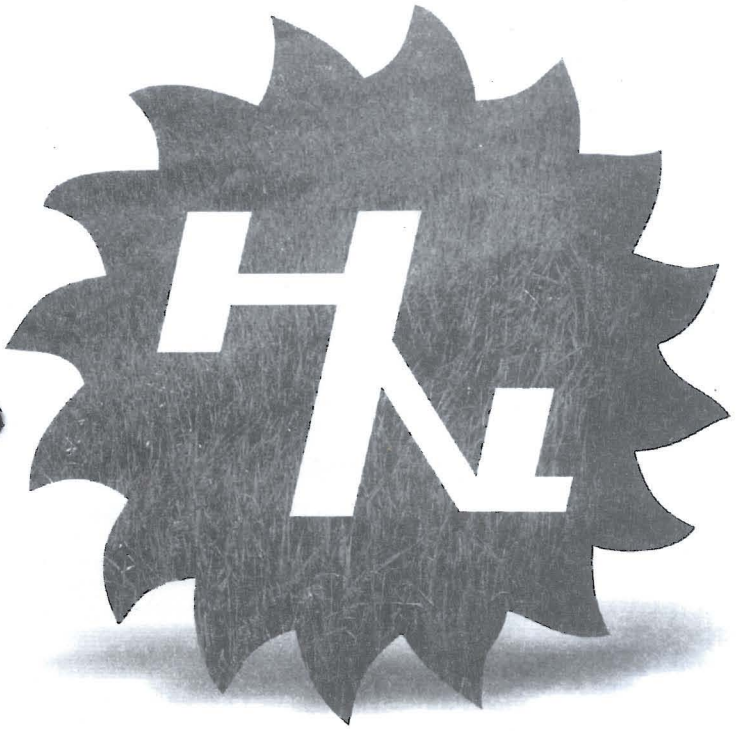


HIGHNOON LABORATORIES LIMITED

Quarterly Report 2011

Q1

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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. Tausif Ahmad Khan
(Chairman)

Mr. Anees Ahmad Khan
(Vice Chairman)

Mr. Aslam Hafiz
(Chief Executive Officer)

Mr. Ghulam Husssain Khan
Mian Muhammad Ashraf
Mr. Taufiq Ahmed Khan
Mrs. Nosheen Riaz Khan
Mrs. Zainub Abbas

Chief Financial Officer

Mr. Javed Hussain
Tel: +92 (42) 37511953
Email: javed@highnoon.com.pk

Company Secretary

Mr. Khadim Hussain Mirza
Tel: +92 (42) 37510036
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: 111 000 465
Fax: +92 (42) 37510037
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) 35839182, 35887262
Fax: +92 (42) 35869637

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, it is my pleasure to present the financial statements of the Company as well as of the group for the quarter ended 31 March 2011.

The Company increased its net sales revenue to Rs. 656.895 million during the period under review compared to Rs. 623.638 million during the previous year. Gross profit for the period increased to Rs. 232.866 million from Rs. 216.070 million and gross profit as a percentage of sales increased to 35.45% from 34.65%. As a result of efficiency improvements, profit before tax increased by 32 % despite increase in . of goods arising from weakening of the Pakistani Rupee. The devaluation impact was neutralized through continued improvement in sales mix and procurement efficiencies that helped increase company's gross margins.

The Company has adopted aggressive marketing initiatives to achieve higher sales growth. The key strategy areas are to enter the fast growing therapeutic segments, expand customer coverage and increase export business. Company's Research and Development direction is to keep on enlarging the product portfolio by introducing newer therapies.

On behalf of the Board, I express my sincere gratitude to the Shareholders, Doctors, Pharmacist, Consumers, Business partners and the Bankers for their support and trust in our products. The Board also recognizes the efforts of the Management team and the Highnoon family for their commitment with Highnoon.

