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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 nine months ended 30 September 2009 on behalf of the Board of Directors.

Sales revenue witnessed a growth of 15.25% over the corresponding period last year to reach Rs. 1,720.211 million as compared to Rs. 1,492.551 million during the comparative period last year. Despite severe pressure of double digit domestic inflation and sharp rupee devaluation giving hike to cost of local and imported raw and packing material, the Company maintained gross margin through tight cost control and better product mix supported by new launches. Gross profit for the period, amounting to Rs. 626.916 million, recorded increase of 16.8% over comparative period.

Operating expenses grew by 17.8% compared to last year due to double digit inflation. As a percentage of sales operating expenses stood at 29.5% as against 28.9% of comparative period.

Finance cost showed increase of 20% as a result of high borrowing cost during the period under review compared to last year due to increase in discount rate and increase in borrowings to finance higher inventories. Finance cost as percentage of sales increased to 3.2% against 3.1% of comparative period.

Inflexibility of the Government's policies especially in relation to the price control and other relief measures demanded by pharmaceutical industry are not only hindrances in the growth of industry rather these are threats to the survival of industry. The criticality of issues has been highlighted on every forum to the government but results of dialogues are still awaited.

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.

Lahore: 28th October 2009

For & On behalf of the Board

**Jawaid Tariq Khan**  
Chairman

## CONDENSED INTERIM BALANCE SHEET

**Un Audited**                      Audited  
**30 Septembr**                      31 December  
**2009**                                      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

	Un Audited 30 Septembr 2009	Audited 31 December 2008
	<u>200,000</u>	<u>200,000</u>
Share capital	165,277	165,277
Reserves	<u>345,449</u>	<u>332,802</u>
	510,726	498,079
Surplus on revaluation of assets	196,031	200,959
<b>NON CURRENT LIABILITIES</b>		
Long term loan - secured	42,995	53,743
Liabilities against assets subject to finance lease	38,509	42,729
Long term advances	18,953	17,126
Deferred liabilities	<u>157,924</u>	<u>143,020</u>
	258,381	256,618
<b>CURRENT LIABILITIES</b>		
Trade and other payables	200,125	108,439
Liability for patent and trademark	-	6,408
Markup payable on secured loans	14,706	16,063
Short term bank borrowings - secured	<u>404,000</u>	<u>345,067</u>
Current portion of long term liabilities	<u>51,051</u>	<u>44,513</u>
	669,882	520,490
<b>CONTINGENCIES AND COMMITMENTS</b>	6	
	<u>1,635,020</u>	<u>1,476,146</u>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.



**ASLAM HAFIZ**  
CHIEF EXECUTIVE OFFICER



## AS AT 30 SEPTEMBER 2009

		Un Audited	Audited
		30 Septembr 2009	31 December 2008
	Note	(Rupees in thousand)	
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	7	678,316	683,288
Intangible assets		60,298	66,492
		<u>738,614</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		664,351	449,901
Trade debts	8	60,498	140,987
Advances, deposits and prepayments		55,150	25,007
Other receivables		39,632	53,586
Income tax - net		56,864	38,145
Cash and bank balances		8,349	7,178
		<u>884,844</u>	<u>714,804</u>
		<u>1,635,020</u>	<u>1,476,146</u>

  
**ANEE AHMAD KHAN**  
 DIRECTOR

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the nine months ended 30 September 2009

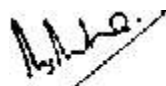
	Note	Nine Months Ended		Quarter Ended	
		30 September		30 September	
		2009	2008	2009	2008
----- (Rupees in thousand) -----					
<b>Continuing operations</b>					
Revenue-net	9	1,720,211	1,492,551	604,078	507,750
Cost of sales		1,093,295	955,873	383,136	339,016
<b>Gross profit</b>		<b>626,916</b>	<b>536,678</b>	<b>220,942</b>	<b>168,734</b>
Other income		5,640	6,109	1,296	3,815
Distribution, selling and promotional expenses		373,916	300,651	126,207	97,445
Administrative and general expenses		118,568	104,820	40,847	33,583
Research and development expenses		5,427	7,710	1,794	2,147
Other expenses		9,641	17,805	4,542	6,117
		501,912	424,877	172,094	135,477
<b>Results from operating activities</b>		<b>125,004</b>	<b>111,801</b>	<b>48,848</b>	<b>33,257</b>
Finance cost		54,755	45,621	19,263	19,936
<b>Profit before tax</b>		<b>70,249</b>	<b>66,180</b>	<b>29,585</b>	<b>13,321</b>
Taxation		21,209	11,272	11,377	1,183
<b>Profit after tax</b>		<b>49,040</b>	<b>54,908</b>	<b>18,208</b>	<b>12,138</b>
<b>Continuing operations</b>					
Earning per share - basic and diluted		2.97	3.32	1.10	0.73

Appropriations have been reflected in statement of changes in equity.

