ANNUAL REPORT 2011

HIGHNOON LABORATORIES LIMITED

Theme of Annual Report 2011 - **Teamwork**

Coming together is a beginning.
Keeping together is progress.
Working together is success.
(Henry Ford)

Of course, synergy happens out of joint
and aligned efforts and hence teamwork
is the only way to the excellence.

Knowledge, skill, intelligence,
competence and other resources,
even all put together, will not work if
team work is not there.
Teamwork brings strategic alignment of all.

Company Information

Board of Directors

Mr. Tausif Ahmad Khan
(Chairman)

Mr. Anees Ahmad Khan
(Vice Chairman)

Mr. Aslam Hafiz
(Chief Executive Officer)

Mr. Ghulam Hussain Khan
Mian Muhammad Ashraf
Mr. Taufiq Ahmed Khan
Mrs. Nosheen Riaz Khan
Mrs. Zainub Abbas
Mr. Javed Hussain
(Alternate director)

Chief Financial Officer

Mr. Javed Hussain
Tel: +92(42)37511953
Email: javed@highnoon.com.pk

Company Secretary

Mr. Khadim Hussain Mirza
Tel: +92(42)37510036
Email: khadim@highnoon.com.pk

Bankers

Habib Bank Limited
United Bank Limited
Faysal Bank Limited
National Bank of Pakistan
MCB Bank Limited
J.S. Bank Limited
Allied Bank Limited

Registered, Head Office & Plant

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

Legal Advisors

Raja Muhammad Akram & Company

Tax Advisors

Yousuf Islam Associates

Auditors

Ernst & Young Ford Rhodes Sidat
Hyder, Chartered Accountants.

Shares Registrar

Corplink (Pvt) Ltd.
Wings Arcade,
1-K Commercial,
Model Town, Lahore.
Ph: +92 (42) 35839182, 35887262
Fax: +92 (42) 35869637

Committees

AUDIT COMMITTEE

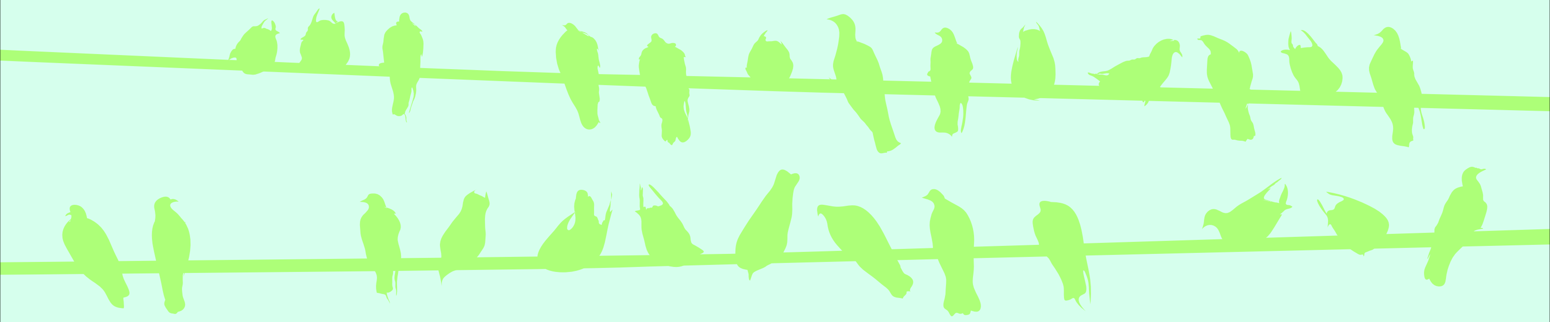
1. Mr. Tausif Ahmad Khan	Chairman
2. Mr. Ghulam Hussain Khan	Member
3. Mian Muhammad Ashraf	Member
4. Mr. Khadim Hussain Mirza	Secretary

I.T STEERING COMMITTEE

1. Mr. Aslam Hafiz CEO/MD	Chairman
2. Mr. Javed Hussain EDF/CFO	Member
3. Mr. Baqar Hasan ED (Supply Chain, Legal & RA)	Member
4. Dr. Zafar Ullah Khan ED (Technical)	Member
5. Mr. Muhammad Ilyas CM (I.T)	Member / Secretary

EXECUTIVE COMMITTEE

1. Mr. Aslam Hafiz CEO/MD	Chairman
2. Mr. Javed Hussain EDF/CFO	Member
3. Mr. Baqar Hasan ED (Supply Chain, Legal & RA)	Member / Secretary
4. Dr. Adeel Abbas ED (Marketing)	Member
5. Dr. Zafar Ullah Khan ED (Technical)	Member
6. Dr. Rizwan Mehmood ED (Quality Operations)	Member
7. Mr. Tanvir H. Qurashi ED (Human Resource)	Member



Notice of Annual General Meeting

NOTICE is hereby given that 29th Annual General Meeting of Highnoon Laboratories Limited will be held on Wednesday, April 25, 2012 at 10.00 a.m. at Registered Office, 17.5 Kilometer, Multan Road, Lahore to transact the following business:

1. To confirm minutes of last Annual General Meeting held on April 27, 2011.

2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2011 together with Directors' and Auditors' Reports thereon.

3. To consider and approve payment of Cash Dividend at the rate of thirty percent (30%) to the shareholders as recommended by the Board of Directors.

4. To appoint Auditors and fix their remuneration for the year ending December 31, 2012.

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

By order of the Board

Lahore
April 02, 2012

KHADIM HUSSAIN MIRZA
Company Secretary

Notes:

1. Share transfer books of the Company will remain closed from April 24, 2012 to April 30, 2012 (both days inclusive). Transfer received at Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore, the Share's Registrar of the Company by the close of business on April 23, 2012 will be treated in time for the entitlement of payout.

2. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote instead of him. The instrument of proxy must be received at the Registered Office of the Company, 17.5 K.M. Multan Road, Lahore not less than 48 hours before the time of holding the meeting.

3. The shareholders are requested to immediately notify the change in address, if any and provide a photocopy of their CNICs to our Share Registrar to complete the shareholders data as per requirement of the Securities & Exchange Commission of Pakistan, if not yet provided.

4. CDC shareholders are requested to bring with them their CNICs, Participants' ID numbers and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification. In case of corporate entity, a certified copy of the resolution passed by the Board of Directors / Valid Power of Attorney with specimen signatures of the nominee be produced at the time of meeting.

Our Vision

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

“Highnoon for a Healthier Nation”

Our Mission

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

Corporate Objectives

Excel in meeting customer needs.

Maintain leadership in national pharmaceutical industry.

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

Seek employee involvement, continuous improvement and enhanced performance goals.

Enhance export business.

Statement of Ethics & Core Values

Shared Responsibility

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

Intellectual Honesty

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

Personal Conduct

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

Research

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

Directors' Report to the shareholders

The Board of Directors feels pleasure to present the annual audited financial statements of Highnoon Laboratories Limited along with consolidated financial statements with its wholly owned subsidiary for the year ended 31 December 2011.

Financial Highlights of the Company

	2011
	(Rupees in '000')
Profit before tax	**144,053**
Taxation	**(51,672)**
Profit after tax	**92,381**
Un-appropriated profit brought forward	**244,856**
Transfer from surplus on revaluation of fixed assets	**5,322**
Profit available for appropriation	**342,559**
Appropriations:	
Dividend for financial year 31 December, 2010 @ Rs.2.5 per share (2009: @ Rs.2.5 per share)	**(41,319)**
Bonus Shares @ 10% (2009: NIL)	**(16,527)**
	284,713

Consolidated Financial Highlights

	2011
	(Rupees in '000')
Profit before tax	**143,899**
Taxation	**(51,672)**
Profit after tax	**92,227**
Un-appropriated profit brought forward	**246,152**
Transfer from surplus on revaluation of fixed assets	**5,322**
Profit available for appropriation	**343,701**
Appropriations:	
Dividend for financial year 31 December, 2010 @ Rs.2.5 per share (2009: @ Rs.2.5 per share)	**(41,319)**
Bonus Shares @ 10% (2009: NIL)	**(16,527)**
	285,855

EARNINGS PER SHARE

Based on net profit for the year ended 31 December 2011, the earnings per share (EPS) is Rs.5.08 (2010: Rs.3.87) showing an increase of 31.26 percent. On the basis of consolidated results EPS stands at Rs.5.07 compared to Rs.4.00 last year.

DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company has recommended cash dividend thirty percent i.e. Rs. 3.00 per share (2010: Rs.2.5 per share and bonus shares @ 10%) for the financial year ended December 31, 2011 for consideration and approval by the shareholders in the Annual General Meeting.

PATTERN OF SHAREHOLDING

The pattern of shareholding along with categories of shareholders as at December 31, 2011 as required under Section 236 of the Companies Ordinance and listing regulations is set out on Page 24 of the Annual Report 2011.

BOARD OF DIRECTORS AND THEIR ATTENDANCE AT MEETINGS

The present Board of Directors was elected in 2009 for a term of three years. The terms of appointment of Chief Executive Officer, Executive Directors, Chief Financial Officer and Company Secretary are the same; however, the Board of Directors has approved annual increase in their salaries in accordance with the policy of the Company.

During the year five (05) meetings of Board of Directors were held, the number of meetings attended by each Director is given there against:

S.No.	NAME OF MEMBERS	ATTENDANCE
1.	MR. TAUSIF AHMAD KHAN	05
2.	MR. ANEES AHMAD KHAN	05
3.	MR. ASLAM HAFIZ	05
4.	MR. GHULAM HUSSAIN KHAN	05
5.	MIAN MUHAMMAD ASHRAF	02
6.	MR. TAUFIQ AHMED KHAN	00
7.	MRS. NOSHEEN RIAZ KHAN	02
8.	MRS. ZAINUB ABBAS	03
9.	MR. JAVED HUSSAIN (Alternate director to Mr. Taufiq Ahmed Khan)	02

Leave of absence was granted to the directors who could not attend the meeting.

Pursuant to the provisions of the Companies Ordinance, Mr. Taufiq Ahmed Khan nominated Mr. Javed Hussain as alternate director during his absence from Pakistan. Mr. Javed Hussain was appointed as alternate director by the Board in a meeting held on October 21, 2011.

All the directors are aware of their duties and powers under the Company's Memorandum and Articles of Association and the listing regulations of the stock exchanges and have filed declaration to the effect.

TRADING OF SHARES BY DIRETORS, CEO, CFO AND COMPANY SECRETARY ETC.

Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children have not sold or purchased shares of the Company during the period except as mentioned hereunder:

- Mr. Tausif Ahmad Khan, Chairman / Director purchased =347,828=ordinary shares from the open market.
- Mr. Umar Hafiz son of Mr. Aslam Hafiz (CEO/MD) purchased =11,000= ordinary shares from the open market.

AUDIT COMMITTEE

The Audit Committee is in existence since 2002. It comprises of three members including Chairman of the Committee out of which two are non executive directors. The terms of reference of the Committee is in line with the Code of Corporate Governance and has been approved by the Board of Directors.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has prepared and circulated the Statement of Ethics and Business Practices signed by every director and employee of the Company as a token of acknowledgement of his/her understanding of the standards of conduct in relation to every body associated or dealing with the Company.

EXTERNAL AUDITORS

The external auditors of the Company Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants shall retire on the conclusion of Annual General Meeting. Being eligible for re-appointment under the listing regulations, they have offered their services as auditors of the Company for FY 2012. The Audit Committee has recommended the appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as auditors of the Company for the year ended 31 December 2012 and the Board agrees to the recommendations of the Audit Committee.

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

SUBSIDIARY COMPANY

The wholly owned subsidiary company, Dynalog Services Private Limited, had been in-operative since 2009 and has now ceased to operate on going concern basis. The financial statements have accordingly been stated at their estimated realizable values and the resultant gain or loss, as the case may be, has been adjusted in the financial statements for the year ended 31 December 2011.

CORPORATE GOVERNANCE

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

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

2. Proper books of accounts have been maintained.

3. Accounting estimates are based on prudent judgments and there are no outstanding statutory payments on account of Government taxes, duties, levies and charges except for those which have been disclosed in note 11 and note 15 to the financial statements.

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

5. There have been no material changes since 31 December 2011 and the Company has not entered into any commitment, which would affect the financial position at the date.

6. An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance, which comprises of three members including the Chairman out of which two are non-executive directors. The Committee has its own terms of reference, which were determined by the Board of Directors in accordance with the guidelines provided in the Code of Corporate Governance.

7. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

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

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

10. None of the directors have been convicted as a defaulter in payment of any loans of Banks / DFIs nor they or their spouses are engaged in the business of stock brokerage. The Board has separately appended "Statement of Compliance with Best Practices of Corporate Governance" and auditors have given clean review report thereon.

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

12. The value of investment of the Provident fund based on un-audited figure as on 31 December 2011 was Rs.128.135 Million as compared to audited figures as at 31 December 2010 of Rs.120.501 million.

13. Key financial data for the last six years as an investors' guide is set out on Page 17 of the Annual Report.

WEB PRESENCE

Company's profile and all periodic financial statements including annual reports are available on the Company's web site "www.highnoon-labs.com" for information of the investors.

CHAIRMAN'S REVIEW

The Directors endorse the contents of the Chairman's Review, which forms part of the Directors' Report. The Board authorizes the Chief Executive Officer to sign the Directors' Report on behalf of the Board.

For and on behalf of the Board

Aslam Hafiz
Chief Executive Officer

Lahore: 22 March, 2012

Chairman's Review

I welcome you to the 29th Annual General Meeting of the Company and am delighted to present the Company's annual performance review along with the audited financial statements and the auditor's report for the year ended 31 December 2011.

At the outset I would like to offer my deep sympathies on the tragic and unfortunate incident at Pakistan Institute of Cardiology. While the tragedy is still being investigated to identify its root cause, this incident has brought to fore Government's apathy towards the highly sensitive health sector.

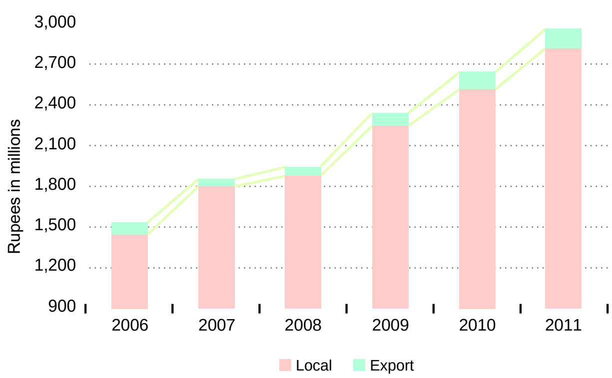
We have been highlighting the absence of central regulatory oversight body after the passage of 18th Constitutional Amendment with the devolution of the Federal Ministry of Health to the provinces. Since the devolution of the Federal Ministry of Health, the government was dealing with this critical subject on ad hoc basis and this situation persists even today. While I share my concerns on this matter, I would like to reiterate that your Company's mission is to improve the quality of life by providing quality medicines. In furtherance of our mission we take maximum care about patient safety and follow the most stringent standards defined by internationally accepted cGMP guidelines at every step of manufacturing and testing of our products.

Performance Review

2011 was perhaps the most critical year in the history of your Company as it saw parting of ways with our oldest and largest business partners, Solvay Pharmaceuticals as a result of its global acquisition by Abbott Laboratories. Consequent to this acquisition, the registrations and marketing of Solvay products, which contributed nearly 30% to our net sales, were

transferred from Highnoon to Abbott. The management of your Company, however, successfully negotiated a long-term agreement with Abbott Laboratories under which these products will continue to be manufactured by Highnoon while these shall be marketed by Abbott. The operating results of 2011, therefore, carry the impact of this phenomenal change in the structure of your Company.

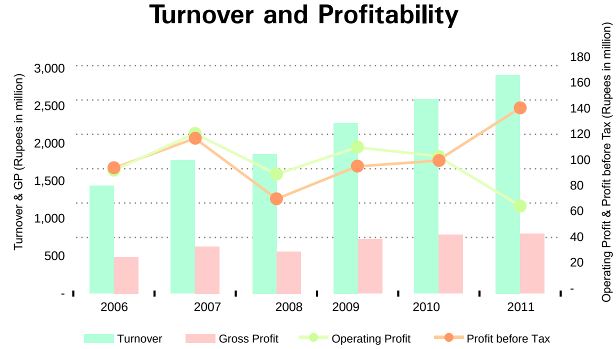
Sales Trend



Net revenues recorded by your Company during 2011 amounted to Rs.2.945 Billion (2010: Rs.2.637 Billion), showing a growth of 11.7%. It is pertinent to re-iterate here that 2011 revenues carry only six months of sales from Solvay products as against full year sales impact from these products during 2010.

Ever increasing inflationary pressure and weakening rupee resulted in more than 17% increase in cost of sales during the year. As a consequence, there was only a marginal increase of 1.2% in gross profit, which amounted to Rs.0.914 Billion (2010: Rs.0.904 Billion). As a percentage to sales, gross profit for the year stood at 31% as against 34% in 2010.

Turnover and Profitability



Significant reduction in financial cost and realization of revenues as a consequence of the agreement with Abbott Laboratories enabled your Company to post a pre-tax profit of Rs.144 Million (2010: Rs.106 million), registering an increase of 36% over 2010. Profit after tax also posted a handsome increase of 31% and came up to Rs.92.381 Million (2010: Rs.70.344 Million), enabling your Company to record an EPS of Rs.5.08 as against Rs.3.87 during 2010.

Looking Ahead

While transfer of Solvay business to Abbott Laboratories severely impacted our revenues and costs during 2011, your Company has taken concrete measures during the course of the year to overcome these deficits through re-aligning its operation. These measures include:

- Re-structuring of the sales organization to make it leaner and more productive.
- Improving the sales mix of existing products to improve the overall gross margin of the Company.
- More aggressive introduction of new products.
- Addition of new manufacturing sections to broaden the product offerings.

o Upgrading and modernization of manufacturing facility to bring in greater productivity and cost effectiveness.

o Forming new alliances with multinational companies to introduce their products in Pakistan.

More specifically, the following steps have already been taken which are yielding the desired results:

o Consolidation of the sales organization into 5 sales teams and introduction of an elaborate Electronic Territory Management System to ensure optimal sales productivity.

o Launch of five new products during the course of 2011 which have started to contribute significantly to our top line.

o Commissioning of new sections for the manufacture of semi-solid preparations and dry powder suspensions. These sections are currently pending approval from Health Authorities. Once approved, these sections will enable your Company to introduce products in the market which hitherto it did not have the capability to manufacture.

o Complete upgrading of the granulation section which has not only significantly increased our granulation capacity but has also brought down the processing time, hence bringing in cost effectiveness.

o Complete overhaul of the hormones manufacturing section which, once

completed, will enable your Company to become one of the foremost manufacturers of hormone products in the country.

- Entering into a marketing alliance with Switzerland based Acino Pharmaceuticals which specializes in manufacture and marketing of high-tech dosage forms such as trans-dermal patches and delayed release formulations. Some of the products from Acino are already under registration and are expected to be introduced during the course of 2012.
- Your Company is also in the advanced stages of negotiating another marketing alliance with German company which specializes in pharmaceutical products of natural origin. We expect that this agreement will, Insha Allah, get concluded during the first half of 2012.

Ladies and gentlemen, as I said earlier, 2011 was perhaps the most critical and difficult year in the history of our Company. The fact that we have posted as impressive earnings speaks volumes of the strength of the organization and the perseverance and dedication of the team which forms the Highnoon family. These results along with the steps which I have elaborated above give me the confidence that we have an exceptionally prosperous future in front of us. Please join me in praying to the almighty that our endeavors do indeed bear the fruits which take our Company to new heights of success.

May God bless all of us.

