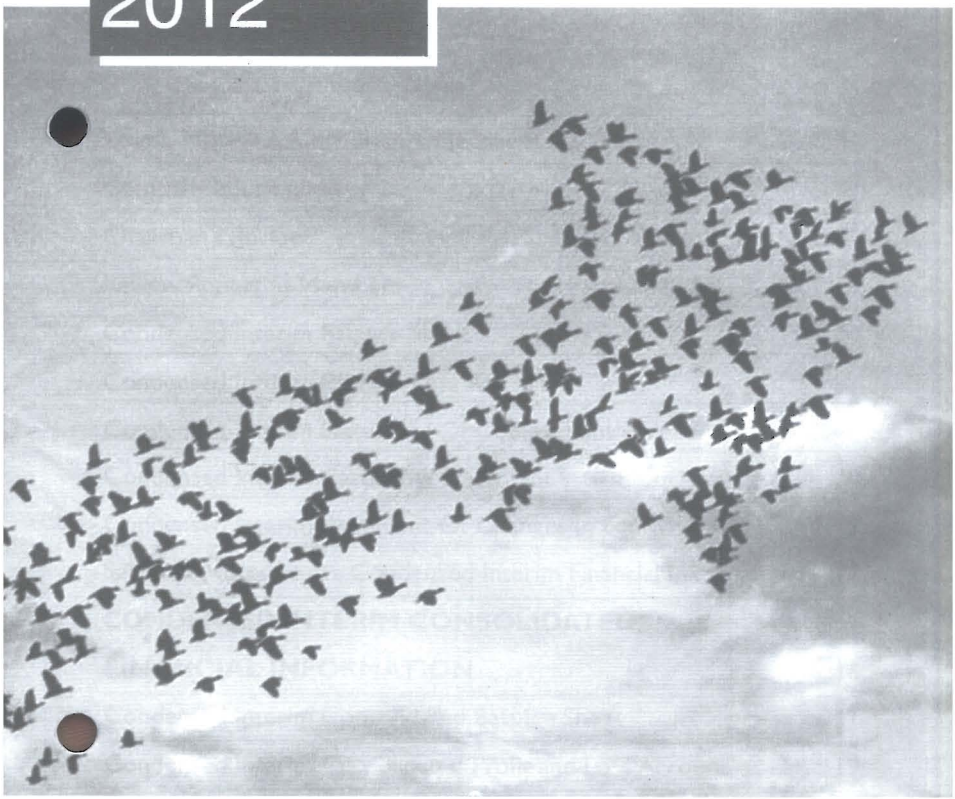
Q2
HALF YEARLY REPORT 2012



HIGHNOON LABORATORIES LIMITED



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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.

Corporate Objectives

Excel in meeting customer needs.
Maintain leadership in national pharmaceutical industry.
Gain confidence of Doctors, Pharmacists and Consumers who use our products.
Seek employee involvement, continuous improvement and enhanced performance goals.
Enhance export business.

Company Information

Board of Directors

Mr. Tausif Ahmad Khan
(Chairman)

Mr. Anees Ahmad Khan
(Vice Chairman)

Mr. Baqar Hasan
(Chief Executive Officer)

Mr. Ghulam Hussain Khan
Mian Muhammad Ashraf
Mr. Taufiq Ahmed Khan
Mrs. Nosheen Riaz Khan
Mrs. Zainub Abbas
Mr. Javed Hussain
(Alternate director)

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

I am pleased to present the financial statements of your Company as well as of the group for the half year ended 30 June 2012 on behalf of the Board of Directors.

The Company generated net sales revenue of Rs. 1,225.67 million during the period under review compared to Rs. 1,465.10 million during the comparative period last year. The decrease in sales is on account of loss of revenue from sale of Ex Solvay products. The decrease in local sales was partly compensated by increased revenue from export sales, which witnessed an increase of 67 percent over the same period last year. Gross margins increased to 40.16% compared to 33.44 % in the corresponding period as a result of efficient sourcing resulting in price reduction and support from the foreign principals. Operating expenses remained largely under control and witnessed a small increase of only 5% compared to the same period last year.

