Q2 REPORT 2016

pursuing excellence..



HIGHNOON
LABORATORIES LTD.

Contents

Vision, Mission & Corporate Objectives		1
Company Information		2
Chairman's Review	چیئرمین کا تجزیہ	3&4
Condensed Interim Un-consolidated Financial Information		5
Independent Auditor's Review Report to the Members		6
Balance Sheet		7
Profit & Loss Account		9
Statement of Comprehensive Income		10
Cash Flow Statement		11
Statement of Changes in Equity		13
Selected Notes to the Financial Information		14
Chairman's Review	چیئرمین کا تجزیہ	23&24
Condensed Interim Consolidated Financial Information		26
Balance Sheet		27
Profit & Loss Account		29
Statement of Comprehensive Income		30
Cash Flow Statement		31
Statement of Changes in Equity		33
Selected Notes to the Financial Information		34

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
	Dr. Adeel Abbas Haideri	Chief Executive Officer
	Mr. Ghulam Hussain Khan	
	Mr. Taufiq Ahmed Khan	
	Mr. Shazib Masud	
	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 - Conventional	Habib Bank Limited United Bank Limited J.S. Bank Limited Allied Bank Limited Standard Chartered Bank (Pakistan) Limited	
Registered, Head Office & Plant	17.5 Kilometer Multan Road, Lahore - 53700, Pakistan UAN: 111 000 465 Fax: +92 (42) 37510037 Email: info@highnoon.com.pk URL: www.highnoon-labs.com	
Legal Advisors	Raja Muhammad Akram & Company	
Tax Advisors	Yousuf Islam & Associates	
Auditors	EY Ford Rhodes Chartered Accountants	
Shares Registrar	Corplink (Pvt) Ltd. Wings Arcade, 1-K Commercial, Model Town, Lahore. Tel: +92 (42) 35916714, 35916719, Fax: +92 (42) 35869637	

CHAIRMAN'S REVIEW

I feel pleasure to present the financial statements of the Company for the half year ended 30th June 2016 on behalf of the Board of Directors.

The Company generated net sales revenue of Rs.2.535 billion during the period under review compared to Rs.2.166 billion in the same period last year registering a growth of 17 percent. On quarterly basis the net sales revenue increased by Rs. 75 million showing an increase of 6 percent over last quarter. Gross profit and gross profit as a percentage of sales for the period amounted to Rs.1.218 billion and 48% as compared to Rs.1.017 billion and 47% respectively. Distribution selling & promotional expenses increased by 16.56% while administrative expenses decreased by 8.50%. The increase in Distribution selling & promotional expenses is largely on account of increase in the size of sales team to improve market penetration and improving customer focus. As a result of increased sales and better management of resources, profit margins have increased and after taxation showed an increase of 38% over comparative period.

Pursuant to the resolution passed in the Extra Ordinary General meeting, the Company fortified its shareholding in Biocef Pvt Limited. As a result, the subsidiary company is now a wholly owned subsidiary company. The construction work on ancillary building is in full swing and is expected to be completed by the end of third quarter. All local and imported equipment shall be installed by the end of the year, thereafter qualification and validation process shall commence before an application is made for the manufacturing license.

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: 12 August 2016

Tausif Ahmad Khan
Chairman

چیئرمین کا تجزیہ

میں بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی پہلی ششماہی مختتمہ ۳۰ جون ۲۰۱۶ کے مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

اس سال کی پہلی ششماہی میں کمپنی کی کل فروخت ۲.۵۳۵ ارب روپے ہے اور اسکا موازنہ پچھلے سال کی اسی مدت کی کل فروخت ۲.۱۶۶ ارب روپے سے کیا جائے تو اضافے کی شرح ۱۷ فیصد ہے۔ جبکہ دوسری سہ ماہی میں اس سال کی پہلی سہ ماہی کے مقابلے میں کل فروخت میں ۶ فیصد کی شرح سے ۷ کروڑ ۵۰ لاکھ روپے کا اضافہ ہوا ہے۔ زیرِ جائزہ مدت میں خام منافع ۱.۲۱۸ ارب روپے اور اسکی شرح ۴۸ فیصد ہے اسکے موازنہ میں پچھلے سال اسی مدت میں خام منافع ۱.۰۱۷ ارب روپے اور اسکی شرح ۴۷ فیصد تھی۔ مارکیٹنگ اور ڈسٹریبیوشن کے اخراجات میں ۱۶.۵۶ فیصد کی شرح سے اضافہ ہوا ہے۔ اس اضافہ کی بنیادی وجہ مارکیٹنگ ٹیم کے حجم کو بڑھانا ہے تاکہ مارکیٹ تک رسائی اور صارف پر توجہ میں بہتری لائی جا سکے۔ اسکے برعکس انتظامی امور کے اخراجات میں ۸.۵۰ فیصد کمی ہوئی ہے۔ کل فروخت میں اضافے اور وسائل کے بہترین استعمال کے نتیجے میں شرح منافع میں اضافہ ہوا ہے اور بعد از ٹیکس خالص منافع پچھلے سال کے مقابلے میں ۳۸ فیصد زیادہ ہے۔

