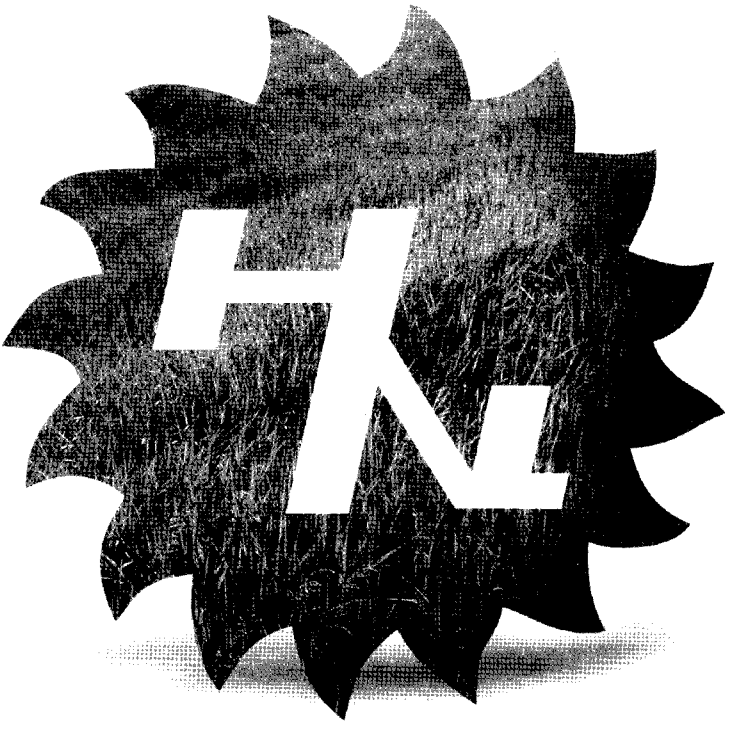


HIGHNOON LABORATORIES LIMITED

Half Yearly Report 2011

Q2

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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 Ahmad 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, I am pleased to present the financial statements of your Company as well as of the group for the half year ended 30 June 2011.

Sales revenue rose to Rs. 1,465 million during the period under review compared to Rs. 1,322 million during the comparative period last year. The sales revenue witnessed a modest growth of 10.7% despite challenging business environment, adverse economic and security conditions prevailing in the country. As a result of double digit domestic inflation, cost of inputs is constantly on the rise, this along with higher sale of low margin products in the second quarter brought down gross profit as percentage of sales to 33.4 % as compared to 34.5 % in the corresponding quarter.

Administrative expenses increased by 14.1 % mostly due to increase in staff relat costs and inflation. Distribution selling and promotional expenses increased by only 1.9% as compared to comparative period last year; Research and Development expenses went drastically up, due to increased focus on development of new products and improvement initiatives being undertaken for some of the existing products. In pursuance with this initiative Bioequivalence study from an international Clinical Research Organization was conducted for one of product of the Company.

Despite difficult politico-economic environment and severe pressure on costs your Company has posted a healthy increase of 26.8% in profit after tax during the six months period ending June 30, 2011, translating into Earnings per Share of Rs.2.12. This was achieved through eliminating wastes and improving efficiencies.

One of the Principal of the Company Solvay Pharmaceuticals Marketing and Licensing AG was acquired globally by Abbott Laboratories. As a result of this acquisition registrations and marketing rights of Solvay products have been transferred to Abbott. Abbott Laboratories however have shown confidence in the manufacturing and quality standards of your Company and have decided to have these products to be manufactured by your Company.

On behalf of the Board, I would like to express my sincere gratitude to th Shareholders, Doctors, Pharmacist, Consumers, Business partners and the Bank 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: 17 August 2011

Tausif Ahmed 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 2011** 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.

