Financial Statements

Highnoon Laboratories Limited

2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Highnoon Laboratories Limited as at 31 December 2010 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, of 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 standard and the requirements of the companies Ordnance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

The financial statements of the Company for the year ended 31 December 2009 were audited by KPMG Taseer Hadi & co., Chartered Accountants whose report dated 26 March 2010 expressed an unqualified opinion thereon.

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

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

b) in our opinion:

   (I) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied:

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of the 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 2010 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: 28 March 2011

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	2010 Rupees	2009 Restated Rupees
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital			
Ordinary shares of Rs. 10 each 20,000,000 (2009: 20,000,000)		**200,000,000**	200,000,000
Share capital	6	**165,277,431**	165,277,431
Reserves		**358,856,438**	323,918,266
		524,133,869	489,195,697
Surplus on revaluation of fixed assets	7	**188,475,264**	194,388,830
NON CURRENT LIABILITIES			
Long term loans - secured	8	**99,946,763**	39,411,790
Liabilities against assets subject to finance lease	9	**27,903,144**	31,142,604
Long term advances	10	**10,588,988**	15,389,470
Deferred liabilities	11	**249,517,280**	211,736,369
		387,956,175	297,680,233
CURRENT LIABILITIES			
Trade and other payables	12	**120,440,822**	135,493,321
Markup payable on secured loans	13	**20,544,406**	18,451,582
Short term bank borrowings - secured	14	**433,152,102**	562,307,831
Current portion of long term liabilities	15	**66,266,257**	49,188,950
		640,403,587	765,441,684
CONTINGENCIES AND COMMITMENTS	16		
		1,740,968,895	1,746,706,444

	Note	2010 Rupees	2009 Restated Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	17	**710,421,269**	713,180,061
Intangible assets	18	**129,099,156**	65,384,562
Long term investment	19	**-**	-
Long term deposits		**1,562,054**	1,562,054
		841,082,479	780,126,677
CURRENT ASSETS			
Stock in trade	20	**640,844,633**	700,501,429
Trade debts	21	**43,544,080**	36,988,293
Advances, deposits and prepayments	22	**33,714,141**	70,234,075
Other receivables	23	**21,586,681**	63,909,515
Income tax - net		**96,865,390**	64,021,029
Cash and bank balances	24	**63,331,491**	30,925,426
		899,886,416	966,579,767
		1,740,968,895	1,746,706,444

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 Rupees	2009 Restated Rupees
Sales - net	25	**2,636,538,261**	2,334,752,005
Cost of sales	26	**1,732,983,015**	1,488,595,499
GROSS PROFIT		903,555,246	846,156,506
Other operating income	27	**7,707,501**	9,191,001
Distribution, selling and promotional expenses	28	**540,517,943**	483,375,528
Administrative and general expenses	29	**161,147,992**	160,668,042
Research and development expenses	30	**3,716,059**	6,945,171
Other operating expenses	31	**10,875,591**	23,170,162
		708,550,084	664,967,902
		195,005,162	181,188,604
Finance cost	32	**89,424,804**	79,341,145
PROFIT BEFORE TAXATION		**105,580,358**	101,847,459
Taxation	33	**35,236,394**	36,085,184
PROFIT AFTER TAXATION		70,343,964	65,762,275
Earnings per share - basic and diluted	34	**4.26**	3.98

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 Rupees	2009 Restated Rupees
Profit after tax for the year	**70,343,964**	65,762,275
Other comprehensive income	**-**	-
Total comprehensive income for the year	**70,343,964**	65,762,275

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 42 form 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 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**105,580,358**	101,847,459
Adjustments for non-cash and other items		
Depreciation	**63,766,964**	64,774,049
Amortization of intangible assets	**13,086,294**	9,117,737
Gain on sale of property, plant and equipment	**(6,780,670)**	(8,271,616)
Exchange loss	**1,548,075**	4,997,595
Provision for defined benefit obligation	**35,792,612**	34,858,036
Impairment loss	**-**	10,000,000
Provision for doubtful debts	**2,186,927**	11,409,134
Finance cost	**89,424,804**	79,341,145
	199,025,006	206,226,080
Profit before working capital changes	**304,605,364**	308,073,539
WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stock in trade	**59,656,796**	(250,600,314)
Trade debts	**(8,742,714)**	92,590,008
Advances, deposits and prepayments	**36,519,934**	(45,226,873)
Other receivables	**42,322,834**	(10,323,540)
Increase / (decrease) in current liabilities		
Trade and other payables	**(17,141,619)**	21,755,814
	112,615,231	(191,804,905)
Cash generated from operations	**417,220,595**	116,268,634
Taxes paid	**(55,571,383)**	(59,447,653)
Gratuity paid	**(10,521,073)**	(8,551,775)
Finance cost paid	**(79,607,315)**	(65,858,052)
Long term advances - net	**(1,369,339)**	(607,026)
Net cash flow from / (used in) operating activities	**270,151,485**	(18,195,872)

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		**(56,713,931)**	(86,543,322)
Intangible assets acquired		**(76,800,888)**	(7,197,832)
Sale proceeds from disposal of property, plant and equipment		**17,880,429**	22,347,304
Net cash used in investing activities		**(115,634,390)**	(71,393,850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		**(40,667,694)**	(48,699,219)
Long term loan obtained		**116,049,000**	-
Long term loan repayment		**(27,558,294)**	(14,331,560)
Increase / (Decrease) in short term bank borrowings - net		**(129,155,729)**	217,241,097
Dividend paid		**(40,778,313)**	(40,873,054)
Net cash (used in) / from financing activities		**(122,111,030)**	113,337,264
Net increase in cash and cash equivalents		**32,406,065**	23,747,542
Cash and cash equivalents at beginning of the year		**30,925,426**	7,177,884
Cash and cash equivalents at end of the year	*24*	**63,331,491**	30,925,426

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital	Revenue Reserves			Total
		General Reserve	Unappropriated Profit	Sub Total	
	------Rupees------				
Balance as at 01 January 2009	165,277,431	114,000,000	218,801,257	332,801,257	498,078,688
Effect of restatement *(See note-5)*	-	-	(39,896,537)	(39,896,537)	(39,896,537)
Balance as at 01 January 2009-*Restated*	165,277,431	114,000,000	178,904,720	292,904,720	458,182,151
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2008	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Incremental depreciation relating to surplus on revaluation of fixed assets - net	-	-	6,570,629	6,570,629	6,570,629
Total comprehensive income for the year	-	-	65,762,275	65,762,275	65,762,275
Balance as at 31 December 2009	**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**

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

During the year, following new / revised standards, amendments and interpretations to accounting standards became effective:

IFRS 2 - Share-based payments: Amendments relating to Group Cash-settled Share-based payment transactions

IFRS 3 - Business Combinations (Revised)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 39 - Financial instruments: Recognition and Measurement - Eligible hedged items (Amendments)

IFRIC 17 - Distribution of Non-cash Assets to owners.

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to remove inconsistencies and clarifying wordings.

Issued in May 2008:

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

Issued in April 2008:

IFRS 2 - Share Based Payments: Amendments relating to Group Cash-settled Share-based payment transactions

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash Flows

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 38 - Intangible Assets

IAS 39 - Financial Instruments: Recognition and Measurement

IFRIC 9 - Reassessment of Embedded Derivatives

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Company.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2011. These standards are either not relevant to the company's operations or are not expected to have a significant impact on the company's financial statements other than amendment in certain disclosures:

IAS 12 Income Taxes (Amendment)
The amended standard in effective for annual periods beginning on or after January 01, 2012. It clarifies the recognition of deferred tax assets.

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 01 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
The amendment to IAS 32 is effective for annual periods beginning on or after 01 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, or to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 01 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The completion of this project is expected in early 2011.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 01 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 01 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

In addition to the above, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

3 BASIS OF MEASUREMENT

3.1 Accounting Convention

These financial statements have been prepared under the historical cost convention, except for revaluation of certain assets as referred to in note 17 and recognition of certain employees retirement benefits at present value. In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

3.2 Use of estimates and judgments

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

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

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

	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	4.12
- taxation	4.16
- provisions and contingencies	4.19

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

Defined benefit plan

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

Qualified actuaries have carried out the valuation as at 31 December 2010. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

		2010	2009
-	Discount rate	13% per annum	12% per annum
-	Expected rate of increase in salary	12% per annum	11% per annum
-	Expected average remaining working life time	14 years	14 years

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

Defined contribution plan

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

Compensated leave absences

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

4.2 Foreign currency translation

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

4.3 Trade and other payables

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

4.4 Property, plant and equipment

Owned operating assets

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

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

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

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

Leasehold assets

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

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 17.1. The liabilities are classified as current and long term depending upon the timing of the payment.

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

Assets acquired under finance lease are depreciated over the useful lives of assets on reducing balance method at the rates given in note 17.1. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Depreciation of leased assets is charged to profit and loss account. Depreciation on additions in leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off/transferred to freehold assets.

Capital work in progress

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

4.5 Intangible assets and amortization

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

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

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

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

4.6 Deferred gain

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

4.7 Borrowing costs

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

4.8 Investments

Subsidiary Company

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

Investments available for sale - Quoted securities

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

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

Unrealized gains and losses arising from changes in fair value are 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.

5. RESTATEMENT OF CORRESPONDING FIGURES

In previous years, lease key money of leased assets transferred to owned assets at maturity of lease term was rightly taken as tax base of such assets while computing deferred tax liability. However, difference between such tax base and accounting base of these assets was erroneously treated as permanent difference on initial recognition of owned assets and accordingly, was not taken into computation of deferred tax liability. The financial statements for the year ended 31 December 2009 has been restated. Impacts of such restatements are as follows:

	2009 Rupees
Effect on financial statement for year ended 31 December 2009	
Decrease in opening retained earnings as on 1 January 2009	**39,896,537**
Decrease in deferred tax charge and increase in profit after tax for the year ended 31 December 2009	**(302,988)**
	39,593,549
Increase in deferred tax liability as on 31 December 2009	**39,593,549**

6. SHARE CAPITAL

	Note	2010 Rupees	2009 Rupees
Issued, subscribed and paid-up			
5,905,000 (2009: 5,905,000) Ordinary shares of Rs.10 each fully paid in cash		**59,050,000**	59,050,000
95,000 (2009: 95,000) Ordinary shares of Rs.10 each issued for consideration other than cash	*6.1*	**950,000**	950,000
10,527,743 (2009: 10,527,743) Ordianry shares of Rs.10 each issued as bonus shares		**105,277,431**	105,277,431
		165,277,431	165,277,431

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

7. SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2010 Rupees	2009 Rupees
Surplus on revaluation of fixed assets as at 01 January		**226,231,108**	236,339,768
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit			
Net of deferred tax		**(5,913,566)**	(6,570,629)
Related deferred tax liability		**(3,184,228)**	(3,538,031)
		(9,097,794)	(10,108,660)
Surplus on revaluation of fixed assets as at 31 December		**217,133,314**	226,231,108
Less: Related deferred tax liability on			
balance at the beginning of the year		**31,842,278**	35,380,309
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		**(3,184,228)**	(3,538,031)
	11.1	**28,658,050**	31,842,278
		188,475,264	194,388,830

7.1 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	**2010** **Rupees**	2009 Rupees
8. LONG TERM LOANS - SECURED			
Habib Bank Limited	*8.1*	**80,617,056**	53,743,350
Faysal Bank Limited	*8.2*	**61,617,000**	-
Less: Current portion shown under current liabilities	*15*	**42,287,293**	14,331,560
		99,946,763	39,411,790

8.1 This loan has been obtained for the purpose of expansion and carries mark-up at the rate of three months KIBOR plus 2.25% per annum. The Company has further availed Rs. 51.189 million during the year against aggregate sanctioned facility of Rs. 87.95 million (2009 :Rs. 135.33 million). The effective mark-up charged during the year was 14.13% (2009: 15.23%) of the average outstanding loan facility, the amount outstanding as at 31 December 2010 is repayable in 11 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.

8.2 The loan of Rs. 64.860 million has been obtained during the year 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 15.73% of the average outstanding loan amount, the amount outstanding as at 31 December 2010 is repayable in 19 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.

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

		2010 **Rupees**	2009 Rupees
Present value of minimum lease payments		**43,836,931**	61,385,960
Less: Current portion shown under current liabilities	*15*	**15,933,787**	30,243,356
		27,903,144	31,142,604

	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**

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

Salient features of the leases are as follows:	**2010**	2009
Discounting factor	**14.50% - 16.50%**	14.19% - 18.00%
Period of lease	**36 months**	36 months
Security deposits	**5% - 10%**	5% - 10%

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

All lease agreements carry renewal option at the end of lease period and the Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the leased assets 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	**2010** **Rupees**	2009 Rupees
10. LONG TERM ADVANCES			
Balance at the end of year		**18,634,165**	20,003,504
Less: Current portion shown under current liabilities	*15*	**8,045,177**	4,614,034
		10,588,988	15,389,470

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

	Note	**2010** **Rupees**	2009 Restated Rupees
11. DEFERRED LIABILITIES			
Taxation	*11.1*	**110,972,716**	98,463,344
Gratuity	*11.2*	**138,544,564**	113,273,025
		249,517,280	211,736,369
11.1 Taxable/(deductible) temporary differences arising in respect of :			
Surplus on revaluation of fixed assets	*7*	**28,658,050**	31,842,278
Accelerated tax depreciation		**76,918,941**	60,098,975
Finance lease		**10,154,346**	10,515,288
Provision for doubtful debts		**(4,758,621)**	(3,993,197)
		110,972,716	98,463,344

	Note	2010 Rupees	2009 Rupees

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

		2010 Rupees	2009 Rupees
Present value of defined benefit obligation		**159,003,810**	132,771,040
Unrecognized actuarial losses		**(21,470,608)**	(19,538,608)
Benefits due but not paid		**1,011,362**	40,593
Net liability as at 31 December		**138,544,564**	113,273,025

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

	Note	2010 Rupees	2009 Rupees
Liability as at 01 January		**113,273,025**	86,966,764
Amount recognized during the year	*11.2.3*	**35,792,612**	34,858,036
Benefit payments made by the Company		**(10,521,073)**	(8,551,775)
Net liability as at 31 December		**138,544,564**	113,273,025

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

	2010 Rupees	2009 Rupees
Present value of defined benefit obligations as at 01 January	**132,771,040**	115,195,393
Current service cost	**18,607,786**	14,236,909
Interest cost	**15,932,525**	17,279,309
Benefits due but not paid	**(1,011,362)**	(40,593)
Benefits paid by the plan	**(10,480,480)**	(8,551,775)
Actuarial losses recognized	**3,184,301**	(5,348,203)
Liability for defined benefit obligations as at 31 December	**159,003,810**	132,771,040

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

	2010 Rupees	2009 Rupees
Current service cost	**18,607,786**	14,236,909
Interest cost	**15,932,525**	17,279,309
Actuarial losses - charge for the year	**1,252,301**	3,341,818
	35,792,612	34,858,036

11.2.4 Historical Information for Gratuity plan

	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees
Present value of defined benefits obligations	**159,003,810**	132,771,040	115,195,393	90,159,674	78,007,892
Experience adjustment arising on plan liabilities	**3,184,301**	(5,348,203)	8,415,367	4,774,683	(1,487,573)

12. TRADE AND OTHER PAYABLES

	Note	2010 Rupees	2009 Rupees
Trade creditors		**37,060,364**	45,037,213
Bills payable		**9,954,636**	6,028,544
Advances from customers		**22,032,790**	7,969,298
Accrued expenses		**19,951,666**	48,761,283
Income tax deducted at source		**1,957,505**	1,681,576
Workers' Profit Participation Fund	*12.1*	**5,745,436**	5,501,001
Workers' Welfare Fund		**15,660,452**	13,505,734
Payable to Central Research Fund		**1,070,093**	661,205
Payable to Provident Fund Trust		**2,267,822**	2,131,071
Unclaimed dividends		**4,497,491**	3,956,446
Payable to Employees Welfare Trust		**242,567**	259,950
		120,440,822	135,493,321

12.1 Workers' Profit Participation Fund

	Note	2010 Rupees	2009 Rupees
Balance at the beginning of the year		**5,501,001**	4,816,873
Add: provision for the year	*31*	**5,745,435**	5,501,001
		11,246,436	10,317,874
Add: interest on funds utilized by the Company	*32*	**268,771**	269,073
		11,515,207	10,586,947
Less: Paid during the year to the trustees of the fund		**5,769,771**	4,151,873
Deposited with the Government Treasury		**-**	934,073
		5,769,771	5,085,946
		5,745,436	5,501,001

Mark-up @ 18.75% (2009: 18.75%) is being provided on unpaid balance of the fund in accordance with the rules of the Fund.