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.



**ASLAM HAFIZ**  
CHIEF EXECUTIVE OFFICER



**ANEES AHMAD KHAN**  
DIRECTOR



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

for the nine months ended 30 September 2009

	Nine Months Ended		Quarter Ended	
	30 September		30 September	
	2009	2008	2009	2008
----- (Rupees in thousand) -----				
<b>Profit after tax for the period</b>	<b>49,040</b>	54,908	<b>18,208</b>	12,138
<b>Other comprehensive income</b>				
Surplus on revaluation of fixed assets relating to incremental depreciation	<b>7,581</b>	8,424	<b>2,527</b>	2,809
Income tax relating to incremental depreciation on revaluation of fixed assets	<b>(2,654)</b>	(2,948)	<b>(885)</b>	(983)
<b>Comprehensive income transferred to equity</b>	<b>53,967</b>	60,384	<b>19,850</b>	13,964

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

The annexed notes from 1 to 12 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 nine months ended 30 September 2009

Share Capital	Revenue Reserves			Total
	General	Unappropriated Profit	Sub Total	

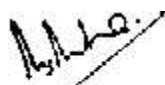
----- (Rupees in thousand) -----

<b>Balance as at 01 January 2008</b>	150,252	114,000	185,940	299,940	450,192
Final dividend for the year ended					
31 December 2007 @ Rs 1.5 per share	-	-	(22,538)	(22,538)	(22,538)
Issuance of bonus shares @ 10%	15,025	-	(15,025)	(15,025)	-
Total comprehensive income for the period	15,025	-	(37,563)	(37,563)	(22,538)
	-	-	60,384	60,384	60,384
<b>Balance as at 30 September 2008</b>	<b>165,277</b>	<b>114,000</b>	<b>208,761</b>	<b>322,761</b>	<b>488,038</b>
<b>Balance as at 01 January 2009</b>	<b>165,277</b>	<b>114,000</b>	<b>218,801</b>	<b>332,801</b>	<b>498,078</b>
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	-	-	53,967	53,967	53,967
<b>Balance as at 30 September 2009</b>	<b>165,277</b>	<b>114,000</b>	<b>231,449</b>	<b>345,449</b>	<b>510,726</b>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.



**ASLAM HAFIZ**  
CHIEF EXECUTIVE OFFICER



**ANEES AHMAD KHAN**  
DIRECTOR



# CONDENSED INTERIM CASH FLOW STATEMENT (UN AUDITED)

for the nine months ended 30 September 2009

	Note	Nine Months Ended	
		30 September	
		2009	2008
		(Rupees in thousand)	
<b>Profit before working capital changes</b>	10	<b>199,650</b>	183,239
<b>WORKING CAPITAL CHANGES</b>			
<i>Decrease/(increase) in current assets:</i>			
Stock in trade		(214,450)	(48,119)
Trade debts		80,489	(34,790)
Advances, deposits, and prepayments		(30,143)	(12,597)
Other receivables		13,954	(893)
<i>(Decrease)/increase in current liabilities:</i>			
Liability for patents and trademarks		-	8,020
Trade and other payables		88,017	(71,459)
		<b>(62,133)</b>	<b>(159,838)</b>
<b>Cash generated from operations</b>		<b>137,517</b>	23,401
Add/(less):			
Income tax paid		(44,951)	(35,115)
Gratuity paid		(1,767)	(2,158)
Finance cost paid		(47,457)	(29,155)
Long term advances - net		3,089	(347)
<b>Net cash generated from / (used in) operating activities</b>		<b>46,431</b>	(43,374)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(25,243)	(83,414)
Intangible assets		(644)	(31,191)
Sale proceeds of property plant & equipment		14,219	20,138
<b>Net cash used in investing activities</b>		<b>(11,668)</b>	(94,467)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term liabilities		(6,554)	-
Repayment of lease finance liabilities - net		(34,400)	(35,124)
Long term loan		(10,749)	41,165
Short term bank borrowings		58,934	165,523
Dividend paid		(40,823)	(22,173)
<b>Net cash (used in) / generated from financing activities</b>		<b>(33,592)</b>	149,391
<b>Net increase in cash and cash equivalents</b>		<b>1,171</b>	11,550
<b>Cash and cash equivalents at beginning of the period</b>		<b>7,178</b>	11,857
<b>Cash and cash equivalents at end of the period</b>		<b>8,349</b>	23,407