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: 17th August 2011

CONDENSED INTERIM BALANCE SHEET

	Note	Un Audited 30 June 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
Issued, subscribed and paid up share capital		**181,805,174**	165,277,431
Reserves		**342,202,094**	358,856,438
		524,007,268	524,133,869
Surplus on revaluation of fixed assets		**185,814,159**	188,475,264
NON CURRENT LIABILITIES			
Long term loans - secured		**78,803,117**	99,946,763
Liabilities against assets subject to finance lease		**12,205,285**	27,903,144
Long term advances		**10,916,236**	10,588,988
Deferred liabilities		**262,864,900**	249,517,280
		364,789,538	387,956,175
CURRENT LIABILITIES			
Trade and other payables		**267,173,949**	120,440,822
Markup payable on secured loans		**16,442,686**	20,544,406
Short term bank borrowings - secured		**208,992,593**	433,152,102
Current portion of long term liabilities		**76,655,885**	66,266,257
		569,265,113	640,403,587
CONTINGENCIES AND COMMITMENTS	5		
		1,643,876,078	1,740,968,895

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 30 JUNE 2011

	Note	Un Audited 30 June 2011	Audited 31 December 2010
		---------- (Rupees) ----------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	**706,076,428**	710,421,269
Intangible assets		**120,559,655**	129,099,156
Long term deposits		**1,562,054**	1,562,054
		828,198,137	841,082,479
CURRENT ASSETS			
Stock in trade	7	**577,536,805**	640,844,633
Trade debts	8	**28,658,024**	43,544,080
Advances, deposits and prepayments		**49,588,782**	33,714,141
Other receivables		**13,803,861**	21,586,681
Income tax - net		**109,494,766**	96,865,390
Cash and bank balances		**36,595,703**	63,331,491
		815,677,941	899,886,416
		1,643,876,078	1,740,968,895

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the six months ended 30 June 2011

	Note	Six Months Ended		Quarter Ended	
		30 June 2011 Rupees	30 June 2010 Rupees	**30 June 2011 Rupees**	30 June 2010 Rupees
Sales-net	9	**1,465,105,537**	1,322,651,075	**808,210,291**	699,012,751
Cost of sales	10	**975,162,082**	866,087,059	**551,132,947**	450,859,07
Gross profit		**489,943,455**	456,564,016	**257,077,344**	248,153,673
Operating Expenses					
Distribution, selling and promotional		**288,912,804**	283,468,190	**152,531,640**	144,964,713
Administrative and general		**91,790,074**	80,442,755	**48,703,991**	44,170,057
Research and development		**4,147,461**	2,196,417	**2,336,403**	972,984
Other operating charges		**9,492,941**	4,314,978	**5,784,212**	3,307,618
		394,343,280	370,422,340	**209,356,246**	193,415,372
		95,600,175	86,141,676	**47,721,098**	54,738,301
Other operating income		**5,358,499**	5,971,120	**3,604,559**	3,177,024
		100,958,674	92,112,796	**51,325,657**	57,915,325
Finance cost		**43,942,063**	43,643,261	**21,652,248**	22,467,815
Profit before taxation		**57,016,611**	48,469,535	**29,673,409**	35,447,510
Taxation		**18,484,959**	18,082,952	**8,914,838**	11,401,828
Profit after taxation		**38,531,652**	30,386,583	**20,758,571**	24,045,682
Earnings per share - basic and diluted	11	**2.12**	1.67	**1.14**	1.3

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 2011

	Six Months Ended 30 June	
	2011	2010
	---------- (Rupees) ----------	
Profit after tax for the period	**38,531,652**	30,386,583
ıer comprehensive income	-	-
Comprehensive income tranasferred to equity	**38,531,652**	30,386,583

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 condensed interim 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 2011

