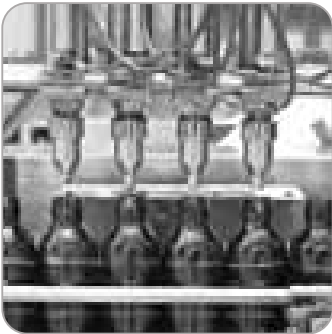




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HALF YEARLY REPORT



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

I am pleased to present the financial statements of your Company as well as of the group for the half year ended 30th June, 2009 on behalf of the Board of Directors.

Sales revenue rose to Rs.1,116.356 million during the period under review compared to Rs.984.801 million during the comparative period last year, recording a growth of 13.3%. Double digit domestic inflation and rupee devaluation continued to put pressure on cost of sales. As a result, cost of sales for the period stood at 63.6% of sales as compared to 62.6% for the same period last year. Gross profit for the period increased to Rs.405.976 million, showing an increase of 10.1% over last year.

Despite galloping inflation, tight control was maintained on operating expenses which grew by only 14% compared to last year. Total operating expenses stood at 29.5% of sales as against 29.4% of sales last year.

Period under review witnessed more than 38% increase in Finance Cost compared to 2008 primarily as a consequence of massive increase in discount rate. Finance Cost as a percent of sales increased to 3.2% as compared to 2.6% of sales last year.

The increase in overall costs negatively impacted Profit after tax which declined to Rs.30.835 million as against Rs.42.772 million during the same period last year, depicting an EPS of Rs. 1.87 compared to Rs.2.59 during the first six months of 2008.

We have continued to make representations to the Government for adopting a rational outlook towards giving relief to the pharmaceutical industry enabling it to face the ever rising costs. Unfortunately, up to now the industry has not been able to bring about a change in Government's in-action in this regard. We will continue to present our case at every forum to alter this inflexible attitude of the Government as without immediate relief in the form of price increase, there is very little hope for the industry to flourish.

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: 27th August 2009

Jawaid Tariq Khan
Chairman



Independent Auditor's Report on Review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Highnoon Laboratories Limited** ("the Company") as at 30 June 2009 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six months period then ended (condensed interim financial information). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed 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 condensed interim financial information as at and for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

The figures for the quarter ended 30 June 2009 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

Lahore: 27th August 2009

KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM BALANCE SHEET

	Un Audited	Audited
Note	30 June 2009	31 December 2008
	(Rupees in thousand)	

SHARE CAPITAL AND RESERVES

AUTHORIZED SHARE CAPITAL

Ordinary shares of Rs. 10 each 20,000,000
(2008: 20,000,000)

