

# Q2

HALF YEARLY  
REPORT  
2012



HIGHNOON LABORATORIES LIMITED



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## Vision

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

**“Highnoon for a Healthier Nation”**

## Mission

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

## Corporate Objectives

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

# Company Information

## Board of Directors

Mr. Tausif Ahmad Khan  
(Chairman)

Mr. Anees Ahmad Khan  
(Vice Chairman)

Mr. Baqar Hasan  
(Chief Executive Officer)

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

## Chief Financial Officer

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

## Company Secretary

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

## Bankers

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

## Registered, Head Office & Plant

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

## Legal Advisors

Raja Muhammad Akram & Company

## Tax Advisors

Yousuf Islam Associates

## Auditors

Ernst & Young Ford Rhodes Sidat  
Hyder, Chartered Accountants.

## Shares Registrar

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

# CHAIRMAN'S REVIEW

I am pleased to present the financial statements of your Company as well as of the group for the half year ended 30 June 2012 on behalf of the Board of Directors.

The Company generated net sales revenue of Rs. 1,225.67 million during the period under review compared to Rs. 1,465.10 million during the comparative period last year. The decrease in sales is on account of loss of revenue from sale of Ex Solvay products. The decrease in local sales was partly compensated by increased revenue from export sales, which witnessed an increase of 67 percent over the same period last year. Gross margins increased to 40.16% compared to 33.44 % in the corresponding period as a result of efficient sourcing resulting in price reduction and support from the foreign principals. Operating expenses remained largely under control and witnessed a small increase of only 5% compared to the same period last year.

Your Company has finally received approval, after much delay, for manufacture of semi solid preparations and dry powder suspension; however products registrations to be manufactured in this section are still awaited. We have been advocating the need for a complete revamp of the regulatory framework in which the industry operates so that important decision including product registrations, pricing and toll manufacturing policies are not held up unnecessarily.

For sustaining growth, we continue to look at newer avenues such as entering niche segments, building relationships with global pharma for development and widening distribution networks through marketing alliances. Other potential thrust areas include marketing of novel products and toll manufacturing. In this regard few initiatives have already materialized while some are under negotiation.

You will appreciate that regulatory framework in which the pharmaceutical industry is operating needs a comprehensive revamp in order to address the issues inclusive of timely product registrations, pricing and toll manufacturing policies being the most crucial.

On behalf of the Board, I would like to express my sincere gratitude to the Shareholders, Doctors, Pharmacist, Consumers, Business partners and the Bankers for the continued patronage and business and to the employees and management for their continued, dedicated, untiring efforts and hard work.

For & On behalf of the Board

Lahore: 15 August 2012

Tausif Ahmad Khan  
Chairman

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

## Introduction

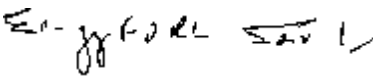
We have reviewed the accompanying condensed interim balance sheet of Highnoon Laboratories Limited as at 30 June 2012 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of comprehensive income and condensed interim statement of changes in equity and the notes to the accounts, for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Engagement Partner: Naseem Akbar

Lahore: 15<sup>th</sup> August 2012

# CONDENSED INTERIM BALANCE SHEET

	Un Audited	Audited
	30 June 2012	31 December 2011
Note	----- (Rupees) -----	

## EQUITY AND LIABILITIES

### SHARE CAPITAL AND RESERVES

#### AUTHORIZED SHARE CAPITAL

Ordinary shares of Rs. 10 each 20,000,000  
(2011: 20,000,000)

Share capital

Reserves

Surplus on revaluation of fixed assets

#### NON CURRENT LIABILITIES

Long term loans - secured

Liabilities against assets subject to finance lease

Long term advances

Deferred liabilities

#### CURRENT LIABILITIES

Trade and other payables

Markup payable on secured loans

Short term bank borrowings - secured

Current portion of long term liabilities

#### CONTINGENCIES AND COMMITMENTS

### TOTAL EQUITY AND LIABILITIES

		<b>200,000,000</b>	<b>200,000,000</b>
		181,805,170	181,805,170
		389,437,136	398,712,812
		<b>571,242,306</b>	<b>580,517,982</b>
		180,758,061	183,153,055
		<b>36,515,823</b>	<b>57,659,470</b>
		11,413,240	11,296,272
		14,596,889	14,942,278
		<b>270,287,325</b>	<b>265,856,776</b>
		<b>332,813,277</b>	<b>349,754,796</b>
		<b>163,480,593</b>	<b>186,673,545</b>
		11,230,539	10,436,070
		275,030,666	166,291,136
		<b>62,100,603</b>	<b>80,742,402</b>
		<b>511,842,401</b>	<b>444,143,153</b>
		-	-
		<b>1,596,656,045</b>	<b>1,557,568,986</b>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



