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# QUARTERLY REPORT



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.



## COMPANY INFORMATION

### Board of Directors

Mr. Jawaid Tariq Khan  
(Chairman)

Mr. Tausif Ahmad Khan  
(Vice Chairman)

Mr. Anees Ahmad Khan  
(Vice Chairman)

Mr. Aslam Hafiz  
(Chief Executive Officer)

Mr. Ghulam Hussain Khan  
Mian Muhammad Ashraf  
Mrs. Nosheen Riaz Khan  
Mrs. Zainub Abbas

### Chief Financial Officer

Mr. Javed Hussain  
Tel: +92 (42) 7511953  
Email: javed@highnoon.com.pk

### Company Secretary

Mr. Khadim Hussain Mirza  
Tel: +92 (42) 7510036  
Email: khadim@highnoon.com.pk

### Bankers

Habib Bank Limited  
United Bank Limited  
Faysal Bank Limited  
J.S. Bank Limited  
Allied Bank Limited

### Registered, Head Office & Plant

17.5 Kilometer Multan Road,  
Lahore -53700, Pakistan.

Tel: +92 (42) 7510023-27  
(5 Lines)

Fax: +92 (42) 7510037

E-mail: info@highnoon.com.pk

URL: www.highnoon-labs.com

### Legal Advisors

Raja Muhammad Akram & Company

### Tax Advisors

Yousuf Islam Associates

### Auditors

KPMG Taseer Hadi & Company,  
Chartered Accountants

### Shares Registrar

Corplink (Pvt) Ltd.  
Wings Arcade,  
1-K Commercial,  
Model Town, Lahore.  
Ph: +92 (42) 5839182, 5887262  
Fax: +92 (42) 5869637



## CHAIRMAN'S REVIEW

It is my pleasure to present the financial statements of the Company as well as of the group for the quarter ended 31 March 2009 on behalf of the Board of Directors.

The Company generated sales revenue of 495.267 million during the period under review compared to Rs. 467.126 million in the previous quarter. Gross profit and gross profit as a percentage of sales for the period decreased to Rs.170.675 million and 34.46 % as compared to 181.742 million and 38.91 % respectively. The results for the period under review are marred by general slow down in the macro economic conditions of the country that has resulted in high inflation, high borrowing rates and depreciation of the Pak Rupee against all major currencies.

Lack of clarity on the Government's policy especially in relation to the price control continues to be a major threat to the Industry. The absence of clear, transparent policy on drug pricing continues to impact the overall industry direction, also the slow pace at which new registrations are granted remains a concern area for the Industry.

The Company focuses on certain core therapeutic areas in pharmaceuticals, i.e. Gastroenterology, Cardiology and Gynecology and launches products suiting the needs of this segment. During the period the Company launched Cidine (Cinitapride) tablet an original and researched brand of Almirall Prodesfarma, Spain. The Company expects that the product will be a huge success in the national market. Simultaneous with the launch of new products the Company is enhancing and consolidating its sales and marketing initiative to augment its growth objective.

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: 29 April 2009

Jawaid Tariq Khan  
Chairman



## CONDENSED INTERIM BALANCE SHEET

	Un Audited	Audited
	31 March 2009	31 December 2008
Note	(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>		
Share capital	165,277	165,277
Reserves	347,393	332,802
	<u>512,670</u>	<u>498,079</u>
Surplus on revaluation of assets	199,317	200,959
<b>NON CURRENT LIABILITIES</b>		
Long term loan - Secured	50,160	53,743
Liabilities against assets subject to finance lease	40,464	42,729
Long term advances	17,802	17,126
Deferred liabilities	147,222	143,020
	<u>255,648</u>	<u>256,618</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	134,037	108,440
Liability for patent & trademark	6,408	6,408
Markup payable on secured loans	14,501	16,063
Short term bank borrowings - secured	326,994	345,067
Current portion of long term liabilities	44,513	44,513
	<u>526,453</u>	<u>520,491</u>
CONTINGENCIES AND COMMITMENTS	5	
	<u>1,494,088</u>	<u>1,476,147</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