200,000	200,000
----------------	----------------

Share capital

165,277	165,277
----------------	---------

Reserves

325,602	332,802
----------------	---------

490,879	498,079
----------------	---------

Surplus on revaluation of assets

197,674	200,959
----------------	---------

NON CURRENT LIABILITIES

Long term loan - secured

46,578	53,743
---------------	--------

Liabilities against assets subject to finance lease

41,935	42,729
---------------	--------

Long term advances

18,510	17,126
---------------	--------

Deferred liabilities

153,123	143,020
----------------	---------

260,146	256,618
----------------	---------

CURRENT LIABILITIES

Trade and other payables

108,583	108,439
----------------	---------

Liability for patent and trademark

6,559	6,408
--------------	-------

Markup payable on secured loans

13,477	16,063
---------------	--------

Short term bank borrowings - secured

345,405	345,067
----------------	---------

Current portion of long term liabilities

50,802	44,513
---------------	--------

524,826	520,490
----------------	---------

CONTINGENCIES AND COMMITMENTS

6

1,473,525	1,476,146
------------------	------------------

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



ASLAM HAFIZ

CHIEF EXECUTIVE OFFICER



AS AT 30 JUNE 2009

		Un Audited	Audited
		30 June 2009	31 December 2008
Note		(Rupees in thousand)	
NON CURRENT ASSETS			
Property, plant and equipment	7	698,121	683,288
Intangible assets	8	62,577	66,492
		760,698	749,780
Long term investment		10,000	10,000
Long term deposits		1,562	1,562
CURRENT ASSETS			
Stock in trade		467,979	449,901
Trade debts	9	85,393	140,987
Advances, deposits and prepayments		39,029	25,007
Other receivables		47,668	53,586
Income tax - net		48,379	38,145
Cash and bank balances		12,817	7,178
		701,265	714,804
		<u>1,473,525</u>	<u>1,476,146</u>

ANEE AHMAD KHAN
DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the six months ended 30 June 2009

	Note	Six Months Ended		Quarter Ended	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
----- (Rupees in thousand) -----					
Continuing operations					
Revenue-net	10	1,116,135	984,801	620,869	517,675
Cost of sales	11	710,159	616,857	385,566	331,473
Gross profit		405,976	367,944	235,303	186,202
Other income		4,344	2,295	1,503	1,232
Distribution, selling and promotional expenses		247,709	203,205	149,569	109,155
Administrative and general expenses		77,720	71,238	41,797	38,043
Research and development expenses		3,633	5,563	1,853	2,312
Other expenses		5,099	11,687	3,453	7,255
		329,817	289,398	195,169	155,533
Results from operating activities		76,159	78,546	40,134	30,669
Finance cost		35,492	25,685	16,830	12,857
Profit before tax		40,667	52,861	23,304	17,812
Taxation		9,832	10,089	5,417	3,094
Profit after tax		30,835	42,772	17,887	14,718
Continuing operations					
Earning per share - basic and diluted		1.87	2.59	1.08	0.89

Appropriations have been reflected in statement of changes in equity.

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE AHMAD KHAN
DIRECTOR



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

for the six months ended 30 June 2009

	Six Months Ended		Quarter Ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	----- (Rupees in thousand) -----			
Profit after tax for the period	30,835	42,772	17,887	14,718
Other comprehensive income				
Surplus on revaluation of fixed assets relating to incremental depreciation	5,054	5,615	2,528	2,808
Income tax relating to incremental depreciation on revaluation of fixed assets	(1,769)	(1,965)	(885)	(983)
Comprehensive income transferred to equity	34,120	46,422	19,530	16,543

Surplus on revaluation of fixed assets is shown as separate line item below equity on the face of balance sheet in accordance with the requirements of Companies Ordinance, 1984.

The annexed notes from I to I4 form an integral part of this condensed interim financial information.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN AUDITED)

for the six months ended 30 June 2009

Share Capital	Revenue Reserves			Total
	General	Unappropriated Profit	Sub Total	

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

Balance as at 01 January 2008	150,252	114,000	185,940	299,940	450,192
Final dividend for the year ended					
31 December 2007 @ Rs 1.5 per share	-	-	(22,537)	(22,537)	(22,537)
Issuance of bonus shares @ 10%	15,025	-	(15,025)	(15,025)	-
	15,025	-	(37,562)	(37,562)	(22,537)
Total comprehensive income for the period	-	-	46,422	46,422	46,422
Balance as at 30 June 2008	<u>165,277</u>	<u>114,000</u>	<u>194,800</u>	<u>308,800</u>	<u>474,077</u>
Balance as at 01 January 2009	165,277	114,000	218,801	332,801	498,078
Final dividend for the year ended					
31 December 2008 @ Rs 2.5 per share	-	-	(41,319)	(41,319)	(41,319)
Total comprehensive income for the period	-	-	34,120	34,120	34,120
Balance as at 30 June 2009	<u>165,277</u>	<u>114,000</u>	<u>211,602</u>	<u>325,602</u>	<u>490,879</u>

