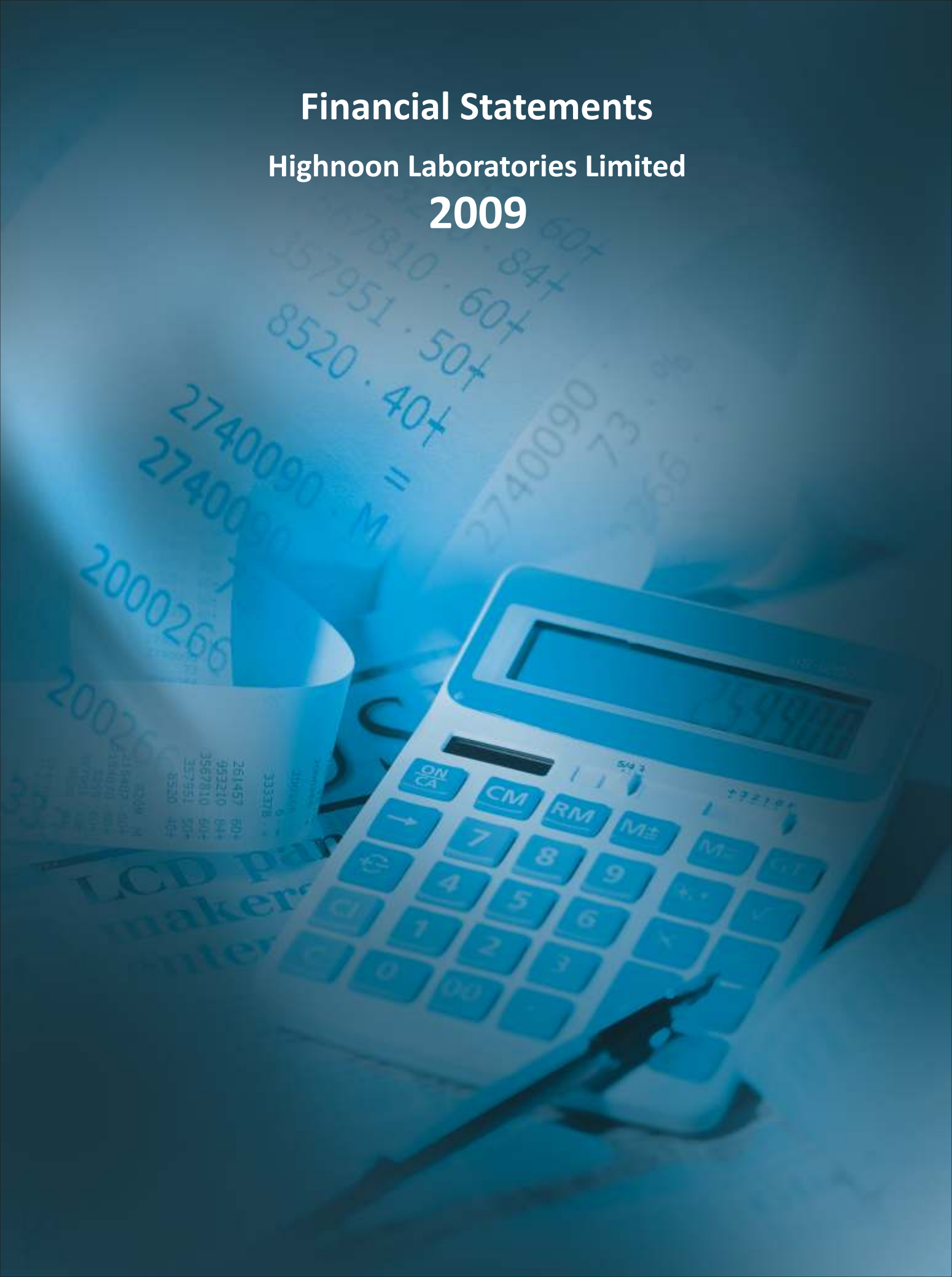


Financial Statements

Highnoon Laboratories Limited

2009





Auditors' Report to the Members

We have audited the annexed balance sheet of **Highnoon Laboratories Limited** ("the Company") as at 31 December 2009 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes referred to in note 2.2 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore: 26 March 2010

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Bilal Ali



BALANCE SHEET

	<i>Note</i>	2009 Rupees	2008 Rupees
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
Ordinary shares of Rs. 10 each 20,000,000 (2008: 20,000,000)		200,000,000	200,000,000
Share capital	5	165,277,431	165,277,431
Reserves		363,511,815	332,801,257
		528,789,246	498,078,688
Surplus on revaluation of fixed assets	6	194,388,830	200,959,459
NON CURRENT LIABILITIES			
Long term loan - secured	7	39,411,790	53,743,350
Liabilities against assets subject to finance lease	8	31,142,604	42,728,792
Long term advances	9	15,389,470	17,125,963
Deferred liabilities	10	172,142,820	143,020,219
		258,086,684	256,618,324
CURRENT LIABILITIES			
Trade and other payables	11	135,493,321	108,439,083
Liabilities for patent and trade mark	12	-	6,408,375
Markup payable on secured loans	13	18,451,582	16,062,923
Short term bank borrowings - secured	14	562,307,831	345,066,734
Current portion of long term liabilities	15	49,188,950	44,513,080
		765,441,684	520,490,195
CONTINGENCIES AND COMMITMENTS	16		
		1,746,706,444	1,476,146,666

The annexed notes from 1 to 42 form an integral part of these financial statements.



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 31 DECEMBER 2009

	<i>Note</i>	2009 Rupees	2008 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	17	720,546,311	683,287,724
Intangible assets	18	58,018,312	66,492,067
		778,564,623	749,779,791
Long term investment	19	-	10,000,000
Long term deposits		1,562,054	1,562,054
CURRENT ASSETS			
Stock in trade	20	700,501,429	449,901,115
Trade debts	21	36,988,293	140,987,435
Advances, deposits and prepayments	22	65,956,825	25,007,203
Other receivables	23	63,909,515	53,585,975
Income tax - net		64,021,029	38,145,209
Cash and bank balances	24	35,202,676	7,177,884
		966,579,767	714,804,821
		1,746,706,444	1,476,146,666


ANEEAHMAD KHAN
 DIRECTOR

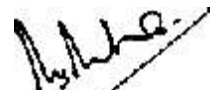
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 Rupees	2008 Rupees
Sales - net	25	2,334,752,005	1,933,343,989
Cost of sales	26	1,488,595,499	1,246,405,592
GROSS PROFIT		846,156,506	686,938,397
Other operating income	27	9,191,001	8,924,882
Distribution, selling and promotional expenses	28	483,375,528	371,770,470
Administrative and general expenses	29	160,668,042	142,506,596
Research and development expenses	30	6,945,171	9,350,482
Other operating expenses	31	23,170,162	27,130,917
		664,967,902	541,833,583
RESULTS FROM OPERATING ACTIVITIES		181,188,604	145,104,814
Finance Cost	32	79,341,145	67,133,122
PROFIT BEFORE TAXATION		101,847,459	77,971,692
Taxation	33	36,388,172	14,848,297
PROFIT AFTER TAXATION		65,459,287	63,123,395
Earnings per share - basic and diluted	34	3.96	3.82

The annexed notes from 1 to 42 form an integral part of these financial statements.



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEES AHMAD KHAN
DIRECTOR

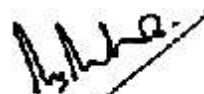
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 Rupees	2008 Rupees
Profit after tax for the year	65,459,287	63,123,395
Other comprehensive income	-	-
Total comprehensive income for the year	<u>65,459,287</u>	<u>63,123,395</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE SAHMAD KHAN
DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	101,847,459	77,971,692
Adjustments for non-cash charges and other items		
Depreciation	64,774,049	56,275,772
Amortization of intangible assets	9,117,737	8,529,121
Gain on sale of property, plant and equipment	(8,271,616)	(6,515,276)
Exchange loss	4,997,595	12,065,143
Provision for defined benefit obligation	34,858,036	25,623,783
Impairment loss	10,000,000	10,000,000
Provision for doubtful debts	11,409,134	-
Finance cost	79,341,145	67,133,122
Amortization of deferred gain	-	(1,021,970)
	206,226,080	172,089,695
<i>Profit before working capital changes</i>	308,073,539	250,061,387
WORKING CAPITAL CHANGES		
<i>(Increase) / decrease in current assets</i>		
Stock in trade	(250,600,314)	(31,478,538)
Trade debts	92,590,008	46,515,870
Advances, deposits and prepayments	(40,949,622)	1,773,919
Other receivables	(10,323,540)	(43,112,571)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	21,755,814	(52,421,964)
	(187,527,654)	(78,723,284)
Cash generated from operations	120,545,885	171,338,103
Taxes paid	(59,447,653)	(58,088,104)
Gratuity paid	(8,551,775)	(6,667,507)
Finance cost paid	(65,858,052)	(47,422,579)
Long term advances - net	(607,026)	297,806
<i>Net cash outflow / inflow from operating activities</i>	(13,918,621)	59,457,719

	<i>Note</i>	2009 Rupees	2008 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(86,543,323)	(118,867,599)
Intangible assets acquired		(7,197,832)	(28,727,024)
Sale proceeds from disposal of property, plant and equipment		22,347,304	26,808,025
<i>Net cash outflow from investing activities</i>		(71,393,851)	(120,786,598)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		(48,699,219)	(48,360,551)
Long term loan		(14,331,560)	37,582,160
Short term bank borrowings - net		217,241,097	89,669,890
Dividend paid		(40,873,054)	(22,242,053)
<i>Net cash inflow from financing activities</i>		113,337,264	56,649,446
Net increase / (decrease) in cash and cash equivalents		28,024,792	(4,679,433)
Cash and cash equivalents at beginning of the year		7,177,884	11,857,317
Cash and cash equivalents at end of the year	<i>24</i>	35,202,676	7,177,884

The annexed notes from 1 to 42 form an integral part of these financial statements.



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



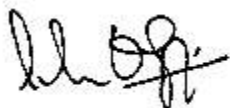
ANEES AHMAD KHAN
DIRECTOR



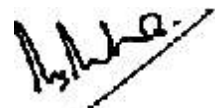
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital	Revenue Reserves			Total
		General Reserve	Unappropriated Profit	Sub Total	
-----Rupees-----					
Balance as at 01 January 2008	150,252,210	114,000,000	185,940,216	299,940,216	450,192,426
Final dividend @ Rs. 1.5 per share for the year ended 31 December 2007	-	-	(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)
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	7,300,699	7,300,699	7,300,699
Total comprehensive income for the year	-	-	63,123,395	63,123,395	63,123,395
Balance as at 31 December 2008	165,277,431	114,000,000	218,801,257	332,801,257	498,078,688
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2008	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	6,570,629	6,570,629	6,570,629
Total comprehensive income for the year	-	-	65,459,287	65,459,287	65,459,287
Balance as at 31 December 2009	165,277,431	114,000,000	249,511,815	363,511,815	528,789,246

The annexed notes from 1 to 42 form an integral part of these financial statements.



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE SAHMAD KHAN
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 Change in accounting policies

Starting 01 January 2009, the Company has changed its accounting policies in the following areas:

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (i.e 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

The Company has preferred to present two statements i.e a profit and loss account and a statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements.

The SECP vide S.R.O. 411 (1) / 2008 dated 28 April 2008 notified the adoption of IFRS 7 'Financial Instruments: Disclosures'. IFRS 7 is mandatory for Company's accounting periods beginning on or after the date of notification i.e. 28 April 2008. IFRS 7 has superseded IAS 30 'Disclosures in Financial Statements of Banks and Similar Financial Institutions' and disclosure requirements of IAS 32, 'Financial Instruments: Presentation'. Adoption of IFRS has only impacted the format and extent of disclosures presented in the financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards

Effective in current year

"Effective but not relevant"

Following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009. The adoption of these new standards and amendments to standards did not have any significant impact on the financial statements of the Company.

IFRS 2 - (Amendment), Share based payment;
 IFRS 8 - Operating segments;
 IAS 23 - (Amendment) Borrowing costs;
 IAS 28 - (Amendment) Investment in associates;
 IAS 36 - (Amendment) Impairment of assets;
 IAS 38 - (Amendment) Intangible assets;
 IAS 39 - (Amendment) Embedded derivatives;
 IFRIC 4 - Insurance Contracts;
 IFRIC 13 - Customers loyalty programmes;
 IFRIC 15 - Agreement for the construction of real estate;
 IFRIC 16 - Hedges of a net investment in a foreign operation; and
 IAS 41 - Agriculture

Effective in year 2010

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2010. These standards are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than increase in disclosures in certain cases:

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after July 01, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 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.
- IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 01, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.
- Amendments to IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after July 01, 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.
- IFRIC – 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a Company distributes non cash assets to its shareholders as

dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

- Amendment to IFRS 2 - Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 01, 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements
- Amendment to IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps.
- IAS 24 - Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.
- Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 01, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Company's financial statements.

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 17 and recognition of certain employees retirement 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 property, plant and equipment	4.4
- impairment	4.12
- taxation	4.16
- provisions and contingencies	4.19

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 2009. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2009	2008
- Discount rate	12% per annum	15% per annum
- Expected rate of increase in salary	11% per annum	14% 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. A maximum of 10 unavailed leaves are allowed to be carried forward for a maximum of one year.

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

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

Gains and losses on disposal of fixed assets are included in 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 17.1. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Depreciation of leased assets is charged to profit and loss account. Depreciation on additions in leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off/transferred to freehold assets.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss 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 by following the straight line method over a maximum period of ten years. Amortization on additions is charged from the month when the asset is put to use, while for disposals, no amortization is charged in the month of disposal.

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

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

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, mark-up 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 such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense currently.

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 they 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 / sell the asset.

4.9 Stock in trade

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

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

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

4.10 Trade debts

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

4.11 Cash and cash equivalents

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

4.12 Impairment

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



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

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

4.13 Revenue recognition

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

Service income is recognized when related services are rendered.

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

4.14 Transactions with related parties and transfer pricing

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

4.15 Research and development cost

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

4.16 Taxation

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

Current

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

Deferred

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

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

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

Deferred tax is charged or credited in the income except for deferred tax asset/liability arising 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".

4.17 Dividend

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

4.18 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 borrowings, trade and other payables, liabilities in respect of leased assets and mark up payable on bank borrowings.

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

Offsetting of financial assets and financial liabilities

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

4.19 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>	2009 Rupees	2008 Rupees
5. SHARE CAPITAL			
Issued, subscribed and paid-up			
5,905,000 (2008: 5,905,000) Ordinary shares of Rs.10 each fully paid in cash		59,050,000	59,050,000
95,000 (2008: 95,000) Ordinary shares of Rs.10 each issued for consideration other than cash	5.1	950,000	950,000
10,527,743 (2008: 10,527,743) Ordinary shares of Rs.10 each issued as bonus shares		105,277,431	105,277,431
		165,277,431	165,277,431

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

	2009	2008
	(Numbers of Shares)	
Opening balance	16,527,743	15,025,221
Bonus shares issued during the year	-	1,502,522
	16,527,743	16,527,743

6. SURPLUS ON REVALUATION OF FIXED ASSETS

	<i>Note</i>	2009 Rupees	2008 Rupees
Surplus on revaluation of fixed assets as at 01 January		236,339,768	247,571,612
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit			
Net of deferred tax		(6,570,629)	(7,300,699)
Related deferred tax liability		(3,538,031)	(3,931,145)
		(10,108,660)	(11,231,844)
Surplus on revaluation of fixed assets as at 31 December		226,231,108	236,339,768
Less: Related deferred tax liability on balance at the beginning of the year		35,380,309	39,311,454
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		(3,538,031)	(3,931,145)
	10	31,842,278	35,380,309
		194,388,830	200,959,459

- 6.1 This represents surplus arising on revaluation of freehold land and building on freehold land, Plant and Machinery both owned and leased carried out in 1995, 1999, 2004 and 2007 respectively. This has been adjusted by incremental depreciation arising due to revaluation net of deferred tax.