ASLAM HAFIZ  
CHIEF EXECUTIVE OFFICER



## AS AT 31 MARCH 2009

		Un Audited 31 March 2009	Audited 31 December 2008
	Note	(Rupees in thousand)	
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	678,396	683,288
Intangible assets		64,857	66,492
		<u>743,253</u>	<u>749,780</u>
Long term investment		10,000	10,000
Long term deposits		1,562	1,562
<b>CURRENT ASSETS</b>			
Stock in trade		444,480	449,901
Trade debts		122,432	140,987
Advances, deposits and prepayments		61,382	25,007
Other receivables	7	51,477	53,587
Income tax - net		41,641	38,145
Cash and bank balances		17,861	7,178
		<u>739,273</u>	<u>714,805</u>
		<u>1,494,088</u>	<u>1,476,147</u>

  
ANEES AHMAD KHAN  
DIRECTOR





**CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT**  
for the first quarter ended 31 March 2009 (Un-Audited)

	Note	First Quarter Ended	
		March 31	
		2009	2008
		(Rupees in thousand)	
Sales - net	8	495,267	467,126
Cost of sales		324,592	285,384
Gross profit		170,675	181,742
Operating expenses			
Administrative and general		35,924	33,195
Distribution, selling and promotional		98,140	94,050
Finance cost		18,663	12,828
Research and development		1,779	3,251
		154,506	143,324
Operating profit		16,169	38,418
Other operating income		2,841	1,063
		19,010	39,481
Other operating charges		1,646	4,432
Profit / Total Comprehensive income before tax		17,364	35,049
Taxation		4,415	6,995
Profit / Total Comprehensive income after tax		12,949	28,054
Earnings per share - (Rupees)			
- basic and diluted		0.78	1.70

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

ASLAM HAFIZ  
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN  
DIRECTOR



## CONDENSED INTERIM CASH FLOW STATEMENT for the first quarter ended 31 March 2009 (Un-Audited)

	Note	First Quarter Ended	
		March 31	
		2009	2008
		(Rupees in thousand)	
Profit before working capital changes	9	60,433	71,477
<b>WORKING CAPITAL CHANGES</b>			
<i>(Increase)/decrease in current assets:</i>			
Stock in trade		5,421	(20,568)
Trade debts		18,556	(39,578)
Advances, deposits and prepayments		(36,374)	(25,505)
Other receivables		2,108	1,089
<i>Increase in current liabilities:</i>			
Trade and other payables		25,616	22,798
		15,327	(61,764)
Cash generated from operations		75,760	9,713
Taxes paid		(12,094)	(9,053)
Gratuity paid		(330)	(672)
Finance cost paid		(17,353)	(9,208)
Long term advances - net		676	789
<i>Net cash generated from / (used in) operating activities</i>		46,659	(8,431)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(8,829)	(16,103)
Intangible assets acquired		(644)	(31,060)
Disposal of property, plant and equipment		4,890	9,161
<i>Net cash used in Investing activities</i>		(4,583)	(38,002)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of finance lease liabilities		(9,719)	(13,874)
Repayment of Long term loan		(3,583)	-
Short term bank borrowings - net		(18,072)	55,397
Dividend paid		(19)	(59)
<i>Net cash (used in) / generated from financing activities</i>		(31,393)	41,464
Net increase / (decrease) in cash and cash equivalents		10,683	(4,969)
Cash and cash equivalents at beginning of the period		7,178	11,857
<i>Cash and cash equivalents at end of the period</i>		17,861	6,888

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

ASLAM HAFIZ  
CHIEF EXECUTIVE OFFICER

Highnoon Laboratories Limited

ANEES AHMAD KHAN  
DIRECTOR



**CONDENSED INTERIM STATEMENT  
OF CHANGES IN EQUITY**  
for the first quarter ended 31 March 2009 (Un-Audited)

	Share Capital	Revenue Reserves			Sub Total	Total
		General	Unappropriated Profit	Reserve for issuance of bonus shares		
----- (Rupees in thousand) -----						
Balance as at 01 January 2008	150,252	114,000	185,940	-	299,940	450,192
Current year incremental depreciation - net of tax	-	-	1,825	-	1,825	1,825
Total comprehensive income for the period after tax	-	-	28,054	-	28,054	28,054
	-	-	29,879	-	29,879	29,879
Final dividend for the year ended 31 December 2007 @ Rs. 1.5 per share	-	-	(22,538)	-	(22,538)	(22,538)
Transfer for issuance of bonus shares @ 10%	-	-	(15,025)	15,025	-	-
	-	-	(37,563)	15,025	(22,538)	(22,538)
Balance as at 31 March 2008	<u>150,252</u>	<u>114,000</u>	<u>178,256</u>	<u>15,025</u>	<u>307,281</u>	<u>457,533</u>
Balance as at 01 January 2009	165,277	114,000	218,801	-	332,801	498,078
Current period incremental depreciation - net of tax	-	-	1,643	-	1,643	1,643
Total comprehensive income for the period after tax	-	-	12,949	-	12,949	12,949
	-	-	14,592	-	14,592	14,592
Balance as at 31 March 2009	<u>165,277</u>	<u>114,000</u>	<u>233,393</u>	<u>-</u>	<u>347,393</u>	<u>512,670</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