For & on behalf of the Board

Tausif Ahmad Khan
Chairman

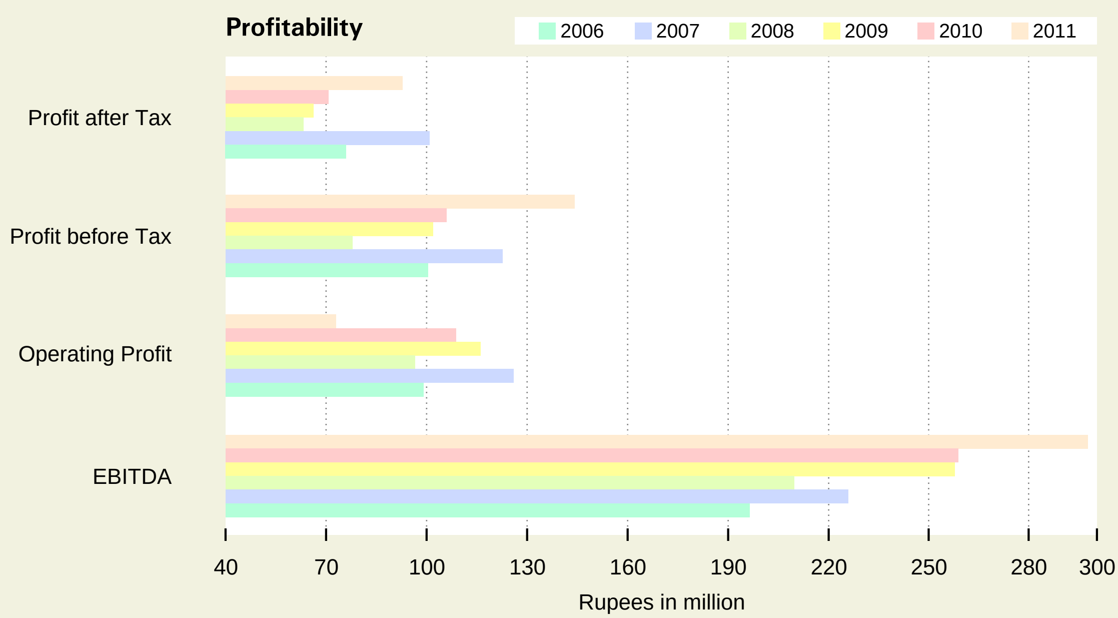
Lahore: 22 March 2012

Six years at a Glance

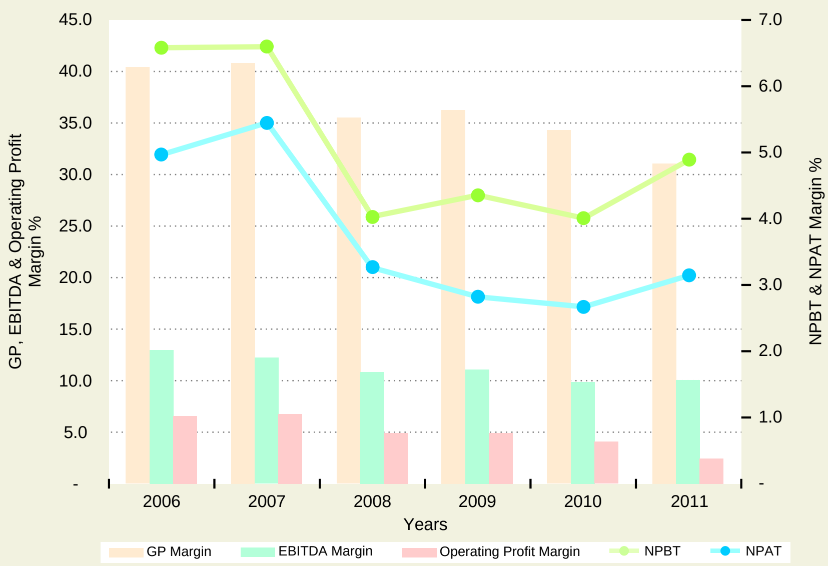
		2011	2010	2009	2008	2007	2006
		Rupees in '000'					
Summary of Balance Sheet							
Share Capital		181,805	165,277	165,277	165,277	150,252	130,654
Reserves		398,713	358,856	323,918	332,801	299,940	245,127
Operating Fixed Assets		701,972	696,937	675,982	653,900	564,711	500,804
Non Current Assets		127,039	144,145	104,145	107,088	119,383	76,421
Net Working Capital		284,416	259,483	201,138	194,315	192,212	137,181
Long Term Liabilities		83,898	127,850	70,554	96,472	86,182	40,881
Deferred Liabilities		265,857	260,106	227,126	160,146	131,672	149,295
Summary of Profit and Loss Account							
Sales - Net		2,944,907	2,636,538	2,334,752	1,933,344	1,851,718	1,525,692
Gross Profit		914,171	903,555	846,157	686,938	755,409	616,506
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)		297,360	258,772	258,042	209,909	226,069	196,658
Operating Profit		72,751	108,748	115,827	96,178	125,676	99,014
Profit Before Tax		144,053	105,580	101,847	77,972	122,265	100,487
Net Profit After Tax		92,381	70,344	65,762	63,123	100,924	75,725
Summary of Cash Flow Statement							
Net Cash Flow from Operating Activities		388,077	270,151	(13,919)	59,457	119,631	92,232
Net Cash Flow from Investing Activities		(47,473)	(115,634)	(71,394)	(120,787)	(38,419)	(11,217)
Net Cash Flow from Financing Activities		(391,339)	(122,111)	113,337	56,650	(84,921)	(78,954)
Changes in Cash and Cash Equivalents		(50,735)	32,406	28,024	(4,679)	(3,707)	2,061
Cash and Cash Equivalents at Year End		12,597	63,331	30,925	7,177	11,856	15,565
Financial Performance/ Profitability Analysis							
Gross Profit Margin	%	31.04	34.27	36.24	35.53	40.80	40.41
EBITDA to Sales Margin	%	10.10	9.81	11.05	10.86	12.21	12.89
Operating Profit Margin	%	2.47	4.12	4.96	4.97	6.79	6.49
Profit Before Tax Margin	%	4.89	4.00	4.36	4.03	6.60	6.59
Profit After Tax Margin	%	3.14	2.67	2.82	3.26	5.45	4.96
Return on Equity	%	15.91	13.42	13.44	12.67	22.42	20.15
Return on Capital Employed	%	13.90	10.79	11.75	10.62	18.82	18.17
Operating Performance/ Liquidity Analysis							
Inventory Turnover	Days	104	141	141	127	130	129
Debtors Turnover	Days	6	6	14	31	31	23
Creditors Turnover	Days	29	28	32	40	48	45
Cash Operating Cycle	Days	76	119	123	118	113	108
Assets Turnover Ratio	Times	1.89	1.51	1.34	1.31	1.38	1.32
Fixed Assets Turnover	Times	3.56	3.19	3.18	2.58	2.79	2.75
Return on Assets	%	9.25	6.06	5.83	5.28	9.13	8.69
Current Ratio	Times	1.64	1.41	1.26	1.37	1.42	1.31
Quick Ratio	Times	0.47	0.40	0.35	0.51	0.51	0.50

		2011	2010	2009	2008	2007	2006
		Rupees in '000'					
Distribution Analysis							
Pay out - Proposed							
Cash Dividend per share	Rs.	3.00	2.50	2.50	2.50	1.50	1.50
Bonus	%	-	10.00	-	-	10.00	15.00
Payout Ratio (after tax)	%	59.04	82.23	62.83	65.46	37.22	51.76
Dividend Yield	%	10.58	12.09	8.20	6.38	2.99	6.74
Earnings Per Share (after tax)	Rs./share	5.08	4.26	3.98	3.82	6.72	5.80
Price Earning Ratio	Times	5.58	6.80	7.66	10.26	12.43	7.67
Capital Structure/ Market Value Analysis							
Long Term Debt : Equity Ratio		11:89	19:81	11:89	16:84	16:84	10:90
Shareholders' Net Worth as % of Total Assets	%	49.03	40.93	39.14	47.36	49.18	45.32
Financial Charges Coverage	Times	3.05	2.18	2.28	2.16	3.86	3.62
Number of Shares	in'000'	18,181	16,528	16,528	16,528	15,025	13,065
Break-up Value of Share							
Excluding Surplus on Revaluation	Rs.	31.93	31.71	29.60	30.14	29.96	28.76
Including Surplus on Revaluation	Rs.	42.00	43.12	41.36	42.27	43.82	40.12
Market Value of Share							
Year End	Rs.	28.35	28.94	30.50	39.20	83.50	44.50
Highest	Rs.	33.50	33.99	40.45	94.25	94.55	52.20
Lowest	Rs.	24.50	22.10	27.71	27.40	49.50	37.90
Average	Rs.	27.94	27.30	30.54	79.64	75.54	45.05
Market Capitalization	Rs.in'000'	515,418	478,313	504,095	647,886	1,254,604	581,410

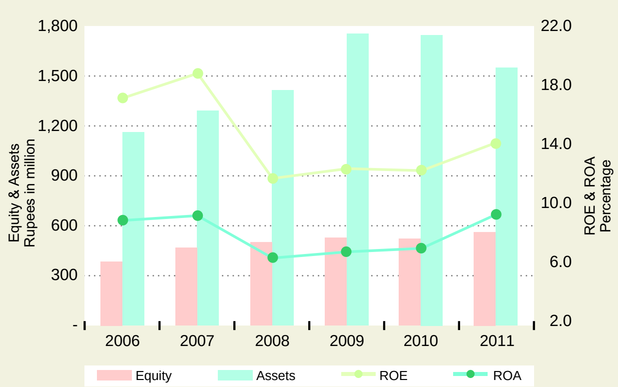
Performance Overview



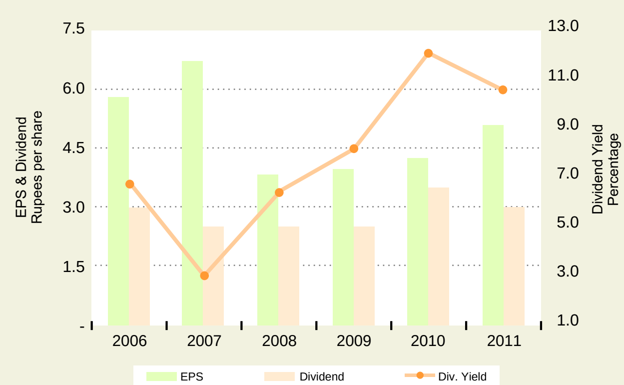
Profitability Margins



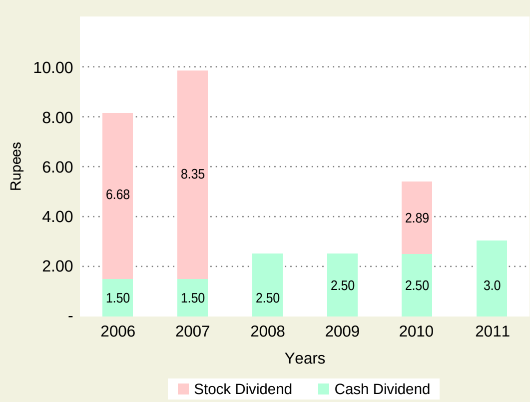
Shareholders' Equity Assets and Return



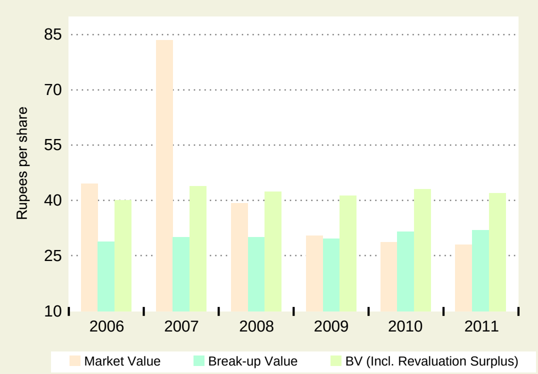
Dividends & Earnings



Value of Payout (Rupees/share)

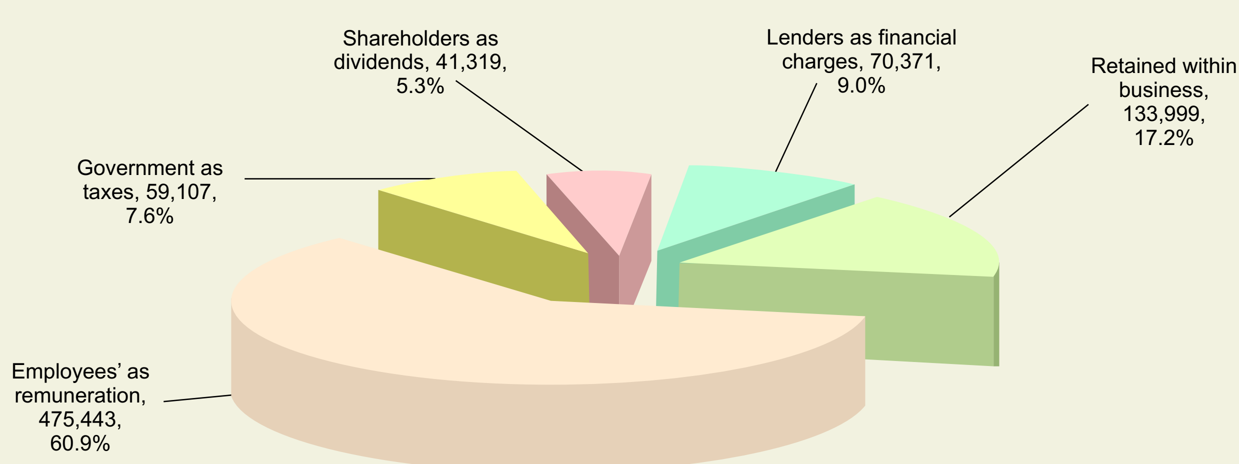


Market Value/ Breakup Value of Share



Statement of value addition and its distribution

	2011 Rs. in '000'	2010 Rs. in '000'
Value Added		
Net Sales	2,947,666	2,636,932
Material & Services	2,260,179	1,942,503
Other Income	92,752	7,708
	780,239	**702,137**
Distribution		
Employees		
Salaries Wages & Benefits	467,611	430,641
Workers Profit Participation Fund	7,832	5,745
	475,443	436,386
Government		
Income Tax	51,672	35,236
Sales Tax	2,759	394
Central Research Fund	1,456	1,427
Workers Welfare Fund	3,220	2,155
	59,107	39,212
Provider of Finances		
To Shareholder as Dividend	41,319	41,319
To Banks as financial charges	70,371	79,341
	111,690	120,660
Retained in Business		
Depreciation and amortization	82,937	76,854
Retained Profit	51,062	29,025
	133,999	105,879
	780,239	**702,137**



Vertical & Horizontal Analysis

VERTICAL ANALYSIS
BALANCE SHEET

	2011 Rs. in 000	2011 %	2010 Rs. in 000	2010 %	2009 Restated Rs. in 000	2009 Restated %	2008 Rs. in 000	2008 %	2007 Rs. in 000	2007 %	2006 Rs. in 000	2006 %
Share Capital and Reserve	763,671	49.0	712,609	40.9	683,585	39.1	699,038	47.4	658,452	49.2	524,231	45.3
Non Current Liabilities												
Long term loan - secured	57,659	3.7	99,947	5.7	39,412	2.3	53,743	3.6	28,968	2.2	-	-
Liabilities against assets subject to finance lease	11,296	0.7	27,903	1.6	31,143	1.8	42,729	2.9	57,214	4.3	40,881	3.5
Long term advances	14,942	1.0	10,589	0.6	15,389	0.9	17,126	1.2	15,566	1.2	14,093	1.2
Deferred liabilities	265,858	17.1	249,517	14.3	211,736	12.1	143,020	9.7	115,084	8.5	130,853	11.3
Deferred gain	-	-	-	-	-	-	-	-	1,022	0.1	4,348	0.4
Total Non Current Liabilities	349,755	22.5	387,956	22.3	297,680	17.1	256,618	17.4	217,854	16.3	190,175	16.4
Current Liabilities												
Trade and other payables	186,674	12.0	120,441	6.9	135,493	7.8	108,439	7.3	152,282	11.4	119,151	10.3
Liability for patent and trade mark	-	-	-	-	-	-	6,408	0.4	-	-	-	-
Mark-up payable on secured loans	10,436	0.7	20,544	1.2	18,452	1.1	16,063	1.1	7,286	0.5	6,812	0.6
Short term bank borrowings - secured	166,291	10.7	433,153	24.9	562,307	32.2	345,067	23.4	255,397	19.1	281,509	24.3
Income Tax-net	-	-	-	-	-	-	-	-	14,075	1.1	-	-
Current portion of long term liabilities	80,742	5.1	66,266	3.8	49,189	2.7	44,513	3.0	33,623	2.4	34,748	3.1
Total Current Liabilities	444,143	28.5	640,404	36.8	765,441	43.8	520,490	35.2	462,663	34.5	442,220	38.3
	1,557,569	**100.0**	**1,740,969**	**100.0**	**1,746,706**	**100.0**	**1,476,146**	**100.0**	**1,338,969**	**100.0**	**1,156,626**	**100.0**
Non Current Assets												
Property, plant and equipments	715,604	45.9	710,421	40.8	720,546	41.3	683,288	46.3	618,702	46.2	515,255	44.5
Intangible assets	111,844	7.2	129,099	7.4	58,018	3.3	66,492	4.5	43,830	3.3	40,408	3.5
Long Term Investment	-	-	-	-	-	-	10,000	0.7	20,000	1.5	20,000	1.7
Long Term deposits	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.1	1,562	0.2
	829,010	53.2	841,082	48.3	780,126	44.7	761,342	51.6	684,094	51.1	577,225	49.9
Current Assets												
Stock in trade	518,480	33.3	640,845	36.8	700,501	40.1	449,901	30.5	418,423	31.2	359,864	31.1
Trade debts	55,270	3.5	43,544	2.5	36,988	2.1	140,987	9.6	187,341	14.0	125,547	10.9
Advances, deposits and prepayments	51,136	3.3	33,714	1.9	70,234	4.0	25,007	1.7	26,781	2.0	35,690	3.1
Other receivables	17,005	1.1	21,587	1.3	63,910	3.7	53,586	3.6	10,473	0.8	38,912	3.4
Income Tax-net	74,071	4.8	96,866	5.6	64,022	3.7	38,145	2.6	-	-	3,823	0.3
Cash and bank balances	12,597	0.8	63,331	3.6	30,925	1.7	7,178	0.4	11,857	0.9	15,565	1.3
	728,559	46.8	899,887	51.7	966,580	55.3	714,804	48.4	654,,875	48.9	579,401	50.1
	1,557,569	**100.0**	**1,740,969**	**100.0**	**1,746,706**	**100.0**	**1,476,146**	**100.0**	**1,338,969**	**100.0**	**1,156,626**	**100.0**

VERTICAL ANALYSIS
PROFIT AND LOSS ACCOUNT

	2011 Rs. in 000	%	2010 Rs. in 000	%	2009 Restated Rs. in 000	%	2008 Rs. in 000	%	2007 Rs. in 000	%	2006 Rs. in 000	%
Sales - net	2,944,907	100.0	2,636,538	100.0	2,334,752	100.0	1,933,344	100.0	1,851,718	100.0	1,525,692	100.0
Cost of Sales	2,030,736	69.0	1,732,983	65.7	1,488,595	63.8	1,246,406	64.5	1,096,309	59.2	909,186	59.6
Gross Profit	914,171	31.0	903,555	34.3	846,157	36.2	686,938	35.5	755,409	40.8	616,506	40.4
Other Operating Income	92,752	3.1	7,708	0.3	9,191	0.4	8,924	0.5	10,259	0.6	11,957	0.8
Distribution, Selling and Promotional Expenses	568,589	19.3	540,518	20.5	483,376	20.7	371,771	19.2	436,648	23.6	356,308	23.4
Administrative and General Expenses	195,733	6.6	161,148	6.1	160,668	6.9	142,506	7.4	139,687	7.5	115,314	7.6
Research and Development Expenses	6,727	0.2	3,716	0.1	6,945	0.3	9,350	0.5	10,664	0.6	7,492	0.5
Other Operating Expenses	21,450	0.7	10,876	0.4	23,170	1.0	27,131	1.4	13,669	0.7	10,485	0.7
	699,747	23.7	708,550	26.8	664,968	28.5	541,834	28.0	590,408	31.8	477,642	31.4
	214,424	7.3	195,005	7.5	181,189	7.7	145,104	7.5	165,001	9.0	138,864	9.0
Finance Cost	70,371	2.4	89,425	3.4	79,341	3.4	67,133	3.5	42,736	2.3	38,377	2.5
Profit Before Taxation	144,053	4.9	105,580	4.1	101,848	4.3	77,971	4.0	122,265	6.7	100,487	6.5
Taxation	51,672	1.8	35,236	1.3	36,085	1.5	14,848	0.8	21,342	1.2	24,762	1.6
Profit After Taxation	**92,381**	**3.1**	**70,344**	**2.8**	**65,763**	**2.8**	**63,123**	**3.2**	**100,923**	**5.5**	**75,725**	**4.9**

HORIZONTAL ANALYSIS
BALANCE SHEET

	2011 Rs. in 000	%	2010 Rs. in 000	%	2009 Restated Rs. in 000	%	2008 Rs. in 000	%	2007 Rs. in 000	%	2006 Rs. in 000	%
Share Capital and Reserve	763,671	7.2	712,609	4.2	683,585	-2.2	699,038	6.2	658,452	25.6	524,231	12.6
Non Current Liabilities												
Long term loan - secured	57,659	-42.3	99,947	153.6	39,412	-26.7	53,743	85.5	28,968	100.0	-	-
Liabilities against assets subject to finance lease	11,296	-59.5	27,903	-10.4	31,143	-27.1	42,729	-25.3	57,214	40.0	40,881	29.7
Long term advances	14,942	41.1	10,589	-31.2	15,389	-10.1	17,126	10.0	15,566	10.5	14,093	13.6
Deferred liabilities	265,858	6.5	249,517	17.8	211,736	48.0	143,020	24.2	115,084	-12.1	130,853	-0.2
Deferred gain	-	-	-	-	-	-	-	-100.0	1,022	-76.5	4,348	-54.1
Total Non Current Liabilities	349,755	-9.8	387,956	30.3	297,680	16.0	256,618	17.8	217,854	14.6	190,175	3.1
Current Liabilities												
Trade and other payables	186,674	55.0	120,441	-11.1	135,493	24.9	108,439	-28.8	152,282	27.8	119,151	33.0
Liability for patent and trade mark	-		-	-	-	-100.0	6,408	100.0	-	-	-	-
Mark-up payable on secured loans	10,436	-49.2	20,544	11.3	18,452	14.9	16,063	120.5	7,286	7.0	6,812	5.0
Short term bank borrowings - secured	166,291	-61.6	433,153	-23.0	562,307	63.0	345,067	35.1	255,397	-9.3	281,509	0.5
Income Tax-net	-	-	-	-	-	-	-	-100.0	14,075	100.0	-	-
Current portion of long term liabilities	80,742	21.8	66,266	34.7	49,189	10.5	44,513	32.4	33,623	-3.2	34,748	-32.9
Total Current Liabilities	444,143	-30.6	640,404	-16.3	765,441	47.1	520,490	12.5	462,663	4.6	442,220	3.4
	1,557,569	**-10.5**	**1,740,969**	**-0.3**	**1,746,706**	**18.3**	**1,476,146**	**10.2**	**1,338,969**	**15.8**	**1,156,626**	**7.3**

