Employee
	Khalid Khan	54,000	15,750	38,250	55,728	17,478	Employee
	Tahir Naeem	36,015	8,155	27,860	54,000	26,140	Employee
	Adnan Riasat	30,066	10,022	20,044	40,896	20,852	Employee
	M. Adeel Yousuf	30,160	8,002	22,158	43,812	21,654	Employee
	M. Anwar	50,490	11,318	39,172	54,000	14,828	Employee
	Azia Akhtar	183,482	67,603	115,879	240,931	125,052	Employee
	Mazhar Hussain	54,000	26,093	27,907	54,000	26,093	Employee
	Ikram Ul Haq	30,066	6,331	23,735	39,420	15,685	Employee
	M. Farhan Haider	30,066	6,808	23,258	39,420	16,162	Employee
	Tahir Omar	30,233	7,639	22,594	40,896	18,302	Employee
	Reliance Insurance	36,936	5,910	31,026	45,000	13,974	Insurance claim
	Muhammad Ashraf	30,066	9,604	20,462	39,420	18,958	Employee
	Naveed Ahmad	9,000,000	5,224,000	3,776,000	2,600,000	(1,176,000)	Negotiation
	Reliance Insurance	54,000	21,744	32,256	43,000	10,744	Insurance claim
	Mansoor Ali Zaidi	620,000	140,533	479,467	549,733	70,266	Employee
	Muhammad Ilyas	555,000	154,413	400,587	520,838	120,251	Employee
	Muhammad Asad Ullah	365,000	70,972	294,028	336,736	42,708	Employee
	Muhammad Ramzan	365,000	110,960	254,040	316,728	62,688	Employee
	Aftab Ahmed Qureshi	360,000	174,400	185,600	270,000	84,400	Employee
	M.Sulman	54,000	28,195	25,805	54,000	28,195	Employee
	Reliance Insurance	54,000	19,056	34,944	45,000	10,056	Insurance claim
	Reliance Insurance	632,000	63,200	568,800	647,000	78,200	Insurance claim
	Javaid Iqbal	373,500	145,250	228,250	321,641	93,391	Employee
	Reliance Insurance	395,000	89,533	305,467	375,000	69,533	Insurance claim
	M. Nasir	54,000	26,045	27,955	54,000	26,045	Employee
	Kamran Sadiq	54,000	26,045	27,955	54,000	26,045	Employee
	Naveed Ahmad	54,000	26,045	27,955	54,000	26,045	Employee
	M. Shahid	54,000	26,045	27,955	54,000	26,045	Employee
	Amir Aziz	54,000	26,045	27,955	54,000	26,045	Employee
	Mudassar Hasan	54,000	26,045	27,955	54,000	26,045	Employee
	Kashif Mumtaz	54,000	26,045	27,955	54,000	26,045	Employee
	Qaisar Mahmood	54,000	26,045	27,955	54,000	26,045	Employee
	Khurram Yousuf	367,000	196,007	170,993	355,000	184,007	Negotiation
	Khurram Yousuf	367,000	196,007	170,993	345,000	174,007	Negotiation
	Mian Faisal Omar	367,000	196,007	170,993	360,000	189,007	Negotiation
	Dr. Muhammad Mohiuddin	879,000	310,190	568,810	600,933	32,123	Employee
	Shakoor Ahmed	54,000	26,511	27,489	54,500	27,011	Employee
	M.Shahzad	54,000	26,511	27,489	54,000	26,511	Employee
	Arshad Ali	54,000	26,511	27,489	54,000	26,511	Employee
	Reliance Insurance	395,000	81,633	313,367	370,000	56,633	Insurance claim
	Khawaja Azhar Ayub	54,000	26,511	27,489	54,000	26,511	Employee
	Tariq Manzoor Pasha	54,000	26,044	27,956	54,000	26,044	Employee
		30,887,623	11,143,545	19,744,078	26,318,024	6,573,947	
	Computer						
	Universal Insurance	110,000	38,375	71,625	-	(71,625)	Insurance claim
	Universal Insurance	110,000	38,375	71,625	-	(71,625)	Insurance claim
	Universal Insurance	52,000	33,700	18,300	-	(18,300)	Insurance claim
	Universal Insurance	67,500	27,273	40,227	-	(40,227)	Insurance claim
		339,500	137,723	201,777	-	(201,777)	



Machinery							
Novamed Pharma	272,647	92,108	180,539	250,000	69,461		Negotiation
Waris Ali	251,223	84,869	166,354	240,000	73,646		Negotiation
	523,870	176,977	346,893	490,000	143,107		
2008	31,750,993	11,458,244	20,292,748	26,808,024	6,515,276		
2007	22,795,225	12,262,415	10,532,810	16,040,392	5,507,582		

** Cost represents the purchase price of the assets at the time of acquisition / lease. Accumulated depreciation also includes depreciation during the lease period.

	<i>Note</i>	2008 Rupees	2007 Rupees
18.2 CAPITAL WORK - IN - PROGRESS			
Civil works		8,004,569	1,060,914
Plant and machinery - owned		14,618,428	49,300,916
Advance for purchase of vehicles		-	2,829,200
ERP system implementation		6,764,700	800,000
	<i>18.2.1</i>	29,387,697	53,991,030
18.2.1 Movement in the account is as follows:			
Opening balance as at 01 January		53,991,030	14,451,445
Addition made during the year			
- Civil works		21,121,685	1,060,914
- Plant and machinery - owned		65,350,293	44,338,531
- Advance for purchase of vehicles		11,718,515	2,829,200
- ERP system implementation		5,964,700	400,000
		104,155,193	48,628,645
Capitalized during the year			
- Civil works		(14,178,030)	-
- Plant and machinery - owned		(100,032,781)	-
- Vehicles - leased		(14,547,715)	(2,975,000)
- ERP system implementation		-	(6,114,060)
		(128,758,526)	(9,089,060)
Closing balance as at 31 December		29,387,697	53,991,030



19. INTANGIBLE ASSETS

	COST		AMORTISATION		BOOK VALUE as at 31 December 2008	Rate %
	As at 01 January 2008	As at 31 December 2008	As at 01 January 2008	As at 31 December 2008		
	Rupees					
Registration and trademark (Note 19.1)	47,094,117	78,128,293	14,520,687	21,816,280	56,312,013	10
Computer Software	12,248,470	12,405,098	991,516	2,225,044	10,180,054	10
	59,342,587	90,533,391	15,512,203	24,041,324	66,492,067	
	Rupees					
	COST		AMORTISATION		BOOK VALUE as at 31 December 2007	Rate %
	As at 01 January 2007	As at 31 December 2007	As at 01 January 2007	As at 31 December 2007		
Registration and trademark (Note 19.1)	47,094,117	47,094,117	9,811,275	14,520,687	32,573,430	10
Computer Software	3,284,525	12,248,470	159,471	832,045	11,256,954	10
	50,378,642	59,342,587	9,970,746	15,512,203	43,830,384	

19.1 This represents the purchase of Registration and Trademark of brand "Tres Orix Forte" and "Skilax drops" for the territory of Pakistan and Kenya from M/s Almiral Prodesfarma and M/s Laboratorios Almiral, S.A (Spain) for consideration of Euro 500,000 and Euro 290,000 respectively, net of local taxes.



	<i>Note</i>	2008	2007
		Rupees	Rupees
19.2 Amortization charge has been allocated as under:			
Cost of sales	27	7,295,593	4,709,412
Distribution, selling and promotional	29	1,233,528	832,045
		8,529,121	5,541,457

20. LONG TERM INVESTMENT

Subsidiary Company - Unlisted

Dynalog Services (Pvt) Limited

2,000,000 (2007: 2,000,000) ordinary shares of Rs. 10 each

Equity held: 100% (2007: 100%)

		20,000,000	20,000,000
Less: Impairment in investment	20.1	(10,000,000)	-
		10,000,000	20,000,000

- 20.1** Subsequent to year end the Company has terminated its "Sales Agreement" of finished goods with Dynalog Services (Private) Limited and the management of the subsidiary has decided to discontinue its operations. Furthermore, as the subsidiary financial statements are drawn up on the basis that going concern assumption is no longer valid, therefore an impairment loss of Rs.10 million has been directly recognized in the financial statements, thereby reducing the cost of investment to its estimated recoverable value.

21. STOCK IN TRADE

Raw materials

In hand	224,600,903	135,442,011
In pledge	-	60,930,157
In transit	18,085,085	39,000,362
	242,685,988	235,372,530

Packing material

In hand	37,030,107	30,236,062
In transit	1,022,989	1,875,540
With third party	209,377	49,031
	38,262,473	32,160,633

Work in process

	46,409,764	40,336,092
--	-------------------	-------------------

Finished goods

In hand	101,429,418	106,412,467
In transit	-	4,140,855
With related party	21,113,472	-
	122,542,890	110,553,322
	449,901,115	418,422,577



	<i>Note</i>	2008 Rupees	2007 Rupees
22. TRADE DEBTS - Considered good			
Secured - against letters of credit		5,572,139	4,619,021
Unsecured			
Due from related parties			
Subsidiary - Dynalog Services (Pvt.) Limited		108,817,993	157,424,228
Associated - Route - 2 Health (Pvt.) Limited		183,903	463,898
	22.1	109,001,896	157,888,126
Others		26,413,400	24,833,795
		140,987,435	187,340,942

22.1 The amount due is in the normal course of business and is interest free.

23. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances - considered good			
Staff against:			
Expenses		8,097,619	6,135,087
Salary		1,034,017	570,662
Suppliers		2,625,339	10,401,897
Letters of credit		215,331	369,357
Deposits:			
Securities		4,966,181	5,465,189
Bank guarantee margin		2,569,766	1,446,811
Prepayments		5,498,950	2,392,119
		25,007,203	26,781,122

24. OTHER RECEIVABLES - considered good

Claims receivable		220,111	-
Freight subsidy receivable		266,099	113,679
Sales tax and excise duty	24.1	10,964,686	7,708,981
Receivable from foreign principals		41,450,449	1,966,114
Others		684,630	684,630
		53,585,975	10,473,404

24.1 As referred to in note 17 this includes Rs. 10.086 million (2007: Rs. 6.981 million) deposited for grant of stay against demand of sales tax / excise duty paid under protest to sales tax department.