The annexed notes from 1 to 12 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 nine months ended 30 September 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 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. 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

This unaudited condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and 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 disclosure 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. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these 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. 4,620 thousand (31 December 2008 :Rs 2,945 thousand).

### Contingencies:

- The Company has not acknowledged the demand relating to sales tax/central excise duty amounting to Rs. 12,057 thousand (31 December 2008 :Rs. 12,057 thousand) as debt as the matter is pending adjudication. An amount of Rs. 10,793 thousand (31 December 2008 :Rs. 10,793 thousand) has been deposited under protest.

### Commitments:

Commitments against irrevocable letters of credit include:

	30 September 2009	31 December 2008
	(Rupees in thousand)	
Plant and machinery	6,558	-
Raw materials	132,643	67,112
Packing materials	12,051	1,560
Finished goods	1,245	7,101

## 7. PROPERTY, PLANT AND EQUIPMENT

### Owned Assets - Cost of additions

Building on freehold	12,500	20,365
Plant and machinery	15,063	103,652
Laboratory equipment	-	6,004
Furniture and fixtures	368	440
Electric and gas appliances	474	1,833
Office equipment	1,510	16,775
Vehicles	15,641	23,384
Neon Sign	67	-

### Owned Assets - Cost of disposals

Plant and machinery	-	524
Office equipment	208	340
Vehicles	11,803	20,972

### Leased Assets - Cost of additions

Vehicles	26,799	22,287
----------	--------	--------

### Leased Assets - Cost of disposals

Office equipment	-	20,028
Vehicles	6,327	25,670

- 7.1. Additions in freehold assets include transfer of assets costing Rs. 6,327 thousand (2008: Rs. 45,698 thousand) less accumulated depreciation of Rs. 2,535 thousand (2008: Rs. 19,129 thousand) from leasehold assets. Additions in leasehold assets do not include any transfer from freehold assets under sale and leaseback arrangements.

30 September 31 December  
2009 2008  
Note -----  
(Rupees in thousand)

## 8. TRADE DEBTS - considered good

Secured - against letters of credit		13,965	5,572
<b>Unsecured</b>			
Due from related parties			
Subsidiary - Dynalog Services (Private) Limited	8.1	25,477	108,818
Associate - Route - 2 health (Private) Limited		-	184
		25,477	109,002
Others		21,056	26,413
		<b>60,498</b>	<b>140,987</b>

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

Nine Months Ended                      Quarter Ended  
30 September                      30 September  
2009                      2008                      2009                      2008  
----- (Rupees in thousand) -----

## 9. Sales - net

### Manufactured products

Local	1,672,737	1,475,190	582,688	494,027
Export	69,338	48,030	29,598	22,535
	1,742,075	1,523,220	612,286	516,562
Sales compensation	9,529	-	-	-
Purchased products - local	92,906	84,220	31,838	29,084
Third party (toll manufacturing)	40,091	28,534	15,124	9,419
	1,884,601	1,635,974	659,248	555,065
Less: Discount	164,390	142,469	55,559	46,815
Sales tax	-	954	(389)	500
	164,390	143,423	55,170	47,315
	<b>1,720,211</b>	<b>1,492,551</b>	<b>604,078</b>	<b>507,750</b>



Nine Months Ended	
30 September	
2009	2008

## 10. CASH FLOWS FROM OPERATING ACTIVITIES

	2009	2008
Profit before taxation	70,249	66,180
Add / (less) adjustments for non-cash charges and other items:		
Depreciation	47,656	40,212
Finance cost	54,755	45,621
Provision for defined benefit obligation	21,694	18,957
Amortization of intangible assets	6,838	6,266
Gain on sale of property, Plant and equipment	(4,860)	(4,085)
Exchange loss	3,318	11,110
Amortization of deferred gain	-	(1,022)
	129,401	117,059
Profit before working capital changes	199,650	183,239