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE AHMAD KHAN
DIRECTOR



CONDENSED INTERIM CASH FLOW STATEMENT (UN AUDITED)

for the six months ended 30 June 2009

	Note	Six Months Ended	
		30 June	
		2009	2008
		(Rupees in thousand)	
Profit before working capital changes	12	125,034	127,421
WORKING CAPITAL CHANGES			
<i>Decrease/(increase) in current assets:</i>			
Stock in trade		(18,078)	(23,210)
Trade debts		55,594	10,742
Advances, deposits, and prepayments		(14,022)	(16,450)
Other receivables		5,918	(1,378)
<i>(Decrease)/increase in current liabilities:</i>			
Liability for patents and trademarks		-	17,421
Trade and other payables		(1,904)	(16,032)
		27,508	(28,907)
Cash generated from operations		152,542	98,514
<i>Add/(less):</i>			
Income tax paid		(23,825)	(17,885)
Gratuity paid		(1,767)	(1,166)
Finance cost paid		(32,452)	(19,106)
Long term advances - net		2,545	2,161
Net cash generated from operating activities		97,043	62,518
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(33,514)	(64,263)
Intangible assets		(644)	(31,060)
Sale proceeds of property plant & equipment		9,756	11,837
Net cash used in investing activities		(24,402)	(83,486)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease finance liabilities - net		(19,580)	(25,284)
Long term loan		(7,166)	41,165
Short term bank borrowings		338	27,533
Dividend paid		(40,594)	(22,158)
Net cash used in / generated from financing activities		(67,002)	21,256
Net increase in cash and cash equivalents		5,639	288
Cash and cash equivalents at beginning of the period		7,178	11,857
Cash and cash equivalents at end of the period		12,817	12,145

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEE AHMAD KHAN
DIRECTOR

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN AUDITED)

for the six months ended 30 June 2009

1. THE COMPANY AND ITS OPERATIONS

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, 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

This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and is un-audited but subject to limited scope review by external auditors as required by Code of Corporate Governance. This condensed interim financial information is being presented in accordance with the requirements of the International Accounting Standard "IAS-34 (Interim Financial Reporting)". During the current period, International Accounting Standard I (Revised), Presentation of Financial Statements (IAS I) become effective from 1 January 2009. The application of this standard has resulted in certain increased disclosures only.

3. BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention modified by adjustment of revaluation of certain assets and certain retirement benefits at present value.

4. ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income 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 2008.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 31 December 2008.



6. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of the Company aggregate to Rs. 2.952 million (31 December 2008 :Rs 2.945 million).
- The Company has not acknowledged the demand relating to sales tax/central excise duty amounting to Rs. 12.057 million (31 December 2008 :Rs 12.057 million) as debt as the matter is pending adjudication. An amount of Rs. 10.793 million (31 December 2008 :Rs. 10.793 million) has been deposited under protest.

Commitments:

Commitments against irrevocable letters of credit include:

	30 June 2009	31 December 2008
Note	(Rupees in thousand)	
Plant and machinery	42,219	-
Raw materials	111,448	67,112
Packing materials	2,352	1,560
Finished goods	10,653	7,101

7. PROPERTY, PLANT AND EQUIPMENT

Operating assets - owned	7.1	552,258	563,398
Operating assets - leased	7.1	97,761	90,502
Capital work-in-progress		48,102	29,388
		698,121	683,288