	Six Months Ended 30 June 2011	2010
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**57,016,611**	48,469,535
Add/(less): Adjustments for non-cash and other items		
Depreciation	**32,226,640**	31,463,552
Finance cost	**43,942,063**	43,643,261
Provision for defined benefit obligation	**20,340,821**	17,056,308
Amortization of intangible assets	**8,776,846**	4,564,542
Gain on sale of property, plant and equipment	**(4,929,007)**	(3,978,292)
Exchange loss	**5,209,158**	-
	105,666,521	92,749,371
Profit before working capital changes	**162,683,132**	141,218,90[illegible]
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets:		
Stock in trade	**63,307,828**	110,364,983
Trade debts	**14,886,056**	(3,361,742)
Advances, deposits and prepayments	**(15,874,641)**	29,522,330
Other receivables	**7,782,820**	33,671,484
Increase/(decrease) in current liabilities:		
Trade and other payables	**137,153,010**	(22,918,300)
	207,255,073	147,278,755
Cash generated from operations	**369,938,205**	288,497,661
Add/(less):		
Income taxes paid	**(33,629,376)**	(19,481,194)
Gratuity paid	**(4,478,160)**	(9,454,210)
Finance cost paid	**(44,677,800)**	(41,516,625)
Long term advances - net	**327,248**	(366,854)
Net cash flow from operating activities	**287,480,117**	217,678,778
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(21,350,933)**	(31,584,776)
Intangible assets acquired	**(237,345)**	(400,566)
Sale proceeds of fixed assets	**10,073,640**	8,982,884)
Net cash used in investing activities	**(11,514,638)**	(23,002,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) of lease finance liabilities-net	**(20,449,713)**	(20,038,3
Long term loan-net	**(21,143,646)**	19,864,686
Short term bank borrowings	**(224,159,509)**	(179,663,940)
Dividend paid	**(36,948,399)**	(39,819,610)
Net cash used in financing activities	**(302,701,267)**	(219,657,180)
Net decrease in cash and cash equivalents	**(26,735,788)**	(24,980,860)
Cash and cash equivalents at beginning of the period	**63,331,491**	35,202,676
Cash and cash equivalents at end of the period	**36,595,703**	10,221,816

The annexed notes from 1 to 14 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 six months ended 30 June 2011

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
	---------- Rupees ----------				
Balance as at 01 January 2010	165,277,431	114,000,000	209,918,266	323,918,266	**489,195,697**
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2009	-	-	(41,319,358)	(41,319,358)	**(41,319,358)**
Surplus on revalution 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	201,942,274	315,942,274	**481,219,705**
Balance as at 01 January 2011	165,277,431	114,000,000	244,856,438	358,856,438	**524,133,869**
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2010	-	-	(41,319,358)	(41,319,358)	**(41,319,358)**
Issuance of Bonus shares @ 10%	16,527,743	-	(16,527,743)	(16,527,743)	-
Surplus on revaluation of fixed assets relating to incremental depreciation - net of tax	-	-	2,661,105	2,661,105	**2,661,105**
Profit for the period after taxation	-	-	38,531,652	38,531,652	**38,531,652**
Balance as at 30 June 2011	181,805,174	114,000,000	228,202,094	342,202,094	**524,007,268**

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 (UN AUDITED)

for the six months ended 30 June 2011

1. THE COMPANY AND ITS ACTIVITIES

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 information of the Company for the six months per ended 30 June 2011 has been prepared in accordance with the requirements of t 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, 2010.

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 2010 except for as disclosed in note 3.3 below.

3.3 During the period, following new/ revised standards, amendments and interpretations to accounting standards become effective:

- IAS - 24 - Related Party Disclosure (Amendment)
- IAS - 32 - Financial Instruments : Presentation - Classification of Rights Is (Amendment)
- IFRIC 14 - Prepayments of a minimum funding requirments (Amendments)

Adoption of the above standards, amendments and interpretations did not have any material effect on the financial statements.

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, 2010.

5. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of the Company aggregate to Rs. 5.025 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) has been deposited under protest and is shown under other receivables.