## 11. 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 the employment are stated below:

Nine Months Ended		Quarter Ended	
30 September		30 September	
2009	2008	2009	2008

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

### Sales of goods

Subsidiary	55,962	1,280,983	-	428,874
Associate	21,544	26,818	6,419	8,776

### Contribution towards employees' benefits

Staff provident fund	8,305	7,513	2,814	2,494
Employee's welfare trust	999	1,014	336	331

## 12. GENERAL

12.1 The Board of Directors of the Company authorized the condensed interim financial information for issue on 28<sup>th</sup> October 2009.

12.2 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.

12.3 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 September 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

	<b>200,000</b>	200,000
	165,277	165,277
	339,707	282,425
	504,984	447,702
	196,031	200,959
	42,995	53,743
	38,509	42,729
	18,953	17,128
	157,924	143,020
	258,381	256,620
	200,489	117,937
	-	6,408
	14,706	19,454
	404,000	435,070
	51,049	47,336
	670,244	626,205
	<b>1,629,640</b>	<b>1,531,486</b>

The annexed notes from 1 to 12 form an integral part of this condensed interim consolidated financial information.



**ASLAM HAFIZ**

CHIEF EXECUTIVE OFFICER



## AS AT 30 SEPTEMBER 2009

		Un Audited	Audited
		30 September 2009	31 December 2008
	Note	(Rupees in thousand)	
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	7	678,316	683,288
Intangible assets		60,298	66,492
		<u>738,614</u>	<u>749,780</u>
Long term deposit		1,562	1,562
<b>CURRENT ASSETS</b>			
Stock in trade		671,750	537,849
Trade debts	8	39,943	45,307
Advances, deposits and prepayments		57,784	45,235
Other receivables		39,705	44,095
Income tax - net		65,670	59,641
Cash and bank balances		9,740	29,597
		<u>884,594</u>	<u>761,724</u>
Non current assets held for sale		4,872	18,420
		<u>889,466</u>	<u>780,144</u>
		<u>1,629,640</u>	<u>1,531,486</u>

**ANEE AHMAD KHAN**  
DIRECTOR

## CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the nine months ended 30 September 2009

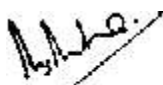
	Note	Nine Months Ended		Quarter Ended	
		30 September 2009	2008	30 September 2009	2008
----- (Rupees in thousand) -----					
<b>CONTINUING OPERATIONS</b>					
Revenue-net	10	<b>1,867,020</b>	1,659,874	<b>604,077</b>	520,309
Cost of sales		<b>1,180,622</b>	1,058,412	<b>383,138</b>	349,709
<b>Gross profit</b>		<b>686,398</b>	601,462	<b>220,939</b>	170,600
Other income		<b>9,197</b>	11,378	<b>1,205</b>	5,014
Distribution, selling and promotional expenses		<b>383,279</b>	342,090	<b>126,899</b>	111,422
Administrative and general expenses		<b>125,965</b>	122,896	<b>40,903</b>	38,751
Research and development expenses		<b>5,427</b>	7,710	<b>1,794</b>	2,147
Other expenses		<b>9,641</b>	17,805	<b>4,542</b>	6,118
		<b>515,115</b>	479,123	<b>172,933</b>	153,424
<b>Results from operating activities</b>		<b>171,283</b>	122,339	<b>48,006</b>	17,176
Finance cost		<b>56,400</b>	53,087	<b>19,263</b>	23,543
<b>Profit before tax</b>		<b>114,883</b>	69,252	<b>28,743</b>	(6,367)
Taxation		<b>21,209</b>	18,490	<b>11,377</b>	3,385
<b>Profit after tax</b>		<b>93,674</b>	50,762	<b>17,366</b>	(9,752)
<b>Continuing operations</b>					
Earning per share - basic and diluted		<b>5.67</b>	3.07	<b>1.05</b>	(0.59)

Appropriations have been reflected in statement of changes in equity.

The annexed notes from 1 to 12 form an integral part of this condensed interim consolidated financial information.