Your Company has finally received approval, after much delay, for manufacture of semi solid preparations and dry powder suspension; however products registrations to be manufactured in this section are still awaited. We have been advocating the need for a complete revamp of the regulatory framework in which the industry operates so that important decision including product registrations, pricing and toll manufacturing policies are not held up un necessarily.

For sustaining growth, we continue to look at newer avenues such as entering niche segments, building relationships with global pharma for development and widening distribution networks through marketing alliances. Other potential thrust areas include marketing of novel products and toll manufacturing. In this regard few initiatives have already materialized while some are under negotiation.

You will appreciate that regulatory framework in which the pharmaceutical industry is operating needs a comprehensive revamp in order to address the issues inclusive of timely product registrations, pricing and toll manufacturing policies being the most crucial.

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: 15 August 2012

Tausif Ahmad Khan
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Highnoon Laboratories Limited as at 30 June 2012 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 tha 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

Engagement Partner: Naseem Akbar

Lahore: 15th August 2012

CONDENSED INTERIM BALANCE SHEET

	Note	Un Audited 30 June 2012	Audited 31 December 2011
		---------- (Rupees) ----------	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
Ordinary shares of Rs. 10 each 20,000,000 (2011: 20,000,000)		**200,000,000**	200,000,000
Share capital		**181,805,170**	181,805,170
Reserves		**389,437,136**	398,712,812
		571,242,306	580,517,982
Surplus on revaluation of fixed assets		**180,758,061**	183,153,055
NON CURRENT LIABILITIES			
Long term loans - secured		**36,515,823**	57,659,470
Liabilities against assets subject to finance lease		**11,413,240**	11,296,272
Long term advances		**14,596,889**	14,942,278
Deferred liabilities		**270,287,325**	265,856,776
		332,813,277	349,754,796
CURRENT LIABILITIES			
Trade and other payables		**163,480,593**	186,673,545
Markup payable on secured loans		**11,230,539**	10,436,070
Short term bank borrowings - secured	5	**275,030,666**	166,291,136
Current portion of long term liabilities		**62,100,603**	80,742,402
		511,842,401	444,143,153
CONTINGENCIES AND COMMITMENTS	6	-	-
TOTAL EQUITY AND LIABILITIES		**1,596,656,045**	1,557,568,986

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

BAQAR HASAN
Chief Executive Officer

AS AT 30 JUNE 2012

	Note	Un Audited 30 June 2012	Audited 31 December 2011
		(Rupees)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	**702,009,848**	715,604,221
Intangible assets		**104,999,544**	111,843,817
Long term deposits		**1,562,054**	1,562,054
		808,571,446	829,010,092
CURRENT ASSETS			
Stock in trade	8	**590,691,765**	518,480,424
Trade debts	9	**47,519,940**	55,269,355
Advances, deposits and prepayments		**55,087,234**	51,136,092
Other receivables		**26,965,833**	17,005,240
Income tax - net		**58,453,722**	74,070,798
Cash and bank balances		**9,366,105**	12,596,985
		788,084,599	728,558,894
TOTAL ASSETS		**1,596,656,045**	1,557,568,986

ANEES AHMAD KHAN
Director

CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN AUDITED)
for the six months ended 30 June 2012

	Note	Six Months Ended 30 June		Three Months Ended 30 June	
		2012	2011	2012	2011
		---------- (Rupees) ----------		---------- (Rupees) ----------	
Sales - net	10	1,225,673,262	1,465,105,537	656,185,468	808,210,291
Cost of sales	11	733,425,406	975,162,082	399,224,622	551,132,947
Gross profit		492,247,856	489,943,455	256,960,846	257,077,344
Operating expenses					
Distribution, selling and promotional expenses		303,243,547	288,912,804	155,764,715	152,531,640
Administrative and general expenses		98,483,433	91,790,074	48,405,477	48,703,991
Research and development expenses		3,230,086	4,147,461	2,104,982	2,336,403
Other operating charges		9,866,402	9,492,941	5,892,427	5,784,212
		414,823,468	394,343,280	212,167,601	209,356,246
		77,424,388	95,600,175	44,793,245	47,721,098
Other operating income		13,978,066	5,358,499	1,681,039	3,604,559
		91,402,454	100,958,674	46,474,284	51,325,657
Finance cost		26,228,521	43,942,063	13,551,509	21,652,248
Profit before taxation		65,173,933	57,016,611	32,922,775	29,673,409
Taxation		22,303,052	18,484,959	10,752,698	8,914,838
Profit after taxation		42,870,881	38,531,652	22,170,077	20,758,571
Earning per share-basic and diluted		2.36	2.12	1.22	1.14