Commitments:

Commitments against irrevocable letters of credit include:

	30 June 2011	31 December 2010
	(Rupees in thousands)	
Raw materials	**94,950**	100,891
Packing materials	**7,106**	2,423

PROPERTY, PLANT AND EQUIPMENT

	Note	Un-Audited 30 June 2011 Rupees	Audited 31 December 2010 Rupees
Operating fixed assets (owned)		**602,021,971**	621,820,377
Operating fixed assets (leased)		**77,200,125**	75,117,071
Capital work-in-progress	6.1	**26,854,332**	13,483,821
		706,076,428	710,421,269

6.1 Capital work-in-progress

Civil Works	**23,972,006**	10,758,094
Plant and machinery - owned	**382,326**	350,727
Advance for capital expenditures	**2,500,000**	2,375,000
	26,854,332	13,483,821

7. STOCK IN TRADE

	Un-Audited 30 June 2011 Rupees	Audited 31 December 2010 Rupees
Raw materials		
In hand	248,421,347	268,517,105
In transit	31,037,546	61,441,556
	279,458,893	329,958,661
Packing material		
In hand	73,459,319	67,795,955
In transit	3,762,010	571,642
With third party	379,098	2,204,874
	77,600,427	70,572,471
Work in process	31,049,933	59,384,189
Finished goods	189,427,552	180,929,312
	577,536,805	640,844,633

8. TRADE DEBTS - Considered good

These include Rs. 15.174 million (31 December 2010: Rs. 17.740 million) due from related parties.

9. SALES - net

	Six Months Ended 30 June		Quarter Ended 30 June	
	2011	2010	2011	2010
	---------- Rupees ----------			
Manufactured products				
Local	1,512,718,910	1,322,998,859	836,435,131	699,317,683
Export	49,462,564	60,484,763	27,747,979	32,143,25[illegible]
	1,562,181,474	1,383,483,622	864,183,110	731,460,93[illegible]
Sales compensation	5,576,425	-	-	-
Purchased products-Local	18,289,110	34,571,297	8,192,656	16,594,925
Third Party (toll manufacturing)	23,657,878	30,556,180	12,883,287	15,976,352
	1,609,704,887	1,448,611,099	885,259,053	764,032,210
Less: Discount	143,554,221	125,789,833	76,157,813	64,930,518
Sales tax	1,045,129	170,191	890,949	88,941
	144,599,350	125,960,024	77,048,762	65,091,459
	1,465,105,537	1,322,651,075	808,210,291	699,012,751

	Six Months Ended		Quarter Ended	
	30 June		30 June	
	2011	2010	2011	2010
	Rupees			

10. COST OF SALES

Opening stock of finished goods (excluding purchased products)	160,115,818	186,894,949	205,971,636	191,416,468
Cost of goods sold - Manufactured	977,349,207	863,683,454	513,765,459	455,405,238
	1,137,465,025	1,050,578,403	719,737,095	646,821,706
Closing stock of finished goods	(173,827,148)	(206,082,210)	(173,827,148)	(206,082,210)
Cost of goods sold - Manufactured	963,637,877	844,496,193	545,909,947	440,739,496
Cost of goods sold - Purchased products	11,524,205	21,590,866	5,223,000	10,119,582
Cost of goods sold	975,162,082	866,087,059	551,132,947	450,859,078

11. EARNING PER SHARE - BASIC AND DILUTED

The corresponding figures of weighted average number of shares outstanding and earning per share have been restated to include the effect of bonus shares issued by the Company during the year.

12. RELATED PARTYTRANSACTIONS

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

		Six Months Ended		Quarter Ended	
		30 June		30 June	
		2011	2010	2011	2010
		Rupees			
12.1	**Sales of goods**				
	Associate	**17,927,367**	13,496,953	**7,230,249**	6,105,766
12.2	**Contribution towards employees' benefits**				
	Staff provident fund	**6,569,734**	6,188,959	**3,303,764**	3,179,394
	Employees' welfare trust	**513,970**	649,450	**236,525**	328,100

13. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial information for issuance on 17th August 2011.