	Note	2010 Rupees	2009 Rupees
13. MARKUP PAYABLE ON SECURED LOANS			
On long term loans		**5,397,086**	2,074,302
On short term bank borrowings		**15,147,320**	16,377,280
		20,544,406	18,451,582
14. SHORT TERM BANK BORROWINGS - SECURED			
Running finance	*14.1 & 14.2*	**398,705,155**	421,069,065
Import credit	*14.3*	**34,446,947**	141,238,766
		433,152,102	562,307,831

14.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 655 million (2009: Rs. 615 million). These facilities have various maturity dates upto 31 October 2011 and renewable on the date of maturity. These facilities carry mark-up rates ranging from one month KIBOR to three months KIBOR plus 150 to 185 basis points (2009: one month KIBOR to three months KIBOR plus 125 to 175 basis points) per annum. These facilities 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.

14.2 Out of total outstanding facilities, an amount of Rs.15,000,000 (2009:Rs. 15,000,000) represents ERF II facility obtained from a commercial bank and carries mark up at 10% per annum (i.e. SBP Portion + 1%).

14.3 Aggregate sanctioned import credit facilities negotiated with various banks amount to Rs. 530 million including Rs. 350 million obtained as sublimit of short term running finance (2009: Rs. 250 million). These facilities carry mark-up rates ranging from one month KIBOR to three months KIBOR plus 140 to 150 basis points (2009: one month KIBOR to three months KIBOR plus 125 to 175 basis points) per annum. These available facilities are secured by way of joint pari passu, ranking hypothecation charge over present and future current assets of the Company and lien on export documents or firm contracts and have various maturity dates upto 31 October 2011.

	Note	2010 Rupees	2009 Rupees
15. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term loans	*8*	**42,287,293**	14,331,560
Liabilities against assets subject to finance lease	*9*	**15,933,787**	30,243,356
Long term advances	*10*	**8,045,177**	4,614,034
		66,266,257	49,188,950

16. CONTINGENCIES AND COMMITMENTS

Contingencies

- Bank guarantees issued on behalf of the Company aggregate to Rs. 4.620 million (2009: Rs 4.620 million).
- The Company has not acknowledged the demand relating to sales tax/central excise duty amounting to Rs.12.057 million (2009: Rs. 12.057 million) as debt as the matter is pending for adjudication. An amount of Rs. 10.086 million (2009: Rs. 10.086 million) has been deposited under protest and is shown under other receivables in note 23.

	2010 Rupees '000'	2009 Rupees '000'
Commitments		
- Commitments against irrevocable letters of credit include:		
Plant & Machinery	**-**	13,145
Raw materials	**100,891**	101,467
Packing materials	**2,423**	5,372
Finished goods	**-**	15,174

- Facilities of letters of guarantee amounting to Rs. 20 million (2009: Rs. 15.380 million) are available to the Company under hypothecation/pledge of stocks and on present and future current assets and property, plant and equipment of the Company.

	Note	2010 Rupees	2009 Rupees
17. PROPERTY, PLANT AND EQUIPMENT			
Operating assets (owned)	*17.1*	**621,820,377**	582,284,148
Operating assets (leased)	*17.1*	**75,117,071**	93,697,361
Capital work-in-progress	*17.2*	**13,483,821**	37,198,552
		710,421,269	713,180,061

17.1 Operating assets

PARTICULARS	COST				DEPRECIATION				BOOK VALUE	Rate
	As at 01 January 2010	During the year Additions	During the year Deletions	As at 31 December 2010	As at 01 January 2010	Charge For the year	On Deletion	As at 31 December 2010	as at 31 December 2010	%
	Rupees									
OWNED										
Land - Freehold	149,820,000	-	-	149,820,000	-	-	-	-	**149,820,000**	-
Building on freehold land	224,099,955	27,338,036	-	251,437,991	99,227,024	12,766,651	-	111,993,675	**139,444,316**	10
Plant and machinery	355,913,761	52,650,851	-	408,564,612	127,920,347	23,890,564	-	151,810,911	**256,753,701**	10
Laboratory equipment	12,166,879	1,200,000	-	13,366,879	4,022,185	924,469	-	4,946,654	**8,420,225**	10
Furniture and fixtures	13,126,283	125,500	101,585	13,150,198	6,711,099	640,496	5,883	7,345,712	**5,804,486**	10
Electric and gas appliances	23,775,401	172,248	403,175	23,544,474	12,731,167	1,111,397	344,056	13,498,508	**10,045,966**	10
Office equipment	48,643,625	1,684,260	553,975	49,773,910	16,745,868	3,266,543	185,568	19,826,843	**29,947,067**	10
Vehicles	29,441,574	15,470,039	13,443,039	31,468,574	7,516,957	5,387,695	2,866,508	10,038,144	**21,430,430**	20
Library books	52,806	-	-	52,806	48,079	473	-	48,552	**4,254**	10
Neon sign	204,990	-	-	204,990	58,114	14,688	-	72,802	**132,188**	10
Arms and ammunition	106,100	-	-	106,100	86,386	1,970	-	88,356	**17,744**	10
	857,351,374	**98,640,934**	**14,501,774**	**941,490,534**	**275,067,226**	**48,004,946**	**(3,727,145)**	**319,670,157**	**621,820,377**	
ASSETS SUBJECT TO FINANCE LEASE										
Plant and machinery	27,961,623	-	9,837,000	18,124,623	11,169,970	1,172,701	3,252,967	9,089,703	**9,034,919**	10
Vehicles	118,624,652	15,394,000	21,800,260	112,218,392	41,718,944	14,589,317	10,172,021	46,136,242	**66,082,152**	20
	146,586,275	**15,394,000**	**31,637,260**	**130,343,015**	**52,888,914**	**15,762,018**	**13,424,988**	**55,225,944**	**75,117,071**	
	1,003,937,649	**114,034,934**	**46,139,034**	**1,071,833,549**	**327,956,140**	**63,766,964**	**16,827,003**	**374,896,102**	**696,937,448**	

PARTICULARS	COST				DEPRECIATION				BOOK VALUE	Rate
	As at 01 January 2009	During the year Additions	During the year Deletions	As at 31 December 2009	As at 01 January 2009	For the year	Adjustment	As at 31 December 2009	as at 31 December 2009	%
	Rupees									
OWNED										
Land - Freehold	149,820,000	-	-	149,820,000	-	-	-	-	149,820,000	-
Building on freehold land	189,273,288	34,826,667	-	224,099,955	88,559,191	10,667,833	-	99,227,024	124,872,931	10
Plant and machinery	338,978,699	16,935,062	-	355,913,761	103,901,716	24,018,631	-	127,920,347	227,993,414	10
Laboratory equipment	12,166,879	-	-	12,166,879	3,117,219	904,966	-	4,022,185	8,144,694	10
Furniture and fixtures	11,665,585	1,460,698	-	13,126,283	6,118,408	592,691	-	6,711,099	6,415,184	10
Electric and gas appliances	23,301,245	474,156	-	23,775,401	11,534,673	1,196,494	-	12,731,167	11,044,234	10
Office equipment	43,649,568	5,201,757	207,700	48,643,625	13,708,535	3,118,578	81,245	16,745,868	31,897,757	10
Vehicles	28,360,215	18,676,492	17,595,133	29,441,574	6,961,842	4,201,015	3,645,900	7,516,957	21,924,617	20
Library books	52,806	-	-	52,806	47,554	525	-	48,079	4,727	10
Neon sign	105,000	99,990	-	204,990	47,658	10,456	-	58,114	146,876	10
Arms and ammunition	106,100	-	-	106,100	84,195	2,191	-	86,386	19,714	10
	797,479,385	77,674,822	17,802,833	857,351,374	234,080,991	44,713,380	3,727,145	275,067,226	582,284,148	
ASSETS SUBJECT TO FINANCE LEASE										
Plant and machinery	27,961,623	-	-	27,961,623	9,304,231	1,865,739	-	11,169,970	16,791,653	10
Vehicles	103,061,952	32,536,000	16,973,300	118,624,652	31,217,711	18,194,930	7,693,697	41,718,944	74,905,708	20
	131,023,575	32,536,000	16,973,300	146,586,275	40,521,942	20,060,669	7,693,697	52,888,914	93,697,361	
	928,502,960	110,210,822	34,776,133	1,003,937,649	274,602,933	64,774,049	11,420,842	327,956,140	675,981,509	

17.1.1 Addition in freehold assets includes transfer of assets costing Rs. 31,637,260 (2009: Rs. 16,973,300) less accumulated depreciation of Rs. 13,424,988 (2009: Rs. 7,693,697) from leasehold assets.

	Note	2010 Rupees	2009 Rupees
17.1.2 Depreciation charge has been allocated as under:			
Cost of sales	*26*	**40,552,316**	39,472,804
Distribution, selling and promotional expenses	*28*	**10,388,046**	11,645,891
Administrative and general expenses	*29*	**12,826,602**	13,655,354
		63,766,964	64,774,049

17.1.3 Land, building on freehold land and plant and machinery were first revalued on 30 June 1995, resulting in a surplus of Rs. 68,809,377. Subsequently land, building on freehold land and plant and machinery were revalued on 30 June 1999 resulting in a surplus of Rs. 48,731,393. Land, building on freehold land and plant and machinery were again revalued on 31 May 2004 and 31 December 2004 respectively by M/s Hamid Mukhtar & Co., 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.

	2010 Rupees	2009 Rupees
17.1.4 Had the assets not been revalued, the carrying values would have been:		
Land - Freehold	**14,566,828**	14,566,828
Building on freehold land	**108,165,868**	90,119,099
Plant and machinery (Owned)	**209,167,979**	175,120,390
Plant and machinery (Leased)	**6,018,948**	13,440,574
	337,919,623	293,246,891

17.1.5 Disposal of property, plant and equipment

Particulars	Sold to	Cost**	Accumulated Depreciation**	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
		Rupees					
Vehicles							
	Tariq Qureshi	555,000	351,753	203,247	383.508	180,261	Company Policy
	M. Asmat Ullah	357,000	246,695	110,305	276.490	166,185	Company Policy
	Waseem Ur Rehman Shamsi	567,000	391,810	175,190	376.740	201,550	Company Policy
	Muhammad Nazir	357,000	253,954	103,046	240,720	137,674	Company Policy
	Zahid Hussain	357,000	253,954	103,046	237,420	134,374	Company Policy
	Amir Saeed	362,000	250,150	111,850	263,312	151,62	Company Policy
	Muhammad Arshad	357,000	250,177	104,823	240,540	135,717	Company Policy
	Awais Shamshair Ali	843,200	459,227	383,973	860,000	476,027	Negotiation
	Azmat Ali	365,000	198,253	166,747	290,738	123,991	Company Policy
	Raheel Riaz	350,000	71,944	278,056	475,000	196,944	Company Policy
	Saifullah Khalid	362,000	253,941	108,059	239,460	131,401	Company Policy
	S. Khalid Hussain	343,000	267,223	76,277	211,521	135,244	Company Policy
	Adnan Haseeb	356,000	260,395	95,605	229,684	134,079	Company Policy
	Muhammad Ibrahim	379,000	271,666	107,334	239,452	132,118	Company Policy
	Sajjad Hamid	352,000	264,573	87,427	207,504	120,077	Company Policy
	Asim Abbas	62,900	11,112	51,788	62,901	11,113	Company Policy
	Tahir Ali	62,900	11,112	51,788	62,901	11,113	Company Policy
	Asif Siddique	62,900	12,929	49,971	62,900	12,929	Company Policy
	Nadeem Khalid	560,000	389,149	170,851	376,920	206,069	Company Policy
	Syed Farhat Mehdi	400,000	99,556	300,444	318,897	18,453	Company Policy
	Akbar Shahid	350,000	199,647	150,353	246,180	95,827	Company Policy
	Imran Suleman	362,000	241,145	120,855	221,503	100,648	Company Policy
	Khawaja Shakeel	250,000	55,000	190,000	240,701	45,701	Company Policy
	Sadiq Hussain	62,900	20,967	41,933	62,900	20,967	Company Policy
	Shams Ul Haq	62,900	16,668	46,232	60,404	14,173	Company Policy
	Wisal Khan	50,490	21,839	28,651	54,499	25,848	Company Policy
	Muhammad Shurahbeel	54,000	26,709	27,291	54,005	26,714	Company Policy
	Reliance Insurance Co. Ltd	365,000	246,928	118,072	300,000	181,928	Insurance Claim
	Muhammad Asghar	54,000	26,709	27,291	54,000	26,709	Company Policy
	Zaheer ud Din	50,490	23,849	26,641	50,505	23,864	Company Policy
	Ayyaz Ahmad	50,490	18,176	32,314	50,490	18,176	Company Policy
	M. Imdad Saeed	50,490	24,801	25,689	50,490	24,801	Company Policy
	Muhammad Imran	50,490	24,801	25,689	50,490	24,801	Company Policy
	Shahzab Habib Bhatti	50,490	23,831	26,659	50,490	23,801	Company Policy
	Sardar Ali	50,490	24,801	25,689	50,490	24,801	Company Policy
	Muhammad Tahir Rafique	50,490	24,352	26,138	50,490	24,352	Company Policy
	Muhammad Javed Khan	50,490	24,801	25,689	50,490	24,801	Company Policy
	Muhammad wasif Rohail	54,000	34,171	19,829	41,940	22,111	Company Policy
	Zaheer Javed	50,490	21,839	28,651	50,490	21,839	Company Policy
	Farhan Shaikh	50,490	21,408	29,082	50,490	21,408	Company Policy
	Abdul Jalil Khan	50,490	19,792	30,698	50,490	19,792	Company Policy
	Ijlal Aqeel	58,500	44,285	14,215	39,420	25,205	Company Policy
	Ibrar Ahmad	54,000	26,709	27,291	54,000	26,709	Company Policy
	Abdul Rehman Khattian	54,000	36,472	17,528	31,651	14,123	Company Policy
	Saeed Ahmad Bhatti	54,000	34,866	19,134	45,942	26,808	Company Policy
	Asif Raza Shah	365,000	258,009	106,991	246,840	139,849	Company Policy
	Naveed Ahmad	365,000	223,254	141,912	295,566	153,654	Company Policy
	Reliance Insurance Co. Ltd	50,490	19,254	31,236	50,000	18,764	Insurance Claim
	Reliance Insurance Co. Ltd	51,890	18,911	32,979	50,000	17,021	Insurance Claim
	Amjad Ali	50,490	24,101	26,389	50,490	24,101	Company Policy
	Qudsia Bano	567,000	421,503	145,497	400,000	254,503	Negotiation
	Syed Muhammad Shoaib	50,490	23,562	26,928	45,531	18,603	Company Policy
	Syed Zia Ur Rehman	50,490	24,397	26,093	50,490	24,397	Company Policy
	Muhammad Asad	50,490	24,397	26,093	50,490	24,397	Company Policy