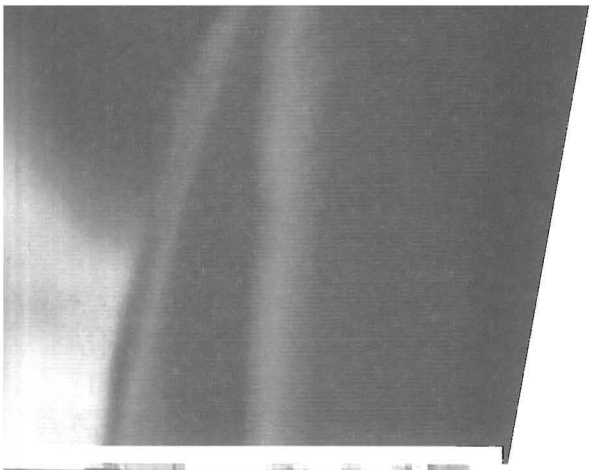
کمپنی نے غیر معمولی اجلاس میں منظور کی گئی قرارداد کیمطابق بائیوسیف (پرائیویٹ) لمیٹڈ میں اپنی حصہ داری کو بڑھا کر سو فیصد تک مستحکم کیا ہے جسکے نتیجے میں اب ذیلی کمپنی ہائی نون کی کُلی طور پر ذیلی کمپنی بن گئی ہے۔ بائیوسیف کی فیکٹری کی عمارت پر کام بھرپور طریقے سے جاری ہے اور اس کی تکمیل تیسری سہ ماہی کے اختتام تک متوقع ہے۔ تمام مقامی اور درآمد شدہ مشینری اس سال کے اختتام تک نصب کر دی جائے گی جسکے بعد اسکی استعداد کار اور معیاری پیداواری صلاحیت کو جانچنے کا عمل شروع کیا جائے گا اور پھر ادویات سازی کے لائسنس کیلئے درخواست دی جائے گی۔

میں بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام حصص داران، ڈاکٹرز، فارماسسٹس، صارفین، شراکت داروں اور بینکوں کی دست گیری اور حمایت کا نہایت مشکور ہوں۔ اسکے ساتھ میں ملازمین اور انتظامیہ کی مسلسل، غیر متزلزل اور ان تھک کوششوں اور محنت کی بھی بھرپور قدر کرتا ہوں۔

بورڈ کی جانب سے

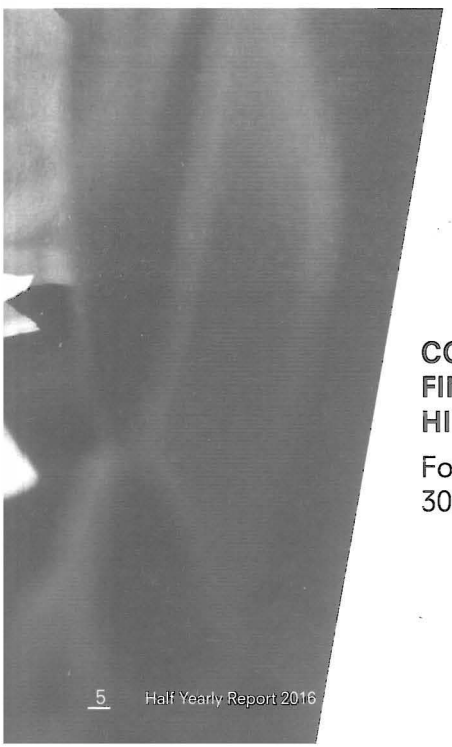
توصیف احمد خان
چیئرمین

لاہور: ۱۲ اگست ۲۰۱۶









CONDENSED INTERIM FINANCIAL INFORMATION HIGHNOON LABORATORIES LTD.