HORIZONTAL ANALYSIS
BALANCE SHEET

	2011 Rs. in 000	%	2010 Rs. in 000	%	2009 Restated Rs. in 000	%	2008 Rs. in 000	%	2007 Rs. in 000	%	2006 Rs. in 000	%
Non Current Assets												
Property, plant and equipments	715,604	0.7	710,421	-1.4	720,546	5.5	683,288	10.4	618,702	20.1	515,255	0.8
Intangible assets	111,844	-13.4	129,099	122.5	58,018	-12.7	66,492	51.7	43,830	8.5	40,408	-3.8
Long Term Investment	-	-	-	-	-	-100.0	10,000	-50.0	20,000	-	20,000	-
Long Term deposits	1,562	-	1,562	-	1,562	-	1,562	-	1,562	-	1,562	335.1
	829,010	-1.4	841,082	7.8	780,126	2.5	761,342	11.3	684,094	18.5	577,225	0.7
Current Assets												
Stock in trade	518,480	-19.1	640,845	-8.5	700,501	55.7	449,901	7.5	418,423	16.3	359,864	27.8
Trade debts	55,270	26.9	43,544	17.7	36,988	-73.8	140,987	-24.7	187,341	49.2	125,547	82.2
Advances, deposits and prepayments	51,136	51.7	33,714	-52.0	70,234	180.9	25,007	-6.6	26,781	-25.0	35,690	47.1
Other receivables	17,005	-21.2	21,587	-66.2	63,911	19.3	53,586	411.7	10,473	-73.1	38,912	-54.3
Income Tax-net	74,071	-23.5	96,866	51.3	64,021	67.8	38,145	100.0	-	-100.0	3,823	-87.5
Cash and bank balances	12,597	-80.1	63,331	104.8	30,925	330.8	7,178	-39.5	11,857	-23.8	15,565	15.3
	728,559	-19.0	899,887	-6.9	966,580	35.2	714,804	9.2	654,,875	13.0	579,401	14.9
	1,557,569	**-10.5**	**1,740,969**	**-0.3**	**1,746,706**	**18.3**	**1,476,146**	**10.2**	**1,338,969**	**15.8**	**1,156,626**	**7.3**

HORIZONTAL ANALYSIS
PROFIT AND LOSS ACCOUNT

	2010 Rs. in 000	%	2010 Rs. in 000	%	2009 Restated Rs. in 000	%	2008 Rs. in 000	%	2007 Rs. in 000	%	2006 Rs. in 000	%
Sales - net	2,944,907	11.7	2,636,538	12.9	2,334,752	20.8	1,933,344	4.4	1,851,718	21.4	1,525,692	22.2
Cost of Sales	2,030,736	17.2	1,732,983	16.4	1,488,595	19.4	1,246,406	13.7	1,096,309	20.6	909,186	14.0
Gross Profit	914,171	1.2	903,555	6.8	846,157	23.2	686,938	-9.1	755,409	22.5	616,506	36.7
Other Operating Income	92,752	1103.4	7,708	-16.1	9,191	3.0	8,924	-13.0	10,259	-14.2	11,957	-19.1
Distribution, Selling and Promotional Expenses	568,589	5.2	540,518	11.8	483,376	30.0	371,771	-14.9	436,648	22.5	356,308	49.7
Administrative and General Expenses	195,733	21.5	161,148	0.3	160,668	12.7	142,506	2.0	139,687	21.1	115,314	6.9
Research and Development Expenses	6,727	81.0	3,716	-46.5	6,945	-25.7	9,350	-12.3	10,664	42.3	7,492	16.5
Other Operating Expenses	21,450	97.2	10,876	-53.1	23,170	-14.6	27,131	98.5	13,669	30.4	10,485	74.8
	699,747	-1.2	708,550	6.6	664,968	22.7	541,834	-8.2	590,408	23.6	477,642	33.3
	214,424	10.0	195,005	7.6	181,189	24.9	145,104	-12.1	165,001	18.8	138,864	29.2
Finance Cost	70,371	-21.3	89,425	12.7	79,341	18.2	67,133	57.1	42,736	11.4	38,377	15.2
Profit Before Taxation	144,053	36.4	105,580	3.7	101,848	30.6	77,971	-36.2	122,265	21.7	100,487	35.4
Taxation	51,672	46.6	35,236	-2.4	36,085	143.0	14,848	-30.4	21,342	-13.8	24,762	4.7
Profit After Taxation	**92,381**	**31.3**	**70,344**	**7.0**	**65,763**	**4.2**	**63,123**	**-37.5**	**100,923**	**33.3**	**75,725**	**49.8**

Pattern of Shareholding
as at December 31, 2011

Sr.No.	No. of Shareholders	Shareholdings From:		To:	Total Share held
1	1175	1	-	100	51,324
2	840	101	-	500	196,547
3	569	501	-	1,000	451,870
4	359	1,001	-	5,000	744,526
5	65	5,001	-	10,000	450,855
6	40	10,001	-	15,000	479,097
7	14	15,001	-	20,000	244,439
8	6	20,001	-	25,000	138,009
9	7	25,001	-	30,000	198,749
10	5	30,001	-	35,000	159,390
11	2	35,001	-	40,000	73,340
12	3	40,001	-	45,000	128,405
13	2	45,001	-	50,000	94,773
14	2	50,001	-	60,000	111,195
15	1	60,001	-	70,000	63,477
16	1	70,001	-	80,000	74,470
17	4	80,001	-	90,000	344,496
18	1	90,001	-	100,000	92,049
19	1	100,001	-	115,000	112,752
20	2	115,001	-	130,000	257,279
21	2	130,001	-	145,000	286,988
22	1	145,001	-	155,000	151,153
23	2	155,001	-	165,000	322,969
24	1	165,001	-	180,000	167,092
25	1	180,001	-	195,000	181,842
26	1	195,001	-	200,000	197,599
27	1	200,001	-	230,000	203,805
28	2	230,001	-	300,000	509,485
29	1	300,001	-	400,000	397,056
30	1	400,001	-	465,000	461,276
31	1	465,001	-	600,000	484,286
32	1	600,001	-	700,000	614,343
33	1	700,001	-	800,000	736,552
34	1	800,001	-	1,050,000	1,038,897
35	1	1,050,001	-	1,150,000	1,127,104
36	1	1,150,001	-	1,400,000	1,321,257
37	1	1,400,001	-	1,700,000	1,515,376
38	1	1,700,001	-	2,000,000	1,930,832
39	1	2,000,001	-	2,200,200	2,065,563
	3,121				18,180,517

Categories of shareholders	No. of Shareholders	Shares held	%age
Directors, CEO and their spouse & minor children			
*Mr. Tausif Ahmad Khan	1	1,930,832	10.62
Mr. Anees Ahmad Khan	1	613	0.00
Mr. Ghulam Hussain Khan	1	614,343	3.38
Mian Muhammad Ashraf	1	605	0.00
Mr. Taufiq Ahmed Khan	1	1,321,257	7.27
Mrs. Zainub Abbas	1	1,372	0.01
Mrs. Nosheen Riaz Khan	1	1,038,897	5.71
Mr. Jawaid Tariq Khan (Late)	1	1,127,104	6.20
*Mr. Tauqir Ahmad Khan	1	2,065,563	11.36
Mrs. Saweela Anees Khan	1	484,286	2.66
Mrs. Huma Hussain	1	143,701	0.79
Associated Companies, undertakings and related parties	-	-	-
NIT and ICP	4	473,492	2.60
Banks, Development Financial Institutions, Non Banking Financial Institutions, Joint Stock Companies & Trusts	37	864,076	4.75
Insurance Companies	3	822,578	4.52
Modarabas and Mutual Funds	1	710	0.00
*** Share holders holding 10%**	-	-	-
Non-Resident Companies	2	1,523,736	8.38
General Public			
a. Local	3,042	5,417,450	29.80
b. Foreign	21	349,902	1.92
Others	-	-	-
TOTAL	3,121	18,180,517	100

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

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. The present Board consists of three executive directors and five non-executive directors of which one is an independent director.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including Highnoon Laboratories Limited.

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.

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

6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.

7. The meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the Board and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. The Board arranged an orientation course for its directors to remind them of their duties and responsibilities.

9. The Company Secretary was appointed prior to the implementation of the Code of Corporate Governance. The Chief Financial Officer fulfils the requirements as mandated by the Code of Corporate Governance. The appointment of Head of Internal Audit, his remuneration and other terms and conditions have been approved by the Board of Directors as determined by the CEO.

10. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an Audit Committee. It comprises of three members, two of them are non-executive directors.

15. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been fully complied with.

16. The Board has set-up an effective internal audit function and the internal auditors of the Company are fully conversant with the policies and procedures of the Company and working on a full time basis.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Aslam Hafiz
Chief Executive Officer

Lahore: 22 March 2012

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Highnoon Laboratories Limited to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.
Further, sub-regulation (xiii) of Listing Regulation No. 35 notified by the Karachi Stock EXChange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2011.

Chartered Accountants
Engagement Partner:
Naseem Akbar

Lahore: 22 March 2012

Financial Statements

HIGHNOON LABORATORIES LIMITED
2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Highnoon Laboratories Limited** as at 31 December 2011 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 requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

b) in our opinion:

   (i) The balance sheet and profit and loss account together with the notes thereon have been draw 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 as stated in Noted 2.3 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 2011** and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Chartered Accountants
Engagement Partner: Naseem akbar

Lahore: 22 March 2012

BALANCE SHEET

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
Ordinary shares of Rs. 10 each			
20,000,000 (2010: 20,000,000)		**200,000,000**	200,000,000
Share capital	5	**181,805,170**	165,277,431
Reserves		**398,712,812**	358,856,438
		580,517,982	524,133,869
Surplus on revaluation of fixed assets	6	**183,153,055**	188,475,264
NON CURRENT LIABILITIES			
Long term loans - secured	7	**57,659,470**	99,946,763
Liabilities against assets subject to finance lease	8	**11,296,272**	27,903,144
Long term advances	9	**14,942,278**	10,588,988
Deferred liabilities	10	**265,856,776**	249,517,280
		349,754,796	387,956,175
CURRENT LIABILITIES			
Trade and other payables	11	**186,673,545**	120,440,822
Markup payable on secured loans	12	**10,436,070**	20,544,406
Short term bank borrowings - secured	13	**166,291,136**	433,152,102
Current portion of long term liabilities	14	**80,742,402**	66,266,257
		444,143,153	640,403,587
CONTINGENCIES AND COMMITMENTS	15	**-**	-
		1,557,568,986	1,740,968,895

The annexed notes from 1 to 41 form an integral part of these financial statements.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 31 DECEMBER 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	*16*	**715,604,221**	710,421,269
Intangible assets	*17*	**111,843,817**	129,099,156
Long term investment	*18*	**-**	-
Long term deposits		**1,562,054**	1,562,054
		829,010,092	841,082,479
CURRENT ASSETS			
Stock in trade	*19*	**518,480,424**	640,844,633
Trade debts	*20*	**55,269,355**	43,544,080
Advances, deposits and prepayments	*21*	**51,136,092**	33,714,141
Other receivables	*22*	**17,005,240**	21,586,681
Income tax - net		**74,070,798**	96,865,390
Cash and bank balances	*23*	**12,596,985**	63,331,491
		728,558,894	899,886,416
		1,557,568,986	1,740,968,895

ANEES AHMAD KHAN
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 Rupees	2010 Rupees
Sales - net	*24*	**2,944,907,488**	2,636,538,261
Cost of sales	*25*	**2,030,736,442**	1,732,983,015
GROSS PROFIT		**914,171,046**	903,555,246
Other operating income	*26*	**92,752,280**	7,707,501
Distribution, selling and promotional expenses	*27*	**568,588,690**	540,517,943
Administrative and general expenses	*28*	**195,732,726**	161,147,992
Research and development expenses	*29*	**6,727,034**	3,716,059
Other operating expenses	*30*	**21,450,726**	10,875,591
		699,746,896	708,550,084
		214,424,150	195,005,162
Finance Cost	*31*	**70,370,861**	89,424,804
PROFIT BEFORE TAXATION		**144,053,289**	105,580,358
Taxation	*32*	**51,672,027**	35,236,394
PROFIT AFTER TAXATION		**92,381,262**	70,343,964
Earnings per share - basic and diluted	*33*	**5.08**	3.87

The annexed notes from 1 to 41 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 2011

	2011 Rupees	2010 Rupees
Profit after tax for the year	**92,381,262**	70,343,964
Other comprehensive income	**-**	-
Total comprehensive income for the year	**92,381,262**	70,343,964

Surplus arising on 'revaluation of fixed assets' is presented under a separate head below equity as surplus on revaluation of assets in accordance with the requirements specified by the Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O.45(I)/2003 dated 13 January 2003 and Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 41form an integral part of these financial statements.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**144,053,289**	105,580,358
Adjustments for non-cash and other items:		
Depreciation	**65,378,232**	63,766,964
Amortization of intangible assets	**17,557,999**	13,086,294
Gain on sale of property, plant and equipment	**(5,530,791)**	(6,780,670)
Exchange loss	**8,942,250**	1,548,075
Provision for defined benefit obligation	**40,681,629**	35,792,612
Provision for doubtful debts	**-**	2,186,927
Finance cost	**70,370,861**	89,424,804
	197,400,180	199,025,006
Profit before working capital changes	**341,453,469**	304,605,364
WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stock in trade	**122,364,209**	59,656,796
Trade debts	**(11,725,275)**	(8,742,714)
Advances, deposits and prepayments	**(17,421,951)**	36,519,934
Other receivables	**4,581,441**	42,322,834
Increase / (decrease) in current liabilities:		
Trade and other payables	**56,750,712**	(17,141,619)
	154,549,136	112,615,231
Cash generated from operations	**496,002,605**	417,220,595
Taxes paid	**(42,988,179)**	(55,571,383)
Gratuity paid	**(10,231,390)**	(10,521,073)
Finance cost paid	**(74,452,116)**	(79,607,315)
Long term advances - net	**19,746,270**	(1,369,339)
Net Cash Flow from Operating activities	**388,077,190**	270,151,485

	Note	**2011 Rupees**	2010 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		**(60,405,164)**	(56,713,931)
Intangible assets acquired		**(302,660)**	(76,800,888)
Sale proceeds from disposal of property, plant and equipment		**13,235,272**	17,880,429
Net cash used in investing activities		**(47,472,552)**	(115,634,390)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		**(41,411,288)**	(40,667,694)
Long term loans obtained		**-**	116,049,000
Long term loans repayment - net		**(42,287,293)**	(27,558,294)
Decrease in short term bank borrowings - net		**(266,860,966)**	(129,155,729)
Dividend paid		**(40,779,597)**	(40,778,313)
Net cash used in financing activities		**(391,339,144)**	(122,111,030)
Net (decrease) / increase in cash and cash equivalents		**(50,734,506)**	32,406,065
Cash and cash equivalents at beginning of the year		**63,331,491**	30,925,426
Cash and cash equivalents at end of the year	*23*	**12,596,985**	63,331,491

The annexed notes from 1 to 41 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 2011

	Share Capital	Revenue Reserves			Total
		General Reserve	Unappropriated Profit	Sub Total	
	---Rupees---				
Balance as at 01 January 2010	165,277,431	114,000,000	209,918,266	323,918,266	489,195,697
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2009	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Incremental depreciation relating to surplus on revaluation of fixed assets - net	-	-	5,913,566	5,913,566	5,913,566
Total comprehensive income for the year	-	-	70,343,964	70,343,964	70,343,964
Balance as at 31 December 2010	**165,277,431**	**114,000,000**	**244,856,438**	**358,856,438**	**524,133,869**
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2010	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Issuance of bonus shares @ of 10%	16,527,739	-	(16,527,739)	(16,527,739)	-
Incremental depreciation relating to surplus on revaluation of fixed assets - net	-	-	5,322,209	5,322,209	5,322,209
Total comprehensive income for the year	-	-	92,381,262	92,381,262	92,381,262
Balance as at 31 December 2011	**181,805,170**	**114,000,000**	**284,712,812**	**398,712,812**	**580,517,982**

The annexed notes from 1 to 41orm an integral part of these financial statements.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. THE COMPANY, OPERATIONS AND REGISTERED OFFICE

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

2. BASIS OF 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 (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of presentation

These unconsolidated financial statements represent separate financial statements of the Company. The consolidated financial statements of the company and its subsidiary Company are being issued separately.

2.3 New and amended standards and interpretations become effective

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 24 – Related Party Disclosures (Revised)

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 3 Business Combinations
- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests (NCI)
- Un-replaced and voluntarily replaced share-based payment awards

IFRS 7 Financial Instruments: Disclosures
- Clarification of disclosures

IAS 1 Presentation of Financial Statements
- Clarification of statement of changes in equity

IAS 27 Consolidated and Separate Financial Statements
- Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements.

IAS 34 Interim Financial Reporting
- Significant events and transactions

IFRIC 13 Customer Loyalty Programmes
- Fair value of award credits

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

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

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

Standard or Interpretation		Effective Date (Annual Periods beginning on or after)
IFRS 7 -	Financial Instruments : disclosures – (amendments)	
	- Amendments enhancing disclosures about transfers of financial Assets	01 July 2011
	- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 -	Presentation of Financial Statements – Presentation of items of comprehensive income of Underlying Assets	01 January 2012
IAS 12 -	Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19 -	Employee Benefits –(Amendment)	01 January 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially affect the Company's financial statements in the period of initial application.

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

Standards	IASB effective date (Annual periods beginning on or after)
IFRS 9 - Financial Instruments	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

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 16 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:

		Notes
-	defined benefit obligation	4.2
-	revaluation of property, plant and equipment	4.5
-	residual values and useful lives of property, plant and equipment	4.5
-	impairment	4.12
-	taxation	4.16
-	provisions	4.19

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as mentioned in note 2.3.

4.2 Staff retirement benefits

Defined benefit plan

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

Qualified actuaries have carried out the valuation as at 31 December 2011. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

		2011	2010
-	Discount rate	12.5% per annum	13% per annum
-	Expected rate of increase in salary	11.5% per annum	12% 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.

4.3 Foreign currency translation

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

4.4 Trade and other payables

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

4.5 Property, plant and equipment

Owned operating assets

These are stated at cost or revalued amount less accumulated depreciation 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 16.1 to write off the cost / revalued amount of an asset over its estimated useful life. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Full month's depreciation is charged on additions, while no depreciation is charged in the month of disposal 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 16.1. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Depreciation of leased assets is charged to profit and loss account. Depreciation on additions in leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off/transferred to freehold assets.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss and includes the expenditures on material, labour and appropriate overheads directly relating to the project. These costs are transferred to fixed assets as and when assets are available for intended use.

4.6 Intangible assets 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 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.

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

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

4.9 Stock in trade

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

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

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

4.10 Trade debts

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

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 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.

	Note	2011 Rupees	2010 Rupees

5. SHARE CAPITAL

Issued, subscribed and paid-up

	Note	2011 Rupees	2010 Rupees
5,905,000 (2010: 5,905,000) Ordinary shares of Rs.10 each fully paid in cash		**59,050,000**	59,050,000
95,000 (2010: 95,000) Ordinary shares of Rs.10 each issued for consideration other than cash	*5.1*	**950,000**	950,000
12,180,517 (2010: 10,527,743) Ordianry shares of Rs.10 each issued as bonus shares		**121,805,170**	105,277,431
		181,805,170	165,277,431

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

5.2 Reconciliation of issued, subscribed and paid-up capital

	2011	2010
	(Numbers of Shares)	
Outstanding at the beginning	**16,527,743**	16,527,743
Bonus shares issued during the year	**1,652,774**	-
Outstanding at the end	**18,180,517**	16,527,743

6. SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2011 Rupees	2010 Rupees
Surplus on revaluation of fixed assets as at 01 January		**217,133,314**	226,231,108
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit			
Net of deferred tax		**(5,322,209)**	(5,913,566)
Related deferred tax liability		**(2,865,805)**	(3,184,228)
		(8,188,014)	(9,097,794)
Surplus on revaluation of fixed assets as at 31 December		**208,945,300**	217,133,314
Less: Related deferred tax liability on:			
Balance at the beginning of the year		**28,658,050**	31,842,278
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		**(2,865,805)**	(3,184,228)
	10.1	**25,792,245**	28,658,050
		183,153,055	188,475,264

6.1 This represent 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. 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.

	Note	**2011** Rupees	2010 Rupees

7. LONG TERM LOANS - SECURED

	Note	**2011 Rupees**	2010 Rupees
Habib Bank Limited	*7.1*	**51,301,763**	80,617,056
Faysal Bank Limited	*7.2*	**48,645,000**	61,617,000
Less: Current portion shown under current liabilities	*14*	**42,287,293**	42,287,293
		57,659,470	99,946,763

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 15.69% (2010: 14.73%) of the average outstanding loan facility. The amount outstanding as at 31 December 2011 is repayable in 7 equal quarterly installments. 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.