7.1 Operating Assets

	COST			DEPRECIATION				Book value		
	As at 01 January 2009	During the period Additions/ revaluation	Deletions/ transfers 30 June 2009	As at 30 June 2009	As at 01 January 2009	For the period	Adjustments	As at 30 June 2009	as at 30 June 2009	Depreciation rate %
(Rupees in thousands)										
Owned										
Land - freehold	149,820	-	-	149,820	-	-	-	-	149,820	-
Building on freehold land	189,273	-	-	189,273	88,559	5,036	-	93,595	95,678	10
Plant and machinery	338,979	2,410	-	341,389	103,902	11,845	-	115,747	225,642	10
Laboratory equipment	12,167	-	-	12,167	3,117	452	-	3,569	8,598	10
Furniture and fixtures	11,666	282	-	11,948	6,118	285	-	6,403	5,545	10
Electric and gas appliances	23,301	291	-	23,592	11,535	596	-	12,131	11,461	10
Office equipment	43,650	1,348	-	44,998	13,709	1,540	-	15,249	29,749	10
Vehicles	28,360	12,831	(8,080)	33,111	6,962	2,510	(2,046)	7,426	25,685	10
Library books	53	-	-	53	48	-	-	48	5	20
Neon sign	105	-	-	105	48	3	-	51	54	10
Arms and ammunition	105	-	-	105	84	1	-	85	21	10
	797,480	17,162	(8,080)	806,562	234,082	22,268	(2,046)	254,304	552,258	
Leased										
Plant and machinery	27,962	-	-	27,962	9,304	933	-	10,237	17,725	10
Vehicles	103,061	18,288	(3,663)	117,686	31,217	7,734	(1,301)	37,650	80,036	20
	131,023	18,288	(3,663)	145,648	40,521	8,667	(1,301)	47,887	97,761	
30 June 2009	928,503	35,450	(11,743)	952,210	274,603	30,935	(3,347)	302,191	650,019	
31 December 2008	806,122	192,327	(69,946)	928,503	241,411	56,276	(23,084)	274,603	653,900	



7.1.1 Addition in freehold assets includes transfer of assets costing Rs.3,663 thousand (2008: Rs. 45,698 thousand) less accumulated depreciation of Rs. 1,301 thousand (2008: Rs. 19,129 thousand) from leasehold assets.

30 June 2009	31 December 2008
(Rupees in thousand)	

7.1.2 Depreciation charge has been allocated as under:

Cost of sales	19,189	30,945
Administrative and general expenses	6,420	13,720
Selling and promotional expenses	5,326	11,611
	30,935	56,276

Note	30 June 2009	31 December 2008
	(Rupees in thousand)	

8. INTANGIBLE ASSETS

Net book value at the beginning of the period	66,492	43,830
Additions during the period	644	31,191
Amortization charged during the period	(4,559)	(8,529)
Net book value at the end of the period	62,577	66,492

9. TRADE DEBTS - considered good

Secured - against letters of credit	6,142	5,572
Unsecured		
Due from related parties		
Subsidiary - Dynalog Services (Private) Limited	26,757	108,818
Associate - Route - 2 health (Private) Limited	-	184
	26,757	109,002
Others	52,494	26,413
	85,393	140,987

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



Six Months Ended		Quarter Ended	
30 June 2009	30 June 2008	30 June 2009	30 June 2008

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

10. REVENUE - net

Manufactured products

Local

Export

Sales compensation

Purchased products - local

Third party (toll manufacturing)

Less: Discount

Sales tax

1,090,049	981,163	609,487	518,065
39,740	25,495	18,767	14,112
1,129,789	1,006,658	628,254	532,177
9,529	-	-	-
61,069	55,136	35,341	29,517
24,967	19,115	13,990	10,320
1,225,354	1,080,909	677,585	572,014
108,830	95,654	56,554	54,172
389	454	162	167
109,219	96,108	56,716	54,339
1,116,135	984,801	620,869	517,675

11. COST OF SALES

Opening stock of finished goods

(excluding purchased products)

Cost of goods manufactured

Closing stock of finished goods

Cost of goods sold - manufactured

Cost of goods sold - purchased products

Cost of goods sold

92,971	88,620	137,275	68,931
659,567	546,912	310,762	298,921
752,538	635,532	448,037	367,852
(82,579)	(58,798)	(82,579)	(58,798)
669,959	576,734	365,458	309,054
40,200	40,123	20,108	22,419
710,159	616,857	385,566	331,473

Six Months Ended

30 June 2009	30 June 2008
-----------------	-----------------

(Rupees in thousand)

12. CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation

Add/(less) adjustments for non-cash charges and other items:

Depreciation

Finance cost

Provision for defined benefit obligation

Amortization of intangible assets

Gain on sale of operating assets

Exchange loss

Amortization of deferred gain

Profit before working capital changes

40,667	52,861
30,935	26,702
35,492	25,685
15,629	12,811
4,559	4,001
(3,722)	(560)
1,474	6,943
-	(1,022)
84,367	74,560
125,034	127,421

13. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise of subsidiary, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of employment are stated below:

	Six Months Ended		Quarter Ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
----- (Rupees in thousand) -----				
Sales of goods				
Subsidiary	55,962	852,109	-	451,504
Associate	15,125	18,042	4,604	9,433
Contribution towards employees' benefits				
Staff provident fund	5,491	5,018	2,747	2,517
Employee's welfare trust	663	684	336	341

14. GENERAL

14.1 The Board of Directors of the Company authorized the condensed interim financial information for issue on 27th August 2009.

14.2 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.

14.3 Figures have been rounded off to the nearest thousand of rupees.



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE AHMAD KHAN
DIRECTOR



CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

	Un Audited	Audited
	30 June 2009	31 December 2008
Note	(Rupees in thousand)	

SHARE CAPITAL AND RESERVES

AUTHORIZED SHARE CAPITAL

Ordinary shares of Rs. 10 each 20,000,000
(2008: 20,000,000)

Share capital

Reserves

Surplus on revaluation of assets

NON CURRENT LIABILITIES

Long term loan - secured

Liabilities against assets subject to finance lease

Long term advances

Deferred liabilities

CURRENT LIABILITIES

Trade and other payables

Liability for patent and trademark

Markup payable on secured loans

Short term bank borrowings - secured

Current portion of long term liabilities

CONTINGENCIES AND COMMITMENTS

6

	200,000	200,000
	165,277	165,277
	320,699	282,425
	485,976	447,702
	197,674	200,959
	46,578	53,743
	41,935	42,729
	18,510	17,128
	153,123	143,020
	260,146	256,620
	107,050	117,937
	6,559	6,408
	13,477	19,454
	345,405	435,070
	50,802	47,336
	523,293	626,205
	1,467,089	1,531,486

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



AS AT 30 JUNE 2009

		Un Audited	Audited
		30 June 2009	31 December 2008
Note		(Rupees in thousand)	
NON CURRENT ASSETS			
	7	698,120	683,288
Property, plant and equipment			
	8	62,577	66,492
Intangible assets		<u>760,697</u>	<u>749,780</u>
		1,562	1,562
Long term deposit			
CURRENT ASSETS			
	9	476,291	537,849
Stock in trade			
		63,593	45,307
Trade debts			
		41,663	45,235
Advances, deposits and prepayments			
		45,849	44,095
Other receivables			
		57,184	59,641
Income tax - net			
		15,244	29,597
Cash and bank balances		<u>699,824</u>	<u>761,724</u>
		5,006	18,420
Non current assets held for sale		<u>704,830</u>	<u>780,144</u>
		<u>1,467,089</u>	<u>1,531,486</u>

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the six months ended 30 June 2009

	Note	Six Months Ended		Quarter Ended	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
----- (Rupees in thousand) -----					
CONTINUING OPERATIONS					
Revenue-net	10	1,262,943	1,139,564	662,624	596,671
Cost of sales	11	797,484	708,702	400,156	365,778
Gross profit		465,459	430,862	262,468	230,893
Other income		7,992	6,365	3,059	3,977
Distribution, selling and promotional expenses		256,380	230,668	150,108	123,246
Administrative and general expenses		85,062	84,146	44,430	44,431
Research and development expenses		3,633	5,563	1,853	2,312
Other expenses		5,099	11,687	3,453	7,255
		342,182	325,699	196,785	173,267
Results from operating activities		123,277	105,163	65,683	57,626
Finance cost		37,137	29,544	16,939	14,997
Profit before tax		86,140	75,619	48,744	42,629
Taxation		9,832	15,105	5,417	5,751
Profit after tax		76,308	60,514	43,327	36,878
Continuing operations					
Earning per share - basic and diluted		4.62	3.66	2.62	2.23

Appropriations have been reflected in statement of changes in equity.

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE AHMAD KHAN
DIRECTOR



CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

for the six months ended 30 June 2009

	Six Months Ended		Quarter Ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
----- (Rupees in thousand) -----				
Profit after tax for the period	76,308	60,514	43,327	36,878
Other comprehensive income				
Surplus on revaluation of fixed assets relating to incremental depreciation	5,054	5,615	2,528	2,808
Income tax relating to incremental depreciation on revaluation of fixed assets	(1,769)	(1,965)	(885)	(983)
Comprehensive income transferred to equity	79,593	64,164	44,970	38,703

Surplus on revaluation of fixed assets is shown as separate line item below equity on the face of balance sheet in accordance with the requirements of Companies Ordinance, 1984.

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEE AHMAD KHAN
DIRECTOR

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

for the six months ended 30 June 2009

Share Capital	Revenue Reserves			Total
	General	Unappropriated Profit	Sub Total	

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

Balance as at 01 January 2008	150,252	114,000	110,438	224,438	374,690
Final dividend for the year ended					
31 December 2007 @ Rs 1.5 per share	-	-	(22,537)	(22,537)	(22,537)
Issuance of bonus shares @ 10%	15,025	-	(15,025)	(15,025)	-
	15,025	-	(37,562)	(37,562)	(22,537)
Total comprehensive income for the period	-	-	64,164	64,164	64,164
Balance as at 30 June 2008	<u>165,277</u>	<u>114,000</u>	<u>137,040</u>	<u>251,040</u>	<u>416,317</u>
Balance as at 01 January 2009	165,277	114,000	168,425	282,425	447,702
Final dividend for the year ended					
31 December 2008 @ Rs 2.5 per share	-	-	(41,319)	(41,319)	(41,319)
Total comprehensive income for the period	-	-	79,593	79,593	79,593
Balance as at 30 June 2009	<u>165,277</u>	<u>114,000</u>	<u>206,699</u>	<u>320,699</u>	<u>485,976</u>

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN AUDITED)

for the six months ended 30 June 2009

	Note	Six Months Ended	
		30 June	
		2009	2008
		(Rupees in thousand)	
Profit before working capital changes	12	168,504	156,088
WORKING CAPITAL CHANGES			
<i>Decrease/(increase) in current assets:</i>			
Stores,spares and loose tools		-	(12)
Stock in trade		61,558	(57,429)
Trade debts		(18,286)	(842)
Advances, deposits, and prepayments		3,572	(15,861)
Other receivables		13,792	-
<i>(Decrease)/increase in current liabilities:</i>			
Liability for patents and trademarks		-	17,421
Trade and other payables		(12,933)	(17,260)
		47,703	(73,983)
Cash generated from operations		216,207	82,105
Add/(less):			
Income tax paid		(26,680)	(18,204)
Gratuity paid		(1,767)	(1,166)
Finance cost paid		(37,249)	(21,927)
Long term deposit		-	(591)
Long term advances - net		2,545	2,161
Net cash generated from operating activities		153,056	42,378
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(33,514)	(65,197)
Intangible assets		(644)	(31,111)
Sale proceeds of non current assets held for sales		17,061	-
Sale proceeds of property plant and equipment		9,756	11,837
Net cash used in investing activities		(7,341)	(84,471)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease finance liabilities - net		(22,643)	(28,031)
Long term loan		(7,166)	41,165
Short term bank borrowings		(89,665)	54,810
Dividend paid		(40,594)	(22,158)
Net cash used in / generated from financing activities		(160,068)	45,786
Net increase in cash and cash equivalents		(14,353)	3,693
Cash and cash equivalents at beginning of the period		29,597	32,837
Cash and cash equivalents at end of the period		15,244	36,530

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



ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER



ANEE AHMAD KHAN
DIRECTOR

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN AUDITED)

for the six months ended 30 June 2009

I. COMPANY AND ITS OPERATIONS

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.

2. BASIS OF PREPARATION

This condensed interim consolidated financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and as required by Code of Corporate Governance. This condensed interim Consolidated financial information is being presented in accordance with the requirements of the International Accounting Standard "IAS-34 (Interim Financial Reporting)". During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) become effective from 1 January 2009. The application of this standard has resulted in certain increased disclosures only.

3. BASIS OF MEASUREMENT

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

4. ESTIMATES

The preparation of condensed interim consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group 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 2008.



5. SIGNIFICANT 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.

6. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of the company aggregate to Rs. 2.952 million (31 December 2008 : Rs. 2.945 million).
- The Company has not acknowledged the demand relating to sales tax/central excise duty amounting to Rs. 12.057 million (31 December 2008 : Rs. 12.057 million) as debt as the matter is pending adjudication. An amount of Rs. 10.793 million (31 December 2008 : Rs. 10.793 million) has been deposited under protest.

Commitments:

Commitments against irrevocable letters of credit include:

	Note	30 June	31 December
		2009	2008
(Rupees in thousand)			
Plant and machinery		42,219	-
Raw materials		111,448	67,112
Packing materials		2,352	1,560
Finished goods		10,653	7,101
		698,120	683,288

Operating assets - owned	7.1	564,815	575,955
Operating assets - leased	7.2	103,623	96,365
Less: Non current assets held for sales		(18,420)	(18,420)
Capital work-in-progress		48,102	29,388
		698,120	683,288

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Operating assets

	COST				DEPRECIATION			Book value	
	As at	During the period		As at	As at	For the	As at	as at	Depreciation rate
	01 January 2009	Additions/ revaluation	Deletions/ transfers	30 June 2009	01 January 2009	period	Adjustments 2009	30 June 2009	
(Rupees in thousands)									
<i>Owned</i>									
Land - freehold	149,820	-	-	149,820	-	-	-	149,820	-
Building on freehold land	189,273	-	-	189,273	88,559	5,036	-	93,595	95,678
Plant and machinery	338,979	2,410	-	341,389	103,902	11,845	-	115,747	225,642
Laboratory equipment	12,167	-	-	12,167	3,117	452	-	3,569	8,598
Furniture and fixtures	17,948	282	-	18,230	11,378	285	-	11,663	6,567
Electric and gas appliances	23,301	291	-	23,592	11,535	596	-	12,131	11,461
Office equipment	48,617	1,348	-	49,965	14,628	1,540	-	16,168	33,797
Vehicles	37,655	12,831	(8,080)	42,406	8,770	2,510	(2,046)	9,234	33,172
Library books	53	-	-	53	48	-	-	48	5
Neon sign	105	-	-	105	48	3	-	51	54
Arms and ammunition	106	-	-	106	84	1	-	85	21
	818,024	17,162	(8,080)	827,106	242,069	22,268	(2,046)	262,291	564,815
<i>Leased</i>									
Plant and machinery	27,962	-	-	27,962	9,304	933	-	10,237	17,725
Vehicles	111,658	18,288	(3,663)	126,283	33,951	7,735	(1,301)	40,385	85,898
	139,620	18,288	(3,663)	154,245	43,255	8,668	(1,301)	50,622	103,623
30 June 2009	957,644	35,450	(11,743)	981,351	285,324	30,936	(3,347)	312,913	668,438
31 December 2008	835,823	200,196	(78,377)	957,642	247,498	60,550	(22,726)	285,322	672,320



30 June 2009 31 December 2008

 (Rupees in thousand)

7.1.1 Depreciation charge has been allocated as under:

Cost of sales	19,189	30,945
Administrative and general expenses	6,420	14,148
Selling and promotional expenses	5,326	15,457
	<u>30,935</u>	<u>60,550</u>

7.1.2 Addition in freehold assets includes transfer of assets costing Rs.3,663 thousand (2008: Rs. 45,698 thousand) less accumulated depreciation of Rs. 1,301 thousand (2008:Rs.19,129 Thousand) from leasehold assets.

30 June 2009 31 December 2008

 (Rupees in thousand)

8. INTANGIBLE ASSETS

Net book value at the beginning of the period	66,492	43,830
Additions during the period	644	31,191
Amortization charged during the period	(4,559)	(8,529)
Net book value at the end of the period	<u>62,577</u>	<u>66,492</u>

9. TRADE DEBTS - considered good

Secured - against letters of credit	6,142	5,572
Unsecured		
Associate - Route - 2 health (Private) Limited	-	184
Others	57,451	39,552
	<u>63,593</u>	<u>45,308</u>



	Six Months Ended		Quarter Ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
----- (Rupees in thousand) -----				
10. REVENUE - net				
Manufactured products				
Local	1,224,672	996,789	702,786	526,955
Export	39,740	25,495	18,767	14,112
	1,264,412	1,022,284	721,553	541,067
Sales compensation	9,529	-	-	-
Purchased products - local	72,313	164,634	(11,575)	86,540
Third party (toll manufacturing)	24,968	19,115	13,990	10,320
	1,371,222	1,206,033	723,968	637,927
Less: Discount	107,625	64,849	61,182	40,509
Sales tax	654	1,620	162	747
	108,279	66,469	61,344	41,256
	1,262,943	1,139,564	662,624	596,671

11. COST OF SALES

Opening stock of finished goods (excluding purchased products)	164,223	171,805	121,327	143,191
Cost of goods manufactured	659,566	560,333	326,299	312,342
	823,789	732,138	447,626	455,533
Closing stock of finished goods	(82,579)	(204,530)	(82,579)	(204,530)
Cost of goods sold - manufactured	741,210	527,608	365,047	251,003
Cost of goods sold purchased products	56,274	181,094	35,109	114,775
Cost of goods sold	797,484	708,702	400,156	365,778

12. CASH FLOWS FROM OPERATING ACTIVITIES

	Six Months Ended	
	30 June 2009	30 June 2008
(Rupees in thousand)		
Profit before taxation	86,140	75,619
Add/(less) adjustments for non-cash charges and other items:		
Depreciation	30,935	28,708
Finance cost	37,137	29,544
Provision for defined benefit obligation	15,629	12,811
Amortization of intangible assets	4,559	4,041
Gain on sale of property, plant and equipment	(3,722)	(560)
Gain on sale of non current assets held for sales	(3,648)	-
Exchange loss	1,474	6,943
Deterioration in pallets	-	4
Amortization of deferred gain	-	(1,022)
	82,364	80,469
Profit before working capital changes	168,504	156,088



13. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise of subsidiary, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of employment are stated below:

	Six Months Ended		Quarter Ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
----- (Rupees in thousand) -----				
Sales of goods				
Associate	15,125	18,042	4,604	9,433
Contribution towards employees' benefits				
Staff provident fund	5,491	5,018	2,747	2,517
Employee's welfare trust	663	684	336	341

14. GENERAL

- 14.1** The Board of Directors of the Company authorized the condensed interim financial information for issue on 27th August 2009.
- 14.2** 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.
- 14.3** Figures have been rounded off to the nearest thousand of rupees.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEE AHMAD KHAN
DIRECTOR

**BOOK
POST**



HIGHNOON LABORATORIES LIMITED

Registered, Head Office & Plant:

17.5 Kilometer Multan Road, Lahore-53700, Pakistan

UAN: 111 000 465 Fax: +92 (42) 7510037

www.highnoon-labs.com