	<i>Note</i>	2009 Rupees	2008 Rupees
7. LONG TERM LOAN - SECURED			
Habib Bank Limited	7.1	53,743,350	68,074,910
Less: Current portion shown under current liabilities	15	14,331,560	14,331,560
		39,411,790	53,743,350

- 7.1 This loan has been obtained for the purpose of expansion and carries mark-up at the rate of three months KIBOR plus 2.25% per annum. The effective mark-up charged during the year was 15.23% (2008: 14.82%) of the aggregate facility of Rs. 150 million, the amount outstanding as at 31 December 2009 is repayable in 15 equal quarterly instalments. This loan along with working capital facilities provided by the bank are secured by way of first pari passu charge for Rs. 362 million on fixed assets and first joint pari passu hypothecation charge of Rs. 230 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

		2009 Rupees	2008 Rupees
Present value of minimum lease payments		61,385,960	69,425,745
Less: Current portion shown under current liabilities	15	30,243,356	26,696,953
		31,142,604	42,728,792

	2009		
	Minimum lease payments	Finance cost for future periods	Principal outstanding
	Rupees		
Not later than one year	37,298,934	7,055,578	30,243,356
Later than one year but not later than five years	34,341,164	3,198,560	31,142,604
	71,640,098	10,254,138	61,385,960

	2008		
	Minimum lease payments	Finance cost 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



Salient features of the leases are as follows:

	2009	2008
Discounting factor	14.19% - 18.00%	8.01% - 20.20%
Period of lease	36 months	36 months
Security deposits	5% - 10%	5% - 10%

The Company has entered into finance lease arrangements with various financial institutions for lease of plant and machinery, office equipment and vehicles as shown in note 17.1 below. The liabilities under these arrangements are payable in monthly instalments. These mark-up rates are used as discounting factor to determine the present value of minimum lease payments.

All lease agreements carry renewal option at the end of lease period and the Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the leased assets 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	2009 Rupees	2008 Rupees
9. LONG TERM ADVANCES			
Balance at the end of year		20,003,504	20,610,530
Less: Current portion shown under current liabilities	15	4,614,034	3,484,567
		15,389,470	17,125,963

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

	Note	2009 Rupees	2008 Rupees	
10. DEFERRED LIABILITIES				
Taxation	10.1	58,869,795	56,053,455	
Gratuity	10.2	113,273,025	86,966,764	
		172,142,820	143,020,219	
10.1	Taxable/(deductible) temporary differences arising in respect of :			
	Surplus on revaluation of fixed assets	6	31,842,278	35,380,309
	Accelerated tax depreciation		21,678,304	14,599,783
	Finance lease		9,342,410	6,073,363
	Provision for doubtful debts		(3,993,197)	-
			58,869,795	56,053,455

	2009	2008
	Rupees	Rupees
10.2 The net value of defined benefit obligation as at valuation date is as follows:		
Present value of defined benefit obligation	132,771,040	115,195,393
Unrecognized actuarial losses	(19,538,608)	(28,228,629)
Benefits due but not paid	40,593	-
Net liability as at 31 December	113,273,025	86,966,764

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

Liability as at 01 January	86,966,764	68,010,488
Amount recognized during the year	34,858,036	25,623,783
Benefit payments made by the Company	(8,551,775)	(6,667,507)
Net liability as at 31 December	113,273,025	86,966,764

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

Present value of defined benefit obligations as at 01 January	115,195,393	90,159,674
Current service costs	14,236,909	13,908,492
Interest cost	17,279,309	9,015,967
Benefits due but not paid	(40,593)	-
Benefits paid by the plan	(8,551,775)	(6,304,107)
Actuarial losses recognized	(5,348,203)	8,415,367
Liability for defined benefit obligations as at 31 December	132,771,040	115,195,393

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	14,236,909	13,908,492
Interest cost	17,279,309	9,015,967
Actuarial losses - charge for the year	3,341,818	2,699,324
	34,858,036	25,623,783



10.2.4 Historical Information for Gratuity plan

	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees
Present value of defined benefits obligations	132,771,040	<u>115,195,393</u>	<u>90,159,674</u>	<u>78,007,892</u>	<u>75,380,276</u>
Experience adjustment arising on plan liabilities	(5,348,203)	<u>8,415,367</u>	<u>4,774,683</u>	<u>(1,487,573)</u>	<u>13,836,183</u>

Note	2009 Rupees	2008 Rupees
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11. TRADE AND OTHER PAYABLES

Trade creditors		45,037,213	33,243,979
Bills payable		6,028,544	10,782,139
Advances from customers		7,969,298	9,457,094
Accrued expenses		48,761,283	30,633,157
Income tax deducted at source		1,681,576	1,212,531
Workers' Profit Participation Fund	11.1	5,501,001	4,816,873
Workers' Welfare Fund		13,505,734	11,495,373
Payable to Central Research Fund		661,205	1,009,507
Payable to Provident Fund Trust		2,131,071	1,992,488
Un-claimed dividends		3,956,446	3,510,142
Payable to Employees Welfare Trust		259,950	285,800
		135,493,321	108,439,083

11.1 Workers' Profit Participation Fund

Balance at the beginning of the year		4,816,873	11,745,361
Add: provision for the year	31	5,501,001	4,151,873
		10,317,874	15,897,234
Add: interest on funds utilized by the Company	32	269,073	468,200
		10,586,947	16,365,434
Less: Paid during the year to the trustees of the fund		4,151,873	8,996,553
Excess charge of interest in prior periods		-	1,686,865
Deposited with the Government Treasury		934,073	865,143
		5,085,946	11,548,561
		5,501,001	4,816,873

Mark-up @ 18.75% (2008: 22.50%) is being provided on unpaid balance of the fund in accordance with the rules of the Fund.

	2009	2008
	Rupees	Rupees
12 LIABILITIES FOR PATENT AND TRADEMARK		
Outstanding balance / purchase consideration for patent and trademark	6,408,375	31,034,176
Exchange loss due to revaluation	145,475	3,944,595
Less: Paid during the year	(6,553,850)	(28,570,396)
Total payable as on 31 December	-	6,408,375

12.1 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, the outstanding balance was paid by Company.

	<i>Note</i>	2009	2008
		Rupees	Rupees
13. MARKUP PAYABLE ON SECURED LOANS			
On long term loan		2,074,302	2,954,512
On short term borrowings		16,377,280	13,108,411
		18,451,582	16,062,923
14. SHORT TERM BANK BORROWINGS - SECURED			
Running finance	<i>14.1</i>	421,069,065	341,744,312
Import credit	<i>14.2</i>	141,238,766	3,322,422
		562,307,831	345,066,734

14.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 615 million (2008: Rs. 550 million). These facilities have various maturity dates upto 30 September 2010 and renewable on the date of maturity. These facilities carry mark-up rates ranging from one month KIBOR to three months KIBOR plus 125 to 175 basis points (2008: one month KIBOR to three months KIBOR plus 150 to 200 basis points) per annum. These finances are secured by way of first and joint pari passu and ranking hypothecation charge over present and future current and fixed assets of the Company.

14.2 Aggregate sanctioned import credit facilities negotiated with various banks amount to Rs. 250 million (2008: Rs. 345 million). These facilities carry mark-up rates ranging from one month KIBOR to three months KIBOR plus 125 to 175 basis points (2008: one month KIBOR to three months KIBOR plus 150 to 200 basis points) per annum. These available facilities are secured by way of joint pari passu and ranking hypothecation charge over present and future current assets of the Company and have various maturity dates upto 30 September 2010.



	<i>Note</i>	2009 Rupees	2008 Rupees
15. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term loan	7	14,331,560	14,331,560
Liabilities against assets subject to finance lease	8	30,243,356	26,696,953
Long term advances	9	4,614,034	3,484,567
		49,188,950	44,513,080

16. CONTINGENCIES AND COMMITMENTS**Contingencies**

- Bank guarantees issued on behalf of the Company aggregate to Rs. 4.620 million (2008: Rs 2.945 million).
- The Company has not acknowledged the demand relating to sales tax / central excise duty amounting to Rs.12.057 million (2008: Rs. 12.057 million) as debt as the matter is pending adjudication. An amount of Rs. 10.086 million (2008: Rs. 10.086 million) has been deposited under protest and is shown under other receivables in note 23.

	2009 Rupees '000'	2008 Rupees '000'
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Commitments

- Commitments against irrevocable letters of credit include:

Plant & Machinery	13,145	-
Raw materials	101,467	67,112
Packing materials	5,372	1,560
Finished goods	15,174	7,101
- Facilities of letters of guarantee amounting to Rs. 15.380 million (2008: Rs. 16.285 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.

	<i>Note</i>	2009 Rupees	2008 Rupees
17. PROPERTY, PLANT AND EQUIPMENT			
Operating assets (owned)	17.1	584,551,868	563,398,394
Operating assets (leased)	17.1	91,429,641	90,501,633
Capital work-in-progress	17.2	44,564,802	29,387,697
		720,546,311	683,287,724

17.1 Operating assets

PARTICULARS	COST			DEPRECIATION				BOOK VALUE as at 31 December 2009	Rate %
	As at 01 January 2009	During the year Additions	Deletions	As at 31 December 2009	As at 01 January 2009	For the year	Adjustment		

Rupees

OWNED										
Land - Freehold	149,820,000	-	-	149,820,000	-	-	-	-	149,820,000	-
Building on freehold land	189,273,288	34,826,667	-	224,099,955	88,559,191	10,667,833	-	99,227,024	124,872,931	10
Plant and machinery	338,978,699	16,935,062	-	355,913,761	103,901,716	24,018,631	-	127,920,347	227,993,414	10
Laboratory equipment	12,166,879	-	-	12,166,879	3,117,219	904,966	-	4,022,185	8,144,694	10
Furniture and fixtures	11,665,585	1,460,698	-	13,126,283	6,118,408	592,691	-	6,711,099	6,415,184	10
Electric and gas appliances	23,301,245	474,156	-	23,775,401	11,534,673	1,196,494	-	12,731,167	11,044,234	10
Office equipment	43,649,568	5,201,757	(207,700)	48,643,625	13,708,535	3,118,578	(81,245)	16,745,868	31,897,757	10
Vehicles	28,360,215	21,647,492	(17,595,133)	32,412,574	6,961,842	4,904,295	(3,645,900)	8,220,237	24,192,337	20
Library books	52,806	-	-	52,806	47,554	525	-	48,079	4,727	10
Neon sign	105,000	99,990	-	204,990	47,658	10,456	-	58,114	146,876	10
Arms and ammunition	106,100	-	-	106,100	84,195	2,191	-	86,386	19,714	10
	797,479,385	80,645,822	(17,802,833)	860,322,374	234,080,991	45,416,660	(3,727,145)	275,770,506	584,551,868	

ASSETS SUBJECT TO FINANCE LEASE

Plant and machinery	27,961,623	-	-	27,961,623	9,304,231	1,865,739	-	11,169,970	16,791,653	10
Vehicles	103,061,952	29,565,000	(16,973,300)	115,653,652	31,217,711	17,491,650	(7,693,697)	41,015,664	74,637,988	20
	131,023,575	29,565,000	(16,973,300)	143,615,275	40,521,942	19,357,389	(7,693,697)	52,185,634	91,429,641	
	928,502,960	110,210,822	(34,776,133)	1,003,937,649	274,602,933	64,774,049	(11,420,842)	327,956,140	673,981,509	

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	Adjustment			As at 31 December 2008
		Additions	Deletions						

Rupees

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	11,225,606	439,979	-	11,665,585	593,085	-	5,547,177	10
Electric and gas appliances	21,468,595	1,832,650	-	23,301,245	1,247,236	-	11,766,572	10
Office equipment	27,213,671	16,775,397	(339,500)	43,649,568	2,504,592	(137,723)	29,941,033	10
Vehicles	30,772,334	20,971,816	(23,383,935)	28,360,215	5,438,829	(3,639,857)	21,398,373	20
Library books	52,806	-	-	52,806	584	-	47,554	10
Neon sign	105,000	-	-	105,000	6,371	-	57,342	10
Arms and ammunition	106,100	-	-	106,100	2,434	-	21,905	10
	651,686,771	170,039,919	(24,247,305)	797,479,385	36,655,096	(3,954,557)	234,080,991	

ASSETS SUBJECT TO FINANCE LEASE

Plant and machinery	27,961,623	-	-	27,961,623	2,073,044	-	9,304,231	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	20
	154,435,290	22,286,715	(45,698,430)	131,023,575	19,620,676	(19,129,443)	40,521,942	
	806,122,061	192,326,634	(69,945,735)	928,502,960	56,275,772	(23,084,000)	274,602,933	
							653,900,027	

- 17.1.1** Addition in freehold assets includes transfer of assets costing Rs. 16,973,300 (2008: Rs. 45,698,430) less accumulated depreciation of Rs. 7,693,697 (2008: Rs. 19,129,443) from leasehold assets.

	<i>Note</i>	2009 Rupees	2008 Rupees
17.1.2 Depreciation charge has been allocated as under:			
Cost of sales	26	39,472,804	30,944,586
Distribution, selling and promotional expenses	28	11,645,891	11,610,890
Administrative and general expenses	29	13,655,354	13,720,296
		64,774,049	56,275,772

- 17.1.3** 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. The latest revaluation of land was carried out on 19 January 2007 by M/S Surval which resulted in a surplus of Rs. 67,922,000.