**ASLAM HAFIZ**  
CHIEF EXECUTIVE OFFICER



**ANEE AHMAD KHAN**  
DIRECTOR



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

for the nine months ended 30 September 2009

	Nine Months Ended		Quarter Ended	
	30 September 2009	2008	30 September 2009	2008
	----- (Rupees in thousand) -----			
<b>Profit after tax for the period</b>	<b>93,674</b>	50,762	<b>17,366</b>	(9,752)
<b>Other comprehensive income</b>				
Surplus on revaluation of fixed assets relating to incremental depreciation	7,581	8,424	2,527	2,809
Income tax relating to incremental depreciation on revaluation of fixed assets	(2,654)	(2,948)	(885)	(983)
<b>Comprehensive income transferred to equity</b>	<b>98,601</b>	56,238	<b>19,008</b>	(7,926)

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

The annexed notes from 1 to 12 form an integral part of this condensed interim consolidated financial information.

**ASLAM HAFIZ**  
CHIEF EXECUTIVE OFFICER

**ANEE AHMAD KHAN**  
DIRECTOR

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

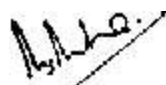
for the nine months ended 30 September 2009

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
----- (Rupees in thousand) -----					
<b>Balance as at 01 January 2008</b>	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
<b>Balance as at 30 September 2008</b>	<u>165,277</u>	<u>114,000</u>	<u>137,040</u>	<u>251,040</u>	<u>416,317</u>
<b>Balance as at 01 January 2009</b>	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	-	-	98,601	98,601	98,601
<b>Balance as at 30 September 2009</b>	<u>165,277</u>	<u>114,000</u>	<u>225,707</u>	<u>339,707</u>	<u>504,984</u>

The annexed notes from 1 to 12 form an integral part of this condensed interim consolidated financial information.



**ASLAM HAFIZ**  
CHIEF EXECUTIVE OFFICER



**ANEE AHMAD KHAN**  
DIRECTOR



# CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN AUDITED)

for the nine months ended 30 September 2009

	Note	Nine Months Ended	
		30 September	
		2009	2008
		(Rupees in thousand)	
<b>Profit before working capital changes</b>	10	245,232	196,829
<b>WORKING CAPITAL CHANGES</b>			
<i>Decrease/(increase) in current assets:</i>			
Stock in trade		(133,901)	(102,010)
Trade debts		5,364	11,953
Advances, deposits, and prepayments		(12,549)	(11,109)
Other receivables		19,933	(3,391)
<i>(Decrease) / increase in current liabilities:</i>			
Liability for patents and trademarks		-	8,020
Trade and other payables		78,882	(81,942)
		(42,271)	(178,479)
<b>Cash generated from operations</b>		202,961	18,350
Add/(less):			
Income tax paid		(47,806)	(39,653)
Gratuity paid		(1,767)	(2,158)
Finance cost paid		(52,253)	(33,880)
Long term deposit		-	(463)
Long term advances - net		3,089	(347)
<b>Net cash generated from / (used in) operating activities</b>		104,224	(58,151)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(25,244)	(84,570)
Intangible assets		(644)	(31,332)
Sale proceeds of non current assets held for sales		14,247	-
Sale proceeds of property plant & equipment		14,219	20,138
<b>Net cash generated from / (used in) investing activities</b>		2,578	(95,764)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease finance liabilities - net		(37,463)	(38,647)
Repayment of long term liabilities		(6,554)	-
Long term loan		(10,749)	41,165
Short term bank borrowings		(31,070)	184,156
Dividend paid		(40,823)	(22,173)
<b>Net cash (used in) / generated from financing activities</b>		(126,659)	164,501
<b>Net (decrease) / increase in cash and cash equivalents</b>		(19,857)	10,586
<b>Cash and cash equivalents at beginning of the period</b>		29,597	32,837
<b>Cash and cash equivalents at end of the period</b>		9,740	43,423

The annexed notes from 1 to 12 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 nine months ended 30 September 2009

## **I. THE 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**

These financial statements have been prepared in accordance with the requirements of International Accounting Standard No. 34 " Interim Financial Reporting" . These are unaudited and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984.

## **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 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 2008.

## **5. 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 HNL aggregate to Rs. 4,620 thousand (31 December 2008 :Rs 2,945 thousand).

### Contingencies:

- HNL has not acknowledged the demand relating to sales tax/central excise duty amounting to Rs. 12,057 thousand (31 December 2008 :Rs. 12,057 thousand) as debt as the matter is pending adjudication. An amount of Rs. 10,793 thousand (31 December 2008 :Rs. 10,793 thousand) has been deposited under protest.