Particulars	Sold to	Cost**	Accumulated Depreciation**	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
		Rupees					
Vehicles							
	Syed Noor Alam	50,490	24,801	25,689	50,490	24,801	Company Policy
	Hazrat Shah	50,490	24,397	26,093	50,490	24,397	Company Policy
	Sheraz Muhammad Sharif	50,490	24,352	26,138	50,490	24,352	Company Policy
	Muhammad Adeel	50,490	24,352	26,138	50,490	24,352	Company Policy
	Muhammad Ajmal	54,000	33,401	20,599	34,638	14,039	Company Policy
	Ghazanfar Hussain Sulheri	50,490	24,397	26,093	50,490	24,397	Company Policy
	Muhammad Ilyad	50,890	22,052	28,838	50,890	22,052	Company Policy
	Muhammad Bilal	50,490	24,397	26,093	50,490	24,397	Company Policy
	Tahir Islam	50,490	24,460	26,030	50,490	24,460	Company Policy
	Nauman Asmat	50,490	24,460	26,030	50,490	24,460	Company Policy
	Rao Muhammad Iqbal	50,490	24,101	26,389	26,389	24,101	Company Policy
	Sana Ullah Khan	50,490	24,980	25,510	25,510	24,980	Company Policy
	Nadeem Hussain	50,490	24,101	26,389	26,389	24,101	Company Policy
	Asif Rafiq	50,490	23,849	26,641	26,641	16,409	Company Policy
	Noor Ul Islam Abdali	54,000	30,680	23,320	23,320	25,308	Company Policy
	Sharield christopher	50,490	24,255	24,235	24,235	17,733	Company Policy
	Muhammad Usman Ali	62,900	16,599	46,301	46,301	19,084	Company Policy
	Tassadaq Hussain	50,490	24,101	26,389	26,389	24,101	Company Policy
	Dr. Zeeshan Iftikhar	395,000	199,445	195,555	195,555	145,190	Company Policy
	Ahsan Mehmood	365,000	219,649	145,351	145,351	129,047	Company Policy
	M. Tabraiz Khan	395,000	190,513	204,487	204,487	136,544	Company Policy
	Muhammad Tayyab	395,000	190,512	204,488	204,488	130,387	Company Policy
	Reliance Insurance Co.Ltd	403,800	149,293	254,507	254,507	175,493	Insurance Claim
	Syed Israr Hussain Zaidi	605,217	267,910	337,307	337,307	174,010	Company Policy
	Muhammad Shakil	609,000	294,269	314,731	314,731	181,480	Company Policy
	Reliance Insurance Co.Ltd	530,000	78,322	451,678	451,678	48,322	Insurance Claim
	Nasar Athar	365,000	222,244	142,756	142,756	125,746	Company Policy
	Reliance Insurance Co.Ltd	434,509	147,926	286,583	286,583	143,417	Insurance Claim
	Dr.M.Ajmal Nasir	1,421,000	533,981	887,019	887,019	14,690	Company Policy
	Dr.Sanam Ali Dahri	403,000	198,383	204,617	204,617	133,881	Company Policy
	Reliance Insurance Co.Ltd	504,000	118,160	385,840	385,840	64,160	Insurance Claim
	Amir Bashir	403,000	230,136	172,864	172,864	152,635	Company Policy
	Masood Hussain Khan	403,000	230,136	172,864	172,864	147,207	Company Policy
	Muhammad Kaleem Khan	395,000	178,716	216,284	216,284	97,519	Company Policy
	Abdul Naveed	395,000	190,513	204,487	204,487	107,345	Company Policy
	Reliance Insurance Co.Ltd	504,000	118,160	385,840	385,840	64,160	Insurance Claim
	Abu Ashar	464,000	249,529	214,471	214,471	12,373	Company Policy
	Asim Saleem	365,000	235,222	129,778	129,778	128,684	Company Policy
	Khair Ullah Jan	54,000	32,457	21,543	21,543	27,085	Company Policy
		22,191,096	**11,614,565**	**10,576,531**	**17,721,429**	**7,144,898**	
	Office equipment	145,000	**56,908**	**88,092**	-	**(88,092)**	Scrap
	Computer						
	Universal Insurance co.	67,500	27,974	39,526	24,000	(15,526)	Insurance Claim
	Scrap	17,800	7,895	9,905	-	(9,905)	Scrap
	Scrap	16,800	5,359	11,441	-	(11,441)	Scrap
	Scrap	18,700	7,239	11,461	-	(11,461)	Scrap
	Scrap	18,700	9,084	9,616	-	(9,616)	Scrap
	Scrap	20,500	8,046	12,454	-	(12,454)	Scrap
	Scrap	88,160	16,558	71,602	-	(71,602)	Scrap
	Scrap	72,815	6,553	66,262	-	(66,262)	Scrap
	Scrap	20,500	8,685	11,815	-	(11,815)	Scrap
	Scrap	67,500	31,268	36,232	-	(36,232)	Scrap
		408,975	**128,661**	**280,314**	**24,000**	**(256,315)**	

Particulars	Sold to	Cost**	Accumulated Depreciation**	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
		Rupees					
	Electric and Gas Appliances						
	Manzoor	44,800	38,722	6,078	8,000	1,922	Negotiation
	Manzoor	312,950	266,632	46,318	50,000	3,682	Negotiation
	Manzoor	25,000	21,300	3,700	5,000	1,300	Negotiation
	Manzoor	20,425	17,402	3,023	5,000	1,977	Negotiation
		403,175	**344,056**	**59,119**	**68,000**	**8,881**	
	Funiture and Fixture						
	Manzoor	101,585	5,883	95,702	67,000	(28,702)	Negotiation
	2010	**23,249,831**	**12,150,072**	**11,099,759**	**17,880,429**	**6,780,670**	
	2009	31,961,277	17,885,590	14,075,688	22,347,304	8,271,616	

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

	Note	2010 Rupees	2009 Rupees
17.2 CAPITAL WORK - IN - PROGRESS			
Civil works		**10,758,094**	14,418,698
Plant and machinery - owned		**350,727**	21,969,854
Advance to supplier		**2,375,000**	810,000
	17.2.1	**13,483,821**	37,198,552
17.2.1 Movement in the account is as follows:			
Opening balance as at 01 January		**37,198,552**	22,622,997
Addition made during the year			
Civil works		**15,714,119**	14,111,129
Plant and machinery - owned		**30,971,719**	20,500,890
Advance for purchase of vehicles		**2,375,000**	810,000
		49,060,838	35,422,019
Capitalized during the year			
Civil works		**(19,374,724)**	(7,697,000)
Plant and machinery - owned		**(52,590,845)**	(13,149,464)
Vehicles - leased		**(810,000)**	-
		(72,775,569)	(20,846,464)
Closing balance as at 31 December		**13,483,821**	37,198,552

18. INTANGIBLE ASSETS

	Note	2010 Rupees	2009 Rupees
Operating intangible assets	18.1	**129,099,156**	58,018,312
ERP system implementation	18.2	**-**	7,366,250
		129,099,156	65,366,562

18.1 Operating Intangible Assets

2010

PARTICULARS	COST			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 18.1.1)	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**	

2009

PARTICULARS	COST			AMORTISATION			BOOK VALUE as at 31 December 2009	Rate %
	As at 01 January 2009	Additions	As at 31 December 2009	As at 01 January 2009	For the year	As at 31 December 2009		
	Rupees							
Registration and trademark (Note 18.1.1)	78,128,293	-	78,128,293	21,816,280	7,812,829	29,629,109	48,499,184	10
Computer Software	12,405,098	643,982	13,049,080	2,225,044	1,304,908	3,529,952	9,519,128	10
	90,533,391	643,982	91,177,373	24,041,324	9,117,737	33,159,061	58,018,312	

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

	Note	2010 Rupees	2009 Rupees
18.1.2 Amortization charge has been allocated as under:			
Cost of sales	26	**11,628,123**	7,812,829
Distribution, selling and promotional expenses	28	**1,458,171**	1,304,908
		13,086,294	9,117,737
18.2 ERP system implementation			
Opening balance as at 01 January		**7,366,250**	6,764,700
Additions during the year		**-**	601,550
Capitalized during the year		**(7,366,250)**	-
		-	7,366,250
19. LONG TERM INVESTMENT			
Related party - at cost			
Subsidiary company -Unlisted			
Dynalog Services (Private) Limited			
2,000,000 (2009: 2,000,000) ordinary shares of Rs. 10 each			
Equity held: 100% (2009: 100%)		**20,000,000**	20,000,000
Less: Impairment in investment	19.1	**(20,000,000)**	(20,000,000)
		-	-

19.1 The Company has terminated its "Distribution Agreement" of finished goods with Dynalog Services (Private) Limited in last year and the management of the subsidiary has 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 (2009: Rs. 20 million) has been directly recognized in the financial statements, thereby reducing the cost of investment to nil.

20. STOCK IN TRADE	2010 Rupees	2009 Rupees
Raw materials		
In hand	**268,517,105**	324,499,826
In transit	**61,441,556**	29,093,840
With third party	**-**	102,088
	329,958,661	353,695,754
Packing material		
In hand	**67,795,955**	59,026,642
In transit	**571,642**	3,049,172
With third party	**2,204,874**	554,949
	70,572,471	62,630,763
Work in process	**59,384,189**	49,560,198
Finished goods		
In hand	**180,929,312**	231,697,471
In transit	**-**	1,755,562
With third party	**-**	1,161,681
	180,929,312	234,614,714
	640,844,633	700,501,429

	Note	2010 Rupees	2009 Rupees
21. TRADE DEBTS - Considered good			
Secured - against letters of credit		**7,172,211**	8,203,439
Unsecured			
Due from related parties			
Subsidiary - Dynalog Services (Private) Limited	*21.1*	**14,493,599**	20,853,421
Associate - Route - 2 Health (Private) Limited	*21.1*	**3,246,697**	-
		17,740,296	20,853,421
Others		**32,227,636**	19,340,567
Less: Provision	*21.2 & 28*	**(13,596,063)**	(11,409,134)
		43,544,080	36,988,293

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

21.2 This includes provision amounting to Rs. 13.056 million (2009: Rs. 10.870 million) against the balance due from Dynalog Services Limited - Subsidiary. This provision has been carried at on the basis of net recoverable balance through realisation of current assets of the subsidiary company due to reasons mentioned in Note 19.1 to the financial statements.

	2010 Rupees	2009 Rupees
22. ADVANCES, DEPOSITS AND PREPAYMENTS		
Advances - considered good		
Staff against:		
Expenses	**9,244,792**	10,249,629
Salary	**3,701,970**	3,767,536
Suppliers	**7,677,474**	5,180,862
Letters of credit and margin	**579,819**	41,174,949
Deposits:		
Securities	**5,731,003**	5,788,767
Bank guarantee margin	**4,026,920**	2,136,329
Prepayments	**2,752,163**	1,936,003
	33,714,141	70,234,075

	Note	2010 Rupees	2009 Rupees
23. OTHER RECEIVABLES - considered good			
Claims receivable		**640,546**	322,730
Freight subsidy receivable		**813,986**	936,177
Sales tax and excise duty	*23.1*	**13,007,223**	11,619,698
Receivable from foreign principals		**7,037,890**	50,258,352
Others		**87,036**	772,558
		21,586,681	63,909,515

23.1 As referred to in note 16 this includes Rs. 10.086 million (2009: Rs. 10.086 million) deposited for grant of stay against demand of sales tax / excise duty paid under protest to sales tax department.