For & On behalf of the Board

Lahore: 22 April 2011

Tausif Ahmed Khan
Chairman

CONDENSED INTERIM BALANCE SHEET

	Note	Un Audited 31 March 2011	Audited 31 December 2010
		---------- (Rupees) ----------	
LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
Ordinary shares of Rs. 10 each 20,000,000 (2010: 20,000,000)		**200,000,000**	200,000,000
Share capital		**165,277,431**	165,277,4[illegible]
Reserves		**377,960,071**	358,856,438
		543,237,502	524,133,869
Surplus on revaluation of fixed assets		**187,144,712**	188,475,264
NON CURRENT LIABILITIES			
Long term loan - secured		**89,375,763**	99,946,763
Liabilities against assets subject to finance lease		**13,059,104**	27,903,144
Long term advances		**11,199,066**	10,588,988
Deferred liabilities		**256,610,482**	249,517,280
		370,244,415	387,956,175
CURRENT LIABILITIES			
Trade and other payables		**140,964,045**	120,440,822
Markup payable on secured loans		**16,594,286**	20,544,406
Short term bank borrowings - secured		**428,980,005**	433,152,102
Current portion of long term liabilities		**76,655,885**	66,266,257
		663,194,221	640,403,587
CONTINGENCIES AND COMMITMENTS	6		
		1,763,820,850	1,740,968,895

The annexed notes from 1 to 10 form an integral part of this condensed interim financial information.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 31 MARCH 2011

	Note	Un Audited 31 March 2011	Audited 31 December 2010
		---------- (Rupees) ----------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	**700,152,343**	710,421,269
Intangible assets		**124,269,152**	129,099,156
Long term investment		**-**	-
Long term deposits		**1,562,054**	1,562,054
		824,421,495	841,082,479
CURRENT ASSETS			
Stock in trade		**697,035,773**	640,844,633
Trade debts		**51,276,703**	43,544,080
Advances, deposits and prepayments		**41,691,966**	33,714,141
Other receivables		**13,768,999**	21,586,681
Income tax - net		**100,761,723**	96,865,390
Cash and bank balances		**33,302,137**	63,331,491
		937,837,301	899,886,416
		1,763,820,850	1,740,968,895

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the first quarter ended 31 March 2011

	Note	First Quarter Ended 31 March 2011	2010
		---------- (Rupees) ----------	
Sales-net	8	**656,895,246**	623,638,324
Cost of sales		**424,029,135**	407,567,773
Gross profit		**232,866,111**	216,070,55'
Other operating income		**1,753,940**	2,794,095
Distribution, selling and promotional expenses		**136,381,164**	138,503,477
Administrative and general expenses		**43,086,083**	36,272,698
Research and development expenses		**1,811,058**	1,223,433
Other operating expenses		**3,708,729**	1,007,360
		183,233,094	174,212,873
		49,633,017	41,857,678
Finance cost		**22,289,815**	21,175,446
Profit before taxation		**27,343,202**	20,682,232
Taxation		**9,570,121**	6,681,124
Profit after taxation		**17,773,081**	14,001,108
Earnings per share - basic and diluted		**1.08**	0.85

The annexed notes from 1 to 10 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 2011

	First Quarter Ended 31 March	
	2011	2010
	---------- (Rupees) ----------	
Profit after tax for the period	**17,773,081**	14,001,108
Other comprehensive income	-	-
Total comprehensive income for the period	**17,773,081**	14,001,108

'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 Securities and Exchange Commission of Pakistan (SECP) vide its S.R.

The annexed notes from 1 to 10 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 2011

	First Quarter Ended 31 March 2011 (Rupees)	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**27,343,202**	20,682,232
Add/(less): Adjustments for non-cash and other items		
Depreciation	**15,916,504**	15,700,714
Amortization of intangible assets	**5,054,949**	2,279,434
Gain on sale of property, plant and equipment	**(1,450,566)**	(1,308,180)
Exchange loss/(gain)	**1,996,937**	(1,132,844)
Provision for defined benefit obligation	**11,170,410**	8,528,154
Finance cost	**22,289,815**	21,175,446
	54,289,049	45,242,724
Profit before working capital changes	**82,321,251**	65,924,956
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets:		
Stock in trade	**(56,191,140)**	(7,423,424)
Trade debts	**(7,732,623)**	511,097
Advances, deposits and prepayments	**(7,977,825)**	19,285,010
Other receivables	**7,817,682**	19,725,196
Increase/(decrease) in current liabilities:		
Trade and other payables	**18,565,554**	(29,573,230)
	(45,518,352)	2,524,649
Cash generated from operations	**36,802,899**	68,449,605
Add/(less):		
Taxes paid	**(13,466,455)**	(9,894,025)
Gratuity paid	**(4,077,208)**	(1,181,101)
Finance cost paid	**(24,580,564)**	(21,110,248)
Long term advances - net	**610,078**	544,076
Net cash (used in) / flow from operating activities	**(4,711,250)**	36,808,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	**(4,372,878)**	(10,094,345)
Intangible assets acquired	**(224,945)**	-
Sale proceeds from disposal of property, plant and equipment	**3,992,867**	2,511,084
Net cash used in investing activities	**(604,956)**	(7,583,261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease liabilities	**(9,930,783)**	(8,777,68
Long term loan-obtained	**-**	31,189,00
Long term loan-repayment	**(10,571,000)**	(5,662,157)
Short-term bank borrowings-net	**(4,172,097)**	(64,045,237)
Dividend paid	**(39,268)**	(2,087)
Net cash used in financing activities	**(24,713,148)**	(47,298,168)
Net decrease in cash and cash equivalents	**(30,029,354)**	(18,073,122)
Cash and cash equivalents at beginning of the period	**63,331,491**	35,202,676
Cash and cash equivalents at end of the period	**33,302,137**	17,129,554

The annexed notes from 1 to 10 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 2011

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
	(Rupees)				
Balance as at 31 December 2009 - Restated	165,277,431	114,000,000	209,918,266	323,918,266	489,195,697
Incremental depreciation relating to surplus on ıtion of fixed assets	-	-	1,541,141	1,541,141	1,541,141
Total comprehensive income for the quarter	-	-	14,001,108	14,001,108	14,001,108
Balance as at 31 March 2010	165,277,431	114,000,000	225,460515	339,460,515	504,737,946
Balance as at 31 December 2010	165,277,431	114,000,000	244,856,438	358,856,438	524,133,869
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	1,330,552	1,330,552	1,330,552
Total comprehensive income for the quarter	-	-	17,773,081	17,773,081	17,773,081
Balance as at 31 March 2011	165,277,431	114,000,000	263,960,071	377,960,071	543,237,502

The annexed notes from 1 to 10 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 2011

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 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 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 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 result may differ from these estimates. The significant judgments made by management in applying the Company's accounting polices and the key sources of estimation are the same as those that applied to the financial statement for the year ended 31 December 2010.

5. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 31 December 2010.

6. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of the Company aggregate to Rs.4.620 million (31 December 2010 : 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 2010 : Rs. 12.057 million) as debt as the matter is pending adjudication. An amount of Rs. 10.086 million (31 December 2010: Rs. 10.086 million) has been deposited under protest.