**BAQAR HASAN**

Chief Executive Officer

# AS AT 30 JUNE 2012

	Un Audited	Audited
Note	30 June 2012	31 December 2011
	----- (Rupees) -----	

## ASSETS

### NON CURRENT ASSETS

Property, plant and equipment	7	<b>702,009,848</b>	715,604,221
Intangible assets		<b>104,999,544</b>	111,843,817
Long term deposits		<b>1,562,054</b>	1,562,054
		<b>808,571,446</b>	829,010,092

### CURRENT ASSETS

Stock in trade	8	<b>590,691,765</b>	518,480,424
Trade debts	9	<b>47,519,940</b>	55,269,355
Advances, deposits and prepayments		<b>55,087,234</b>	51,136,092
Other receivables		<b>26,965,833</b>	17,005,240
Income tax - net		<b>58,453,722</b>	74,070,798
Cash and bank balances		<b>9,366,105</b>	12,596,985
		<b>788,084,599</b>	728,558,894

### TOTAL ASSETS

		<b>1,596,656,045</b>	<b>1,557,568,986</b>
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**ANEE AHMAD KHAN**  
Director



# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN AUDITED) for the six months ended 30 June 2012

	Note	Six Months Ended 30 June		Three Months Ended 30 June	
		2012	2011	2012	2011
		----- (Rupees) -----		----- (Rupees) -----	
Sales - net	10	1,225,673,262	1,465,105,537	656,185,468	808,210,291
Cost of sales	11	733,425,406	975,162,082	399,224,622	551,132,947
<b>Gross profit</b>		<b>492,247,856</b>	<b>489,943,455</b>	<b>256,960,846</b>	<b>257,077,344</b>
<b>Operating expenses</b>					
Distribution, selling and promotional expenses		303,243,547	288,912,804	155,764,715	152,531,640
Administrative and general expenses		98,483,433	91,790,074	48,405,477	48,703,991
Research and development expenses		3,230,086	4,147,461	2,104,982	2,336,403
Other operating charges		9,866,402	9,492,941	5,892,427	5,784,212
		414,823,468	394,343,280	212,167,601	209,356,246
		77,424,388	95,600,175	44,793,245	47,721,098
Other operating income		13,978,066	5,358,499	1,681,039	3,604,559
		91,402,454	100,958,674	46,474,284	51,325,657
Finance cost		26,228,521	43,942,063	13,551,509	21,652,248
<b>Profit before taxation</b>		<b>65,173,933</b>	<b>57,016,611</b>	<b>32,922,775</b>	<b>29,673,409</b>
Taxation		22,303,052	18,484,959	10,752,698	8,914,838
<b>Profit after taxation</b>		<b>42,870,881</b>	<b>38,531,652</b>	<b>22,170,077</b>	<b>20,758,571</b>
<b>Earning per share-basic and diluted</b>		<b>2.36</b>	<b>2.12</b>	<b>1.22</b>	<b>1.14</b>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



**BAQAR HASAN**  
Chief Executive Officer



**ANEES AHMAD KHAN**  
Director

**CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (UN AUDITED)**  
for the six months ended 30 June 2012

	Six Months Ended 30 June	
	2012	2011
	----- (Rupees) -----	
<b>Profit after tax for the period</b>	<b>42,870,881</b>	38,531,652
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the period</b>	<b><u>42,870,881</u></b>	<b><u>38,531,652</u></b>

'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 14 form an integral part of this condensed interim financial information.