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

BAQAR HASAN
Chief Executive Officer

ANEES AHMAD KHAN
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)
for the six months ended 30 June 2012

	Six Months Ended 30 June	
	2012	2011
	---------- (Rupees) ----------	
Profit after tax for the period	**42,870,881**	38,531,652
Other comprehensive income	-	-
Total comprehensive income for the period	**42,870,881**	38,531,652

'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.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.

BAQAR HASAN
Chief Executive Officer

ANEES AHMAD KHAN
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN AUDITED)
for the six months ended 30 June 2012

	Six Months Ended 30 June	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	---------- (Rupees) ----------	
Profit before taxation	**65,173,933**	57,016,611
Add/(less): Adjustments for non-cash and other items:		
Depreciation	**31,437,402**	32,226,640
Amortization of intangible assets	**8,837,089**	8,776,846
Gain on sale of property, plant and equipment	**(12,592,661)**	(4,929,007)
Exchange loss	**4,485,160**	5,209,158
Provision for defined benefit obligation	**19,417,192**	20,340,821
Finance cost	**26,228,521**	43,942,063
	77,812,703	105,666,521
Profit before working capital changes	**142,986,636**	162,683,132
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets:		
Stock in trade	**(72,211,341)**	63,307,828
Trade debts	**7,749,415**	14,886,056
Advances, deposits and prepayments	**(3,951,142)**	(15,874,641)
Other receivables	**(9,960,593)**	7,782,820
Increase/(decrease) in current liabilities:		
Trade and other payables	**(34,074,541)**	137,153,010
	(112,448,202)	207,255,073
Cash generated from operations	**30,538,434**	369,938,205
Taxes paid	**(18,631,405)**	(33,629,376)
Gratuity paid	**(3,041,212)**	(4,478,160)
Finance cost paid	**(23,647,738)**	(44,677,800)
Net cash (used in)/ from operating activities	**(14,781,921)**	287,152,869
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures incurred	**(19,849,458)**	(21,350,933)
Intangible assets acquired	**(1,992,816)**	(237,345)
Sale proceeds from disposal of property, plant and equipment	**5,582,759**	10,400,888
Net cash used in investing activities	**(16,259,515)**	(11,187,390)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease liabilities	**(11,640,205)**	(20,449,713)
Long term loans-repayment	**(21,143,647)**	(21,143,646)
Increase/(decrease) Short-term bank borrowings-net	**108,739,530**	(224,159,509)
Dividend paid	**(48,145,122)**	(36,948,399)
Net cash from / (used in) financing activities	**27,810,556**	(302,701,267)
Net decrease in cash and cash equivalents	**(3,230,880)**	(26,735,788)
Cash and cash equivalents at beginning of the period	**12,596,985**	63,331,491
Cash and cash equivalents at end of the period	**9,366,105**	36,595,703

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

BAQAR HASAN
Chief Executive Officer

ANEES AHMAD KHAN
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN AUDITED)

for the six months ended 30 June 2012

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
	---------- Rupees ----------				
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 @ of 10%	16,527,739	-	(16,527,739)	(16,527,739)	-
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	2,661,105	2,661,105	2,661,105
Total comprehensive income for the period	-	-	38,531,652	38,531,652	38,531,652
Balance as as 30 June 2011	181,805,170	114,000,000	228,202,098	342,202,098	524,007,268
Balance as at 01 January 2012	181,805,170	114,000,000	284,712,812	398,712,812	580,517,982
Final dividend @ Rs. 3 per share for the year ended 31 December 2011	-	-	(54,541,551)	(54,541,551)	(54,541,551)
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	2,394,994	2,394,994	2,394,994
Total comprehensive income for the period	-	-	42,870,881	42,870,881	42,870,881
Balance as at 30 June 2012	181,805,170	114,000,000	275,437,136	389,437,136	571,242,306

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

BAQAR HASAN
Chief Executive Officer

ANEES AHMAD KHAN
Director

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

for the six months ended 30 June 2012

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 interim financial report of the Company for the six months period ended 30 June 2012 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 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 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 2011.