	2010 Rupees	2009 Rupees
24. CASH AND BANK BALANCES		
Cash and Imprest	**2,000,616**	1,489,115
Balance with banks - current accounts	**61,330,875**	29,436,311
	63,331,491	30,925,426
25. SALES - net		
Manufactured products		
Local	**2,628,545,861**	2,252,757,240
Export	**132,155,202**	100,981,487
	2,760,701,063	2,353,738,727
Purchased products - local	**56,618,796**	119,517,213
Sales compensation	**-**	22,632,297
Third party (toll manufacturing)	**67,368,103**	52,761,891
	2,884,687,962	2,548,650,128
Less:		
Discount	**248,149,701**	213,266,073
Sales tax	**-**	632,050
	248,149,701	213,898,123
	2,636,538,261	2,334,752,005

26. COST OF SALES

	Note	2010 Rupees	2009 Rupees
Raw and packing material consumed		**1,402,432,824**	1,250,804,229
Salaries, wages and benefits	*26.1*	**124,393,802**	122,678,984
Vehicle running and maintenance		**13,264,129**	12,901,756
Fuel and power		**34,257,448**	24,232,192
Stores consumed		**7,581,726**	6,670,034
Repair and maintenance		**18,273,150**	12,997,442
Insurance		**2,812,661**	2,323,291
Rent, rates and taxes		**1,830,443**	2,133,248
Fee and subscription		**476,408**	416,269
Printing and stationery		**2,589,238**	2,615,519
Traveling and conveyance		**2,440,827**	4,536,129
Consultancy and professional charges		**4,999,986**	7,492,426
Office supplies		**6,621,520**	5,909,027
Depreciation	*17.1.2*	**40,552,316**	39,472,804
Amortization of intangible assets	*18.1.2*	**11,628,123**	7,812,829
Others direct cost		**3,559,186**	5,948,334
		1,677,713,787	1,508,944,513
Inventory effect of work in process			
Opening		**49,560,198**	46,409,764
Closing		**(59,384,189)**	(49,560,198)
		(9,823,991)	(3,150,434)
Cost of goods manufactured		**1,667,889,796**	1,505,794,079
Inventory effect of finished goods (excluding purchased products)			
Opening		**186,894,949**	92,970,783
Closing		**(160,115,818)**	(186,894,949)
		26,779,131	(93,924,166)
Cost of goods sold - Manufactured products		**1,694,668,927**	1,411,869,913
Cost of goods sold - Purchased products		**38,314,088**	76,725,586
Cost of goods sold		**1,732,983,015**	1,488,595,499

26.1 It includes the following staff retirement benefits:

	2010 Rupees	2009 Rupees
Defined benefit plan - Gratuity	**11,552,368**	11,189,224
Defined contribution plan - Provident Fund	**3,762,902**	3,474,616
Provision for compensated leave absences	**2,574,090**	2,396,696
	17,889,360	17,060,536

27. OTHER OPERATING INCOME

	Note	2010 Rupees	2009 Rupees
Income from non-financial assets			
Gain on sale of property, plant and equipment		**6,780,670**	8,271,616
Scrap Sales		**914,831**	839,114
Others		**12,000**	80,271
		7,707,501	9,191,001

28. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES

	Note	2010 Rupees	2009 Rupees
Salaries and benefits	*28.1*	**208,916,544**	201,155,615
Rent, rates and taxes		**722,395**	722,710
Entertainment		**206,469**	1,245,258
Advertisement, promotional expenses and samples		**179,460,123**	162,480,772
Printing and stationery		**2,491,434**	2,988,134
Travelling and conveyance		**75,873,437**	69,621,368
Telephone, postage and telex		**2,028,417**	2,400,711
Insurance		**2,947,460**	2,855,348
Provision against doubtful debts	*21.2*	**2,186,927**	11,409,134
Vehicle running and maintenance		**20,055,837**	20,687,707
Donation	*28.2*	**2,039,281**	2,002,837
Freight		**22,886,100**	19,733,765
Seminars, symposia and training		**12,894,370**	19,457,281
Newspapers and subscriptions		**8,156,108**	10,815,104
Depreciation	*17.1.2*	**10,388,046**	11,645,891
Amortization of intangible assets	*18.1.2*	**1,458,171**	1,304,908
Others		**11,511,240**	10,745,876
		564,222,359	551,272,419
Less: Reimbursement from foreign principals		**23,704,416**	67,896,891
		540,517,943	483,375,528

28.1 It includes the following staff retirement benefits:

	2010 Rupees	2009 Rupees
Defined benefit plan - Gratuity	**12,159,447**	11,655,374
Defined contribution plan - Provident Fund	**5,265,686**	4,282,026
Provision for compensated leave absences	**3,163,484**	2,126,998
	20,588,617	18,064,398

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

29. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2010 Rupees	2009 Rupees
Salaries and benefits	29.1	94,497,688	89,293,660
Telephone, postage and telex		2,355,605	2,639,545
Rent, rates and taxes		2,975,284	5,250,015
Electricity, gas and water		611,823	406,034
Printing and stationery		3,831,430	3,783,410
Repairs and maintenance		4,589,651	7,084,111
Vehicle running and maintenance		14,913,980	16,228,043
Travelling and conveyance		10,867,387	7,276,911
Newspapers and subscriptions		1,095,430	1,120,333
Entertainment		926,376	735,792
Insurance		5,514,355	5,208,560
Auditors' remuneration	35	860,000	810,000
Legal and professional		1,230,229	775,260
Advertisement, seminars and symposia		281,220	2,059,675
Donation	29.2	1,035,450	1,023,268
Depreciation	17.1.2	12,826,602	13,655,354
Others		2,735,482	3,318,071
		161,147,992	160,668,042

29.1 It includes the following staff retirement benefits:

	2010 Rupees	2009 Rupees
Defined benefit plan - Gratuity	12,062,406	11,940,985
Defined contribution plan - Provident Fund	2,910,814	3,065,887
Provision for compensated leave absences	1,774,665	1,015,245
	16,747,885	16,022,117

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

30. RESEARCH AND DEVELOPMENT EXPENSES

	Note	2010 Rupees	2009 Rupees
Salaries and benefits	30.1	2,832,996	4,621,677
Expenses on clinical trials and products evaluation		49,462	95,427
Traveling		256,150	1,003,400
Insurance		50,184	110,612
Vehicle repair and maintenance		224,356	935,739
Printing and stationery		38,490	61,176
Office supplies		49,432	51,315
Repairs and maintenance		2,000	-
Staff cost		199,244	49,215
Others		13,745	16,610
		3,716,059	6,945,171

30.1 It includes the following staff retirement benefits:

	2010 Rupees	2009 Rupees
Defined benefit plan - Gratuity	18,391	72,453
Defined contribution plan - Provident Fund	132,841	181,539
Provision for compensated leave absences	-	28,304
	151,232	282,296

31. OTHER OPERATING EXPENSES

	Note	2010 Rupees	2009 Rupees
Impairment loss in the value of investment in subsidiary		-	10,000,000
Workers' Profit Participation Fund	12.1	5,745,435	5,501,001
Exchange loss		1,548,075	4,997,595
Workers' Welfare Fund		2,154,718	2,010,361
Central Research Fund		1,427,363	661,205
		10,875,591	23,170,162

32. FINANCE COST

	Note	2010 Rupees	2009 Rupees
Mark-up on long term bank borrowings		15,832,186	9,637,416
Mark-up on short term bank borrowings		63,710,047	56,525,293
Finance cost on liability against assets subject to finance lease		7,724,665	11,094,434
Interest on Workers' Profit Participation Fund	12.1	268,771	269,073
Bank charges		1,889,135	1,814,929
		89,424,804	79,341,145

33. TAXATION

	2010 Rupees	2009 Restated Rupees
Current	22,727,021	33,571,832
Deferred	12,509,373	2,513,352
	35,236,394	36,085,184

33.1 Reconciliation of tax charge for the year

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

	2010	2009 Restated
Applicable tax rate	35.00%	35.00%
Tax effect of amounts that are not deductible for tax purposes	1.02%	1.07%
Tax effect of correction of error *(Note-5)*	-	-0.30%
Tax effect under presumptive tax regime and others	-2.65%	-0.34%
	1.63%	0.43%
Average effective tax rate charged on income	33.37%	35.43%

34. EARNINGS PER SHARE - Basic and Diluted

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

		2010	2009 Restated
Profit after taxation	Rupees	**70,343,964**	65,762,275
Weighted average number of ordinary shares	Numbers of Shares	**16,527,743**	16,527,743
Earnings per share	Rupees	**4.26**	3.98

35. AUDITORS' REMUNERATION

	2010 Rupees Ernst & Young Ford Rhodes Sidat Hyder	2009 Rupees KPMG Taseer Hadi & Co.
Statutory audit	**550,000**	500,000
Fee for review of half yearly financial statements	**190,000**	190,000
Other certifications	**50,000**	50,000
Out of pocket expenses	**70,000**	70,000
	860,000	810,000

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	4,794,800	13,184,400	47,795,854	3,994,800	10,916,640	37,295,479
House allowance	1,917,920	900,000	19,118,324	1,597,920	1,440,000	14,918,192
Provident fund	399,557	1,098,560	3,741,326	332,917	909,656	3,008,368
Gratuity	1,489,076	4,026,805	11,858,321	1,254,339	3,350,693	11,461,943
Bonus	399,567	1,098,700	3,641,030	332,900	909,720	3,125,229
Utilities	479,480	2,252,808	2,166,157	399,480	1,548,365	3,729,548
Medical	37,958	346,805	1,392,667	67,504	285,633	1,014,586
Others	-	-	-	-	258,011	-
	9,518,358	22,908,078	89,713,697	7,979,860	19,618,718	74,553,345
Number of persons	1	2	47	1	2	36

36.1 The Chief Executive, Directors and 25 Executives (2009: 16) have been provided with Company maintained cars while 20 executives (2009: 20) have been provided with cars under self finance scheme with limited fuel and maintenance facility.

36.2 No fee has been paid to any director except for Rs. 2,000 (2009 : Rs. 2,000) paid during the year to an independent non - executive director for attending Board meetings.

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

The Company's financial liabilities comprise long term loans, liabilities against assets subject to finance lease, short term bank borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for the 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'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.

	2010	2009
Rupees per Dollar		
Reporting date rate	**85.64**	84.26

	Changes in US $ Rate	Effects on Profit Before Tax Rupees
2010	+10%	456,507
	-10%	(456,507)
2009	+10%	141,368
	-10%	(141,368)

	2010	2009
Rupees per Euro		
Reporting date rate	114.44	120.64

	Changes in Euro € Rate	Effects on Profit Before Tax Rupees
2010	+10%	(2,006,283)
	-10%	2,006,283
2009	+10%	-
	-10%	-

(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 loans, short term bank 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:

	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial lilabilities		
Short term bank borrowings	**15,000,000**	15,000,000
Floating rate instruments		
Financial liabilities		
Long term loans	**142,234,056**	53,743,350
Liabilities against assets subject to finance lease	**43,836,931**	61,385,960
Short term bank borrowings	**383,705,155**	406,069,065

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 Rupees
Long term loans	**2010**	+1.5	(2,133,511)
		-1.5	2,133,511
	2009	+1.5	(806,150)
		-1.5	806,150
Liabilities against assets subject to finance lease	**2010**	+1.5	(657,554)
		-1.5	657,554
	2009	+1.5	(1,227,719)
		-1.5	1,227,719
Short term bank borrowings	**2010**	+1.5	(5,755,577)
		-1.5	5,755,577
	2009	+1.5	(8,121,381)
		-1.5	8,121,381

(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:

	2010 Rupees	2009 Rupees
Trade debts	**36,371,869**	28,784,854
Short term loans	**3,701,970**	3,767,536
Trade deposits	**9,757,923**	7,925,096
Other receivables	**7,765,472**	51,353,640
Bank balances	**61,330,875**	29,436,311
	118,928,109	121,267,437

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 2010, the Company has 8 customers that owed the company more than Rupees 1.00 million each and accounted for approximately 68 % of all receivables owing.

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

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

	2010 Rupees	2009 Rupees
Not past due	**5,466,996**	8,647,556
Past due 1–30 days	**4,816,430**	6,489,217
Past due 31–60 days	**2,483,699**	2,483,699
Past due 61–90 days	**2,848,358**	2,848,358
Over 90 days	**41,524,660**	27,928,597
	57,140,143	48,397,427

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 Short term	Rating Long term	Agency	2010	2009
				-------------- Rupee --------------	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR - VIS	**884,002**	182,831
United Bank Limited	A-1+	AA+	JCR - VIS	**78,466**	10,123
Faysal Bank Limited	A1+	AA	JCR - VIS	**52,124,931**	1,179,544
Habib Bank Limited	A1+	AA+	JCR - VIS	**1,034,571**	621,194
Allied Bank Limited	A1+	AA	PACRA	**35,098**	35,098
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**69,364**	169,712
Standard Chartered Bank (Pakistan Limited)	A1+	AAA	PACRA	**7,104,443**	27,237,809
				61,330,875	29,436,311

(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 analyses 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 un discounted cash flows.

2010

	Carrying amount	Contractual cash flows	Less than Six months	Six to twelve months	One to two years	Two to five years
	Rupees					
Long term loans	**142,234,056**	**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**

2009

	Carrying amount	Contractual cash flows	Less than Six months	Six to twelve months	One to two years	Two to five years
	Rupees					
Long term loan	53,743,350	75,355,342	11,275,355	10,745,087	19,899,371	33,435,529
Liabilities against assets subject to finance lease	61,385,960	71,640,098	20,650,770	16,648,164	28,370,325	5,970,839
Trade and other payables	105,465,062	105,465,062	105,465,062	-	-	-
Short term bank borrowings	562,307,831	567,405,827	146,336,762	421,069,065	-	-
	782,902,203	819,866,329	283,727,949	448,462,316	48,269,696	39,406,368

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2010. The rates of mark up have been disclosed in respective notes to the financial statements.

37.2 Fair values of financial assets and liabilities

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

37.3 Financial instruments by categories

	2010 Cash and cash equivalents	2010 Loans and advances	2010 Total
	-------------------- Rupee --------------------		
Assets as per balance sheet			
Long term deposits	**-**	**1,562,054**	**1,562,054**
Trade debts	**-**	**43,544,080**	**43,544,080**
Loans and advances	**-**	**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 loans	**142,234,056**
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	**73,421,662**
	713,189,157

	2009		
	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	-	36,988,293	36,988,293
Loans and advances	-	3,767,536	3,767,536
Trade deposits	-	7,925,096	7,925,096
Other receivables	-	51,353,640	51,353,640
Cash and bank balances	29,436,311	-	29,436,311
	29,436,311	101,596,619	131,032,930

	2009
	Financial Liabilities at amortized cost (Rupees)
Liabilities as per balance sheet	
Long term loans	53,743,350
Liabilities against assets subject to finance lease	61,385,960
Interest accrued on secured loans	18,451,582
Short term bank borrowings	562,307,831
Trade and other payables	105,465,062
	801,353,785

37.4 Capital risk management

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

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

	2010	2009
	Rupees	Restated Rupees
Debt (See note 8, 9, 13 and 14)	**639,767,495**	695,888,723
Equity	**524,133,869**	489,195,697
Total Equity and Debt	**1,163,901,364**	1,185,084,420
Total Debt to Equity Ratio	**54.97%**	58.72%

38. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprises, subsidiary, associated companies, staff retirement funds, directors and key management personnel. Amounts due from and to related parties are shown under receivables and payables, amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in note 36. Other significant transactions with related parties are as follows:

	2010	2009
	Rupees	Rupees
38.1 Sales of goods-net		
Subsidiary	**-**	55,961,754
Associated undertaking	**26,385,230**	29,482,610
38.2 Contribution to employees benefits fund		
Contribution to Staff Provident Fund	**12,072,258**	11,004,068
Contribution to Employees' Welfare Trust	**1,234,250**	1,327,200

39. DIVIDENDS

The Board of Directors of the Company in its meeting held on 28th March 2011 has proposed cash dividend at the rate of Rs. 2.5 (2009: Rs. 2.5) per share and 10% bonus shares (2009: Nil) for the year ended 31 December 2010, subject to the approval of shareholders in the Annual General Meeting to be held on 27th April 2011. These financial statements do not reflect these appropriations.

40. PLANT CAPACITY AND PRODUCTION

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

41. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on 28th March 2011.

42. GENERAL

42.1 Figures have been rounded off to the nearest rupee.

42.2 Corresponding figures have been rearranged or reclassified, wherever necessary, for the purposes of better presentation. Following significant reclassifications have been made:

Nature	**Amount** Rupees	**Previous**	**Revised**
ERP Implementation process	7,366,250	Property, Plant and equipment	Intangible Assets
Advances to employees against expenses	4,277,250	Cash and bank balances	Advances to employees

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

2010

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 2010 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 holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

The financial statements for the year ended 31 December 2009 were audited by KPMG Taseer Hadi & Co., Chartered Accountants whose report dated 26 March 2010 expressed an unqualified opinion thereon.