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 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
Issued, subscribed and paid up share capital		**181,805,174**	165,277,431
Reserves		**343,438,288**	360,152,632
		525,243,462	525,430,063
Surplus on revaluation of fixed assets		**185,814,159**	188,475,264
NON CURRENT LIABILITIES			
Long term loans - secured		**78,803,117**	99,946,763
Liabilities against assets subject to finance lease		**12,205,285**	27,903,144
Long term advances		**10,916,236**	10,588,988
Deferred liabilities		**262,864,900**	249,517,280
		364,789,538	387,956,175
CURRENT LIABILITIES			
Trade and other payables		**267,332,675**	120,599,544
Markup payable on secured loans		**16,442,686**	20,544,406
Short term bank borrowings - secured		**208,992,593**	433,152,102
Current portion of long term liabilities		**76,655,885**	66,266,257
		569,423,839	640,562,309
CONTINGENCIES AND COMMITMENTS	5		
		1,645,270,998	1,742,423,811

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

AS AT 30 JUNE 2011

	Note	Un Audited 30 June 2011	Audited 31 December 2010
		---------- (Rupees) ----------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	**705,523,361**	709,868,202
Intangible assets		**120,559,655**	129,099,156
Long term deposits		**1,562,054**	1,562,054
		827,645,070	840,529,412
CURRENT ASSETS			
Stock in trade	7	**577,536,805**	640,844,633
Trade debts	8	**27,221,241**	42,107,297
Advances, deposits and prepayments		**49,588,782**	33,714,141
Other receivables		**14,003,121**	21,696,618
Income tax - net		**110,675,772**	98,046,396
Cash and bank balances		**38,600,207**	65,485,314
		817,625,928	901,894,399
		1,645,270,998	1,742,423,811

ANEES AHMAD KHAN
DIRECTOR

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the six months ended 30 June 2011

	Note	Six Months Ended		Quarter Ended	
		30 June 2011 Rupees	30 June 2010 Rupees	**30 June 2011** Rupees	30 June 2010 Rupees
Sales-net	9	**1,465,105,537**	1,322,651,075	**808,210,291**	699,012,751
Cost of sales	10	**975,162,082**	866,087,059	**551,132,947**	450,859,078
Gross profit		**489,943,455**	456,564,016	**257,077,344**	248,153,673
Operating Expenses					
Distribution, selling and promotional		**288,912,804**	283,468,190	**152,531,640**	144,964,713
Administrative and general		**91,850,074**	80,888,024	**48,763,991**	44,170,057
Research and development		**4,147,461**	2,196,417	**2,336,403**	972,984
Other operating charges		**9,492,941**	4,314,978	**5,784,212**	3,307,618
		394,403,280	370,867,609	**209,416,246**	193,415,372
		95,540,175	85,696,407	**47,661,098**	54,738,301
Other operating income		**5,358,499**	5,971,120	**3,604,559**	3,177,024
		100,898,674	91,667,527	**51,265,657**	57,915,325
Finance cost		**43,942,063**	43,643,261	**21,652,248**	22,467,815
Profit before taxation		**56,956,611**	48,024,266	**29,613,409**	35,447,510
Taxation		**18,484,959**	18,082,952	**8,914,838**	11,401,828
Profit after taxation		**38,471,652**	29,941,314	**20,698,571**	24,045,682
Earnings per share - basic and diluted	11	**2.12**	1.65	**1.14**	1.32

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 six months ended 30 June 2011

	Six Months Ended 30 June	
	2011	2010
	---------- (Rupees) ----------	
Profit after tax for the period	**38,471,652**	29,941,314
Other comprehensive income	-	-
Comprehensive income tranasferred to equity	**38,471,652**	29,941,314

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 condensed interim 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 2011