3.2 The accounting policies adopted for the preparation of this interim 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 2011 except for as disclosed in note 3.3 below.

3.3 The Company has adopted following amended IFRSs which became effecti during the period:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)

- IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets

The adoption of the above amendments did not have any effect on the interim financial information.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of 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 2011.

	Un Audited 30 June 2012	Audited 31 December 2011
	(Rupees)	

5. SHORT-TERM BANK BORROWINGS - SECURED

Running finance	**256,707,666**	166,291,136
Import credit	**18,323,000**	-
	275,030,666	166,291,136

6. CONTINGENCIES AND COMMITMENTS

Contingencies:

- There is no significant change in the contingencies since the date of the preceding published annual financial statements.

Commitments:

Commitments against irrevocable letters of credit include:

	Note	Un Audited 30 June 2012	Audited 31 December 2011
		(Rupees)	
Raw materials		**85,484,990**	100,988,000
Packing materials		**7,055,580**	17,017,000

7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - (owned)	7.1	**631,930,679**	642,076,342
Operating fixed assets - (leased)	7.2	**42,721,038**	59,895,164
Capital work-in-progress	7.3	**27,358,131**	13,632,715
		702,009,848	715,604,221

7.1 Operating fixed assets - tangible

Opening book value		**642,076,342**	621,820,377
Add: Additions during the period/year-cost	7.1.1	**6,124,042**	60,256,271
Transfers during the period/year		**20,515,755**	19,157,558
		668,716,139	701,234,206
Less: Deletions during the period/year	7.1.2	**10,156,929**	7,704,481
Less: Depreciation during the period/year		**26,628,531**	51,453,383
		36,785,460	59,157,864
Book value at the end of the period/year		**631,930,679**	642,076,342

	Un Audited 30 June 2012	Audited 31 December 2011
	(Rupees)	
7.1.1 Additions during the period / year - cost		
Building on freehold land	-	22,740,078
Plant and Machinery	-	22,301,411
Laboratory equipment	-	4,712,711
Arms and ammunition	-	60,000
Furniture and fixtures	75,000	1,247,460
Electric and gas appliances	692,320	198,605
Office equipment	880,722	2,092,006
Vehicles	4,476,000	6,904,000
	6,124,042	60,256,271
7.1.2 Deletions during the period / year		
Office equipment	1,023,109	318,323
Vehicles	9,133,820	7,386,158
	10,156,929	7,704,481
7.2 Assets subject to finance lease		
Opening book value	59,895,164	75,117,071
Add: Additions during the period / year	8,150,500	17,860,500
	68,045,664	92,977,571
Less: Transfers during the period / year	20,515,755	19,157,558
Less: Depreciation during the period / year	4,808,871	13,924,849
	25,324,626	33,082,407
Book value at the end of the period / year	42,721,038	59,895,164
7.3 Capital work in progress		
Civil works	25,882,701	13,281,988
Plant and machinery - owned	1,475,430	350,727
	27,358,131	13,632,715

8. STOCK IN TRADE

Raw materials		
In hand	203,330,488	218,192,744
In transit	83,659,508	39,165,327
	286,989,996	257,358,071
Packing material		
In hand	65,461,415	68,481,126
In transit	3,616,413	-
With third party	581,579	54,046
	69,659,407	68,535,172
Work in process	52,489,271	39,820,419
Finished goods	181,553,091	152,766,762
	590,691,765	518,480,424

9. TRADE DEBTS

These include Rs. 13,130,871 (31 December 2011: Rs. 13,670,149) due from related parties.