	2009 Rupees	2008 Rupees
17.1.4 Had the assets not been revalued the carrying values would have been:		
Land - Freehold	14,566,828	14,566,828
Building on freehold land	90,119,099	62,098,728
Plant and machinery (Owned)	175,120,390	176,324,470
Plant and machinery (Leased)	13,440,574	14,933,970
	293,246,891	267,923,996



17.1.5 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 Afzal	357,000	214,818	142,182	256,230	114,048	Company Policy
	Shafique Ansari	357,000	225,617	131,383	253,663	122,280	Company Policy
	Anjum Ayyaz Khan	351,000	251,955	99,045	250,000	150,955	Negotiation
	Javed Hussain	1,086,000	673,672	412,328	700,000	287,672	Negotiation
	Rana Muhammad Hafeez	739,000	615,940	123,060	575,000	451,940	Negotiation
	Waseem Wafa	1,022,000	659,613	362,387	362,387	-	Company Policy
	Dr. Iram Bano	1,022,000	659,613	362,387	356,029	(6,358)	Company Policy
	Irfan Dar	365,000	197,451	167,549	287,689	120,140	Company Policy
	Ashfaq Hassan Shah	604,000	488,514	115,486	256,320	140,834	Company Policy
	Faiz Ahmad	1,084,200	766,240	317,960	850,000	532,040	Negotiation
	M. Arif	379,000	251,773	127,227	253,020	125,793	Company Policy
	Mr. M. Tariq Ch	1,246,000	939,183	306,817	750,000	443,183	Negotiation
	Haider Usman Mir	1,299,000	734,097	564,903	635,000	70,097	Negotiation
	Ifitkhar Khan	54,000	24,850	29,150	41,913	12,763	Company Policy
	Dr. Yahya Jan	365,000	212,630	152,370	271,555	119,185	Company Policy
	Muhammad Kaleem Khan	50,490	9,944	40,546	50,490	9,944	Company Policy
	M. Tariq Siddique	380,000	255,362	124,638	252,960	128,322	Company Policy
	S. Kamran Ali Zaidi	54,000	27,406	26,594	54,000	27,406	Company Policy
	Muhammad Bashir	285,000	246,968	38,032	225,000	186,968	Negotiation
	M. Hafeez	54,000	33,127	20,873	54,000	33,127	Company Policy
	Syed Faisal Zaman	1,119,000	684,794	434,206	100,000	(334,206)	Negotiation
	Abdul Rashid	1,199,000	788,910	410,090	620,000	209,910	Negotiation
	Waki Durrani	1,022,000	682,925	339,075	339,075	-	Company Policy
	Reliance Insurance Co. Ltd	362,000	218,640	143,360	350,000	206,640	Insurance Claim
	Reliance Insurance Co.Ltd	499,000	49,900	449,100	499,000	49,900	Insurance Claim
	Mohsin Naseem	560,000	385,818	174,182	376,380	202,198	Company Policy
	M.Ayub Bhatti	433,000	299,495	133,505	287,940	154,435	Company Policy
	Raja Waqar	356,000	247,574	108,426	237,000	128,574	Company Policy
	Malik Arshad Mehmood	356,000	247,574	108,426	237,000	128,574	Company Policy
	M. Khalid Hasan	357,000	243,738	113,262	236,880	123,618	Company Policy
	Rizwan ur Rehman	357,000	242,488	114,512	239,880	125,368	Company Policy
	Zia Ul Islam	567,000	385,129	181,871	376,740	194,869	Company Policy
	Shabbir Ahmad	427,000	264,158	162,842	300,000	137,158	Negotiation
	Suhail Ajaib	171,647	17,165	154,482	224,791	70,309	Company Policy
	Agha Muhammad	58,500	39,184	19,316	54,000	34,684	Company Policy
	Muhammad Ghufuran	54,000	30,999	23,001	44,575	21,574	Company Policy
	Tasleem Ahmad	54,000	26,473	27,527	54,000	26,473	Company Policy
	Syed Wajid Hussain	54,000	25,336	28,664	54,000	25,336	Company Policy
	Muhammad Muhadis	54,000	25,336	28,664	54,000	25,336	Company Policy
	Syed Imran Zafar	50,490	12,118	38,372	50,490	12,118	Company Policy
	Muhammd Rizwan	54,000	25,336	28,664	54,000	25,336	Company Policy
	Syed Imran Ali	54,000	26,473	27,527	54,000	26,473	Company Policy
	Reliance Insurance Co.Ltd	50,490	14,137	36,353	50,500	14,147	Company Policy
	Kamran Waheed	50,490	19,590	30,900	50,490	19,590	Company Policy
	Nasir Shafiq Malik	50,490	20,802	29,688	50,490	20,802	Company Policy
	Adnan Iqbal Shinwari	54,000	24,850	29,150	54,000	24,850	Company Policy
	M. Naveed Shahzad	54,890	13,723	41,168	54,890	13,723	Company Policy
	Kamran Akhtar	52,890	16,176	36,714	52,890	16,176	Company Policy
	M. Mehmood Memon	50,890	14,122	36,768	50,890	14,122	Company Policy
	Syed Zafar Ali Shah	54,000	32,046	21,954	45,936	23,982	Company Policy

Particulars	Sold to	Cost **	Accumulated Depreciation **	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
Vehicles							
				Rupees			
	Muhammad Irfan	54,000	28,251	25,749	52,657	26,908	Company Policy
	Mohammad Ikram	50,490	14,810	35,680	50,490	14,810	Company Policy
	Attique ur Rehman	54,000	30,217	23,783	47,304	23,521	Company Policy
	Amad Ud Din Sheeraz Ahmad	50,490	19,702	30,788	50,490	19,702	Company Policy
	Wahab Ali	50,490	18,446	32,044	50,490	18,446	Company Policy
	Reliance Insurance Co.Ltd	54,000	31,674	22,326	39,000	16,674	Insurance Claim
	Reliance Insurance Co.Ltd	50,490	5,750	44,740	48,000	3,260	Insurance Claim
	Reliance Insurance Co.Ltd	50,490	14,137	36,353	50,500	14,147	Insurance Claim
	Reliance Insurance Co.Ltd	50,490	15,349	35,141	48,000	12,859	Insurance Claim
	Muhammad Riaz	50,490	18,984	31,506	21,000	(10,506)	Company Policy
	Reliance Insurance Co.Ltd	50,890	7,634	43,257	51,000	7,744	Insurance Claim
	Zahid Ali	50,490	17,817	32,673	50,490	17,817	Company Policy
	Nadeem Akhtar	365,000	170,333	194,667	305,523	110,856	Company Policy
	Wajahat Saeed	365,000	170,333	194,667	305,523	110,856	Company Policy
	M. Nadeem Rana	365,000	170,334	194,665	298,800	104,134	Company Policy
	Kamran Ikran ud Din	849,000	301,867	547,133	727,764	180,631	Company Policy
	Khurram Yousuf	367,000	102,760	264,240	393,000	128,760	Negotiation
	Riaz Ahmed	365,000	181,234	183,766	328,194	144,428	Negotiation
	Mansoor Ali Zaidi	825,000	137,500	687,500	755,851	68,351	Company Policy
	M. Imran	54,000	23,904	30,096	54,000	23,904	Company Policy
	Ejaz Hussain	54,000	20,016	33,984	54,000	20,016	Company Policy
	Rashid Mehmood	54,000	22,320	31,680	57,918	26,238	Company Policy
	Khurram Ayub	390,000	173,680	216,320	345,821	129,501	Company Policy
	Syed Johar Agha Rizvi	365,000	196,289	168,711	317,356	148,645	Company Policy
	Sohail Shahzad	408,300	144,085	264,215	352,791	88,576	Company Policy
	Dr.Amber Elahi	403,000	174,812	228,188	364,111	135,923	Company Policy
	Nadeem Akmal	368,000	159,958	208,042	313,507	105,465	Company Policy
	M. Ishaq Asad	365,000	192,914	172,086	312,842	140,756	Company Policy
	Imran Ali	365,000	192,915	172,085	289,006	116,921	Company Policy
	M. Qasim Munir	849,000	377,333	471,667	755,082	283,415	Company Policy
	M. . Tanveer Sadiq	620,000	299,584	320,416	521,383	200,967	Company Policy
	Syed Munir Ud din	565,000	318,911	246,089	473,131	227,042	Company Policy
	Muhammad Mehdi	365,000	202,778	162,222	305,523	143,301	Company Policy
	Mansoor ul Hasan	365,000	206,022	158,978	176,223	17,245	Company Policy
	Muhammad Amjad	379,000	115,880	263,120	425,000	161,880	Company Policy
	Muhammad Altaf Khattak	365,000	202,778	162,222	162,222	-	Company Policy
	Khizar Rehman Chughtai	360,000	178,112	181,888	332,666	150,778	Company Policy
	Shahzad Khurram	395,000	154,138	240,862	331,669	90,807	Company Policy
	Tahir Ismail	54,000	28,541	25,459	54,000	28,541	Company Policy
	M. Tariq Khan	54,000	26,246	27,754	54,000	26,246	Company Policy
	Sajid Muhammad	54,000	29,390	24,610	48,628	24,018	Company Policy
	Naeem Asif Chohan	54,000	26,093	27,907	54,000	26,093	Company Policy
	Sajid Bilal	54,000	26,092	27,908	54,000	26,092	Company Policy
	M. Yaseen	54,000	26,247	27,753	54,000	26,247	Company Policy
	Abid Khan	54,000	26,093	27,907	54,000	26,093	Company Policy
	M. Atif Saleem	54,000	26,246	27,754	54,000	26,246	Company Policy
	Zeeshan Akhtar Karimi	54,000	28,541	25,459	43,256	17,797	Company Policy
	Hafiz M. Waseem Chohan	54,000	26,093	27,907	54,000	26,093	Company Policy



Particulars	Sold to	Cost**	Accumulated Depreciation**	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
Vehicles							
	Ameer Ali	54,000	28,540	25,460	54,000	28,540	Company Policy
	Abdul Rehman	54,000	26,093	27,907	54,000	26,093	Company Policy
	Muhammad Imran Khan	54,000	26,544	27,456	54,000	26,544	Company Policy
	Muhammad Atif Khan	54,000	26,247	27,753	54,000	26,247	Company Policy
		31,753,577	17,804,344	13,949,234	22,347,304	8,398,070	
Computer							
	Scrap	18,700	7,828	10,872	-	(10,872)	Written off
	Scrap	44,000	22,150	21,850	-	(21,850)	Written off
	Scrap	145,000	51,268	93,732	-	(93,732)	Written off
		207,700	81,246	126,454	-	(126,454)	
	2009	31,961,277	17,885,590	14,075,688	22,347,304	8,271,616	
	2008	31,750,993	11,458,244	20,292,748	26,808,024	6,515,276	

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

Note	2009 Rupees	2008 Rupees
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17.2 CAPITAL WORK - IN - PROGRESS

Civil works	30,119,943	8,004,569
Plant and machinery - owned	6,268,609	14,618,428
Advance for purchase of vehicles	810,000	-
ERP system implementation	7,366,250	6,764,700
	44,564,802	29,387,697

17.2.1 Movement in the account is as follows:

Opening balance as at 01 January	29,387,697	53,991,030
Addition made during the year		
Civil works	29,812,374	21,121,685
Plant and machinery - owned	4,799,645	65,350,293
Advance for purchase of vehicles	810,000	11,718,515
ERP system implementation	601,550	5,964,700
	36,023,569	104,155,193
Capitalized during the year		
Civil works	(7,697,000)	(14,178,030)
Plant and machinery - owned	(13,149,464)	(100,032,781)
Vehicles - leased	-	(14,547,715)
	(20,846,464)	(128,758,526)
Closing balance as at 31 December	44,564,802	29,387,697

18. INTANGIBLE ASSETS

PARTICULARS	COST			AMORTISATION			BOOK VALUE as at 31 December 2009	Rate %
	As at 01 January 2009	Additions	As at 31 December 2009	As at 01 January 2009	For the year	As at 31 December 2009		

Rupees

Registration and trademark (Note 18.1)	78,128,293	-	78,128,293	21,816,280	7,812,829	29,629,109	48,499,184	10
Computer Software	12,405,098	643,982	13,049,080	2,225,044	1,304,908	3,529,952	9,519,128	10
	90,533,391	643,982	91,177,373	24,041,324	9,117,737	33,159,061	58,018,312	

PARTICULARS	COST			AMORTISATION			BOOK VALUE as at 31 December 2008	Rate %
	As at 01 January 2008	Additions	As at 31 December 2008	As at 01 January 2008	For the year	As at 31 December 2008		

Rupees

Registration and trademark (Note 18.1)	47,094,117	31,034,176	78,128,293	14,520,687	7,295,593	21,816,280	56,312,013	10
Computer Software	12,248,470	156,628	12,405,098	991,516	1,233,528	2,225,044	10,180,054	10
	59,342,587	31,190,804	90,533,391	15,512,203	8,529,121	24,041,324	66,492,067	

18.1 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.

	Note	2009 Rupees	2008 Rupees
18.2	Amortization charge has been allocated as under:		
Cost of sales	26	7,812,829	7,295,593
Distribution, selling and promotional expenses	28	1,304,908	1,233,528
		9,117,737	8,529,121

19. LONG TERM INVESTMENT

Related party

Subsidiary Company -Unlisted

Dynalog Services (Private) Limited

2,000,000 (2008: 2,000,000) ordinary shares
of Rs. 10 each

Equity held: 100% (2008: 100%)

Less: Impairment in investment	19.1	20,000,000 (20,000,000)	20,000,000 (10,000,000)
		-	10,000,000

19.1 During the year the Company has terminated its "Distribution 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. 20 million (2008: Rs. 10 million) has been directly recognized in the financial statements, thereby reducing the cost of investment to nil.

20. STOCK IN TRADE

	2009 Rupees	2008 Rupees
Raw materials		
In hand	324,499,826	224,600,903
In transit	29,093,840	18,085,085
With third party	102,088	-
	353,695,754	242,685,988
Packing material		
In hand	59,026,642	37,030,107
In transit	3,049,172	1,022,989
With third party	554,949	209,377
	62,630,763	38,262,473
Work in process	49,560,198	46,409,764
Finished goods		
In hand	231,697,471	101,429,418
In transit	1,755,562	-
With third party	1,161,681	21,113,472
	234,614,714	122,542,890
	700,501,429	449,901,115



	<i>Note</i>	2009 Rupees	2008 Rupees
21. TRADE DEBTS - Considered good			
Secured - against letters of credit		8,203,439	5,572,139
Unsecured			
Due from related parties			
Subsidiary - Dynalog Services (Private) Limited	<i>21.1</i>	20,853,421	108,817,993
Associate - Route - 2 Health (Private) Limited	<i>21.1</i>	-	183,903
		20,853,421	109,001,896
Others		19,340,567	26,413,400
Less: Provision made during the year	<i>21.2 & 28</i>	(11,409,134)	-
		36,988,293	140,987,435

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

21.2 This includes provision amounting to Rs. 10.870 million recognized during the year against the balance due from Dynalog Services Limited - Subsidiary. This provision has been carried at on the basis of net recoverable balance through realisation of current assets of the subsidiary company due to reasons mentioned in Note 19.1 to the financial statements.

	2009 Rupees	2008 Rupees
22. ADVANCES, DEPOSITS AND PREPAYMENTS		
Advances - considered good		
Staff against:		
Expenses	5,972,379	8,097,619
Salary	3,767,536	1,034,017
Suppliers	5,180,862	2,625,339
Letters of credit and margin	41,174,949	215,331
Deposits:		
Securities	5,788,767	4,966,181
Bank guarantee margin	2,136,329	2,569,766
Prepayments	1,936,003	5,498,950
	65,956,825	25,007,203



23. OTHER RECEIVABLES - considered good	<i>Note</i>	2009 Rupees	2008 Rupees
Claims receivable		322,730	220,111
Freight subsidy receivable		936,177	266,099
Sales tax and excise duty	23.1	11,619,698	10,964,686
Receivable from foreign principals		50,258,352	41,450,449
Others		772,558	684,630
		63,909,515	53,585,975

23.1 As referred to in note 16 this includes Rs. 10.086 million (2008: Rs. 10.086 million) deposited for grant of stay against demand of sales tax / excise duty paid under protest to sales tax department.

