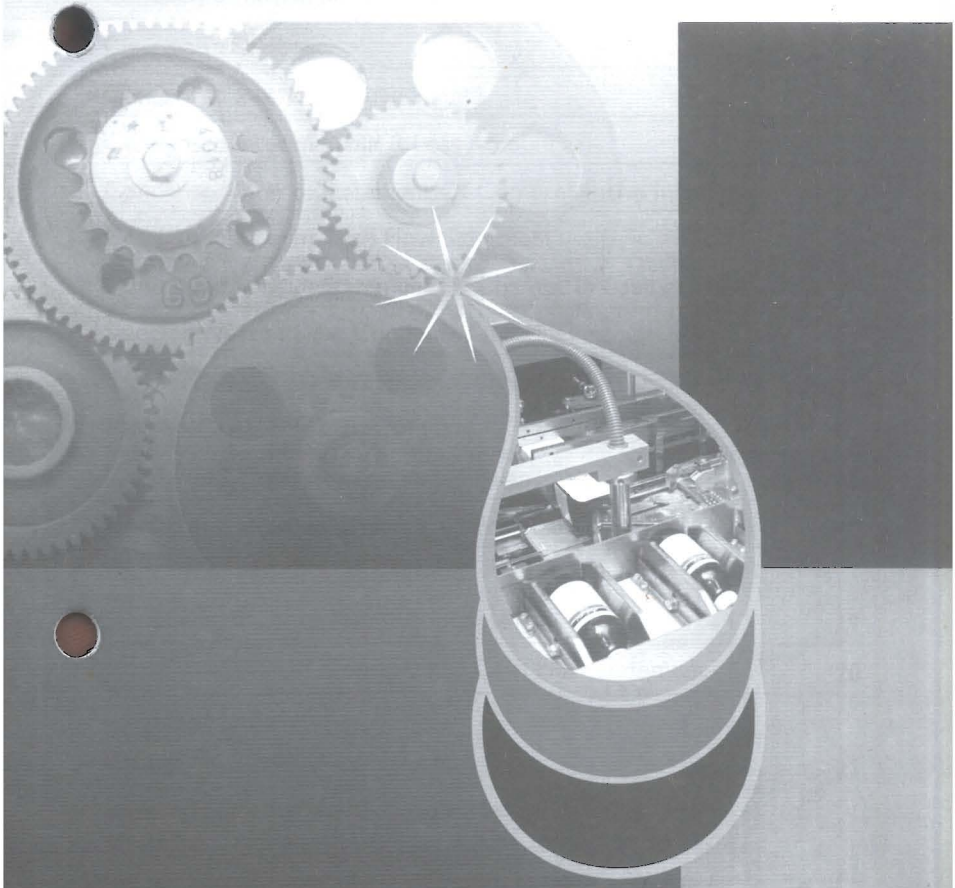
HIGHNOON
LABORATORIES LIMITED

Quarterly
Report
Q1
2010



Highnoon for a Healthier Nation

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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
National Bank of Pakistan
MCB Bank Limited
J.S. Bank Limited
Allied Bank Limited

Registered, Head Office & Plant

17.5 Kilometer Multan Road,
Lahore -53700, Pakistan.
Tel: +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

Ernst & Young Ford Rhodes Sidat
Hyder, 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 2010 on behalf of the Board of Directors.

The Company generated net sales revenue of Rs. 623.638 million during the period under review compared to Rs. 495.267 million in the corresponding quarter, recording a growth of 25.9%.

Gross profit and gross profit as a percentage of sales for the period increased to Rs.216.070 million and 34.65% as compared to Rs. 170.675 million and 34.46% respectively in comparative period last year. Distribution selling and promotional expenses increased by 41.13% as compare to comparative period last year, expenses as a percentage of net sales also increased from 19.82% to 22.21% mainly due to increase in spending on promotional and other expenses necessary to invest in key products as well as new product launches.

Finance cost showed increase of 13.47% due to increase in long term borrowings to support the ongoing capital expenditure on plant upgrading and cGMP compliance.

Despite increase in expenses, profit before taxation showed an increase of 19.11 % compared to comparative period last year due to the increase in gross margins.

In view of rigidity in price control mechanism, the company has no other option but to achieve volumetric growth and introduce new products. The Company is aggressively pursuing this objective to achieve the desired results. The industry today is exposed to many risks including those related to changing regulations and related compliance, foreign currency fluctuation and increased cost of inputs. The Industry is also facing imminently with across the board levy of value added tax; such a move previously with the levy of General sales tax on pharmaceuticals proved damaging for the industry and had to be withdrawn. We are working along with Pakistan Pharmaceuticals Manufacturers Association to convince the Government for exempting pharmaceutical industry from the imposition of value added tax.

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: 23 April 2010

Jawaid Tariq Khan
Chairman

CONDENSED INTERIM BALANCE SHEET

	Note	Un Audited 31 March 2010	Audited 31 December 2009
		(Rupees in thousand)	
LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
Ordinary shares of Rs. 10 each 20,000,000 (2009: 20,000,000)		**200,000**	200,000
Share capital		**165,277**	165,277
Reserves		**379,054**	363,512
		544,331	528,789
Surplus on revaluation of fixed assets		**192,848**	194,389
NON CURRENT LIABILITIES			
Long term loan - secured		**64,939**	39,412
Liabilities against assets subject to finance lease		**25,977**	31,143
Long term advances		**15,801**	15,389
Deferred liabilities		**178,387**	172,143
		285,104	258,087
CURRENT LIABILITIES			
Trade and other payables		**104,785**	135,493
Markup payable on secured loans		**16,251**	18,452
Short term bank borrowings - secured		**498,263**	562,308
Current portion of long term liabilities		**48,785**	49,189
		668,084	765,442
CONTINGENCIES AND COMMITMENTS	6		
		1,690,367	1,746,707

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 31 MARCH 2010

	Note	Un Audited 31 March 2010	Audited 31 December 2009
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	**714,548**	720,546
Intangible assets		**55,739**	58,018
		770,287	778,564
Long term deposits		**1,562**	1,562
CURRENT ASSETS			
Stock in trade		**707,925**	700,502
Trade debts		**36,476**	36,988
Advances, deposits and prepayments		**46,672**	65,957
Other receivables		**44,184**	63,910
Income tax - net		**66,131**	64,021
Cash and bank balances		**17,130**	35,203
		918,518	966,581
		1,690,367	1,746,707

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the first quarter ended 31 March 2010

	Note	First Quarter Ended 31 March 2010	2009
		----- (Rupees in thousand) -----	
Sales-net	8	**623,638**	495,267
Cost of sales		**407,568**	324,592
Gross profit		**216,070**	170,675
Other income		**2,794**	2,841
Distribution, selling and promotional expenses		**138,503**	98,140
Administrative and general expenses		**36,273**	35,924
Research and development expenses		**1,223**	1,779
Other operating expenses		**1,007**	1,646
		174,212	134,648
Results from operating activities		**41,858**	36,027
Finance cost		**21,176**	18,663
Profit before taxation		**20,682**	17,364
Taxation		**6,681**	4,415
Profit after taxation		**14,001**	12,949
Earnings per share - basic and diluted	**(Rupees)**	**0.85**	0.78

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 first quarter ended 31 March 2010

	First Quarter Ended 31 March	
	2010	2009
	----- (Rupees in thousand) -----	
Profit after tax for the period	**14,001**	12,949
Other comprehensive income	-	-
Comprehensive income transferred to equity	**14,001**	12,949

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 first quarter ended 31 March 2010

	Note	First Quarter Ended 31 March 2010	2009
		(Rupees in thousand)	
Profit before working capital changes	9	**67,057**	60,433
WORKING CAPITAL CHANGES			
(Increase)/decrease in current assets			
Stock in trade		**(7,423)**	5,421
Trade debts		**511**	18,556
Advances, deposits, and prepayments		**19,285**	(36,374)
Other receivables		**19,725**	2,108
Increase/(decrease) in current liabilities			
Trade and other payables		**(30,706)**	25,616
		1,392	15,327
Cash generated from operations		**68,449**	75,760
Add/(less):			
Taxes paid		**(9,894)**	(12,094)
Gratuity paid		**(1,181)**	(330)
Finance cost paid		**(21,110)**	(17,353)
Long term advances - net		**544**	676
Net cash inflow from operating activities		**36,808**	46,659
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(10,094)**	(8,829)
Intangible assets		**-**	(644)
Sale proceeds from disposal of property, plant and equipment		**2,511**	4,890
Net cash outflow from investing activities		**(7,583)**	(4,583)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease finance liabilities - net		**(8,778)**	(9,719)
Long term loan received		**29,110**	-
Repayment of long term loan		**(3,583)**	(3,583)
Short term bank borrowings - net		**(64,045)**	(18,072)
Dividend paid		**(2)**	(19)
Net cash outflow from financing activities		**(47,298)**	(31,393)
Net (decrease)/increase in cash and cash equivalents		**(18,073)**	10,683
Cash and cash equivalents at beginning of the period		**35,203**	7,178
Cash and cash equivalents at end of the period		**17,130**	17,861

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 first quarter ended 31 March 2010

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
	(Rupees in thousand)				
Balance as at 01 January 2009	165,277	114,000	218,801	332,801	498,078
Incremental depreciation relating to surplus on revaluation of fixed assets-net of tax	-	-	1,643	1,643	1,643
Total comprehensive income for the period	-	-	12,949	12,949	12,949
Balance as at 31 March 2009	165,277	114,000	233,393	347,393	512,670
Balance as at 01 January 2010	165,277	114,000	249,512	363,512	528,789
Incremental depreciation relating to surplus on revaluation of fixed assets-net of tax	-	-	1,541	1,541	1,541
Total comprehensive income for the period	-	-	14,001	14,001	14,001
Balance as at 31 March 2010	165,277	114,000	265,054	379,054	544,331

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

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

For the first quarter ended 31 March 2010 (Un-audited)

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)"

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 2009.

5. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financ... information are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 31 December 2009.

6. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of the company aggregate to Rs.4.620 million (31 December 2009 : Rs 4.620 million).

Contingencies:

- The Company has not acknowledged the demand relating to sales tax / central excise duty amounting to Rs. 12.057 million (31 December 2009 : Rs. 12.057 million) as debt as the matter is pending adjudication. An amount of Rs. 10.793 million (31 December 2009 : Rs. 10.793 million) has been deposited under protest.

Commitments:

Commitments against irrevocable letters of credit include:

	31 March 2010	31 December 2009
	(Rupees in thousand)	
Plant and machinery	-	13,145
Raw materials	48,073	101,467
Packing materials	5,427	5,372
Finished goods	-	15,174

7. PROPERTY, PLANT AND EQUIPMENT

Owned Assets - Cost of additions		
Building on freehold	-	34,827
Plant and machinery	170	16,935
Laboratory equipment	1,200	-
Furniture and fixtures	-	1,461
Electric and gas appliances	14	474
Office equipment	118	5,202
Vehicles	2,381	21,647
Neon sign	-	100
Owned Assets - Cost of disposals		
Electric and gas appliances	403	-
Office equipment	68	208
Vehicles	1,706	17,595
Leased Assets - Cost of additions		
Vehicles	810	29,565
Leased Assets - Cost of disposals		
Vehicles	395	16,973

Additions in freehold assets include transfer of assets costing Rs. 395 thousand (2009 Rs.16,973 thousand) less accumulated depreciation of Rs.196 thousand (2009:Rs.7,694 thousand) from leasehold assets. Additions in leasehold assets do not include any transfer from freehold assets under sale and leaseback arrangements

8. Sales - net

	First Quarter Ended 31 March	
	2010	2009
	(Rupees in thousand)	
Manufactured products		
Local	**607,514**	480,562
Export	**28,342**	20,973
	635,856	501,535
Sales compensation	**-**	9,529
Purchased products - local	**34,142**	25,727
Third party (roll manufacturing)	**14,580**	10,978
	684,578	547,769
Less: Discount	**60,859**	52,276
Sales tax	**81**	226
	60,940	52,502
	623,638	495,267

9. CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	**20,682**	17,364
Add / (less) adjustments for non-cash charges and other items:		
Depreciation	**15,701**	15,128
Finance cost	**21,175**	18,662
Provision for defined benefit obligation	**8,528**	8,715
Amortization of intangible assets	**2,279**	2,279
Gain on sale of property, plant and equipment	**(1,308)**	(1,715)
	46,375	43,069
Profit before working capital changes	**67,057**	60,433

10. 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:

	First Quarter Ended 31 March	
	2010	2009
	(Rupees in thousand)	
Sales of goods		
Subsidiary	**-**	96,307
Associate	**7,391**	10,521
Contribution towards employees' benefits		
Staff provident fund	**3,457**	2,744
Employee's welfare trust	**385**	327

11. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the condensed interim financial information for issue on 23rd April 2010.

12. GENERAL

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

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

HIGHNOON LABORATORIES LIMITED

and its Wholly Owned Subsidiary Company

DYNALOG SERVICES (PRIVATE) LIMITED

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

	Note	Un Audited 31 March 2010	Audited 31 December 2009
		(Rupees in thousand)	
LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
Ordinary shares of Rs. 10 each 20,000,000 (2009: 20,000,000)		**200,000**	200,000
Share capital		**165,277**	165,277
Reserves		**377,658**	362,494
		542,935	527,771
Surplus on revaluation of fixed assets		**192,848**	194,389
NON CURRENT LIABILITIES			
Long term loan - secured		**64,939**	39,412
Liabilities against assets subject to finance lease		**25,977**	31,143
Long term advances		**15,801**	15,389
Deferred liabilities		**178,387**	172,143
		285,104	258,087
CURRENT LIABILITIES			
Trade and other payables		**105,291**	135,845
Markup payable on secured loans		**16,251**	18,452
Short term bank borrowings - secured		**498,263**	562,308
Current portion of long term liabilities		**48,785**	49,189
		668,590	765,794
CONTINGENCIES AND COMMITMENTS	5		
		1,689,477	1,746,041

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 31 MARCH 2010

	Note	Un Audited 31 March 2010	Audited 31 December 2009
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	**713,994**	719,993
Intangible assets		**55,739**	58,018
		769,733	778,011
Long term deposits		**1,562**	1,562
CURRENT ASSETS			
Stock in trade		**707,925**	700,502
Trade debts		**26,750**	27,137
Advances, deposits and prepayments		**47,427**	67,112
Other receivables		**45,339**	64,950
Income tax - net		**72,422**	70,312
Cash and bank balances		**18,319**	36,454
		918,182	966,467
		1,689,477	1,746,040

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the first quarter ended 31 March 2010

	Note	First Quarter Ended 31 March 2010	2009
		----- (Rupees in thousand) -----	
Sales-net	7	**623,638**	600,319
Cost of sales		**407,568**	397,330
Gross profit		**216,070**	202,989
Other income		**2,794**	4,934
Distribution, selling and promotional expenses		**138,503**	106,271
Administrative and general expenses		**36,651**	40,634
Research and development expenses		**1,223**	1,779
Other operating expenses		**1,007**	1,646
		174,590	145,396
Results from operating activities		**41,480**	57,593
Finance cost		**21,176**	20,198
Profit before taxation		**20,304**	37,395
Taxation		**6,681**	4,415
Profit after taxation		**13,623**	32,980
Earnings per share - basic and diluted	**(Rupees)**	**0.82**	2.00

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

for the first quarter ended 31 March 2010

	First Quarter Ended 31 March	
	2010	2009
	----- (Rupees in thousand) -----	
Profit after tax for the period	**13,623**	32,980
ther comprehensive income	-	-
Comprehensive income transferred to equity	**13,623**	32,980

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN AUDITED)

for the first quarter ended 31 March 2010

	Note	First Quarter Ended 31 March 2010	2009
		(Rupees in thousand)	
Profit before working capital changes	8	**66,679**	79,903
WORKING CAPITAL CHANGES			
(Increase)/decrease in current assets			
Stock in trade		**(7,423)**	70,215
Trade debts		**388**	(7,171)
Advances, deposits, and prepayments		**19,685**	(19,462)
Other receivables		**19,611**	1,290
Increase/(decrease) in current liabilities			
Trade and other payables		**(30,553)**	22,125
		1,708	66,997
Cash generated from operations		**68,387**	146,900
Add/(less):			
Taxes paid		**(9,894)**	(13,067)
Gratuity paid		**(1,181)**	(330)
Finance cost paid		**(21,110)**	(21,264)
Long term advances - net		**544**	676
Net cash inflow from operating activities		**36,746**	112,915
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(10,094)**	(8,829)
Intangible assets		**-**	(644)
Sale proceeds from disposal of non current assets held for sale		**-**	5,480
Sale proceeds from disposal of property, plant and equipments		**2,511**	4,890
Net cash (outflow) / inflow from investing activities		**(7,583)**	897
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease finance liabilities - net		**(8,778)**	(10,292)
Long term loan received		**29,110**	-
Repayment of long term loan		**(3,583)**	(3,583)
Short term bank borrowings - net		**(64,045)**	(108,076)
Dividend paid		**(2)**	(19)
Net cash outflow from financing activities		**(47,298)**	(121,970)
Net (decrease) in cash and cash equivalents		**(18,135)**	(8,158)
Cash and cash equivalents at beginning of the period		**36,454**	29,597
Cash and cash equivalents at end of the period		**18,319**	21,439