ASLAM HAFIZ  
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN  
DIRECTOR



## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS for the first quarter ended 31 March 2009 (Un-Audited)

### 1. THE COMPANY AND ITS OPERATIONS

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. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of International Accounting Standard No. 34 " Interim Financial Reporting" . These are un-audited and are being submitted to the shareholders as required under clause (xx) of the Code of Corporate Governance and section 245 of the Companies Ordinance, 1984.

### 3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of property, plant and equipment and certain financial assets at fair value and recognition of certain employee's benefits at present value. In these financial statements, except for the cash flow statement all the transactions have been accounted for on accrual basis.

### 4. ACCOUNTING POLICIES

The accounting policies used are consistent with those used in the audited financial statements of the Company for the year ended 31 December 2008.

### 5. CONTINGENCIES AND COMMITMENTS

#### Contingencies

There has been no change in the contingencies as disclosed in the audited financial statements of the Company for the year ended 31 December 2008.

#### Commitments

Commitments against irrevocable letters of credit include:

	31 March 2009	31 December 2008
	(Rupees in thousand)	
Raw materials	98,088	67,112
Packing materials	3,327	1,560
Finished goods	19,189	7,101



	31 March 2009	31 December 2008
	(Rupees in thousand)	
<b>6 PROPERTY, PLANT AND EQUIPMENT</b>		
Owned Assets - Cost of additions		
Building on freehold land	-	20,365
Plant and machinery	2,228	103,652
Laboratory equipment	-	6,004
Furniture and fixtures	9	440
Electric and gas appliances	168	1,833
Office equipment	813	16,775
Vehicles	5,662	23,384
Owned Assets - Cost of disposals		
Plant and machinery	-	524
Office equipment	-	340
Vehicles	3,825	20,972
Leased Assets - Cost of additions		
Vehicles	4,583	22,287
Leased Assets - Cost of disposals		
Office equipment	-	20,028
Vehicles	3,501	25,670

Additions in freehold assets include transfer of assets costing Rs. 3,501 thousand (2008: Rs. 54,129 thousand) less accumulated depreciation of Rs. 1,234 thousand (2008: Rs. 22,726 thousand) from leasehold assets. Additions in leasehold assets do not include any transfer from freehold assets under sale and leaseback arrangements.

	31 March 2009	31 December 2008
	(Rupees in thousand)	
<b>7. TRADE DEBTS - Considered good</b>		
Secured - against letters of credit	6,836	5,572
Unsecured		
Due from related parties		
Subsidiary - Dynalog Services (Private) Limited	77,793	108,818
Associated - Route - 2 Health (Private) Limited	80	184
	77,873	109,002
Others	37,723	26,413
	<u>122,432</u>	<u>140,987</u>



	First Quarter Ended	
	March 31	
	2009	2008
(Rupees in thousand)		
8. SALES - net		
Manufactured products		
Local	480,562	463,098
Export	20,973	11,383
	501,535	474,481
Purchased products - Local	25,727	25,619
Sales Compensation	9,529	-
Third Party (toll manufacturing)	10,978	8,795
	547,769	508,895
Less: Discount	52,276	41,482
Sales tax	226	287
	52,502	41,769
	495,267	467,126

9. CASH FLOWS FROM OPERATING ACTIVITIES

	First Quarter Ended	
	March 31	
	2009	2008
(Rupees in thousand)		
Profit before taxation	17,364	35,049
Add/(less): Adjustments for non-cash charges and other items		
Depreciation	15,128	14,305
Amortization of intangible assets	2,279	2,260
Gain on sale of property, plant and equipment	(1,715)	(97)
Exchange loss	-	1,236
Provision for defined benefit obligation	8,715	6,406
Finance cost	18,662	12,829
Amortization of deferred gain	-	(511)
	43,069	36,428
Profit before working capital changes	60,433	71,477

10. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprises subsidiary, associated companies, staff retirement funds, directors. Transactions with related parties and associated undertakings are as follows. Amounts due from and due to related parties are shown under respective notes to the financial statements.