Commitments:

Commitments against irrevocable letters of credit include:

	31 March 2011	31 December 2010
	(Rupees in thousands)	
Plant and machinery	10,453	-
Raw materials	118,325	100,891
Packing materials	8,507	2,423

	31 March 2011	31 December 2010
	--------- (Rupees) ---------	

7. PROPERTY, PLANT AND EQUIPMENT

Owned Assets - Cost of additions		
Building on freehold	-	27,388,036
Plant and machinery	84,960	52,650,851
Laboratory equipment	-	1,200,000
Furniture and fixtures	71,200	125,500
Electric and gas appliances	-	172,248
Office equipment	1,255,722	1,684,260
Vehicles	2,709,545	15,470,039
Owned Assets - Cost of disposals		
Furniture and fixtures	-	101,585
Electric and gas appliances	-	403,175
Office equipment	-	553,975
Vehicles	2,919,632	13,443,039
Leased Assets - Cost of additions		
Vehicles	3,817,000	15,394,000
Leased Assets - Cost of disposals		
Plant and machinery	-	9,837,000
Vehicles	2,343,509	21,800,260

Additions in freehold assets include transfer of assets costing Rs. 2,343,509 (2010: Rs.31,637,260) less accumulated depreciation of Rs.963,464 (2010: Rs.13,424,988) from leasehold assets.

8. Sales - net

	First Quarter Ended 31 March 2011	2010
	(Rupees)	
Manufactured products		
Local	663,643,955	623,681,051
Export	21,714,585	28,341,513
	685,358,540	652,022,564
Purchased products - local	22,582,098	17,976,247
Sales compensation	5,576,425	-
Third party (toll manufacturing)	10,774,591	14,579,828
	724,291,654	684,578,639
Less: Discount	67,396,408	60,859,315
Sales tax	-	81,000
	67,396,408	60,940,315
	656,895,246	623,638,324

9. 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 2011	2010
	(Rupees)	
Sales of goods		
Associate	10,697,118	7,391,617
Contribution towards employees' benefits		
Staff provident fund	3,265,970	3,179,394
Employee's welfare trust	277,445	328,100

10. GENERAL

10.1 The Board of Directors of the Company authorized the condensed interim financial information for issue on 22 April 2011.

10.2 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.

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 2011	Audited 31 December 2010
		(Rupees)	
LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
Ordinary shares of Rs. 10 each 20,000,000 (2010: 20,000,000)		**200,000,000**	200,000,000
Share capital		**165,277,431**	165,277,431
Reserves		**379,256,265**	360,152,632
		544,533,696	525,430,063
Surplus on revaluation of fixed assets		**187,144,712**	188,475,264
NON CURRENT LIABILITIES			
Long term loan - secured		**89,375,763**	99,946,763
Liabilities against assets subject to finance lease		**13,059,104**	27,903,144
Long term advances		**11,199,066**	10,588,988
Deferred liabilities		**256,610,482**	249,517,280
		370,244,415	387,956,175
CURRENT LIABILITIES			
Trade and other payables		**141,212,088**	120,599,544
Markup payable on secured loans		**16,594,286**	20,544,406
Short term bank borrowings - secured		**428,980,005**	433,152,102
Current portion of long term liabilities		**76,655,885**	66,266,257
		663,442,264	640,562,309
CONTINGENCIES AND COMMITMENTS	6		
		1,765,365,087	1,742,423,811

The annexed notes from 1 to 10 form an integral part of this condensed interim consolidated financial information.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 31 MARCH 2011

	Note	Un Audited 31 March 2011	Audited 31 December 2010
		---------- (Rupees) ----------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	**699,599,276**	709,868,202
Intangible assets		**124,269,152**	129,099,156
Long term deposits		**1,562,054**	1,562,054
		823,868,428	840,529,412
CURRENT ASSETS			
Stock in trade		**697,035,773**	640,844,633
Trade debts		**49,839,920**	42,107,297
Advances, deposits and prepayments		**41,691,966**	33,714,141
Other receivables		**13,968,259**	21,696,618
Income tax - net		**101,942,727**	98,046,396
Cash and bank balances		**35,455,960**	65,485,314
		939,934,605	901,894,399
		1,765,365,087	1,742,423,811

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the first quarter ended 31 March 2011