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 2010 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 has 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: 28 March 2011

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	2010 Rupees	2009 Restated Rupees
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
Ordinary shares of Rs. 10 each 20,000,000 (2009: 20,000,000)		**200,000,000**	200,000,000
Share capital	6	**165,277,431**	165,277,431
Reserves		**360,152,632**	322,900,375
		525,430,063	488,177,806
Surplus on revaluation of fixed assets	7	**188,475,264**	194,388,830
NON CURRENT LIABILITIES			
Long term loans - secured	8	**99,946,763**	39,411,790
Liabilities against assets subject to finance lease	9	**27,903,144**	31,142,604
Long term advances	10	**10,588,988**	15,389,470
Deferred liabilities	11	**249,517,280**	211,736,369
		387,956,175	297,680,233
CURRENT LIABILITIES			
Trade and other payables	12	**120,599,544**	135,845,355
Markup payable on secured loans	13	**20,544,406**	18,451,582
Short term bank borrowings - secured	14	**433,152,102**	562,307,831
Current portion of long term liabilities	15	**66,266,257**	49,188,950
		640,562,309	765,793,718
CONTINGENCIES AND COMMITMENTS	16		
		1,742,423,811	1,746,040,587

	Note	2010 Rupees	2009 Restated Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	17	**709,868,202**	712,626,994
Intangible assets	18	**129,099,156**	65,384,562
Long term deposits		**1,562,054**	1,562,054
		840,529,412	779,573,610
CURRENT ASSETS			
Stock in trade	19	**640,844,633**	700,501,429
Trade debts	20	**42,107,297**	27,137,276
Advances, deposits and prepayments	21	**33,714,141**	71,389,507
Other receivables	22	**21,696,618**	64,949,665
Income tax - net		**98,046,396**	70,312,013
Cash and bank balances	23	**65,485,314**	32,177,087
		901,894,399	966,466,977
		1,742,423,811	1,746,040 ,587

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 PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 Rupees	2009 Restated Rupees
Sales - net	*24*	**2,636,538,261**	2,478,390,815
Cost of sales	*25*	**1,732,983,015**	1,574,597,755
GROSS PROFIT		**903,555,246**	903,793,060
Other operating income	*26*	**8,347,560**	12,621,775
Distribution, selling and promotional expenses	*27*	**538,366,785**	483,658,606
Administrative and general expenses	*28*	**161,618,492**	178,887,015
Research and development expenses	*29*	**3,716,059**	6,945,171
Other operating expenses	*30*	**10,875,591**	13,170,162
		706,229,367	670,039,179
		197,325,879	233,753,881
Finance cost	*31*	**89,425,036**	81,530,152
PROFIT BEFORE TAXATION		**107,900,843**	152,223,729
Taxation	*32*	**35,242,794**	37,102,823
PROFIT AFTER TAXATION		**72,658,049**	115,120,906
Earnings per share - basic and diluted	*33*	**4.40**	6.97

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 2010

	2010 Rupees	2009 Restated Rupees
Profit after tax for the year	**72,658,049**	115,120,906
Other comprehensive income	**-**	-
Total comprehensive income for the year	**72,658,049**	115,120,906

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

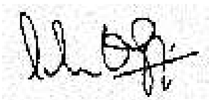
ANEES AHMAD KHAN
DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**107,900,843**	152,223,729
Adjustments for non-cash and other items		
Depreciation	**63,766,964**	64,764,675
Amortization of intangible assets	**13,086,294**	9,117,737
Gain on sale of property, plant and equipment	**(6,780,670)**	(8,271,616)
Gain on sale of non current assets held for sale	**-**	(3,430,774)
Exchange loss	**1,548,075**	4,997,595
Provision for defined benefit obligation	**35,792,612**	34,858,036
Write offs	**-**	11,221,182
Provision for doubtful debts	**-**	539,247
Finance cost	**89,425,036**	81,530,152
	196,838,311	195,326,234
Profit before working capital changes	**304,739,154**	347,549,963
WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stock in trade	**59,656,796**	(168,387,120)
Trade debts	**(14,970,021)**	12,773,280
Advances, deposits and prepayments	**37,675,366**	(26,354,163)
Other receivables	**43,253,047**	(5,737,418)
Increase / (decrease) in current liabilities		
Trade and other payables	**(17,334,931)**	12,609,894
	108,280,257	(175,095,527)
Cash generated from operations	**413,019,411**	172,454,436
Taxes paid	**(50,467,803)**	(60,806,008)
Gratuity paid	**(10,521,073)**	(8,551,775)
Finance cost paid	**(79,607,547)**	(71,198,408)
Long term advances - net	**(1,369,339)**	(607,026)
Net cash flows from operating activities	**271,053,647**	31,291,219

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		**(56,713,931)**	(78,800,786)
Intangible assets acquired		**(76,800,888)**	(7,197,832)
Sale proceeds from disposal of non current assets held for sale		**-**	14,670,211
Sale proceeds from disposal of property, plant and equipment		**17,880,429**	22,347,304
Net cash used in investing activities		**(115,634,390)**	(48,981,103)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		**(40,667,694)**	(51,762,312)
Long term loan obtained		**116,049,000**	-
Long term loan repayment		**(27,558,294)**	(14,331,560)
(Decrease) / increase in short-term bank borrowings - net		**(129,155,729)**	127,237,243
Dividend paid		**(40,778,313)**	(40,873,054)
Net cash (used in) / from financing activities		**(122,111,030)**	20,270,317
Net increase in cash and cash equivalents		**33,308,227**	2,580,433
Cash and cash equivalents at beginning of the year		**32,177,087**	29,596,654
Cash and cash equivalents at end of the year	*23*	**65,485,314**	32,177,087

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 2010

	Share Capital	Revenue Reserves			Total
		General Reserve	Unappropriated Profit	Sub Total	
	-----	-----	Rupees	-----	-----
Balance as at 01 January 2009	165,277,431	114,000,000	168,424,735	282,424,735	447,702,166
Effect of restatement (See note-5)	-	-	(39,896,537)	(39,896,537)	(39,896,537)
Balance as at 01 January 2009-Restated	165,277,431	114,000,000	128,528,198	242,528,198	407,805,629
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2008	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Incremental depreciation relating to surplus on revaluation of fixed assets - net	-	-	6,570,629	6,570,629	6,570,629
Total comprehensive income for the year	-	-	115,120,906	115,120,906	115,120,906
Balance as at 31 December 2009	**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**

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

During the year, following new / revised standards, amendments and interpretations to accounting standards became effective:

IFRS 2 - Share-based payments: Amendments relating to Group Cash-settled Share-based payment transactions

IFRS 3 - Business Combinations (Revised)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 39 - Financial instruments: Recognition and Measurement - Eligible hedged items (Amendments)

IFRIC 17 - Distribution of Non-cash Assets to Owners

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to remove inconsistencies and clarifying wordings.

Issued in May 2008:

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

Issued in April 2008:

IFRS 2 - Share Based Payments: Amendments relating to Group Cash-settled Share-based payment transactions

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash Flows

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 38 - Intangible Assets

IAS 39 - Financial Instruments: Recognition and Measurement

IFRIC 9 - Reassessment of Embedded Derivatives

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Group.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2011. These standards are either not relevant to the company's operations or are not expected to have a significant impact on the Group financial statements other than amendment in certain disclosures:

IAS 12 Income Taxes (Amendment)

The amended standard in effective for annual periods beginning on or after January 01, 2012. It clarifies the recognition of deferred tax assets.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 01 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

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

The amendment to IAS 32 is effective for annual periods beginning on or after 01 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 01 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The completion of this project is expected in early 2011.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 01 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 01 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Group expects that such improvements to the standards will not have any material impact on the Group financial statements in the period of initial application.

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 17 and recognition of certain employees retirement benefits at present value. In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

3.2 Use of estimates and judgments

The preparation of 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 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 2010. The projected unit credit method with the following significant assumptions was used for the valuation of this scheme:

	2010	2009
- Discount rate	13% per annum	12% per annum
- Expected rate of increase in salary	12% per annum	11% 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.

4.2 Foreign currency translation

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

4.3 Trade and other payables

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

4.4 Property, plant and equipment

Owned operating assets

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

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

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

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

Leasehold assets

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

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

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

Assets acquired under finance lease are depreciated over the useful lives of assets on reducing balance method at the rates given in note 17.1. The assets' residual values and useful lives are reviewed at each financial year end and adjusted, if its impact on depreciation is significant. Depreciation of leased assets is charged to profit and loss account. Depreciation on additions in leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off/transferred to freehold assets.

Capital work in progress

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

4.5 Intangible assets and amortization

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

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

At each financial year end, the 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.

4.6 Deferred gain

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

4.7 Borrowing costs

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

4.8 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.

4.9 Trade debts

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

4.10 Cash and cash equivalents

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

4.11 Impairment

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

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

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

4.12 Revenue recognition

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

Service income is recognized when related services are rendered.

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

4.13 Transactions with related parties and transfer pricing

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

4.14 Research and development cost

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

4.15 Taxation

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

Current

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

Deferred

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

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

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

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

4.16 Dividend

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

4.17 Financial instruments

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

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value. The 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.

4.18 Provisions

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

5. RESTATEMENT OF CORRESPONDING FIGURES

In previous years, lease key money of leased assets transferred to owned assets at maturity of lease term was rightly taken as tax base of such assets while computing deferred tax liability. However, difference between such tax base and accounting base of these assets was erroneously treated as permanent difference on initial recognition of owned assets and accordingly, was not taken into computation of deferred tax liability. The financial statements for the year ended 31 December 2009 has been restated. Impacts of such restatements are as follows:

	Rupees
Effect on financial statement for year ended 31 December 2009	
Decrease in opening retained earnings as on 1 January 2009	**39,896,537**
Decrease in deferred tax charge and increase in profit after tax for the year ended 31 December 2009	**(302,988)**
	39,593,549
Increase in deferred tax liability as on 31 December 2009	**39,593,549**

6. SHARE CAPITAL

	Note	2010 Rupees	2009 Rupees
Issued, subscribed and paid-up			
5,905,000 (2009: 5,905,000) Ordinary shares of Rs.10 each fully paid in cash		**59,050,000**	59,050,000
95,000 (2009: 95,000) Ordinary shares of Rs.10 each issued for consideration other than cash	*6.1*	**950,000**	950,000
10,527,743 (2009: 10,527,743) Ordianry shares of Rs.10 each issued as bonus shares		**105,277,431**	105,277,431
		165,277,431	165,277,431

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

7. SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2010 Rupees	2009 Rupees
Surplus on revaluation of fixed assets as at 01 January		**226,231,108**	236,339,768
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit			
Net of deferred tax		**(5,913,566)**	(6,570,629)
Related deferred tax liability		**(3,184,228)**	(3,538,031)
		(9,097,794)	(10,108,660)
Surplus on revaluation of fixed assets as at 31 December		**217,133,314**	226,231,108
Less: Related deferred tax liability on			
balance at the beginning of the year		**31,842,278**	35,380,309
Incremental depreciation relating to surplus on revaluation of fixed assets - transferred to unappropriated profit		**(3,184,228)**	(3,538,031)
	11.1	**28,658,050**	31,842,278
		188,475,264	194,388,830

7.1 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.

8. LONG TERM LOANS - SECURED

	Note	2010 Rupees	2009 Rupees
Habib Bank Limited	*8.1*	**80,617,056**	53,743,350
Faysal Bank Limited	*8.2*	**61,617,000**	-
Less: Current portion shown under current liabilities	*15*	**42,287,293**	14,331,560
		99,946,763	39,411,790

8.1 This loan has been obtained for the purpose of expansion and carries mark-up at the rate of three months KIBOR plus 2.25% per annum. HNL has further availed Rs. 51.189 million during the year against aggregate sanctioned facility of Rs. 87.95 million (2009 :Rs. 135.33 million). The effective mark-up charged during the year was 14.13% (2009: 15.23%) of the average outstanding loan facility, the amount outstanding as at 31 December 2010 is repayable in 11 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.

8.2 The loan of Rs. 64.860 million has been obtained during the year 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 15.73% of the average outstanding loan amount, the amount outstanding as at 31 December 2010 is repayable in 19 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 HNL and first pari passu charge of Rs. 83.65 million on present and future fixed assets of HNL.

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2010 Rupees	2009 Rupees
Present value of minimum lease payments		**43,836,931**	61,385,960
Less: Current portion shown under current liabilities	*15*	**15,933,787**	30,243,356
		27,903,144	31,142,604

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**

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

Salient features of the leases are as follows:	**2010**	2009
Discounting factor	**14.50% - 16.50%**	14.19% - 18.00%
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 17.1 below. the liabilities under these arrangements are payable in monthly installments. these mark-up rates are used as discounting factor to determine the present value of minimum lease payments.

All lease agreements carry renewal option at the end of lease period and HNL intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the leased assets 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.

10. LONG TERM ADVANCES

	Note	2010 Rupees	2009 Rupees
Balance at 31 December		**18,634,165**	20,003,504
Less: Current portion	*15*	**8,045,177**	4,614,034
		10,588,988	15,389,470

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

11. DEFERRED LIABILITIES

	Note	2010 Rupees	2009 Restated Rupees
Taxation	*11.1*	**110,972,716**	98,463,344
Gratuity	*11.2*	**138,544,564**	113,273,025
		249,517,280	211,736,369

11.1 Taxable/(deductible) temporary differences arising in respect of:

	Note	2010	2009
Surplus on revaluation of fixed assets	*7*	**28,658,050**	31,842,278
Accelerated tax depreciation		**76,918,941**	60,098,975
Finance lease		**10,154,346**	10,515,288
Provision for doubtful debts		**(4,758,621)**	(3,993,197)
		110,972,716	98,463,344

	Note	2010 Rupees	2009 Rupees

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

	2010 Rupees	2009 Rupees
Present value of defined benefit obligation	**159,003,810**	132,771,040
Unrecognized actuarial losses	**(21,470,608)**	(19,538,608)
Benefits due but not paid	**1,011,362**	40,593
Net liability as at 31 December	**138,544,564**	113,273,025

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

	Note	2010 Rupees	2009 Rupees
Liability as at 01 January		**113,273,025**	86,966,764
Amount recognized during the year	*11.2.3*	**35,792,612**	34,858,036
Benefit payments made by HNL		**(10,521,073)**	(8,551,775)
Net liability as at 31 December		**138,544,564**	113,273,025

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

	2010 Rupees	2009 Rupees
Present value of defined benefit obligations as at 01 January	**132,771,040**	115,195,393
Current service cost	**18,607,786**	14,236,909
Interest cost	**15,932,525**	17,279,309
Benefits due but not paid	**(1,011,362)**	(40,593)
Benefits paid by the plan	**(10,480,480)**	(8,551,775)
Actuarial gains / (losses) recognized	**3,184,301**	(5,348,203)
Liability for defined benefit obligations as at 31 December	**159,003,810**	132,771,040

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

	2010 Rupees	2009 Rupees
Current service cost	**18,607,786**	14,236,909
Interest cost	**15,932,525**	17,279,309
Actuarial losses - charge for the year	**1,252,301**	3,341,818
	35,792,612	34,858,036

11.2.4 Historical Information for Gratuity plan

	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees
Present value of defined benefit obligations	**159,003,810**	132,771,040	115,195,393	90,159,674	78,007,892
Experience adjustment arising on plan liabilities	**3,184,301**	(5,348,203)	8,415,367	4,774,683	(1,487,573)

12. TRADE AND OTHER PAYABLES

	Note	2010 Rupees	2009 Rupees
Trade creditors		**37,060,364**	45,037,213
Bills payable		**9,954,636**	6,028,544
Advances from customers		**22,141,512**	8,071,332
Accrued expenses		**20,001,666**	49,011,283
Income tax deducted at source		**1,957,505**	1,681,576
Workers' Profit Participation Fund	*12.1*	**5,745,436**	5,501,001
Workers' Welfare Fund		**15,660,452**	13,505,734
Payable to Central Research Fund		**1,070,093**	661,205
Payable to Provident Fund Trust		**2,267,822**	2,131,071
Unclaimed dividends		**4,497,491**	3,956,446
Payable to Employees Welfare Trust		**242,567**	259,950
		120,599,544	135,845,355

12.1 Workers' Profit Participation Fund

	Note	2010 Rupees	2009 Rupees
Balance at the beginning of the year		**5,501,001**	4,816,873
Add: provision for the year	*30*	**5,745,435**	5,501,001
		11,246,436	10,317,874
Add: Interest on funds utilized by HNL	*31*	**268,771**	269,073
		11,515,207	10,586,947
Less: Paid during the year to the trustees of the fund		**5,769,771**	4,151,873
Deposited with the Government Treasury		**-**	934,073
		5,769,771	5,085,946
		5,745,436	5,501,001

Mark-up @ 18.75% (2009: 18.75%) is being provided on unpaid balance of the fund in accordance with the rules of the Fund.