**BAQAR HASAN**  
Chief Executive Officer



**ANEES AHMAD KHAN**  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UN AUDITED)

for the six months ended 30 June 2012

Six Months Ended  
30 June

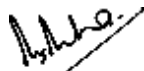
	2012	2011
	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	65,173,933	57,016,611
Add/(less): Adjustments for non-cash and other items:		
Depreciation	31,437,402	32,226,640
Amortization of intangible assets	8,837,089	8,776,846
Gain on sale of property, plant and equipment	(12,592,661)	(4,929,007)
Exchange loss	4,485,160	5,209,158
Provision for defined benefit obligation	19,417,192	20,340,821
Finance cost	26,228,521	43,942,063
	<b>77,812,703</b>	<b>105,666,521</b>
<b>Profit before working capital changes</b>	<b>142,986,636</b>	<b>162,683,132</b>
<b>WORKING CAPITAL CHANGES</b>		
<i>(Increase)/decrease in current assets:</i>		
Stock in trade	(72,211,341)	63,307,828
Trade debts	7,749,415	14,886,056
Advances, deposits and prepayments	(3,951,142)	(15,874,641)
Other receivables	(9,960,593)	7,782,820
<i>Increase/(decrease) in current liabilities:</i>		
Trade and other payables	(34,074,541)	137,153,010
	<b>(112,448,202)</b>	<b>207,255,073</b>
<b>Cash generated from operations</b>	<b>30,538,434</b>	<b>369,938,205</b>
Taxes paid	(18,631,405)	(33,629,376)
Gratuity paid	(3,041,212)	(4,478,160)
Finance cost paid	(23,647,738)	(44,677,800)
<b>Net cash (used in)/ from operating activities</b>	<b>(14,781,921)</b>	<b>287,152,869</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures incurred	(19,849,458)	(21,350,933)
Intangible assets acquired	(1,992,816)	(237,345)
Sale proceeds from disposal of property, plant and equipment	5,582,759	10,400,888
<b>Net cash used in investing activities</b>	<b>(16,259,515)</b>	<b>(11,187,390)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease liabilities	(11,640,205)	(20,449,713)
Long term loans-repayment	(21,143,647)	(21,143,646)
Increase/(decrease) Short-term bank borrowings-net	108,739,530	(224,159,509)
Dividend paid	(48,145,122)	(36,948,399)
<b>Net cash from / (used in) financing activities</b>	<b>27,810,556</b>	<b>(302,701,267)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,230,880)</b>	<b>(26,735,788)</b>
Cash and cash equivalents at beginning of the period	12,596,985	63,331,491
<b>Cash and cash equivalents at end of the period</b>	<b>9,366,105</b>	<b>36,595,703</b>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



**BAQAR HASAN**

Chief Executive Officer



**ANEES AHMAD KHAN**

Director

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN AUDITED)

for the six months ended 30 June 2012

Share Capital	Revenue Reserves			Total
	General	Unappropriated Profit	Sub Total	

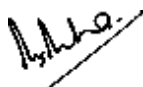
----- Rupees -----

Balance as at 01 January 2011	165,277,431	114,000,000	244,856,438	358,856,438	524,133,869
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2010	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Issuance of Bonus shares @ of 10%	16,527,739	-	(16,527,739)	(16,527,739)	-
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	2,661,105	2,661,105	2,661,105
Total comprehensive income for the period	-	-	38,531,652	38,531,652	38,531,652
<b>Balance as as 30 June 2011</b>	<b><u>181,805,170</u></b>	<b><u>114,000,000</u></b>	<b><u>228,202,098</u></b>	<b><u>342,202,098</u></b>	<b><u>524,007,268</u></b>
Balance as at 01 January 2012	181,805,170	114,000,000	284,712,812	398,712,812	580,517,982
Final dividend @ Rs. 3 per share for the year ended 31 December 2011	-	-	(54,541,551)	(54,541,551)	(54,541,551)
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	2,394,994	2,394,994	2,394,994
Total comprehensive income for the period	-	-	42,870,881	42,870,881	42,870,881
<b>Balance as at 30 June 2012</b>	<b><u>181,805,170</u></b>	<b><u>114,000,000</u></b>	<b><u>275,437,136</u></b>	<b><u>389,437,136</u></b>	<b><u>571,242,306</u></b>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



**BAQAR HASAN**  
Chief Executive Officer



**ANEES AHMAD KHAN**  
Director

# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN AUDITED) for the six months ended 30 June 2012

## 1. THE COMPANY AND ITS ACTIVITIES

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

## 2. STATEMENT OF COMPLIANCE

2.1 This interim financial report of the Company for the six months period ended 30 June 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This interim financial information is un-audited and is being submitted to shareholders, as required by section 245 of the Companies Ordinance, 1984.

## 3. BASIS OF PREPARATION

3.1 This interim financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2011.

3.2 The accounting policies adopted for the preparation of this interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 31 December 2011 except for as disclosed in note 3.3 below.

3.3 The Company has adopted following amended IFRSs which became effective during the period:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)

- IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets

The adoption of the above amendments did not have any effect on the interim financial information.

## 4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial information requires management to make

judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2011.

	Un Audited 30 June 2012	Audited 31 December 2011
	----- (Rupees) -----	
<b>5. SHORT-TERM BANK BORROWINGS - SECURED</b>		
Running finance	256,707,666	166,291,136
Import credit	18,323,000	-
	<u>275,030,666</u>	<u>166,291,136</u>

## 6. CONTINGENCIES AND COMMITMENTS

### Contingencies:

- There is no significant change in the contingencies since the date of the preceding published annual financial statements.