	Note	First Quarter Ended 31 March 2011	2010
		---------- (Rupees) ----------	
Sales-net	8	**656,895,246**	623,638,324
Cost of sales		**424,029,135**	407,567,773
Gross profit		**232,866,111**	216,070,551
Other operating income		**1,753,940**	2,794,095
Distribution, selling and promotional expenses		**136,381,164**	138,503,477
Administrative and general expenses		**43,086,083**	36,650,538
Research and development expenses		**1,811,058**	1,223,433
Other operating expenses		**3,708,729**	1,007,360
		183,233,094	174,590,713
		49,633,017	41,479,838
Finance cost		**22,289,815**	21,175,446
Profit before taxation		**27,343,202**	20,304,392
Taxation		**9,570,121**	6,681,124
Profit after taxation		**17,773,081**	13,623,268
Earnings per share - basic and diluted		**1.08**	0.82

The annexed notes from 1 to 10 form an integral part of this condensed interim consolidated 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 2011

	First Quarter Ended 31 March	
	2011	2010
	---------- (Rupees) ----------	
Profit after tax for the period	**17,773,081**	13,623,268
Other comprehensive income	**-**	-
Total comprehensive income for the period	**17,773,081**	13,623,268

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 Securities and Exchange Commission of Pakistan (SECP) vide its S.R.

The annexed notes from 1 to 10 form an integral part of this condensed interim consolidated 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 2011

	First Quarter Ended 31 March 2011	2010
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**27,343,202**	20,304,392
Add/(less): Adjustments for non-cash and other items		
Depreciation	**15,916,504**	15,700,714
Amortization of intangible assets	**5,054,949**	2,279,434
Gain on sale of property, plant and equipment	**(1,450,566)**	(1,308,180)
Exchange loss/(gain)	**1,996,937**	(1,132,844)
Provision for defined benefit obligation	**11,170,410**	8,528,154
Finance cost	**22,289,815**	21,175,446
	54,978,049	45,242,724
Profit before working capital changes	**82,321,251**	65,547,116
WORKING CAPITAL CHANGES		
(increase)/decrease in current assets:		
Stock in trade	**(56,191,140)**	(7,423,424)
Trade debts	**(7,732,623)**	387,656
Advances, deposits and prepayments	**(7,977,825)**	19,685,010
Other receivables	**7,728,359**	19,610,541
Increase/(decrease) in current liabilities:		
Trade and other payables	**18,654,875**	(29,419,720)
	(45,518,354)	2,840,063
Cash generated from operations	**36,802,897**	68,387,179
Add/(less):		
Taxes paid	**(13,466,453)**	(9,894,025)
Gratuity paid	**(4,077,208)**	(1,181,101)
Finance cost paid	**(24,580,564)**	(21,110,248)
Long term advances - net	**610,078**	544,076
Net cash (used in) / flow from operating activities	**(4,711,250)**	36,745,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	**(4,372,878)**	(10,094,345)
Intangible assets acquired	**(224,945)**	-
Sale proceeds from disposal of property, plant and equipment	**3,992,867**	2,511,084
Net cash used in investing activities	**(604,956)**	(7,583,261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease liabilities	**(9,930,783)**	(8,777,687)
Long term loan-obtained	**-**	31,189,000
Long term loan-repayment	**(10,571,000)**	(5,662,157)
Short-term bank borrowings-net	**(4,172,097)**	(64,045,237)
Dividend paid	**(39,268)**	(2,087)
Net cash used in financing activities	**(24,713,148)**	(47,298,168)
Net decrease in cash and cash equivalents	**(30,029,354)**	(18,135,548)
Cash and cash equivalents at beginning of the period	**65,485,314**	36,454,337
Cash and cash equivalents at end of the period	**35,455,960**	18,318,789

The annexed notes from 1 to 10 form an integral part of this condensed interim consolidated financial information.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