	2008 Rupees	2007 Rupees
25. CASH AND BANK BALANCES		
Cash and Imprest	2,505,635	3,044,357
Balance with banks - current accounts	4,672,249	8,812,960
	7,177,884	11,857,317
26. SALES - net		
Manufactured products		
Local	1,888,381,998	1,841,478,216
Export	59,256,579	61,854,742
	1,947,638,577	1,903,332,958
Purchased products - local	104,424,360	88,689,259
Sales compensation	27,237,721	-
Third party (toll manufacturing)	39,181,106	35,202,026
	2,118,481,764	2,027,224,243
Less: Discount	183,977,525	174,199,172
Sales tax	1,160,250	1,307,172
	185,137,775	175,506,344
	1,933,343,989	1,851,717,899



	<i>Note</i>	2008 Rupees	2007 Rupees
27. COST OF SALES			
Raw and packing material consumed		964,391,055	842,189,409
Salaries, wages and benefits	27.1	101,554,972	98,700,001
Vehicle running and maintenance		12,564,961	12,859,821
Fuel and power		22,090,141	17,584,436
Stores consumed		3,406,407	4,885,809
Repair and maintenance		9,723,235	10,701,041
Insurance		1,889,881	2,047,325
Rent, rates and taxes		2,092,597	1,916,990
Fee and subscription		706,346	1,011,345
Printing and stationery		2,254,394	1,981,034
Traveling and conveyance		4,123,626	3,416,622
Consultancy and professional		3,467,629	3,125,637
Office supplies		4,333,611	2,803,668
Depreciation	18.1.2	30,944,586	30,874,281
Amortization of intangible assets	19.2	7,295,593	4,709,412
Others		4,688,310	5,253,410
		1,175,527,344	1,044,060,241
Inventory effect of work in process			
Opening		40,336,092	18,296,869
Closing		(46,409,764)	(40,336,092)
		(6,073,672)	(22,039,223)
Cost of goods Manufactured		1,169,453,672	1,022,021,018
Inventory effect of finished goods (excluding purchased products)			
Opening		88,620,428	101,718,849
Closing		(92,970,783)	(88,620,428)
		(4,350,355)	13,098,421
Cost of goods sold - Manufactured		1,165,103,317	1,035,119,439
Less: Duty drawback		-	17,833
Cost of goods sold - Manufactured items		1,165,103,317	1,035,101,606
Cost of goods sold - Purchased products		81,302,275	61,207,110
Cost of goods sold		1,246,405,592	1,096,308,716
27.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		5,687,877	6,877,488
Defined contribution plan - Provident Fund		2,926,276	2,500,021
Provision for compensated leave absences		1,986,608	519,375



	<i>Note</i>	2008 Rupees	2007 Rupees
28. ADMINISTRATIVE AND GENERAL			
Salaries and benefits	28.1	73,976,758	74,647,333
Telephone, postage and telex		2,988,312	3,614,259
Rent, rates and taxes		5,455,572	4,867,621
Electricity, gas and water		385,287	274,139
Printing and stationery		3,212,080	3,067,697
Repairs and maintenance		4,264,360	5,516,242
Vehicle running and maintenance		18,128,222	14,339,354
Traveling and conveyance		7,456,038	5,909,748
Newspapers and subscriptions		1,141,115	2,726,002
Entertainment		1,159,504	257,571
Insurance		4,409,386	4,272,962
Auditors' remuneration	36	667,500	675,000
Legal and professional		2,818,000	2,428,060
Advertisement, seminars and symposia		182,925	1,129,500
Donation	28.2	723,464	1,311,550
Depreciation	18.1.2	13,720,296	13,341,941
Others		1,817,777	1,307,804
		142,506,596	139,686,783
28.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		9,719,889	7,030,587
Defined contribution plan - Provident Fund		2,264,434	1,746,129
Provision for compensated leave absences		880,395	358,738

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



	<i>Note</i>	2008 Rupees	2007 Rupees
29. DISTRIBUTION, SELLING AND PROMOTIONAL			
Salaries and benefits	29.1	160,790,048	152,391,563
Advertisement		1,646,563	5,064,698
Rent, rates and taxes		720,860	725,210
Entertainment		195,162	204,602
Promotional expenses and samples		128,945,224	136,577,305
Printing and stationery		3,596,503	3,493,045
Traveling and conveyance		65,722,886	63,924,634
Telephone, postage and telex		2,552,965	2,620,156
Insurance		2,416,296	2,976,925
Vehicle running and maintenance		23,195,898	20,330,460
Donation	29.2	2,510,350	3,221,783
Freight and octroi		14,103,311	11,420,239
Seminars, Symposia and training		19,120,345	27,008,171
Newspapers and subscriptions		8,363,835	6,199,165
Depreciation	18.1.2	11,610,890	11,310,992
Amortization of intangible assets	19.2	1,233,528	832,045
Others		6,758,968	4,638,840
		453,483,632	452,939,833
Less: Reimbursement from foreign principals		81,713,162	16,292,285
		371,770,470	436,647,548
29.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		9,639,681	8,005,700
Defined contribution plan - Provident Fund		4,574,276	3,698,228
Provision for compensated leave absences		1,929,655	1,075,961

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

30. FINANCE COST

Mark-up on long term loan - secured		7,986,512	1,392,759
Mark-up on short term borrowings - secured		45,305,079	27,150,279
Finance cost on liability against assets subject to finance lease		10,933,959	10,800,980
Interest on Workers' Profit Participation Fund	12.1	468,200	1,353,876
Bank charges		2,439,372	2,037,834
		67,133,122	42,735,728



	<i>Note</i>	2008	2007
		Rupees	Rupees
31. RESEARCH AND DEVELOPMENT			
Salaries and benefits	31.1	6,064,096	6,678,037
Expenses on clinical trials and products evaluation		149,977	547,246
Traveling		1,243,413	1,659,818
Insurance		152,931	131,081
Vehicle repair and maintenance		1,121,983	1,141,866
Printing and stationery		80,331	75,810
Office supplies		119,474	110,847
Staff cost		370,077	213,192
Others		48,200	105,681
		9,350,482	10,663,578
31.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		576,335	60,213
Defined contribution plan - Provident Fund		223,222	254,961
Provision for compensated leave absences		24,612	20,972
		824,169	336,146
32. OTHER OPERATING INCOME			
Income from non-financial assets			
Gain on sale of property, plant and equipment		6,515,276	5,507,582
Amortization of deferred gain	11	1,021,970	3,326,260
Liabilities no longer payable written back		174,849	-
Scrap Sales		907,484	1,017,635
Others		305,303	407,169
		8,924,882	10,258,646
33. OTHER OPERATING CHARGES			
Impairment loss in the value of investment in subsidiary		10,000,000	-
Workers' Profit Participation Fund	12.1	2,465,008	6,645,783
Exchange loss		12,065,143	355,540
Workers' Welfare Fund		1,591,259	2,715,284
Central Research Fund - current year		1,009,507	1,289,329
Others		-	2,662,993
		27,130,917	13,668,929



	2008 Rupees	2007 Rupees
34. TAXATION		
Current		
- For the year	15,868,050	46,108,553
- Prior period	(10,000,000)	-
	5,868,050	46,108,553
Deferred		
	8,980,247	(24,766,998)
	14,848,297	21,341,555

34.1 Reconciliation of tax charge for the year

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

	2008	2007
Applicable tax rate	35.00%	35.00%
Tax effect of amounts that are not deductible for tax purposes	38.89%	25.07%
Tax effect of amounts that are deductible for tax purposes	-61.32%	23.16%
Tax effect of amounts relating to prior years	-12.83%	-
Reversal of taxable temporary differences	11.52%	-20.26%
Tax effect under presumptive tax regime	7.79%	0.81%
	-15.95%	-17.54%
Average effective tax rate charged on income	19.05%	17.46%

		2008 Rupees	2007 Rupees
35. EARNINGS PER SHARE - Basic and Diluted			
There is no dilutive effect on the basic earnings per share of the Company which is based on:			
Profit after taxation	Rupees	63,123,395	100,923,708
Weighted average number of ordinary shares as at 31 December 2008	Numbers	16,527,743	16,527,743
Earnings per share	Rupees	3.82	6.11



	<i>Note</i>	2008	2007
		Rupees	Rupees
36. AUDITORS' REMUNERATION			
Statutory Audit		401,500	365,000
Fee for review of half year financial statements		176,000	160,000
Other certifications		40,000	100,000
Out of pocket expenses		50,000	50,000
	28	667,500	675,000

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2008			2007		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
 Rupees					
Managerial remuneration	3,594,800	9,922,800	31,738,629	3,194,800	13,288,200	23,827,130
House allowance	1,437,920	1,440,000	12,695,452	1,277,920	2,160,000	9,530,854
Provident fund	299,592	826,872	2,579,694	266,280	726,912	1,826,173
Gratuity	1,067,322	2,779,949	7,410,789	900,254	2,421,967	6,347,658
Bonus	565,800	1,553,800	4,698,223	356,917	1,610,625	2,431,392
Utilities	359,480	1,288,254	3,173,863	319,480	2,288,801	2,382,704
Medical	76,477	305,146	771,970	480,580	1,403,314	1,071,988
Others	-	145,236	31,400	-	132,011	-
	7,401,391	18,262,057	63,100,019	6,796,231	24,031,830	47,417,899
Number of persons	1	2	35	1	3	25

37.1 The Chief Executive, Directors and 15 executive (2007: 15) have been provided with Company maintained cars while 20 executives (2007: 10) have been provided with cars under self finance scheme with limited fuel and maintenance facility.

37.2 No fee has been paid to any director except for Rs. 3,000 (2007 : Rs. 1,500) paid to an independent non - executive director for attending Board meetings.



38. Financial instruments and related disclosures

	31 December 2008							Total	Credit Risk
	Interest Bearing			Non-Interest Bearing			Sub-Total		
	Upto one year	One to five years	More than five years	Upto one year	One to five years	More than five years			
Rupees									
Financial assets									
Long term deposits	-	-	-	-	-	1,562,054	1,562,054	1,562,054	-
Trade debts	-	-	-	140,987,435	-	-	140,987,435	140,987,435	140,987,435
Advances and deposits	-	-	-	7,535,947	-	-	7,535,947	7,535,947	-
Other receivables	-	-	-	42,355,190	-	-	42,355,190	42,355,190	42,355,190
Cash and bank balances	-	-	-	7,177,884	-	-	7,177,884	7,177,884	-
	-	-	-	198,056,456	-	1,562,054	199,618,510	199,618,510	183,342,625
Financial liabilities									
Long term loan - secured	14,331,560	53,743,350	-	-	-	-	-	68,074,910	-
Liabilities against assets subject to finance lease	26,696,953	42,728,791	-	69,425,744	-	-	-	69,425,744	-
Trade and other payables	-	-	-	80,447,705	-	-	80,447,705	80,447,705	-
Markup payable on secured loans	-	-	-	16,062,923	-	-	16,062,923	16,062,923	-
Short term bank borrowings - secured	345,066,734	-	-	-	-	-	-	345,066,734	-
	386,095,247	96,472,141	482,567,388	96,510,628	-	-	96,510,628	579,078,016	-
Excess of financial assets over financial liabilities	(386,095,247)	(96,472,141)	(482,567,388)	101,545,828	-	1,562,054	103,107,882	(379,459,506)	-
On balance sheet Gap									
Off-balance sheet Items									
Bank guarantees	-	-	-	43,415,291	-	-	43,415,291	43,415,291	-
Irrevocable letters of credit	-	-	-	75,772,735	-	-	75,772,735	75,772,735	-
	-	-	-	119,188,026	-	-	119,188,026	119,188,026	-

31 December 2007							
	Interest Bearing			Non-Interest Bearing			Total
	Upto one year	One to five years	More than five years	Sub-Total	Upto one year	One to five years	
Rupees							
Financial assets							
Long term deposits	-	-	-	1,562,054	-	-	1,562,054
Trade debts	-	-	-	187,340,942	-	-	187,340,942
Advances and deposits	-	-	-	6,912,000	-	-	6,912,000
Other receivables	-	-	-	2,650,744	-	-	2,650,744
Cash and bank balances	-	-	-	11,857,317	-	-	11,857,317
	-	-	-	208,761,003	-	1,562,054	210,323,057
Financial liabilities							
Long term loan - secured	1,524,637	24,394,200	4,573,913	30,492,750	-	-	30,492,750
Liabilities against assets subject to finance lease	27,351,719	57,213,902	-	84,565,621	-	-	84,565,621
Trade and other payables	-	-	-	125,993,332	-	-	125,993,332
Markup payable on secured loans	-	-	-	7,286,339	-	-	7,286,339
Short term bank borrowings - secured	255,396,844	-	-	255,396,844	-	-	255,396,844
	284,273,200	81,608,102	4,573,913	370,455,215	133,279,671	-	503,734,886
Excess of financial assets over financial liabilities	(284,273,200)	(81,608,102)	(4,573,913)	(370,455,215)	75,481,332	-	(293,411,829)
On balance sheet Gap	(284,273,200)	(81,608,102)	(4,573,913)	(370,455,215)	75,481,332	1,562,054	(293,411,829)
Off-balance sheet Items							
Bank guarantees	-	-	-	-	42,237,711	-	42,237,711
Irrevocable letters of credit	-	-	-	-	128,280,009	-	128,280,009
	-	-	-	-	170,517,720	-	170,517,720

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.