	Un Audited			
	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2012	2011	2012	2011
	Rupees			

10. SALES - net

Manufactured products				
Local	1,120,849,750	1,512,718,910	591,681,868	836,435,131
Export	82,540,402	49,462,564	51,987,974	27,747,979
	1,203,390,152	1,562,181,474	643,669,842	864,183,110
Sales compensation	-	5,576,425	-	-
Purchased products-Local	21,980,883	18,289,110	12,397,772	8,192,656
Third Party (toll manufacturing)	118,856,906	23,657,878	60,323,346	12,883,287
	1,344,227,941	1,609,704,887	716,390,960	885,259,053
Less: Discount	115,648,036	143,554,221	58,707,009	76,157,813
Sales tax	2,906,643	1,045,129	1,498,483	890,949
	118,554,679	144,599,350	60,205,492	77,048,762
	1,225,673,262	1,465,105,537	656,185,468	808,210,291

11. COST OF SALES

Opening stock of finished goods (excluding purchased products)	150,723,607	160,115,818	157,722,721	205,971,636
Cost of goods sold - Manufactured (including toll)	750,884,683	977,349,207	415,749,435	513,765,459
	901,608,290	1,137,465,025	573,472,156	719,737,095
Closing stock of finished goods	(181,430,321)	(173,827,148)	(181,430,321)	(173,827,148)
Cost of sale - Manufactured (including toll)	720,177,969	963,637,877	392,041,835	545,909,947
Cost of sale Purchased products	13,247,437	11,524,205	7,182,787	5,223,000
Cost of sale	733,425,406	975,162,082	399,224,622	551,132,947

12. RELATED PARTY TRANSACTIONS

The related parties comprises subsidiary, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties are as stated below:

	Un Audited			
	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2012	2011	2012	2011
	Rupees			
12.1 Sales of goods				
Associated Company	17,145,546	17,927,367	8,324,447	7,230,249
12.2 Contribution towards employees' benefits				
Staff provident fund	7,632,003	6,569,734	3,802,904	3,303,764
Employees' welfare trust	600,250	513,970	315,250	236,525
12.3 Remuneration				
CEO	6,189,484	5,069,052	3,447,297	2,614,526
Directors	13,513,725	12,968,393	6,992,648	6,138,530
Executives	86,678,939	65,966,476	42,504,026	33,933,663

13. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized the financial statements for issuance on 15th August 2012.

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.

BAQAR HASAN
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

For the Six Months Ended
30 June 2012

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

	Note	Un Audited 30 June 2012	Audited 31 December 2011
		(Rupees)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
Ordinary shares of Rs. 10 each 20,000,000 (2011: 20,000,000)		**200,000,000**	200,000,000
Share capital		**181,805,170**	181,805,170
Reserves		**390,553,321**	399,854,712
		572,358,491	581,659,882
Surplus on revaluation of fixed assets		**180,758,061**	183,153,055
NON CURRENT LIABILITIES			
Long term loans - secured		**36,515,823**	57,659,470
Liabilities against assets subject to finance lease		**11,413,240**	11,296,272
Long term advances		**14,596,889**	14,942,278
Deferred liabilities		**270,287,325**	265,856,775
		332,813,277	349,754,795
CURRENT LIABILITIES			
Trade and other payables		**163,572,594**	186,874,267
Markup payable on secured loans		**11,230,539**	10,436,070
Short term bank borrowings - secured	5	**275,030,666**	166,291,136
Current portion of long term liabilities		**62,100,603**	80,742,402
		511,934,402	444,343,875
CONTINGENCIES AND COMMITMENTS	6	-	-
TOTAL EQUITY AND LIABILITIES		**1,597,864,231**	1,558,911,607

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

BAQAR HASAN
Chief Executive Officer

AS AT 30 JUNE 2012

	Note	Un Audited 30 June 2012	Audited 31 December 2011
		(Rupees)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	**701,456,782**	715,051,154
Intangible assets		**104,999,544**	111,843,817
Long term deposits		**1,562,054**	1,562,054
		808,018,380	828,457,025
CURRENT ASSETS			
Stock in trade	8	**590,691,765**	518,480,424
Trade debts	9	**47,418,456**	55,167,872
Advances, deposits and prepayments		**55,087,234**	51,136,092
Other receivables		**27,030,658**	17,204,500
Income tax - net		**59,634,728**	75,251,804
Cash and bank balances		**9,983,010**	13,213,890
		789,845,851	730,454,582
TOTAL ASSETS		**1,597,864,231**	1,558,911,607