24. CASH AND BANK BALANCES	2009 Rupees	2008 Rupees
Cash and Imprest	5,766,365	2,505,635
Balance with banks - current accounts	29,436,311	4,672,249
	35,202,676	7,177,884

25. SALES - net

Manufactured products		
Local	2,252,757,240	1,888,381,998
Export	100,981,487	59,256,579
	2,353,738,727	1,947,638,577
Purchased products - local	119,517,213	104,424,360
Sales compensation	22,632,297	27,237,721
Third party (toll manufacturing)	52,761,891	39,181,106
	2,548,650,128	2,118,481,764
Less:		
Discount	213,266,073	183,977,525
Sales tax	632,050	1,160,250
	213,898,123	185,137,775
	2,334,752,005	1,933,343,989

	<i>Note</i>	2009 Rupees	2008 Rupees
26. COST OF SALES			
Raw and packing material consumed		1,250,804,229	964,391,055
Salaries, wages and benefits	26.1	122,678,984	101,554,972
Vehicle running and maintenance		12,901,756	12,564,961
Fuel and power		24,232,192	22,090,141
Stores consumed		6,670,034	3,406,407
Repair and maintenance		12,997,442	9,723,235
Insurance		2,323,291	1,889,881
Rent, rates and taxes		2,133,248	2,092,597
Fee and subscription		416,269	706,346
Printing and stationery		2,615,519	2,254,394
Traveling and conveyance		4,536,129	4,123,626
Consultancy and professional		7,492,426	3,467,629
Office supplies		5,909,027	4,333,611
Depreciation	17.1.2	39,472,804	30,944,586
Amortization of intangible assets	18.2	7,812,829	7,295,593
Others		5,948,334	4,688,310
		1,508,944,513	1,175,527,344
Inventory effect of work in process			
Opening		46,409,764	40,336,092
Closing		(49,560,198)	(46,409,764)
		(3,150,434)	(6,073,672)
Cost of goods manufactured		1,505,794,079	1,169,453,672
Inventory effect of finished goods (excluding purchased products)			
Opening		92,970,783	88,620,428
Closing		(186,894,949)	(92,970,783)
		(93,924,166)	(4,350,355)
Cost of goods sold - Manufactured products		1,411,869,913	1,165,103,317
Cost of goods sold - Purchased products		76,725,586	81,302,275
Cost of goods sold		1,488,595,499	1,246,405,592
26.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		11,189,224	5,687,877
Defined contribution plan - Provident Fund		3,474,616	2,926,276
Provision for compensated leave absences		2,396,696	1,986,608



	<i>Note</i>	2009 Rupees	2008 Rupees
27. OTHER OPERATING INCOME			
Income from non-financial assets			
Gain on sale of property, plant and equipment		8,271,616	6,515,276
Amortization of deferred gain		-	1,021,970
Liabilities no longer payable written back		-	174,849
Scrap Sales		839,114	907,484
Others		80,271	305,303
		9,191,001	8,924,882

28. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES

Salaries and benefits	28.1	201,155,615	160,790,048
Rent, rates and taxes		722,710	720,860
Entertainment		1,245,258	195,162
Advertisement, promotional expenses and samples		162,480,772	130,591,787
Printing and stationery		2,988,134	3,596,503
Travelling and conveyance		69,621,368	65,722,886
Telephone, postage and telex		2,400,711	2,552,965
Insurance		2,855,348	2,416,296
Provision against doubtful debts	21.2	11,409,134	-
Vehicle running and maintenance		20,687,707	23,195,898
Donation	28.2	2,002,837	2,510,350
Freight		19,733,765	14,103,311
Seminars, symposia and training		19,457,281	19,120,345
Newspapers and subscriptions		10,815,104	8,363,835
Depreciation	17.1.2	11,645,891	11,610,890
Amortization of intangible assets	18.2	1,304,908	1,233,528
Others		10,745,876	6,758,968
		551,272,419	453,483,632
Less: Reimbursement from foreign principals		67,896,891	81,713,162
		483,375,528	371,770,470
28.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		11,655,374	9,639,681
Defined contribution plan - Provident Fund		4,282,026	4,574,276
Provision for compensated leave absences		2,126,998	1,929,655

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

	Note	2009 Rupees	2008 Rupees
29. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	29.1	89,293,660	73,976,758
Telephone, postage and telex		2,639,545	2,988,312
Rent, rates and taxes		5,250,015	5,455,572
Electricity, gas and water		406,034	385,287
Printing and stationery		3,783,410	3,212,080
Repairs and maintenance		7,084,111	4,264,360
Vehicle running and maintenance		16,228,043	18,128,222
Travelling and conveyance		7,276,911	7,456,038
Newspapers and subscriptions		1,120,333	1,141,115
Entertainment		735,792	1,159,504
Insurance		5,208,560	4,409,386
Auditors' remuneration	35	810,000	667,500
Legal and professional		775,260	2,818,000
Advertisement, seminars and symposia		2,059,675	182,925
Donation	29.2	1,023,268	723,464
Depreciation	17.1.2	13,655,354	13,720,296
Others		3,318,071	1,817,777
		160,668,042	142,506,596
29.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		11,940,985	9,719,889
Defined contribution plan - Provident Fund		3,065,887	2,264,434
Provision for compensated leave absences		1,015,245	880,395
29.2 None of the Directors or their spouses have any interest in the donee's fund.			
30. RESEARCH AND DEVELOPMENT EXPENSES			
Salaries and benefits	30.1	4,621,677	6,064,096
Expenses on clinical trials and products evaluation		95,427	149,977
Traveling		1,003,400	1,243,413
Insurance		110,612	152,931
Vehicle repair and maintenance		935,739	1,121,983
Printing and stationery		61,176	80,331
Office supplies		51,315	119,474
Staff cost		49,215	370,077
Others		16,610	48,200
		6,945,171	9,350,482
30.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		72,453	576,335
Defined contribution plan - Provident Fund		181,539	223,222
Provision for compensated leave absences		28,304	24,612



	<i>Note</i>	2009 Rupees	2008 Rupees
31. OTHER OPERATING EXPENSES			
Impairment loss in the value of investment in subsidiary Workers' Profit Participation Fund	<i>11.1</i>	10,000,000	10,000,000
Exchange loss		5,501,001	2,465,008
Workers' Welfare Fund		4,997,595	12,065,143
Central Research Fund		2,010,361	1,591,259
		661,205	1,009,507
		23,170,162	27,130,917

32. FINANCE COST

Mark-up on long term bank borrowings		9,637,416	7,986,512
Mark-up on short term bank borrowings		56,525,293	45,305,079
Finance cost on liability against assets subject to finance lease		11,094,434	10,933,959
Interest on Workers' Profit Participation Fund	<i>11.1</i>	269,073	468,200
Bank charges		1,814,929	2,439,372
		79,341,145	67,133,122

33. TAXATION

Current

- For the year	33,571,832	15,868,050
- Prior year	-	(10,000,000)

Deferred

	33,571,832	5,868,050
	2,816,340	8,980,247
	36,388,172	14,848,297

33.1 Reconciliation of tax charge for the year

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

	2009	2008
Applicable tax rate	35.00%	35.00%
Tax effect of amounts that are not deductible for tax purposes	1.04%	1.45%
Tax effect of amounts relating to prior years	-	-12.83%
Tax effect under presumptive tax regime and others	-0.31%	-4.55%
	0.73%	-15.93%
Average effective tax rate charged on income	35.73%	19.07%

34. EARNINGS PER SHARE - Basic and Diluted

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

		2009	2008
Profit after taxation	Rupees	65,459,287	63,123,395
Weighted average number of ordinary shares	Numbers of Shares	16,527,743	16,527,743
Earnings per share	Rupees	3.96	3.82

35. AUDITORS' REMUNERATION

	<i>Note</i>	2009 Rupees	2008 Rupees
Statutory audit		500,000	401,500
Fee for review of half year financial statements		190,000	176,000
Other certifications		50,000	40,000
Out of pocket expenses		70,000	50,000
	29	810,000	667,500

36. REMUNRATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2009			2008		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
 Rupees					
Managerial remuneration	3,994,800	10,916,640	37,295,479	3,594,800	9,922,800	31,738,629
House allowance	1,597,920	1,440,000	14,918,192	1,437,920	1,440,000	12,695,452
Provident fund	332,917	909,656	3,008,368	299,592	826,872	2,579,694
Gratuity	1,254,339	3,350,693	11,461,943	1,067,322	2,779,949	7,410,789
Bonus	332,900	909,720	3,125,229	565,800	1,553,800	4,698,223
Utilities	399,480	1,548,365	3,729,548	359,480	1,288,254	3,173,863
Medical	67,504	285,633	1,014,586	76,477	305,146	771,970
Others	-	258,011	-	-	145,236	31,400
	7,979,860	19,618,718	74,553,345	7,401,391	18,262,057	63,100,019
Number of persons	1	2	36	1	2	35

36.1 The Chief Executive, Directors and 18 executives (2008: 15) have been provided with Company maintained cars while 20 executives (2008: 20) have been provided with cars under self finance scheme with limited fuel and maintenance facility.

36.2 No fee has been paid to any director except for Rs. 2,000 (2008 : Rs. 3,000) paid during the year to an independent non - executive director for attending Board meetings.



37. FINANCIAL INSTRUMENTS

The Company has exposures to the credit, liquidity and market risk from its financial assets and financial liabilities.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

37.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2009	2008
	Rupees	Rupees
Trade debts	36,988,293	140,987,435
Other receivables	51,353,640	42,355,190
Advances and deposits	7,925,096	7,535,947
Bank balances	29,436,311	7,177,884
	125,703,340	198,056,456

Geographically there is no significant concentration of credit risk. The maximum exposure to credit risk for trade debts at the reporting date are with subsidiary company within the country. Trade debts include an amount of Rs. 8.203 million (2008: Rs. 5.572 million) relating to foreign debtors and Rs. 28.785 million (2008: Rs. 135.415 million) relating to local debtors.

The Company's most significant amount receivable at 31 December 2009 is from bank which amounts to Rs. 29.436 million included in bank balances and at 31 December 2008 receivable from its subsidiary company which amounts to Rs 108.817 million included in trade debts.

Trade debts are unsecured except export debtors which are secured against letter of credits. The Company does not hold any collateral as security against any of its financial assets. The Company has maintained balances in banks with high credit ratings. The Company assesses the credit quality of the counterparties as satisfactory and applies credit limits to its customers. Management of the Company actively monitor credit ratings and does not expect any counterparty to fail to meet its obligations except its wholly owned subsidiary company due to reasons mentioned in Note 19.1 against which provision is made accordingly.

The aging of trade debts at the reporting date was:

	2009 Rupees	2008 Rupees
Past due 1–30 days	15,136,773	127,033,840
Past due 31–60 days	2,483,699	4,653,992
Past due 61–90 days	2,848,358	1,124,807
Over 90 days	27,928,597	8,174,797
	48,397,427	140,987,436

The Company has a long and well established business relationship history with its customers mainly comprise of distributors and government and semi-government institutions so based on past experience the management believes no impairment allowance is necessary in respect of trade debts even past due over 90 days except amount of Rs. 11.409 million already provided in the financial statements.

37.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimising its cash return from operations. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation. In addition the Company maintain lines of credit as mentioned in notes 7 and 14 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	2009					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	Rupees					
Long term loan	53,743,350	75,355,342	11,275,355	10,745,087	19,899,371	33,435,529
Liabilities against assets subject to finance lease	61,385,960	71,640,098	20,650,770	16,648,164	28,370,325	5,970,839
Trade and other payables	105,465,062	105,465,062	105,465,062	-	-	-
Mark-up payable on secured loans	18,451,582	18,451,582	18,451,582	-	-	-
Short term bank borrowings	562,307,831	567,405,827	146,336,762	421,069,065	-	-
	801,353,785	838,317,911	302,179,531	448,462,316	48,269,696	39,406,368



2008

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
Rupees						
Long term loan	68,074,910	105,083,477	13,373,406	12,736,726	23,563,414	55,409,931
Liabilities against assets subject to finance lease	69,425,745	85,796,137	19,926,227	16,136,597	25,749,260	23,984,053
Trade and other payables	79,381,948	79,381,948	79,381,948	-	-	-
Liabilities for patent and trade mark	6,408,375	6,408,375	6,408,375	-	-	-
Mark-up payable on secured loans	16,062,923	16,062,923	16,062,923	-	-	-
Short term bank borrowings	345,066,734	345,358,518	3,614,206	341,744,312	-	-
	<u>584,420,635</u>	<u>638,091,378</u>	<u>138,767,085</u>	<u>370,617,635</u>	<u>49,312,674</u>	<u>79,393,984</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flow relating to lease liability and long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in note 7, 8 and 14 to these financial statements.

37.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to interest rate risk on its borrowings and currency risks on export debtors.

a) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (US \$), EURO (€) and Japanese yen (¥). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable and payables in foreign currencies. The Company's exposure to currency risk at reporting date is as follows:

Particulars	Currency	2009	2008
		Rupees	Rupees
Trade debts	\$	8,203,439	5,572,139
Less:			
Liabilities for patent and trade mark	€	-	(6,408,375)
Bills payable	\$	(6,028,544)	(10,782,139)
		(6,028,544)	(17,190,514)
Net exposure		2,174,895	(11,618,375)

The following significant exchange rates were applied during the year :

	US Dollar \$	Euro €	Japanese Yen ¥
..... Rupees per currency unit			
2009			
Average rate	81.71	113.92	0.875
Reporting date rate	84.26	120.64	0.913
2008			
Average rate	70.64	103.55	0.687
Reporting date rate	79.10	111.37	0.876

Currency rate sensitivity analysis

If the functional currency, at reporting date, had fluctuated by 10% against the foreign currencies with all other variables held constant, the profit after taxation for the year 2009 and for 2008 would have been respectively increased / decreased, mainly as a result of exchange gains / losses on translation of foreign currency denominated receivables and payable by following amounts:

	2009 Rupees	2008 Rupees
<i>Effect on Profit and loss after taxation</i>		
US Dollar	141,368	(338,650)
Euro	-	416,544
	141,368	77,894

b) Interest rate risk

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

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

Variable rate instruments

Financial liabilities	677,437,141	482,567,389
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Fair value sensitivity analysis for fixed rate instruments

The Company does not hold any financial asset or liability at fair value through profit and loss.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term loans, short term borrowing and finance lease liabilities, at the year end date, fluctuate by 100 bps higher / lower with all other variables held constant, profit after taxation for the year 2009 and for 2008 would have been decreased / increased respectively by the following amounts as a result of increase / decrease in finance cost on the variable rate financial liabilities :

	2009	2008
	Rupees	Rupees
Effect on Profit and loss	3,528,971	2,996,993

37.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities approximate their fair values.

37.5 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 total debt-to-equity ratios as at 31 December 2009 and at 31 December 2008 were as follows:

	2009	2008
	Rupees	Rupees
Total debt	695,888,723	498,630,312
Total equity and debt	1,224,677,969	996,709,000
Debt-to-equity ratio	57:43	50:50

38. 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 36. Other significant transactions with related parties are as follows:

	2009 Rupees	2008 Rupees
38.1 Sales of goods-net		
Subsidiary	55,961,754	1,628,117,917
Associate	29,482,610	35,607,377
38.2 Contribution to employees benefits fund		
Contribution to Staff Provident Fund	11,004,068	9,988,208
Contribution to Employees' Welfare Trust	1,327,200	1,335,950

39. DIVIDENDS

The Board of Directors of the Company in its meeting held on 26th March 2010 have proposed dividend at the rate of Rs. 2.5 (2008: Rs. 2.5) per share for the year ended 31st December 2009, subject to the approval of shareholders in annual General Meeting to be held on 26th April 2010. These financial statements do not reflect these appropriations.

40. 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.

41. DATE OF AUTHORIZATION OF ISSUE

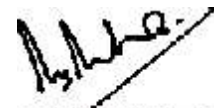
The Board of Directors of the Company authorized the financial statements for issuance on 26th March 2010.

42. GENERAL

- Figures have been rounded off to the nearest rupee.
- No significant rearrangement or reclassification is made.