	Note	2010 Rupees	2009 Rupees
13. MARKUP PAYABLE ON SECURED LOANS			
On long term loans		**5,397,086**	2,074,302
On short term bank borrowings		**15,147,320**	16,377,280
		20,544,406	18,451,582
14. SHORT TERM BANK BORROWINGS - SECURED			
Running finance	*14.1&14.2*	**398,705,155**	421,069,065
Import credit	*14.3*	**34,446,947**	141,238,766
		433,152,102	562,307,831

14.1 Short term running finances are availed from various banks against aggregate sanctioned limit of Rs. 655 million (2009: Rs. 615 million). These facilities have various maturity dates upto 31 October 2011 and renewable on the date of maturity. These facilities carry mark-up rates ranging from one month KIBOR to three months KIBOR plus 150 to 185 basis points (2009: one month KIBOR to three months KIBOR plus 125 to 175 basis points) per annum. These facilities 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.

14.2 Out of total outstanding facilities, an amount of Rs.15,000,000 (2009:Rs. 15,000,000) represents ERF II facility obtained from a commercial bank and carries mark up at 10% per annum (i.e. SBP Portion + 1%).

14.3 Aggregate sanctioned import credit facilities negotiated with various banks amount to Rs. 530 million including Rs. 350 million obtained as sublimit of short term running finance (2009: Rs. 250 million). These facilities carry mark-up rates ranging from one month KIBOR to three months KIBOR plus 140 to 150 basis points (2009: one month KIBOR to three months KIBOR plus 125 to 175 basis points) per annum. These available facilities are secured by way of joint pari passu and ranking hypothecation charge over present and future current assets of HNL and have various maturity dates upto 31 October 2011.

	Note	2010 Rupees	2009 Rupees
15. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term loans	*8*	**42,287,293**	14,331,560
Liabilities against assets subject to finance lease	*9*	**15,933,787**	30,243,356
Long term advances	*10*	**8,045,177**	4,614,034
		66,266,257	49,188,950

16. CONTINGENCIES AND COMMITMENTS

Contingencies

- Bank guarantees issued on behalf of HNL aggregate to Rs. 4.620 million (2009: Rs 4.620 million).
- HNL has not acknowledged the demand relating to sales tax/central excise duty amounting to Rs.12.057 million (2009: Rs. 12.057 million) as debt as the matter is pending for adjudication. An amount of Rs. 10.086 million (2009: Rs. 10.086 million) has been deposited under protest and is shown under other receivables in note 23.

Commitments	2010 Rupees '000'	2009 Rupees '000'
- Commitments against irrevocable letters of credit include:		
Plant & Machinery	**-**	13,145
Raw materials	**100,891**	101,467
Packing materials	**2,423**	5,372
Finished goods	**-**	15,174

Contingencies

- Facilities of letters of guarantee amounting to Rs. 20 million (2009: Rs. 15.380 million) are available to HNL under hypothecation/pledge of stocks and on present and future current assets and property, plant and equipment of HNL.

	Note	2010 Rupees	2009 Rupees
17. PROPERTY, PLANT AND EQUIPMENT			
Operating assets (owned)	*17.1*	**621,267,311**	581,731,081
Operating assets (leased)	*17.1*	**75,117,070**	93,697,361
Capital work-in-progress	*17.2*	**13,483,821**	37,198,552
		709,868,202	712,626,994

17.1 Operating assets

2010

PARTICULARS	COST				DEPRECIATION				BOOK VALUE as at 31 December 2010	Rate %
	As at 01 January 2010	During the year Additions	During the year Deletions	As at 31 December 2010	As at 01 January 2010	Charge For the year	On Deletion	As at 31 December 2010		
	Rupees									
OWNED										
Land - Freehold	149,820,000	-	-	149,820,000	-	-	-	-	**149,820,000**	-
Building on freehold land	224,099,955	27,338,036	-	251,437,991	99,227,024	12,766,651	-	111,993,675	**139,444,316**	10
Plant and machinery	355,913,761	52,650,851	-	408,564,612	127,920,347	23,890,564	-	151,810,911	**256,753,701**	10
Laboratory equipment	12,166,879	1,200,000	-	13,366,879	4,022,185	924,469	-	4,946,654	**8,420,225**	10
Furniture and fixtures	13,126,283	125,500	101,585	13,150,198	6,711,099	640,496	5,883	7,345,712	**5,804,486**	10
Electric and gas appliances	23,775,401	172,248	403,175	23,544,474	12,731,167	1,111,397	344,056	13,498,508	**10,045,966**	10
Office equipment	48,643,625	1,684,260	553,975	49,773,910	16,745,868	3,266,543	185,568	19,826,843	**29,947,068**	10
Vehicles	22,116,470	15,470,039	13,443,039	24,143,470	744,920	5,387,695	2,866,508	3,266,107	**20,877,363**	20
Library books	52,806	-	-	52,806	48,079	473	-	48,552	**4,254**	10
Neon sign	204,990	-	-	204,990	58,114	14,688	-	72,802	**132,188**	10
Arms and ammunition	106,100	-	-	106,100	86,386	1,970	-	88,356	**17,744**	10
	850,026,270	**98,640,934**	**14,501,774**	**934,165,430**	**268,295,189**	**48,004,946**	**3,402,015**	**312,898,120**	**621,267,310**	
ASSETS SUBJECT TO FINANCE LEASE										
Plant and machinery	27,961,623	-	9,837,000	18,124,623	11,169,970	1,172,701	3,252,967	9,089,703	**9,034,919**	10
Vehicles	118,624,652	15,394,000	21,800,260	112,218,392	41,718,944	14,589,317	10,172,021	46,136,242	**66,082,152**	20
	146,586,275	**15,394,000**	**31,637,260**	**130,343,015**	**52,888,914**	**15,762,018**	**13,424,988**	**55,225,945**	**75,117,071**	
	996,612,545	**114,034,934**	**46,139,034**	**1,064,508,445**	**321,184,103**	**63,766,964**	**16,827,003**	**368,124,065**	**696,384,381**	

2009

PARTICULARS	COST				DEPRECIATION				BOOK VALUE as at 31 December 2009	Rate %
	As at 01 January 2009	During the year Additions	During the year Deletions	As at 31 December 2009	As at 01 January 2009	For the year	On deletion	As at 31 December 2009		
	Rupees									
OWNED										
Land - Freehold	149,820,000	-	-	149,820,000	-	-	-	-	149,820,000	-
Building on freehold land	189,273,288	34,826,667	-	224,099,955	88,559,191	10,667,833	-	99,227,024	124,872,931	10
Plant and machinery	338,978,699	16,935,062	-	355,913,761	103,901,716	24,018,631	-	127,920,347	227,993,414	10
Laboratory equipment	12,166,879	-	-	12,166,879	3,117,219	904,966	-	4,022,185	8,144,694	10
Furniture and fixtures	11,665,585	1,460,698	-	13,126,283	6,118,408	592,691	-	6,711,099	6,415,184	10
Electric and gas appliances	23,301,245	474,156	-	23,775,401	11,534,673	1,196,494	-	12,731,167	11,044,234	10
Office equipment	43,649,568	5,201,757	207,700	48,643,625	13,708,535	3,118,578	81,245	16,745,868	31,897,757	10
Vehicles	21,597,552	18,114,051	17,595,133	22,116,470	199,176	4,191,641	3,645,900	744,920	21,371,550	20
Library books	52,806	-	-	52,806	47,554	525	-	48,079	4,727	10
Neon sign	105,000	99,990	-	204,990	47,658	10,456	-	58,114	146,876	10
Arms and ammunition	106,100	-	-	106,100	84,195	2,191	-	86,386	19,714	10
	790,716,722	77,112,381	17,802,833	850,026,270	227,318,328	44,704,006	3,727,145	268,295,189	581,731,081	
ASSETS SUBJECT TO FINANCE LEASE										
Plant and machinery	27,961,623	-	-	27,961,623	9,304,231	1,865,739	-	11,169,970	16,791,653	10
Vehicles	103,061,952	32,536,000	16,973,300	118,624,652	31,217,711	18,194,930	7,693,697	41,718,944	76,905,708	20
	131,023,575	32,536,000	16,973,300	146,586,275	40,521,942	20,060,669	7,693,697	52,888,914	93,697,361	
	921,740,297	109,648,381	34,776,133	996,612,545	267,840,270	64,764,675	11,420,842	321,184,103	675,428,442	

17.1.1 Addition in freehold assets includes transfer of assets costing Rs. 31,637,260 (2009: Rs. 16,973,300) less accumulated depreciation of Rs. 13,424,988 (2009: Rs. 7,693,697) from leasehold assets.

17.1.2 Depreciation charge has been allocated as under:

	Note	2010 Rupees	2009 Rupees
Cost of sales	*25*	**40,552,316**	39,472,804
Distribution, selling and promotional expenses	*27*	**10,388,046**	11,645,891
Administrative and general expenses	*28*	**12,826,602**	13,655,354
		63,766,964	64,774,049

17.1.3 Land, building on freehold land and plant and machinery were first revalued on 30 June 1995, resulting in a surplus of Rs. 68,809,377. Subsequently land, building on freehold land and plant and machinery were revalued on 30 June 1999 resulting in a surplus of Rs. 48,731,393. Land, building on freehold land and plant and machinery were again revalued on 31 May 2004 and 31 December 2004 respectively by M/s Hamid Mukhtar & Co., 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.

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

	2010 Rupees	2009 Rupees
Land - Freehold	**14,566,828**	14,566,828
Building on freehold land	**108,165,868**	90,119,099
Plant and machinery (Owned)	**209,167,979**	175,120,390
Plant and machinery (Leased)	**6,018,948**	13,440,574
	337,919,623	293,246,891

17.1.5 Disposal of property, plant and equipment

Particulars	Sold to	Cost**	Accumulated Depreciation**	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
		Rupees					
Vehicles							
	Tariq Qureshi	555,000	351,753	203,247	383.508	180,261	Company Policy
	M. Asmat Ullah	357,000	246,695	110,305	276.490	166,185	Company Policy
	Waseem Ur Rehman Shamsi	567,000	391,810	175,190	376.740	201,550	Company Policy
	Muhammad Nazir	357,000	253,954	103,046	240,720	137,674	Company Policy
	Zahid Hussain	357,000	253,954	103,046	237,420	134,374	Company Policy
	Amir Saeed	362,000	250,150	111,850	263,312	151,62	Company Policy
	Muhammad Arshad	357,000	250,177	104,823	240,540	135,717	Company Policy
	Awais Shamshair Ali	843,200	459,227	383,973	860,000	476,027	Negotiation
	Azmat Ali	365,000	198,253	166,747	290,738	123,991	Company Policy
	Raheel Riaz	350,000	71,944	278,056	475,000	196,944	Company Policy
	Saifullah Khalid	362,000	253,941	108,059	239,460	131,401	Company Policy
	S. Khalid Hussain	343,000	267,223	76,277	211,521	135,244	Company Policy
	Adnan Haseeb	356,000	260,395	95,605	229,684	134,079	Company Policy
	Muhammad Ibrahim	379,000	271,666	107,334	239,452	132,118	Company Policy
	Sajjad Hamid	352,000	264,573	87,427	207,504	120,077	Company Policy
	Asim Abbas	62,900	11,112	51,788	62,901	11,113	Company Policy
	Tahir Ali	62,900	11,112	51,788	62,901	11,113	Company Policy
	Asif Siddique	62,900	12,929	49,971	62,900	12,929	Company Policy
	Nadeem Khalid	560,000	389,149	170,851	376,920	206,069	Company Policy
	Syed Farhat Mehdi	400,000	99,556	300,444	318,897	18,453	Company Policy
	Akbar Shahid	350,000	199,647	150,353	246,180	95,827	Company Policy
	Imran Suleman	362,000	241,145	120,855	221,503	100,648	Company Policy
	Khawaja Shakeel	250,000	55,000	190,000	240,701	45,701	Company Policy
	Sadiq Hussain	62,900	20,967	41,933	62,900	20,967	Company Policy
	Shams Ul Haq	62,900	16,668	46,232	60,404	14,173	Company Policy
	Wisal Khan	50,490	21,839	28,651	54,499	25,848	Company Policy
	Muhammad Shurahbeel	54,000	26,709	27,291	54,005	26,714	Company Policy
	Reliance Insurance Co. Ltd	365,000	246,928	118,072	300,000	181,928	Insurance Claim
	Muhammad Asghar	54,000	26,709	27,291	54,000	26,709	Company Policy
	Zaheer ud Din	50,490	23,849	26,641	50,505	23,864	Company Policy
	Ayyaz Ahmad	50,490	18,176	32,314	50,490	18,176	Company Policy
	M. Imdad Saeed	50,490	24,801	25,689	50,490	24,801	Company Policy
	Muhammad Imran	50,490	24,801	25,689	50,490	24,801	Company Policy
	Shahzab Habib Bhatti	50,490	23,831	26,659	50,490	23,801	Company Policy
	Sardar Ali	50,490	24,801	25,689	50,490	24,801	Company Policy
	Muhammad Tahir Rafique	50,490	24,352	26,138	50,490	24,352	Company Policy
	Muhammad Javed Khan	50,490	24,801	25,689	50,490	24,801	Company Policy
	Muhammad wasif Rohail	54,000	34,171	19,829	41,940	22,111	Company Policy
	Zaheer Javed	50,490	21,839	28,651	50,490	21,839	Company Policy
	Farhan Shaikh	50,490	21,408	29,082	50,490	21,408	Company Policy
	Abdul Jalil Khan	50,490	19,792	30,698	50,490	19,792	Company Policy
	Ijlal Aqeel	58,500	44,285	14,215	39,420	25,205	Company Policy
	Ibrar Ahmad	54,000	26,709	27,291	54,000	26,709	Company Policy
	Abdul Rehman Khattian	54,000	36,472	17,528	31,651	14,123	Company Policy
	Saeed Ahmad Bhatti	54,000	34,866	19,134	45,942	26,808	Company Policy
	Asif Raza Shah	365,000	258,009	106,991	246,840	139,849	Company Policy
	Naveed Ahmad	365,000	223,254	141,912	295,566	153,654	Company Policy
	Reliance Insurance Co. Ltd	50,490	19,254	31,236	50,000	18,764	Insurance Claim
	Reliance Insurance Co. Ltd	51,890	18,911	32,979	50,000	17,021	Insurance Claim
	Amjad Ali	50,490	24,101	26,389	50,490	24,101	Company Policy
	Qudsia Bano	567,000	421,503	145,497	400,000	254,503	Negotiation
	Syed Muhammad Shoaib	50,490	23,562	26,928	45,531	18,603	Company Policy
	Syed Zia Ur Rehman	50,490	24,397	26,093	50,490	24,397	Company Policy
	Muhammad Asad	50,490	24,397	26,093	50,490	24,397	Company Policy