38.1 Financial risk management objectives

The Company's activities expose it to a variety of financial risks, including the effects of changes in market rates, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 38 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 7,8 & 15 .

The Company finances its operations through equity, borrowings and management of working capital with a view of maintaining a reasonable mix between the various sources of finances to minimize risk. Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

38.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fails completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and its balances with banks. The credit risk on liquid funds is limited because the credit risk associated with trade debts of the Company are controlled through management of approved credit limit for all its customers and as such is not exposed to major concentration of third party credit risk.

Of the total financial assets of Rs. 199.618 million (2007: Rs. 210.323 million), financial assets which are subject to credit risk amount to Rs. 183.342 million (2007: Rs. 198.604 million). To manage exposure to credit risk, the Company applies credit limits to its customers and obtains advances from them.

38.3 Currency risk

Currency risk is the risk that the values of a financial instrument will fluctuate due to changes in foreign exchange rate. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company does not hedge the payables, however, the risk of exposure is mitigated by matching the maturity periods of foreign currency receivables and payables.

38.4 Interest rate risk

Interest rate risk is the risk that the values of financial instruments will fluctuate due to changes in market interest rates. The Company usually manages miss-matches through risk management strategy where significant change in Gap position can be adjusted.

38.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

38.6 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.



The Company's objectives when managing capital are:

- 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.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The debt-to-equity ratios as at 31 December 2008 and at 31 December 2007 were as follows:

	2008 Rupees	2007 Rupees
Total debt	482,567,388	370,455,215
Total equity and debt	980,646,076	820,647,641
Debt-to-equity ratio	49:51	45:55

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

38.7 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

39. Related party transactions

The related parties and associated undertakings comprises, subsidiary, associated companies, staff retirement funds, directors and key management personnel. Amounts due from and to related parties are shown under receivables and payables, amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

	2008 Rupees	2007 Rupees
39.1 Sales of goods		
Subsidiary	1,628,117,917	1,600,303,981
Associate	35,607,377	32,900,153



	2008 Rupees	2007 Rupees
39.2 Other related parties		
Contribution to Staff provident fund	9,988,208	10,422,264
Contribution to Employees' welfare trust	1,335,950	1,353,950

40. DIVIDEND

The Board of Directors of the Company in their meeting held on 31st March 2009 have proposed final cash dividend at the rate of Rs. 2.5 (2007: Rs. 2.5) per share and bonus shares Nil (2007: 10%) per share for the year ended 31 December 2008, subject to the approval of shareholders in Annual General Meeting. These financial statements do not reflect these appropriations.

41. 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.

42. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on 31st March 2009.

43. GENERAL

Figures have been rounded off to the nearest rupee.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Group Financial Statements

Highnoon Laboratories Limited
and its wholly owned subsidiary company
Dynalog Services (Private) Limited

2008





Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Highnoon Laboratories Limited ("the Company") and its subsidiary company (hereinafter referred as the "Group") as at 31 December 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. The financial statements of the subsidiary company, Dynalog Services (Private) Limited was audited by another firm of auditors, whose report has been furnished to use and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of other auditors.

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

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

In our opinion the consolidated financial statements present fairly the financial position of the Group as at 31 December 2008 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which states that subsequent to year end the management of the subsidiary company has decided to discontinue its operations and accordingly the subsidiary company financial statements have been prepared as non-going concern basis and related assets and liabilities approximates to their realizable value.

Lahore: 31 March 2009

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants



CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2008 Rupees	2007 Rupees
EQUITY AND LIABILITIES			
Authorized Share capital			
Ordinary shares of Rs. 10 each 20,000,000 (2007: 20,000,000)		200,000,000	200,000,000
Share capital	6	165,277,431	150,252,210
Reserves		282,424,735	224,438,154
		447,702,166	374,690,364
Surplus on revaluation of assets	7	200,959,459	208,260,158
NON CURRENT LIABILITIES			
Long term loan - secured Liabilities against assets	8	53,743,350	28,968,113
subject to finance lease	9	42,728,792	58,978,534
Long term advances	10	17,125,963	15,566,011
Deferred liabilities	11	143,020,219	115,083,696
Deferred gain	12	-	1,021,970
		256,618,324	219,618,324
CURRENT LIABILITIES			
Trade and other payables	13	117,937,036	169,703,357
Liability for patent & trademark	14	6,408,375	-
Markup payable on secured loans	15	19,453,951	8,133,461
Short term bank borrowings - secured	16	435,070,588	327,742,774
Income tax - net		-	22,135,517
Current portion of long term liabilities	17	47,336,492	36,696,493
		626,206,442	564,411,602
CONTINGENCIES AND COMMITMENTS	18	1,531,486,391	1,366,980,448

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



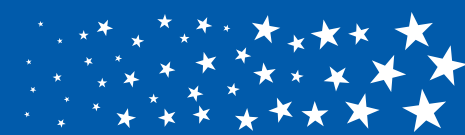
ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



AS AT 31 DECEMBER 2008

	Note	2008 Rupees	2007 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	19	683,287,724	642,316,430
Intangible assets	20	66,492,067	44,539,474
		749,779,791	686,855,904
Long term deposits		1,562,054	3,905,054
CURRENT ASSETS			
Stores, spares and loose tools	21	-	30,373
Stock in trade	22	537,849,474	528,917,064
Trade debts	23	45,307,546	62,119,683
Advances, deposits and prepayments	24	45,234,814	32,344,393
Income tax - net		44,095,476	-
Other receivables	25	59,641,050	19,970,952
Cash and bank balances	26	29,596,654	32,837,025
		761,725,014	676,219,490
Non current assets held for sale	27	18,419,532	-
		780,144,546	676,219,490
		1,531,486,391	1,366,980,448


ANEES AHMAD KHAN
DIRECTOR



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	<i>Note</i>	2008 Rupees	2007 Rupees
Sales - net	28	2,233,179,815	1,985,910,645
Cost of sales	29	1,426,668,595	1,186,320,867
GROSS PROFIT		806,511,220	799,589,778
Operating expenses			
Administrative and general	30	182,631,307	158,856,277
Distribution, selling and promotional	31	431,680,094	482,488,053
Finance cost	32	78,590,681	47,113,635
Research and development	33	9,350,482	10,663,578
		702,252,564	699,121,543
OPERATING PROFIT		104,258,656	100,468,235
Other operating income	34	15,943,574	13,512,728
		120,202,230	113,980,963
Other operating charges	35	17,136,426	16,958,901
PROFIT BEFORE TAXATION		103,065,804	97,022,062
Taxation	36	14,816,869	29,891,678
PROFIT AFTER TAXATION		88,248,935	67,130,384
Earnings per share - basic and diluted	37	5.34	4.06

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEE AHMAD KHAN
DIRECTOR



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	103,065,804	97,022,062
Adjustments for non-cash charges and other items		
Depreciation	60,548,834	59,402,617
Amortization of intangible assets	8,611,871	5,588,616
Gain on sale of property, plant and equipment	(6,515,276)	(5,507,582)
Exchange loss	12,065,143	349,064
Provision for defined benefit obligation	25,623,783	21,973,988
Write offs	4,725,301	-
Finance cost	78,590,681	47,113,635
Deterioration in Pallets	10,293	10,124
Amortization of deferred gain	(1,021,970)	(3,326,260)
	182,638,660	125,604,202
<i>Profit before working capital changes</i>	285,704,464	222,626,264
WORKING CAPITAL CHANGES		
<i>(Increase) / decrease in current assets</i>		
Stores, spares and loose tools	20,080	295,960
Stock in trade	(8,932,410)	(126,953,190)
Trade debts	16,974,500	(28,699,898)
Advances, deposits and prepayments	(12,890,421)	25,093,672
Other receivables	(39,670,098)	28,362,630
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	(60,345,013)	33,999,708
Liability for patent and trade mark	2,463,780	-
	(102,379,582)	(67,901,118)
Cash generated from operations	183,324,882	154,725,146
Taxes paid	(72,067,615)	(34,656,363)
Gratuity paid	(6,667,507)	(12,976,323)
Finance cost paid	(55,733,473)	(34,217,490)
Long term deposits - net	2,343,000	(966,000)
Long term advances - net	297,806	3,552,888
<i>Net cash used in operating activities</i>	51,497,093	75,461,858



	<i>Note</i>	2008	2007
		Rupees	Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(120,093,004)	(46,968,766)
Intangible assets acquired		(31,332,054)	(9,720,194)
Sale proceeds from disposal of property, plant and equipment		26,808,024	16,040,392
<i>Net cash used in Investing activities</i>		(124,617,034)	(40,648,568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		(52,788,353)	(61,772,569)
Long term loan		37,582,160	30,492,750
Short term bank borrowings - net		107,327,814	30,113,052
Dividend paid		(22,242,053)	(34,013,815)
<i>Net cash used in financing activities</i>		69,879,569	(35,180,582)
Net increase (decrease) in cash and cash equivalents		(3,240,372)	(367,292)
Cash and cash equivalents at beginning of the year		32,837,025	33,204,317
Cash and cash equivalents at end of the year	26	29,596,653	32,837,025

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE AHMAD KHAN
DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	SHARE CAPITAL	REVENUE RESERVES			TOTAL
		GENERAL RESERVE	UN-APPROPRIATED PROFIT	SUB TOTAL	
----- Rupees -----					
Balance as at 01 January 2007	130,654,100	114,000,000	89,417,853	203,417,853	334,071,953
Final dividend for the year ended 31 December 2006 @ Rs. 1.5 per share	-	-	(19,598,639)	(19,598,639)	(19,598,639)
Issuance of bonus shares @ 15%	19,598,110	-	(19,598,110)	(19,598,110)	-
Interim dividend @ Re. 1 per share for the year ended 31 December 2007	-	-	(15,025,221)	(15,025,221)	(15,025,221)
	150,252,210	114,000,000	35,195,883	149,195,883	299,448,093
Current year incremental depreciation - net of tax	-	-	8,111,887	8,111,887	8,111,887
Profit for the year	-	-	67,130,384	67,130,384	67,130,384
Total recognised income and expense for the year	-	-	75,242,271	75,242,271	75,242,271
Balance as at 31 December 2007	150,252,210	114,000,000	110,438,154	224,438,154	374,690,364
Final dividend for the year ended 31 December 2007 @ Rs. 1.5 per share	-	-	(22,537,832)	(22,537,832)	(22,537,832)
Issuance of bonus shares @ 10%	15,025,221	-	(15,025,221)	(15,025,221)	-
	15,025,221	-	(37,563,053)	(37,563,053)	(22,537,832)
Current year incremental depreciation - net of tax	-	-	7,300,699	7,300,699	7,300,699
Profit for the year	-	-	88,248,935	88,248,935	88,248,935
Total recognised income and expense for the year	-	-	95,549,634	95,549,634	95,549,634
Balance as at 31 December 2008	165,277,431	114,000,000	168,424,735	282,424,735	447,702,166

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. LEGAL STATUS AND NATURE OF OPERATIONS

- 1.1 The Highnoon Laboratories Limited and its subsidiary company ("the Group") comprises of holding company Highnoon Laboratories Limited ("HNL") and a wholly owned subsidiary company Dynalog Services (Private) Limited ("DSL").

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

DSL was incorporated as a private limited company in Pakistan on 27 April 2004 under the Companies Ordinance, 1984 and became a wholly owned subsidiary company of HNL in September 2004. DSL is principally engaged in the business of trading and distribution of pharmaceutical and other products. The registered office of DSL is situated at 17.5 Km, Multan Road, Lahore.

- 1.2 The management of the subsidiary has decided to discontinue the subsidiary's operations and accordingly financial statements of subsidiary company have been prepared on non-going concern basis and the related assets and liabilities approximate to their realizable values.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments and interpretations to published approved accounting standards that are relevant but not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after their respective effective dates:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The application of this standard is not likely to have any effect on the Group's financial statements.



Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of this standard is not likely to have any effect on the Group's financial statements.

Amended IAS 27 Consolidated and separate financial statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have any effect on the Group's financial statements.

IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have any effect on Group's financial statements.

- IFRS 7 'Financial Instruments : Disclosures' is applicable to the Group's financial statements covering annual periods, beginning on or after 01 October 2008. It requires disclosures about the significance of financial instruments for the Company's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks. The adoption of this standard is not likely to have significant impact on Group's financial statements other than increase in disclosure.

2.2.2 Standards, amendments and interpretations to published approved accounting standards that are not relevant and not yet effective

Standards or Interpretation	Effective date
IFRS 2 - Share-based Payments	'01 January 2009
IFRS 3 - Business Combinations	'01 July 2009
IFRS 5 - Non current assets held for sale and discontinued operations	'01 July 2009
IFRS 8 - Operating Segments	'01 January 2009
IAS 29 - Financial reporting in Hyperinflationary Economies	'28 April 2008
IAS 32 (amendments) - Financial instruments	'01 January 2009
IAS 39 (amendments) - Financial instruments	'01 July 2009
IAS 41 - Agriculture	'01 January 2009
IFRIC 12 - Service concession arrangements	'01 October 2008
IFRIC 13 - Customer loyalty programmes	'01 July 2008
IFRIC 15 - Accounting for agreements for the construction of real estate	'01 October 2009
IFRIC 16 - Hedge of net investment in a foreign operation	'01 October 2008
IFRIC 17 - Distribution of non cash assets to owners	'01 July 2009



In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board but has not yet been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) or notified by the SECP and, hence, presently do not form part of the local financial reporting framework.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of certain assets as referred to in note 19 and recognition of certain employees benefits at present value. In consolidated these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

3.2 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised 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:

	<i>Note</i>
- defined benefit obligation	4.1
- revaluation of property, plant and equipment	4.4
- residual values and useful lives of assets	4.4
- impairment	4.13
- taxation	4.17
- provisions and contingencies	4.20

4. BASIS OF CONSOLIDATION

The consolidated financial statements includes the financial statements of Highnoon Laboratories Limited and its wholly owned subsidiary "Dynalog Services (Private) Limited".

The financial statements of subsidiary company have been consolidated on line by line basis and carrying value of investment held by the parent company is eliminated against the subsidiary's shareholder's equity in the consolidated financial statements. Intra-Group balances, transactions, income and expenses have also been eliminated. Unrealised gains arising on intraGroup transactions recognised in assets are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.



5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Staff retirement benefits

Defined benefit plan

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

Qualified actuaries have carried out the valuation as at 31 December 2008. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2008	2007
- Discount rate	15% per annum	10% per annum
- Expected rate of increase in salary	14% per annum	9% per annum
- Expected average remaining working life time	14 years	14 years

HNL's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 "Employees Benefits" by which actuarial gains/losses exceeding 10 % of present value of benefit obligation are amortized over a period of five years.

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% of basic salary and cost of living allowance.

Compensated leave absences

Provision for compensated absences is made to the extent of value of accumulated accrued leaves / leave fare assistance of the employees at the balance sheet date as per entitlement on the basis of last drawn salary.

5.2 Foreign currency translation

All monetary assets and liabilities in foreign currency are translated at the rates of exchange prevailing on the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Transactions in foreign currencies are converted into Pak rupees at exchange rates prevailing on the date of transaction. All exchange gains / losses are taken to profit and loss account currently.

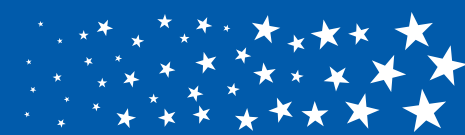
5.3 Trade and other payables

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

5.4 Property, plant and equipment and depreciation

Owned operating assets

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



Depreciation is charged on reducing balance method at the rates mentioned in note 19.1 to write off the cost / revalued amount of an asset over its estimated useful life. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Full month's depreciation is charged on additions, while no depreciation is charged in the month of disposal or deletion or transfer of assets. Surplus on revaluation of fixed assets relating to incremental depreciation (net of deferred taxation) is transferred directly to unappropriated profit.

Gains and losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

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

Leasehold assets

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

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 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 income 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 19.1. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Depreciation of leased assets is charged to profit and loss account. Depreciation on additions in leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off / transferred to freehold assets.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss less any identified losses 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.

5.5 Intangible assets and amortization

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

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



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

Subsequent expenditures on intangible assets after its purchase 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.

5.6 Deferred gain

Deferred gain arising on sale and lease back of assets is amortized on straight line basis over the lease term.

5.7 Borrowing costs

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

5.8 Stores, spares and loose tools

These are valued at moving average cost, except for items in transit, which are valued at invoice price and related expenses incurred up to the balance sheet date. For items which are slow moving, a provision is made for excess of book value over estimated realizable value.

5.9 Stock in trade

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

Raw materials	-	on moving average
Work-in-process	-	at actual manufacturing cost including appropriate overheads
Finished goods		
- Imported	-	on moving average
- Local	-	on moving 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 the estimated costs of completion and estimated costs necessary to make the sale.

5.10 Trade debts

These are initially carried at original invoice amount, which is the fair value of consideration to be received in future and subsequently measure 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.

5.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balance with banks on current and deposit accounts. These are carried in balance sheet at cost.



5.12 Impairment

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

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

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

5.13 Revenue recognition

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

Service income is recognised when the related services are rendered.

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

5.14 Transactions with related parties and transfer pricing

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

- Associated companies / related parties Cost plus method

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

5.15 Research and development cost

These costs are charged to revenue as and when incurred, except for any development costs which are recognised 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.

5.16 Taxation

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

Current

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



provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

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

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

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

Deferred tax is charged or credited in the income except for deferred tax asset / liability on deficit /surplus on revaluation of fixed assets which is adjusted against the related surplus as per the requirements of revised IAS 12 "Income Taxes".

5.17 Dividend

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

5.18 Financial instruments

These comprise financial assets and financial liabilities. Significant financial assets include trade debts, advances and deposits, other receivables and cash and bank balances. Significant financial liabilities include 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 derecognition is of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statement associated with each item.

Offsetting financial assets and financial liabilities

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

5.19 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.



	<i>Note</i>	2008 Rupees	2007 Rupees
6 SHARE CAPITAL			
Issued, subscribed and paid-up			
5,905,000 (2007: 5,905,000) Ordinary shares of Rs.10 each fully paid in cash		59,050,000	59,050,000
95,000 (2007: 95,000) Ordinary shares of Rs.10 each issued for consideration other than cash	6.1	950,000	950,000
10,527,743 (2007: 9,025,221) Ordinary shares of Rs.10 each as bonus shares		105,277,431	90,252,210
		165,277,431	150,252,210

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

6.2 Reconciliation of issued, subscribed and paid-up capital

	2008	2007
	(Number of Shares)	
Opening balance	15,025,221	13,065,410
Bonus shares issued during the year	1,502,522	1,959,811
	16,527,743	15,025,221

7. SURPLUS ON REVALUATION OF ASSETS

This represent surplus arising on revaluation of HNL freehold land, building on freehold land, plant and machinery both owned and leased carried out in the year 1995, 1999, 2004 and 2007 respectively. This has been adjusted by surplus realized on disposal of revalued assets and incremental depreciation arising due to revaluation net of deferred tax.

	2008 Rupees	2007 Rupees
Surplus on revaluation of fixed assets as at 01 January	247,571,612	192,129,438
Surplus arising on revaluation of assets during the year	-	67,922,000
Surplus relating to incremental depreciation charged on related assets - transferred to unappropriated profit		
Net of deferred tax	(7,300,699)	(8,111,887)
Related deferred tax liability	(3,931,145)	(4,367,939)
	(11,231,844)	(12,479,826)
Surplus on revaluation of assets as at 31 December	236,339,768	247,571,612



	Note	2008 Rupees	2007 Rupees
Less: Related deferred tax liability on			
Balance at the beginning of the year		39,311,454	43,679,393
Transferred to profit and loss account incremental depreciation charged during the year		(3,931,145)	(4,367,939)
	11.1	35,380,309	39,311,454
		200,959,459	208,260,158

8. LONG TERM LOAN - SECURED

Habib Bank Limited	8.1	68,074,910	30,492,750
Less: Current portion shown under current liabilities	17	14,331,560	1,524,637
		53,743,350	28,968,113

8.1 This loan has been obtained for the purpose of expansion and carries markup at the rate of three months KIBOR plus 2.25% per annum. The effective markup charged during the year was 14.82% (2007: 12%) of the aggregate facility of Rs. 150 million, the amount availed as at 31 December 2008 is Rs. 68.074 million (2007: Rs. 30.493 million), repayable in 19 equal quarterly installments. This loan is secured by way of first pari passu charge for Rs. 326 million on fixed assets and first joint pari passu hypothecation charge of Rs. 320 million on stocks including but not limited to raw materials, medicines, goods in process and finished goods of HNL.

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments		72,249,157	89,403,677
Less: Current portion shown under current liabilities	17	29,520,365	30,425,143
		42,728,792	58,978,534

	2008		
	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees		
Not later than one year	39,244,606	9,724,241	29,520,365
Later than one year but not later than five years	49,733,313	7,004,521	42,728,792
	88,977,919	16,728,762	72,249,157
	2007		
	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees		
Not later than one year	39,832,864	9,407,721	30,425,143
Later than one year but not later than five years	69,485,744	10,507,210	58,978,534
	109,318,608	19,914,931	89,403,677



Salient features of the leases are as follows:

	2008	2007
Discounting factor	8.01% - 20.20%	7.5% - 14.94%
Period of lease	36 months	36 months
Security deposits	5% - 10%	10%

The Group has entered into finance lease arrangements with various financial institutions for the lease of plant and machinery, office equipment and vehicles as shown in note 18.1 below. The liabilities under these arrangements are payable in monthly instalments. These markup 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 are already been paid at the inception of the lease in the form of security deposit. There are no financial restrictions imposed by lessors. Taxes, repairs, replacements and insurance costs are borne by the lessee.

	<i>Note</i>	2008 Rupees	2007 Rupees
10. LONG TERM ADVANCES			
Balance at the end of year		20,610,530	20,312,724
Less: current portion shown under current liabilities	17	3,484,567	4,746,713
		17,125,963	15,566,011

This represents advances taken from employees against future sale of vehicles as per HNL's policy.

11. DEFERRED LIABILITIES

Taxation	11.1	56,053,455	47,073,208
Gratuity	11.2	86,966,764	68,010,488
		143,020,219	115,083,696
11.1 Taxable temporary differences arising in respect of			
Surplus on revaluation of fixed assets	7	35,380,309	39,311,454
Accelerated tax depreciation		20,673,146	7,761,754
		56,053,455	47,073,208

11.2 The net value of defined benefit obligation as at valuation date is as follows:

Present value of defined benefit obligation	115,195,393	90,159,674
Unrecognized actuarial losses	(28,228,629)	(22,512,586)
Benefits due but not paid	-	363,400
Net liability as at 31 December	86,966,764	68,010,488



	Note	2008 Rupees	2007 Rupees
11.2.1 The following is the reconciliation of movement in the net recognized liability for gratuity:			
Liability as at 01 January		68,010,488	59,012,823
Amount recognized during the year	11.2.3	25,623,783	21,973,988
Benefit payments made by HNL		(6,667,507)	(12,976,323)
Net liability as at 31 December		86,966,764	68,010,488

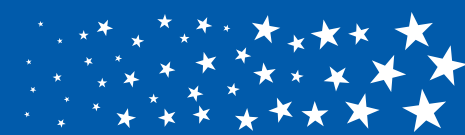
11.2.2 Movement in the liability for un - funded defined benefit obligations			
Present value of defined benefit obligations as at 01 January		90,159,674	78,007,892
Current service costs		13,908,492	11,688,921
Interest cost		9,015,967	7,800,789
Benefits due but not paid		-	(363,400)
Benefits paid by the plan		(6,304,107)	(11,749,211)
Actuarial losses recognized		8,415,367	4,774,683
Liability for defined benefit obligations as at 31 December		115,195,393	90,159,674

11.2.3 The following amounts have been charged to profit and loss account during the year in respect of gratuity scheme:

Current service costs	13,908,492	11,688,921
Interest cost	9,015,967	7,800,789
Actuarial losses - charge for the year	2,699,324	2,484,278
	25,623,783	21,973,988

11.2.4 Historical Information for Gratuity plan

	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees	2004 Rupees
Present value of defined benefits obligations	115,195,393	90,159,674	78,007,892	75,380,276	56,671,886
Experience adjustment arising on plan liabilities	8,415,367	4,774,683	(1,487,573)	13,836,183	-



	<i>Note</i>	2008 Rupees	2007 Rupees
12. DEFERRED GAIN			
Balance as on 01 January		1,021,970	4,348,230
Less: amortization for the year	34	1,021,970	3,326,260
Balance as on 31 December		-	1,021,970
13. TRADE AND OTHER PAYABLES			
Trade creditors		35,077,488	53,680,513
Bills payable		10,782,139	42,422,515
Advances from customers		11,084,814	9,798,406
Accrued expenses		32,037,999	35,186,752
Income tax deducted at source		5,547,849	281,694
Workers' Profit Participation Fund	13.1	4,816,873	11,745,361
Workers' Welfare Fund		11,495,373	9,904,114
Payable to Central Research Fund		1,009,507	1,289,329
Payable to Provident Fund Trust		2,289,052	1,940,410
Un-claimed dividends		3,510,142	3,214,363
Payable to Employees Welfare Trust		285,800	239,900
		117,937,036	169,703,357
13.1 Workers' Profit Participation Fund			
Balance at the beginning of the year		11,745,361	9,842,754
Add: provision for the year	35	4,151,873	6,645,783
		15,897,234	16,488,537
Add: interest on funds utilized by HNL	32	468,200	1,353,876
		16,365,434	17,842,413
Less: Paid during the year to the trustees of the fund		8,996,553	5,316,971
Deposited with the Government Treasury		865,143	780,081
Excess charge of interest in prior periods		1,686,865	-
		11,548,561	6,097,052
		4,816,873	11,745,361

Mark-up @ 22.50% (2007: 22.50%) is being provided on the unpaid balance of the fund in accordance with the rules of the Fund.



	Note	2008 Rupees	2007 Rupees
14 Liabilities for patent and trademark			
Purchase consideration for patent and trademark		31,034,176	-
Less: Paid during the year		28,570,396	-
		<u>2,463,780</u>	<u>-</u>
Exchange loss due to revaluation		3,944,595	-
Total payable as on 31 December		<u>6,408,375</u>	<u>-</u>

This represents the purchase consideration amounting to Rs. 31.03 million equivalent to Euros 290,000 net of local taxes for registration of trade mark of brand "Skilax Drops" for the territory of Pakistan and Kenya payable to M/s laboratorios Almirall, S.A (Spain). During the year, an amount of Rs. 28.57 million equivalent to Euros 276,000 net of taxes was paid.

The liability is secured against intangible assets and in the case of default by the HNL M/s laboratorios Almiral S.A (Spain) shall be entitled to claim compensation for damages.

15. MARKUP PAYABLE ON SECURED LOANS

On cash finances		-	1,432,206
On other borrowings		19,453,951	6,701,255
		<u>19,453,951</u>	<u>8,133,461</u>

16. SHORT TERM BANK BORROWINGS - SECURED

Running finance	16.1	431,748,166	219,776,411
Cash finance	16.2	-	41,773,063
Import credit	16.3	3,322,422	66,193,300
		<u>435,070,588</u>	<u>327,742,774</u>

16.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 642 million (2007: Rs. 490 million). These facilities have various maturity dates upto 31 August 2009. These facilities carry markup rates ranging from one month KIBOR to three months KIBOR plus 150 to 300 basis points (2007: one month KIBOR to three months KIBOR plus 150 to 200 basis points) per annum. These finances are secured by way of joint pari passu and ranking hypothecation charge over present and future current and fixed assets as well as personal guarantees of directors of the Company.

16.2 This has been repaid during the year.

16.3 Aggregate sanctioned import credit facilities negotiated with various banks amount to Rs. 345 million (2007: Rs. 245 million). These facilities carry markup rates ranging from one month KIBOR to three months KIBOR plus 150 to 200 basis points (2007: one month KIBOR to six months KIBOR plus 150 to 200 basis points) per annum. These facilities are secured by way of 1st pari passu charge over the present and future current asset of the company and have various maturity dates upto 31 August 2009.



	<i>Note</i>	2008	2007
		Rupees	Rupees
17. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term loan	8	14,331,560	1,524,637
Liabilities against assets subject to finance lease	9	29,520,365	30,425,143
Long term advances	10	3,484,567	4,746,713
		47,336,492	36,696,493

18. CONTINGENCIES AND COMMITMENTS

Contingencies

- Bank guarantees issued on behalf of HNL aggregate to Rs. 2.945 million (2007: Rs 2.238 million).
- HNL has not acknowledged the demand relating to sales tax / central excise duty amounting to Rs. 12.057 million (2007: Rs. 16.641 million) as debt as the matter is pending adjudication. An amount of Rs. 10.793 million (2007: Rs. 6.981 million) has been deposited under protest and is shown under other receivables in note 24.

	2008	2007
	(Rupees in thousand)	
Commitments		
- HNL's Commitments against irrevocable letters of credit include:		
Plant and machinery	-	36,286
Raw materials	67,112	75,631
Packing materials	1,560	4,602
Finished goods	7,101	11,789

- Facilities of letters of guarantee amounting to Rs. 16.285 million (2007: Rs. 9.209 million) are available to HNL under hypothecation / pledge of stocks and on present and future current assets and property, plant and equipment of HNL.
- Counter corporate guarantee given in favour of DSL amounting to Rs. 40 million (2007: Rs. 40 million) to Habib Bank Limited against their working capital finance limits.

	<i>Note</i>	2008	2007
		Rupees	Rupees
19. PROPERTY, PLANT AND EQUIPMENT			
Operating assets (owned)	19.1	575,955,000	463,122,173
Operating assets (leased)	19.1	96,364,559	125,203,227
		672,319,559	588,325,400
Transfer to "non current assets held for sale"	27	(18,419,532)	-
		653,900,027	588,325,400
Capital work-in-progress	19.2	29,387,697	53,991,030
		683,287,724	642,316,430



19.1 Operating assets

PARTICULARS	COST			DEPRECIATION			BOOK VALUE as at 31 December 2008	Rate %	
	As at 01 January 2008	DURING THE YEAR		As at 01 January 2008	For the year	Adjustments/ Impairment			As at 31 December 2008
		Additions/ revaluation	Deletions/ Transfers						
OWNED									
Land - Freehold	149,820,000	-	-	149,820,000	-	-	149,820,000	-	
Building on freehold land	168,908,691	20,364,597	-	189,273,288	9,304,844	-	100,714,097	10	
Plant and machinery	235,850,905	103,651,664	(523,870)	338,978,699	16,750,023	(176,977)	235,076,983	10	
Laboratory equipment	6,163,063	6,003,816	-	12,166,879	807,098	-	9,049,660	10	
Furniture and fixtures	17,374,749	572,861	-	17,947,610	1,138,609	(3,957,711)	6,569,768	10	
Electric and gas appliances	21,468,595	1,832,650	-	23,301,245	1,247,236	-	11,766,572	10	
Office equipment	30,658,075	18,298,440	(339,500)	48,617,015	2,883,210	(137,723)	33,988,817	10	
Vehicles	35,663,130	25,375,307	(23,383,935)	37,654,502	6,875,640	(3,639,857)	28,884,604	20	
Library books	52,806	-	-	52,806	584	-	5,252	10	
Neon sign	105,000	-	-	105,000	6,371	-	57,342	10	
Arms and ammunition	106,100	-	-	106,100	2,434	-	21,905	10	
	666,171,114	176,099,335	(24,247,305)	818,023,144	39,016,049	(7,912,268)	575,955,000		
ASSETS SUBJECT TO FINANCE LEASE									
Plant and machinery	27,961,623	-	-	27,961,623	2,073,044	-	18,657,392	10	
Office Equipment	20,605,330	-	(20,605,330)	-	687,634	(6,924,670)	-	10	
Vehicles	121,084,907	24,097,115	(33,524,100)	111,657,922	18,772,109	(15,801,764)	77,707,167	20	
	169,651,860	24,097,115	(54,129,430)	139,619,545	21,532,787	(22,726,434)	96,364,559		
	835,822,974	200,196,450	(78,376,735)	957,642,689	60,548,836	(30,638,702)	672,319,559		

Rupees

PARTICULARS	COST				DEPRECIATION				BOOK VALUE as at 31 December 2007	Rate %
	As at 01 January 2007	DURING THE YEAR		As at 31 December 2007	For the year	Adjustments	As at 31 December 2007			
		Additions/ revaluation	Deletions							
Rupees										
OWNED										
Land - Freehold	81,898,000	67,922,000	-	149,820,000	-	-	-	-	149,820,000	-
Building on freehold land	168,908,691	-	-	168,908,691	9,961,594	-	79,254,347	-	89,654,344	10
Plant and machinery	193,151,549	42,699,356	-	235,850,905	14,433,036	-	87,328,670	-	148,522,235	10
Laboratory equipment	6,163,063	-	-	6,163,063	428,105	-	2,310,121	-	3,852,942	10
Furniture and fixtures	16,716,701	658,048	-	17,374,749	707,880	-	5,817,000	-	11,557,749	10
Electric and gas appliances	19,933,206	1,535,389	-	21,468,595	1,153,828	-	10,287,437	-	11,181,158	10
Office equipment	24,786,398	5,878,402	(6,725)	30,658,075	2,246,496	(923)	12,347,233	(923)	18,310,842	10
Vehicles	28,146,828	28,181,523	(20,665,221)	35,663,130	4,388,308	(2,169,779)	5,534,115	(2,169,779)	30,129,015	20
Library books	52,806	-	-	52,806	648	-	46,971	-	5,836	10
Neon sign	105,000	-	-	105,000	7,079	-	41,287	-	63,713	10
Arms and ammunition	106,100	-	-	106,100	2,704	-	81,761	-	24,339	10
	539,968,342	146,874,718	(20,671,946)	666,171,114	33,329,678	(2,170,702)	203,048,941	(2,170,702)	463,122,173	

ASSETS SUBJECT TO FINANCE LEASE

Plant and machinery	94,083,757	4,000,000	(70,122,134)	27,961,623	4,093,874	(32,386,238)	7,231,187	(32,386,238)	20,730,436	10
Office Equipment	21,171,274	-	(565,944)	20,605,330	1,622,705	(150,430)	6,237,036	(150,430)	14,368,294	10
Vehicles	111,840,656	55,698,751	(46,454,500)	121,084,907	20,356,360	(21,050,807)	30,980,410	(21,050,807)	90,104,497	20
	227,095,687	59,698,751	(117,142,578)	169,651,860	26,072,939	(53,587,475)	44,448,633	(53,587,475)	125,203,227	
	767,064,029	206,573,469	(137,814,524)	835,822,974	59,402,617	(55,758,177)	247,497,574	(55,758,177)	588,325,400	



19.1.1 Addition in freehold assets includes transfer of assets costing Rs. 54,129,430 (2007:Rs. 117,142,578) less accumulated depreciation of Rs. 22,726,432 (2007: Rs. 53,587,475) from leasehold assets. Whereas additions in leasehold include assets costing Rs. Nil (2007: Rs. 8,103,492) less accumulated depreciation of Rs. Nil (2007: Rs. 135,058) transferred from freehold assets under sale and leaseback arrangements.

	<i>Note</i>	2008 Rupees	2007 Rupees
19.1.2 Depreciation charge has been allocated as under:			
Cost of sales	29	30,944,586	30,874,281
Administrative and general	30	14,147,602	13,729,481
Distribution, selling and promotional	31	15,456,646	14,798,855
		60,548,834	59,402,617

19.1.3 Land, building on freehold land and plant and machinery were first revalued on 30 June 1995, resulting in a surplus of Rs. 68,809,377. Subsequently land, building on freehold land and plant and machinery were revalued on 30 June 1999 resulting in a surplus of Rs. 48,731,393. Land, building on freehold land and plant and machinery were again revalued on 31 May 2004 and 31 December 2004 respectively by M/s Hamid Mukhtar & Co., and certified by Ford, Rhodes, Sidat Hyder & Co. Chartered Accountants, which resulted in a surplus of Rs. 168,473,204 over the net book value of assets. Revaluation of land has been carried out by an approved and independent valuer namely M/s Surval on 01 January 2007 resulting in revaluation surplus of Rs. 67,922,000.

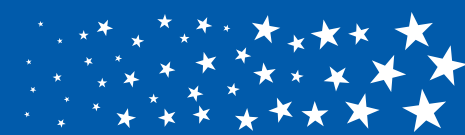
	2008 Rupees	2007 Rupees
19.1.4 Had the assets not been revalued the carrying values would have been:		
Land - Freehold	14,566,828	14,566,828
Building on freehold land	62,098,728	46,748,378
Plant and machinery (Owned)	176,324,470	83,246,897
Plant and machinery (Leased)	14,933,970	16,593,300
	267,923,996	161,155,403

19.1.5 Disposal of property, plant and equipment

Particulars	Sold to	Cost**	Accumulated Depreciation**	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
Vehicles		Rupees					
	Waseem Ahmad	2,881,200	48,020	2,833,180	3,250,000	416,820	Negotiation
	Khurram Imtiaz	287,815	14,231	273,584	400,000	126,416	Negotiation
	Muhammad Younus	193,283	12,724	180,559	125,000	(55,559)	Negotiation
	Arif Naseem	827,468	324,073	503,395	605,000	101,605	Employee
	Mubashir Hayee Khan	317,084	5,285	311,799	476,017	164,218	Employee
	Dr. Ahmad Atif Mirza	561,175	172,094	389,081	389,081	-	Employee
	Rizwan Ahmad	293,026	14,651	278,375	473,847	195,472	Employee
	Amir Riaz	39,780	9,547	30,233	54,000	23,767	Employee
	Muhammad Zia	30,066	6,414	23,652	45,252	21,600	Employee
	Mrs. Shumail Asad	558,965	126,699	432,266	700,000	267,734	Employee
	Muhammad Aslam	193,283	18,845	174,438	230,000	55,562	Employee
	Khawaja Imtiaz Ahmad Butt	560,315	162,865	397,450	397,450	-	Negotiation
	Dr. M. Ajmal Nasir	640,899	140,998	499,901	499,901	-	Employee
	Muhammad Shafique	441,347	171,243	270,104	650,000	379,896	Negotiation
	Saad Aamir	402,850	242,140	160,710	640,000	479,290	Negotiation
	Ghulam Sarwar	193,283	34,147	159,136	320,000	160,864	Negotiation
	Shahzad Sohail	192,302	63,417	128,885	300,000	171,115	Negotiation
	Azadar H. Naqvi	305,751	107,692	198,059	391,680	193,621	Employee
	Muhammad Ashfaq	188,632	9,432	179,200	357,525	178,325	Employee
	Nadeem -Ud- Din Rehmani	440,284	139,521	300,763	300,763	-	Employee
	Ch. Fayyaz Ahmad	224,159	89,464	134,695	285,480	150,785	Employee
	Ghulam Mustafa	180,673	72,109	108,564	231,660	123,096	Employee
	Syed Ashar Ali Abbas	183,482	73,597	109,885	237,000	127,115	Employee
	Muhammad Nasir Baig	293,314	64,448	228,866	390,005	161,139	Employee
	Najam Ul Arfeen	177,826	71,328	106,498	228,060	121,562	Employee
	Adil Nawaz	177,826	71,328	106,498	228,060	121,562	Employee
	Irfan Bhatti	177,826	71,328	106,498	228,060	121,562	Employee
	Muhammad Shakeel	177,826	71,328	106,498	228,060	121,562	Employee
	M. Munir	182,507	86,792	95,715	211,500	115,785	Employee
	Rahat Mahmood	33,048	4,792	28,256	54,000	25,744	Employee
	Reliance Insurance	33,048	5,783	27,265	42,000	14,735	Insurance claim
	M. Shafique Awan	50,490	4,937	45,553	62,490	16,937	Employee
	Asgar Ali	33,048	4,792	28,256	54,000	25,744	Employee
	Zulfiqar Ali	38,250	10,634	27,617	54,000	26,384	Employee
	Shakeel Arshad	33,048	4,792	28,256	54,000	25,744	Employee
	Arif Murtaza	33,048	4,792	28,256	54,000	25,744	Employee
	Jannat Gull	39,780	11,563	28,217	54,000	25,783	Employee
	Saghir Ul Hasan	39,780	11,563	28,217	54,000	25,783	Employee
	Khalid Hussain	39,780	11,563	28,217	54,000	25,783	Employee
	Jamshaid Akhtar	39,780	11,563	28,217	54,000	25,783	Employee
	Adeel Khaliq	36,936	7,018	29,918	54,000	24,082	Employee
	Irfan Junaid	36,936	7,018	29,918	54,000	24,082	Employee
	M. Arif	36,936	7,572	29,364	54,000	24,636	Employee
	Khurram Yousuf	192,302	68,374	123,928	300,000	176,072	Employee
	Nadeem Mehboob	186,515	66,026	120,489	256,260	135,771	Employee
	Ch. Liaqat Ali	186,515	66,026	120,489	256,260	135,771	Employee
	Anwar Saeed	186,515	66,026	120,489	256,260	135,771	Employee
	Arif S. Qureshi	301,517	106,737	194,780	414,240	219,460	Employee
	G H. Khan	613,611	203,310	410,301	505,000	94,699	Negotiation
	Salah Ud Din	197,418	49,190	148,228	266,677	118,449	Employee
	Abdul Qayyum	185,069	49,043	136,026	250,149	114,123	Employee
	Shahid Ghafoor	290,822	77,068	213,754	393,877	180,123	Employee
	Faisal Ramzan	38,880	9,137	29,743	48,628	18,885	Employee



Particulars	Sold to	Cost**	Accumulated Depreciation**	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
Rupees							
	M. Arfeen Khan	50,490	8,836	41,654	50,490	8,836	Employee
	Muhammad Rizwan	39,750	6,956	32,794	54,000	21,206	Employee
	Nauman Ahmed Siddiqui	30,233	9,937	20,296	20,000	(296)	Employee
	Syed Kashif Raza	39,750	6,956	32,794	59,662	26,868	Employee
	Khalid Khan	54,000	15,750	38,250	55,728	17,478	Employee
	Tahir Naeem	36,015	8,155	27,860	54,000	26,140	Employee
	Adnan Riasat	30,066	10,022	20,044	40,896	20,852	Employee
	M. Adeel Yousuf	30,160	8,002	22,158	43,812	21,654	Employee
	M. Anwar	50,490	11,318	39,172	54,000	14,828	Employee
	Azia Akhtar	183,482	67,603	115,879	240,931	125,052	Employee
	Mazhar Hussain	54,000	26,093	27,907	54,000	26,093	Employee
	Ikram Ul Haq	30,066	6,331	23,735	39,420	15,685	Employee
	M. Farhan Haider	30,066	6,808	23,258	39,420	16,162	Employee
	Tahir Omar	30,233	7,639	22,594	40,896	18,302	Employee
	Reliance Insurance	36,936	5,910	31,026	45,000	13,974	Insurance claim
	Muhammad Ashraf	30,066	9,604	20,462	39,420	18,958	Employee
	Naveed Ahmad	9,000,000	5,224,000	3,776,000	2,600,000	(1,176,000)	Negotiation
	Reliance Insurance	54,000	21,744	32,256	43,000	10,744	Insurance claim
	Mansoor Ali Zaidi	620,000	140,533	479,467	549,733	70,266	Employee
	Muhammad Ilyas	555,000	154,413	400,587	520,838	120,251	Employee
	Muhammad Asad Ullah	365,000	70,972	294,028	336,736	42,708	Employee
	Muhammad Ramzan	365,000	110,960	254,040	316,728	62,688	Employee
	Aftab Ahmed Qureshi	360,000	174,400	185,600	270,000	84,400	Employee
	M.Sulman	54,000	28,195	25,805	54,000	28,195	Employee
	Reliance Insurance	54,000	19,056	34,944	45,000	10,056	Insurance claim
	Reliance Insurance	632,000	63,200	568,800	647,000	78,200	Insurance claim
	Javaid Iqbal	373,500	145,250	228,250	321,641	93,391	Employee
	Reliance Insurance	395,000	89,533	305,467	375,000	69,533	Insurance claim
	M. Nasir	54,000	26,045	27,955	54,000	26,045	Employee
	Kamran Sadiq	54,000	26,045	27,955	54,000	26,045	Employee
	Naveed Ahmad	54,000	26,045	27,955	54,000	26,045	Employee
	M. Shahid	54,000	26,045	27,955	54,000	26,045	Employee
	Amir Aziz	54,000	26,045	27,955	54,000	26,045	Employee
	Mudassar Hasan	54,000	26,045	27,955	54,000	26,045	Employee
	Kashif Mumtaz	54,000	26,045	27,955	54,000	26,045	Employee
	Qaisar Mahmood	54,000	26,045	27,955	54,000	26,045	Employee
	Khurram Yousuf	367,000	196,007	170,993	355,000	184,007	Negotiation
	Khurram Yousuf	367,000	196,007	170,993	345,000	174,007	Negotiation
	Mian Faisal Omar	367,000	196,007	170,993	360,000	189,007	Negotiation
	Dr. Muhammad Mohiuddin	879,000	310,190	568,810	600,933	32,123	Employee
	Shakoor Ahmed	54,000	26,511	27,489	54,500	27,011	Employee
	M.Shahzad	54,000	26,511	27,489	54,000	26,511	Employee
	Arshad Ali	54,000	26,511	27,489	54,000	26,511	Employee
	Reliance Insurance	395,000	81,633	313,367	370,000	56,633	Insurance claim
	Khawaja Azhar Ayub	54,000	26,511	27,489	54,000	26,511	Employee
	Tariq Manzoor Pasha	54,000	26,044	27,956	54,000	26,044	Employee
		30,887,623	11,143,545	19,744,078	26,318,024	6,573,947	
	Computer						
	Universal Insurance	110,000	38,375	71,625	-	(71,625)	Insurance claim
	Universal Insurance	110,000	38,375	71,625	-	(71,625)	Insurance claim
	Universal Insurance	52,000	33,700	18,300	-	(18,300)	Insurance claim
	Universal Insurance	67,500	27,273	40,227	-	(40,227)	Insurance claim
		339,500	137,723	201,777	-	(201,777)	



<i>Machinery</i>						
Novamed Pharma	272,647	92,108	180,539	250,000	69,461	Negotiation
Waris Ali	251,223	84,869	166,354	240,000	73,646	Negotiation
	523,870	176,977	346,893	490,000	143,107	
2008	31,750,993	11,458,244	20,292,748	26,808,024	6,515,276	
2007	22,795,225	12,262,415	10,532,810	16,040,392	5,507,582	

** Cost represents the purchase price of the assets at the time of acquisition / lease. Accumulated depreciation also includes depreciation during the lease period.

	<i>Note</i>	2008 Rupees	2007 Rupees
19.2 CAPITAL WORK - IN - PROGRESS			
Civil works		8,004,569	1,060,914
Plant and machinery - owned		14,618,428	49,300,916
Advance for purchase of vehicles		-	2,829,200
ERP system implementation		6,764,700	800,000
	<i>19.2.1</i>	29,387,697	53,991,030

19.2.1 Movement in the account is as follows:

Opening balance as at 01 January		53,991,030	14,451,445
Addition made during the year			
- Civil works		21,121,685	1,060,914
- Plant and machinery - owned		65,350,293	44,338,531
- Advance for purchase of vehicles		11,718,515	2,829,200
- ERP system implementation		5,964,700	400,000
		104,155,193	48,628,645
Capitalized during the year			
- Civil works		(14,178,030)	-
- Plant and machinery - owned		(100,032,781)	-
- Vehicles - leased		(14,547,715)	(2,975,000)
- ERP system implementation		-	(6,114,060)
		(128,758,526)	(9,089,060)
Closing balance as at 31 December		29,387,697	53,991,030



20. INTANGIBLE ASSETS

	COST			AMORTISATION				BOOK VALUE as at 31 December 2008	Rate %
	As at 01 January 2008	Additions	Adjustments	As at 31 December 2008	For the year	Adjustments	As at 31 December 2008		
Registration and trademark (Note 20.1)	47,094,117	31,175,426	-	78,269,543	14,520,687	7,378,343	21,899,030	56,370,513	10
Computer Software	13,004,719	156,628	897,499	12,263,848	1,038,675	1,233,528	2,142,294	10,121,554	10
	60,098,836	31,332,054	897,499	90,533,391	15,559,362	8,611,871	24,041,324	66,492,067	

Rupees

	COST			AMORTIZATION				BOOK VALUE as at 31 December 2007	Rate %
	As at 01 January 2007	Additions	Adjustments	As at 31 December 2007	For the year	Adjustments	As at 31 December 2007		
Registration and trademark (Note 20.1)	47,094,117	-	-	47,094,117	9,811,275	4,709,412	14,520,687	32,573,430	10
Computer Software	3,284,525	9,720,194	-	13,004,719	159,471	879,204	1,038,675	11,966,044	10
	50,378,642	9,720,194	-	60,098,836	9,970,746	5,588,616	15,559,362	44,539,474	

Rupees

20.1 This represents the purchase of Registration and Trademark of brand "Tres Orix Forte" and "Skilax drops" for the territory of Pakistan and Kenya from M/s Almiral Prodesfarma and M/s Laboratorios Almiral, S.A(Spain) for consideration of Euro 500,000 and Euro 290,000 respectively, net of local taxes.



	<i>Note</i>	2008	2007
		Rupees	Rupees
20.2 Amortization charge has been allocated as under			
Cost of sales	29	7,295,593	4,709,412
Distribution, selling and promotional	31	1,316,278	879,204
		8,611,871	5,588,616
21 STORES, SPARES AND LOOSE TOOLS			
Opening stock		30,373	40,497
Add: Additions during the year		12,000	-
Less: Deterioration charged during the year		10,293	10,124
Less: Written off		32,080	-
		-	30,373
22. STOCK IN TRADE			
Raw materials			
In hand		224,600,903	135,442,011
In pledge		-	60,930,157
In transit		18,085,085	39,000,362
		242,685,988	235,372,530
Packing material			
In hand		37,030,107	30,236,062
In transit		1,022,989	1,875,540
With third party		209,377	49,031
		38,262,473	32,160,633
Work in process		46,409,764	40,336,092
Finished goods			
In hand		193,795,221	212,698,857
In transit		16,696,028	8,348,952
		210,491,249	221,047,809
		537,849,474	528,917,064



	<i>Note</i>	2008 Rupees	2007 Rupees
23. TRADE DEBTS - Considered good			
Secured - against letters of credit		5,572,139	4,619,021
Unsecured			
Due from related parties			
Associated - Route - 2 Health (Pvt.) Limited	<i>23.1</i>	183,903	463,898
Others		39,551,504	57,036,764
		45,307,546	62,119,683

23.1 The amount due is in the normal course of business and is interest free.

24. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances - considered good

Staff against:

 Expenses

 Salary

Suppliers

Letters of credit

Deposits:

 Securities

 Bank guarantee margin

Prepayments

25. OTHER RECEIVABLES - considered good

Claims receivable

Freight subsidy receivable

Sales tax and excise duty

Receivable from foreign principals

Others

8,139,619	6,167,119
1,394,975	1,104,978
19,983,359	12,169,567
215,331	369,357
5,807,181	5,823,788
2,569,766	1,446,811
7,124,583	5,262,773
45,234,814	32,344,393
<hr/>	
6,040,898	3,884,439
266,099	113,679
11,149,587	7,930,637
41,450,449	1,966,114
734,017	6,076,083
59,641,050	19,970,952

25.1 As referred to in note 18 this includes Rs. 10.086 million (2007: Rs. 6.981 million) deposited for grant of stay against demand of sales tax / excise duty paid under protest to sales tax department.



	2008 Rupees	2007 Rupees
26. CASH AND BANK BALANCES		
Cash and Imprest	5,411,163	7,334,517
Balance with banks on current accounts	24,185,491	17,408,685
Cheques in hand	-	8,093,823
	29,596,654	32,837,025

27. NON CURRENT ASSETS HELD FOR SALE

As disclosed in note 1.2 subsequent to year end DSL has discontinued its operations and intends to dispose off its assets within next one year.

	2008 Rupees	2007 Rupees
28. SALES - net		
Manufactured products		
Local	1,947,336,838	1,731,285,670
Export	59,256,579	61,854,742
	2,006,593,417	1,793,140,412
Purchased products - local	281,211,412	243,744,520
Sales compensation	27,237,721	-
Third party (toll manufacturing)	39,181,106	35,202,026
	2,354,223,656	2,072,086,958
Less: Discount	117,462,880	82,655,791
Sales tax	3,580,960	3,520,522
	121,043,841	86,176,313
	2,233,179,815	1,985,910,645



	<i>Note</i>	2008 Rupees	2007 Rupees
29. COST OF SALES			
Raw and packing material consumed		964,391,055	842,189,409
Salaries, wages and benefits	29.1	101,554,972	98,700,001
Vehicle running and maintenance		12,564,961	12,859,821
Fuel and power		22,090,141	17,584,436
Stores consumed		3,406,407	4,885,809
Repair and maintenance		9,723,235	10,701,041
Insurance		1,889,881	2,047,325
Rent, rates and taxes		2,092,597	1,916,990
Fee and subscription		706,346	1,011,345
Printing and stationery		2,254,394	1,981,034
Traveling and conveyance		4,123,626	3,416,622
Consultancy and professional		3,467,629	3,125,637
Office supplies		4,333,611	2,803,668
Depreciation	19.1.2	30,944,586	30,874,281
Amortization of intangible assets	20.2	7,295,593	4,709,412
Others		4,688,310	5,253,410
		1,175,527,344	1,044,060,241
Inventory effect of work in process			
Opening		40,336,092	18,296,869
Closing		(46,409,764)	(40,336,092)
		(6,073,672)	(22,039,223)
Cost of goods Manufactured		1,169,453,672	1,022,021,018
Inventory effect of finished goods (excluding purchased products)			
Opening		171,804,644	132,574,651
Closing		(164,223,114)	(171,804,644)
		7,581,530	(39,229,993)
Cost of goods sold -Manufactured		1,177,035,202	982,791,025
Less: Duty draw back		61,207,110	17,833
Cost of goods sold -Manufactured items		1,115,828,092	982,773,192
Cost of goods sold - Purchased products		310,840,503	203,547,675
Cost of goods sold		1,426,668,595	1,186,320,867
29.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		5,687,877	6,877,488
Defined contribution plan - Provident Fund		2,926,276	2,500,021
Provision for compensated leave absences		1,986,608	519,375

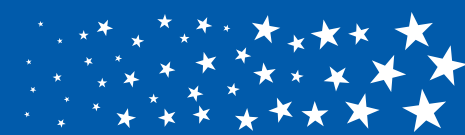


	<i>Note</i>	2008 Rupees	2007 Rupees
30. ADMINISTRATIVE AND GENERAL			
Salaries and benefits	30.1	87,571,229	87,397,247
Telephone, postage and telex		3,960,236	4,541,447
Rent, rates and taxes		6,148,572	5,707,621
Electricity, gas and water		666,967	274,139
Printing and stationery		5,131,505	4,252,451
Repairs and maintenance		4,671,267	5,670,260
Vehicle running and maintenance		18,395,930	14,638,851
Traveling and conveyance		10,212,625	7,144,090
Newspapers and subscriptions		1,345,235	2,877,908
Entertainment		1,433,581	691,909
Insurance		4,645,845	4,412,486
Auditors' remuneration	38	917,500	835,000
Legal and professional		2,978,500	2,590,685
Advertisement, seminars and symposia		242,325	1,129,500
Donation	30.2	723,464	1,311,550
Depreciation	19.1.2	14,147,602	13,729,481
Impairment of fixed and intangible assets		4,725,301	-
Deposits written off		1,287,499	-
Inventories written off		43,760	-
Trade debts written off		3,500,000	-
Advances written off		202,333	-
Receivables written off		7,372,904	-
Others		2,307,127	1,651,652
		182,631,307	158,856,277
30.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		9,719,889	7,030,587
Defined contribution plan - Provident Fund		2,817,615	2,239,048
Provision for compensated leave absences		880,395	358,738

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



	<i>Note</i>	2008 Rupees	2007 Rupees
31. DISTRIBUTION, SELLING AND PROMOTIONAL			
Salaries and benefits	31.1	191,168,036	177,428,178
Advertisement		1,646,563	5,064,698
Rent, rates and taxes		8,996,451	8,075,329
Entertainment		847,624	677,086
Promotional expenses and samples		128,945,224	136,577,305
Printing and stationery		3,942,395	3,715,577
Traveling and conveyance		67,715,915	65,382,084
Telephone, postage and telegram		4,088,401	3,978,366
Insurance		4,504,092	4,232,638
Vehicle running and maintenance		28,775,906	23,171,400
Donation	31.2	2,510,350	3,221,783
Freight and octroi		16,627,484	12,706,941
Seminars, symposia and training		19,120,345	27,008,171
Newspaper & subscription		9,370,738	6,507,921
Depreciation	19.1.2	15,456,646	14,798,855
Amortization of intangible assets	20.2	1,316,278	879,204
Deterioration of pallets		10,293	10,124
Others		8,350,515	5,344,678
		513,393,256	498,780,338
Less: Reimbursement from foreign principals		81,713,162	16,292,285
		431,680,094	482,488,053
31.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		9,639,681	8,005,700
Defined contribution plan - Provident Fund		5,361,588	4,293,357
Provision for compensated leave absences		1,929,655	1,075,961
31.2 None of the Directors or their spouses have any interest in the donee's fund.			
32. FINANCE COST			
Mark-up on long term loan - secured		7,986,512	1,392,759
Mark-up on short term borrowings - secured		54,558,753	29,367,399
Finance cost on liability against assets subject to finance lease		11,536,718	11,616,129
Interest on Workers' Profit Participation Fund	13.1	468,200	1,353,876
Bank charges		4,040,498	3,383,472
		78,590,681	47,113,635



	<i>Note</i>	2008	2007
		Rupees	Rupees
33. RESEARCH AND DEVELOPMENT			
Salaries and benefits	33.1	6,064,096	6,678,037
Expenses on clinical trials and products evaluation		149,977	547,246
Traveling		1,243,413	1,659,818
Insurance		152,931	131,081
Vehicle running and maintenance		1,121,983	1,141,866
Printing and stationery		80,331	75,810
Office supplies		119,474	110,847
Staff cost		370,077	213,192
Others		48,200	105,681
		9,350,482	10,663,578
33.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		576,335	60,213
Defined contribution plan - Provident Fund		223,222	254,961
Provision for compensated leave absences		24,612	20,972
34. OTHER OPERATING INCOME			
Income from non-financial assets			
Gain on sale of property, plant and equipment		6,515,276	5,507,582
Amortization of deferred gain	12	1,021,970	3,326,260
Liabilities no longer payable written back		174,849	-
Scrap Sales		907,484	1,017,635
Others		7,323,995	3,661,251
		15,943,574	13,512,728
35. OTHER OPERATING CHARGES			
Workers' Profit Participation Fund	13.1	2,465,008	6,645,783
Exchange loss		12,065,143	349,064
Workers' Welfare Fund		1,591,259	2,715,284
Claims write-off		-	3,296,448
Central Research Fund		1,009,507	1,289,329
Others		5,509	2,662,993
		17,136,426	16,958,901



36. TAXATION

HNL

Current

- for the year
- for prior years

Deferred

DSL

Current

- for the year
- for prior years

	2008 Rupees	2007 Rupees
	15,868,050	46,108,553
	(10,000,000)	-
	8,980,247	(24,766,998)
	14,848,297	21,341,555
	-	8,720,214
	(31,428)	(170,091)
	(31,428)	8,550,123
	14,816,869	29,891,678

36.1 Reconciliation of tax charge for the year

Tax charge relating to DSL represents minimum turnover tax under the Income Tax Ordinance, 2001, hence consolidated numerical tax reconciliation has not been presented. Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows.