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE SAHMAD KHAN
DIRECTOR

Group Financial Statements

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

2009





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 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. The financial statements of the subsidiary company, Dynalog Services (Private) Limited was audited by another firm of auditors, whose report has been furnished to us 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 2009 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 during the year the management of the subsidiary company has decided to discontinue its operations and accordingly the subsidiary company financial statements have been prepared on non-going concern basis and related assets and liabilities approximate to their realizable values.

Lahore: 26 March 2010

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Bilal Ali



CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2009 Rupees	2008 Rupees
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
Ordinary shares of Rs. 10 each 20,000,000 (2008: 20,000,000)		200,000,000	200,000,000
Share capital	6	165,277,431	165,277,431
Reserves		362,493,924	282,424,735
		527,771,355	447,702,166
Surplus on revaluation of assets	7	194,388,830	200,959,459
NON CURRENT LIABILITIES			
Long term loan - secured	8	39,411,790	53,743,350
Liabilities against assets subject to finance lease	9	31,142,604	42,728,792
Long term advances	10	15,389,470	17,125,963
Deferred liabilities	11	172,142,820	143,020,219
		258,086,684	256,618,324
CURRENT LIABILITIES			
Trade and other payables	12	135,845,355	117,937,036
Liabilities for patent and trademark	13	-	6,408,375
Markup payable on secured loans	14	18,451,582	19,453,951
Short term bank borrowings - secured	15	562,307,831	435,070,588
Current portion of long term liabilities	16	49,188,950	47,336,492
		765,793,718	626,206,442
CONTINGENCIES AND COMMITMENTS	17	1,746,040,587	1,531,486,391

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 31 DECEMBER 2009

	<i>Note</i>	2009 Rupees	2008 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	18	719,993,244	683,287,724
Intangible assets	20	58,018,312	66,492,067
		778,011,556	749,779,791
Long term deposits		1,562,054	1,562,054
CURRENT ASSETS			
Stock in trade	21	700,501,429	537,849,474
Trade debts	22	27,137,276	45,307,546
Advances, deposits and prepayments	23	67,112,257	45,234,814
Other receivables	24	64,949,665	59,641,050
Income tax - net		70,312,013	44,095,476
Cash and bank balances	25	36,454,337	29,596,654
		966,466,977	761,725,014
Non current assets held for sale	19	-	18,419,532
		1,746,040,587	1,531,486,391


ANEESAHMAD KHAN
DIRECTOR

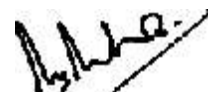
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>Note</i>	2009 Rupees	2008 Rupees
Sales - net	26	2,478,390,815	2,233,179,815
Cost of sales	27	1,574,597,755	1,426,668,595
GROSS PROFIT		903,793,060	806,511,220
Other operating income	28	12,621,775	15,943,574
Distribution, selling and promotional expenses	29	483,658,606	431,680,094
Administrative and general expenses	30	178,887,015	182,631,307
Research and development expenses	31	6,945,171	9,350,482
Other operating expenses	32	13,170,162	17,136,426
		670,039,179	624,854,735
RESULTS FROM OPERATING ACTIVITIES		233,753,881	181,656,485
Finance Cost	33	81,530,152	78,590,681
PROFIT BEFORE TAXATION		152,223,729	103,065,804
Taxation	34	37,405,811	14,816,869
PROFIT AFTER TAXATION		114,817,918	88,248,935
Earnings per share - basic and diluted	35	6.95	5.34

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE SAHMAD KHAN
DIRECTOR

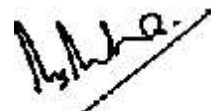
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 Rupees	2008 Rupees
Profit after tax for the year	114,817,918	88,248,935
Other comprehensive income	-	-
Total comprehensive income for the year	114,817,918	88,248,935

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE SAHMAD KHAN
DIRECTOR



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

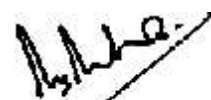
	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	152,223,729	103,065,804
Adjustments for non-cash charges and other items		
Depreciation	64,764,675	60,548,834
Amortization of intangible assets	9,117,737	8,611,871
Gain on sale of property, plant and equipment	(8,271,616)	(6,515,276)
Gain on sale of non current assets held for sale	(3,430,774)	-
Exchange loss	4,997,595	12,065,143
Provision for defined benefit obligation	34,858,036	25,623,783
Write offs	11,221,182	4,725,301
Provision for doubtful debts	539,247	-
Finance cost	81,530,152	78,590,681
Deterioration in pallets	-	10,293
Amortization of deferred gain	-	(1,021,970)
	195,326,234	182,638,660
Profit before working capital changes	347,549,963	285,704,464
WORKING CAPITAL CHANGES		
<i>(Increase) / decrease in current assets</i>		
Stores, spares and loose tools	-	20,080
Stock in trade	(168,387,120)	(8,932,410)
Trade debts	12,773,280	16,974,500
Advances, deposits and prepayments	(22,076,914)	(12,890,421)
Other receivables	(5,737,418)	(39,670,098)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	12,609,895	(60,345,013)
	(170,818,277)	(104,843,362)
Cash generated from operations	176,731,686	180,861,102
Taxes paid	(60,806,008)	(72,067,615)
Gratuity paid	(8,551,775)	(6,667,507)
Finance cost paid	(71,198,408)	(55,733,473)
Long term deposits - net	-	2,343,000
Long term advances - net	(607,026)	297,806
Net cash inflow from operating activities	35,568,469	49,033,313

	Note	2009 Rupees	2008 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(78,800,786)	(120,093,004)
Intangible assets acquired		(7,197,832)	(28,868,272)
Sale proceeds from disposal of non current assets held for sale		14,670,211	-
Sale proceeds from disposal of property, plant and equipment		22,347,304	26,808,024
Net cash outflow from Investing activities		(48,981,103)	(122,153,252)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		(51,762,312)	(52,788,353)
Long term loan		(14,331,560)	37,582,160
Short term bank borrowings - net		127,237,243	107,327,814
Dividend paid		(40,873,054)	(22,242,053)
Net cash inflow from financing activities		20,270,317	69,879,568
Net increase (decrease) in cash and cash equivalents		6,857,683	(3,240,371)
Cash and cash equivalents at beginning of the year		29,596,654	32,837,025
Cash and cash equivalents at end of the year	25	36,454,337	29,596,654

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEES AHMAD KHAN
DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital	Revenue Reserves			Total
		General Reserve	Unappropriated Profit	Sub Total	
-----Rupees-----					
Balance as at 01 January 2008	150,252,210	114,000,000	110,438,154	224,438,154	374,690,364
Final dividend @ Rs. 1.5 per share for the year ended 31 December 2007	-	-	(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)
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	7,300,699	7,300,699	7,300,699
Total comprehensive income for the year	-	-	88,248,935	88,248,935	88,248,935
Balance as at 31 December 2008	165,277,431	114,000,000	168,424,735	282,424,735	447,702,166
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2008	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	6,570,629	6,570,629	6,570,629
Total comprehensive income for the year	-	-	114,817,918	114,817,918	114,817,918
Balance as at 31 December 2009	165,277,431	114,000,000	248,493,924	362,493,924	527,771,355

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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").

HNL 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 the year 1985. Its shares are quoted on all stock exchanges in Pakistan since November 1994. HNL is principally engaged in the manufacture, import 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 their realizable value.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board 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 Change in accounting policies

Starting 01 January 2009, the Group has changed its accounting policies in the following areas:

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (i.e 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

The Group has preferred to present two statements i.e a profit and loss account and a statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements.

The SECP vide S.R.O. 411 (1) / 2008 dated 28 April 2008 notified the adoption of IFRS 7 'Financial Instruments: Disclosures'. IFRS 7 is mandatory for Group's accounting periods beginning on or after the date of notification i.e. 28 April 2008. IFRS 7 has superseded IAS 30 'Disclosures in Financial

Statements of Banks and Similar Financial Institutions' and disclosure requirements of IAS 32, Financial Instruments: Presentation'. Adoption of IFRS has only impacted the format and extent of disclosures presented in the financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards

Effective in current year

"Effective but not relevant"

Following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009. The adoption of these new standards and amendments to standards did not have any significant impact on the financial statements of the Group.

IFRS 2 - (Amendment), Share based payment;

IFRS 8 - Operating segments;

IAS 23 - (Amendment) Borrowing costs;

IAS 28 - (Amendment) Investment in associates;

IAS 36 - (Amendment) Impairment of assets;

IAS 38 - (Amendment) Intangible assets;

IAS 39 - (Amendment) Embedded derivatives;

IFRIC 4 - Insurance Contracts;

IFRIC 13 - Customers loyalty programmes;

IFRIC 15 - Agreement for the construction of real estate;

IFRIC 16 - Hedges of a net investment in a foreign operation; and

IAS 41 - Agriculture

Effective in year 2010

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January, 2010. These standards are either not relevant to the Group's operations or are not expected to have a significant impact on the Group's financial statements other than increase in disclosures in certain cases:

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after July 01, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July, 2009) requires accounting for changes in ownership interest by the parent 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.

- IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.
- Amendments to IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 01 July, 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.
- IFRIC – 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July, 2009) states that when a Group distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2010 financial statements.

- Amendment to IFRS 2 - Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January, 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.
- Amendment to IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 01 February, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July, 2010). This interpretation provides guidance on the accounting for debt for equity swaps.
- IAS 24 - Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 01 January, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 01 January, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. This amendment is not likely to have any impact on Group's financial statements.
- Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 01, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and



liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Group's financial statements.

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 18 and recognition of certain employees retirement 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 consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets 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>Notes</i>
- defined benefit obligation	5.1
- revaluation of property, plant and equipment	5.4
- residual values and useful lives of property, plant and equipment	5.4
- impairment	5.11
- taxation	5.15
- provisions and contingencies	5.18

4. BASIS OF CONSOLIDATION

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

The assets and liabilities 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 intra-group transactions recognized in assets are also 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 2009. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2009	2008
- Discount rate	12% per annum	15% per annum
- Expected rate of increase in salary	11% per annum	14% 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. A maximum of 10 unavailed leaves are allowed to be carried forward for a maximum of one year.

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

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 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 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.

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 by following the straight line method over a maximum period of ten years. Amortization on additions is charged from the month when the asset is put to use, while for disposals, no amortization is charged in the month of disposal.

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

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

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, mark-up and expenses are charged to income in the period in which they are incurred.

5.8 Stock in trade

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

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

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

5.9 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.

5.10 Cash and cash equivalents

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

5.11 Impairment

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



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

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

5.12 Revenue recognition

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

Service income is recognized when related services are rendered.

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

5.13 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 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.

5.14 Research and development cost

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

5.15 Taxation

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

Current

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

Deferred

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

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

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

Deferred tax is charged or credited in the income except for deferred tax asset / liability arising 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".

5.16 Dividend

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

5.17 Financial instruments

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

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

Offsetting of financial assets and financial liabilities

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

5.18 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>	2009 Rupees	2008 Rupees
6 SHARE CAPITAL			
Issued, subscribed and paid-up			
5,905,000 (2008: 5,905,000) Ordinary shares of Rs.10 each fully paid in cash		59,050,000	59,050,000
95,000 (2008: 95,000) Ordinary shares of Rs.10 each issued for consideration other than cash	6.1	950,000	950,000
10,527,743 (2008: 10,527,743) Ordinary shares of Rs.10 each as bonus shares		105,277,431	105,277,431
		165,277,431	165,277,431

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

	2009 (Number of Shares)	2008
Opening balance	16,527,743	15,025,221
Bonus shares issued during the year	-	1,502,522
	16,527,743	16,527,743

7. SURPLUS ON REVALUATION OF ASSETS

This represents 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 incremental depreciation arising due to revaluation net of deferred tax.

	2009 Rupees	2008 Rupees
Surplus on revaluation of fixed assets as at 01 January	236,339,768	247,571,612
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		
Net of deferred tax	(6,570,629)	(7,300,699)
Related deferred tax liability	(3,538,031)	(3,931,145)
	(10,108,660)	(11,231,844)
Surplus on revaluation of fixed assets as at 31 December	226,231,108	236,339,768

	<i>Note</i>	2009 Rupees	2008 Rupees
Less: Related deferred tax liability on balance at the beginning of the year		35,380,309	39,311,454
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		(3,538,031)	(3,931,145)
	<i>11</i>	31,842,278	35,380,309
		194,388,830	200,959,459

8. LONG TERM LOAN - SECURED

Habib Bank Limited	<i>8.1</i>	53,743,350	68,074,910
Less: Current portion shown under current liabilities	<i>16</i>	14,331,560	14,331,560
		39,411,790	53,743,350

8.1 This loan has been obtained for the purpose of expansion and carries mark-up at the rate of three months KIBOR plus 2.25% per annum. The effective mark-up charged during the year was 15.23% (2008: 14.82%) of the aggregate facility of Rs. 150 million, the amount outstanding as at 31 December 2009 is repayable in 15 equal quarterly instalments. This loan along with working capital facilities provided by the bank are secured by way of first pari passu charge for Rs. 362 million on fixed assets and first joint pari passu hypothecation charge of Rs. 230 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

	<i>Note</i>	2009 Rupees	2008 Rupees
Present value of minimum lease payments		61,385,960	72,249,157
Less: Current portion shown under current liabilities	<i>16</i>	30,243,356	29,520,365
		31,142,604	42,728,792

	2009		
	Minimum lease payments	Finance cost for future periods	Principal outstanding
	Rupees		
Not later than one year	37,298,934	7,055,578	30,243,356
Later than one year but not later than five years	34,341,164	3,198,560	31,142,604
	71,640,098	10,254,138	61,385,960
	2008		
	Minimum lease payments	Finance cost 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



Salient features of the leases are as follows:

	2009	2008
Discounting factor	14.19% - 18.00%	8.01% - 20.20%
Period of lease	36 months	36 months
Security deposits	5% - 10%	5%-10%

HNL has entered into finance lease arrangements with various financial institutions for lease 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 mark-up rates are used as discounting factor to determine the present value of minimum lease payments.