ANEES AHMAD KHAN
Director

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN AUDITED)

for the six months ended 30 June 2012

	Note	Six Months Ended 30 June		Three Months Ended 30 June	
		2012	2011	2012	2011
		---------- (Rupees) ----------		---------- (Rupees) ----------	
Sales - net	10	1,225,673,262	1,465,105,537	656,185,468	808,210,291
Cost of sales	11	733,425,406	975,162,082	399,224,622	551,132,947
Gross profit		492,247,856	489,943,455	256,960,846	257,077,344
Operating expenses					
Distribution, selling and promotional expenses		303,243,547	288,912,804	155,764,715	152,531,640
Administrative and general expenses		98,509,148	91,850,074	48,431,192	48,763,991
Research and development expenses		3,230,086	4,147,461	2,104,982	2,336,403
Other operating charges		9,866,402	9,492,941	5,892,427	5,784,212
		414,849,183	394,403,280	212,193,316	209,416,246
		77,398,673	95,540,175	44,767,530	47,661,098
Other operating income		13,978,066	5,358,499	1,681,039	3,604,559
		91,376,739	100,898,674	46,448,569	51,265,657
Finance cost		26,228,521	43,942,063	13,551,509	21,652,248
Profit before taxation		65,148,218	56,956,611	32,897,060	29,613,409
Taxation		22,303,052	18,484,959	10,752,698	8,914,838
Profit after taxation		42,845,166	38,471,652	22,144,362	20,698,571
Earning per share-basic and diluted		2.36	2.12	1.22	1.14

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

BAQAR HASAN
Chief Executive Officer

ANEES AHMAD KHAN
Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN AUDITED)

for the six months ended 30 June 2012

	Six Months Ended 30 June	
	2012	2011
	---------- (Rupees) ----------	
Profit after tax for the period	**42,845,166**	38,471,652
Other comprehensive income	-	-
Total comprehensive income for the period	**42,845,166**	38,471,652

'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.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.

BAQAR HASAN
Chief Executive Officer

ANEES AHMAD KHAN
Director

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN AUDITED)
for the six months ended 30 June 2012

	Six Months Ended 30 June	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	---------- (Rupees) ----------	
Profit before taxation	**65,148,218**	56,956,611
Add/(less): Adjustments for non-cash and other items:		
Depreciation	**31,437,402**	32,226,640
Amortization of intangible assets	**8,837,089**	8,776,846
Gain on sale of property, plant and equipment	**(12,592,661)**	(4,829,007)
Exchange loss	**4,485,160**	5,209,158
Provision for defined benefit obligation	**19,417,192**	20,340,821
Finance cost	**26,228,521**	43,942,063
	77,812,703	105,666,521
Profit before working capital changes	**142,960,921**	162,623,132
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets:		
Stock in trade	**(72,211,341)**	63,307,828
Trade debts	**7,749,417**	14,886,056
Advances, deposits and prepayments	**(3,951,142)**	(15,874,641)
Other receivables	**(9,826,158)**	7,693,497
Increase/(decrease) in current liabilities:		
Trade and other payables	**(34,183,262)**	137,153,014
	(112,422,486)	207,165,754
Cash generated from operations	**30,538,435**	369,788,886
Taxes paid	**(18,631,405)**	(33,629,376)
Gratuity paid	**(3,041,212)**	(4,478,160)
Finance cost paid	**(23,647,738)**	(44,677,800)
Net cash (used in)/ from operating activities	**(14,781,920)**	287,003,550
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures incurred	**(18,437,458)**	(21,023,685)
Intangible assets acquired	**(1,992,816)**	(237,345)
Sale proceeds from disposal of property, plant and equipment	**5,582,759**	10,073,640
Net cash used in investing activities	**(14,847,515)**	(11,187,390)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease liabilities	**(11,640,205)**	(20,449,714)
Long term loans-repayment	**(21,143,647)**	(21,143,646)
Increase/(decrease) Short-term bank borrowings-net	**108,739,530**	(224,159,509)
Dividend paid	**(48,145,122)**	(36,948,399)
Net cash from / (used in) financing activities	**27,810,556**	(302,701,267)
Net decrease in cash and cash equivalents	**(1,818,879)**	(26,885,107)
Cash and cash equivalents at beginning of the period	**13,213,890**	65,485,314
Cash and cash equivalents at end of the period	**11,395,011**	38,600,207