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

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

for the quarter ended 31 March 2010

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
	---------- (Rupees in thousand) ----------				
Balance as at 01 January 2009	**165,277**	**114,000**	**168,425**	**282,425**	**447,702**
Incremental depreciation relating to surplus evaluation of fixed assets-net of tax	-	-	1,643	1,643	1,643
Total comprehensive income for the period	-	-	32,980	32,980	32,980
Balance as at 31 March 2009	**165,277**	**114,000**	**203,048**	**317,048**	**482,325**
Balance as at 01 January 2010	**165,277**	**114,000**	**248,494**	**362,494**	**527,771**
Incremental depreciation relating to surplus on revaluation of fixed assets-net of tax	-	-	1,541	1,541	**1,541**
Total comprehensive income for the period	-	-	13,623	13,623	**13,623**
Balance as at 31 March 2010	**165,277**	**114,000**	**263,658**	**377,658**	**542,935**

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

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

for the first quarter ended 31 March 2010 (Un-audited)

1. 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 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.

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 MEASURMENT

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 certian 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 2009,

5. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of HNL aggregate to Rs.4.620 million (31 December 2009 : Rs 4.620 million).

Contingencies:

- HNL has not acknowledged the demand relating to sales tax / central excise duty amounting to Rs. 12.057 million (31 December 2009 : Rs. 12.057 million) as debt as the matter is pending adjudication. An amount of Rs. 10.793 million (31 December 2009 : Rs. 10.793 million) has been deposited under protest.

Commitments:

Commitments against irrevocable letters of credit include:

	31 March 2010	31 December 2009
	(Rupees in thousand)	
Plant and machinery	-	13,145
Raw materials	**48,073**	101,467
Packing materials	**5,427**	5,372
Finished goods	-	15,174

6. PROPERTY, PLANT AND EQUIPMENT

Owned Assets - Cost of additions		
Building on freehold	-	34,827
Plant and machinery	**170**	16,935
Laboratory equipment	**1,200**	-
Furniture and fixtures	-	1,461
Electric and gas appliances	**14**	474
Office equipment	**118**	5,202
Vehicles	**2,381**	21,085
Neon sign	-	100
Owned Assets - Cost of disposals		
Electric and gas appliances	**403**	-
Office equipment	**68**	208
Vehicles	**1,706**	17,595
Leased Assets - Cost of additions		
Vehicles	**810**	29,565
Leased Assets - Cost of disposals		
Vehicles	**395**	16,973

Additions in freehold assets include transfer of assets costing Rs. 395 thousand (2009 Rs.16,973 thousand) less accumulated depreciation of Rs. 196 thousand (2009:Rs.7,694 thousand) from leasehold assets. Additions in leasehold assets do not include any transfer from freehold assets under sale and leaseback arrangements

7. Sales - net

	First Quarter Ended 31 March	
	2010	2009
	(Rupees in thousand)	
Manufactured products		
Local	**607,514**	521,886
Export	**28,342**	20,97
	635,856	542,859
Sales compensation	**-**	83,888
Purchased products - local	**34,142**	9,529
Third party (toll manufacturing)	**14,580**	10,978
	684,578	647,254
Less: Discount	**60,859**	46,443
Sales tax	**81**	492
	60,940	46,935
	623,638	600,319

8. CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	**20,304**	37,395
Add / (less) adjustments for non-cash charges and other items:		
Depreciation	**15,701**	15,128
Finance cost	**21,175**	20,198
Provision for defined benefit obligation	**8,528**	8,71
Amortization of intangible assets	**2,279**	2,279
Gain on sale of property, plant and equipment	**(1,308)**	(1,717)
Gain on sale of non current assets held for sale	**-**	(2,095)
	46,375	42,508
Profit before working capital changes	**66,679**	79,903

9. 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 the employment are stated below:

	First Quarter Ended 31 March	
	2010	2009
	(Rupees in thousand)	
Sales of goods		
Associate	**7,391**	10,521
Contribution towards employees' benefits		
Staff provident fund	**3,457**	2,827
Employee's welfare trust	**327**	327

10. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of HNL authorized the condensed interim consolidated financial information for issuance on 23rd April 2010.

11. GENERAL

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

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

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