### Commitments:

Commitments against irrevocable letters of credit include:

		Un Audited 30 June 2012	Audited 31 December 2011
	Note	----- (Rupees) -----	
Raw materials		85,484,990	100,988,000
Packing materials		7,055,580	17,017,000
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets - (owned)	7.1	631,930,679	642,076,342
Operating fixed assets - (leased)	7.2	42,721,038	59,895,164
Capital work-in-progress	7.3	27,358,131	13,632,715
		<u>702,009,848</u>	<u>715,604,221</u>
<b>7.1 Operating fixed assets - tangible</b>			
Opening book value		642,076,342	621,820,377
Add: Additions during the period/year-cost	7.1.1	6,124,042	60,256,271
Transfers during the period/year		20,515,755	19,157,558
		<u>668,716,139</u>	<u>701,234,206</u>
Less: Deletions during the period/year	7.1.2	10,156,929	7,704,481
Less: Depreciation during the period/year		26,628,531	51,453,383
		<u>36,785,460</u>	<u>59,157,864</u>
Book value at the end of the period/year		<u>631,930,679</u>	<u>642,076,342</u>

	Un Audited 30 June 2012	Audited 31 December 2011
	----- (Rupees) -----	
<b>7.1.1 Additions during the period / year - cost</b>		
Building on freehold land	-	22,740,078
Plant and Machinery	-	22,301,411
Laboratory equipment	-	4,712,711
Arms and ammunition	-	60,000
Furniture and fixtures	75,000	1,247,460
Electric and gas appliances	692,320	198,605
Office equipment	880,722	2,092,006
Vehicles	4,476,000	6,904,000
	<b>6,124,042</b>	<b>60,256,271</b>
<b>7.1.2 Deletions during the period / year</b>		
Office equipment	1,023,109	318,323
Vehicles	9,133,820	7,386,158
	<b>10,156,929</b>	<b>7,704,481</b>
<b>7.2 Assets subject to finance lease</b>		
Opening book value	59,895,164	75,117,071
Add: Additions during the period / year	8,150,500	17,860,500
	<b>68,045,664</b>	<b>92,977,571</b>
Less: Transfers during the period / year	20,515,755	19,157,558
Less: Depreciation during the period / year	4,808,871	13,924,849
	<b>25,324,626</b>	<b>33,082,407</b>
Book value at the end of the period / year	<b>42,721,038</b>	<b>59,895,164</b>
<b>7.3 Capital work in progress</b>		
Civil works	25,882,701	13,281,988
Plant and machinery - owned	1,475,430	350,727
	<b>27,358,131</b>	<b>13,632,715</b>
<b>8. STOCK IN TRADE</b>		
Raw materials		
In hand	203,330,488	218,192,744
In transit	83,659,508	39,165,327
	<b>286,989,996</b>	<b>257,358,071</b>
Packing material		
In hand	65,461,415	68,481,126
In transit	3,616,413	-
With third party	581,579	54,046
	<b>69,659,407</b>	<b>68,535,172</b>
Work in process	52,489,271	39,820,419
Finished goods	181,553,091	152,766,762
	<b>590,691,765</b>	<b>518,480,424</b>
<b>9. TRADE DEBTS</b>		
These include Rs. 13,130,871 (31 December 2011: Rs. 13,670,149) due from related parties.		

Un Audited			
Six Months Ended		Three Months Ended	
30 June		30 June	
2012	2011	2012	2011
----- Rupees -----			

## 10. SALES - net

### Manufactured products

Local	1,120,849,750	1,512,718,910	591,681,868	836,435,131
Export	82,540,402	49,462,564	51,987,974	27,747,979
	1,203,390,152	1,562,181,474	643,669,842	864,183,110
Sales compensation	-	5,576,425	-	-
Purchased products-Local	21,980,883	18,289,110	12,397,772	8,192,656
Third Party (toll manufacturing)	118,856,906	23,657,878	60,323,346	12,883,287
	1,344,227,941	1,609,704,887	716,390,960	885,259,053
Less: Discount	115,648,036	143,554,221	58,707,009	76,157,813
Sales tax	2,906,643	1,045,129	1,498,483	890,949
	118,554,679	144,599,350	60,205,492	77,048,762
	<u>1,225,673,262</u>	<u>1,465,105,537</u>	<u>656,185,468</u>	<u>808,210,291</u>

## 11. COST OF SALES

Opening stock of finished goods (excluding purchased products)	150,723,607	160,115,818	157,722,721	205,971,636
Cost of goods sold - Manufactured (including toll)	750,884,683	977,349,207	415,749,435	513,765,459
	901,608,290	1,137,465,025	573,472,156	719,737,095
Closing stock of finished goods	(181,430,321)	(173,827,148)	(181,430,321)	(173,827,148)
Cost of sale - Manufactured (including toll)	720,177,969	963,637,877	392,041,835	545,909,947
Cost of sale				
Purchased products	13,247,437	11,524,205	7,182,787	5,223,000
Cost of sale	<u>733,425,406</u>	<u>975,162,082</u>	<u>399,224,622</u>	<u>551,132,947</u>

## 12. RELATED PARTY TRANSACTIONS

The related parties comprises subsidiary, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties are as stated below:



Un Audited			
Six Months Ended		Three Months Ended	
30 June		30 June	
2012	2011	2012	2011
----- Rupees -----			

#### 12.1 Sales of goods

Associated Company	17,145,546	17,927,367	8,324,447	7,230,249
--------------------	------------	------------	-----------	-----------

#### 12.2 Contribution towards employees' benefits

Staff provident fund	7,632,003	6,569,734	3,802,904	3,303,764
Employees' welfare trust	600,250	513,970	315,250	236,525

#### 12.3 Remuneration

CEO	6,189,484	5,069,052	3,447,297	2,614,526
Directors	13,513,725	12,968,393	6,992,648	6,138,530
Executives	86,678,939	65,966,476	42,504,026	33,933,663

### 13. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on 15<sup>th</sup> August 2012.

### 14. GENERAL

14.1 Provisions in respect of Worker's Welfare Fund, Worker's Profit Participation Fund and Taxation are estimated and these are subject to final adjustment in the annual audited financial statements.

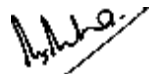
14.2 Corresponding figures have been rearranged and / or restated, wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.

14.3 Figures have been rounded off to the nearest rupee.



**BAQAR HASAN**

Chief Executive Officer



**ANEES AHMAD KHAN**

Director

CONDENSED INTERIM CONSOLIDATED  
FINANCIAL INFORMATION

**Highnoon Laboratories Limited**  
and its Wholly Owned Subsidiary Company  
**Dynalog Services (Private) Limited**

For the Six Months Ended  
30 June 2012

# CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

	Un Audited	Audited
	30 June 2012	31 December 2011
Note	----- (Rupees) -----	

## EQUITY AND LIABILITIES

### SHARE CAPITAL AND RESERVES

#### AUTHORIZED SHARE CAPITAL

Ordinary shares of Rs. 10 each 20,000,000  
(2011: 20,000,000)

Share capital

Reserves

Surplus on revaluation of fixed assets

#### NON CURRENT LIABILITIES

Long term loans - secured

Liabilities against assets subject to finance lease

Long term advances

Deferred liabilities

#### CURRENT LIABILITIES

Trade and other payables

Markup payable on secured loans

Short term bank borrowings - secured

Current portion of long term liabilities

#### CONTINGENCIES AND COMMITMENTS

### TOTAL EQUITY AND LIABILITIES

		<b>200,000,000</b>	<b>200,000,000</b>
		181,805,170	181,805,170
		390,553,321	399,854,712
		572,358,491	581,659,882
		180,758,061	183,153,055
		36,515,823	57,659,470
		11,413,240	11,296,272
		14,596,889	14,942,278
		270,287,325	265,856,775
		332,813,277	349,754,795
		163,572,594	186,874,267
		11,230,539	10,436,070
		275,030,666	166,291,136
		62,100,603	80,742,402
		511,934,402	444,343,875
		-	-
		<b>1,597,864,231</b>	<b>1,558,911,607</b>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



**BAQAR HASAN**

Chief Executive Officer

# AS AT 30 JUNE 2012

	Un Audited	Audited
Note	30 June 2012	31 December 2011
	----- (Rupees) -----	

## ASSETS

### NON CURRENT ASSETS

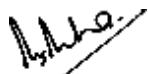
Property, plant and equipment	7	701,456,782	715,051,154
Intangible assets		104,999,544	111,843,817
Long term deposits		1,562,054	1,562,054
		808,018,380	828,457,025

### CURRENT ASSETS

Stock in trade	8	590,691,765	518,480,424
Trade debts	9	47,418,456	55,167,872
Advances, deposits and prepayments		55,087,234	51,136,092
Other receivables		27,030,658	17,204,500
Income tax - net		59,634,728	75,251,804
Cash and bank balances		9,983,010	13,213,890
		789,845,851	730,454,582

### TOTAL ASSETS

		1,597,864,231	1,558,911,607
--	--	---------------	---------------



**ANEE AHMAD KHAN**  
Director

# CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN AUDITED) for the six months ended 30 June 2012

	Note	Six Months Ended 30 June		Three Months Ended 30 June	
		2012	2011	2012	2011
		----- (Rupees) -----		----- (Rupees) -----	
Sales - net	10	1,225,673,262	1,465,105,537	656,185,468	808,210,291
Cost of sales	11	733,425,406	975,162,082	399,224,622	551,132,947
<b>Gross profit</b>		<b>492,247,856</b>	<b>489,943,455</b>	<b>256,960,846</b>	<b>257,077,344</b>
<b>Operating expenses</b>					
Distribution, selling and promotional expenses		303,243,547	288,912,804	155,764,715	152,531,640
Administrative and general expenses		98,509,148	91,850,074	48,431,192	48,763,991
Research and development expenses		3,230,086	4,147,461	2,104,982	2,336,403
Other operating charges		9,866,402	9,492,941	5,892,427	5,784,212
		414,849,183	394,403,280	212,193,316	209,416,246
		77,398,673	95,540,175	44,767,530	47,661,098
Other operating income		13,978,066	5,358,499	1,681,039	3,604,559
		91,376,739	100,898,674	46,448,569	51,265,657
Finance cost		26,228,521	43,942,063	13,551,509	21,652,248
<b>Profit before taxation</b>		<b>65,148,218</b>	<b>56,956,611</b>	<b>32,897,060</b>	<b>29,613,409</b>
Taxation		22,303,052	18,484,959	10,752,698	8,914,838
<b>Profit after taxation</b>		<b>42,845,166</b>	<b>38,471,652</b>	<b>22,144,362</b>	<b>20,698,571</b>
<b>Earning per share-basic and diluted</b>		<b>2.36</b>	<b>2.12</b>	<b>1.22</b>	<b>1.14</b>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



**BAQAR HASAN**  
Chief Executive Officer



**ANEES AHMAD KHAN**  
Director

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

for the six months ended 30 June 2012

	Six Months Ended 30 June	
	2012	2011
	----- (Rupees) -----	
<b>Profit after tax for the period</b>	<b>42,845,166</b>	38,471,652
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the period</b>	<b><u>42,845,166</u></b>	<b><u>38,471,652</u></b>

'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 14 form an integral part of this condensed interim financial information.



**BAQAR HASAN**  
Chief Executive Officer



**ANEES AHMAD KHAN**  
Director

# CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN AUDITED)

for the six months ended 30 June 2012

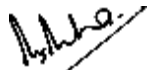
	Six Months Ended 30 June	
	2012	2011
	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	65,148,218	56,956,611
Add/(less): Adjustments for non-cash and other items:		
Depreciation	31,437,402	32,226,640
Amortization of intangible assets	8,837,089	8,776,846
Gain on sale of property, plant and equipment	(12,592,661)	(4,829,007)
Exchange loss	4,485,160	5,209,158
Provision for defined benefit obligation	19,417,192	20,340,821
Finance cost	26,228,521	43,942,063
	77,812,703	105,666,521
<b>Profit before working capital changes</b>	142,960,921	162,623,132
<b>WORKING CAPITAL CHANGES</b>		
<i>(Increase)/decrease in current assets:</i>		
Stock in trade	(72,211,341)	63,307,828
Trade debts	7,749,417	14,886,056
Advances, deposits and prepayments	(3,951,142)	(15,874,641)
Other receivables	(9,826,158)	7,693,497
<i>Increase/(decrease) in current liabilities:</i>		
Trade and other payables	(34,183,262)	137,153,014
	(112,422,486)	207,165,754
<b>Cash generated from operations</b>	30,538,435	369,788,886
Taxes paid	(18,631,405)	(33,629,376)
Gratuity paid	(3,041,212)	(4,478,160)
Finance cost paid	(23,647,738)	(44,677,800)
<b>Net cash (used in)/ from operating activities</b>	(14,781,920)	287,003,550
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures incurred	(18,437,458)	(21,023,685)
Intangible assets acquired	(1,992,816)	(237,345)
Sale proceeds from disposal of property, plant and equipment	5,582,759	10,073,640
<b>Net cash used in investing activities</b>	(14,847,515)	(11,187,390)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease liabilities	(11,640,205)	(20,449,714)
Long term loans-repayment	(21,143,647)	(21,143,646)
Increase/(decrease) Short-term bank borrowings-net	108,739,530	(224,159,509)
Dividend paid	(48,145,122)	(36,948,399)
<b>Net cash from / (used in) financing activities</b>	27,810,556	(302,701,267)
<b>Net decrease in cash and cash equivalents</b>	(1,818,879)	(26,885,107)
Cash and cash equivalents at beginning of the period	13,213,890	65,485,314
<b>Cash and cash equivalents at end of the period</b>	11,395,011	38,600,207

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



**BAQAR HASAN**

Chief Executive Officer



**ANEES AHMAD KHAN**

Director

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN AUDITED)

for the six months ended 30 June 2012

Share Capital	Revenue Reserves			Total
	General	Unappropriated Profit	Sub Total	

----- Rupees -----

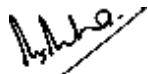
Balance as at 01 January 2011	165,277,431	114,000,000	246,152,632	360,152,632	525,430,063
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2010	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Issuance of Bonus shares @ of 10%	16,527,739	-	(16,527,739)	(16,527,739)	-
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	2,661,105	2,661,105	2,661,105
Total comprehensive income for the period	-	-	38,471,652	38,471,652	38,471,652
<b>Balance as as 30 June 2011</b>	<u>181,805,170</u>	<u>114,000,000</u>	<u>229,438,292</u>	<u>343,438,292</u>	<u>525,243,462</u>
Balance as at 01 January 2012	181,805,170	114,000,000	285,854,712	399,854,712	581,659,882
Final dividend @ Rs. 3 per share for the year ended 31 December 2011	-	-	(54,541,551)	(54,541,551)	(54,541,551)
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	2,394,994	2,394,994	2,394,994
Total comprehensive income for the period	-	-	42,845,166	42,845,166	42,845,166
<b>Balance as at 30 June 2012</b>	<u>181,805,170</u>	<u>114,000,000</u>	<u>276,553,321</u>	<u>390,553,321</u>	<u>572,358,491</u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



**BAQAR HASAN**

Chief Executive Officer



**ANES AHMAD KHAN**

Director



# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN AUDITED) for the six months ended 30 June 2012

## 1. THE COMPANY AND ITS ACTIVITIES

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 the year 1984 under the Companies Ordinance, 1984 and converted into an unquoted public limited company in the year 1985. Its shares are quoted on all stock exchanges in Pakistan since November 1994. HNL is principally engaged in the manufacture, import and marketing of pharmaceutical and allied consumer products. The registered office of HNL is situated at 17.5 km, Multan Road, Lahore.

DSL was incorporated as a private limited company in Pakistan on 27 April 2004 under the Companies Ordinance, 1984 and 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 statements of subsidiary company have been prepared on non-going concern basis and the related assets and liabilities approximate to their realizable value.

## 2. STATEMENT OF COMPLIANCE

2.1 This interim consolidated financial report of the Group for the six months period ended 30 June 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This interim consolidated financial information is un-audited and is being submitted to shareholders, as required by section 245 of the Companies Ordinance, 1984.

## 3. BASIS OF PREPARATION

3.1 This interim consolidated financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

3.2 The accounting policies adopted for the preparation of this interim consolidated financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Group for the year ended 31 December 2011 except for as disclosed in note 3.3 below.

3.3 The Group has adopted the following amended IFRS which became effective during the period:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)

- IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets

The adoption of the above standards / amendments did not have any effect on the financial information.

#### 4. CONTINGENCIES AND COMMITMENTS

The preparation of interim consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2011.

Un Audited 30 June 2012	Audited 31 December 2011
----- (Rupees) -----	

#### 5. SHORT-TERM BANK BORROWINGS - SECURED

Running finance	<b>256,707,666</b>	166,291,136
Import credit	<b>18,323,000</b>	-
	<b><u>275,030,666</u></b>	<u>166,291,136</u>

#### 6. CONTINGENCIES AND COMMITMENTS

##### Contingencies:

- There is no significant change in the contingencies since the date of the preceding published annual financial statements.

##### Commitments:

Commitments against irrevocable letters of credit include:

Note	Un Audited 30 June 2012	Audited 31 December 2011
	----- (Rupees) -----	

Raw materials	<b>85,484,990</b>	100,988,000
Packing materials	<b>7,055,580</b>	17,017,000

#### 7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets-owned	7.1	<b>631,377,613</b>	641,523,276
Operating fixed assets-leased	7.2	<b>42,721,038</b>	59,895,163
Capital work-in-progress	7.3	<b>27,358,131</b>	13,632,715
		<b><u>701,456,782</u></b>	<u>715,051,154</u>

##### 7.1 Operating fixed assets - tangible

Opening book value		<b>641,523,276</b>	621,267,311
Add: Additions during the period/year-cost	7.1.1	<b>6,124,042</b>	60,256,271
Transfers during the period/year		<b>20,515,755</b>	19,157,558
		<b><u>668,163,073</u></b>	<u>700,681,140</u>
Less: Deletions during the period/year	7.1.2	<b>10,156,929</b>	7,704,481
Less: Depreciation during the period/year		<b>26,628,531</b>	51,453,383
		<b><u>36,785,460</u></b>	<u>59,157,864</u>
Book value at the end of the period/year		<b><u>631,377,613</u></b>	<u>641,523,276</u>

	Un Audited 30 June 2012	Audited 31 December 2011
----- (Rupees) -----		
<b>7.1.1 Additions during the period / year - cost</b>		
Building on freehold land	-	22,740,078
Plant and Machinery	-	22,301,411
Laboratory equipment	-	4,712,711
Arms and ammunition	-	60,000
Furniture and fixtures	75,000	1,247,460
Electric and gas appliances	692,320	198,605
Office equipment	880,722	2,092,006
Vehicles	4,476,000	6,904,000
	<b>6,124,042</b>	<b>60,256,271</b>