Particulars	Sold to	Cost**	Accumulated Depreciation**	Written Down Value	Sale Proceeds	Gain / (Loss)	Mode of Sale
		Rupees					
Vehicles							
	Syed Noor Alam	50,490	24,801	25,689	50,490	24,801	Company Policy
	Hazrat Shah	50,490	24,397	26,093	50,490	24,397	Company Policy
	Sheraz Muhammad Sharif	50,490	24,352	26,138	50,490	24,352	Company Policy
	Muhammad Adeel	50,490	24,352	26,138	50,490	24,352	Company Policy
	Muhammad Ajmal	54,000	33,401	20,599	34,638	14,039	Company Policy
	Ghazanfar Hussain Sulheri	50,490	24,397	26,093	50,490	24,397	Company Policy
	Muhammad Ilyad	50,890	22,052	28,838	50,890	22,052	Company Policy
	Muhammad Bilal	50,490	24,397	26,093	50,490	24,397	Company Policy
	Tahir Islam	50,490	24,460	26,030	50,490	24,460	Company Policy
	Nauman Asmat	50,490	24,460	26,030	50,490	24,460	Company Policy
	Rao Muhammad Iqbal	50,490	24,101	26,389	26,389	24,101	Company Policy
	Sana Ullah Khan	50,490	24,980	25,510	25,510	24,980	Company Policy
	Nadeem Hussain	50,490	24,101	26,389	26,389	24,101	Company Policy
	Asif Rafiq	50,490	23,849	26,641	26,641	16,409	Company Policy
	Noor Ul Islam Abdali	54,000	30,680	23,320	23,320	25,308	Company Policy
	Sharield christopher	50,490	24,255	24,235	24,235	17,733	Company Policy
	Muhammad Usman Ali	62,900	16,599	46,301	46,301	19,084	Company Policy
	Tassadaq Hussain	50,490	24,101	26,389	26,389	24,101	Company Policy
	Dr. Zeeshan Iftikhar	395,000	199,445	195,555	195,555	145,190	Company Policy
	Ahsan Mehmood	365,000	219,649	145,351	145,351	129,047	Company Policy
	M. Tabraiz Khan	395,000	190,513	204,487	204,487	136,544	Company Policy
	Muhammad Tayyab	395,000	190,512	204,488	204,488	130,387	Company Policy
	Reliance Insurance Co.Ltd	403,800	149,293	254,507	254,507	175,493	Insurance Claim
	Syed Israr Hussain Zaidi	605,217	267,910	337,307	337,307	174,010	Company Policy
	Muhammad Shakil	609,000	294,269	314,731	314,731	181,480	Company Policy
	Reliance Insurance Co.Ltd	530,000	78,322	451,678	451,678	48,322	Insurance Claim
	Nasar Athar	365,000	222,244	142,756	142,756	125,746	Company Policy
	Reliance Insurance Co.Ltd	434,509	147,926	286,583	286,583	143,417	Insurance Claim
	Dr.M.Ajmal Nasir	1,421,000	533,981	887,019	887,019	14,690	Company Policy
	Dr.Sanam Ali Dahri	403,000	198,383	204,617	204,617	133,881	Company Policy
	Reliance Insurance Co.Ltd	504,000	118,160	385,840	385,840	64,160	Insurance Claim
	Amir Bashir	403,000	230,136	172,864	172,864	152,635	Company Policy
	Masood Hussain Khan	403,000	230,136	172,864	172,864	147,207	Company Policy
	Muhammad Kaleem Khan	395,000	178,716	216,284	216,284	97,519	Company Policy
	Abdul Naveed	395,000	190,513	204,487	204,487	107,345	Company Policy
	Reliance Insurance Co.Ltd	504,000	118,160	385,840	385,840	64,160	Insurance Claim
	Abu Ashar	464,000	249,529	214,471	214,471	12,373	Company Policy
	Asim Saleem	365,000	235,222	129,778	129,778	128,684	Company Policy
	Khair Ullah Jan	54,000	32,457	21,543	21,543	27,085	Company Policy
		22,191,096	**11,614,565**	**10,576,531**	**17,721,429**	**7,144,898**	
	Office equipment	145,000	**56,908**	**88,092**	-	**(88,092)**	Scrap
	Computer						
	Universal Insurance co.	67,500	27,974	39,526	24,000	(15,526)	Insurance Claim
	Scrap	17,800	7,895	9,905	-	(9,905)	Scrap
	Scrap	16,800	5,359	11,441	-	(11,441)	Scrap
	Scrap	18,700	7,239	11,461	-	(11,461)	Scrap
	Scrap	18,700	9,084	9,616	-	(9,616)	Scrap
	Scrap	20,500	8,046	12,454	-	(12,454)	Scrap
	Scrap	88,160	16,558	71,602	-	(71,602)	Scrap
	Scrap	72,815	6,553	66,262	-	(66,262)	Scrap
	Scrap	20,500	8,685	11,815	-	(11,815)	Scrap
	Scrap	67,500	31,268	36,232	-	(36,232)	Scrap
		408,975	**128,660**	**280,315**	**24,000**	**(256,315)**	
	Electric and Gas Appliances						
	Manzoor	44,800	38,722	6,078	8,000	1,922	Negotiation
	Manzoor	312,950	266,632	46,318	50,000	3,682	Negotiation
	Manzoor	25,000	21,300	3,700	5,000	1,300	Negotiation
	Manzoor	20,425	17,402	3,023	5,000	1,977	Negotiation
		403,175	**344,056**	**59,119**	**68,000**	**8,881**	
	Funiture and Fixture						
	Manzoor	101,585	5,883	95,702	67,000	(28,702)	Negotiation
	2010	**23,249,831**	**12,150,072**	**11,099,759**	**17,880,429**	**6,780,670**	
	2009	31,961,277	17,885,590	14,075,688	22,347,304	8,271,616	

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

17.1.6 Non current asset held for sale

2010	-	-	-	-	-
2009	21,441,940	10,202,502	11,239,437	14,670,211	3,430,774

	Note	**2010**	2009
		Rupees	Rupees
17.2 Capital work - in - progress			
Civil works		**10,758,094**	14,418,698
Plant and machinery - owned		**350,727**	21,969,854
Advance for purchase of vehicles		**2,375,000**	810,000
	17.2.1	**13,483,821**	37,198,552
17.2.1 Movement in the account is as follows:			
Opening balance as at 01 January		**37,198,552**	22,622,997
Addition made during the year			
Civil works		**15,714,119**	14,111,129
Plant and machinery - owned		**30,971,719**	20,500,890
Advance for purchase of vehicles		**2,375,000**	810,000
		49,060,838	35,422,019
Capitalized during the year			
Civil works		**(19,374,724)**	(7,697,000)
Plant and machinery - owned		**(52,590,845)**	(13,149,464)
Vehicles - leased		**(810,000)**	-
		(72,775,569)	(20,846,464)
Closing balance as at 31 December		**13,483,821**	37,198,552

	Note	2010 Rupees	2009 Rupees
18. INTANGIBLE ASSETS			
Operating intangible assets	*18.1*	**129,099,156**	58,018,312
ERP system implementation	*18.2*	**-**	7,366,250
		129,099,156	65,384,562

18.1 Operating Intangible Assets

2010

PARTICULARS	COST: As at 01 January 2010	COST: Additions	COST: As at 31 December 2010	AMORTIZATION: As at 01 January 2010	AMORTIZATION: For the year	AMORTIZATION: As at 31 December 2010	BOOK VALUE as at 31 December 2010	Rate %
	Rupees							
Registration and trademark (Note 18.1.1)	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**	

2009

PARTICULARS	COST: As at 01 January 2009	COST: Additions	COST: As at 31 December 2009	AMORTIZATION: As at 01 January 2009	AMORTIZATION: For the year	AMORTIZATION: As at 31 December 2009	BOOK VALUE as at 31 December 2009	Rate %
	Rupees							
Registration and trademark (Note 18.1.1)	78,128,293	-	78,128,293	21,816,280	7,812,829	29,629,109	48,499,184	10
Computer Software	12,405,098	643,982	13,049,080	2,225,044	1,304,908	3,529,952	9,519,128	10
	90,533,391	643,982	91,177,373	24,041,324	9,117,737	33,159,061	58,018,312	

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

	Note	2010 Rupees	2009 Rupees
18.1.2 Amortization charge has been allocated as under:			
Cost of sales	*25*	**11,628,123**	7,812,829
Distribution, selling and promotional expenses	*27*	**1,458,171**	1,304,908
		13,086,294	9,117,737
18.2 ERP system implementation			
Opening balance as at 01 January		**7,366,250**	6,764,700
Additions during the year		**-**	601,550
Capitalized during the year		**(7,366,250)**	-
		-	7,366,250
19. STOCK IN TRADE			
Raw materials			
In hand		**268,517,105**	324,499,826
In transit		**61,441,556**	29,093,840
With third party		**-**	102,088
		329,958,661	353,695,754
Packing material			
In hand		**67,795,955**	59,026,642
In transit		**571,642**	3,049,172
With third party		**2,204,874**	554,949
		70,572,471	62,630,763
Work in process		**59,384,189**	49,560,198
Finished goods			
In hand		**180,929,312**	231,697,471
In transit		**-**	1,755,562
With third party		**-**	1,161,681
		180,929,312	234,614,714
		640,844,633	700,501,429

	Note	2010 Rupees	2009 Rupees
20. TRADE DEBTS - Considered good			
Secured - against letters of credit		**7,172,211**	8,203,439
Unsecured			
Due from related parties			
Route - 2 Health (Private) Limited	*20.1*	**3,246,697**	-
Others		**32,227,636**	19,473,084
Less: Provision		**(539,247)**	(539,247)
		42,107,297	27,137,276

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

	Note	2010 Rupees	2009 Rupees
21. ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances - considered good			
Staff against:			
Expenses		**9,244,792**	10,249,629
Salary		**3,701,970**	3,767,536
Suppliers		**7,677,474**	6,336,294
Letters of credit and margin		**579,819**	41,174,949
Deposits:			
Securities		**5,731,003**	5,788,767
Bank guarantee margin		**4,026,920**	2,136,329
Prepayments		**2,752,163**	1,936,003
		33,714,141	71,389,507
22. OTHER RECEIVABLES - considered good			
Claim receivable		**640,,546**	1,477,535
Freight subsidy receivable		**813,986**	936,177
Sales tax and excise duty	*22.1*	**13,007,223**	11,505,043
Receivable from foreign principals		**7,037,890**	50,258,352
Others		**196,973**	772,558
		21,696,618	64,949,665

22.1 As referred to in note 16 this includes Rs. 10.086 million (2009: Rs. 10.086 million) deposited for grant of stay against demand of sales tax / excise duty paid under protest to sales tax department.

	2010 Rupees	2009 Rupees
23. CASH AND BANK BALANCES		
Cash and Imprest	**2,615,341**	1,489,115
Balance with banks - current accounts	**62,869,973**	30,687,972
	65,485,314	32,177,087
24. SALES - net		
Manufactured products		
Local	**2,628,545,861**	2,379,433,310
Export	**132,155,202**	100,981,487
	2,760,701,063	2,480,414,797
Purchased products - local	**56,618,796**	137,517,473
Sales compensation	**-**	22,632,297
Third party (toll manufacturing)	**67,368,103**	52,761,891
	2,884,687,962	2,693,326,458
Less:		
Discount	**248,149,701**	214,039,721
Sales tax	**-**	895,922
	248,149,701	214,935,643
	2,636,538,261	2,478,390,815

25. COST OF SALES

	Note	2010 Rupees	2009 Rupees
Raw and packing material consumed		1,402,432,824	1,250,804,229
Salaries, wages and benefits	25.1	124,393,802	122,678,984
Vehicle running and maintenance		13,264,129	12,901,756
Fuel and power		34,257,448	24,232,192
Stores consumed		7,581,726	6,670,034
Repair and maintenance		18,273,150	12,997,442
Insurance		2,812,661	2,323,291
Rent, rates and taxes		1,830,443	2,133,248
Fee and subscription		476,408	416,269
Printing and stationery		2,589,238	2,615,519
Traveling and conveyance		2,440,827	4,536,129
Consultancy and professional charges		4,999,986	7,492,426
Office supplies		6,621,520	5,909,027
Depreciation	17.1.2	40,552,316	39,471,960
Amortization of intangible assets	18.1.2	11,628,123	7,812,829
Others direct cost		3,559,186	5,948,334
		1,677,713,787	1,508,943,669
Inventory effect of work in process			
Opening		49,560,198	46,409,764
Closing		(59,384,189)	(49,560,198)
		(9,823,991)	(3,150,434)
Cost of goods manufactured		1,667,889,796	1,505,793,235
Inventory effect of finished goods (excluding purchased products)			
Opening		186,894,949	164,223,114
Closing		(160,115,818)	(186,894,949)
		26,779,131	(22,671,835)
Cost of goods sold - Manufactured products		1,694,668,927	1,483,121,400
Less:			
Duty Drawback		-	(5,735,165)
Cost of goods sold - Purchased products		38,314,088	97,211,520
Cost of goods sold		1,732,983,015	1,574,597,755

25.1 It includes the following staff retirement benefits:

	2010 Rupees	2009 Rupees
Defined benefit plan - Gratuity	11,552,368	11,189,224
Defined contribution plan - Provident Fund	3,762,902	3,474,616
Provision for compensated leave absences	2,574,090	2,396,696
	17,889,360	17,060,536