### Commitments:

Commitments against irrevocable letters of credit include:

	30 September 2009	31 December 2008
	(Rupees in thousand)	
Plant and machinery	36,286	-
Raw materials	75,631	67,112
Packing materials	4,603	1,560
Finished goods	11,789	7,101

## 7. PROPERTY, PLANT AND EQUIPMENT

### Owned Assets - additions

Building on freehold	12,500	20,365
Plant and machinery	15,063	103,652
Laboratory equipment	-	6,004
Furniture and fixtures	368	573
Electric and gas appliances	474	1,833
Office equipment	1,510	18,298
Vehicles	15,641	25,375
Neon Sign	67	-

### Owned Assets - disposals

Plant and machinery	-	524
Office equipment	208	340
Vehicles	11,803	23,384

### Leased Assets - additions

Vehicles	26,799	24,097
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### Leased Assets - Cost of disposals

Office equipment	-	20,605
Vehicles	6,327	33,524



- 7.1. Additions in freehold assets include transfer of assets costing Rs. 6,327 thousand (2008: Rs. 45,698 thousand) less accumulated depreciation of Rs. 2,535 thousand (2008: Rs. 19,129 thousand) from leasehold assets. Additions in leasehold assets do not include any transfer from freehold assets under sale and leaseback arrangements.

**30 September 2009**    31 December 2008  
**(Rupees in thousand)**

**8. TRADE DEBTS - considered good**

Secured - against letters of credit	<b>13,965</b>	5,572
<b>Unsecured</b>		
Associate - Route - 2 health (Private) Limited	-	184
Others	<b>25,978</b>	39,552
	<b>39,943</b>	<b>45,308</b>

Nine Months Ended		Quarter Ended	
30 September 2009	2008	30 September 2009	2008

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

**9. Sales - net**

Manufactured products

Local	<b>1,807,360</b>	1,492,613	<b>582,688</b>	496,989
Export	<b>69,338</b>	48,030	<b>29,598</b>	22,535
	<b>1,876,698</b>	1,540,643	<b>612,286</b>	519,524
Sales compensation	<b>9,529</b>	-	-	-
Purchased products - local	<b>104,151</b>	175,633	<b>31,838</b>	10,998
Third party (toll manufacturing)	<b>40,091</b>	28,534	<b>15,123</b>	9,419
	<b>2,030,469</b>	1,744,810	<b>659,247</b>	539,941
Less: Discount	<b>163,184</b>	82,131	<b>55,559</b>	17,280
Sales tax	<b>265</b>	2,805	<b>(389)</b>	2,352
	<b>163,449</b>	84,936	<b>55,170</b>	19,632
	<b>1,867,020</b>	1,659,874	<b>604,077</b>	520,309



Nine Months Ended

30 September

2009 2008

(Rupees in thousand)

## 10. CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	114,885	69,252
Add/(less) adjustments for non-cash charges and other items:		
Depreciation	47,656	43,195
Finance cost	56,400	53,088
Provision for defined benefit obligation	21,694	18,957
Amortization of intangible assets	6,838	6,326
Gain on sale of property, plant and equipment	(4,860)	(4,085)
Gain / loss on sale of assets held for sales	(699)	-
Exchange loss	3,318	11,110
Deterioration in pallets	-	8
Amortization of deferred gain	-	(1,022)
	130,347	127,577
Profit before working capital changes	245,232	196,829

## 11. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise of 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:

	Nine Months Ended		Quarter Ended	
	30 September 2009	2008	30 September 2009	2008
----- (Rupees in thousand) -----				
<b>Sales of goods</b>				
Associate	21,544	26,818	6,419	8,776
<b>Contribution towards employees' benefits</b>				
Staff provident fund	8,305	7,843	2,814	2,081
Employee's welfare trust	999	1,014	336	331

## 12. GENERAL

- 12.1** The Board of Directors of the Company authorized the condensed interim financial information for issue on 28<sup>th</sup> October 2009.
- 12.2** 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.
- 12.3** Figures have been rounded off to the nearest thousand of rupees.

**ASLAM HAFIZ**  
CHIEF EXECUTIVE OFFICER

**ANEE AHMAD KHAN**  
DIRECTOR