7.2 The loan of Rs. 64.860 million has been obtained in 2009 for financing the acquisition of Blokium trade mark and carries mark-up at the rate of three months KIBOR plus 2.75% per annum. The effective mark-up charged during the year was 15.96% (2010: 15.73%) of the average outstanding loan amount. The amount outstanding as at 31 December 2011 is repayable in 15 equal quarterly installments. This loan along with working capital facilities provided by the bank are secured by way of first pari passu charge of Rs. 69.25 million on the present and future current assets of the company and first pari passu charge of Rs. 83.65 million on present and future fixed assets of the Company.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	**2011 Rupees**	2010 Rupees
Present value of minimum lease payments		**26,313,224**	43,836,931
Less: Current portion shown under current liabilities	*14*	**15,016,952**	15,933,787
		11,296,272	27,903,144

	2011		
	Minimum lease payments	**Finance cost for future periods**	**Principal outstanding**
		Rupees	
Not later than one year	**17,778,886**	**2,761,934**	**15,016,952**
Later than one year but not later than five years	**12,421,672**	**1,125,400**	**11,296,272**
	30,200,558	**3,887,334**	**26,313,224**

	2010		
	Minimum lease payments	Finance cost for future periods	Principal outstanding
		Rupees	
Not later than one year	17,485,127	1,551,340	15,933,787
Later than one year but not later than five years	32,591,530	4,688,386	27,903,144
	50,076,657	6,239,726	43,836,931

Salient features of the leases are as follows:	**2011**	2010
Discounting factor	**14.50% - 18.61%**	14.50% - 16.50%
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, and vehicles as shown in note 16.1. 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 has 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	**2011 Rupees**	2010 Rupees
9. LONG TERM ADVANCES			
Balance at 31 December		**38,380,435**	18,634,165
Less: Current portion	*14*	**23,438,157**	8,045,177
		14,942,278	10,588,988

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

	Note	**2011 Rupees**	2010 Rupees
10. DEFERRED LIABILITIES			
Taxation	*10.1*	**96,861,973**	110,972,716
Gratuity	*10.2*	**168,994,803**	138,544,564
		265,856,776	249,517,280
10.1 Taxable/(deductible) temporary differences arising in respect of :			
Surplus on revaluation of fixed assets	*6*	**25,792,245**	28,658,050
Accelerated tax depreciation		**83,577,293**	76,918,941
Finance lease		**11,753,678**	10,154,346
Provision for doubtful debts		**(4,758,622)**	(4,758,621)
Provision for gratuity		**(19,502,622)**	-
		96,861,972	110,972,716

		2011	2010
		Rupees	Rupees

10.2 The net value of un-funded defined benefit obligation as at valuation date was as follows:

Present value of defined benefit obligation		**188,823,998**	159,003,810
Unrecognized actuarial losses		**(18,706,687)**	(21,470,608)
Non-vested past service cost		**(1,890,859)**	-
Benefits due but not paid		**768,351**	1,011,362
Net liability as at 31 December		**168,994,803**	138,544,564

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

Liability as at 01 January		**138,544,564**	113,273,025
Amount recognized during the year	*10.2.3*	**40,681,629**	35,792,612
Benefit payments made by the Company		**(10,231,390)**	(10,521,073)
Liability as at 31 December		**168,994,803**	138,544,564

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

Present value of defined benefit obligations as at 01 January		**159,003,810**	132,771,040
Current service costs		**18,897,089**	18,607,786
Interest cost		**20,670,495**	15,932,525
Non-vested past service cost		**1,890,859**	-
Benefits due but not paid		**(768,351)**	(1,011,362)
Benefits paid during the year		**(9,220,028)**	(10,480,480)
Actuarial (gain) / losses recognized		**(1,649,876)**	3,184,301
Present value of defined benefit obligations as at 31 December		**188,823,998**	159,003,810

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		**18,897,089**	18,607,786
Interest cost		**20,670,495**	15,932,525
Actuarial losses - charge for the year		**1,114,045**	1,252,301
		40,681,629	35,792,612

10.2.4 Historical information for un-funded defined benefit obligation

	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
Present value of defined benefits obligations	**188,823,998**	159,003,810	132,771,040	115,195,393	90,159,674
Experience adjustment arising on plan liabilities (gain) / losses	**(1,649,876)**	3,184,301	(5,348,203)	8,415,367	4,774,683

	Note	**2011 Rupees**	2010 Rupees
11. TRADE AND OTHER PAYABLES			
Trade creditors		**61,183,568**	37,060,364
Bills payable		**16,936,426**	9,954,636
Advances from customers		**36,344,820**	22,032,790
Accrued expenses		**52,758,837**	19,951,666
Income tax deducted at source		**2,196,686**	1,957,505
Workers' Profit Participation Fund	*11.1*	**7,832,389**	5,745,436
Workers' Welfare Fund		**-**	15,660,452
Payable to Central Research Fund		**1,455,952**	1,070,093
Payable to Provident Fund Trust		**2,695,815**	2,267,822
Unclaimed dividends		**5,037,252**	4,497,491
Payable to Employees Welfare Trust		**231,800**	242,567
		186,673,545	120,440,822

11.1 Workers' Profit Participation Fund

	Note	2011 Rupees	2010 Rupees
Balance at the beginning of the year		**5,745,436**	5,501,001
Add: Provision for the year	*30*	**7,832,388**	5,745,435
		13,577,824	11,246,436
Add: Interest on funds utilized by the Company	*31*	**70,110**	268,771
		13,647,934	11,515,207
Less: Paid during the year to the trustees of the fund		**5,815,545**	5,769,771
		7,832,389	5,745,436

Mark-up @ 18.75% (2010: 18.75%) is being provided on unpaid balance of the fund in accordance with the rules of the Fund.

	Note	2011 Rupees	2010 Rupees

12. MARKUP PAYABLE ON SECURED LOANS

On long term loans		**3,689,283**	5,397,086
On short term borrowings		**6,746,787**	15,147,320
		10,436,070	20,544,406

13. SHORT TERM BANK BORROWINGS - SECURED

Running finance	*13.1 & 13.2*	**166,291,136**	398,705,155
Import credit	*13.3*	**-**	34,446,947
		166,291,136	433,152,102

13.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 715 million (2010: Rs. 655 million) including Rs. 80 million sanctioned as sub limit of import credit. These facilities have various maturity dates upto 31 October 2012 and renewable on the date of maturity. These facilities carry mark-up rates ranging from one month KIBOR to six months KIBOR plus 150 to 175 basis points (2010: one month KIBOR to three months KIBOR plus 150 to 185 basis points) per annum. These facilities along with import credit are secured by way of first pari passu charge for Rs. 543 million on fixed assets and first joint pari passu hypothecation charge of Rs. 732 million on stocks including but not limited to raw materials, medicines, goods in process and finished goods of the Company.

13.2 Out of total outstanding loan, an amount of Rs.35,000,000 (2010:Rs. 15,000,000) represents ERF II facility obtained from a commercial bank and carries mark up at 10% per annum (2010:10% per annum).

13.3 Aggregate sanctioned import credit facilities negotiated with various banks amount to Rs. 673 million including Rs. 243 million sanctioned as sublimit of short term running finance (2010: Rs. 530 million including Rs. 350 million sanctioned as sublimit). These facilities carry mark-up rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2010: one month KIBOR to three months KIBOR plus 140 to 150 basis points) per annum. These available facilities are secured by way of joint pari passu, ranking hypothecation charge over present and future current assets of the Company as mentioned above in Note 13.1 and lien on export documents or firm contracts and have various maturity dates upto 31 October 2012.

	Note	2011 Rupees	2010 Rupees

14. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loans	*7*	**42,287,293**	42,287,293
Liabilities against assets subject to finance lease	*8*	**15,016,952**	15,933,787
Long term advances	*9*	**23,438,157**	8,045,177
		80,742,402	66,266,257

15. CONTINGENCIES AND COMMITMENTS

Contingencies

- While finalizing income tax assessments for the tax year 2005, income tax authorities made certain add backs with aggregate tax impact of Rupees 12,600,136. The Company has filed appeal before Commission Inland Revenue (Appeals) which is pending for adjudication, pending finalization of appeal, no provision has been made by the Company, as the management expects a favorable outcome of such appeal.

- Bank guarantees issued on behalf of the Company aggregate to Rs. 4.620 million (2010: Rs 4.620 million).

- The Company has not acknowledged the demand relating to sales tax/central excise duty amounting to Rs.12.057 million (2010: Rs. 12.057 million) as debt as the matter is pending for adjudication. An amount of Rs. 10.086 million (2010: Rs. 10.086 million) has been deposited under protest and is shown under other receivables in note 22.

- Facilities of letters of guarantee amounting to Rs. 20 million (2010: Rs. 20 million) are available to the Company under hypothecation/pledge of stocks and on present and future current assets and property, plant and equipment of the Company.

	2011	2010
	Rupees '000'	Rupees '000'
Commitments		
Commitments against irrevocable letters of credit include:		
Raw materials	**100,988**	100,891
Packing materials	**17,017**	2,423

		2011	2010
	Note	**Rupees**	Rupees
16. PROPERTY, PLANT AND EQUIPMENT			
Operating assets (owned)	*16.1*	**642,076,342**	621,820,377
Operating assets (leased)	*16.1*	**59,895,164**	75,117,071
Capital work-in-progress	*16.2*	**13,632,715**	13,483,821
		715,604,221	710,421,269

16.1 Property, Plant and Equipment

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

	Year ended 31 December 2011															
	Total operating fixed assets - owned												Assets subject to finance lease			
	Land - freehold	Building on freehold land	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric and gas appliances	Office equipment	Vehicles	Library books	Neon sign	Arms and ammunition	Total operating fixed assets - owned	Plant and machinery	Vehicles	Total Assets subject to finance lease	Total operating fixed assets
	Rupees															
At 01 January 2011																
Cost	149,820,000	251,437,991	458,628,852	13,366,879	13,150,198	23,544,474	49,773,910	45,343,754	52,806	204,990	106,100	1,005,429,954	18,124,623	112,218,392	130,343,015	1,135,772,969
Accumulated Depreciation	-	111,993,675	201,875,151	4,946,654	7,345,712	13,498,508	19,826,843	23,913,324	48,552	72,802	88,356	383,609,577	9,089,704	46,136,240	55,225,944	438,835,521
Net Book Value	149,820,000	139,444,316	256,753,701	8,420,225	5,804,486	10,045,966	29,947,067	21,430,430	4,254	132,188	17,744	621,820,377	9,034,919	66,082,152	75,117,071	696,937,448
Movement during the year																
Opening net book value	149,820,000	139,444,316	256,753,701	8,420,225	5,804,486	10,045,966	29,947,067	21,430,430	4,254	132,188	17,744	621,820,377	9,034,919	66,082,152	75,117,071	696,937,448
Addition - cost	-	22,740,078	22,301,411	4,712,711	1,247,460	198,605	2,092,006	6,904,000	-	-	60,000	60,256,271	-	17,860,500	17,860,500	78,116,771
Transfer from leasehold assets																
Cost	-	-	-	-	-	-	-	45,430,506	-	-	-	45,430,506	-	(45,430,506)	(45,430,506)	-
Depreciation	-	-	-	-	-	-	-	26,272,948	-	-	-	26,272,948	-	(26,272,948)	(26,272,948)	-
	-	-	-	-	-	-	-	19,157,558	-	-	-	19,157,558	-	(19,157,558)	(19,157,558)	-
Disposals																
Cost	-	-	-	-	-	-	558,765	14,610,414	-	-	-	15,169,179	-	-	-	15,169,179
Depreciation	-	-	-	-	-	-	240,442	7,224,256	-	-	-	7,464,698	-	-	-	7,464,698
	-	-	-	-	-	-	318,323	7,386,158	-	-	-	7,704,481	-	-	-	7,704,481
Depreciation charge for the year	-	14,133,932	25,880,933	963,776	602,173	1,007,335	3,119,438	5,727,378	425	13,219	4,774	51,453,383	903,492	13,021,357	13,924,849	65,378,232
Closing net book value	149,820,000	148,050,462	253,174,179	12,169,160	6,449,773	9,237,236	28,601,312	34,378,452	3,829	118,969	72,970	642,076,342	8,131,427	51,763,737	59,895,164	701,971,506
At 31 December 2011																
Cost	149,820,000	274,178,069	480,930,263	18,079,590	14,397,658	23,743,079	51,307,151	83,067,846	52,806	204,990	166,100	1,095,947,552	18,124,623	84,648,386	102,773,009	1,198,720,561
Accumulated Depreciation	-	126,127,607	227,756,084	5,910,430	7,947,885	14,505,843	22,705,839	48,689,394	48,977	86,021	93,130	453,871,210	9,993,196	32,884,649	42,877,845	496,749,055
Net book balue	149,820,000	148,050,462	253,174,179	12,169,160	6,449,773	9,237,236	28,601,312	34,378,452	3,829	118,969	72,970	642,076,342	8,131,427	51,763,737	59,895,164	701,971,506
Depreciation rates	0%	10%	10%	10%	10%	10%	10%	20%	10%	10%	10%		10%	20%		

	Year ended 31 December 2010														
	Total operating fixed assets - owned											Total operating fixed assets - owned	Assets subject to finance lease			Total operating fixed assets
	Land - freehold	Building on freehold land	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric and gas appliances	Office equipment	Vehicles	Library books	Neon sign	Arms and ammunition		Plant and machinery	Vehicles	Total Assets subject to finance lease	
	Rupees															
At 01 January 2010																
Cost	149,820,000	224,099,955	402,725,034	12,166,879	13,126,283	23,775,401	48,643,625	41,892,790	52,806	204,990	106,100	916,613,863	27,961,623	118,624,652	146,586,275	1,063,200,138
Accumulated Depreciation	-	99,227,024	174,731,620	4,022,185	6,711,099	12,731,167	16,745,868	19,968,173	48,079	58,114	86,386	334,329,715	11,169,970	41,718,944	52,888,914	387,218,629
Net Book Value	149,820,000	124,872,931	227,993,414	8,144,694	6,415,184	11,044,234	31,897,757	21,924,617	4,727	146,876	19,714	582,284,148	16,791,653	76,905,708	93,697,361	675,981,509
Movement during the year																
Opening net book value	149,820,000	124,872,931	227,993,414	8,144,694	6,415,184	11,044,234	31,897,757	21,924,617	4,727	146,876	19,714	582,284,148	16,791,653	76,905,708	93,697,361	675,981,509
Addition - cost	-	27,338,036	46,066,818	1,200,000	125,500	172,248	1,684,260	3,841,800	-	-	-	80,428,662	-	15,394,000	15,394,000	95,822,662
Transfer from leasehold assets																
Cost	-	-	9,837,000	-	-	-	-	21,800,260	-	-	-	31,637,260	(9,837,000)	(21,800,260)	(31,637,260)	-
Depreciation	-	-	3,252,967	-	-	-	-	10,172,021	-	-	-	13,424,988	(3,252,967)	(10,172,021)	(13,424,988)	-
	-	-	6,584,033	-	-	-	-	11,628,239	-	-	-	18,212,272	(6,584,033)	(11,628,239)	(18,212,272)	-
Disposals																
Cost	-	-	-	-	101,585	403,175	553,975	22,191,096	-	-	-	23,249,831	-	-	-	23,249,831
Depreciation	-	-	-	-	5,883	344,056	185,568	11,614,565	-	-	-	12,150,072	-	-	-	12,150,072
	-	-	-	-	95,702	59,119	368,407	10,576,531	-	-	-	11,099,759	-	-	-	11,099,759
Depreciation charge for the year	-	12,766,651	23,890,564	924,469	640,496	1,111,397	3,266,543	5,387,695	473	14,688	1,970	48,004,946	1,172,701	14,589,317	15,762,018	63,766,964
Closing net book value	149,820,000	139,444,316	256,753,701	8,420,225	5,804,486	10,045,966	29,947,067	21,430,430	4,254	132,188	17,744	621,820,377	9,034,919	66,082,152	75,117,071	696,937,448
At 31 December 2010																
Cost	149,820,000	251,437,991	458,628,852	13,366,879	13,150,198	23,544,474	49,773,910	45,343,754	52,806	204,990	106,100	1,005,429,954	18,124,623	112,218,392	130,343,015	1,135,772,969
Accumulated Depreciation	-	111,993,675	201,875,151	4,946,654	7,345,712	13,498,508	19,826,843	23,913,324	48,552	72,802	88,356	383,609,577	9,089,704	46,136,240	55,225,944	438,835,521
Net book balue	149,820,000	139,444,316	256,753,701	8,420,225	5,804,486	10,045,966	29,947,067	21,430,430	4,254	132,188	17,744	621,820,377	9,034,919	66,082,152	75,117,071	696,937,448
Depreciation rates	0%	10%	10%	10%	10%	10%	10%	20%	10%	10%	10%		10%	20%		

	Note	2011 Rupees	2010 Rupees

16.1.1 Depreciation charge has been allocated as under:

	Note	2011 Rupees	2010 Rupees
Cost of sales	*25*	**43,569,519**	40,552,316
Distribution, selling and promotional expenses	*27*	**9,749,342**	10,388,046
Administrative and general expenses	*28*	**12,059,371**	12,826,602
		65,378,232	63,766,964

16.1.2 Land, building on freehold land and plant and machinery were first revalued on 30 June 1995, resulting in a surplus of Rs. 68,809,377. Subsequently land, building on freehold land and plant and machinery were revalued on 30 June 1999 resulting in a surplus of Rs. 48,731,393. Land, building on freehold land and plant and machinery were again revalued on 31 May 2004 and 31 December 2004 respectively by M/s Hamid Mukhtar & Co., which resulted in a surplus of Rs. 168,473,204 over the net book value of assets. The 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.

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

	2011 Rupees	2010 Rupees
Land - Freehold	**14,566,828**	14,566,828
Building on freehold land	**119,899,858**	108,165,868
Plant and machinery (Owned)	**210,347,030**	209,167,979
Plant and machinery (Leased)	**5,417,053**	6,018,948
	350,230,769	337,919,623

16.1.4 Disposal of property, plant and equipment

Particulars	Sold to	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
		....	....	Rupees	....	....	
Vehicles							
	Waseem Akhtar	682,000	302,869	379,131	530,566	151,435	Company Policy
	Muhammad Iqbal	211,663	21,166	190,497	313,317	122,820	Company Policy
	Mushtaq Muhammad	211,372	14,091	197,281	312,947	115,666	Company Policy
	Ahmed Bilal Khan	229,854	15,324	214,530	420,464	205,934	Company Policy
	Syed Salman Akhtar	204,698	23,881	180,817	445,531	264,714	Company Policy
	Imran Ali	453,845	366,598	87,247	915,000	827,753	Negotiation
	Humayun Rashid	578,867	307,185	271,682	950,000	678,318	Negotiation
	Zafar Iqbal	189,151	33,207	155,944	370,000	214,056	Negotiation
	Irfan Ahmed Dyer	204,698	38,949	165,749	292,976	127,227	Company Policy
	Javed Iqbal	221,357	75,261	146,096	400,000	253,904	Company Policy
	Wajhat Hussain	54,890	25,908	28,982	54,890	25,908	Company Policy
	Rana Rizwan Ahmed	52,890	25,509	27,381	52,890	25,509	Company Policy
	Muhammad Shahid Hussain	52,890	25,509	27,381	52,890	25,509	Company Policy
	Nasir Ali	50,890	24,590	26,300	50,890	24,590	Company Policy
	Waqas Akhtar	62,900	19,080	43,820	62,900	19,080	Company Policy
	Irfan Junaid	62,900	18,451	44,449	62,900	18,451	Company Policy
	Muhammad Asif	62,900	24,545	38,355	62,900	24,545	Company Policy
	Waqar Khan	62,900	24,545	38,355	62,900	24,545	Company Policy
	Mohsin Hasan	50,490	25,070	25,420	50,490	25,070	Company Policy
	Sajid Ahmad	50,490	25,501	24,989	50,490	25,501	Company Policy
	Hafiz Ateeq Ur Rehman	50,890	25,558	25,332	50,890	25,558	Company Policy
	Muhammad Jamil	50,490	25,932	24,558	45,540	20,982	Company Policy
	Shakir Ali	50,490	27,583	22,907	41,796	18,889	Company Policy
	Farhan Saeed	50,490	26,363	24,127	40,572	16,445	Company Policy
	Muhammad Ashraf	62,900	19,080	43,820	62,900	19,080	Company Policy
	Shahzad Shaukat	62,900	16,773	46,127	62,900	16,773	Company Policy
	Farhan Saeed	50,490	27,612	22,878	40,644	17,766	Company Policy
	Reliance Insurance Co. Ltd	62,900	25,328	37,572	55,000	17,428	Insurance Claim
	Asim Hasan	62,900	15,096	47,804	62,900	15,096	Company Policy
	Javaid Akhtar	62,900	23,175	39,725	62,900	23,175	Company Policy
	Asham Abid	62,900	19,080	43,820	62,900	19,080	Company Policy
	M. Shafique Awan	62,900	19,289	43,611	26,176	(17,435)	Company Policy
	Anwaw Ul Haq	204,698	41,963	162,735	289,709	126,974	Company Policy
	Azfar Shams	229,854	40,352	189,502	406,157	216,655	Company Policy
	Adnan Ahmed	62,900	23,315	39,585	62,900	23,315	Company Policy
	Reliance Insurance Co. Ltd	62,900	20,967	41,933	60,000	18,067	Insurance Claim
	Qasim Janju	188,178	66,908	121,270	269,340	148,070	Company Policy
	Muhammad Tahir	62,900	16,599	46,301	62,900	16,599	Company Policy
	Tanvir Khan	62,900	23,175	39,725	62,900	23,175	Company Policy
	M. Salman	50,490	26,793	23,697	50,490	26,793	Company Policy
	Patras Bashir	54,890	25,908	28,982	54,890	25,908	Company Policy
	Imran Saeed	62,900	25,859	37,041	62,900	25,859	Company Policy
	Sheraz Ali Akhund	395,000	229,276	165,724	292,300	126,576	Company Policy
	Daood Ahmed	434,509	192,961	241,548	367,428	125,880	Company Policy
	Shahzad Khaliq	500,000	113,333	386,667	446,444	59,777	Company Policy
	Dr. Asad Ali	403,000	233,461	169,539	320,820	151,281	Company Policy
	Reliance Inusrance Co. Ltd	611,000	194,434	416,566	525,000	108,434	Insurance Claim
	Dr. Azfar Abbas Haidrie	568,000	383,429	184,571	409,380	224,809	Company Policy
	Arif Hussain Khan Sherwani	365,000	246,643	118,357	254,531	136,174	Company Policy
	Zeeshan Akbar	568,000	386,505	181,495	500,000	318,505	Negotiation
	Shakil Ahmad Khan Lodhi	365,000	250,588	114,412	248,700	134,288	Company Policy
	Muhammad Ilyas	365,000	250,588	114,412	248,700	134,288	Company Policy
	Ghulam Haider	395,000	246,691	148,309	285,277	136,968	Company Policy
	Javed Hussain	1,370,500	853,584	516,916	516,916	-	Company Policy
	Syed Riffat Irfan Ahmed	365,000	254,533	110,467	248,700	138,233	Company Policy
	Dr. Adeel Abbas	969,000	610,685	358,315	358,315	-	Company Policy
	Irfan Tayyab Dar	884,000	373,244	510,756	276,976	(233,780)	Company Policy
	Arif Khurshid	565,000	384,354	180,646	378,540	197,894	Company Policy
		14,610,414	**7,224,256**	**7,386,158**	**13,190,272**	**5,804,114**	