All lease agreements carry renewal option at the end of lease period and HNL intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the leased assets 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	2009 Rupees	2008 Rupees
10. LONG TERM ADVANCES			
Balance at the end of year		20,003,504	20,610,530
Less: Current portion shown under current liabilities	16	4,614,034	3,484,567
		15,389,470	17,125,963

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

	Note	2009 Rupees	2008 Rupees	
11. DEFERRED LIABILITIES				
Taxation	11.1	58,869,795	56,053,455	
Gratuity	11.2	113,273,025	86,966,764	
		172,142,820	143,020,219	
11.1	Taxable/(deductible) temporary differences arising in respect of:			
	Surplus on revaluation of fixed assets	7	31,842,278	35,380,309
	Accelerated tax depreciation		21,678,304	14,599,783
	Finance lease		9,342,410	6,073,363
	Provision for doubtful debts		(3,993,197)	-
			58,869,795	56,053,455

	<i>Note</i>	2009 Rupees	2008 Rupees
11.2			
The net value of defined benefit obligation as at valuation date was as follows:			
Present value of defined benefit obligation		132,771,040	115,195,393
Unrecognized actuarial losses		(19,538,608)	(28,228,629)
Benefits due but not paid		40,593	-
Net liability as at 31 December		113,273,025	86,966,764
11.2.1			
The following is the reconciliation of movement in the net recognized liability for gratuity:			
Liability as at 01 January		86,966,764	68,010,488
Amount recognized during the year	<i>11.2.3</i>	34,858,036	25,623,783
Benefit payments made by HNL		(8,551,775)	(6,667,507)
Net liability as at 31 December		113,273,025	86,966,764
11.2.2			
Movement in the liability for un - funded defined benefit obligations			
Present value of defined benefit obligations as at 01 January		115,195,393	90,159,674
Current service costs		14,236,909	13,908,492
Interest cost		17,279,309	9,015,967
Benefits due but not paid		(40,593)	-
Benefits paid by the plan		(8,551,775)	(6,304,107)
Actuarial losses recognized		(5,348,203)	8,415,367
Liability for defined benefit obligations as at 31 December		132,771,040	115,195,393
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		14,236,909	13,908,492
Interest cost		17,279,309	9,015,967
Actuarial losses - charge for the year		3,341,818	2,699,324
		34,858,036	25,623,783



11.2.4 Historical information for gratuity plan

	2009	2008	2007	2006	2005
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefits obligations	132,771,040	115,195,393	90,159,674	78,007,892	75,380,276
Experience adjustment arising on plan liabilities	(5,348,203)	8,415,367	4,774,683	(1,487,573)	13,836,183

<i>Note</i>	2009	2008
	Rupees	Rupees

12. TRADE AND OTHER PAYABLES

Trade creditors		45,037,213	35,077,488
Bills payable		6,028,544	10,782,139
Advances from customers		8,071,332	11,084,814
Accrued expenses		49,011,283	32,037,999
Income tax deducted at source		1,681,576	5,547,849
Workers' Profit Participation Fund	<i>12.1</i>	5,501,001	4,816,873
Workers' Welfare Fund		13,505,734	11,495,373
Payable to Central Research Fund		661,205	1,009,507
Payable to Provident Fund Trust		2,131,071	2,289,052
Un-claimed dividends		3,956,446	3,510,142
Payable to Employees Welfare Trust		259,950	285,800
		135,845,355	117,937,036

12.1 Workers' Profit Participation Fund

Balance at the beginning of the year		4,816,873	11,745,361
Add: Provision for the year	32	5,501,001	4,151,873
		10,317,874	15,897,234
Add: Interest on funds utilized by HNL	33	269,073	468,200
		10,586,947	16,365,434
Less: Paid during the year to the trustees of the fund		4,151,873	8,996,553
Excess charge of interest in prior periods		-	865,143
Deposited with the Government Treasury		934,073	1,686,865
		5,085,946	11,548,561
		5,501,001	4,816,873

Mark-up @ 18.75% (2008: 22.50%) is being provided on unpaid balance of the fund in accordance with the rules of the Fund.

	2009 Rupees	2008 Rupees
13. LIABILITIES FOR PATENT AND TRADEMARK		
Outstanding balance / purchase consideration for patent and trademark	6,408,375	31,034,176
Exchange loss due to revaluation	145,475	3,944,595
Less: Paid during the year	(6,553,850)	(28,570,396)
Total payable as on 31 December	-	6,408,375

13.1 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 Laboratories Almirall, S.A (Spain). During the year, the outstanding balance was paid by HNL.

	<i>Note</i>	2009 Rupees	2008 Rupees
14. MARKUP PAYABLE ON SECURED LOANS			
On long term loan		2,074,302	2,954,512
On short term borrowings		16,377,280	16,499,439
		18,451,582	19,453,951
15. SHORT TERM BANK BORROWINGS - SECURED			
Running finance	<i>15.1</i>	421,069,065	431,748,166
Import credit	<i>15.2</i>	141,238,766	3,322,422
		562,307,831	435,070,588

15.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 615 million (2008: Rs. 550 million). These facilities have various maturity dates upto 30 September 2010 and renewable on the date of maturity. These facilities carry mark-up rates ranging from one month KIBOR to three months KIBOR plus 125 to 175 basis points (2008: one month KIBOR to three months KIBOR plus 150 to 300 basis points) per annum. These finances are secured by way of first and joint pari passu and ranking hypothecation charge over present and future current and fixed assets of HNL.

15.2 Aggregate sanctioned import credit facilities negotiated with various banks amount to Rs. 250 million (2008: Rs. 345 million). These facilities carry mark-up rates ranging from one month KIBOR to three months KIBOR plus 125 to 175 basis points (2008: one month KIBOR to three months KIBOR plus 150 to 200 basis points) per annum. These available facilities are secured by way of joint pari passu and ranking hypothecation charge over present and future current assets of HNL and have various maturity dates upto 30 September 2010.



	<i>Note</i>	2009 Rupees	2008 Rupees
16. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term loan	8	14,331,560	14,331,560
Liabilities against assets subject to finance lease	9	30,243,356	29,520,365
Long term advances	10	4,614,034	3,484,567
		49,188,950	47,336,492

17. CONTINGENCIES AND COMMITMENTS**Contingencies**

- Bank guarantees issued on behalf of HNL aggregate to Rs. 4.620 million (2008: Rs 2.945 million).
- HNL has not acknowledged the demand relating to sales tax/central excise duty amounting to Rs.12.057 million (2008: Rs. 12.057 million) as debt as the matter is pending adjudication. An amount of Rs. 10.086 million (2008: Rs. 10.086 million) has been deposited under protest and is shown under other receivables in note 24.

	2009 Rupees '000'	2008 Rupees '000'
Commitments		

- HNL's commitments against irrevocable letters of credit include:

Plant and machinery	13,145	-
Raw materials	101,467	67,112
Packing materials	5,372	1,560
Finished goods	15,174	7,101

- Facilities of letters of guarantee amounting to Rs. 15.380 million (2008: Rs. 16.285 million) are available to HNL under hypothecation/pledge of stocks and on present and future current assets and property, plant and equipment of HNL.

	<i>Note</i>	2009 Rupees	2008 Rupees
18. PROPERTY, PLANT AND EQUIPMENT			
Operating assets (owned)	18.1	583,998,801	563,398,394
Operating assets (leased)	18.1	91,429,641	90,501,633
		675,428,442	653,900,027
Capital work-in-progress	18.2	44,564,802	29,387,697
		719,993,244	683,287,724

18.1 Operating assets

PARTICULARS	COST			DEPRECIATION				BOOK VALUE as at 31 December 2009	Rate %	
	As at 01 January 2009	During the year Additions/ During the year	Deletions/ Transfers	As at 31 December 2009	As at 01 January 2009	For the year	On deletion			As at 31 December 2009
OWNED										
Land - Freehold	149,820,000	-	-	149,820,000	-	-	-	-	149,820,000	-
Building on freehold land	189,273,288	34,826,667	-	224,099,955	88,559,191	10,667,833	-	99,227,024	124,872,931	10
Plant and machinery	338,978,699	16,935,062	-	355,913,761	103,901,716	24,018,631	-	127,920,347	227,993,414	10
Laboratory equipment	12,166,879	-	-	12,166,879	3,117,219	904,966	-	4,022,185	8,144,694	10
Furniture and fixtures	16,568,421	1,460,698	-	18,029,119	11,021,244	592,691	-	11,613,935	6,415,184	10
Electric and gas appliances	23,301,245	474,156	-	23,775,401	11,534,673	1,196,494	-	12,731,167	11,044,234	10
Office equipment	43,158,013	5,201,757	(207,700)	48,152,070	13,216,980	3,118,578	(81,245)	16,254,313	31,897,757	10
Vehicles	21,597,552	21,085,051	(17,595,133)	25,087,470	199,179	4,894,921	(3,645,900)	1,448,200	23,639,270	20
Library books	52,806	-	-	52,806	47,554	525	-	48,079	4,727	10
Neon sign	105,000	99,990	-	204,990	47,658	10,456	-	58,114	146,876	10
Arms and ammunition	106,100	-	-	106,100	84,195	2,191	-	86,386	19,714	10
	795,128,003	80,083,381	(17,802,833)	857,408,551	231,729,609	45,407,286	(3,727,145)	273,409,750	583,998,801	
ASSETS SUBJECT TO FINANCE LEASE										
Plant and machinery	27,961,623	-	-	27,961,623	9,304,231	1,865,739	-	11,169,970	16,791,653	10
Vehicles	103,061,952	29,565,000	(16,973,300)	115,653,652	31,217,711	17,491,650	(7,693,697)	41,015,664	74,637,988	20
	131,023,575	29,565,000	(16,973,300)	143,615,275	40,521,942	19,357,389	(7,693,697)	52,185,634	91,429,641	
	926,151,578	109,648,381	(34,776,133)	1,001,023,826	272,251,551	64,764,675	(11,420,842)	325,595,384	675,428,442	

Rupees



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	on deletion / impairment	Transferred to non current assets held for sale	As at 31 December 2008			
		Additions	Deletions								Transferred to non current assets held for sale
..... Rupees											
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	17,374,749	572,861	-	16,568,421	1,138,609	3,957,711	(356,598)	11,021,244	-	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	30,658,075	18,298,440	(339,500)	43,158,013	2,883,210	(137,723)	(1,411,218)	13,216,980	-	29,941,033	10
Vehicles	35,663,130	25,375,307	(23,383,935)	21,597,552	6,875,640	(3,639,857)	(8,570,719)	199,179	-	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
	666,171,114	176,099,335	(24,247,305)	795,128,003	39,016,049	3,154	(10,338,535)	231,729,609	-	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	20,605,330	-	(20,605,330)	-	687,634	(6,924,670)	-	-	-	-	10
Vehicles	121,084,907	24,097,115	(33,524,100)	103,061,952	18,772,109	(15,801,764)	(2,733,044)	31,217,711	-	71,844,241	20
	169,651,860	24,097,115	(54,129,430)	131,023,575	21,532,787	(22,736,434)	(2,733,044)	40,521,942	-	90,501,633	
	835,822,974	200,196,450	(78,376,735)	926,151,578	60,548,836	(22,723,280)	(13,071,579)	272,251,551	-	653,900,027	

- 18.1.1** Addition in freehold assets includes transfer of assets costing Rs. 16,973,300 (2008: Rs. 54,129,430) less accumulated depreciation of Rs. 7,693,697 (2008: Rs. 22,726,434) from leasehold assets.

	<i>Note</i>	2009 Rupees	2008 Rupees
18.1.2 Depreciation charge has been allocated as under:			
Cost of sales	27	39,471,960	30,944,586
Distribution, selling and promotional expenses	29	11,641,017	15,456,646
Administrative and general expenses	30	13,651,698	14,147,602
		64,764,675	60,548,834

- 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. The latest revaluation of land was carried out on 19 January 2007 by M/S Surval which resulted in a surplus of Rs. 67,922,000.

	2009 Rupees	2008 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	90,119,099	62,098,728
Plant and machinery (Owned)	175,120,390	176,324,470
Plant and machinery (Leased)	13,440,574	14,933,970
	293,246,891	267,923,996



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 Afzal	357,000	214,818	142,182	256,230	114,048	Company Policy
	Shafique Ansari	357,000	225,617	131,383	253,663	122,280	Company Policy
	Anjum Ayyaz Khan	351,000	251,955	99,045	250,000	150,955	Negotiation
	Javed Hussain	1,086,000	673,672	412,328	700,000	287,672	Negotiation
	Rana Muhammad Hafeez	739,000	615,940	123,060	575,000	451,940	Negotiation
	Waseem Wafa	1,022,000	659,613	362,387	362,387	-	Company Policy
	Dr. Iram Bano	1,022,000	659,613	362,387	356,029	(6,358)	Company Policy
	Irfan Dar	365,000	197,451	167,549	287,689	120,140	Company Policy
	Ashfaq Hassan Shah	604,000	488,514	115,486	256,320	140,834	Company Policy
	Faiz Ahmad	1,084,200	766,240	317,960	850,000	532,040	Negotiation
	M. Arif	379,000	251,773	127,227	253,020	125,793	Company Policy
	Mr. M. Tariq Ch	1,246,000	939,183	306,817	750,000	443,183	Negotiation
	Haider Usman Mir	1,299,000	734,097	564,903	635,000	70,097	Negotiation
	Ifikhar Khan	54,000	24,850	29,150	41,913	12,763	Company Policy
	Dr. Yahya Jan	365,000	212,630	152,370	271,555	119,185	Company Policy
	Muhammad Kaleem Khan	50,490	9,944	40,546	50,490	9,944	Company Policy
	M. Tariq Siddique	380,000	255,362	124,638	252,960	128,322	Company Policy
	S. Kamran Ali Zaidi	54,000	27,406	26,594	54,000	27,406	Company Policy
	Muhammad Bashir	285,000	246,968	38,032	225,000	186,968	Negotiation
	M. Hafeez	54,000	33,127	20,873	54,000	33,127	Company Policy
	Syed Faisal Zaman	1,119,000	684,794	434,206	100,000	(334,206)	Negotiation
	Abdul Rashid	1,199,000	788,910	410,090	620,000	209,910	Negotiation
	Waki Durrani	1,022,000	682,925	339,075	339,075	-	Company Policy
	Reliance Insurance Co. Ltd	362,000	218,640	143,360	350,000	206,640	Insurance Claim
	Reliance Insurance Co.Ltd	499,000	49,900	449,100	499,000	49,900	Insurance Claim
	Mohsin Naseem	560,000	385,818	174,182	376,380	202,198	Company Policy
	M.Ayub Bhatti	433,000	299,495	133,505	287,940	154,435	Company Policy
	Raja Waqar	356,000	247,574	108,426	237,000	128,574	Company Policy
	Malik Arshad Mehmood	356,000	247,574	108,426	237,000	128,574	Company Policy
	M. Khalid Hasan	357,000	243,738	113,262	236,880	123,618	Company Policy
	Rizwan ur Rehman	357,000	242,488	114,512	239,880	125,368	Company Policy
	Zia Ul Islam	567,000	385,129	181,871	376,740	194,869	Company Policy
	Shabbir Ahmad	427,000	264,158	162,842	300,000	137,158	Negotiation
	Suhail Ajaib	171,647	17,165	154,482	224,791	70,309	Company Policy
	Agha Muhammad	58,500	39,184	19,316	54,000	34,684	Company Policy
	Muhammad Ghufuran	54,000	30,999	23,001	44,575	21,574	Company Policy
	Tasleem Ahmad	54,000	26,473	27,527	54,000	26,473	Company Policy
	Syed Wajid Hussain	54,000	25,336	28,664	54,000	25,336	Company Policy
	Muhammad Muhadis	54,000	25,336	28,664	54,000	25,336	Company Policy
	Syed Imran Zafar	50,490	12,118	38,372	50,490	12,118	Company Policy
	Muhammd Rizwan	54,000	25,336	28,664	54,000	25,336	Company Policy
	Syed Imran Ali	54,000	26,473	27,527	54,000	26,473	Company Policy
	Reliance Insurance Co.Ltd	50,490	14,137	36,353	50,500	14,147	Company Policy
	Kamran Waheed	50,490	19,590	30,900	50,490	19,590	Company Policy
	Nasir Shafiq Malik	50,490	20,802	29,688	50,490	20,802	Company Policy
	Adnan Iqbal Shinwari	54,000	24,850	29,150	54,000	24,850	Company Policy
	M. Naveed Shahzad	54,890	13,723	41,168	54,890	13,723	Company Policy
	Kamran Akhtar	52,890	16,176	36,714	52,890	16,176	Company Policy
	M. Mehmood Memon	50,890	14,122	36,768	50,890	14,122	Company Policy
	Syed Zafar Ali Shah	54,000	32,046	21,954	45,936	23,982	Company Policy