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

for the first quarter ended 31 March 2011

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
	---------- (Rupees) ----------				
Balance as at 31 December 2009 - Restated	**165,277,431**	**114,000,000**	**208,900,375**	**322,900,375**	**488,177,806**
Incremental depreciation relating to surplus on r tion of fixed assets	-	-	1,541,141	1,541,141	1,541,141
Total comprehensive income for the quarter	-	-	13,623,268	13,623,268	13,623,268
Balance as at 31 March 2010	**165,277,431**	**114,000,000**	**224,064,784**	**338,064,784**	**503,342,215**
Balance as at 31 December 2010	**165,277,431**	**114,000,000**	**246,152,632**	**360,152,632**	**525,430,063**
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	1,330,552	1,330,552	1,330,552
Total comprehensive income for the quarter	-	-	17,773,081	17,773,081	17,773,081
Balance as at 31 March 2011	**165,277,431**	**114,000,000**	**265,256,265**	**379,256,265**	**544,533,696**

The annexed notes from 1 to 10 form an integral part of this condensed interim consolidated 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 2011

1. GROUP 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 manufacturing,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 17.5Km 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. BASIS OF PREPARATION

This unaudited 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 MEASURMENT

This 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. 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 2010.

5. ESTIMATES

The preparation of 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 result may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key source of estimation are the same as those that applied to the financial statement for the year ended 31 December 2010.

6. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of HNL aggregate to Rs. 4.620 million (31 December 2010 : 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 2010 : Rs. 12.057 million) as debt as the matter is pending adjudication. An amount of Rs. 10.086 million (31 December 2010: Rs. 10.086 million) has been deposited under protest.

Commitments:

HNL Commitments against irrevocable letters of credit include:

	31 March 2011	31 December 2010
	(Rupees in thousands)	
Plant and machinery	**10,453**	-
Raw materials	**118,325**	100,891
Packing materials	**8,507**	2,423

	31 March 2011	31 December 2010
	---------- (Rupees) ----------	

7. PROPERTY, PLANT AND EQUIPMENT

Owned Assets - Cost of additions		
Building on freehold	-	27,338,036
Plant and machinery	**84,960**	52,650,851
Laboratory equipment	-	1,200,000
Furniture and fixtures	**71,200**	125,500
Electric and gas appliances	-	172,248
Office equipment	**1,255,722**	1,684,260
Vehicles	**2,709,545**	15,470,039
Owned Assets - Cost of disposals		
Furniture and fixtures	-	101,585
Electric and gas appliances	-	403,175
Office equipment	-	553,975
Vehicles	**2,919,632**	13,443,039
Leased Assets - Cost of additions		
Vehicles	**3,817,000**	15,394,000
Leased Assets - Cost of disposals		
Plant and machinery	-	9,837,000
Vehicles	**2,343,509**	21,800,260

Additions in freehold assets include transfer of assets costing Rs. 2,343,509 (2010: Rs.31,637,260) less accumulated depreciation of Rs.963,464 (2010: Rs. 13,424,988) from leasehold assets.

8. Sales - net

	First Quarter Ended 31 March 2011	2010
	---------- (Rupees) ----------	
Manufactured products		
Local	663,643,955	623,681,051
Export	21,714,585	28,341,513
	685,358,540	652,022,564
Purchased products - local	22,582,098	17,976,247
Sales compensation	5,576,425	-
Third party (toll manufacturing)	10,774,591	14,579,828
	724,291,654	684,578,639
Less: Discount	67,396,408	60,859,315
Sales tax	-	81,000
	67,396,408	60,940,315
	656,895,246	623,638,324

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 term of the employment are stated below.

	First Quarter Ended 31 March 2011	2010
	---------- (Rupees) ----------	
Sales of goods		
Associate	10,697,118	7,391,617
Contribution towards employees' benefits		
Staff provident fund	3,265,970	3,179,394
Employee's welfare trust	277,445	328,100

10. GENERAL

10.1 The Board of Directors of HNL authorized the condensed interim consolidated financial information for issue on 22A pril 2011.

10.2 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.

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

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