Particulars	Sold to	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
		Rupees					
Computer							
	HP Lase Jet 1100	23,500	14,922	8,578	-	(8,578)	Scrap
	HP Compaq 2214	67,500	34,891	32,609	-	(32,609)	Scrap
	HP Compaq 2572 AI	67,500	33,705	33,795	-	(33,795)	Scrap
	LG Monitor 454 V	7,950	4,947	3,003	-	(3,003)	Scrap
	HP Compaq 2200	67,500	32,816	34,684	-	(34,684)	Scrap
	HP VP6325	152,000	73,897	78,103	-	(78,103)	Scrap
	HP Laser Jet 1100	20,000	9,060	10,940	-	(10,940)	Scrap
	HP Compaq 6730s	72,815	6,554	66,261	45,000	(21,261)	Insurance claim
	Star 505 reader +Controller	80,000	29,650	50,350	-	(50,350)	Scrap
		558,765	240,442	318,323	45,000	(273,323)	
	2011	15,169,179	7,464,698	7,704,481	13,235,272	5,530,791	
	2010	23,249,831	12,150,072	11,099,759	17,880,429	6,780,670	

	Note	2011 Rupees	2010 Rupees
16.2 CAPITAL WORK - IN - PROGRESS (CWIP)			
Civil works		**13,281,988**	10,758,094
Plant and machinery - owned		**350,727**	350,727
Advances to suppliers		**-**	2,375,000
	16.2.1	**13,632,715**	13,483,821
16.2.1 Movement of CWIP is as follows:			
Opening balance as at 01 January		**13,483,821**	37,198,552
Addition made during the year			
Civil works		**24,784,942**	15,714,119
Plant and machinery - owned		**22,216,721**	30,971,719
Advance for purchase of vehicles		**-**	2,375,000
		47,001,663	49,060,838
Capitalized during the year			
Civil works		**(22,261,048)**	(19,374,724)
Plant and machinery - owned		**(22,216,721)**	(52,590,845)
Vehicles - leased		**(2,375,000)**	(810,000)
		(46,852,769)	(72,775,569)
Closing balance as at 31 December		**13,632,715**	13,483,821

17. INTANGIBLE ASSETS

2011

PARTICULARS	**COST**			**ACCUMULATED AMORTISATION**			**BOOK VALUE as at 31 December 2011**	**Rate %**
	As at 01 January 2011	**Additions**	**As at 31 December 2011**	**As at 01 January 2011**	**For the year**	**As at 31 December 2011**		
	Rupees							
Registration and trademark (Note 17.1)	154,434,175	-	154,434,175	41,257,232	15,443,418	56,700,650	97,733,525	10
Computer Software	20,910,336	302,660	21,212,996	4,988,123	2,114,581	7,102,704	14,110,292	10
	175,344,511	**302,660**	**175,647,171**	**46,245,355**	**17,557,999**	**63,803,354**	**111,843,817**	

2010

PARTICULARS	COST			ACCUMULATED AMORTISATION			BOOK VALUE as at 31 December 2010	Rate %
	As at 01 January 2010	Additions	As at 31 December 2010	As at 01 January 2010	For the year	As at 31 December 2010		
	Rupees							
Registration and trademark (Note 17.1)	78,128,293	76,305,882	154,434,175	29,629,109	11,628,123	41,257,232	113,176,943	10
Computer Software	13,049,080	7,861,256	20,910,336	3,529,952	1,458,171	4,988,123	15,922,213	10
	91,177,373	84,167,138	175,344,511	33,159,061	13,086,294	46,245,355	129,099,156	

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

	Note	2011 Rupees	2010 Rupees
17.2 Amortization charge has been allocated as under:			
Cost of sales	25	**15,443,418**	11,628,123
Distribution, selling and promotional expenses	27	**2,114,581**	1,458,171
		17,557,999	13,086,294

18. LONG TERM INVESTMENT

Related party - at cost

Subsidiary Company -Unlisted

Dynalog Services (Private) Limited

	Note	2011 Rupees	2010 Rupees
2,000,000 (2010: 2,000,000) ordinary shares of Rs. 10 each		**20,000,000**	20,000,000
Equity held: 100% (2010: 100%)			
Less: Impairment in investment	18.1	**(20,000,000)**	(20,000,000)
		-	-

18.1 The Company had terminated its "Distribution Agreement" of finished goods with Dynalog Services (Private) Limited in year 2008 and the management of the subsidiary had then 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 was directly recognized in the financial statements for years 2008 and 2009, thereby reducing the carrying amount of investment to Nil (2010 Nil).

19. STOCK IN TRADE

	2011 Rupees	2010 Rupees
Raw materials		
In hand	**218,192,744**	268,517,105
In transit	**39,165,327**	61,441,556
	257,358,071	329,958,661
Packing material		
In hand	**68,481,126**	67,795,955
In transit	**-**	571,642
With third party	**54,046**	2,204,874
	68,535,172	70,572,471
Work in process	**39,820,419**	59,384,189
Finished goods in hand	**152,766,762**	180,929,312
	518,480,424	640,844,633

	Note	2011 Rupees	2010 Rupees

20. TRADE DEBTS - Considered good

	Note	2011 Rupees	2010 Rupees
Secured - against letters of credit		**12,258,928**	7,172,211
Unsecured			
Due from related parties			
Subsidiary - Dynalog Services (Private) Limited	*20.1*	**13,158,299**	14,493,599
Associate - Route - 2 Health (Private) Limited	*20.1*	**511,850**	3,246,697
		13,670,149	17,740,296
Others		**42,936,341**	32,227,636
Less: Provision for doubtful debts	*20.2 & 27*	**(13,596,063)**	(13,596,063)
		55,269,355	43,544,080

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

20.2 This includes provision amounting to Rs. 13.056 million (2010: Rs. 13.056) 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 18.1 to the financial statements.

21. ADVANCES, DEPOSITS AND PREPAYMENTS

	2011 Rupees	2010 Rupees
Advances - considered good		
Staff against:		
Expenses	**15,305,054**	9,244,792
Salary	**4,524,986**	3,701,970
Suppliers	**22,068,734**	8,257,293
Deposits:		
Securities	**5,678,000**	5,731,003
Bank guarantee margin	**1,558,085**	4,026,920
Prepayments	**2,001,233**	2,752,163
	51,136,092	33,714,141

22. OTHER RECEIVABLES - considered good

	Note	2011 Rupees	2010 Rupees
Claims receivable		**230,854**	640,546
Freight subsidy receivable		**-**	813,986
Sales tax and excise duty	*22.1*	**16,774,386**	13,007,223
Receivable from foreign principals		**-**	7,037,890
Others		**-**	87,036
		17,005,240	21,586,681

22.1 As referred to in note 15, this includes Rs. 10.086 million (2010: Rs 10.086 million deposited for grant of stay against demand of sales tax/excise duty paid under protest to sales tax department.

23. CASH AND BANK BALANCES

	2011 Rupees	2010 Rupees
Cash and Imprest	**1,995,192**	2,000,616
Balance with banks - current accounts	**10,601,793**	61,330,875
	12,596,985	63,331,491

24. SALES - net

	2011	2010
Manufactured products		
Local	**2,496,898,092**	2,628,939,965
Export	**136,252,703**	132,155,202
	2,633,150,795	2,761,095,167
Purchased products - local	**28,114,510**	56,618,796
Sales compensation	**9,196,382**	-
Third party (toll manufacturing)	**545,141,467**	67,368,103
	3,215,603,154	2,885,082,066
Less:		
Discount	**267,937,108**	248,149,701
Sales tax	**2,758,558**	394,104
	270,695,666	248,543,805
	2,944,907,488	2,636,538,261

	Note	**2011 Rupees**	2010 Rupees
25. COST OF SALES			
Raw and packing material consumed		**1,664,236,175**	1,402,432,824
Salaries, wages and benefits	*25.1*	**147,996,669**	124,393,802
Vehicle running and maintenance		**14,502,334**	13,264,129
Fuel and power		**42,386,309**	34,257,448
Stores consumed		**6,844,797**	7,581,726
Repair and maintenance		**23,696,364**	18,273,150
Insurance		**3,088,925**	2,812,661
Rent, rates and taxes		**2,870,912**	1,830,443
Fee and subscription		**319,273**	476,408
Printing and stationery		**3,687,056**	2,589,238
Traveling and conveyance		**798,402**	2,440,827
Consultancy and professional charges		**1,854,039**	4,999,986
Office supplies		**7,319,916**	6,621,520
Depreciation	*16.1.1*	**43,569,519**	40,552,316
Amortization of intangible assets	*17.2*	**15,443,418**	11,628,123
Others direct cost		**4,677,623**	3,559,186
		1,983,291,731	1,677,713,787
Inventory effect of work in process			
Opening		**59,384,189**	49,560,198
Closing		**(39,820,419)**	(59,384,189)
		19,563,770	(9,823,991)
Cost of goods manufactured		**2,002,855,501**	1,667,889,796
Inventory effect of finished goods (excluding purchased products)			
Opening		**160,115,818**	186,894,949
Closing		**(150,723,607)**	(160,115,818)
		9,392,211	26,779,131
Cost of goods sold - Manufactured products		**2,012,247,712**	1,694,668,927
Cost of goods sold - Purchased products		**18,488,730**	38,314,088
Cost of goods sold		**2,030,736,442**	1,732,983,015

25.1 It includes the following staff retirement benefits:

Defined benefit plan - Gratuity	**16,864,790**	11,552,368
Defined contribution plan - Provident Fund	**4,128,435**	3,762,902
Provision for compensated leave absences	**800,519**	2,574,090
	21,793,744	17,889,300

	Note	2011 Rupees	2010 Rupees

26. OTHER OPERATING INCOME

Income from non-financial assets

	Note	2011 Rupees	2010 Rupees
Gain on sale of property, plant and equipment		**5,530,791**	6,780,670
SLA fee	26.1	**86,100,000**	-
Scrap Sales		**1,121,489**	914,831
Others		**-**	12,000
		92,752,280	7,707,501

26.1 The Company has provided technical ,marketing and sales know-how to Abbott Laboratories Pakistan Limited related to ex-Solvay products in Pakistan, following a global acquisition of Solvay Pharmaceuticals by Abbott International LLC, USA.

27. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES

	Note	2011 Rupees	2010 Rupees
Salaries and benefits	27.1	**189,837,632**	208,916,544
Rent, rates and taxes		**1,252,240**	722,395
Entertainment		**178,785**	206,469
Advertisement, promotional expenses and samples		**217,137,656**	179,460,123
Printing and stationery		**2,108,207**	2,491,434
Travelling and conveyance		**75,291,522**	75,873,437
Telephone, postage and telex		**2,279,203**	2,028,417
Insurance		**2,271,041**	2,947,460
Provision against doubtful debts	20.2	**-**	2,186,927
Vehicle running and maintenance		**18,628,953**	20,055,837
Donation	27.2	**1,064,360**	2,039,281
Freight		**25,184,511**	22,886,100
Seminars, symposia and training		**13,891,110**	12,894,370
Newspapers and subscriptions		**10,404,297**	8,156,108
Depreciation	16.1.1	**9,749,342**	10,388,046
Amortization of intangible assets	17.2	**2,114,581**	1,458,171
Others		**12,691,681**	11,511,240
		584,085,121	564,222,359
Less: Reimbursement from foreign principals		**15,496,431**	23,704,416
		568,588,690	540,517,943

27.1 It includes following staff retirement benefits

	2011 Rupees	2010 Rupees
Defined benefit plan - Gratuity	**8,337,928**	10,670,371
Defined contribution plan - Provident Fund	**4,899,132**	5,265,686
Provision for compensated leave absences	**3,565,653**	3,163,484
	16,802,713	19,099,541

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

	Note	2011 Rupees	2010 Rupees
28. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	*28.1*	**126,225,903**	94,497,688
Telephone, postage and telex		**2,581,570**	2,355,605
Rent, rates and taxes		**2,911,119**	2,975,284
Electricity, gas and water		**521,030**	611,823
Printing and stationery		**3,802,804**	3,831,430
Repairs and maintenance		**3,815,401**	4,589,651
Vehicle running and maintenance		**18,115,572**	14,913,980
Travelling and conveyance		**7,378,499**	10,867,387
Newspapers and subscriptions		**750,369**	1,095,430
Entertainment		**529,121**	926,376
Insurance		**5,666,392**	5,514,355
Auditors' remuneration	*34*	**946,000**	860,000
Legal and professional		**5,601,437**	1,230,229
Advertisement, seminars and symposia		**2,097,017**	281,220
Donation	*28.2*	**666,450**	1,035,450
Depreciation	*16.1.1*	**12,059,371**	12,826,602
Others		**2,064,671**	2,735,482
		195,732,726	161,147,992

28.1 It includes the following staff retirement benefits:

	2011 Rupees	2010 Rupees
Defined benefit plan - Gratuity	**15,072,455**	13,551,482
Defined contribution plan - Provident Fund	**4,129,008**	2,910,814
Provision for compensated leave absences	**1,427,173**	1,774,665
	20,628,636	18,236,961

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

	Note	2011 Rupees	2010 Rupees
29. RESEARCH AND DEVELOPMENT EXPENSES			
Salaries and benefits	*29.1*	**3,551,137**	2,832,996
Expenses on clinical trials and products evaluation		**2,234,806**	49,462
Traveling		**367,241**	256,150
Insurance		**42,744**	50,184
Vehicle running and maintenance		**197,336**	224,356
Printing and stationery		**47,647**	38,490
Office supplies		**67,075**	49,432
Repairs and maintenance		**2,500**	2,000
Staff cost		**198,848**	199,244
Others		**17,700**	13,745
		6,727,034	3,716,059

29.1 It includes the following staff retirement benefits:

	2011 Rupees	2010 Rupees
Defined benefit plan - Gratuity	**406,456**	18,391
Defined contribution plan - Provident Fund	**122,763**	132,841
	529,219	151,232

	Note	2011 Rupees	2010 Rupees

30. OTHER OPERATING EXPENSES

	Note	2011 Rupees	2010 Rupees
Workers' Profit Participation Fund	*11.1*	**7,832,388**	5,745,435
Exchange loss		**8,942,250**	1,548,075
Workers' Welfare Fund		**3,220,136**	2,154,718
Central Research Fund		**1,455,952**	1,427,363
		21,450,726	10,875,591

31. FINANCE COST

	Note	2011 Rupees	2010 Rupees
Mark-up on long term bank borrowings		**19,513,149**	15,832,186
Mark-up on short term bank borrowings		**42,948,448**	63,710,047
Finance cost on liabilities against assets subject to finance lease		**6,027,081**	7,724,665
Interest on Workers' Profit Participation Fund	*11.1*	**70,110**	268,771
Bank charges		**1,812,073**	1,889,135
		70,370,861	89,424,804

32. TAXATION

	Note	2011 Rupees	2010 Rupees
Current			
- For the year		**56,937,731**	22,727,021
- Prior year		**8,845,039**	-
		65,782,770	22,727,021
Deferred	*32.2*	**(14,110,743)**	12,509,373
		51,672,027	35,236,394

32.1 Reconciliation of tax charge for the year

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

	2011	2010
Applicable tax rate	**35.00%**	35.00%
Tax effect of amounts that are not deductible for tax purposes	**0.40%**	1.02%
Tax effect under presumptive tax regime and others	**0.47%**	-2.65%
	0.87%	-1.63%
Average effective tax rate charged on income	**35.87%**	33.37%

32.2 This includes an amount of Rupees 8,845,039 in respect of temporary difference of a prior period.

33. EARNINGS PER SHARE - Basic and Diluted

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

		2011	2010
Profit after taxation	Rupees	**92,381,262**	70,343,946
Weighted average number of ordinary shares	Numbers of Shares	**18,180,517**	18,180,517
Earnings per share	Rupees	**5.08**	3.87

33.1 Corresponding figures of weighted average number of shares and earnings per share have been restated to include the effect of bonus shares issued by the Company during the year.

34. AUDITORS' REMUNERATION

	2011 Rupees	2010 Rupees
Statutory audit	**605,000**	550,000
Fee for review of half year financial statements	**209,000**	190,000
Other certifications	**55,000**	50,000
Out of pocket expenses	**77,000**	70,000
	946,000	860,000

35. REMUNRATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2011			31 December 2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	**5,370,800**	**14,504,400**	**62,611,607**	4,794,800	13,184,400	47,795,854
House allowance	**2,148,320**	**2,400,000**	**24,891,483**	1,917,920	900,000	19,118,324
Provident fund	**447,358**	**1,208,516**	**4,887,976**	399,557	1,098,560	3,741,326
Gratuity	**1,975,395**	**4,877,872**	**16,755,573**	1,489,076	4,026,805	11,858,321
Bonus	**399,567**	**1,098,700**	**3,780,549**	399,567	1,098,700	3,641,030
Utilities	**537,080**	**2,142,752**	**6,222,871**	479,480	2,252,808	2,166,157
Medical	**58,537**	**781,455**	**2,279,632**	37,958	346,805	1,392,667
	10,937,237	**27,013,695**	**121,429,691**	9,518,358	22,908,078	89,713,679
Number of persons	**1**	**2**	**51**	1	2	47

35.1 The Chief Executive, Directors and 27 executives (2010: 25) have been provided with Company maintained cars while 21 executives (2010: 20) have been provided with cars under self finance scheme with limited fuel and maintenance facility.

35.2 Rs. 2,000 (2010 : Rs. 2,000) has been paid during the year to an independent non - executive director for attending Board meetings.

36. FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

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

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

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

(a) Market risk

(i) Currency risk

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

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

		2011	2010
Rupees per US Dollar			
Reporting date rate		**90.10**	85.64
		Changes in US $ Rate	**Effects on Profit Before Tax**
			Rs.
	2011	**+10%**	(667,362)
		-10%	667,362
	2010	**+10%**	456,507
		-10%	(456,507)

		2011	2010
Rupees per Euro			
Reporting date rate		**116.37**	114.44
		Changes in Euro € Rate	**Effects on Profit Before Tax**
			Rs.
	2011	**+10%**	(423,063)
		-10%	423,063
	2010	**+10%**	(2,006,283)
		-10%	2,006,283

(ii) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company’s interest bearing financial instruments was:

	2011	2010
Fixed rate instruments Financial liabilities	**Rupees**	Rupees
Short term financing	**35,000,000**	15,000,000
Floating rate instruments Financial liabilities		
Long term financing	**99,946,763**	142,234,056
Liabilities against assets subject to finance lease	**26,313,224**	43,836,931
Short term bank borrowings	**131,291,136**	383,705,155

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

		Changes in Interest Rate	**Effects on Profit Before Tax**
			Rs.
Long term financing	**2011**	**+1.5**	(1,499,201)
		-1.5	1,499,201
	2010	**+1.5**	(2,133,511)
		-1.5	2,133,511
Liabilities against assets subject to finance lease	**2011**	**+1.5**	(394,698)
		-1.5	394,698
	2010	**+1.5**	(657,554)
		-1.5	657,554
Short term bank borrowings	**2011**	**+1.5**	(1,969,367)
		-1.5	1,969,367
	2010	**+1.5**	(5,755,577)
		-1.5	5,755,577

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2011	2010
	Rupees	Rupees
Trade debts	**43,010,427**	36,371,869
Short term loans	**4,524,986**	3,701,970
Trade deposits	**7,236,085**	9,757,923
Other receivables	**230,854**	7,765,472
Bank balances	**10,601,793**	61,330,875
	65,604,145	118,928,109

Trade Debts

Credit risk related to trade debts is managed by established procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored and shipments to foreign customers are covered by letters of credit.

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

At 31 December 2011, the Company has 7 (2010:8) customers who owed the company more than Rupees 1.00 million each and accounted for approximately 36% (2010:68%) of all receivables owing.

There are 2 (2010:2) customers with balance greater than Rupees 5.0 million (2010:5.0 million) accounted for over 39% (2010:20%%) of total amount receivables.