26. OTHER OPERATING INCOME

	Note	2010 Rupees	2009 Rupees
Income from non-financial assets			
Gain on sale of property, plant and equipment		6,780,670	8,271,616
Gain on sale of non current assets held for sale		-	3,430,774
Scrap Sales		1,554,890	839,114
Others		12,000	80,271
		8,347,560	12,621,775

27. DISTRIBUTION, SELLING AND PROMOTIONAL EXPENSES

	Note	2010 Rupees	2009 Rupees
Salaries and benefits	27.1	208,916,544	207,166,040
Rent, rates and taxes		722,395	2,828,694
Entertainment		206,469	1,390,713
Advertisement, promotional expenses and samples		179,460,123	162,480,772
Printing and stationery		2,491,434	3,026,918
Travelling and conveyance		75,873,437	69,814,252
Telephone, postage and telex		2,028,417	2,641,761
Insurance		2,947,460	3,454,953
Provision against doubtful debts	20	-	539,247
Vehicle running and maintenance		20,055,837	21,222,285
Donation	27.2	2,039,281	2,002,837
Freight		22,886,100	20,551,246
Seminars, symposia and training		12,894,370	19,457,281
Newspapers and subscriptions		8,156,108	10,897,076
Depreciation	17.1.2	10,388,046	11,641,017
Amortization of intangible assets	18.1.2	1,458,171	1,304,908
Others		11,547,009	11,139,497
		562,071,201	551,555,497
Less: Reimbursement from foreign principals		23,704,416	67,896,891
		538,366,785	483,658,606

27.1 It includes the following staff retirement benefits:

	2010 Rupees	2009 Rupees
Defined benefit plan - Gratuity	12,159,447	11,655,374
Defined contribution plan - Provident Fund	5,265,686	4,282,026
Provision for compensated leave absences	3,163,484	2,126,998
	20,588,617	18,064,398

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

	Note	2010 Rupees	2009 Rupees
28. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	*28.1*	**94,497,688**	94,165,194
Telephone, postage and telex		**2,355,605**	3,049,241
Rent, rates and taxes		**2,975,284**	5,250,015
Electricity, gas and water		**611,823**	406,034
Printing and stationery		**3,831,430**	4,025,744
Repairs and maintenance		**4,589,651**	7,086,131
Vehicle running and maintenance		**14,913,980**	16,266,062
Travelling and conveyance		**10,867,387**	7,978,907
Newspapers and subscriptions		**1,095,430**	1,136,941
Entertainment		**926,376**	929,271
Insurance		**5,514,355**	5,275,183
Auditors' remuneration	*34*	**910,000**	1,060,000
Legal and professional		**1,180,229**	900,160
Advertisement, seminars and symposia		**281,220**	2,059,675
Donation	*28.2*	**1,035,450**	1,023,268
Depreciation	*17.1.2*	**12,826,602**	13,651,698
Sales tax against stock written off		**-**	191,623
Inventories written off		**-**	5,735,165
Trade debts written off		**-**	4,857,743
Advances written off		**-**	199,471
Receivables written off		**-**	237,180
Others		**3,205,982**	3,402,309
		161,618,492	178,887,015

28.1 It includes the following staff retirement benefits:

	2010 Rupees	2009 Rupees
Defined benefit plan - Gratuity	**12,062,406**	11,940,985
Defined contribution plan - Provident Fund	**2,910,814**	3,065,887
Provision for compensated leave absences	**1,774,665**	1,015,245
	16,747,885	16,022,117

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

	Note	2010 Rupees	2009 Rupees
29. RESEARCH AND DEVELOPMENT EXPENSES			
Salaries and benefits	*29.1*	**2,832,996**	4,621,677
Expenses on clinical trials and products evaluation		**49,462**	95,427
Traveling		**256,150**	1,003,400
Insurance		**50,184**	110,612
Vehicle repair and maintenance		**224,356**	935,739
Printing and stationery		**38,490**	61,176
Office supplies		**49,432**	51,315
Repairs and maintenance		**2,000**	-
Staff cost		**199,244**	49,215
Others		**13,745**	16,610
		3,716,059	6,945,171

29.1 It includes the following staff retirement benefits:

	Note	2010 Rupees	2009 Rupees
Defined benefit plan - Gratuity		**18,391**	72,453
Defined contribution plan - Provident Fund		**132,841**	181,539
Provision for compensated leave absences		**-**	28,304
		151,232	282,296

	Note	2010 Rupees	2009 Rupees
30. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	*12.1*	**5,745,435**	5,501,001
Exchange loss		**1,548,075**	4,997,595
Workers' Welfare Fund		**2,154,718**	2,010,361
Central Research Fund		**1,427,363**	661,205
		10,875,591	13,170,162
31. FINANCE COST			
Mark-up on long term bank borrowings		**15,832,186**	9,637,416
Mark-up on short term bank borrowings		**63,710,047**	57,781,794
Finance cost on liability against assets subject to finance lease		**7,724,665**	11,334,113
Interest on Workers' Profit Participation Fund	*12.1*	**268,771**	269,073
Bank charges		**1,889,367**	2,507,756
		89,425,036	81,530,152
32. TAXATION			
HNL			
For the year			
Current		**22,727,021**	33,571,832
Deferred		**12,509,373**	2,513,352
		35,236,394	36,085,184
DSL			
For the year			
Current		**6,400**	1,017,639
		35,242,794	37,102,823

32.1 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.

33. EARNINGS PER SHARE - Basic and Diluted

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

		2010 Rupees	2009 Restated Rupees
Profit after taxation		**72,658,049**	115,120,906
Weighted average number of ordinary shares	Numbers of Shares	**16,527,743**	16,527,743
Earnings per share	Rupees	**4.40**	6.97

34. AUDITORS' REMUNERATION

	2010 Rupees Ernst & Young Ford Rhodes Sidat Hyder	2009 Rupees KPMG Taseer Hadi & Co.	2009 Rupees Ernst & Young Ford Rhodes Sidat Hyder
Statutory audit	**600,000**	500,000	225,000
Fee for review of half year financial statements	**190,000**	190,000	-
Other certifications	**50,000**	50,000	-
Out of pocket	**70,000**	70,000	25,000
	910,000	810,000	250,000

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

	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	**4,794,800**	**13,184,400**	**47,795,854**	3,994,800	10,916,640	37,295,479
House allowance	**1,917,920**	**900,000**	**19,118,324**	1,597,920	1,440,000	14,918,192
Provident fund	**399,557**	**1,098,560**	**3,741,326**	332,917	909,656	3,008,368
Gratuity	**1,489,076**	**4,026,805**	**11,858,321**	1,254,339	3,350,693	11,461,943
Bonus	**399,567**	**1,098,700**	**3,641,030**	332,900	909,720	3,125,229
Utilities	**479,480**	**2,252,808**	**2,166,157**	399,480	1,548,365	3,729,548
Medical	**37,958**	**346,805**	**1,392,667**	67,504	285,633	1,014,586
Others	-	-	-	-	258,011	-
	9,518,358	**22,908,078**	**89,713,697**	7,979,860	19,618,718	74,553,345
Number of persons	**1**	**2**	**47**	1	2	36

35.1 The Chief Executive, Directors and 25 Executives (2009: 16) have been provided with Company maintained cars while 20 executives (2009: 20) have been provided with cars under self finance scheme with limited fuel and maintenance facility.

35.2 No fee has been paid to any director except for Rs. 2,000 (2009 : Rs. 2,000) paid during the year to an independent non - executive director for attending Board meetings.

36. FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

The Group financial liabilities comprise long term loans, liabilities against assets subject to finance lease, short term bank borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for the 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.

		2010	**2009**
Rupees per US Dollar			
Reporting date rate		**85.64**	84.26
		Changes in US $ Rate	Effects on Profit Before Tax Rupees
	2010	+10%	456,507
		-10%	(456,507)
	2009	+10%	141,368
		-10%	(141,368)

		2010	2009
Rupees per Euro			
Reporting date rate		114.44	120.64
		Changes in Euro € Rate	Effects on Profit Before Tax Rupees
	2010	+10%	(2,006,283)
		-10%	2,006,283
	2009	+10%	-
		-10%	-

(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 loans, short term bank 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:

	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial liabilities		
Short term bank borrowings	**15,000,000**	15,000,000
Floating rate instruments		
Financial liabilities		
Long term loans	**142,234,056**	53,743,350
Liabilities against assets subject to finance lease	**43,836,931**	61,385,960
Short term bank borrowings	**383,705,155**	406,069,065

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 Rupees
Long term loans			
	2010	+1.5	(2,133,511)
		-1.5	2,133,511
	2009	+1.5	(806,150)
		-1.5	806,150
Liabilities against assets subject to finance lease			
	2010	+1.5	(657,554)
		-1.5	657,554
	2009	+1.5	(1,227,719)
		-1.5	1,227,719
Short term bank borrowings			
	2010	+1.5	(5,755,577)
		-1.5	5,755,577
	2009	+1.5	(8,121,381)
		-1.5	8,121,381

(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:

	2010 Rupees	2009 Rupees
Trade debts	**31,688,389**	18,933,837
Short term loans	**3,701,970**	3,767,536
Trade deposits	**9,757,923**	7,925,096
Other receivables	**7,875,409**	52,508,445
Bank balances	**62,869,973**	30,687,972
	115,893,664	113,822,886

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 2010, Group has 8 customers that owed the Group more than Rupees 1.00 million each and accounted for approximately 68 % of all receivables owing.

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

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

	2010 Rupees	2009 Rupees
Not past due	**5,466,996**	8,697,235
Past due 1–30 days	**4,816,430**	6,489,217
Past due 31–60 days	**2,483,699**	2,381,197
Past due 61–90 days	**2,848,358**	2,833,305
Over 90 days	**28,491,814**	6,736,322
	42,107,297	27,137,276

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 counter parties 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	2010	2009
				------------- Rupees -------------	
National Bank of Pakistan	A-1+	AAA	JCR - VIS	**884,002**	182,831
United Bank Limited	1-1+	AA+	JCR - VIS	**78,466**	10,123
Faysal Bank Limited	A1+	AA	JCR - VIS	**52,124,931**	1,179,544
Habib Bank Limited	A1+	AA+	JCR - VIS	**1,034,571**	621,194
Allied Bank Limited	A1+	AA	PACRA	**35,098**	35,098
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**69,364**	169,712
Standard Chartered Bank (Pakistan Limited)	A1+	AAA	PACRA	**7,104,443**	27,237,809
				61,330,875	29,436,311

(c) **Liquidity risk**

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

The Group 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 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 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.

2010

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	Rupees					
Long term loans	**142,234,056**	**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	**73,471,662**	**73,471,662**	**73,471,662**	**-**	**-**	**-**
Short term bank borrowings	**433,152,102**	**491,191,487**	**63,994,242**	**427,197,245**	**-**	**-**
	692,694,751	**799,704,119**	**186,552,378**	**472,588,372**	**68,997,689**	**71,565,681**

2009

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	Rupees					
Long term loans	53,743,350	75,355,342	11,275,355	10,745,087	19,899,371	33,435,529
Liabilities against assets subject to finance lease	61,385,960	71,640,098	20,650,770	16,648,164	28,370,325	5,970,839
Trade and other payables	105,465,062	105,465,062	105,465,062	-	-	-
Short term bank borrowings	562,307,831	567,405,827	146,336,762	421,069,065	-	-
	782,902,203	819,866,329	283,727,949	448,462,316	48,269,696	39,406,368

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 31 December 2010. The rates of mark up have been disclosed in respective notes to the financial statements.

36.2 Fair values of financial assets and liabilities

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

36.3 Financial instruments by categories

	2010 Cash and cash equivalents	2010 Loans and advances	2010 Total
	---------- Rupees ----------		
Assets as per balance sheet			
Long term deposits	**-**	**1,562,054**	**1,562,054**
Trade debts	**-**	**42,107,297**	**42,107,297**
Loans and advances	**-**	**3,701,970**	**3,701,970**
Trade deposits	**-**	**9,757,923**	**9,757,923**
Other receivables	**-**	**7,875,409**	**7,875,409**
Cash and bank balances	**62,869,973**	**-**	**62,869,973**
	62,869,973	**65,004,653**	**127,874,626**

	2010 Financial Liabilities at amortized cost (Rupees)
Liabilities as per balance sheet	
Long term loans	**142,234,056**
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	**73,471,662**
	713,239,157

	2009		
	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	-	27,137,276	27,137,276
Loans and advances	-	3,767,536	3,767,536
Trade deposits	-	7,925,096	7,925,096
Other receivables	-	52,508,445	52,508,445
Cash and bank balances	30,687,972	-	30,687,972
	30,687,972	92,900,407	123,588,379

	2009
	Financial Liabilities at amortized cost (Rupees)
Liabilities as per balance sheet	
Long term loans	53,743,350
Liabilities against assets subject to finance lease	61,385,960
Interest accrued on secured loans	18,451,582
Short term bank borrowings	562,307,831
Trade and other payables	105,465,062
	801,353,785

36.4 Capital risk management

The Group objectives when managing capital are to safeguard the Group 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 borrowings obtained by Group as referred to in note 8, note 9, note 13 and note 14. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	2010	2009
	Rupees	Restated Rupees
Debt (See note 8, 9, 13 and 14)	**639,767,495**	695,888,723
Equity	**525,430,063**	488,177,806
Total Equity and Debt	**1,165,197,558**	1,184,066,529
Total Debt to Equity Ratio	**54.91%**	58.77%

37. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprises, associated companies, staff retirement funds, directors and key management personnel. Amounts due from and to related parties are disclosed in respective notes and remuneration of key management personnel is disclosed in note 35. Other significant transactions with related parties are as follows:

	2010	2009
37.1 Sales of goods-net	**Rupees**	Rupees
Associated undertaking	**26,385,230**	29,482,610
37.2 Contribution to employees benefits fund		
Contribution to Staff Provident Fund	**12,072,258**	11,004,068
Contribution to Employees' Welfare Trust	**1,234,250**	1,327,200

38. DIVIDENDS

The Board of Directors of HNL in its meeting held on 28th March 2011 has proposed cash dividend at the rate of Rs. 2.5 (2009: Rs. 2.5) per share and 10% bonus shares (2009: Nil) for the year ended 31 December 2010, subject to the approval of shareholders in the Annual General Meeting to be held on 27th April 2011. These financial statements do not reflect these appropriations.

39. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of HNL authorized the financial statements for issuance on 28th March 2011.

40. GENERAL

40.1 Figures have been rounded off to the nearest rupee.

40.2 Corresponding figures have been rearranged or reclassified, wherever necessary, for the purposes of better presentation. Following significant reclassifications have been made:

Nature	**Amount** Rupees	**Previous**	**Revised**
ERP Implementation process	7,366,250	Property, Plant and equipment	Intangible Assets
Advances to employees against expenses	4,277,250	Cash and bank balances	Advances to employees

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR