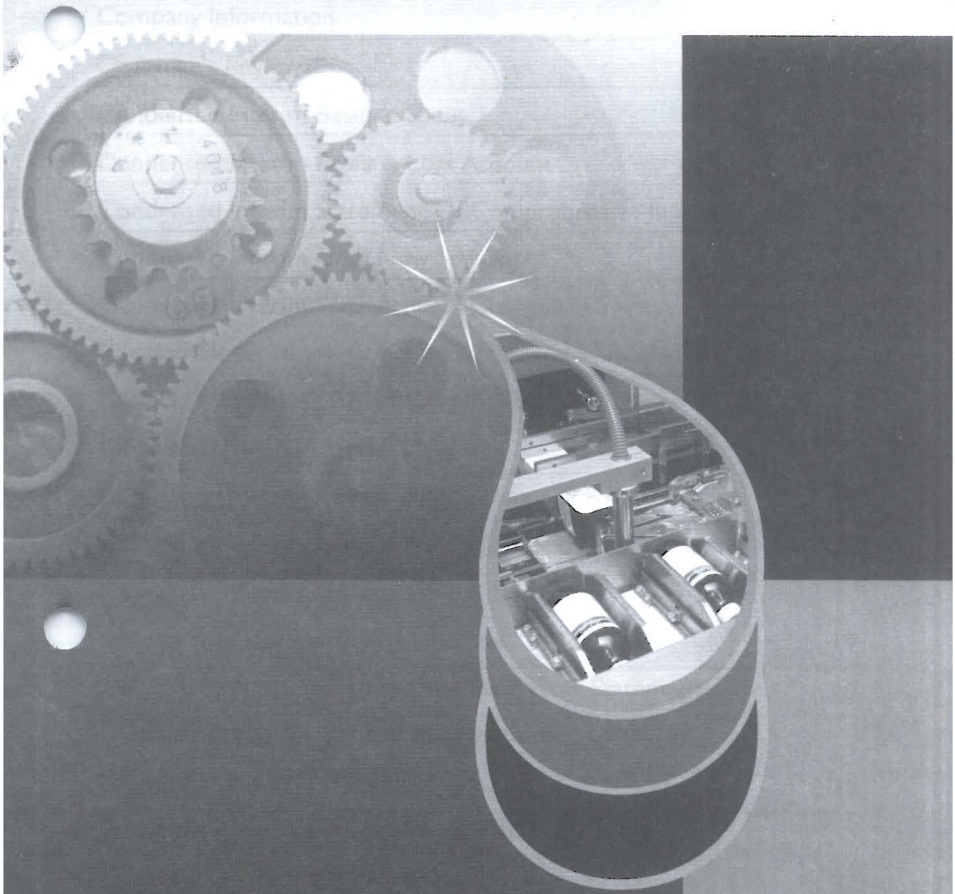
HIGHNOON LABORATORIES LIMITED

Quarterly Report

Q3 2010



Highnoon for a Healthier Nation

Contents

Vision & Mission	1
Company Information	2
Chairman's Review	3
Condensed Interim Balance Sheet	4
Condensed Interim Profit & Loss Account	6
Condensed Interim Statement Of Comprehensive Income	7
Condensed Interim Cash Flow Statement	8
Condensed Interim Statement Of Changes In Equity	9
Selected Notes to the Condensed Interim Financial Information	10
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION	
Condensed Interim Consolidated Balance Sheet	16
Condensed Interim Consolidated Profit and Loss Account	18
Condensed Interim Consolidated Statement of Comprehensive Income	19
Condensed Interim Consolidated Cash Flow Statement	20
Condensed Interim Consolidated Statement Of Changes In Equity	21
Selected Notes to the Condensed Interim Consolidated Financial Information	22

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. Tausif Ahmad Khan
(Chairman)

Mr. Anees Ahmad Khan
(Vice Chairman)

Mr. Aslam Hafiz
(Chief Executive Officer)

Mr. Ghulam Hussain Khan
Mian Muhammad Ashraf
Mr. Taufiq Ahmad Khan
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

The entire Highnoon family is under unfathomable grief over the sad demise of its head and founder chairman Mr. JawaidTariq Khan. We pray that his soul rest in eternal peace. Although he is not among us now, but he has left with us his unshaken commitment and dedication to give reality to his dream of making Highnoon a world-class company.

I now present the financial statements of the company as well as of the group for the nine months ended 30 September 2010 on behalf of the Board of Directors.

The Company has generated net sales revenue of Rs. 1,943.28 million during the period under review compared to Rs. 1,720.21 million in the corresponding period last year.The net sales revenue grew by 13% compared to corresponding period last year.The growth momentum of the company in the third quarter has been hit hard by most destructive flood of the country's history which has destroyed the infrastructure on large scale and paralyzed the economic activities in effected areas.

Gross profit for the period increased to Rs. 669.25 million compared to Rs. 626.92 million in corresponding period last year. Gross profit margin shrank to 34.4% from 36.4% in corresponding period last year as a result of high inflation and continued rupee devaluation against major currencies. The above woes, worsening energy situation and price control mechanism are endangering the Industry and supply of life saving drugs.

Distribution selling and promotional expenses increased by 9.7% 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.

Finance cost increased by 21.2% comparing corresponding period last year. The increase is attributable to upward revision of discount rate made twice since end of corresponding period last year by State Bank of Pakistan ignoring the prevailing depressed economic environment. The finance cost also increased partially due to additional long term financing need to finance the acquisition of Blokium trade mark.

Profit before taxation decline slightly by 2.1 % compared to corresponding period last year as a consequence of factors explained above. A larger decline in profitability was mitigated to a large extent by increased sales volume, introduction of new product, focus on exports and bringing a new regime of identifying and controlling cost.

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: 25 October 2010

Tausif Ahmad Khan
Chairman

CONDENSED INTERIM BALANCE SHEET

	Note	Un Audited 30 September 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		**371,433,550**	363,511,815
		536,710,981	528,789,246
Surplus on revaluation of fixed assets		**189,953,654**	194,388,830
NON CURRENT LIABILITIES			
Long term loan - secured		**112,773,609**	39,411,790
Liabilities against assets subject to finance lease		**14,361,213**	31,142,604
Long term advances		**20,239,772**	15,389,470
Deferred liabilities		**183,624,377**	172,142,820
		330,998,971	258,086,684
CURRENT LIABILITIES			
Trade and other payables		**132,900,118**	135,493,321
Mark-up payable on secured loans		**17,844,569**	18,451,582
Short term bank borrowings - secured		**411,847,127**	562,307,831
Current portion of long term liabilities		**70,686,310**	49,188,950
		633,278,124	765,441,684
CONTINGENCIES AND COMMITMENTS	6		
		1,690,941,730	1,746,706,444

The annexed notes from 1 to 14 form an integral part of these financial statements.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 30 SEPTEMBER 2010

	Note	Un Audited 30 September 2010 Rupees	Audited 31 December 2009 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	**712,166,871**	720,546,311
Intangible assets	8	**126,019,109**	58,018,312
		838,185,980	778,564,623
Long term deposits		**1,562,054**	1,562,054
CURRENT ASSETS			
Stock in trade	9	**622,242,817**	700,501,529
Trade debts	10	**54,770,657**	36,988,293
Advances, deposits and prepayments		**49,311,765**	65,596,825
Other receivables		**29,685,596**	63,909,515
Income tax - net		**78,634,002**	64,021,029
Cash and bank balances		**16,548,859**	35,202,676
		851,193,696	966,579,767
		1,690,941,730	1,746,706,444

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Note	Nine Months Ended		Quarter Ended	
		30 September 2010 Rupees	30 September 2009 Rupees	**30 September 2010** Rupees	30 September 2009 Rupees
Sales-net	11	**1,943,276,198**	1,720,211,952	**620,625,124**	604,078,410
Cost of sales	12	**1,274,026,930**	1,093,295,276	**407,939,871**	383,136,689
Gross profit		**669,249,268**	626,916,676	**212,685,253**	220,941,721
Operating Expenses					
Distribution, selling and promotional		**410,080,376**	373,915,883	**126,612,186**	126,207,043
Administrative and general		**119,596,615**	118,567,596	**39,153,860**	40,847,330
Research and development		**3,158,698**	5,426,738	**962,281**	1,794,026
Other operating charges		**7,353,259**	9,641,214	**3,038,280**	4,541,758
		540,188,948	507,551,431	**169,766,607**	173,390,157
		129,060,320	119,365,245	**42,918,646**	47,551,564
Other operating income		**6,095,107**	5,639,675	**123,987**	1,295,659
Operating profit		**135,155,427**	125,004,920	**43,042,633**	48,847,223
Finance cost		**66,368,409**	54,755,107	**22,725,149**	19,262,691
Profit before taxation		**68,787,018**	70,249,813	**20,317,484**	29,582,532
Taxation		**23,980,325**	21,209,284	**5,897,372**	11,377,171
Profit after taxation		**44,806,693**	49,040,529	**14,420,112**	18,207,361
Earnings per share - basic and diluted		**2.71**	2.97	**0.87**	1.10

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 NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine Months Ended	
	30 September 2010 Rupees	30 September 2009 Rupees
Profit after tax for the period	**44,806,693**	**49,040,529**
Other comprehensive income	-	-
Comprehensive income transferred to equity	**44,806,693**	**49,040,529**

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.

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 NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine Months Ended	
	30 September 2010 Rupees	30 September 2009 Rupees
Cash flows from operating activities		
Profit before taxation	**68,787,018**	70,249,813
Add/(less): Adjustments for non-cash charges and other items		
Depreciation	**47,338,262**	47,655,574
Amortization of intangible assets	**8,763,791**	6,838,303
Gain on sale of property, plant and equipment	**(3,978,292)**	(4,860,087)
Exchange loss	**-**	3,317,988
Provision for defined benefit obligation	**25,584,462**	21,693,577
Finance cost	**66,368,409**	54,755,107
	144,076,632	129,400,462
Profit before working capital changes	**212,863,650**	199,650,275
Working capital changes		
(Increase)/decrease in current assets:		
Stock in trade	**78,258,612**	(214,450,152)
Trade debts	**(17,782,364)**	80,488,748
Advances deposits and prepayments	**16,645,061**	(50,143,184)
Other receivables	**34,223,919**	33,954,320
Increase/(decrease) in current liabilities		
Trade and other payables	**(4,079,328)**	88,016,947
	107,265,900	(62,133,321)
Cash generated from operations	**320,129,551**	137,516,954
Add/(less):		
Taxes paid	**(40,581,127)**	(44,950,838)
Gratuity paid	**(12,115,077)**	(1,767,108)
Finance cost paid	**(60,906,688)**	(47,457,091)
Long term advances - net	**4,982,981**	3,089,186
Net cash from operating activities	**211,509,640**	46,431,103
Cash flows from investing activities		
Fixed capital expenditure	**(40,508,443)**	(25,243,722)
Intangible assets acquired	**(76,764,588)**	(643,982)
Sale proceeds of fixed assets	**8,982,910**	14,219,338
Net cash used in investing activities	**(108,290,121)**	(11,668,366)
Cash flows from financing activities		
Proceed / (Repayment) of lease finance liabilities-net	**(30,641,153)**	(34,399,516)
Repayment of long term liabilities	**-**	(6,553,850)
Long term loan-net	**99,062,529**	(10,748,670)
Short term bank borrowing	**(150,460,704)**	58,933,630
Dividend paid	**(39,834,008)**	(40,823,013)
Net cash used in financing activities	**(121,873,336)**	(33,591,419)
Net (decrease) / increase in cash and cash equivalents	**(18,653,817)**	1,171,319
Cash and cash equivalents at beginning of the period	**35,202,676**	7,177,884
Cash and cash equivalents at end of the period	**16,548,859**	8,349,202

'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 NINE MONTHS ENDED 30 SEPTEMBER 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
Current year incremental depreciation - net of tax	-	-	4,927,972	4,927,972	4,927,972
Total comprehensive income for the period	-	-	49,040,529	49,040,529	49,040,529
	165,277,431	114,000,000	272,769,758	386,769,758	552,047,189
Final dividend for the year ended 31 December 2008 @ Rs. 2.5 per share	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Balance as at 30 September 2009	165,277,431	114,000,000	231,450,400	345,450,400	510,727,831
Balance as at 01 January 2010	165,277,431	114,000,000	249,511,815	363,511,815	528,789,246
Current year incremental depreciation - net of tax	-	-	4,435,175	4,435,175	4,435,175
Total comprehensive income for the period	-	-	44,806,693	44,806,693	44,806,693
	165,277,431	114,000,000	298,753,683	412,753,683	578,031,114
Final dividend for the year ended 31 December 2009 @ Rs. 2.5 per share	-	-	(41,320,133)	(41,320,133)	(41,320,133)
Balance as at 30 September 2010	**165,277,431**	**114,000,000**	**257,433,550**	**371,433,550**	**536,710,981**

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 NINE MONTHS ENDED 30 SEPTEMBER 2010 (UN-AUDITED)

1. 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

This condensed interim financial information in being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and is un-audited and being presented in accordance with the requirements of the international Accounting Standard "IAS-34 ((Interim Financial Reporting)". In case where requirements differ, the provision of or directive issued under the Companies Ordinance, 1984 have been followed.

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 annual audited financial statements for the year ended 31 December 2009.

5. SIGNIFICANT ACCOUNTING POLICIES

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

6. CONTINGENCIESAND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of the Company aggregate to Rs. 4.620 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:

Commitments against irrevocable letters of credit include:

	30 September 2010	31 December 2009
	(Rupees in thousand)	
Plant and machinery	-	13,145
Raw materials	**152,751**	101,467
Packing materials	**13,289**	5,372
Finished goods	**22,821**	15,174

	Un-Audited 30 September 2010 Rupees	Audited 31 December 2009 Rupees
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (owned)	**556,828,574**	584,551,868
Operating fixed assets (leased)	**79,824,078**	91,429,641
Capital work-in-progress	**75,514,219**	44,564,802
	712,166,871	720,546,311
8. INTANGIBLE ASSETS		
Net book value at the beginning of the period	**58,018,312**	66,492,067
Additions during the period	**76,764,588**	643,982
Amortization charged during the period	**(8,763,791)**	(9,117,737)
Net book value at the end of the period	**126,019,109**	58,018,312

9. STOCK IN TRADE

	Note	Un-Audited 30 September 2010 Rupees	Audited 31 December 2009 Rupees
Raw materials			
In hand		**272,385,647**	324,499,826
In transit		**52,550,483**	29,093,840
With third party		**-**	102,088
		324,936,130	353,695,754
Packing material			
In hand		**65,795,237**	59,026,642
In transit		**1,609,633**	3,049,172
With third party		**1,126,017**	554,949
		68,530,887	62,630,763
Work in process		**45,403,615**	49,560,198
Finished goods			
In hand		**183,372,185**	231,697,471
In transit		**-**	1,755,562
With third party		**-**	1,161,681
		183,372,185	234,614,714
		622,242,817	700,501,429

10. TRADE DEBTS - Considered good

Secured - against letters of credit		**15,114,991**	8,203,439
Unsecured			
Due from related parties			
Subsidiary - Dynalog Services (Private) Limited	10.1	**14,387,770**	20,853,421
Associated - Route - 2 health (Private) Limited	10.1	**4,149,855**	-
		18,537,625	20,853,421
Others		**32,527,175**	19,340,567
Less: Provision for doubtful debts		**(11,409,134)**	(11,409,134)
		54,770,657	36,988,293

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

11. SALES - net

	Nine Months Ended 30 September 2010	Nine Months Ended 30 September 2009	Quarter Ended 30 September 2010	Quarter Ended 30 September 2009
	---------- Rupees ----------			
Manufactured products				
Local	1,931,521,983	1,672,737,060	608,523,124	582,688,240
Export	94,172,145	69,337,734	33,687,382	29,599,867
	2,025,694,128	1,742,074,794	642,210,506	612,286,107
Sales compensation	-	9,529,188	-	-
Purchased products-Local	50,184,762	92,906,166	15,613,465	31,837,590
Third Party (toll manufacturing)	51,955,181	40,091,416	21,399,001	15,123,573
	2,127,834,071	1,884,601,564	679,222,972	659,249,270
Less: Discount	184,298,036	164,389,612	58,508,202	55,559,400
Sales tax	259,837	-	89,646	(388,540)
	184,557,873	164,389,612	58,597,848	55,170,860
	1,943,276,198	1,720,211,952	620,625,124	604,078,410

12. COST OF SALES

	Nine Months Ended 30 September		Quarter Ended 30 September	
	2010	2009	2010	2009
	Rupees			
Opening Stock of finished goods (excluding purchased products)	186,894,949	92,970,783	206,082,210	82,578,579
Cost of goods sold - manufactured	1,224,682,220	1,030,623,844	360,998,766	371,066,467
	1,411,577,169	1,123,603,627	567,080,976	453,645,046
Closing stock of finished goods	(168,388,876)	(100,397,570)	(168,388,876)	(100,397,570)
cost of goods sold - Manufactured	1,243,188,293	1,023,206,057	398,692,100	353,247,476
Cost of goods sold- Purchased products	30,838,637	70,089,219	9,247,771	29,889,213
Cost of goods sold	1,274,026,930	1,093,295,276	407,939,871	383,136,689

13. RELATED PARTY TRANSACTIONS

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

	Nine Months Ended 30 September		Quarter Ended 30 September	
	2010	2009	2010	2009
	Rupees			
13.1 Sales of goods				
Associate	**19,052,794**	21,543,604	**5,555,841**	6,419,000
13.2 Contribution towards employees' benefits				
Staff provident fund	**9,147,362**	8,305,000	**2,958,403**	2,814,000
Employees' welfare trust	**941,500**	999,000	**292,050**	336,000

14. GENERAL

14.1 The Board of Directors of the Company authorized the condensed interim financial information for issue on 25th October 2010.

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

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

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 September 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		**369,970,391**	362,493,924
		535,247,822	527,771,355
Surplus on revaluation of fixed assets		**189,953,654**	194,388,830
NON CURRENT LIABILITIES			
Long term loan - secured		**112,773,609**	39,411,790
Liabilities against assets subject to finance lease		**14,361,213**	31,142,604
Long term advances		**20,239,772**	15,389,470
Deferred liabilities		**183,624,377**	172,142,820
		330,998,971	258,086,684
CURRENT LIABILITIES			
Trade and other payables		**133,282,605**	135,845,355
Markup payable on secured loans		**17,844,569**	18,451,582
Short term bank borrowings - secured		**411,847,127**	562,307,831
Current portion of long term liabilities		**70,686,310**	49,188,950
		633,660,611	765,793,718
CONTINGENCIES AND COMMITMENTS	6		
		1,689,861,058	1,746,040,587

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 SEPTEMBER 2010

	Note	Un Audited 30 September 2010 Rupees	Audited 31 December 2009 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	**711,613,804**	719,993,244
Intangible assets	8	**126,019,109**	58,018,312
		837,632,913	778,011,556
Long term deposits		**1,562,054**	1,562,054
CURRENT ASSETS			
Stock in trade	9	**622,242,817**	700,501,429
Trade debts	10	**50,252,774**	27,137,276
Advances, deposits and prepayments		**49,899,378**	67,112,257
Other receivables		**30,904,623**	64,949,665
Income tax - net		**79,821,408**	70,312,013
Cash and bank balances		**17,545,091**	36,454,337
		850,666,091	966,466,977
		1,689,861,058	1,746,040,587

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Note	Nine Months Ended		Quarter Ended	
		30 September 2010 Rupees	30 September 2009 Rupees	**30 September 2010** Rupees	30 September 2009 Rupees
Sales-net	11	**1,943,276,198**	1,867,020,368	**620,625,124**	604,076,409
Cost of sales	12	**1,274,026,930**	1,180,621,667	**407,939,871**	383,136,689
Gross profit		**669,249,268**	686,398,701	**212,685,253**	220,939,720
Operating Expenses					
Distribution, selling and promotional		**410,080,376**	383,278,916	**126,612,186**	126,899,635
Administrative and general		**120,041,883**	125,964,983	**39,599,129**	40,901,726
Research and development		**3,158,698**	5,426,738	**962,281**	1,794,426
Other operating charges		**7,353,259**	9,641,514	**3,038,280**	4,542,359
		540,634,216	524,312,151	**170,211,876**	174,138,146
		128,615,052	162,086,549	**42,473,377**	46,801,573
Other operating income		**6,095,107**	9,197,427	**123,987**	1,205,010
Operating profit		**134,710,159**	171,283,976	**42,597,364**	48,006,583
Finance cost		**66,368,409**	56,399,780	**22,725,149**	19,262,691
Profit before taxation		**68,341,750**	114,884,196	**19,872,215**	28,743892
Taxation		**23,980,325**	21,209,284	**5,897,372**	11,377,171
Profit after taxation		**44,361,425**	93,674,912	**13,974,843**	17,366,721
Earnings per share - basic and diluted		**2.68**	5.67	**0.85**	1.05

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 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine Months Ended	
	30 September 2010 Rupees	30 September 2009 Rupees
Profit after tax for the period	**44,361,425**	93,674,912
Other comprehensive income	-	-
Comprehensive income transferred to equity	**44,361,425**	93,674,912

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.

'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 CONSOLIDATED CASH FLOW STATEMENT (UN AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine Months Ended	
	30 September 2010	30 September 2009
	Rupees	Rupees
Cash flows from operating activities		
Profit before taxation	**68,341,750**	114,884,196
Add/(less): Adjustments for non-cash charges and other items		
Depreciation	**47,338,262**	47,655,574
Amortization of intangible assets	**8,763,791**	6,838,303
Gain on sale of property, plant and equipment	**(3,978,292)**	(4,860,087)
Gain on sale of non current assets held for sale	**-**	(699,317)
Exchange loss	**-**	3,317,988
Provision for defined benefit obligation	**25,584,462**	21,693,577
Finance cost	**66,368,409**	56,399,780
	144,076,632	130,345,818
Profit before working capital changes	**212,418,382**	245,230,014
Working capital changes		
(Increase)/decrease in current assets:		
Stock in trade	**78,258,612**	(133,900,563)
Trade debts	**(23,115,498)**	5,364,150
Advances deposits and prepayments	**17,212,880**	(12,549,493)
Other receivables	**34,045,042**	19,933,580
Increase/(decrease) in current liabilities		
Trade and other payables	**(4,048,875)**	78,881,863
	102,352,161	(42,270,463)
Cash generated from operations	**314,770,543**	202,959,551
Add/(less):		
Income taxes paid	**(35,477,549)**	(47,806,227)
Gratuity paid	**(12,115,077)**	(1,767,108)
Finance cost paid	**(60,906,688)**	(52,253,113)
Long term advances - net	**4,982,981**	3,089,186
Net cash from operating activities	**211,254,209**	104,222,289
Cash flows from investing activities		
Fixed capital expenditure	**(40,508,443)**	(25,243,722)
Intangible assets acquired	**(76,764,588)**	(643,982)
Sale proceeds of non current assets held for sale	**-**	14,246,557
Sale proceeds of fixed assets	**8,982,910**	14,219,338
Net cash used in investing activities	**(108,290,121)**	2,578,191
Cash flows from financing activities		
Proceed / (Repayment) of lease finance liabilities-net	**(30,641,152)**	(37,462,607)
Repayment of long term liabilities	**-**	(6,553,850)
Long term loan-net	**99,062,529**	(10,748,670)
Short term bank borrowing	**(150,460,704)**	(31,069,099)
Dividend paid	**(39,834,008)**	(40,823,013)
Net cash used in financing activities	**(121,873,335)**	(126,657,239)
Net decrease in cash and cash equivalents	**(18,909,246)**	(19,856,759)
Cash and cash equivalents at beginning of the period	**36,454,337**	29,596,654
Cash and cash equivalents at end of the period	**17,545,091**	9,739,895

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 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	282,424,735	447,702,166
Current year incremental depreciation - net of tax	-	-	4,927,972	4,927,972	4,927,972
Total comprehensive income for the period	-	-	93,674912	93,674912	93,674912
	165,277,431	114,000,000	267,027,619	381,027,619	546,305,050
Final dividend for the year ended 31 December 2008 @ Rs. 2.5 per share	-	-	(41,319,358)	(41,319,358)	(41,319,358)
Balance as at 30 September 2009	165,277,431	114,000,000	225,708,261	339,708,261	504,985,692
Balance as at 01 January 2010	165,277,431	114,000,000	248,493,924	362,493,924	**527,771,355**
Current year incremental depreciation - net of tax	-	-	4,435,175	4,435,175	**4,435,175**
Total comprehensive income for the period	-	-	44,361,425	44,361,425	**44,361,425**
	165,277,431	114,000,000	297,290,524	411,290,524	**576,567,955**
Final dividend for the year ended 31 December 2009 @ Rs. 2.5 per share	-	-	(41,320,133)	(41,320,133)	**(41,320,133)**
Balance as at 30 September 2010	165,277,431	114,000,000	255,970,391	369,970,391	**535,247,822**

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 CONSOLIDATED FINANCIAL INFORMATION (UN AUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

1. THE HIGHNOON GROUP AND ITS ACTIVITIES

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

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.

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 the Company 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 statement 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

This condensed interim financial information of the Group in being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and is un-audited and being presented in accordance with the requirements of the international Accounting Standard "IAS-34 ((Interim Financial Reporting)". In case where requirements differ, the provision of or directive issued under the Companies Ordinance, 1984 have been followed.

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

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim consolidated financial information are the same as those applied in preparation of the annual audited financial statements of the Group for the period ended 31 December 2009.

6. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of HNL aggregate to Rs. 4.620 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:

HNL Commitments against irrevocable letters of credit include:

	30 September 2010	31 December 2009
	(Rupees in thousand)	
Plant and machinery	**-**	13,145
Raw materials	**152,751**	101,467
Packing materials	**13,289**	5,372
Finished goods	**22,821**	15,174

7. PROPERTY, PLANT AND EQUIPMENT

	Un-Audited	**Audited**
	30 September 2010	31 December 2009
	Rupees	Rupees
Operating Fixed assets (owned)	**556,275,507**	583,998,801
Operating fixed assets (leased)	**79,824,078**	91,429,641
Capital work-in-progress	**75,514,219**	44,564,802
	711,613,804	719,993,244

8. INTANGIBLE ASSETS

Net book value at the beginning of the period	**58,018,312**	66,492,067
Additions during the period	**76,764,588**	643,982
Amortization charged during the period	**(8,763,791)**	(9,117,737)
Net book value at the end of the period	**126,019,109**	58,018,312

9. STOCK IN TRADE

	Note	Un-Audited 30 September 2010 Rupees	Audited 31 December 2009 Rupees
Raw materials			
In hand		**272,385,647**	324,499,826
In transit		**52,550,483**	29,093,840
With third party		**-**	102,088
		324,936,130	353,695,754
Packing material			
In hand		**65,795,237**	59,026,642
In transit		**1,609,633**	3,049,172
With third party		**1,126,017**	554,949
		68,530,887	62,630,763
Work in process		**45,403,615**	49,560,198
Finished goods			
In hand		**183,372,185**	231,697,471
In transit		**-**	1,755,562
With third party		**-**	1,161,681
		183,372,185	234,614,714
		622,242,817	700,501,429

10. TRADE DEBTS - Considered good

Secured - against letters of credit		**15,114,991**	8,203,439
Unsecured			
Due from related parties			
Associated - Route - 2 health (Private) Limited	10.1	**4,149,855**	-
Others		**31,527,175**	19,473,084
Less: Provision for doubtful debts		**(539,247)**	(539,247)
		50,252,774	27,137,276

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

11. SALES - net

	Nine Months Ended 30 September		Quarter Ended 30 September	
	2010	2009	2010	2009
	---------- Rupees ----------		---------- Rupees ----------	
Manufactured products				
Local	**1,931,521,983**	1,807,360,248	**608,523,124**	582,688,240
Export	**94,172,145**	69,337,734	**33,687,382**	29,597,867
	2,025,694,128	1,876,697,982	**642,210,506**	612,286,107
Sales compensation	**-**	9,529,188	**-**	-
Purchased products-Local	**50,184,762**	104,150,713	**15,613,465**	31,837,590
Third Party (toll manufacturing)	**51,955,181**	40,091,416	**21,399,001**	15,123,573
	2,127,834,071	2,030,469,299	**679,222,972**	659,247,270
Less: Discount	**184,298,036**	163,183,966	**58,508,202**	55,559,401
Sales tax	**259,837**	264,965	**89,646**	(388,540)
	184,557,873	163,448,931	**58,597,848**	55,170,861
	1,943,276,198	1,867,020,368	**620,625,124**	604,076,409

12. COST OF SALES

	Nine Months Ended 30 September 2010	2009	Quarter Ended 30 September 2010	2009
	Rupees			
Opening Stock of finished goods (excluding purchased products)	**186,894,949**	164,223,114	**206,082,210**	82,578,579
Cost of goods manufactured	**1,224,682,220**	1,030,632,844	**360,998,766**	371,066,467
	1,411,577,169	1,194,855,958	**567,080,976**	453,645,046
Closing stock of finished goods	**(168,388,876)**	(169,797,943)	**(168,388,876)**	(169,797,943)
Cost of goods sold - Manufactured	**1,243,188,293**	1,025,058,015	**398,692,100**	283,847,104
Cost of goods sold - purchased products	**30,838,637**	155,563,652	**9,247,771**	99,289,586
Cost of goods sold	**1,274,026,930**	1,180,621,667	**407,939,871**	383,136,689

13. 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:

	Nine Months Ended 30 September 2010	2009	Quarter Ended 30 September 2010	2009
	Rupees			
13.1 Sales of goods				
Associate	**19,052,794**	21,543,604	**5,555,841**	6,419,000
13.2 Contribution towards employees' benefits				
Staff provident fund	**9,147,362**	8,305,000	**2,958,403**	2,814,000
Employees' welfare trust	**941,500**	999,000	**292,050**	336,000

14. GENERAL

14.1 The Board of Directors of HNL authorized the condensed interim consolidated financial information for issue on 25th October 2010.

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

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

BOOK
POST

HIGHNOON LABORATORIES LIMITED
17.5 Kilometer Multan Road, Lahore - 53700, Pakistan
UAN: 111 000 465 Fax: +92 (42) 3751 0037
www.highnoon-labs.com