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

	2011	2010
	Rupees	Rupees
Not past due	**6,986,450**	5,466,996
Past due 1–30 days	**19,215,304**	4,816,430
Past due 31–60 days	**6,941,862**	2,483,699
Past due 61–90 days	**4,372,628**	2,848,358
Over 90 days	**5,494,183**	20,756,386
	43,010,427	36,371,869

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

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

	Rating		Agency	2011	2010
	Short term	Long term			
				------------- Rupee -------------	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR - VIS	**1,086,546**	884,002
United Bank Limited	A-1+	AA+	JCR - VIS	**8,893**	78,466
Faysal Bank Limited	A1+	AA	JCR - VIS	**2,571,827**	52,124,931
Habib Bank Limited	A1+	AA+	JCR - VIS	**832,135**	1,034,571
Allied Bank Limited	A1+	AA	PACRA	**35,098**	35,098
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**34,364**	69,364
Barklays Bank Limited	A1+	AAA	PACRA	**2,198,733**	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**3,834,197**	7,104,443
				10,601,793	61,330,875

(c) Liquidity risk

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

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

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

As at 31 December 2011

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
	Rupees					
Long term financing	**99,946,763**	**121,596,660**	**28,005,791**	**26,483,091**	**41,058,380**	**26,049,398**
Liabilities against assets subject to finance lease	**26,313,224**	**30,200,558**	**11,022,741**	**6,650,984**	**10,043,042**	**2,483,791**
Trade and other payables	**138,112,769**	**138,112,769**	**138,112,769**	-	-	-
Short term bank borrowings	**166,291,136**	**188,740,439**	**11,224,652**	**177,515,787**	-	-
	430,663,892	**478,650,426**	**188,365,953**	**210,649,862**	**51,101,422**	**28,533,189**

As at 31 December 2010

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
	Rupees					
Long term financing	142,234056	184,964,313	31,728,135	30,157,936	55,349,207	67,729,036
Liabilities against assets subject to finance lease	43,836,931	50,076,657	17,358,339	15,233,191	13,648,482	3,836,645
Trade and other payables	73,421,662	73,421,662	73,421,662	-	-	-
Short term bank borrowings	433,152,102	491,191,487	63,994,242	427,197,245	-	-
	692,644,751	799,654,119	186,502,378	472,588,372	68,997,689	71,565,681

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2011. The rates of mark up have been disclosed in respective notes to the financial statements.

36.2 Fair values of financial assets and liabilities

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

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

36.3 Fair values of financial assets and liabilities

	2011		
	Cash and cash equivalents	Loans and advances	Total
	------------------------------ Rupee ------------------------------		
Assets as per balance sheet			
Long term deposits	-	1,562,054	1,562,054
Trade debts	-	55,269,355	55,269,355
Short term loans	-	4,524,986	4,524,986
Trade deposits	-	7,236,085	7,236,085
Other receivables	-	230,854	230,854
Cash and bank balances	10,601,793	-	10,601,793
	10,601,793	68,823,334	79,425,127

	2011
	Financial Liabilities at amortized cost (Rupees)
Liabilities as per balance sheet	
Long term financing	99,946,763
Liabilities against assets subject to finance lease	26,313,224
Interest accrued on secured loans	10,436,070
Short term borrowings	166,291,136
Trade and other payables	138,112,769
	441,099,962

	2010		
	Cash and cash equivalents	Loans and advances	Total
	------------------------------- Rupee -------------------------------		
Assets as per balance sheet			
Long term deposits	-	1,562,054	1,562,054
Trade debts	-	43,544,080	43,544,080
Short term loans	-	3,701,970	3,701,970
Trade deposits	-	9,757,923	9,757,923
Other receivables	-	7,765,472	7,765,472
Cash and bank balances	61,330,875	-	61,330,875
	61,330,875	66,331,499	127,662,374

	2010
	Financial Liabilities at amortized cost (Rupees)
Liabilities as per balance sheet	
Long term financing	80,617,056
Liabilities against assets subject to finance lease	43,836,931
Interest accrued on secured loans	20,544,406
Short term borrowings	433,152,102
Trade and other payables	73,421,662
	651,572,157

36.4 Capital risk management

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

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represent long term financing (including current portion) plus liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in note 7, note 8, note 12 and note 13. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	2011 Rupees	2010 Rupees
Debt (See note 7, 8, 12 and 13)	**302,987,193**	639,767,495
Equity	**580,517,982**	524,133,869
Total equity and debts	**883,505,175**	1,163,901,364
Total debt to equity ratio	**34.29%**	54.97%

37. RELATED PARTY TRANSACTIONS

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

	2011	2010
	Rupees	Rupees
37.1 Sales of goods-net		
Associated undertaking	**35,044,088**	26,385,230
37.2 Contribution to employees benefits fund		
Contribution to Staff Provident Fund	**13,279,339**	12,072,258
Contribution to Employees Welfare Trust	**1,118,495**	1,234,250

38. DIVIDENDS

The Board of Directors of the Company in its meeting held on 22 March 2012 has proposed cash dividend at the rate of Rs. 3 (2010: Rs. 2.5) per share and Nil bonus shares (2010: 10%) for the year ended 31 December 2011, subject to the approval of shareholders in the Annual General Meeting to be held on 25 April 2012. These financial statements do not reflect these appropriations.

39. 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.

40. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on 22 March 2012.

41. GENERAL

41.1 Figures have been rounded off to the nearest rupee.

41.2 Corresponding figures have been rearranged, reclassified or net off, wherever necessary, for the purposes of better presentation.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Group Financial Statements

HIGHNOON LABORATORIES LIMITED
and its wholly owned subsidiary company
Dynalog Services (Private) Limited
2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising the consolidated balance sheet of **Highnoon Laboratories Limited** and its subsidiary as at **31 December 2011** and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Highnoon Laboratories Limited and its subsidiary company. These financial statements are the responsibility of the holing company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our audit was conducted in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Highnoon Laboratories Limited and its subsidiary as at **31 December 2011** and the results of their operations for the year then ended.

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which states that the management of the subsidiary company had discontinued 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.

Chartered Accountants
Engagement Partner: Naseem akbar

Lahore: 22 March 2012

CONSOLIDATED BALANCE SHEET

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
Ordinary shares of Rs. 10 each			
20,000,000 (2010: 20,000,000)		**200,000,000**	200,000,000
Share capital	*5*	**181,805,170**	165,277,431
Reserves		**399,854,712**	360,152,632
		581,659,882	525,430,063
Surplus on revaluation of fixed assets	*6*	**183,153,055**	188,475,264
NON CURRENT LIABILITIES			
Long term loans - secured	*7*	**57,659,470**	99,946,763
Liabilities against assets subject to finance lease	*8*	**11,296,272**	27,903,144
Long term advances	*9*	**14,942,278**	10,588,988
Deferred liabilities	*10*	**265,856,775**	249,517,280
		349,754,795	387,956,175
CURRENT LIABILITIES			
Trade and other payables	*11*	**186,874,267**	120,599,544
Markup payable on secured loans	*12*	**10,436,070**	20,544,406
Short term bank borrowings - secured	*13*	**166,291,136**	433,152,102
Current portion of long term liabilities	*14*	**80,742,402**	66,266,257
		444,343,875	640,562,309
CONTINGENCIES AND COMMITMENTS	*15*	**-**	-
		1,558,911,607	1,742,423,811

The annexed notes from 1 to 40 form an integral part of these financial statements.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 31 DECEMBER 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	*16*	**715,051,154**	709,868,202
Intangible assets	*17*	**111,843,817**	129,099,156
Long term deposits		**1,562,054**	1,562,054
		828,457,025	840,529,412
CURRENT ASSETS			
Stock in trade	*18*	**518,480,424**	640,844,633
Trade debts	*19*	**55,167,872**	42,107,297
Advances, deposits and prepayments	*20*	**51,136,092**	33,714,141
Other receivables	*21*	**17,204,500**	21,696,618
Income tax - net		**75,251,804**	98,046,396
Cash and bank balances	*22*	**13,213,890**	65,485,314
		730,454,582	901,894,399
		1,558,911,607	1,742,423,811

ANEES AHMAD KHAN
DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 Rupees	2010 Rupees
Sales - net	*23*	**2,944,907,488**	2,636,538,261
Cost of sales	*24*	**2,030,736,442**	1,732,983,015
GROSS PROFIT		**914,171,046**	903,555,246
Other operating income	*25*	**92,752,280**	8,347,560
Distribution, selling and promotional expenses	*26*	**568,588,690**	538,366,785
Administrative and general expenses	*27*	**195,886,720**	161,147,492
Research and development expenses	*28*	**6,727,034**	3,716,059
Other operating expenses	*29*	**21,450,726**	10,875,591
		699,900,890	706,229,367
		214,270,156	197,325,879
Finance Cost	*30*	**70,371,161**	89,425,036
PROFIT BEFORE TAXATION		**143,898,995**	107,900,843
Taxation	*31*	**51,672,027**	35,242,794
PROFIT AFTER TAXATION		**92,226,968**	72,658,049
Earnings per share - basic and diluted	*32*	**5.07**	4.00

The annexed notes from 1 to 40 form an integral part of these financial statements.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 Rupees	2010 Rupees
Profit after tax for the year	**92,226,968**	72,658,049
Other comprehensive income	**-**	-
Total comprehensive income for the year	**92,226,968**	72,658,049

Surplus arising on 'revaluation of fixed assets' is presented under a separate head below equity as surplus on revaluation of assets in accordance with the requirements specified by the Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O.45(I)/2003 dated 13 January 2003 and Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 40 form an integral part of these financial statements.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**143,898,995**	107,900,843
Adjustments for non-cash and other items:		
Depreciation	**65,378,232**	63,766,964
Amortization of intangible assets	**17,557,999**	13,086,294
Gain on sale of property, plant and equipment	**(5,530,791)**	(6,780,670)
Exchange loss	**8,942,250**	1,548,075
Provision for defined benefit obligation	**40,681,629**	35,792,612
Finance cost	**70,371,161**	89,425,036
	197,400,480	196,838,311
Profit before working capital changes	**341,299,475**	304,739,154
WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stock in trade	**122,364,209**	59,656,796
Trade debts	**(11,725,275)**	(14,970,021)
Advances, deposits and prepayments	**(17,421,951)**	37,675,366
Other receivables	**4,581,441**	43,253,047
Increase / (decrease) in current liabilities:		
Trade and other payables	**71,028,546**	(17,334,931)
	168,826,970	108,280,257
Cash generated from operations	**510,126,445**	413,091,411
Taxes paid	**(58,648,631)**	(50,467,805)
Gratuity paid	**(10,231,390)**	(10,521,073)
Finance cost paid	**(74,452,422)**	(79,607,547)
Long term advances - net	**19,746,270**	(1,369,339)
Net cash flow from operating activities	**386,540,272**	271,053,647

	Note	2011 Rupees	2010 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		**(60,405,164)**	(56,713,931)
Intangible assets acquired		**(302,660)**	(76,800,888)
Sale proceeds from disposal of property, plant and equipment		**13,235,272**	17,880,429
Net cash used in investing activities		**(47,472,552)**	(115,634,390)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		**(41,411,288)**	(40,667,694)
Long term loans obtained		**-**	116,049,000
Long term loans repayment - net		**(42,287,293)**	(27,558,294)
Decrease in short term bank borrowings - net		**(266,860,966)**	(129,155,729)
Dividend paid		**(40,779,597)**	(40,778,313)
Net cash used in financing activities		**(391,339,144)**	(122,111,030)
Net (decrease) / increase in cash and cash equivalents		**(52,271,424)**	33,308,227
Cash and cash equivalents at beginning of the year		**65,485,314**	32,177,087
Cash and cash equivalents at end of the year	*22*	**13,213,890**	65,485,314

The annexed notes from 1 to 40 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 2011

	Share Capital	Revenue Reserves			Total
		General Reserve	Unappropriated Profit	Sub Total	
	-----------------	-----------------	Rupees	-----------------	-----------------
Balance as at 01 January 2010	165,277,431	114,000,000	208,900,375	322,900,375	488,177,806
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2009	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Incremental depreciation relating to surplus on revaluation of fixed assets - net	-	-	5,913,566	5,913,566	5,913,566
Total comprehensive income for the year	-	-	72,658,049	72,658,049	72,658,049
Balance as at 31 December 2010	**165,277,431**	**114,000,000**	**246,152,632**	**360,152,632**	**525,430,063**
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2010	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Issuance of bonus shares @ of 10%	16,527,739	-	(16,527,739)	(16,527,739)	-
Incremental depreciation relating to surplus on revaluation of fixed assets - net	-	-	5,322,209	5,322,209	5,322,209
Total comprehensive income for the year	-	-	92,226,968	92,226,968	92,226,968
Balance as at 31 December 2011	**181,805,170**	**114,000,000**	**285,854,712**	**399,854,712**	**581,659,882**

The annexed notes from 1 to 40 from 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 2011

1. THE GROUP, OPERATIONS AND REGISTERED OFFICE

1.1 The Highnoon 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 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 the Company 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 made 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 statement 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 (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of Consolidation

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

The 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. Unrealized gains arising on intra-group transactions recognized in assets are also eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.3 New and amended standards and interpretations become effective

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 24 – Related Party Disclosures (Revised)

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 3 Business Combinations
- Transition requirements for contingent consideration from A business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests (NCI)
- Un-replaced and voluntarily replaced share-based payment awards

IFRS 7 Financial Instruments: Disclosures
- Clarification of disclosures

IAS 1 Presentation of Financial Statements
- Clarification of statement of changes in equity

IAS 27 Consolidated and Separate Financial Statements
- Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements.

IAS 34 Interim Financial Reporting
- Significant events and transactions

IFRIC 1 Customer Loyalty Programmes
- Fair value of award credits

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

2.4 Standards, interpretations and amendments to published approved accounting Standards that are not yet effective

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

Standard or Interpretation		**Effective Date (Annual Periods beginning on or after**
IFRS 7	Financial Instruments : disclosures – (amendments)	
	- Amendments enhancing disclosures about transfers of financial Assets	01 July 2011
	- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1	Presentation of Financial Statements – Presentation of items of comprehensive income of Underlying Assets	01 January 2012
IAS 12	Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19	Employee Benefits –(Amendment)	01 January 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially affect the Company's financial statements in the period of initial application.

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

Standards	**IASB effective date (Annual periods beginning on or after)**
IFRS 9 - Financial Instruments	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

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 16 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 financial statements or where judgments were exercised in application of accounting policies are as follows:

		Notes
-	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	4.11
-	taxation	4.15
-	provisions and contingencies	4.18

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as mentioned in note 2.3.

4.2 Staff retirement benefits

Defined benefit plan

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

Qualified actuaries have carried out the valuation as at 31 December 2011. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

		2011	**2010**
-	Discount rate	12.5% per annum	13% per annum
-	Expected rate of increase in salary	11.5% per annum	12% 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.

4.3 Foreign currency translation

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

4.4 Trade and other payables

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

4.5 Property, plant and equipment

Owned operating assets

These are stated at cost or revalued amount less accumulated depreciation 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 16.1 to write off the cost / revalued amount of an asset over its estimated useful life. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Full month's depreciation is charged on additions, while no depreciation is charged in the month of disposal or deletion of assets. Surplus on revaluation of fixed assets relating to incremental depreciation (net of deferred taxation) is transferred directly to unappropriated profit.

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

Capital work in progress

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

4.6 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.

4.7 Deferred gain

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

4.8 Borrowing costs

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

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 Group 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 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 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.

-	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 Group 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 Group 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 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.

	Note	2011 Rupees	2010 Rupees

5. SHARE CAPITAL

Issued, subscribed and paid-up

	Note	2011 Rupees	2010 Rupees
5,905,000 (2010: 5,905,000) Ordinary shares of Rs.10 each fully paid in cash		**59,050,000**	59,050,000
95,000 (2010: 95,000) Ordinary shares of Rs.10 each issued for consideration other than cash	*5.1*	**950,000**	950,000
12,180,517 (2010: 10,527,743) Ordianry shares of Rs.10 each issued as bonus shares		**121,805,170**	105,277,431
		181,805,170	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

	2011 (Numbers of Shares)	2010
Outstanding at the beginning	**16,527,743**	16,527,743
Bonus shares issued during the year	**1,652,774**	-
Outstanding at the end	**18,180,517**	16,527,743

6. SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2011 Rupees	2010 Rupees
Surplus on revaluation of fixed assets as at 01 January		**217,133,314**	226,231,108
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit			
Net of deferred tax		**(5,322,209)**	(5,913,566)
Related deferred tax liability		**(2,865,805)**	(3,184,228)
		(8,188,014)	(9,097,794)
Surplus on revaluation of fixed assets as at 31 December		**208,945,300**	217,133,314
Less: Related deferred tax liability on:			
Balance at the beginning of the year		**28,658,050**	31,842,278
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		**(2,865,805)**	(3,184,228)
	10.1	**25,792,245**	28,658,050
		183,153,055	188,475,264

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

	Note	2011 Rupees	2010 Rupees

7. LONG TERM LOAN - SECURED

	Note	2011 Rupees	2010 Rupees
Habib Bank Limited	*7.1*	**51,301,763**	80,617,056
Faysal Bank Limited	*7.2*	**48,645,000**	61,617,000
Less: Current portion shown under current liabilities	*14*	**42,287,293**	42,287,293
		57,659,470	99,946,763

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 15.69% (2010: 14.73%) of the average outstanding loan facility. The amount outstanding as at 31 December 2011 is repayable in 7 equal quarterly installments. 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.

7.2 The loan of Rs. 64.860 million has been obtained in 2009 for financing the acquisition of Blokium trade mark and carries mark-up at the rate of three months KIBOR plus 2.75% per annum. The effective mark-up charged during the year was 15.96% (2010: 15.73%) of the average outstanding loan amount. The amount outstanding as at 31 December 2011 is repayable in 15 equal quarterly installments. This loan along with working capital facilities provided by the bank are secured by way of first pari passu charge of Rs. 69.25 million on the present and future current assets of HNL and first pari passu charge of Rs. 83.65 million on present and future fixed assets of HNL.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2011 Rupees	2010 Rupees
Present value of minimum lease payments		**26,313,224**	43,836,931
Less: Current portion shown under current liabilities	*14*	**15,016,952**	15,933,787
		11,296,272	27,903,144

	2011		
	Minimum lease payments	**Finance cost for future periods**	**Principal outstanding**
		Rupees	
Not later than one year	**17,778,886**	**2,761,934**	**15,016,952**
Later than one year but not later than five years	**12,421,672**	**1,125,400**	**11,296,272**
	30,200,558	**3,887,334**	**26,313,224**

	2010		
	Minimum lease payments	Finance cost for future periods	Principal outstanding
		Rupees	
Not later than one year	17,485,127	1,551,340	15,933,787
Later than one year but not later than five years	32,591,530	4,688,386	27,903,144
	50,076,657	6,239,726	43,836,931

Salient features of the leases are as follows:	**2011**	2010
Discounting factor	**14.50% - 18.61%**	14.50% - 16.50%
Period of lease	**36 months**	36 months
Security deposits	**5% - 10%**	5% - 10%

HNL has entered into finance lease arrangements with various financial institutions for lease of plant and machinery and vehicles as shown in note 16.1. Liabilities under these arrangements are payable in monthly installments. Above mark-up rates are used as discounting factor to determine the present value of minimum lease payments.

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

	Note	**2011** **Rupees**	2010 Rupees
9. LONG TERM ADVANCES			
Balance at 31 December		**38,380,435**	18,634,165
Less: Current portion	*14*	**23,438,157**	8,045,177
		14,942,278	10,588,988

These represent advances taken from employees against future sale of vehicles as per HNL policy.

	Note	**2011** **Rupees**	2010 Rupees
10. DEFERRED LIABILITIES			
Taxation	*10.1*	**96,861,972**	110,972,716
Gratuity	*10.2*	**168,994,803**	138,544,564
		265,856,775	249,517,280
10.1 Taxable/(deductible) temporary differences arising in respect of :			
Surplus on revaluation of fixed assets	*6*	**25,792,245**	28,658,050
Accelerated tax depreciation		**83,577,293**	76,918,941
Finance lease		**11,753,678**	10,154,346
Provision for doubtful debts		**(4,758,622)**	(4,758,621)
Provision for gratuity		**(19,502,622)**	-
		96,861,972	110,972,716

	Note	**2011 Rupees**	2010 Rupees

10.2 The net value of defined benefit obligation as at valuation date was as follows:

	Note	**2011 Rupees**	2010 Rupees
Present value of defined benefit obligation	*10.2.2*	**188,823,998**	159,003,810
Unrecognized actuarial losses		**(18,706,687)**	(21,470,608)
Non-vested past service cost		**(1,890,859)**	-
Benefits due but not paid		**768,351**	1,011,362
Net liability as at 31 December		**168,994,803**	138,544,564

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

	Note	**2011 Rupees**	2010 Rupees
Liability as at 01 January		**138,544,564**	113,273,025
Amount recognized during the year	*10.2.3*	**40,681,629**	35,792,612
Benefit payments made by HNL		**(10,231,390)**	(10,521,073)
Liability as at 31 December		**168,994,803**	138,544,564

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

	2011 Rupees	2010 Rupees
Present value of defined benefit obligations as at 01 January	**159,003,810**	132,771,040
Current service costs	**18,897,089**	18,607,786
Interest cost	**20,670,495**	15,932,525
Non-vested past service cost	**1,890,859**	-
Benefits due but not paid	**(768,351)**	(1,011,362)
Benefits paid during the year	**(9,220,028)**	(10,480,480)
Actuarial (gain) / losses recognized	**(1,649,876)**	3,184,301
Liability for defined benefit obligations at 31 December	**188,823,998**	159,003,810

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

	2011 Rupees	2010 Rupees
Current service cost	**18,897,089**	18,607,786
Interest cost	**20,670,495**	15,932,525
Actuarial losses - charge for the year	**1,114,045**	1,252,301
	40,681,629	35,792,612

10.2.4 Historical information for un-funded defined benefit obligation

	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
Present value of defined benefits obligations	**188,823,998**	159,003,810	132,771,040	115,195,393	90,159,674
Experience adjustment arising on plan liabilities (gain) / losses	**(1,649,876)**	3,184,301	(5,348,203)	8,415,367	4,774,683

	Note	**2011 Rupees**	2010 Rupees
11. TRADE AND OTHER PAYABLES			
Trade creditors		**61,183,568**	37,060,364
Bills payable		**16,936,426**	9,954,636
Advances from customers		**36,453,542**	22,141,512
Accrued expenses		**52,850,837**	20,001,666
Income tax deducted at source		**2,196,686**	1,957,505
Workers Profit Participation Fund	*11.1*	**7,832,389**	5,745,436
Workers' Welfare Fund		**-**	15,660,452
Payable to Central Research Fund		**1,455,952**	1,070,093
Payable to Provident Fund Trust		**2,695,815**	2,267,822
Unclaimed dividends		**5,037,252**	4,497,491
Payable to Employees Welfare Trust		**231,800**	242,567
		186,874,267	120,599,544

11.1 Workers' Profit Participation Fund

Balance at the beginning of the year		**5,745,436**	5,501,001
Add: provision for the year	*29*	**7,832,388**	5,745,435
		13,577,824	11,246,436
Add: interest on funds utilized by the HNL	*30*	**70,110**	268,771
		13,647,934	11,515,207
Less: Paid during the year to the trustees of the fund		**5,815,545**	5,769,771
		7,832,389	5,745,436

Mark-up @ 18.75% (2010: 18.75%) is being provided on unpaid balance of the fund in accordance with the rules of the Fund.

	Note	2011 Rupees	2010 Rupees

12. MARKUP PAYABLE ON SECURED LOANS

	Note	2011 Rupees	2010 Rupees
On long term loans		**3,689,283**	5,397,086
On short term borrowings		**6,746,787**	15,147,320
		10,436,070	20,544,406

13. SHORT TERM BANK BORROWINGS - SECURED

	Note	2011 Rupees	2010 Rupees
Running finance	*13.1 & 13.2*	**166,291,136**	398,705,155
Import credit	*13.3*	**-**	34,446,947
		166,291,136	433,152,102

13.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 715 million (2010: Rs. 655 million) including Rs. 80 million sanctioned as sub limit of import credit. These facilities have various maturity dates upto 31 October 2012 and renewable on the date of maturity. These facilities carry mark-up rates ranging from one month KIBOR to six months KIBOR plus 150 to 175 basis points (2010: one month KIBOR to three months KIBOR plus 150 to 185 basis points) per annum. These facilities along with import credit are secured by way of first pari passu charge for Rs. 543 million on fixed assets and first joint pari passu hypothecation charge of Rs. 732 million on stocks including but not limited to raw materials, medicines, goods in process and finished goods of HNL.

13.2 Out of total outstanding loan, an amount of Rs.35,000,000 (2010:Rs. 15,000,000) represents ERF II facility obtained from a commercial bank and carries mark up at 10% per annum (2010:10% per annum).

13.3 Aggregate sanctioned import credit facilities negotiated with various banks amount to Rs. 673 million including Rs. 243 million sanctioned as sublimit of short term running finance (2010: Rs. 530 million including Rs. 350 million sanctioned as sublimit). These facilities carry mark-up rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2010: one month KIBOR to three months KIBOR plus 140 to 150 basis points) per annum. These available facilities are secured by way of joint pari passu, ranking hypothecation charge over present and future current assets of HNL as mentioned above in Note 13.1 and lien on export documents or firm contracts and have various maturity dates upto 31 October 2012.

14. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2011 Rupees	2010 Rupees
Long term loans	*7*	**42,287,293**	42,287,293
Liabilities against assets subject to finance lease	*8*	**15,016,952**	15,933,787
Long term advances	*9*	**23,438,157**	8,045,177
		80,742,402	66,266,257

15. CONTINGENCIES AND COMMITMENTS

Contingencies

- While finalizing of HNL income tax assessments for the tax year 2005, income tax authorities made certain add backs with aggregate tax impact of Rupees 12,600,136. HNL has filed appeal before Commission Inland Revenue (Appeals) which is pending for adjudication, pending finalization of appeal, no provision has been made by HNL, as the management expects a favorable outcome of such appeal.

- Bank guarantees issued on behalf of HNL aggregate to Rs. 4.620 million (2010: Rs 4.620 million).

- HNL has not acknowledged the demand relating to sales tax / central excise duty amounting to Rs.12.057 million (2010: Rs. 12.057 million) as debt as the matter is pending for adjudication. An amount of Rs. 10.086 million (2010: Rs. 10.086 million) has been deposited under protest and is shown under other receivables in note 21

- Facilities of letters of guarantee amounting to Rs. 20 million (2010: Rs. 20 million) are available to HNL under hypothecation / pledge of stocks and on present and future current assets and property, plant and equipment of HNL.

	2011	2010
	Rupees '000'	Rupees '000'
Commitments		
Commitments against irrevocable letters of credit include:		
Raw materials	**100,988**	100,981
Packing materials	**17,017**	2,423

	Note	**2011**	2010
		Rupees	Rupees
16. PROPERTY, PLANT AND EQUIPMENT			
Operating assets (owned)	*16.1*	**641,523,276**	621,267,311
Operating assets (leased)	*16.1*	**59,895,163**	75,117,070
Capital work-in-progress	*16.2*	**13,632,715**	13,483,821
		715,051,154	709,868,202

16.1 Property, Plant and Equipment

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

	Year ended 31 December 2011															
	Total operating fixed assets - owned											Total operating fixed assets - owned	Assets subject to finance lease			Total operating fixed assets
	Land - freehold	Building on freehold land	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric and gas appliances	Office equipment	Vehicles	Library books	Neon sign	Arms and ammunition		Plant and machinery	Vehicles	Total Assets subject to finance lease	
	Rupees															
At 01 January 2011																
Cost	149,820,000	251,437,991	458,628,852	13,366,879	13,150,198	23,544,474	49,773,910	45,343,754	52,806	204,990	106,100	1,005,429,954	18,124,623	112,218,392	130,343,015	1,135,772,969
Accumulated Depreciation	-	111,993,675	201,875,151	4,946,654	7,345,712	13,498,508	19,826,843	24,466,390	48,552	72,802	88,356	384,162,643	9,089,705	46,136,240	55,225,945	439,388,588
Net Book Value	149,820,000	139,444,316	256,753,701	8,420,225	5,804,486	10,045,966	29,947,067	20,877,364	4,254	132,188	17,744	621,267,311	9,034,918	66,082,152	75,117,070	696,384,381
Movement during the year																
Opening net book value	149,820,000	139,444,316	256,753,701	8,420,225	5,804,486	10,045,966	29,947,067	20,877,364	4,254	132,188	17,744	621,267,311	9,034,918	66,082,152	75,117,070	696,384,381
Addition - cost	-	22,740,078	22,301,411	4,712,711	1,247,460	198,605	2,092,006	6,904,000	-	-	60,000	60,256,271	-	17,860,500	17,860,500	78,116,771
Transfer from leasehold assets																
Cost	-	-	-	-	-	-	-	45,430,506	-	-	-	45,430,506	-	(45,430,506)	(45,430,506)	-
Depreciation	-	-	-	-	-	-	-	26,272,948	-	-	-	26,272,948	-	(26,272,948)	(26,272,948)	-
	-	-	-	-	-	-	-	19,157,558	-	-	-	19,157,558	-	(19,157,558)	(19,157,558)	-
Disposals																
Cost	-	-	-	-	-	-	558,765	14,610,414	-	-	-	15,169,179	-	-	-	15,169,179
Depreciation	-	-	-	-	-	-	240,442	7,224,256	-	-	-	7,464,698	-	-	-	7,464,698
	-	-	-	-	-	-	318,323	7,386,158	-	-	-	7,704,481	-	-	-	7,704,481
Depreciation charge for the year	-	14,133,932	25,880,933	963,776	602,173	1,007,335	3,119,438	5,727,378	425	13,219	4,774	51,453,383	903,492	13,021,357	13,924,849	65,378,232
Closing net book value	149,820,000	148,050,462	253,174,179	12,169,160	6,449,773	9,237,236	28,601,312	33,825,386	3,829	118,969	72,970	641,523,276	8,131,426	51,763,737	59,895,163	701,418,439
At 31 December 2011																
Cost	149,820,000	274,178,069	480,930,263	18,079,590	14,397,658	23,743,079	51,307,151	83,067,846	52,806	204,990	166,100	1,095,947,552	18,124,623	84,648,386	102,773,009	1,198,720,561
Accumulated Depreciation	-	126,127,607	227,756,084	5,910,430	7,947,885	14,505,843	22,705,839	49,242,460	48,977	86,021	93,130	454,424,276	9,993,197	32,884,649	42,877,846	497,302,122
Net book balue	149,820,000	148,050,462	253,174,179	12,169,160	6,449,773	9,237,236	28,601,312	33,825,386	3,829	118,969	72,970	641,523,276	8,131,426	51,763,737	59,895,163	701,418,439
Depreciation rates	0%	10%	10%	10%	10%	10%	10%	20%	10%	10%	10%		10%	20%		

	Year ended 31 December 2011															
	Total operating fixed assets - owned												Assets subject to finance lease			
	Land - freehold	Building on freehold land	Plant and machinery	Laboratory equipment	Furniture and fixtures	Electric and gas appliances	Office equipment	Vehicles	Library books	Neon sign	Arms and ammunition	Total operating fixed assets - owned	Plant and machinery	Vehicles	Total Assets subject to finance lease	Total operating fixed assets
	Rupees															
At 01 January 2010																
Cost	149,820,000	224,099,955	402,725,034	12,166,879	13,126,283	23,775,401	48,643,625	41,892,790	52,806	204,990	106,100	916,613,863	27,961,623	118,624,652	146,586,275	1,063,200,138
Accumulated Depreciation	-	99,227,024	174,731,620	4,022,185	6,711,099	12,731,167	16,745,868	20,521,239	48,079	58,114	86,386	334,882,781	11,169,971	41,718,944	52,888,915	387,771,696
Net Book Value	149,820,000	124,872,931	227,993,414	8,144,694	6,415,184	11,044,234	31,897,757	21,371,551	4,727	146,876	19,714	581,731,082	16,791,652	76,905,708	93,697,360	675,428,442
Movement during the year																
Opening net book value	149,820,000	124,872,931	227,993,414	8,144,694	6,415,184	11,044,234	31,897,757	21,371,551	4,727	146,876	19,714	581,731,082	16,791,652	76,905,708	93,697,360	675,428,442
Addition - cost	-	27,338,036	46,066,818	1,200,000	125,500	172,248	1,684,260	3,841,800	-	-	-	80,428,662	-	15,394,000	15,394,000	95,822,662
Transfer from leasehold assets																
Cost	-	-	9,837,000	-	-	-	-	21,800,260	-	-	-	31,637,260	(9,837,000)	(21,800,260)	(31,637,260)	-
Depreciation	-	-	3,252,967	-	-	-	-	10,172,021	-	-	-	13,424,988	(3,252,967)	(10,172,021)	(13,424,988)	-
	-	-	6,584,033	-	-	-	-	11,628,239	-	-	-	18,212,272	(6,584,033)	(11,628,239)	(18,212,272)	-
Disposals																
Cost	-	-	-	-	101,585	403,175	553,975	22,191,096	-	-	-	23,249,831	-	-	-	23,249,831
Depreciation	-	-	-	-	5,883	344,056	185,568	11,614,565	-	-	-	12,150,072	-	-	-	12,150,072
	-	-	-	-	95,702	59,119	368,407	10,576,531	-	-	-	11,099,759	-	-	-	11,099,759
Depreciation charge for the year	-	12,766,651	23,890,564	924,469	640,496	1,111,397	3,266,543	5,387,695	473	14,688	1,970	48,004,946	1,172,701	14,589,317	15,762,018	63,766,964
Closing net book value	149,820,000	139,444,316	256,753,701	8,420,225	5,804,486	10,045,966	29,947,067	20,877,364	4,254	132,188	17,744	621,267,311	9,034,918	66,082,152	75,117,070	696,384,381
At 31 December 2010																
Cost	149,820,000	251,437,991	458,628,852	13,366,879	13,150,198	23,544,474	49,773,910	45,343,754	52,806	204,990	106,100	1,005,429,954	18,124,623	112,218,392	130,343,015	1,135,772,969
Accumulated Depreciation	-	111,993,675	201,875,151	4,946,654	7,345,712	13,498,508	19,826,843	24,466,390	48,552	72,802	88,356	384,162,643	9,089,705	46,136,240	55,225,945	439,388,588
Net book balue	149,820,000	139,444,316	256,753,701	8,420,225	5,804,486	10,045,966	29,947,067	20,877,364	4,254	132,188	17,744	621,267,311	9,034,918	66,082,152	75,117,070	696,384,381
Depreciation rates	0%	10%	10%	10%	10%	10%	10%	20%	10%	10%	10%		10%	20%		

	Note	**2011**	2010
		Rupees	Rupees

16.1.1 Depreciation charge has been allocated as under:

	Note	**2011 Rupees**	2010 Rupees
Cost of sales	*24*	**43,569,519**	40,552,316
Distribution, selling and promotional expenses	*26*	**9,749,342**	10,388,046
Administrative and general expenses	*27*	**12,059,371**	12,826,602
		65,378,232	63,766,964

16.1.2 HNL Land, building on freehold land and plant and machinery were first revalued on 30 June 1995, resulting in a surplus of Rs. 68,809,377. Subsequently land, building on freehold land and plant and machinery were revalued on 30 June 1999 resulting in a surplus of Rs. 48,731,393. Land, building on freehold land and plant and machinery were again revalued on 31 May 2004 and 31 December 2004 respectively by M/s Hamid Mukhtar & Co., which resulted in a surplus of Rs. 168,473,204 over the net book value of assets. The 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.

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

	2011 Rupees	2010 Rupees
Land - Freehold	**14,566,828**	14,566,828
Building on freehold land	**119,899,858**	108,165,868
Plant and machinery (Owned)	**210,347,030**	209,167,979
Plant and machinery (Leased)	**5,417,053**	6,018,948
	350,230,769	337,919,623

16.1.4 Disposal of property, plant and equipment

Particulars	Sold to	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
		Rupees					
Vehicles							
	Waseem Akhtar	682,000	302,869	379,131	530,566	151,435	Company Policy
	Muhammad Iqbal	211,663	21,166	190,497	313,317	122,820	Company Policy
	Mushtaq Muhammad	211,372	14,091	197,281	312,947	115,666	Company Policy
	Ahmed Bilal Khan	229,854	15,324	214,530	420,464	205,934	Company Policy
	Syed Salman Akhtar	204,698	23,881	180,817	445,531	264,714	Company Policy
	Imran Ali	453,845	366,598	87,247	915,000	827,753	Negotiation
	Humayun Rashid	578,867	307,185	271,682	950,000	678,318	Negotiation
	Zafar Iqbal	189,151	33,207	155,944	370,000	214,056	Negotiation
	Irfan Ahmed Dyer	204,698	38,949	165,749	292,976	127,227	Company Policy
	Javed Iqbal	221,357	75,261	146,096	400,000	253,904	Company Policy
	Wajhat Hussain	54,890	25,908	28,982	54,890	25,908	Company Policy
	Rana Rizwan Ahmed	52,890	25,509	27,381	52,890	25,509	Company Policy
	Muhammad Shahid Hussain	52,890	25,509	27,381	52,890	25,509	Company Policy
	Nasir Ali	50,890	24,590	26,300	50,890	24,590	Company Policy
	Waqas Akhtar	62,900	19,080	43,820	62,900	19,080	Company Policy
	Irfan Junaid	62,900	18,451	44,449	62,900	18,451	Company Policy
	Muhammad Asif	62,900	24,545	38,355	62,900	24,545	Company Policy
	Waqar Khan	62,900	24,545	38,355	62,900	24,545	Company Policy
	Mohsin Hasan	50,490	25,070	25,420	50,490	25,070	Company Policy
	Sajid Ahmad	50,490	25,501	24,989	50,490	25,501	Company Policy
	Hafiz Ateeq Ur Rehman	50,890	25,558	25,332	50,890	25,558	Company Policy
	Muhammad Jamil	50,490	25,932	24,558	45,540	20,982	Company Policy
	Shakir Ali	50,490	27,583	22,907	41,796	18,889	Company Policy
	Farhan Saeed	50,490	26,363	24,127	40,572	16,445	Company Policy
	Muhammad Ashraf	62,900	19,080	43,820	62,900	19,080	Company Policy
	Shahzad Shaukat	62,900	16,773	46,127	62,900	16,773	Company Policy
	Farhan Saeed	50,490	27,612	22,878	40,644	17,766	Company Policy
	Reliance Insurance Co. Ltd	62,900	25,328	37,572	55,000	17,428	Insurance Claim
	Asim Hasan	62,900	15,096	47,804	62,900	15,096	Company Policy
	Javaid Akhtar	62,900	23,175	39,725	62,900	23,175	Company Policy
	Asham Abid	62,900	19,080	43,820	62,900	19,080	Company Policy
	M. Shafique Awan	62,900	19,289	43,611	26,176	(17,435)	Company Policy
	Anwaw Ul Haq	204,698	41,963	162,735	289,709	126,974	Company Policy
	Azfar Shams	229,854	40,352	189,502	406,157	216,655	Company Policy
	Adnan Ahmed	62,900	23,315	39,585	62,900	23,315	Company Policy
	Reliance Insurance Co. Ltd	62,900	20,967	41,933	60,000	18,067	Insurance Claim
	Qasim Janju	188,178	66,908	121,270	269,340	148,070	Company Policy
	Muhammad Tahir	62,900	16,599	46,301	62,900	16,599	Company Policy
	Tanvir Khan	62,900	23,175	39,725	62,900	23,175	Company Policy
	M. Salman	50,490	26,793	23,697	50,490	26,793	Company Policy
	Patras Bashir	54,890	25,908	28,982	54,890	25,908	Company Policy
	Imran Saeed	62,900	25,859	37,041	62,900	25,859	Company Policy
	Sheraz Ali Akhund	395,000	229,276	165,724	292,300	126,576	Company Policy
	Daood Ahmed	434,509	192,961	241,548	367,428	125,880	Company Policy
	Shahzad Khaliq	500,000	113,333	386,667	446,444	59,777	Company Policy
	Dr. Asad Ali	403,000	233,461	169,539	320,820	151,281	Company Policy
	Reliance Inusrance Co. Ltd	611,000	194,434	416,566	525,000	108,434	Insurance Claim
	Dr. Azfar Abbas Haidrie	568,000	383,429	184,571	409,380	224,809	Company Policy
	Arif Hussain Khan Sherwani	365,000	246,643	118,357	254,531	136,174	Company Policy
	Zeeshan Akbar	568,000	386,505	181,495	500,000	318,505	Negotiation
	Shakil Ahmad Khan Lodhi	365,000	250,588	114,412	248,700	134,288	Company Policy
	Muhammad Ilyas	365,000	250,588	114,412	248,700	134,288	Company Policy
	Ghulam Haider	395,000	246,691	148,309	285,277	136,968	Company Policy
	Javed Hussain	1,370,500	853,584	516,916	516,916	-	Company Policy
	Syed Riffat Irfan Ahmed	365,000	254,533	110,467	248,700	138,233	Company Policy
	Dr. Adeel Abbas	969,000	610,685	358,315	358,315	-	Company Policy
	Irfan Tayyab Dar	884,000	373,244	510,756	276,976	(233,780)	Company Policy
	Arif Khurshid	565,000	384,354	180,646	378,540	197,894	Company Policy
		14,610,414	**7,224,256**	**7,386,158**	**13,190,272**	**5,804,114**	

Particulars	Sold to	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
		Rupees					
Computer							
	HP Lase Jet 1100	23,500	14,922	8,578	-	(8,578)	Scrap
	HP Compaq 2214	67,500	34,891	32,609	-	(32,609)	Scrap
	HP Compaq 2572 AI	67,500	33,705	33,795	-	(33,795)	Scrap
	LG Monitor 454 V	7,950	4,947	3,003	-	(3,003)	Scrap
	HP Compaq 2200	67,500	32,816	34,684	-	(34,684)	Scrap
	HP VP6325	152,000	73,897	78,103	-	(78,103)	Scrap
	HP Laser Jet 1100	20,000	9,060	10,940	-	(10,940)	Scrap
	HP Compaq 6730s	72,815	6,554	66,261	45,000	(21,261)	Insurance claim
	Star 505 reader +Controller	80,000	29,650	50,350	-	(50,350)	Scrap
		558,765	240,442	318,323	45,000	(273,323)	
	2011	15,169,179	7,464,698	7,704,481	13,235,272	5,530,791	
	2010	23,249,831	12,150,072	11,099,759	17,880,429	6,780,670	

	Note	**2011 Rupees**	2010 Rupees
16.2 CAPITAL WORK - IN - PROGRESS (CWIP)			
Civil works		**13,281,988**	10,758,094
Plant and machinery - owned		**350,727**	350,727
Advances to suppliers		**-**	2,375,000
	16.2.1	**13,632,715**	13,483,821
16.2.1 Movement of CWIP is as follows:			
Opening balance as at 01 January		**13,483,821**	37,198,552
Addition made during the year			
Civil works		**24,784,942**	15,714,119
Plant and machinery - owned		**22,216,721**	30,971,719
Advance for purchase of vehicles		**-**	2,375,000
		47,001,663	49,060,838
Capitalized during the year			
Civil works		**(22,261,048)**	(19,374,724)
Plant and machinery - owned		**(22,216,721)**	(52,590,845)
Vehicles - leased		**(2,375,000)**	(810,000)
		(46,852,769)	(72,775,569)
Closing balance as at 31 December		**13,632,715**	13,483,821

17. INTANGIBLE ASSETS

2011

PARTICULARS	**COST**			**ACCUMULATED AMORTISATION**			**BOOK VALUE as at 31 December 2011**	**Rate %**
	As at 01 January 2011	**Additions**	**As at 31 December 2011**	**As at 01 January 2011**	**For the year**	**As at 31 December 2011**		
	Rupees							
Registration and trademark (Note 17.1)	154,434,175	-	154,434,175	41,257,232	15,443,418	56,700,650	97,733,525	10
Computer Software	20,910,336	302,660	21,212,996	4,988,123	2,114,581	7,102,704	14,110,292	10
	175,344,511	**302,660**	**175,647,171**	**46,245,355**	**17,557,999**	**63,803,354**	**111,843,817**	

2010

PARTICULARS	COST			ACCUMULATED AMORTISATION			BOOK VALUE as at 31 December 2010	Rate %
	As at 01 January 2010	Additions	As at 31 December 2010	As at 01 January 2010	For the year	As at 31 December 2010		
	Rupees							
Registration and trademark (Note 17.1)	78,128,293	76,305,882	154,434,175	29,629,109	11,628,123	41,257,232	113,176,943	10
Computer Software	13,049,080	7,861,256	20,910,336	3,529,952	1,458,171	4,988,123	15,922,213	10
	91,177,373	84,167,138	175,344,511	33,159,061	13,086,294	46,245,355	129,099,156	

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

17.2 Amortization charge has been allocated as under:

	Note	**2011** **Rupees**	2010 Rupees
Cost of sales	*25*	**15,443,418**	11,628,123
Distribution, selling and promotional expenses	*27*	**2,114,581**	1,458,171
		17,557,999	13,086,294

18. STOCK IN TRADE

	Note	2011 Rupees	2010 Rupees
Raw materials			
In hand		**218,192,744**	268,517,105
In transit		**39,165,327**	61,441,556
		257,358,071	329,958,661
Packing material			
In hand		**68,481,126**	67,795,955
In transit		**-**	571,642
With third party		**54,046**	2,204,874
		68,535,172	70,572,471
Work in process		**39,820,419**	59,384,189
Finished goods in hand		**152,766,762**	180,929,312
		518,480,424	640,844,633

19. TRADE DEBTS - Considered good

	Note	2011 Rupees	2010 Rupees
Secured - against letters of credit		**12,258,928**	7,172,211
Unsecured			
Due from related parties			
Route - 2 Health (Private) Limited	*19.1*	**511,850**	3,246,697
Others		**42,936,341**	32,227,636
Less: Provision for doubtful debts		**(539,247)**	(539,247)
		55,167,872	42,107,297

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

20. ADVANCES, DEPOSITS AND PREPAYMENTS

	2011 Rupees	2010 Rupees
Advances - considered good		
Staff against:		
Expenses	**15,305,054**	9,244,792
Salary	**4,524,986**	3,701,970
Suppliers	**22,068,734**	8,257,293
Deposits:		
Securities	**5,678,000**	5,731,003
Bank guarantee margin	**1,558,085**	4,026,920
Prepayments	**2,001,233**	2,752,163
	51,136,092	33,714,141

21. OTHER RECEIVABLES - considered good

	Note	2011 Rupees	2010 Rupees
Claims receivable		**430,114**	640,546
Freight subsidy receivable		**-**	813,986
Sales tax and excise duty	*21.1*	**16,774,386**	13,007,223
Receivable from foreign principals		**-**	7,037,890
Others		**-**	196,973
		17,204,500	21,696,618

21.1 As referred to in note 15, this includes Rs. 10.086 million (2010: Rs. 10.086 million) deposited for grant of stay against demand of sales tax/excise duty paid under protest to sales tax department.