### 7.1.2 Deletions during the period / year

Office equipment	1,023,109	318,323
Vehicles	9,133,820	7,386,158
	<b>10,156,929</b>	<b>7,704,481</b>

### 7.2 Assets subject to finance lease

Opening book value	59,895,164	75,117,071
Add: Additions during the period / year	8,150,500	17,860,500
	<b>68,045,664</b>	<b>92,977,571</b>
Less: Transfers during the period / year	20,515,755	19,157,558
Less: Depreciation during the period / year	4,808,871	13,924,849
	<b>25,324,626</b>	<b>33,082,407</b>
Book value at the end of the period / year	<b>42,721,038</b>	<b>59,895,164</b>

### 7.3 Capital work in progress

Civil works	25,882,701	13,281,988
Plant and machinery - owned	1,475,430	350,727
	<b>27,358,131</b>	<b>13,632,715</b>

## 8. STOCK IN TRADE

Raw materials		
In hand	203,330,488	218,192,744
In transit	83,659,508	39,165,327
	<b>286,989,996</b>	257,358,071
Packing material		
In hand	65,461,415	68,481,126
In transit	3,616,413	-
With third party	581,579	54,046
	<b>69,659,407</b>	68,535,172
Work in process	52,489,271	39,820,419
Finished goods	181,553,091	152,766,762
	<b>590,691,765</b>	<b>518,480,424</b>

## 9. TRADE DEBTS

These include Rs. 0.117 million (31 December 2011: Rs. 0.511 million) due from related parties.

Un Audited			
Six Months Ended		Three Months Ended	
30 June		30 June	
2012	2011	2012	2011
----- Rupees -----			

## 10. SALES - net

### Manufactured products

Local	1,120,849,750	1,512,718,910	591,681,868	836,435,131
Export	82,540,402	49,462,564	51,987,974	27,747,979
	1,203,390,152	1,562,181,474	643,669,842	864,183,110
Sales compensation	-	5,576,425	-	-
Purchased products-Local	21,980,883	18,289,110	12,397,772	8,192,656
Third Party (toll manufacturing)	118,856,906	23,657,878	60,323,346	12,883,287
	1,344,227,941	1,609,704,887	716,390,960	885,259,053
Less: Discount	115,648,036	143,554,221	58,707,009	76,157,813
Sales tax	2,906,643	1,045,129	1,498,483	890,949
	118,554,679	144,599,350	60,205,492	77,048,762
	<u>1,225,673,262</u>	<u>1,465,105,537</u>	<u>656,185,468</u>	<u>808,210,291</u>

## 11. COST OF SALES

Opening stock of finished goods (excluding purchased products)	150,723,607	160,115,818	157,722,721	205,971,636
Cost of goods sold - Manufactured (including toll)	750,884,683	977,349,207	415,749,435	513,765,459
	901,608,290	1,137,465,025	573,472,156	719,737,095
Closing stock of finished goods	(181,430,321)	(173,827,148)	(181,430,321)	(173,827,148)
Cost of sale - Manufactured (including toll)	720,177,969	963,637,877	392,041,835	545,909,947
Cost of sale				
Purchased products	13,247,437	11,524,205	7,182,787	5,223,000
Cost of sale	<u>733,425,406</u>	<u>975,162,082</u>	<u>399,224,622</u>	<u>551,132,947</u>

## 12. RELATED PARTY TRANSACTIONS

The related parties comprises subsidiary, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties are as stated below:

Un Audited			
Six Months Ended		Three Months Ended	
30 June		30 June	
2012	2011	2012	2011
----- Rupees -----			

**12.1 Sales of goods**

Associated Company	17,145,546	17,927,367	8,324,447	7,230,249
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**12.2 Contribution towards employees'**

**benefits**

Staff provident fund	7,632,003	6,569,734	3,802,904	3,303,764
Employees' welfare trust	600,250	513,970	315,250	236,525

**12.3 Remuneration**

CEO	6,189,484	5,069,052	3,447,297	2,614,526
Directors	13,513,725	12,968,393	6,992,648	6,138,530
Executives	86,678,939	65,966,476	42,504,026	33,933,663

**13. DATE OF AUTHORIZATION OF ISSUE**

The Board of Directors of HNL authorized the financial statements for issuance on 15<sup>th</sup> August 2012.

**14. GENERAL**

**14.1** Provisions in respect of Worker's Welfare Fund, Worker's Profit Participation Fund and Taxation are estimated and these are subject to final adjustment in the annual audited financial statements.

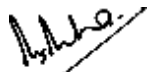
**14.2** Corresponding figures have been rearranged and / or restated, wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.

**14.3** Figures have been rounded off to the nearest rupee.



**BAQAR HASAN**

Chief Executive Officer



**ANEES AHMAD KHAN**

Director

BOOK  
POST



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