	First Quarter Ended	
	March 31	
	2009	2008
	(Rupees in thousand)	
10.1 Sales of goods		
Subsidiary	96,307	400,605
Associate	10,521	8,609
10.2 Contribution towards employees' benefits		
Staff provident fund	2,744	2,501
Employees' welfare trust	327	343

#### 11. DIVIDENDS

The Board of Directors of the Company in their meeting held on 31st March 2009 have proposed final cash dividend at the rate of Rs. 2.50 (2007: Rs. 2.50) per share and bonus shares Nil (2007: 10%) for the year ended 31 December 2008, subject to the approval of shareholders in Annual General Meeting. These interim financial statements do not reflect these appropriations.

#### 12. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the company authorized the condensed interim financial statements for issuance on 29<sup>th</sup> April 2009.

#### 13. GENERAL

Provisions in respect of Worker's Welfare Fund, Worker's Profit Participation Fund and Taxation are made on the basis of management's best estimates for the full financial year and these are subject to final adjustment in the annual audited financial statements.

Figures have been rounded off to the nearest thousands of rupees.

ASLAM HAFIZ  
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN  
DIRECTOR



# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

HIGHNOON LABORATORIES LIMITED  
and its Wholly Owned Subsidiary Company  
DYNALOG SERVICES (PRIVATE) LIMITED





## CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

	Un Audited	Audited
	31 March 2009	31 December 2008
Note	(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>		
Share capital	165,277	165,277
Reserves	317,048	282,425
	482,325	447,702
Surplus on revaluation of assets	199,317	200,959
<b>NON CURRENT LIABILITIES</b>		
Long term loan - Secured	50,160	53,743
Liabilities against assets subject to finance lease	40,464	42,729
Long term advances	17,802	17,126
Deferred liabilities	147,222	143,020
	255,648	256,618
<b>CURRENT LIABILITIES</b>		
Trade and other payables	140,043	117,937
Liability for patent & trademark	6,408	6,408
Markup payable on secured loans	15,386	19,455
Short term bank borrowings - secured	326,994	435,071
Current portion of long term liabilities	46,894	47,336
	535,725	626,207
CONTINGENCIES AND COMMITMENTS	5	
	1,473,015	1,531,486

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

ASLAM HAFIZ  
CHIEF EXECUTIVE OFFICER



## AS AT 31 MARCH 2009

		Un Audited	Audited
		31 March 2009	31 December 2008
	Note	(Rupees in thousand)	
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	678,396	683,288
Intangible assets		64,857	66,492
		<u>743,253</u>	<u>749,780</u>
Long term deposits		1,562	1,562
<b>CURRENT ASSETS</b>			
Stock in trade		467,635	537,849
Trade debts	7	52,478	45,308
Advances, deposits and prepayments		64,697	45,235
Other receivables		58,351	59,641
Income tax - net		48,565	44,094
Cash and bank balances		21,439	29,597
		<u>713,165</u>	<u>761,724</u>
Non current assets held for sale		15,035	18,420
		<u>728,200</u>	<u>780,144</u>
		<u>1,473,015</u>	<u>1,531,486</u>

  
ANEES AHMAD KHAN  
DIRECTOR



CONDENSED INTERIM CONSOLIDATED  
PROFIT AND LOSS ACCOUNT  
for the first quarter ended 31 March 2009 (Un-Audited)

	Note	First Quarter Ended	
		March 31	
		2009	2008
		(Rupees in thousand)	
Sales - net	8	600,319	542,893
Cost of sales		397,330	342,924
Gross profit		202,989	199,969
Operating expenses			
Administrative and general		40,634	39,715
Distribution, selling and promotional		106,271	107,422
Finance cost		20,198	14,547
Research and development		1,779	3,251
		168,882	164,935
Operating profit		34,107	35,034
Other operating income		4,934	2,388
		39,041	37,422
Other operating charges		1,646	4,432
Profit / Total Comprehensive income before tax		37,395	32,990
Taxation		4,415	9,354
Profit / Total Comprehensive income after tax		32,980	23,636
Earnings per share - (Rupees)			
- basic and diluted		2.00	1.43