	2008	2007
Applicable tax rate	35.00%	35.00%
Tax effect of amounts that are not deductible for tax purposes	38.89%	25.10%
Tax effect of amounts that are deductible for tax purposes	-61.32%	-24.89%
Tax effect of amounts relating to prior years	-12.83%	0.00%
Tax effect of reversal of taxable temporary differences	11.52%	-20.26%
Tax effect under presumptive tax regime	7.79%	2.51%
	-15.95%	-17.54%
Average effective tax rate charged on income	19.05%	17.46%

37. EARNINGS PER SHARE - Basic and Diluted

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

Profit after taxation	Rupees	88,248,935	67,130,384
Weighted average number of ordinary shares as on 31 December 2008	Numbers	16,527,743	16,527,743
Earnings per share	Rupees	5.34	4.06

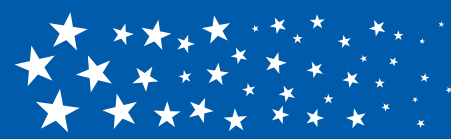


	<i>Note</i>	2008 Rupees	2007 Rupees
38. AUDITORS' REMUNERATION			
Statutory Audit		626,500	515,000
Fee for review of half yearly financial statements		176,000	160,000
Other certifications		40,000	100,000
Out of pocket expenses		75,000	60,000
	30	917,500	835,000

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2008			2007		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
 Rupees					
Managerial remuneration	3,594,800	9,922,800	35,440,061	3,194,800	13,288,200	27,825,926
House allowance	1,437,920	1,440,000	14,176,031	1,277,920	2,160,000	11,137,930
Provident fund	299,592	826,872	2,888,017	266,280	726,912	2,159,269
Gratuity	1,067,322	2,779,949	7,410,789	900,254	2,421,967	6,347,658
Bonus	565,800	1,553,800	5,101,381	356,917	1,610,625	2,764,625
Utilities	359,480	1,288,254	3,544,000	319,480	2,288,801	2,782,592
Medical	76,477	305,146	771,970	480,580	1,403,314	1,071,988
Others	-	145,236	34,250	-	132,011	1,800
	7,401,391	18,262,057	69,366,499	6,796,231	24,031,830	54,091,788
Number persons	1	2	35	1	3	25

- 39.1** The Chief Executive, Directors and 15 executive (2007: 15) have been provided with Group maintained cars while 20 executives (2007: 10) have been provided with cars under self finance scheme with limited fuel and maintenance facility.
- 39.2** No fee has been paid to any director except for Rs. 3,000 (2007 : Rs. 1,500) paid to an independent non - executive director for attending Board meetings.



40. Financial instruments and related disclosures

31 December 2008									
	Interest Bearing			Non-Interest Bearing			Total	Credit Risk	
	Upto one year	One to five years	More than five years	Sub-Total	Upto one year	One to five years			More than five years
..... Rupees									
Financial assets									
Long term deposits	-	-	-	-	-	1,562,054	1,562,054	-	-
Trade debits	-	-	-	-	45,307,546	-	45,307,546	45,307,546	45,307,546
Advances and deposits	-	-	-	-	36,857,867	-	36,857,867	36,857,867	-
Other receivables	-	-	-	-	48,225,364	-	48,225,364	48,225,364	48,225,364
Cash and bank balances	-	-	-	-	29,596,654	-	29,596,654	29,596,654	-
	-	-	-	-	159,987,431	-	159,987,431	161,549,485	93,532,910
Financial liabilities									
Long term loan - secured	14,331,560	54,459,928	10,211,237	79,002,725	-	-	-	-	-
Liabilities against assets subject to finance lease	29,520,365	42,728,791	-	72,249,156	-	-	-	-	-
Trade and other payables	-	-	-	-	83,982,620	-	83,982,620	83,982,620	-
Markup payable on secured loans	-	-	-	-	19,453,951	-	19,453,951	19,453,951	-
Short term bank borrowings - secured	435,070,588	-	-	435,070,588	-	-	-	435,070,588	-
	478,922,513	97,188,719	10,211,237	586,322,469	103,436,571	-	103,436,571	689,759,039	-
Excess of financial assets over financial liabilities	(478,922,513)	(97,188,719)	(10,211,237)	(586,322,469)	56,550,860	-	58,112,914	(528,209,554)	-
On balance sheet Gap	(478,922,513)	(97,188,719)	(10,211,237)	(586,322,469)	56,550,860	-	58,112,914	(528,209,554)	-
Off-balance sheet Items									
Bank guarantees	-	-	-	-	42,237,711	-	42,237,711	42,237,711	-
Irrevocable letters of credit	-	-	-	-	128,280,009	-	128,280,009	128,280,009	-
	-	-	-	-	170,517,720	-	170,517,720	170,517,720	-

31 December 2007

Rupees

	Interest Bearing			Non-Interest Bearing			Total	Credit Risk
	Upto one year	One to five years	More than five years	Sub-Total	Upto one year	One to five years		
Financial assets								
Long term deposits	-	-	-	-	-	3,905,054	3,905,054	3,905,054
Trade debts	-	-	-	62,119,683	-	62,119,683	62,119,683	62,119,683
Advances and deposits	-	-	-	7,270,599	-	7,270,599	7,270,599	7,270,599
Other receivables	-	-	-	11,926,636	-	11,926,636	11,926,636	11,926,636
Cash and bank balances	-	-	-	32,837,025	-	32,837,025	32,837,025	-
	-	-	-	114,153,943	-	3,905,054	118,058,997	85,221,972
Financial liabilities								
Long term loan - secured	1,524,637	24,394,200	4,573,913	30,492,750	-	-	30,492,750	-
Liabilities against assets subject to finance lease	30,425,143	58,978,534	-	89,403,677	-	-	89,403,677	-
Trade and other payables	-	-	-	136,684,453	-	-	136,684,453	-
Markup payable on secured loans	-	-	-	8,133,461	-	-	8,133,461	-
Short term bank borrowings - secured	327,742,774	-	-	327,742,774	-	-	327,742,774	-
	359,692,554	83,372,734	4,573,913	447,639,201	144,817,914	-	144,817,914	592,457,115
Excess of financial assets over financial liabilities	(359,692,554)	(83,372,734)	(4,573,913)	(447,639,201)	(30,663,971)	-	(26,758,917)	(474,398,118)
On balance sheet Gap	(359,692,554)	(83,372,734)	(4,573,913)	(447,639,201)	(30,663,971)	-	(26,758,917)	(474,398,118)
Off-balance sheet Items								
Bank guarantees	-	-	-	-	42,237,711	-	42,237,711	-
Irrevocable letters of credit	-	-	-	-	128,280,009	-	128,280,009	-
	-	-	-	-	170,517,720	-	170,517,720	-



40.1 Financial risk management objectives

The Group's activities expose it to a variety of financial risks, including the effects of changes in market rates, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in Note 39 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 8, 9 and 16.

The Group finances its operations through equity, borrowings and management of working capital with a view of maintaining a reasonable mix between the various sources of finances to minimize risk. Taken as a whole, risk arising from the Group's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

40.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fails completely to perform as contracted. The Group's credit risk is primarily attributable to its trade debts and its balances with banks. The credit risk on liquid funds is limited because the credit risk associated with trade debts of the Group are controlled through management of approved credit limit for all its customers and as such is not exposed to major concentration of third party credit risk.

Of the total financial assets of Rs. 161.549 million (2007: Rs. 118.059 million), financial assets which are subject to credit risk amount to Rs. 93.532 million (2007: Rs. 85.221 million). To manage exposure to credit risk, the Group applies credit limits.

40.3 Currency risk

Currency risk is the risk that the values of a financial instrument will fluctuate due to changes in foreign exchange rate. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Group does not hedge the payables, however, the risk of exposure is mitigated by matching the maturity periods of foreign currency receivables and payables.

40.4 Interest rate risk

Interest rate risk is the risk that the values of financial instruments will fluctuate due to changes in market interest rates. The Group usually manages miss-matches through risk management strategy where significant change in Gap position can be adjusted.

40.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Group follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

40.6 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.



The Group's objectives when managing capital are:

- 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.

The group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The group monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The debt-to-equity ratios as at 31 December 2008 and at 31 December 2007 were as follows:

	2008 Rupees	2007 Rupees
Total debt	575,394,654	447,639,201
Total equity and debt	1,023,096,820	822,329,565
Debt-to-equity ratio	56:44	54:46

Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

40.7 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

41. Related party transactions

The related parties and associated undertakings comprises, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of employment are as follows. Amount due from and due to related parties are shown under respective notes to the financial statements.

	2008 Rupees	2007 Rupees
41.1 Sales of goods - net		
Associate	35,607,377	32,900,153
41.2 Other related parties		
Contributions to staff provident fund	10,284,772	11,510,312
Contributions to employees' welfare trust	1,353,950	1,353,950



42. DIVIDENDS

The Board of Directors of the Company in their meeting held on 31st March 2009 have proposed final cash dividend at the rate of Rs. 2.5 (2007: Rs. 2.5) per share and bonus shares Nil (2007: 10%) per share for the year ended 31 December 2008, subject to the approval of shareholders in Annual General Meeting. These financial statements do not reflect these appropriations.

43. PLANT CAPACITY AND PRODUCTION

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

44. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the HNL authorized the consolidated financial statements for issuance on 31st March 2009.

45. GENERAL

Figures have been rounded off to the nearest rupee.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEE AHMAD KHAN
DIRECTOR

FORM OF PROXY

FOLIO NO. /
CDC A/C NO. _____

I/We _____

of _____ District _____ being

a member of **HIGHNOON LABORATORIES LIMITED**

and holder of _____ ordinary shares, entitled to vote hereby appoint
_____ of _____

or _____ of _____ who is

also a member of the Company, as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at Registered Office, 17.5 Kilometer, Multan Road, Lahore on Monday, April 27, 2009 at 10.30 a.m. and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2008.

WITNESSES

(Member's Signature)

1. _____

2. _____

Affix Revenue
Stamp of Rs. 5/-

Note:

1. This form of Proxy, in order to be effective, must be deposited duly completed, at the Company's Registered Office at 17.5 Kilometer, Multan Road, Lahore not less than 48 hours before the time of holding the meeting.
2. Proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.

AFFIX
CORRECT
POSTAGE

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