	Six Months Ended 30 June	
	2011	2010
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**56,956,611**	48,024,266
Add/(less): Adjustments for non-cash and other items		
Depreciation	**32,226,640**	31,463,552
Finance cost	**43,942,063**	43,643,261
Provision for defined benefit obligation	**20,340,821**	17,056,308
Amortization of intangible assets	**8,776,846**	4,564,542
Gain on sale of property, plant and equipment	**(4,829,007)**	(3,978,292)
Exchange loss	**5,209,158**	-
	105,666,521	92,749,371
Profit before working capital changes	**162,623,132**	140,773,637
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets:		
Stock in trade	**63,307,828**	110,364,983
Trade debts	**14,886,056**	(3,229,225)
Advances, deposits and prepayments	**(15,874,641)**	30,090,148
Other receivables	**7,693,497**	33,607,262
Increase/(decrease) in current liabilities:		
Trade and other payables	**137,153,014**	(23,383,630)
	207,165,754	147,449,538
Cash generated from operations	**369,788,886**	288,223,175
Add/(less):		
Income taxes paid	**(33,629,376)**	(19,479,537)
Gratuity paid	**(4,478,160)**	(9,454,210)
Finance cost paid	**(44,677,800)**	(41,516,625)
Long term advances - net	**327,248**	(366,854)
Net cash flow from operating activities	**287,330,798**	217,405,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(21,350,933)**	(31,584,776)
Intangible assets acquired	**(237,345)**	(400,566)
Sale proceeds of fixed assets	**10,073,640**	8,982,884
Net cash used in investing activities	**(11,514,638)**	(23,002,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) of lease finance liabilities-net	**(20,449,714)**	(20,038,316)
Long term loan-net	**(21,143,646)**	19,864,686
Short term bank borrowings	**(224,159,509)**	(179,663,940)
Dividend paid	**(36,948,399)**	(39,819,610)
Net cash used in financing activities	**(302,701,267)**	(219,657,180)
Net decrease in cash and cash equivalents	**(26,885,107)**	(25,253,689)
Cash and cash equivalents at beginning of the period	**65,485,314**	36,454,337
Cash and cash equivalents at end of the period	**38,600,207**	11,200,648

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

ASLAM HAFIZ
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

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

for the six months ended 30 June 2011

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
	---------- Rupees ----------				
Balance as at 01 January 2010	165,277,431	114,000,000	208,900,375	322,900,375	**488,177,806**
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2009	-	-	(41,319,358)	(41,319,358)	**(41,319,358)**
Surplus on revalution 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	200,479,114	314,479,114	**479,756,545**
Balance as at 01 January 2011	165,277,431	114,000,000	246,152,632	360,152,632	**525,430,063**
Final dividend @ Rs. 2.5 per share for the year ended 31 December 2010	-	-	(41,319,358)	(41,319,358)	**(41,319,358)**
Issuance of Bonus shares of @ 10%	16,527,743	-	(16,527,743)	(16,527,743)	-
Surplus on revaluation of fixed assets relating to incremental depreciation - net of tax	-	-	2,661,105	2,661,105	**2,661,105**
Profit for the period after taxation	-	-	38,471,652	38,471,652	**38,471,652**
Balance as at 30 June 2011	181,805,174	114,000,000	229,438,288	343,438,288	**525,243,462**

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 six months ended 30 June 2011

1. THE GROUP, OPERATIONS AND REGISTERED OFFICE

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

HNL was incorporated as a private limited company in Pakistan in the year 1984 under the Companies Ordinance, 1984 and converted into an unquoted public limited company in the year 1985. Its shares are quoted on all stock exchanges in Pakistan since November 1994. HNL is principally engaged in the manufacture, import and marketing of pharmaceutical and allied consumer products. The registered office of HNL is situated at 17.5 km, Multan Road, Lahore.

DSL was incorporated as a private limited company in Pakistan on 27 April 2004 und the Companies Ordinance, 1984 and made a wholly owned subsidiary company of HNL 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 consolidated financial information of the Group for the six months period ended 30 June 2011 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 consolidated 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 Group annual financial statements as at 31 December, 2010.

3.2 The accounting policies adopted for the preparation of this interim condens consolidated financial information are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended 31 December 2010.

3.3 During the period, following new/ revised standards, amendments and interpretations to accounting standards become effective:

- IAS - 24 - Related Party Disclosure (Amendment)
- IAS - 32 - Financial Instruments : Presentation - Classification of Rights Issues (Amendment)
- IFRIC 14 - Prepayments of a minimum funding requirments (Amendments)

Adoption of the above standards, amendments and interpretations did not have any material effect on the financial statements.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim consolidated 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 financial statements for the year ended 31 December, 2010.

5. CONTINGENCIES AND COMMITMENTS

Contingencies:

- Bank guarantees issued on behalf of HNL aggregate to Rs. 5.025 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) has been deposited under protest and is shown under other receivables.