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

ASLAM HAFIZ  
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN  
DIRECTOR



CONDENSED INTERIM CONSOLIDATED  
CASH FLOW STATEMENT  
for the first quarter ended 31 March 2009 (Un-Audited)

	Note	First Quarter Ended	
		March 31	
		2009	2008
		(Rupees in thousand)	
Profit before working capital changes	9	79,903	72,147
<b>WORKING CAPITAL CHANGES</b>			
<i>(Increase)/decrease in current assets:</i>			
Stock in trade		70,215	(26,813)
Trade debts		(7,171)	8,708
Advances, deposits and prepayments		(19,462)	(23,945)
Other receivables		1,290	(486)
<i>Increase in current liabilities:</i>			
Trade and other payables		22,125	23,163
		66,997	(19,373)
Cash generated from operations		146,900	52,774
Taxes paid		(13,067)	(9,248)
Gratuity paid		(330)	(672)
Finance cost paid		(21,264)	(10,408)
Long term advances - net		676	789
<i>Net cash generated from operating activities</i>		112,915	33,235
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(8,829)	(16,798)
Intangible assets acquired		(644)	(31,071)
Disposal of assets held for sales		5,480	-
Disposal of property, plant and equipment		4,890	9,161
<i>Net cash generated from / (used in) Investing activities</i>		897	(38,708)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of finance lease liabilities		(10,292)	(15,446)
Repayment of Long term loan		(3,583)	-
Short term bank borrowings - net		(108,076)	26,339
Dividend paid		(19)	(59)
<i>Net cash (used in) / generated from financing activities</i>		(121,970)	10,834
Net (decrease)/increase in cash and cash equivalents		(8,158)	5,361
Cash and cash equivalents at beginning of the period		29,597	32,837
<i>Cash and cash equivalents at end of the period</i>		21,439	38,198

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

ASLAM HAFIZ  
CHIEF EXECUTIVE OFFICER

Highnoon Laboratories Limited and Its Subsidiary Company

ANEES AHMAD KHAN  
DIRECTOR

Quarterly Report 2009



**CONDENSED INTERIM CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY**  
for the first quarter ended 31 March 2009 (Un-Audited)

Share Capital	Revenue Reserves				Total
	General	Unappropriated Profit	Reserve for issuance of bonus shares	Sub Total	

----- (Rupees in thousand) -----

Balance as at 01 January 2008	150,252	114,000	110,438	-	224,438	374,690
Current year incremental depreciation - net of tax	-	-	1,825	-	1,825	1,825
Total comprehensive income for the period after tax	-	-	23,636	-	23,636	23,636
	-	-	25,461	-	25,461	25,461
Final dividend for the year ended 31 December 2007 @ Rs. 1.5 per share	-	-	(22,538)	-	(22,538)	(22,538)
Transfer for issuance of bonus shares @ 10%	-	-	(15,025)	15,025	-	-
	-	-	(37,563)	15,025	(22,538)	(22,538)
<b>Balance as at 31 March 2008</b>	<u>150,252</u>	<u>114,000</u>	<u>98,336</u>	<u>15,025</u>	<u>227,361</u>	<u>377,613</u>
Balance as at 01 January 2009	165,277	114,000	168,425	-	282,425	447,702
Current period incremental depreciation - net of tax	-	-	1,643	-	1,643	1,643
Total comprehensive income for the period after tax	-	-	32,980	-	32,980	32,980
	-	-	34,623	-	34,623	34,623
<b>Balance as at 31 March 2009</b>	<u>165,277</u>	<u>114,000</u>	<u>203,048</u>	<u>-</u>	<u>317,048</u>	<u>482,325</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

ASLAM HAFIZ  
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN  
DIRECTOR



## SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS for the first quarter ended 31 March 2009 (Un-Audited)

### 1. COMPANY AND ITS OPERATIONS

- 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 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 31-Saint John's Park, Lahore.

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

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of International Accounting Standard No. 34 " Interim Financial Reporting" . These are un-audited and are being submitted to the shareholders as required under clause (xx) of the Code of Corporate Governance an section 245 of the Companies Ordinance, 1984.

### 3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of property, plant and equipment and certain financial assets at fair value and recognition of certain employee's benefits at present value. In these financial statements, except for the cash flow statement all the transactions have been accounted for on accrual basis.