Particulars	Sold to	Cost **	Accumulated Depreciation **	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
Vehicles							
				Rupees			
	Muhammad Irfan	54,000	28,251	25,749	52,657	26,908	Company Policy
	Mohammad Ikram	50,490	14,810	35,680	50,490	14,810	Company Policy
	Attique ur Rehman	54,000	30,217	23,783	47,304	23,521	Company Policy
	Amad Ud Din Sheeraz Ahmad	50,490	19,702	30,788	50,490	19,702	Company Policy
	Wahab Ali	50,490	18,446	32,044	50,490	18,446	Company Policy
	Reliance Insurance Co.Ltd	54,000	31,674	22,326	39,000	16,674	Insurance Claim
	Reliance Insurance Co.Ltd	50,490	5,750	44,740	48,000	3,260	Insurance Claim
	Reliance Insurance Co.Ltd	50,490	14,137	36,353	50,500	14,147	Insurance Claim
	Reliance Insurance Co.Ltd	50,490	15,349	35,141	48,000	12,859	Insurance Claim
	Muhammad Riaz	50,490	18,984	31,506	21,000	(10,506)	Company Policy
	Reliance Insurance Co.Ltd	50,890	7,634	43,257	51,000	7,744	Insurance Claim
	Zahid Ali	50,490	17,817	32,673	50,490	17,817	Company Policy
	Nadeem Akhtar	365,000	170,333	194,667	305,523	110,856	Company Policy
	Wajahat Saeed	365,000	170,333	194,667	305,523	110,856	Company Policy
	M. Nadeem Rana	365,000	170,334	194,665	298,800	104,134	Company Policy
	Kamran Ikran ud Din	849,000	301,867	547,133	727,764	180,631	Company Policy
	Khurram Yousuf	367,000	102,760	264,240	393,000	128,760	Negotiation
	Riaz Ahmed	365,000	181,234	183,766	328,194	144,428	Negotiation
	Mansoor Ali Zaidi	825,000	137,500	687,500	755,851	68,351	Company Policy
	M. Imran	54,000	23,904	30,096	54,000	23,904	Company Policy
	Ejaz Hussain	54,000	20,016	33,984	54,000	20,016	Company Policy
	Rashid Mehmood	54,000	22,320	31,680	57,918	26,238	Company Policy
	Khurram Ayub	390,000	173,680	216,320	345,821	129,501	Company Policy
	Syed Johar Agha Rizvi	365,000	196,289	168,711	317,356	148,645	Company Policy
	Sohail Shahzad	408,300	144,085	264,215	352,791	88,576	Company Policy
	Dr.Amber Elahi	403,000	174,812	228,188	364,111	135,923	Company Policy
	Nadeem Akmal	368,000	159,958	208,042	313,507	105,465	Company Policy
	M. Ishaq Asad	365,000	192,914	172,086	312,842	140,756	Company Policy
	Imran Ali	365,000	192,915	172,085	289,006	116,921	Company Policy
	M. Qasim Munir	849,000	377,333	471,667	755,082	283,415	Company Policy
	M. . Tanveer Sadiq	620,000	299,584	320,416	521,383	200,967	Company Policy
	Syed Munir Ud din	565,000	318,911	246,089	473,131	227,042	Company Policy
	Muhammad Mehdi	365,000	202,778	162,222	305,523	143,301	Company Policy
	Mansoor ul Hasan	365,000	206,022	158,978	176,223	17,245	Company Policy
	Muhammad Amjad	379,000	115,880	263,120	425,000	161,880	Company Policy
	Muhammad Altaf Khattak	365,000	202,778	162,222	162,222	-	Company Policy
	Khizar Rehman Chughtai	360,000	178,112	181,888	332,666	150,778	Company Policy
	Shahzad Khurram	395,000	154,138	240,862	331,669	90,807	Company Policy
	Tahir Ismail	54,000	28,541	25,459	54,000	28,541	Company Policy
	M. Tariq Khan	54,000	26,246	27,754	54,000	26,246	Company Policy
	Sajid Muhammad	54,000	29,390	24,610	48,628	24,018	Company Policy
	Naeem Asif Chohan	54,000	26,093	27,907	54,000	26,093	Company Policy
	Sajid Bilal	54,000	26,092	27,908	54,000	26,092	Company Policy
	M. Yaseen	54,000	26,247	27,753	54,000	26,247	Company Policy
	Abid Khan	54,000	26,093	27,907	54,000	26,093	Company Policy
	M. Atif Saleem	54,000	26,246	27,754	54,000	26,246	Company Policy
	Zeeshan Akhtar Karimi	54,000	28,541	25,459	43,256	17,797	Company Policy
	Hafiz M. Waseem Chohan	54,000	26,093	27,907	54,000	26,093	Company Policy



Particulars	Sold to	Cost **	Accumulated Depreciation **	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
Vehicles							
	Ameer Ali	54,000	28,540	25,460	54,000	28,540	Company Policy
	Abdul Rehman	54,000	26,093	27,907	54,000	26,093	Company Policy
	Muhammad Imran Khan	54,000	26,544	27,456	54,000	26,544	Company Policy
	Muhammad Atif Khan	54,000	26,247	27,753	54,000	26,247	Company Policy
		31,753,577	17,804,344	13,949,234	22,347,304	8,398,070	
Computer							
	Scrap	18,700	7,828	10,872	-	(10,872)	Written off
	Scrap	44,000	22,150	21,850	-	(21,850)	Written off
	Scrap	145,000	51,268	93,732	-	(93,732)	Written off
		207,700	81,246	126,454	-	(126,454)	
	2009	31,961,277	17,885,590	14,075,688	22,347,304	8,271,616	
	2008	31,750,993	11,458,244	20,292,748	26,808,024	6,515,276	

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

	Note	2009 Rupees	2008 Rupees
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18.2 CAPITAL WORK - IN - PROGRESS

Civil works		30,119,943	8,004,569
Plant and machinery - owned		6,268,609	14,618,428
Advance for purchase of vehicles		810,000	-
ERP system implementation		7,366,250	6,764,700
	18.2.1	44,564,802	29,387,697

18.2.1 Movement in the account is as follows:

Opening balance as at 01 January		29,387,697	53,991,030
Addition made during the year			
Civil works		29,812,374	21,121,685
Plant and machinery - owned		4,799,645	65,350,293
Advance for purchase of vehicles		810,000	11,718,515
ERP system implementation		601,550	5,964,700
		36,023,569	104,155,193
Capitalized during the year			
Civil works		(7,697,000)	(14,178,030)
Plant and machinery - owned		(13,149,464)	(100,032,781)
Vehicles - leased		-	(14,547,715)
		(20,846,464)	(128,758,526)
Closing balance as at 31 December		44,564,802	29,387,697

19. NON CURRENT ASSETS HELD FOR SALE

During the year, due to the fact stated in note 1.2, DSL has disposed off its assets as disclosed in note 19.1 below.

19.1 Disposal of non current assets held for sale

Particulars	Sold to	Cost **	Accumulated Depreciation **	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Sales
				Rupees			
Vehicles							
	Shahid Iqbal	669,000	251,124	417,876	641,003	223,127	Negotiation
	Haq Nawaz	669,000	157,744	511,256	784,244	272,988	Negotiation
	Arshad Ali	649,000	193,004	455,996	699,477	243,481	Negotiation
	Ansar Abbas	649,000	193,004	455,996	699,477	243,481	Negotiation
	Mr-Shahzad	344,000	182,670	161,330	247,473	86,143	Negotiation
	Zulfiqar Ali	400,000	234,128	165,872	254,440	88,568	Negotiation
	Rana Javed Iqbal	400,000	234,128	165,872	254,440	88,568	Negotiation
	Adil Fazal Hussain	400,000	234,128	165,872	254,440	88,568	Negotiation
	Mr Jahanzeb	344,000	159,292	184,708	283,334	98,626	Negotiation
	Bashir Ahmed	344,000	159,292	184,708	283,334	98,626	Negotiation
	Muhammad Nawaz	344,000	159,292	184,708	283,334	98,626	Negotiation
	Usman Abdullah	344,000	159,292	184,708	283,334	98,626	Negotiation
	Sheikh Akbar Ali	344,000	159,292	184,708	283,334	98,626	Negotiation
	Muhammad Asim	344,000	159,292	184,708	283,334	98,626	Negotiation
	Mr Zulfiqar	344,000	159,292	184,708	283,334	98,626	Negotiation
	Sohail Manzoor	344,000	159,292	184,708	283,334	98,626	Negotiation
	Nauman Yousaf	344,000	159,292	184,708	283,334	98,626	Negotiation
	Shahid Adam	400,000	225,243	174,757	316,667	141,910	Negotiation
	Shahid Adam	400,000	225,243	174,757	316,667	141,910	Negotiation
	Shahid Adam	400,000	225,243	174,757	316,667	141,910	Negotiation
	Shahid Adam	400,000	225,243	174,757	316,667	141,910	Negotiation
	Danish Hanif	400,000	225,243	174,757	316,667	141,910	Negotiation
	Danish Hanif	400,000	225,243	174,757	316,667	141,910	Negotiation
	Danish Hanif	400,000	225,243	174,757	316,667	141,910	Negotiation
	Danish Hanif	400,000	225,243	174,757	316,667	141,910	Negotiation
	Shahid Kath	344,000	159,292	184,708	316,667	131,959	Negotiation
	Muhammad Shahid	344,000	159,292	184,708	316,667	131,959	Negotiation
	Muhammad Shahid	400,000	225,243	174,757	316,667	141,910	Negotiation
	Muhammad Shahid	344,000	159,292	184,708	316,663	131,955	Negotiation
	Fawad Medicose	400,000	234,128	165,872	300,000	134,128	Negotiation
	Fawad Medicose	400,000	234,128	165,872	300,000	134,128	Negotiation
	Sajjad Ahmed	350,000	162,070	187,930	300,000	112,070	Negotiation
	Ijaz Ahmed Mughal	344,000	161,330	182,670	310,000	127,330	Negotiation
	Muhammad Ismail	649,000	193,004	455,996	690,000	234,000	Negotiation
	Muhammad Bashir	649,000	193,004	455,996	680,000	224,004	Negotiation
	Pervaiz Sherwani	350,000	162,069	187,931	300,000	112,069	Negotiation
	Ihsan Ul Haq	400,000	234,128	165,872	290,000	124,128	Negotiation
	Ihsan Ul Haq	400,000	234,128	165,872	290,000	124,128	Negotiation
	Muhammad Nawaz	400,000	234,128	165,872	290,000	124,128	Negotiation
	Farhat Najam	366,000	194,353	171,647	300,000	128,353	Negotiation
		16,616,000	7,855,091	8,760,909	14,235,000	5,474,091	
	Other assets with book value less than Rs. 50,000.	4,825,940	2,347,411	2,478,528	435,211	(2,043,317)	
		21,441,940	10,202,502	11,239,437	14,670,211	3,430,774	

19.2 In addition to the above disposal, assets having written down value of Rs. 7.180 million were transferred to HNL, the parent company.



20. INTANGIBLE ASSETS

PARTICULARS	COST			AMORTISATION			BOOK VALUE as at 31 December 2009	Rate %
	As at 01 January 2009	Additions	As at 31 December 2009	As at 01 January 2009	For the year	As at 31 December 2009		
Registration and trademark (Note 20.1)	78,269,543	-	78,269,543	21,899,030	7,812,829	29,711,859	48,557,684	10
Computer Software	12,263,848	643,982	12,907,830	2,142,294	1,304,908	3,447,202	9,460,628	10
	90,533,391	643,982	91,177,373	24,041,324	9,117,737	33,159,061	58,018,312	

Rupees

PARTICULARS	COST				AMORTISATION				BOOK VALUE as at 31 December 2008	Rate %
	As at 01 January 2008	Additions	Adjustments	December 2008	As at 01 January 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	(129,909)	2,142,294	10,121,554	10
	60,098,836	31,332,054	(897,499)	90,533,391	15,559,362	8,611,871	129,909	24,041,324	66,492,067	

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>	2009 Rupees	2008 Rupees
20.2 Amortization charge has been allocated as under:			
Cost of sales	27	7,812,829	7,295,593
Distribution, selling and promotional expenses	29	1,304,908	1,316,278
		9,117,737	8,611,871
21. STOCK IN TRADE			
Raw materials			
In hand		324,499,826	224,600,903
In transit		29,093,840	18,085,085
With third party		102,088	-
		353,695,754	242,685,988
Packing material			
In hand		59,026,642	37,030,107
In transit		3,049,172	1,022,989
With third party		554,949	209,377
		62,630,763	38,262,473
Work in process		49,560,198	46,409,764
Finished goods			
In hand		231,697,471	193,795,221
In transit		1,755,562	-
With third party		1,161,681	16,696,028
		234,614,714	210,491,249
		700,501,429	537,849,474



	<i>Note</i>	2009 Rupees	2008 Rupees
22. TRADE DEBTS - Considered good			
Secured - against letters of credit		8,203,439	5,572,139
Unsecured			
Due from related parties			
Associate - Route - 2 Health (Private) Limited	22.1	-	183,903
Others		19,473,084	39,551,504
Less: Provision made during the year		(539,247)	-
		27,137,276	45,307,546

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

23. ADVANCES, DEPOSITS AND PREPAYMENTS

		2009 Rupees	2008 Rupees
Advances - considered good			
Staff against:			
Expenses		5,972,379	8,139,619
Salary		3,767,536	1,394,975
Suppliers		6,336,294	19,983,359
Letters of credit and margin		41,174,949	215,331
Deposits:			
Securities		5,788,767	5,807,181
Bank guarantee margin		2,136,329	2,569,766
Prepayments		1,936,003	7,124,583
		67,112,257	45,234,814

24. OTHER RECEIVABLES - considered good

Claims receivable		1,477,535	6,040,898
Freight subsidy receivable		936,177	266,099
Sales tax and excise duty	24.1	11,505,043	11,149,587
Receivable from foreign principals		50,258,352	41,450,449
Others		772,558	734,017
		64,949,665	59,641,050

- 24.1** As referred to in note 17 this includes Rs. 10.086 million (2008: Rs. 10.086 million) deposited for grant of stay against demand of sales tax / excise duty paid under protest to sales tax department.