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

BAQAR HASAN
Chief Executive Officer

ANEES AHMAD KHAN
Director

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

for the six months ended 30 June 2012

	Share Capital	Revenue Reserves			Total
		General	Unappropriated Profit	Sub Total	
	---------- Rupees ----------				
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%	16,527,739	-	(16,527,739)	(16,527,739)	-
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	2,661,105	2,661,105	2,661,105
Total comprehensive income for the period	-	-	38,471,652	38,471,652	38,471,652
Balance as as 30 June 2011	181,805,170	114,000,000	229,438,292	343,438,292	525,243,462
Balance as at 01 January 2012	181,805,170	114,000,000	285,854,712	399,854,712	581,659,882
Final dividend @ Rs. 3 per share for the year ended 31 December 2011	-	-	(54,541,551)	(54,541,551)	(54,541,551)
Incremental depreciation relating to surplus on revaluation of fixed assets	-	-	2,394,994	2,394,994	2,394,994
Total comprehensive income for the period	-	-	42,845,166	42,845,166	42,845,166
Balance as at 30 June 2012	181,805,170	114,000,000	276,553,321	390,553,321	572,358,491

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

BAQAR HASAN
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 2012

1. THE COMPANY AND ITS ACTIVITIES

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

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

DSL was incorporated as a private limited company in Pakistan on 27 April 2004 under the Companies Ordinance,1984 and made a wholly owned subsidiary Company of HNL in September 2004. DSL is principally engaged in the business of trading and distribution of Pharmaceutical and other products. The registered office of DSL is situated at 17.5 km, Multan Road, Lahore.

1.2 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 interim consolidated financial report of the Group for the six months period ended 30 June 2012 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 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 consolidated financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

3.2 The accounting policies adopted for the preparation of this interim consolidated financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Group for the year ended 31 December 2011 except for as disclosed in note 3.3 below.

3.3 The Group has adopted the following amended IFRS which became effective during the period:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)

- IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets

The adoption of the above standards / amendments did not have any effect on the financial information.

4. CONTINGENCIES AND COMMITMENTS

The preparation of 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 2011.

	Un Audited 30 June 2012	Audited 31 December 2011
	(Rupees)	

5. SHORT-TERM BANK BORROWINGS - SECURED

Running finance	**256,707,666**	166,291,136
Import credit	**18,323,000**	-
	275,030,666	166,291,136

6. CONTINGENCIES AND COMMITMENTS

Contingencies:

- There is no significant change in the contingencies since the date of the preceding published annual financial statements.

Commitments:

Commitments against irrevocable letters of credit include:

	Note	Un Audited 30 June 2012	Audited 31 December 2011
		(Rupees)	
Raw materials		**85,484,990**	100,988,000
Packing materials		**7,055,580**	17,017,000

7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets-owned	7.1	**631,377,613**	641,523,276
Operating fixed assets-leased	7.2	**42,721,038**	59,895,163
Capital work-in-progress	7.3	**27,358,131**	13,632,715
		701,456,782	715,051,154

7.1 Operating fixed assets - tangible

Opening book value		**641,523,276**	621,267,311
Add: Additions during the period/year-cost	7.1.1	**6,124,042**	60,256,271
Transfers during the period/year		**20,515,755**	19,157,558
		668,163,073	700,681,140
Less: Deletions during the period/year	7.1.2	**10,156,929**	7,704,481
Less: Depreciation during the period/year		**26,628,531**	51,453,383
		36,785,460	59,157,864
Book value at the end of the period/year		**631,377,613**	641,523,276