### 4. ACCOUNTING POLICIES

The accounting policies used are consistent with those used in the audited financial statements of the Group for the year ended 31 December 2008.



## 5. CONTINGENCIES AND COMMITMENTS

### Contingencies

There has been no change in the contingencies as disclosed in the audited financial statements of the Group for the year ended 31 December 2008.

### Commitments

Commitments against irrevocable letters of credit include:

	31 March 2009	31 December 2008
<i>Note</i>	(Rupees in thousand)	
Raw materials	98,088	67,112
Packing materials	3,327	1,560
Finished goods	19,189	7,101

## 6. PROPERTY, PLANT AND EQUIPMENT

### Owned Assets - Cost of additions

Building on freehold land	-	20,365
Plant and machinery	2,228	103,652
Laboratory equipment	-	6,004
Furniture and fixtures	9	573
Electric and gas appliances	168	1,833
Office equipment	813	18,298
Vehicles	5,662	25,375

### Owned Assets - Cost of disposals

Plant and machinery	-	524
Office equipment	-	340
Vehicles	3,174	23,384

### Leased Assets - Cost of additions

Vehicles	4,583	24,097
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### Leased Assets - Cost of disposals

Office equipment	-	20,605
Vehicles	3,501	33,524

Additions in freehold assets include transfer of assets costing Rs. 3,501 thousand (2008: Rs. 54,129 thousand) less accumulated depreciation of Rs. 1,234 thousand (2008: Rs. 22,726 thousand) from leasehold assets. Additions in leasehold assets do not include any transfer from freehold assets under sale and leaseback arrangements.

## 7. TRADE DEBTS - Considered good

Secured - against letters of credit	6,836	5,572
Unsecured		
Due from Associate - Route 2 Health (Private) Limited	80	184
Others	45,562	39,552
	<u>52,478</u>	<u>45,308</u>



	First Quarter Ended	
	March 31	
Note	2009	2008
	(Rupees in thousand)	
8. SALES - net		
Manufactured products		
Local	521,886	469,834
Export	20,973	11,383
	542,859	481,217
Purchased products - Local	83,888	78,094
Sales Compensation	9,529	-
Third Party (toll manufacturing)	10,978	8,795
	647,254	568,106
Less: Discount	46,443	24,340
Sales tax	492	873
	46,935	25,213
	600,319	542,893

9. CASH FLOWS FROM OPERATING ACTIVITIES

	First Quarter Ended	
	March 31	
Note	2009	2008
	(Rupees in thousand)	
Profit before taxation	37,395	32,990
Add/(less): Adjustments for non-cash charges and other items		
Depreciation	15,128	15,295
Amortization of intangible assets	2,279	2,279
Gain on sale of property, plant and equipment	(1,717)	(97)
Gain on sale of assets held for sales	(2,095)	-
Exchange loss	-	1,236
Provision for defined benefit obligation	8,715	6,406
Finance cost	20,198	14,547
Deterioration in pallets	-	2
Amortization of deferred gain	-	(511)
	42,508	39,157
Profit before working capital changes	79,903	72,147

10. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprises subsidiary, associated companies, staff retirement funds, directors. Transactions with related parties and associated undertakings are as follows. Amounts due from and due to related parties are shown under respective notes to the financial statements.





	Note	First Quarter Ended	
		March 31	
		2009	2008
		(Rupees in thousand)	
10.1 Sales of goods			
Associate		10,521	8,609
10.2 Contribution towards employees' benefits			
Staff provident fund		2,827	2,860
Employees' welfare trust		327	343

#### 11. DIVIDENDS

The Board of Directors of the HNL in their meeting held on 31st March 2009 have proposed final cash dividend at the rate of Rs. 2.50 (2007: Rs. 2.50) per share and bonus shares Nil (2007: 10%) for the year ended 31 December 2008, subject to the approval of shareholders in Annual General Meeting. These interim financial statements do not reflect these appropriations.

#### 12. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the HNL authorized the condensed interim financial statements for issuance on 29<sup>th</sup> April 2009.

#### 13. GENERAL

Provisions in respect of Worker's Welfare Fund, Worker's Profit Participation Fund and Taxation are made on the basis of management's best estimates for the full financial year and these are subject to final adjustment in the annual audited financial statements.

Figures have been rounded off to the nearest thousands of rupees.

ASLAM HAFIZ  
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN  
DIRECTOR