Commitments:

Commitments against irrevocable letters of credit include:

	30 June 2011	31 December 2010
	(Rupees in thousands)	
Raw materials	**94,950**	100,891
Packing materials	**7,106**	2,423

	Note	Un-Audited 30 June 2011 Rupees	Audited 31 December 2010 Rupees
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets (owned)		**601,468,904**	621,267,311
Operating fixed assets (leased)		**77,200,125**	75,117,070
Capital work-in-progress	6.1	**26,854,332**	13,483,821
		705,523,361	709,868,202

6.1 Capital work-in-progress

Civil Works	**23,972,007**	10,758,094
Plant and machinery - owned	**382,326**	350,727
Advance for capital expenditures	**2,500,000**	2,375,000
	26,854,333	13,483,821

7. STOCK IN TRADE

	Un-Audited 30 June 2011 Rupees	Audited 31 December 2010 Rupees
Raw materials		
In hand	**248,421,347**	268,517,105
In transit	**31,037,546**	61,441,556
	279,458,893	329,958,661
Packing material		
In hand	**73,459,319**	67,795,955
In transit	**3,762,010**	571,642
With third party	**379,098**	2,204,874
	77,600,427	70,572,471
Work in process	**31,049,933**	59,384,189
Finished goods	**189,427,552**	180,929,312
	577,536,805	640,844,633

8. TRADE DEBTS - Considered good

These include Rs. 0.954 million (31 December 2010: Rs. 3.247 million) due from related parties.

9. SALES - net

	Six Months Ended 30 June		Quarter Ended 30 June	
	2011	2010	2011	2010
	---------- Rupees ----------			
Manufactured products				
Local	1,512,718,910	1,322,998,859	836,435,131	699,317,683
Export	49,462,564	60,484,763	27,747,979	32,143,250
	1,562,181,474	1,383,483,622	864,183,110	731,460,93
Sales compensation	5,576,425	-	-	-
Purchased products-Local	18,289,110	34,571,297	8,192,656	16,594,925
Third Party (toll manufacturing)	23,657,878	30,556,180	12,883,287	15,976,352
	1,609,704,887	1,448,611,099	885,259,053	764,032,210
Less: Discount	143,554,221	125,789,833	76,157,813	64,930,518
Sales tax	1,045,129	170,191	890,949	88,941
	144,599,350	125,960,024	77,048,762	65,091,459
	1,465,105,537	1,322,651,075	808,210,291	699,012,751

	Six Months Ended		Quarter Ended	
	30 June		30 June	
	2011	2010	2011	2010
	Rupees			

10. COST OF SALES

Opening stock of finished goods (excluding purchased products)	160,115,818	186,894,949	205,971,636	191,416,468
Cost of goods sold - Manufactured	977,349,207	863,683,454	513,765,459	455,405,238
	1,137,465,025	1,050,578,403	719,737,095	646,821,706
Closing stock of finished goods	(173,827,148)	(206,082,210)	(173,827,148)	(206,082,210)
Cost of goods sold - Manufactured	963,637,877	844,496,193	545,909,947	440,739,496
Cost of goods sold - Purchased products	11,524,205	21,590,866	5,223,000	10,119,582
Cost of goods sold	975,162,082	866,087,059	551,132,947	450,859,078

11. EARNING PER SHARE - BASIC AND DILUTED

The corresponding figures of weighted average number of shares outstanding and earning per share have been restated to include the effect of bonus shares issued by HNL during the year.

12. RELATED PARTY TRANSACTIONS

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

	Six Months Ended		Quarter Ended	
	30 June		30 June	
	2011	2010	2011	2010
	Rupees			

12.1 Sales of goods

Associate	**17,927,367**	13,496,953	**7,230,249**	6,105,766

12.2 Contribution towards employees' benefits

Staff provident fund	**6,569,734**	6,188,959	**3,303,764**	3,179,394
Employees' welfare trust	**513,970**	649,450	**236,525**	328,100

13. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the HNL authorized the financial information for issuance on 17th August 2011.

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

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