	2009	2008
	Rupees	Rupees
25. CASH AND BANK BALANCES		
Cash and Imprest	5,766,365	5,411,163
Balance with banks - current accounts	30,687,972	24,185,491
	36,454,337	29,596,654
26. SALES - net		
Manufactured products		
Local	2,379,433,310	1,947,336,838
Export	100,981,487	59,256,579
	2,480,414,797	2,006,593,417
Purchased products - local	137,517,473	281,211,412
Sales compensation	22,632,297	27,237,721
Third party (toll manufacturing)	52,761,891	39,181,106
	2,693,326,458	2,354,223,656
Less:		
Discount	214,039,721	117,462,881
Sales tax	895,922	3,580,960
	214,935,643	121,043,841
	2,478,390,815	2,233,179,815



	Note	2009 Rupees	2008 Rupees
27. COST OF SALES			
Raw and packing material consumed		1,250,804,229	964,391,055
Salaries, wages and benefits	27.1	122,678,984	101,554,972
Vehicle running and maintenance		12,901,756	12,564,961
Fuel and power		24,232,192	22,090,141
Stores consumed		6,670,034	3,406,407
Repairs and maintenance		12,997,442	9,723,235
Insurance		2,323,291	1,889,881
Rent, rates and taxes		2,133,248	2,092,597
Fee and subscription		416,269	706,346
Printing and stationery		2,615,519	2,254,394
Travelling and conveyance		4,536,129	4,123,626
Consultancy and professional charges		7,492,426	3,467,629
Office supplies		5,909,027	4,333,611
Depreciation	18.1.2	39,471,960	30,944,586
Amortization of intangible assets	20.2	7,812,829	7,295,593
Others direct costs		5,948,334	4,688,310
		1,508,943,669	1,175,527,344
Inventory effect of work in process			
Opening		46,409,764	40,336,092
Closing		(49,560,198)	(46,409,764)
		(3,150,434)	(6,073,672)
Cost of goods manufactured		1,505,793,235	1,169,453,672
Inventory effect of finished goods (excluding purchased products)			
Opening		164,223,114	171,804,644
Closing		(186,894,949)	(164,223,114)
		(22,671,835)	7,581,530
Cost of goods sold -Manufactured products		1,483,121,400	1,177,035,202
Less: Duty draw back		-	61,207,110
		1,483,121,400	1,115,828,092
Less: Inventory written off		(5,735,165)	-
Cost of goods sold - Purchased products		97,211,520	310,840,503
Cost of goods sold		1,574,597,755	1,426,668,595
27.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		11,189,224	5,687,877
Defined contribution plan - Provident Fund		3,474,616	2,926,276
Provision for compensated leave absences		2,396,696	1,986,608

	<i>Note</i>	2009 Rupees	2008 Rupees
28. OTHER OPERATING INCOME			
Income from non-financial assets			
Gain on sale of property, plant and equipment		8,271,616	6,515,276
Gain on sale of non current assets held for sale		3,430,774	-
Amortization of deferred gain		-	1,021,970
Liabilities no longer payable written back		-	174,849
Scrap Sales		839,114	907,484
Others		80,271	7,323,995
		12,621,775	15,943,574

29. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES

Salaries and benefits	<i>29.1</i>	207,166,040	191,168,036
Rent, rates and taxes		2,824,694	8,996,451
Entertainment		1,390,713	847,624
Advertisement, promotional expenses and samples		162,480,772	130,591,787
Printing and stationery		3,026,918	3,942,395
Travelling and conveyance		69,814,252	67,715,915
Telephone, postage and telex		2,641,761	4,088,401
Insurance		3,454,953	4,504,092
Provision against doubtful debts	<i>22.2</i>	539,247	-
Vehicle running and maintenance		21,222,285	28,775,906
Donation	<i>29.2</i>	2,002,837	2,510,350
Freight		20,551,246	16,627,484
Seminars, symposia and training		19,457,281	19,120,345
Newspapers and subscriptions		10,897,076	9,370,738
Depreciation	<i>18.1.2</i>	11,641,017	15,456,646
Amortization of intangible assets	<i>20.2</i>	1,304,908	1,316,278
Deterioration of pallets		-	10,293
Others		11,139,497	8,350,515
		551,555,497	513,393,256
Less: Reimbursement from foreign principals		67,896,891	81,713,162
		483,658,606	431,680,094
29.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		11,655,374	9,639,681
Defined contribution plan - Provident Fund		4,338,692	5,361,588
Provision for compensated leave absences		2,126,998	1,929,655

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



	<i>Note</i>	2009 Rupees	2008 Rupees
30. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	30.1	94,165,194	87,571,229
Telephone, postage and telex		3,049,241	3,960,236
Rent, rates and taxes		5,250,015	6,148,572
Electricity, gas and water		406,034	666,967
Printing and stationery		4,025,744	5,131,505
Repairs and maintenance		7,086,131	4,671,267
Vehicle running and maintenance		16,266,062	18,395,930
Travelling and conveyance		7,978,907	10,212,625
Newspapers and subscriptions		1,136,941	1,345,235
Entertainment		929,271	1,433,581
Insurance		5,275,183	4,645,845
Auditors' remuneration	36	1,060,000	917,500
Legal and professional		900,160	2,978,500
Advertisement, seminars and symposia		2,059,675	242,325
Donation	30.2	1,023,268	723,464
Depreciation	18.1.2	13,651,698	14,147,602
Impairment of fixed assets and intangible assets		-	4,725,301
Deposits written off		-	1,287,499
Sales tax against stocks written off		191,623	-
Inventories written off		5,735,165	43,760
Trade debts written off		4,857,743	3,500,000
Advances written off		199,471	202,333
Receivables written off		237,180	7,372,904
Others		3,402,309	2,307,127
		178,887,015	182,631,307
30.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		11,940,985	9,719,889
Defined contribution plan - Provident Fund		3,092,438	2,817,615
Provision for compensated leave absences		1,015,245	880,395

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

	<i>Note</i>	2009 Rupees	2008 Rupees
31. RESEARCH AND DEVELOPMENT EXPENSES			
Salaries and benefits	<i>31.1</i>	4,621,677	6,064,096
Expenses on clinical trials and products evaluation		95,427	149,977
Travelling		1,003,400	1,243,413
Insurance		110,612	152,931
Vehicle running and maintenance		935,739	1,121,983
Printing and stationery		61,176	80,331
Office supplies		51,315	119,474
Staff cost		49,215	370,077
Others		16,610	48,200
		6,945,171	9,350,482
31.1 It includes the following staff retirement benefits:			
Defined benefit plan - Gratuity		72,453	576,335
Defined contribution plan - Provident Fund		181,539	223,222
Provision for compensated leave absences		28,304	24,612
32. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	<i>12.1</i>	5,501,001	2,465,008
Exchange loss		4,997,595	12,065,143
Workers' Welfare Fund		2,010,361	1,591,259
Central Research Fund		661,205	1,009,507
Others		-	5,509
		13,170,162	17,136,426
33. FINANCE COST			
Mark-up on long term loan - secured		9,637,416	7,986,512
Mark-up on short term borrowings - secured		57,781,794	54,558,753
Finance cost on liability against assets subject to finance lease		11,334,113	11,536,718
Interest on Workers' Profit Participation Fund	<i>12.1</i>	269,073	468,200
Bank charges		2,507,756	4,040,498
		81,530,152	78,590,681



34. TAXATION**HNL**

Current

for the year
for prior years

Deferred

DSL

Current

for the year
for prior years

	2009	2008
	Rupees	Rupees
	33,571,832	15,868,050
	-	(10,000,000)
	2,816,340	8,980,247
	36,388,172	14,848,297
	1,017,639	-
	-	(31,428)
	1,017,639	(31,428)
	37,405,811	14,816,869

34.1 Reconciliation of tax charge for the year

Numerical reconciliation between the average effective tax rate and applicable tax rate is not being presented as DSL is subject to minimum tax under section 113 of Income Tax Ordinance 2001.

35. EARNINGS PER SHARE - Basic and Diluted

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

		2009	2008
Profit after taxation	Rupees	114,817,918	88,248,935
Weighted average number of ordinary shares	<i>Number of shares</i>	16,527,743	16,527,743
Earnings per share	Rupees	6.95	5.34

	2009	2008
	Rupees	Rupees
<i>Note</i>		

36. AUDITORS' REMUNERATION

Statutory audit	725,000	626,500
Fee for review of half year financial statements	190,000	176,000
Other certifications	50,000	40,000
Out of pocket expenses	95,000	75,000
	1,060,000	917,500

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37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2009			2008		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	3,994,800	10,916,640	37,668,411	3,594,800	9,922,800	35,440,061
House allowance	1,597,920	1,440,000	15,067,364	1,437,920	1,440,000	14,176,031
Provident fund	332,917	909,656	3,016,134	299,592	826,872	2,888,017
Gratuity	1,254,339	3,350,693	11,461,943	1,067,322	2,779,949	7,410,789
Bonus	332,900	909,720	3,125,229	565,800	1,553,800	5,101,381
Utilities	399,480	1,548,365	3,766,844	359,480	1,288,254	3,544,000
Medical	67,504	285,633	1,014,586	76,477	305,146	771,970
Others	-	258,011	40,600	-	145,236	34,250
	7,979,860	19,618,718	75,161,111	7,401,391	18,262,057	69,366,499
Number persons	1	2	37	1	2	36

37.1 The Chief Executive, Directors and 18 executives (2008: 15) have been provided with HNL's maintained cars while 20 executives (2008: 20) 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. 2,000 (2008 : Rs. 3,000) paid during the year to an independent non - executive director for attending Board meetings.

38 FINANCIAL INSTRUMENTS

The Group has exposures to the credit, liquidity and market risk from its financial assets and financial liabilities.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.



38.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2009	2008
	Rupees	Rupees
Trade debts	27,137,276	45,307,546
Other receivables	52,508,445	48,225,364
Advances and deposits	7,925,096	8,376,947
Bank balances	30,687,972	24,185,491
	118,258,789	126,095,348

Geographically there is no significant concentration of credit risk. The maximum exposure to credit risk for trade debts at the reporting date are with subsidiary company within the country. Trade debts include an amount of Rs. 8.203 million (2008: Rs. 5.572 million) relating to foreign debtors and Rs. 18.934 million (2008: Rs. 39.736 million) relating to local debtors.

The Group's most significant amount receivable at 31 December 2009 is from a bank which amounts to Rs. 29.436 million included in bank balances and at 31 December 2008 receivable from Govt. Institution within the country amounts to Rs 8.932 million included in trade debts.

Trade debts are unsecured except export debtors which are secured against letter of credits. The Group does not hold any collateral as security against any of its financial assets. The Group has maintained balances in banks with high credit ratings. The Group assesses the credit quality of the counterparties as satisfactory and applies credit limits to its customers. Management of the Group actively monitors credit ratings and does not expect any counterparty to fail to meet its obligations.

The aging of trade debts at the reporting date was:

	2009	2008
	Rupees	Rupees
Past due 1–30 days	15,186,452	28,933,824
Past due 31–60 days	2,381,197	5,863,408
Past due 61–90 days	2,833,305	2,797,783
Over 90 days	7,275,570	7,712,532
	27,676,523	45,307,546

The Group has a long and well established business relationship history with its customers mainly comprise of distributors and government and semi-government institutions so based on past experience the management believes no impairment allowance is necessary in respect of trade debts even past due over 90 days except amount of Rs. 0.539 million already provided and write offs made as mentioned in note 30 to these financial statements.

38.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses different methods which assists it in monitoring cash flow requirements and optimising its cash return from operations. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation. In addition the Group maintain lines of credit as mentioned in notes 8 and 15 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2009

Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	
Rupees						
Long term loan	53,743,350	75,355,342	11,275,355	10,745,087	19,899,371	33,435,529
Liabilities against assets subject to finance lease	61,385,960	71,640,098	20,650,770	16,648,164	28,370,325	5,970,839
Trade and other payables	105,715,062	105,715,062	105,465,062	-	-	-
Mark-up payable on secured loans	18,451,582	18,451,582	18,451,582	-	-	-
Short term bank borrowings	562,307,831	567,405,827	146,336,762	421,069,065	-	-
	801,603,785	838,567,911	302,179,531	448,462,316	48,269,696	39,406,368

2008

Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	
Rupees						
Long term loan	68,074,910	105,083,477	13,373,406	12,736,726	23,563,414	55,409,931
Liabilities against assets subject to finance lease	72,249,157	88,977,919	23,108,009	16,136,597	25,749,260	23,984,053
Trade and other payables	86,955,617	86,955,617	86,955,617	-	-	-
Liabilities for patent and trade mark	6,408,375	6,408,375	6,408,375	-	-	-
Mark-up payable on secured loans	16,062,923	16,062,923	16,062,923	-	-	-
Short term bank borrowings	435,070,588	438,753,400	97,009,088	341,744,312	-	-
	684,821,570	742,241,711	242,917,417	370,617,635	49,312,674	79,393,984



It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flow relating to lease liability and long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in note 8, 9 and 15 to these financial statements.

38.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group is exposed to interest rate risk on its borrowings and currency risks on export debtors.

a) Currency risk

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

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (US \$), EURO (€) and Japanese yen (¥). Currently, the Group's foreign exchange risk exposure is restricted to the amounts receivable and payables in foreign currencies. The Group's exposure to currency risk at reporting date is as follows:

Particulars	<i>Currency</i>	2009 Rupees	2008 Rupees
Trade debts	\$	8,203,439	5,572,139
Less:			
Liabilities for patent and trade mark	€	-	(6,408,375)
Bills payable	\$	(6,028,544)	(10,782,139)
		(6,028,544)	(17,190,514)
Net exposure		2,174,895	(11,618,375)

The following significant exchange rates were applied during the year :

	US Dollar \$	Euro €	Japanese Yen ¥
 Rupees per currency unit		
	2009		
Average rate	81.71	113.92	0.875
Reporting date rate	84.26	120.64	0.913
	2008		
Average rate	70.64	103.55	0.687
Reporting date rate	79.10	111.37	0.876

Currency rate sensitivity analysis

If the functional currency, at reporting date, had fluctuated by 10% against the foreign currencies with all other variables held constant, the profit after taxation for the year 2009 and for 2008 would have been respectively increased / decreased, mainly as a result of exchange gains / losses on translation of foreign currency denominated receivables and payables by following amounts:

	2009 Rupees	2008 Rupees
<i>Effect on Profit and loss after taxation</i>		
US Dollar	141,368	(338,650)
Euro	-	416,544
	141,368	77,894

b) Interest rate risk

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

At the balance sheet date, the interest rate profile of the Group's interest bearing financial instruments is:

	2009 Rupees	2008 Rupees
Variable rate instruments		
Financial liabilities	677,437,141	575,394,655



Fair value sensitivity analysis for fixed rate instruments

The Group does not hold any financial asset or liability at fair value through profit and loss.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term loans, short term borrowing and finance lease liabilities, at the year end date, fluctuate by 100 bps higher / lower with all other variables held constant, profit after taxation for the year 2009 and for 2008 would have been decreased / increased respectively by the following amounts as a result of increase / decrease in finance cost on the variable rate financial liabilities :

	2009	2008
	Rupees	Rupees
Effect on Profit and loss after taxation	3,528,971	3,600,371

38.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities approximate their fair values.

38.5 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 total debt-to-equity ratios as at 31 December 2009 and at 31 December 2008 were as follows:

	2009	2008
	Rupees	Rupees
Total debt	695,888,723	594,848,606
Total equity and debt	1,223,660,078	1,042,550,772
Debt-to-equity ratio	57:43	57:43

39. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprises, 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:

	2009	2008
	Rupees	Rupees
39.1 Associate		
Sale of goods - net	29,482,610	35,607,377
Purchase of goods - net	2,271,841	52,487,466
Claims launched	941,386	116,073
Other receivables written-off	199,471	-
38.2 Contribution to employees benefits fund		
Contribution to Staff Provident Fund	11,087,285	10,284,772
Contribution to Employees' Welfare Trust	1,327,200	1,335,950

40. DIVIDENDS

The Board of Directors of HNL in its meeting held on 26th March 2010 have proposed dividend at the rate of Rs. 2.5 (2008: Rs. 2.5) per share for the year ended 31 December 2009, subject to the approval of shareholders of HNL in annual General Meeting to be held on 26th April 2010. These financial statements do not reflect these appropriations.

41. 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.

42. DATE OF AUTHORIZATION OF ISSUE

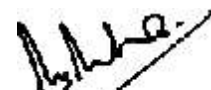
The Board of Directors of the HNL authorized the financial statements for issuance on 26th March 2010

42. GENERAL

- Figures have been rounded off to the nearest rupee.
- No significant rearrangement or reclassification is made.



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 26, 2010 at 10.00 a.m. and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2010.

WITNESSES

(Member's Signature)

Date: _____

Affix Revenue
Stamp of Rs. 5/-

Place _____

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

AFFIX
CORRECT
POSTAGE

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