22. CASH AND BANK BALANCES

	2011 Rupees	2010 Rupees
Cash and Imprest	**1,995,192**	2,615,341
Balance with banks - current accounts	**11,218,698**	62,869,973
	13,213,890	65,485,314

23. SALES - net

	2011 Rupees	2010 Rupees
Manufactured products		
Local	**2,496,898,092**	2,628,545,861
Export	**136,252,703**	132,155,202
	2,633,150,795	2,760,701,063
Purchased products - local	**28,114,510**	56,618,796
Sales compensation	**9,196,382**	-
Third party (toll manufacturing)	**545,141,467**	67,368,103
	3,215,603,154	2,884,687,962
Less:		
Discount	**267,937,108**	248,149,701
Sales tax	**2,758,558**	-
	270,695,666	248,149,701
	2,944,907,488	2,636,538,261

	Note	**2011** **Rupees**	2010 Rupees
24. COST OF SALES			
Raw and packing material consumed		**1,664,236,175**	1,402,432,824
Salaries, wages and benefits	*24.1*	**147,996,669**	124,393,802
Vehicle running and maintenance		**14,502,334**	13,264,129
Fuel and power		**42,386,309**	34,257,448
Stores consumed		**6,844,797**	7,581,726
Repair and maintenance		**23,696,364**	18,273,150
Insurance		**3,088,925**	2,812,661
Rent, rates and taxes		**2,870,912**	1,830,443
Fee and subscription		**319,273**	476,408
Printing and stationery		**3,687,056**	2,589,238
Traveling and conveyance		**798,402**	2,440,827
Consultancy and professional charges		**1,854,039**	4,999,986
Office supplies		**7,319,916**	6,621,520
Depreciation	*16.1.1*	**43,569,519**	40,552,316
Amortization of intangible assets	*17.2*	**15,443,418**	11,628,123
Others direct cost		**4,677,623**	3,559,186
		1,983,291,731	1,677,713,787
Inventory effect of work in process			
Opening		**59,384,189**	49,560,198
Closing		**(39,820,419)**	(59,384,189)
		19,563,770	(9,823,991)
Cost of goods manufactured		**2,002,855,501**	1,667,889,796
Inventory effect of finished goods (excluding purchased products)			
Opening		**160,115,818**	186,894,949
Closing		**(150,723,607)**	(160,115,818)
		9,392,211	26,779,131
Cost of goods sold - Manufactured products		**2,012,247,712**	1,694,668,927
Cost of goods sold - Purchased products		**18,488,730**	38,314,088
Cost of goods sold		**2,030,736,442**	1,732,983,015

24.1 It includes the following staff retirement benefits:

Defined benefit plan - Gratuity	**16,864,790**	11,552,368
Defined contribution plan - Provident Fund	**4,128,435**	3,762,902
Provision for compensated leave absences	**800,519**	2,574,090
	21,793,744	17,889,360

	Note	2011 Rupees	2010 Rupees

25. OTHER OPERATING INCOME

Income from non-financial assets

	Note	2011 Rupees	2010 Rupees
Gain on sale of property, plant and equipment		**5,530,791**	6,780,670
SLA fee	25.1	**86,100,000**	-
Scrap Sales		**1,121,489**	1,554,890
Others		**-**	12,000
		92,752,280	8,347,560

25.1 HNL has provided technical ,marketing and sales know-how to Abbott Laboratories Pakistan Limited related to ex-Solvay products in Pakistan, following a global acquisition of Solvay Pharmaceuticals by Abbott International LLC, USA.

26. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES

	Note	2011 Rupees	2010 Rupees
Salaries and benefits	26.1	**189,837,632**	208,916,544
Rent, rates and taxes		**1,252,240**	722,395
Entertainment		**178,785**	206,469
Advertisement, promotional expenses and samples		**217,137,656**	179,460,123
Printing and stationery		**2,108,207**	2,491,434
Travelling and conveyance		**75,291,522**	75,873,437
Telephone, postage and telex		**2,279,203**	2,028,417
Insurance		**2,271,041**	2,947,460
Vehicle running and maintenance		**18,628,953**	20,055,837
Donation	26.2	**1,064,360**	2,039,281
Freight		**25,184,511**	22,886,100
Seminars, symposia and training		**13,891,110**	12,894,370
Newspapers and subscriptions		**10,404,297**	8,156,108
Depreciation	16.1.1	**9,749,342**	10,388,046
Amortization of intangible assets	17.2	**2,114,581**	1,458,171
Others		**12,691,681**	11,547,009
		584,085,121	562,071,201
Less: Reimbursement from foreign principals		**15,496,431**	23,704,416
		568,588,690	538,366,785

26.1 It includes the following staff retirement benefits:

	2011 Rupees	2010 Rupees
Defined benefit plan - Gratuity	**8,337,928**	12,159,447
Defined contribution plan - Provident Fund	**4,899,132**	5,265,686
Provision for compensated leave absences	**3,565,653**	3,163,484
	16,802,713	20,588,617

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

27. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2011 Rupees	2010 Rupees
Salaries and benefits	*27.1*	**126,225,903**	94,497,688
Telephone, postage and telex		**2,581,570**	2,355,605
Rent, rates and taxes		**2,911,119**	2,975,284
Electricity, gas and water		**521,030**	611,823
Printing and stationery		**3,802,804**	3,831,430
Repairs and maintenance		**3,815,401**	4,589,651
Vehicle running and maintenance		**18,115,572**	14,913,980
Travelling and conveyance		**7,378,499**	10,867,387
Newspapers and subscriptions		**750,369**	1,095,430
Entertainment		**529,121**	926,376
Insurance		**5,666,392**	5,514,355
Auditors' remuneration	*33*	**1,000,000**	910,000
Legal and professional		**5,681,437**	1,180,229
Advertisement, seminars and symposia		**2,097,017**	281,220
Donation	*27.2*	**666,450**	1,035,450
Depreciation	*16.1.1*	**12,059,371**	12,826,602
Others		**2,084,665**	3,205,982
		195,886,720	161,618,492

27.1 It includes the following staff retirement benefits:

Defined benefit plan - Gratuity	**15,072,455**	12,062,406
Defined contribution plan - Provident Fund	**4,129,008**	2,910,814
Provision for compensated leave absences	**1,427,173**	1,774,665
	20,628,636	16,747,885

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

28. RESEARCH AND DEVELOPMENT EXPENSES

	Note	2011 Rupees	2010 Rupees
Salaries and benefits	*28.1*	**3,551,137**	2,832,996
Expenses on clinical trials and products evaluation		**2,234,806**	49,462
Traveling		**367,241**	256,150
Insurance		**42,744**	50,184
Vehicle repair and maintenance		**197,336**	224,356
Printing and stationery		**47,647**	38,490
Office supplies		**67,075**	49,432
Repairs and maintenance		**2,500**	2,000
Staff cost		**198,848**	199,244
Others		**17,700**	13,745
		6,727,034	3,716,059

28.1 It includes the following staff retirement benefits:

Defined benefit plan - Gratuity	**406,456**	18,391
Defined contribution plan - Provident Fund	**122,763**	132,841
	529,219	151,232

	Note	2011 Rupees	2010 Rupees

29. OTHER OPERATING EXPENSES

	Note	2011 Rupees	2010 Rupees
Workers' Profit Participation Fund	*11.1*	**7,832,388**	5,745,435
Exchange loss		**8,942,250**	1,548,075
Workers' Welfare Fund		**3,220,136**	2,154,718
Central Research Fund		**1,455,952**	1,427,363
		21,450,726	10,875,591

30. FINANCE COST

	Note	2011 Rupees	2010 Rupees
Mark-up on long term bank borrowings		**19,513,149**	15,832,186
Mark-up on short term bank borrowings		**42,948,448**	63,710,047
Finance cost on liabilities against assets subject to finance lease		**6,027,081**	7,724,665
Interest on Workers' Profit Participation Fund	*11.1*	**70,110**	268,771
Bank charges		**1,812,373**	1,889,367
		70,371,161	89,425,036

31. TAXATION

	Note	2011 Rupees	2010 Rupees
HNL			
Current			
- For the year		**56,937,731**	22,727,021
- Prior year		**8,845,039**	-
		65,782,770	22,727,021
Deferred	*31.2*	**(14,110,743)**	12,509,373
		51,672,027	35,236,394
DSL			
Current			
- For the year		**-**	6,400
		51,672,027	35,242,794

31.1 Reconciliation of tax charge for the year

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

31.2 This includes an amount of Rupees 8,845,039 in respect of temporary difference of a prior period.

32. EARNINGS PER SHARE - Basic and Diluted

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

		2011	2010
Profit after taxation	Rupees	**92,226,968**	72,658,049
Weighted average number of ordinary shares	Numbers of Shares	**18,180,517**	18,180,517
Earnings per share	Rupees	**5.07**	4.00

32.1 Corresponding figures of weighted average number of shares and earnings per share have been restated to include the effect of bonus shares issued by HNL during the year.

33. AUDITORS' REMUNERATION

	2011	2010
	Rupees	Rupees
Statutory audit	**659,000**	600,000
Fee for review of half year financial statements	**209,000**	190,000
Other certifications	**55,000**	50,000
Out of pocket	**77,000**	70,000
	1,000,000	910,000

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES OF HNL

	31 December 2011			31 December 2010		
	Chief Executive	**Directors**	**Executives**	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	**5,370,800**	**14,504,400**	**62,611,607**	4,794,800	13,184,400	47,795,854
House allowance	**2,148,320**	**2,400,000**	**24,981,483**	1,917,920	900,000	19,118,324
Provident fund	**447,538**	**1,208,516**	**4,887,976**	399,557	1,098,560	3,741,326
Gratuity	**1,975,395**	**4,877,872**	**16,755,573**	1,489,076	4,026,805	11,858,321
Bonus	**399,567**	**1,098,700**	**3,780,549**	399,567	1,098,700	3,641,030
Utilities	**537,080**	**2,142,752**	**6,222,871**	479,480	2,252,808	2,166,157
Medical	**58,537**	**781,455**	**2,279,632**	37,958	346,805	1,392,667
Others	-	-	-	-	258,011	-
	10,937,237	**27,013,695**	**121,429,691**	9,518,358	23,166,089	89,713,679
Number of persons	**1**	**2**	**51**	1	2	36

34.1 The Chief Executive, Directors and 27 executives (2010: 25)of HNL have been provided with Company maintained cars while 21 executives (2010: 20) of HNL have been provided with cars under self finance scheme with limited fuel and maintenance facility.

34.2 Rs. 2,000 (2010 : Rs. 2,000) has been paid during the year to an independent non - executive director of HNL for attending Board meetings.

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

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

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

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

(a) Market risk

(i) Currency risk

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

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

		2011	2010
Rupees per US Dollar			
Reporting date rate		**90.10**	85.64
		Changes in US $ Rate	**Effects on Profit Before Tax**
			Rs.
	2011	**+10%**	(667,362)
		-10%	667,362
	2010	**+10%**	456,507
		-10%	(456,507)

		2011	2010
Rupees per Euro			
Reporting date rate		**116.37**	114.44
		Changes in Euro € Rate	**Effects on Profit Before Tax**
			Rs.
	2011	**+10%**	423,063
		-10%	(423,063)
	2010	**+10%**	(2,006,283)
		-10%	2,006,283

(ii) Interest rate risk

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

The Group has no significant long-term interest-bearing assets. The Group interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Group to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Group interest bearing financial instruments was:

	2011	2010
	Rupees	Rupees
Fixed rate instruments Financial liabilities		
Short term financing	**35,000,000**	15,000,000
Floating rate instruments Financial liabilities		
Long term financing	**99,946,763**	142,234,056
Liabilities against assets subject to finance lease	**26,313,224**	43,836,931
Short term bank borrowings	**131,291,136**	383,705,155

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

		Changes in Interest Rate	**Effects on Profit Before Tax**
			Rs.
Long term financing			
	2011	**+1.5**	(1,499,201)
		-1.5	1,499,201
	2010	**+1.5**	(2,133,511)
		-1.5	2,133,511
Liabilities against assets subject to finance lease	**2011**	**+1.5**	(394,698)
		-1.5	394,698
	2010	**+1.5**	(657,554)
		-1.5	657,554
Short term bank borrowings			
	2011	**+1.5**	(1,969,367)
		-1.5	1,969,367
	2010	**+1.5**	(5,755,577)
		-1.5	5,755,577

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2011	2010
	Rupees	Rupees
Trade debts	**42,908,944**	36,371,869
Short term loans	**4,524,986**	3,701,970
Trade deposits	**7,236,085**	9,757,923
Other receivables	**430,114**	7,765,472
Bank balances	**11,208,698**	61,330,875
	66,308,827	118,928,109

Trade Debts

Credit risk related to trade debts is managed by established procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored and shipments to foreign customers are covered by letters of credit.

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

At 31 December 2011, the Group has 7 (2010 : 8) customers who owed the Group more than Rupees 1.00 million each and accounted for approximately 36% (2010 : 68%) of all receivables owing.

There are 2 (2010 : 2) customers with balance greater than Rupees 5.0 million (2010 : 5.0 million) accounted for over 39% (2010 : 20%) of total amount receivables.

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

	2011	2010
	Rupees	Rupees
Not past due	**6,986,450**	5,466,996
Past due 1–30 days	**19,215,304**	4,816,430
Past due 31–60 days	**6,941,862**	2,483,699
Past due 61–90 days	**4,372,628**	2,848,358
Over 90 days	**5,392,700**	20,756,386
	42,908,944	36,371,869

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

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

Banks	Rating - Short term	Rating - Long term	Agency	2011	2010
				Rupee	Rupee
National Bank of Pakistan	A-1+	AAA	JCR - VIS	**1,086,546**	884,002
United Bank Limited	A-1+	AA+	JCR - VIS	**8,893**	78,466
Faysal Bank Limited	A1+	AA	JCR - VIS	**2,571,827**	52,124,931
Habib Bank Limited	A1+	AA+	JCR - VIS	**832,238**	1,034,674
Allied Bank Limited	A1+	AA	PACRA	**651,900**	1,574,093
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**34,364**	69,364
Barklays Bank Limited	A1+	AAA	PACRA	**2,198,733**	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**3,834,197**	7,104,443
				11,218,698	62,869,973

(c) Liquidity risk

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

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

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

As at 31 December 2011

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
	Rupees					
Long term financing	**99,946,763**	**121,596,660**	**28,005,791**	**26,483,091**	**41,058,380**	**26,049,398**
Liabilities against assets subject to finance lease	**26,313,224**	**30,200,558**	**11,022,741**	**6,650,984**	**10,043,042**	**2,483,791**
Trade and other payables	**135,922,083**	**135,922,083**	**135,922,083**	-	-	-
Short term bank borrowings	**166,291,136**	**188,740,439**	**11,224,652**	**177,515,787**	-	-
	428,473,206	**476,459,740**	**186,175,267**	**210,649,862**	**51,101,422**	**28,533,189**

As at 31 December 2010

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years
	Rupees					
Long term financing	142,234056	184,964,313	31,728,135	30,157,936	55,349,207	67,729,036
Liabilities against assets subject to finance lease	43,836,931	50,076,657	17,358,339	15,233,191	13,648,482	3,836,645
Trade and other payables	73,421,662	73,421,662	73,421,662	-	-	-
Short term bank borrowings	433,152,102	491,191,487	63,994,242	427,197,245	-	-
	692,803,473	799,654,119	186,502,378	472,588,372	68,997,689	71,565,681

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2011. The rates of mark up have been disclosed in respective notes to the financial statements..

35.2 Fair values of financial assets and liabilities

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

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

35.3 Financial instruments by categories

	2011		
	Cash and cash equivalents	Loans and advances	Total
	------------------------------ Rupee ------------------------------		
Assets as per balance sheet			
Long term deposits	-	1,562,054	1,562,054
Trade debts	-	55,269,355	55,269,355
Short term loans	-	4,524,986	4,524,986
Trade deposits	-	7,236,085	7,236,085
Other receivables	-	430,114	430,114
Cash and bank balances	11,218,698	-	11,218,698
	11,218,698	69,022,594	80,241,292

	2011
	Financial Liabilities at amortized cost (Rupees)
Liabilities as per balance sheet	
Long term financing	99,946,763
Liabilities against assets subject to finance lease	26,313,224
Interest accrued on secured loans	10,436,070
Short term bank borrowings	166,291,136
Trade and other payables	138,313,491
	441,300,684

	2010		
	Cash and cash equivalents	Loans and advances	Total
	Rupee		
Assets as per balance sheet			
Long term deposits	-	1,562,054	1,562,054
Trade debts	-	43,544,080	43,544,080
Short term loans	-	3,701,970	3,701,970
Trade deposits	-	9,757,923	9,757,923
Other receivables	-	7,964,732	7,964,732
Cash and bank balances	63,484,698	-	63,484,698
	63,484,698	66,530,759	130,015,457

	2010
	Financial Liabilities at amortized cost (Rupees)
Liabilities as per balance sheet	
Long term financing	80,617,056
Liabilities against assets subject to finance lease	43,836,931
Interest accrued on secured loans	20,544,406
Short term bank borrowings	433,152,102
Trade and other payables	73,580,384
	651,730,879

35.4 Capital risk management

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

No changes were made in the objectives, policies or processes from the previous year. The Group monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represent long term financing (including current portion) plus liabilities against assets subject to finance lease and short term bank borrowings obtained by the Group as referred to in note 7, note 8, note 12 and note 13. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Group's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	2011	2010
	Rupees	Rupees
Debt (See note 7, 8, 12 and 13)	**302,987,193**	639,767,495
Equity	**581,745,882**	524,133,869
Total equity and debts	**884,733,075**	1,163,901,364
Total debt to equity ratio	**34.25%**	54.97%

36. RELATED PARTY TRANSACTIONS

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

	2011	2010
	Rupees	Rupees
36.1 Sales of goods-net		
Associated undertaking	**35,044,088**	26,385,230
36.2 Contribution to employees benefits fund		
Contribution to Staff Provident Fund	**13,279,339**	12,072,258
Contribution to Employees Welfare Trust	**1,118,495**	1,234,250

37. DIVIDENDS

The Board of Directors of HNL in its meeting held on 22 March 2012 has proposed cash dividend at the rate of Rs. 3 (2010: Rs. 2.5) per share and Nil bonus shares (2010: 10%) for the year ended 31 December 2011, subject to the approval of shareholders in the Annual General Meeting to be held on 25 April 2012. These financial statements do not reflect these appropriations.

38. PLANT CAPACITY AND PRODUCTION

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

39. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of HNL authorized the consolidated financial statements for issuance on 22 March 2012

40. GENERAL

40.1 Figures have been rounded off to the nearest rupee.

40.2 Corresponding figures have been rearranged, reclassified or net off, wherever necessary, for the purposes of better presentation.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

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