	Un Audited 30 June 2012	Audited 31 December 2011
	(Rupees)	
7.1.1 Additions during the period / year - cost		
Building on freehold land	-	22,740,078
Plant and Machinery	-	22,301,411
Laboratory equipment	-	4,712,711
Arms and ammunition	-	60,000
Furniture and fixtures	**75,000**	1,247,460
Electric and gas appliances	**692,320**	198,605
Office equipment	**880,722**	2,092,006
Vehicles	**4,476,000**	6,904,000
	6,124,042	60,256,271
7.1.2 Deletions during the period / year		
Office equipment	**1,023,109**	318,323
Vehicles	**9,133,820**	7,386,158
	10,156,929	7,704,481
7.2 Assets subject to finance lease		
Opening book value	**59,895,164**	75,117,071
Add: Additions during the period / year	**8,150,500**	17,860,500
	68,045,664	92,977,571
Less: Transfers during the period / year	**20,515,755**	19,157,558
Less: Depreciation during the period / year	**4,808,871**	13,924,849
	25,324,626	33,082,407
Book value at the end of the period / year	**42,721,038**	59,895,164
7.3 Capital work in progress		
Civil works	**25,882,701**	13,281,988
Plant and machinery - owned	**1,475,430**	350,727
	27,358,131	13,632,715

8. STOCK IN TRADE

Raw materials		
In hand	**203,330,488**	218,192,744
In transit	**83,659,508**	39,165,327
	286,989,996	257,358,071
Packing material		
In hand	**65,461,415**	68,481,126
In transit	**3,616,413**	-
With third party	**581,579**	54,046
	69,659,407	68,535,172
Work in process	**52,489,271**	39,820,419
Finished goods	**181,553,091**	152,766,762
	590,691,765	518,480,424

9. TRADE DEBTS

These include Rs. 0.117 million (31 December 2011: Rs. 0.511 million) due from related parties.

	Un Audited			
	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2012	2011	2012	2011
	Rupees			

10. SALES - net

Manufactured products				
Local	1,120,849,750	1,512,718,910	591,681,868	836,435,131
Export	82,540,402	49,462,564	51,987,974	27,747,979
	1,203,390,152	1,562,181,474	643,669,842	864,183,110
Sales compensation	-	5,576,425	-	-
Purchased products-Local	21,980,883	18,289,110	12,397,772	8,192,656
Third Party (toll manufacturing)	118,856,906	23,657,878	60,323,346	12,883,287
	1,344,227,941	1,609,704,887	716,390,960	885,259,053
Less: Discount	115,648,036	143,554,221	58,707,009	76,157,813
Sales tax	2,906,643	1,045,129	1,498,483	890,949
	118,554,679	144,599,350	60,205,492	77,048,762
	1,225,673,262	1,465,105,537	656,185,468	808,210,291

11. COST OF SALES

Opening stock of finished goods (excluding purchased products)	150,723,607	160,115,818	157,722,721	205,971,636
Cost of goods sold - Manufactured (including toll)	750,884,683	977,349,207	415,749,435	513,765,459
	901,608,290	1,137,465,025	573,472,156	719,737,095
Closing stock of finished goods	(181,430,321)	(173,827,148)	(181,430,321)	(173,827,148)
Cost of sale - Manufactured (including toll)	720,177,969	963,637,877	392,041,835	545,909,947
Cost of sale Purchased products	13,247,437	11,524,205	7,182,787	5,223,000
Cost of sale	733,425,406	975,162,082	399,224,622	551,132,947

12. RELATED PARTY TRANSACTIONS

The related parties comprises subsidiary, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties are as stated below:

	Un Audited			
	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2012	2011	2012	2011
	Rupees			
12.1 Sales of goods				
Associated Company	17,145,546	17,927,367	8,324,447	7,230,249
12.2 Contribution towards employees' benefits				
Staff provident fund	7,632,003	6,569,734	3,802,904	3,303,764
Employees' welfare trust	600,250	513,970	315,250	236,525
12.3 Remuneration				
CEO	6,189,484	5,069,052	3,447,297	2,614,526
Directors	13,513,725	12,968,393	6,992,648	6,138,530
Executives	86,678,939	65,966,476	42,504,026	33,933,663

13. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of HNL authorized the financial statements for issuance on 15th August 2012.

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.

BAQAR HASAN
Chief Executive Officer

ANEES AHMAD KHAN
Director

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