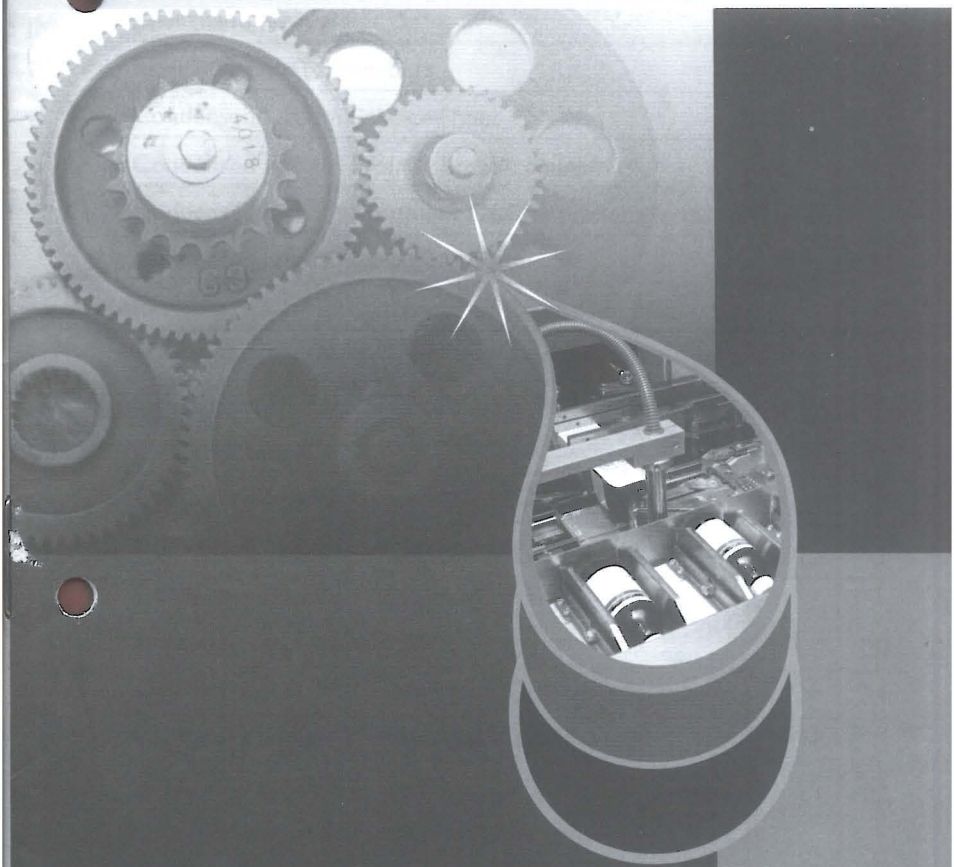
HIGHNOON
LABORATORIES LIMITED

Half Yearly Report Q2 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 half year ended 30 June 2010 on behalf of the Board of Directors.

The Company has generated net sales revenue of Rs. 1,322.65 million during the period under review compared to Rs. 1,116.14 million in the corresponding half year. The Company has successfully maintained its record of double digit revenue growth even in the current challenging economic environment. The net sales revenue grew by 18.5% compared to corresponding period last year.

Gross profit for the period increased to Rs.456.56 million compared to Rs. 405.98 million in corresponding period last year. Cost of sales as percentage of sales increased slightly to 65.5% in period under review from 63.6% in corresponding period as a result of inflationary pressure and rupee devaluation. A larger decline in gross profit was averted with better product mix, efficiencies and stringent cost controls.

Distribution selling and promotional expenses increased by 14.44% as compare to corresponding period last year. The growth in expenses was necessary to invest in promotional and other marketing activities for existing portfolio as well as for new product launches.

Despite increase in cost of sales, profit before taxation showed an increase of 19.2 % compared to comparative period last year in line with growth in turnover due to effective management control on operating and administrative costs.

The industry is facing persistent challenges of currency depreciation, sky mounting inflationary pressure and deteriorating law and order situation. The current challenges would be magnified by recent most catastrophic flood in the history of our Country. The long awaited price adjustments by Ministry of Health to few selected products is insignificant and unjustified comparing increase in cost of inputs due to aforementioned challenges. The company is trying aggressively to negate this cost pressure by achieving volumetric growth, improving product mix and introducing austerity measures.

I believe if we work with passion and commitment we can override all challenges and catastrophes in way to our success. 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: 19 August 2010

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** as at **30 June 2010** and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of comprehensive income and condensed interim statement of changes in equity and the notes to the accounts, for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The corresponding figures presented are based on the financial statements of the company for the half year ended 30 June 2009 and year ended 31 December 2009, which were reviewed / audited by another firm of auditors, whose reports dated 27 August 2009 and 26 March 2010, respectively, expressed unqualified conclusion/opinion thereon.

Scope of Review

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

Conclusion

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

Chartered Accountants

Lahore: 19th August 2010

CONDENSED INTERIM BALANCE SHEET

	Note	Un Audited 30 June 2010 Rupees	Audited 31 December 2009 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
20,000,000 (2009: 20,000,000) ordinary shares of Rupees 10 each		**200,000,000**	200,000,000
Issued, subscribed and paid up share capital		**165,277,431**	165,277,431
Reserves		**355,535,048**	363,511,815
		520,812,479	528,789,246
Surplus on revaluation of fixed assets		**191,432,047**	194,388,830
NON CURRENT LIABILITIES			
Long term loan - secured		**59,276,476**	39,411,790
Liabilities against assets subject to finance lease		**21,012,175**	31,142,604
Long term advances		**16,152,677**	15,389,470
Deferred liabilities		**177,757,090**	172,142,820
		274,198,418	258,086,684
CURRENT LIABILITIES			
Trade and other payables		**114,075,545**	135,493,321
Markup payable on secured loans		**16,330,599**	18,451,582
Short term bank borrowings - secured		**382,643,891**	562,307,831
Current portion of long term liabilities		**45,853,621**	49,188,950
		558,903,656	765,441,684
CONTINGENCIES AND COMMITMENTS	5		
		1,545,346,600	1,746,706,444

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 30 JUNE 2010

	Note	Un Audited 30 June 2010 Rupees	Audited 31 December 2009 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	**711,751,668**	713,180,061
Intangible assets	7	**61,220,612**	65,384,562
Long term deposits		**1,562,054**	1,562,054
		774,534,334	780,126,677
CURRENT ASSETS			
Stock in trade	8	**590,136,446**	700,501,429
Trade debts	9	**40,350,035**	36,988,293
Advances		**18,672,107**	56,095,726
Trade deposits and prepayments		**17,762,388**	9,861,099
Other receivables		**30,238,031**	63,909,515
Income tax - net		**63,431,443**	64,021,029
Cash and bank balances		**10,221,816**	35,202,676
		770,812,266	966,579,767
		1,545,346,600	1,746,706,444

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN AUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Six Months Ended		Quarter Ended	
		30 June 2010 Rupees	30 June 2009 Rupees	30 June 2010 Rupees	30 June 2009 Rupees
Sales-net	10	1,322,651,075	1,116,135,542	699,012,751	620,868,733
Cost of sales	11	866,087,059	710,158,587	450,859,078	385,566,270
Gross profit		456,564,061	405,976,955	248,153,673	235,302,463
Operating Expenses					
Distribution, selling and promotional		283,468,190	247,708,840	144,964,713	149,568,666
Administrative and general		80,442,755	77,720,266	44,170,057	41,796,702
Research and development		2,196,417	3,632,712	972,984	1,853,473
Other operating charges		4,314,978	5,099,455	3,307,618	3,453,205
		370,422,340	334,161,273	193,415,372	196,672,046
		86,141,676	71,815,682	54,738,301	38,630,417
Other operating income		5,971,120	4,344,016	3,177,024	1,503,380
		92,112,796	76,159,698	57,915,325	40,133,797
Finance cost		43,643,261	35,492,416	22,467,815	16,829,793
Profit before taxation		48,469,535	40,667,282	35,447,510	23,304,004
Taxation		18,082,952	9,832,113	11,401,828	5,417,499
Profit after taxation		30,386,583	30,835,169	24,045,682	17,886,505
Earnings per share - basic and diluted		1.84	1.87	1.45	1.08

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six Months Ended	
	30 June 2010 Rupees	30 June 2009 Rupees
Profit after tax for the period	**30,386,583**	**30,835,169**
Other comprehensive income	-	-
Comprehensive income transferred to equity	**30,386,583**	**30,835,169**

Surplus arising on 'revaluation of fixed assets' is presented under a separate head below equity as 'surplus on revaluation of assets' in accordance with the requirements specified by the Security and Exchange Commission of Pakistan (SECP) vide its S.R.O.45(I)/2003 dated 13 January 2003 and Companies Ordinance, 1984 respectively.

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UN AUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six Months Ended	
	30 June 2010	30 June 2009
	Rupees	Rupees
Cash flows from operating activities		
Profit before taxation	**48,469,535**	40,667,282
Add/(less): Adjustments for non-cash charges and other items		
Depreciation	**31,463,552**	30,935,220
Finance cost	**43,643,261**	35,492,416
Provision for defined benefit obligation	**17,056,308**	15,629,034
Amortization of intangible assets	**4,564,542**	4,558,869
Gain on sale of property, plant and equipment	**(3,978,292)**	(3,721,990)
Exchange loss	**-**	1,473,506
	92,749,371	84,367,055
Profit before working capital changes	**141,218,906**	125,034,337
Working capital changes		
(Increase)/decrease in current assets:		
Stock in trade	**110,364,983**	(18,077,851)
Trade debts	**(3,361,742)**	55,594,103
Advances	**37,423,619**	(11,168,675)
Trade deposits and prepayments	**(7,901,289)**	(2,853,024)
Other receivables	**33,671,484**	5,917,698
Increase/(decrease) in current liabilities		
Trade and other payables	**(22,918,300)**	(1,903,671)
	147,278,755	27,508,580
Cash generated from operations	**288,497,661**	152,542,917
Add/(less):		
Income taxes paid	**(19,481,194)**	(23,825,040)
Gratuity paid	**(9,454,210)**	(1,767,108)
Finance cost paid	**(41,516,625)**	(32,452,487)
Long term advances - net	**(366,854)**	2,544,871
Net cash from operating activities	**217,678,778**	97,043,153
Cash flows from investing activities		
Fixed capital expenditure	**(31,584,776)**	(33,513,950)
Intangible assets acquired	**(400,566)**	(643,982)
Sale proceeds of fixed assets	**8,982,884**	9,755,829
Net cash used in investing activities	**(23,002,458)**	(24,402,103)
Cash flows from financing activities		
Proceed / (Repayment) of lease finance liabilities-net	**(20,038,316)**	(19,579,963)
Long term loan-net	**19,864,686**	(7,165,780)
Short term bank borrowing	**(179,663,940)**	337,884
Dividend paid	**(39,819,610)**	(40,593,721)
Net cash used in financing activities	**(219,657,180)**	(67,001,580)
Net (decrease) / increase in cash and cash equivalents	**(24,980,860)**	5,639,470
Cash and cash equivalents at beginning of the period	**35,202,676**	7,177,884
Cash and cash equivalents at end of the period	**10,221,816**	12,817,354

'The annexed notes from 1 to 14 form an integral part of this interim condensed 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 2010

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2009	165,277,431	114,000,000	218,801,257	332,801,257	**498,078,688**
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2008	-	-	(41,319,358)	(41,319,358)	**(41,319,358)**
Incremental depreciation related to surplus on revalution of fixed assets - net of tax	-	-	3,285,314	3,285,314	**3,285,314**
Total comprehensive income for the period	-	-	30,835,169	30,835,169	**30,835,169**
Balance as at 30 June 2009	165,277,431	114,000,000	211,602,382	325,602,382	**490,879,813**
Balance as at 01 January 2010	165,277,431	114,000,000	249,511,815	363,511,815	**528,789,246**
Final dividend for the year ended 31 December 2009 @ Rs. 2.5 per share	-	-	(41,320,133)	(41,320,133)	**(41,320,133)**
Surplus on revaluation of fixed assets relating to incremental depreciation - net of tax	-	-	2,956,783	2,956,783	**2,956,783**
Profit for the period after taxation	-	-	30,386,583	30,386,583	**30,386,583**
Balance as at 30 June 2010	165,277,431	114,000,000	241,535,048	355,535,048	**520,812,479**

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 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 and converted into an unquoted public limited Company in the year, 1985. Its shares are quoted on all stock exchanges in Pakistan since November 1994. The Company is principally engaged in the manufacture, import and marketing of pharmaceutical and allied consumer products. The Registered office of the Company is situated at 17.5 Km, Multan Road, Lahore.

2. STATEMENT OF COMPLIANCE

2.1 This condensed interim financial report of the Company for the six months period ended 30 June 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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

3. BASIS OF PREPARATION

3.1 This interim condensed financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December, 2009.

3.2 The accounting policies adopted for the preparation of this interim condensed financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 31 December 2009.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December, 2009.

5. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of the Company aggregate to Rs. 7.120 million (31 December 2009 : Rs 4.620 million).

- 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 10.086 million (31 December 2009 :Rs.10.086) has been deposited under protest and is shown under other receivables.

Commitments:

	30 June 2010	31 December 2009
	(Rupees in thousand)	
Commitments against irrevocable letters of credit include:		
Plant and machinery	-	13,145
Raw materials	94,950	101,467
Packing materials	7,106	5,372
Finished goods	-	15,174

- Unutilized letters of guarantee facilities amounting to Rs. 12.880 million (31 December 2009: 15.380 million) are available to the Company under hypothecation of stocks and on present and future current assets and property, plant and equipment of the Company.

	Note	Un-Audited 30 June 2010 Rupees	Audited 30 June 2009 Rupees
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets (owned)		565,512,364	584,551,868
Operating fixed assets (leased)		84,014,574	91,429,641
Capital work-in-progress	6.1	62,224,730	37,198,552
		711,751,668	713,180,061

6.1 Capital work-in-progress

Civil Works	23,214,165	14,351,222
Plant and machinery - owned	22,751,768	22,037,330
Advance for capital expenditures	16,258,797	810,000
	62,224,730	37,198,552

7. PROPERTY, PLANT AND EQUIPMENT

Operating intangible assets		53,854,362	58,018,312
Capital work-in-progress	7.1	7,366,250	7,366,250
		61,220,612	65,384,562

7.1 This represents advance against ERP system implementation in progress.

8. STOCK IN TRADE

	Un-Audited 30 June 2010 Rupees	Audited 31 December 2009 Rupees
Raw materials		
In hand	200,983,351	324,499,826
In transit	49,222,582	29,093,840
With third party	-	102,088
	250,205,933	353,695,754
Packing material		
In hand	57,411,396	59,026,642
In transit	253,325	3,049,172
With third party	1,349,557	554,949
	59,014,278	62,630,763
Work in process	42,823,526	49,560,198
Finished goods		
In hand	238,092,709	231,697,471
In transit	-	1,755,562
With third party	-	1,161,681
	238,092,709	234,614,714
	590,136,446	700,501,429

9. TRADE DEBTS - Considered good

These include Rs. 20.633 million (31 December 2009: Rs. 20.853 million) due from related parties.

10. SALES - net

	Six Months Ended 30 June		Quarter Ended 30 June	
	2010	2009	2010	2009
	Rupees			
Manufactured products				
Local	1,322,998,859	1,090,048,820	699,317,683	609,486,444
Export	60,484,763	39,739,867	32,143,250	18,767,130
	1,383,483,622	1,129,788,687	731,460,933	628,253,574
Sales compensation	-	9,529,188	-	-
Purchased products-Local	34,571,297	61,068,576	16,594,925	35,341,252
Third Party (toll manufacturing)	30,556,180	24,967,843	15,976,352	13,990,215
	1,448,611,099	1,225,354,294	762,032,210	677,585,041
Less: Discount	125,789,833	108,830,212	64,930,518	56,553,900
Sales tax	170,191	388,540	88,941	162,408
	125,960,024	109,218,752	65,091,459	56,716,308
	1,322,651,075	1,116,135,542	699,012,751	620,868,733

11. COST OF SALES

	Six Months Ended 30 June		Quarter Ended 30 June	
	2010	2009	2010	2009
	Rupees			
Opening Stock of finished goods (excluding purchased products)	186,894,949	92,970,783	191,416,468	137,274,657
Cost of goods sold - manufactured	863,683,454	659,566,377	455,405,238	310,761,763
	1,050,578,403	752,537,160	646,821,706	448,036,420
Closing stock of finished goods	(206,082,210)	(82,578,579)	(206,082,210)	(82,578,579)
cost of goods sold - Manufactured	844,496,193	669,958,581	440,739,496	365,457,841
Cost of goods sold				
Purchased products	21,590,866	40,200,006	10,119,582	20,108,429
Cost of goods sold	866,087,059	710,158,587	450,859,078	385,566,270

12. 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:

	Six Months Ended 30 June		Quarter Ended 30 June	
	2010	2009	2010	2009
	Rupees			
12.1 Sales of goods				
Subsidiary	-	55,961,754	-	-
Associate	**13,496,953**	15,125,134	**6,105,766**	7,726,324
12.2 Contribution towards employees' benefits				
Staff provident fund	**6,188,959**	5,490,613	**3,179,394**	2,745,879
Employees' welfare trust	**649,450**	663,150	**328,100**	335,800

13. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the HNL authorized the financial statements for issuance on 19 August 2010.

14. GENERAL

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

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

14.3 Figures have been rounded off to the nearest rupee.

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 30 June 2010 Rupees	Audited 31 December 2009 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
20,000,000 (2009: 20,000,000) ordinary shares of Rupees 10 each		**200,000,000**	200,000,000
Issued, subscribed and paid up share capital		**165,277,431**	165,277,431
Reserves		**354,071,888**	362,493,924
		519,349,319	527,771,355
Surplus on revaluation of fixed assets		**191,432,047**	194,388,830
NON CURRENT LIABILITIES			
Long term loan - secured		**59,276,476**	39,411,790
Liabilities against assets subject to finance lease		**21,012,175**	31,142,604
Long term advances		**16,152,677**	15,389,470
Deferred liabilities		**177,757,090**	172,142,820
		274,198,418	258,086,684
CURRENT LIABILITIES			
Trade and other payables		**114,298,922**	135,845,355
Markup payable on secured loans		**16,330,599**	18,451,582
Short term bank borrowings - secured		**382,643,891**	562,307,831
Current portion of long term liabilities		**45,853,621**	49,188,950
		559,127,033	765,793,718
CONTINGENCIES AND COMMITMENTS	5		
		1,544,106,817	1,746,040,587

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 30 JUNE 2010

	Note	Un Audited 30 June 2010 Rupees	Audited 31 December 2009 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	**711,198,600**	712,626,994
Intangible assets	7	**61,220,612**	65,384,562
Long term deposits		**1,562,054**	1,562,054
		773,981,266	779,573,610
CURRENT ASSETS			
Stock in trade	8	**590,136,446**	700,501,429
Trade debts		**30,586,862**	27,137,276
Advances		**19,259,721**	57,251,158
Trade deposits and prepayments		**17,762,388**	9,861,099
Other receivables		**31,457,058**	64,949,665
Income tax - net		**69,722,428**	70,312,013
Cash and bank balances		**11,200,648**	36,454,337
		770,125,551	966,466,977
		1,544,106,817	1,746,040,587

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN AUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Six Months Ended		Quarter Ended	
		30 June 2010 Rupees	30 June 2009 Rupees	30 June 2010 Rupees	30 June 2009 Rupees
Sales-net	9	1,322,651,075	1,262,943,959	699,012,751	662,624,868
Cost of sales	10	866,087,059	797,484,978	450,859,078	400,154,459
Gross profit		456,564,016	465,458,981	248,153,673	262,470,409
Operating Expenses					
Distribution, selling and promotional		283,468,190	256,379,581	144,964,713	150,108,394
Administrative and general		80,888,024	85,063,257	44,170,057	44,429,749
Research and development		2,196,417	3,632,712	972,984	1,853,473
Other operating charges		4,314,978	5,099,455	3,307,618	3,453,205
		370,867,609	350,175,005	193,415,372	199,844,821
		85,696,407	115,283,976	54,738,301	62,625,588
Other operating income		5,971,120	7,992,417	3,177,024	3,058,956
		91,667,527	123,276,393	57,915,325	65,684,544
Finance cost		43,643,261	37,137,089	22,467,815	16,939,451
Profit before taxation		48,024,266	86,139,304	35,447,510	48,745,093
Taxation		18,082,952	9,832,113	11,401,828	5,417,499
Profit after taxation		29,941,314	76,307,191	24,045,682	43,327,594
Earnings per share - basic and diluted		1.81	4.62	1.45	2.62

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six Months Ended	
	30 June 2010 Rupees	30 June 2009 Rupees
Profit after tax for the period	**29,941,314**	**76,307,191**
Other comprehensive income	-	-
Comprehensive income transferred to equity	**29,941,314**	**76,307,191**

Surplus arising on 'revaluation of fixed assets' is presented under a separate head below equity as 'surplus on revaluation of assets' in accordance with the requirements specified by the Security and Exchange Commission of Pakistan (SECP) vide its S.R.O.45(I)/2003 dated 13 January 2003 and Companies Ordinance, 1984 respectively.

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN AUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six Months Ended	
	30 June 2010 Rupees	30 June 2009 Rupees
Cash flows from operating activities		
Profit before taxation	48,024,266	86,139,304
Add/(less): Adjustments for non-cash charges and other items		
Depreciation	31,463,552	30,934,125
Finance cost	43,643,261	37,137,089
Provision for defined benefit obligation	17,056,308	15,629,034
Amortization of intangible assets	4,564,542	4,558,869
Gain on sale of property, plant and equipment	(3,978,292)	(3,721,990)
Gain on sale of non current assets held for sale	-	(3,648,401)
Exchange loss	-	1,473,506
	92,749,371	82,362,232
Profit before working capital changes	140,773,637	168,501,536
Working capital changes		
(Increase)/decrease in current assets:		
Stock in trade	110,364,983	61,558,479
Trade debts	(3,229,225)	(18,285,588)
Advances	37,991,437	3,958,383
Trade deposits and prepayments	(7,901,289)	(386,391)
Other receivables	33,607,262	11,892,833
Increase/(decrease) in current liabilities		
Trade and other payables	(23,383,630)	(11,033,439)
	147,449,538	47,704,277
Cash generated from operations	288,223,175	216,205,813
Add/(less):		
Income taxes paid	(19,479,537)	(26,680,429)
Gratuity paid	(9,454,210)	(1,767,108)
Finance cost paid	(41,516,625)	(37,248,509)
Long term advances - net	(366,854)	2,544,871
Net cash from operating activities	217,405,949	153,054,638
Cash flows from investing activities		
Fixed capital expenditure	(31,584,776)	(33,513,950)
Intangible assets acquired	(400,566)	(643,982)
Sale proceeds of non current assets held for sale	-	17,061,990
Sale proceeds of fixed assets	8,982,884	9,755,829
Net cash used in investing activities	(23,002,458)	(7,340,113)
Cash flows from financing activities		
Proceed / (Repayment) of lease finance liabilities-net	(20,038,316)	(22,643,054)
Long term loan-net	19,864,686	(7,165,780)
Short term bank borrowing	(179,663,940)	(89,665,970)
Dividend paid	(39,819,610)	(40,593,721)
Net cash used in financing activities	(219,657,180)	(160,068,525)
Net (decrease) / increase in cash and cash equivalents	(25,253,689)	(14,354,000)
Cash and cash equivalents at beginning of the period	36,454,337	29,596,654
Cash and cash equivalents at end of the period	11,200,648	15,242,654

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2009	165,277,431	114,000,000	168,424,735	280,424,735	**447,702,166**
Final dividend @ Rs. 2.5 per share for year ended 31 December 2008	-	-	(41,319,358)	(41,319,358)	**(41,319,358)**
Incremental depreciation related to surplus on revalution of fixed assets - net of tax	-	-	3,285,314	3,285,314	**3,285,314**
Total comprehensive income for the period	-	-	76,307,191	76,307,191	**76,307,191**
Balance as at 30 June 2009	165,277,431	114,000,000	206,679,882	320,697,880	**485,975,313**
Balance as at 01 January 2010	165,277,431	114,000,000	248,493,924	362,493,924	**527,771,355**
Final dividend for the year ended 31 December 2009 @ Rs. 2.5 per share	-	-	(41,320,133)	(41,320,133)	**(41,320,133)**
Surplus on revaluation of fixed assets relating to incremental depreciation - net of tax	-	-	2,956,783	2,956,783	**2,956,783**
Profit for the period after taxation	-	-	29,941,314	29,941,314	**29,941,314**
Balance as at 30 June 2010	165,277,431	114,000,000	240,071,888	354,071,888	**519,349,319**

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

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

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. THE HIGHNOON GROUP AND ITS ACTIVITIES

The Highnoon Group comprises of Holding Company Highnoon Laboratories Limited ("HNL") and a wholly owned Subsidiary company Dynalog Services (Private) Limited ("DSL").

HNL was incorporated as a private limited company in Pakistan in the year 1984 under the Companies Ordinance, 1984 and converted into an unquoted public limited company in the year 1985. Its shares are quoted on all stock exchanges in Pakistan since November 1994. HNL is principally engaged in the manufacture,import and marketing of pharmaceutical and allied consumer products. The registered office of HNL is situate 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.

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

2. STATEMENT OF COMPLIANCE

2.1 This condensed interim financial report of the Group for the six months period ended 30 June 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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

3. BASIS OF PREPARATION

3.1 This interim condensed financial information does not include all the information a disclosures required in annual financial statements, and should be read in conjuncti with the Group's annual financial statements as at 31 December, 2009

3.2 The accounting policies adopted for the preparation of this interim condensed financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Group for the year ended 31 December 2009.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation are the same as those that applied to the consolidated financial statements for the year ended 31 December, 2009.

5. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of HNL aggregate to Rs. 7.120 million (31 December 2009 : Rs 4.620 million).

- 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 10.086 million (31 December 2009 :Rs.10.086) has been deposited under protest and is shown under other receivables.

Commitments:

	30 June 2010 (Rupees in thousand)	31 December 2009
Commitments against irrevocable letters of credit include:		
Plant and machinery	-	13,145
Raw materials	**94,950**	101,467
Packing materials	**7,106**	5,372
Finished goods	-	15,174

- Unutilized letters of guarantee facilities amounting to Rs. 12.880 million (31 December 2009: 15.380 million) are available to HNL under hypothecation of stocks and on present and future current assets and property, plant and equipment of HNL.

	Note	Un-Audited 30 June 2010 Rupees	Audited 31 December 2009 Rupees
6. PROPERTY, PLANT AND EQUIPMENT			
Operating Fixed assets (owned)		**564,959,296**	583,998,801
Operating fixed assets (leased)		**84,014,574**	91,429,641
Capital work-in-progress	6.1	**62,224,730**	37,198,552
		711,198,600	712,626,994
6.1 Capital work-in-progress			
Civil Works		**23,214,165**	14,351,222
Plant and machinery - owned		**22,751,768**	22,037,330
Advance for Capital expenditures		**16,258,797**	810,000
		62,224,730	37,198,552
7. INTANGIBLE ASSETS			
Operating intangible assets		**53,854,362**	58,018,312
Capital work-in-progress	7.1	**7,366,250**	7,366,250
		61,220,612	65,384,562

7.1 This represents advance against ERP system implementation in progress.

8. STOCK IN TRADE

	Un-Audited 30 June 2010 Rupees	Audited 31 December 2009 Rupees
Raw materials		
In hand	200,983,351	324,499,826
In transit	49,222,582	29,093,840
With third party	-	102,088
	250,205,933	353,695,754
Packing material		
In hand	57,411,396	59,026,642
In transit	253,325	3,049,172
With third party	1,349,557	554,949
	59,014,278	62,630,763
Work in process	42,823,526	49,560,198
Finished goods		
In hand	238,092,709	231,697,471
In transit	-	1,755,562
With third party	-	1,161,681
	238,092,709	234,614,714
	590,136,446	700,501,429

9. SALES - net

	Six Months Ended 30 June		Quarter Ended 30 June	
	2010	2009	2010	2009
	Rupees			
Manufactured products				
Local	1,322,998,859	1,224,672,008	699,317,683	702,785,814
Export	60,484,763	39,739,867	32,143,250	18,767,130
	1,383,483,622	1,264,411,875	731,460,933	721,552,944
Sales compensation	-	9,529,188	-	-
Purchased products-Local	34,571,297	72,313,123	16,594,925	(11,575,342)
Third Party (toll manufacturing)	30,556,180	24,967,843	15,976,352	13,990,215
	1,448,611,099	1,371,222,029	764,032,210	723,967,817
Less: Discount	125,789,833	107,624,565	64,930,518	61,182,046
Sales tax	170,191	653,505	88,941	160,903
	125,960,024	108,278,070	65,019,459	61,342,949
	1,322,651,075	1,262,943,959	699,012,751	662,624,868

10. COST OF SALES

	Six Months Ended 30 June		Quarter Ended 30 June	
	2010	2009	2010	2009
	Rupees			
Opening Stock of finished goods (excluding purchased products)	186,894,949	164,223,114	191,416,468	121,327,396
Cost of goods sold - manufactured	863,683,454	659,566,377	455,405,238	326,298,767
	1,050,578,403	823,789,491	646,821,706	447,626,163
Closing stock of finished goods	(206,082,210)	(82,578,579)	(206,082,210)	(82,578,579)
cost of goods sold - Manufactured	844,496,193	741,210,912	440,739,496	365,047,584
Cost of goods sold Purchased products	21,590,866	56,274,066	10,119,582	35,106,874
Cost of goods sold	866,087,059	797,484,978	450,859,078	400,154,458

RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprises, 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 as stated below:

	Six Months Ended 30 June		Quarter Ended 30 June	
	2010	2009	2010	2009
	Rupees			
11.1 Sales of goods				
Subsidiary	-	55,961,754	-	-
Associate	**13,496,953**	15,125,134	**6,105,766**	7,726,324
11.2 Contribution towards employees' benefits				
Staff provident fund	**6,188,959**	5,490,613	**3,179,394**	2,745,879
Employees' welfare trust	**649,450**	663,150	**328,100**	335,800

12. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the HNL authorized the financial statements for issuance on 19 August 2010.

13. GENERAL

13.1 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.

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

13.3 Figures have been rounded off to the nearest rupee.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

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