For the Half Year Ended
30 June 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Highnoon Laboratories Limited as at 30 June 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and the notes to the accounts, for the six-month period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed 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 condensed 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 condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

EY Ford Rhodes

Chartered Accountants

Engagement Partner: Farooq Hameed

Lahore: 12th August 2016

BALANCE SHEET

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
25,000,000 (31 December 2015 : 25,000,000)			
Ordinary shares of Rs. 10 each		250,000,000	250,000,000
Share capital		228,056,400	203,621,790
Revenue Reserves		1,119,763,450	1,021,980,732
		1,347,819,850	1,225,602,522
Surplus on revaluation of fixed assets		213,289,241	216,679,561
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	5	18,812,922	11,162,028
Long term advances		26,532,718	20,267,322
Deferred liabilities		287,459,908	293,726,596
		332,805,548	325,155,946
CURRENT LIABILITIES			
Trade and other payables		358,263,885	409,596,016
Short term borrowings	6	-	-
Markup payable on secured loans		83,366	52,522
Current portion of long term liabilities	7	26,106,573	25,202,447
Income Tax - Net		142,296,668	88,197,181
		526,750,492	523,048,166
TOTAL EQUITY AND LIABILITIES		2,420,665,131	2,290,486,195
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

AS AT 30 JUNE 2016

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		--------- (Rupees) ---------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	760,420,813	765,390,162
Intangible assets		30,121,618	38,458,719
Long term Investment	10	125,377,000	84,300,000
Long term deposits		12,202,864	10,580,164
		928,122,295	898,729,045
CURRENT ASSETS			
Stock in trade	11	903,467,363	860,324,204
Trade debts		47,500,692	67,897,899
Advances		58,529,446	79,941,339
Trade deposits and short term prepayments		25,308,209	19,708,637
Profit accrued		-	585,610
Other receivables		1,573,573	2,549,011
Tax refund due from government		5,797,281	7,955,477
Short term investment	12	50,637,290	-
Cash and bank balances	13	399,728,982	352,794,973
		1,492,542,836	1,391,757,150
TOTAL ASSETS		2,420,665,131	2,290,486,195

ANEES AHMAD KHAN
DIRECTOR

PROFIT AND LOSS ACCOUNT (UN-AUDITED)
For the Six Month Period Ended 30 June 2016

	Note	Six Month Ended 30 June		Three Month Ended 30 June	
		2016	2015	2016	2015
		---------- (Rupees) ----------		---------- (Rupees) ----------	
Sales - net	14	2,534,727,427	2,166,464,083	1,304,763,636	1,144,176,585
Cost of sales	15	(1,316,732,326)	(1,149,478,224)	(677,035,563)	(605,833,360)
Gross profit		1,217,995,101	1,016,985,859	627,728,073	538,343,225
Operating expenses					
Distribution, selling and promotional		(663,745,988)	(569,413,307)	(360,852,381)	(296,238,302)
Administrative and general		(114,538,893)	(125,183,629)	(50,063,011)	(64,896,044)
Research and development		(1,626,054)	(1,565,269)	(824,564)	(768,413)
Other operating expenses		(38,338,786)	(31,190,183)	(19,695,543)	(17,765,191)
		(818,249,721)	(727,352,388)	(431,435,499)	(379,667,950)
		399,745,380	289,633,471	196,292,574	158,675,275
Other income	16	8,406,682	23,274,368	5,574,870	17,912,861
Operating profit		408,152,062	312,907,839	201,867,444	176,588,136
Finance cost	17	(3,271,006)	(5,441,888)	(1,781,837)	(3,008,879)
Profit before taxation		404,881,056	307,465,951	200,085,607	173,579,257
Taxation		(133,974,995)	(111,556,310)	(74,419,379)	(68,382,968)
Profit after taxation		270,906,061	195,909,641	125,666,228	105,196,289
			Restated		Restated
Earnings per share-basic and diluted		11.88	8.59	5.51	4.61

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For the Six Month Period Ended 30 June 2016

	Note	Six Month Ended 30 June 2016	2015
		---------- (Rupees) ----------	
Profit after tax for the period		270,906,061	195,909,641
Other comprehensive income for the period, to be reclassified to profit and loss in subsequent periods, net of tax	18	637,290	-
Total comprehensive income for the period		271,543,351	195,909,641

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 section 235 of Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CASH FLOW STATEMENT (UN-AUDITED)
For the Six Month Period Ended 30 June 2016

	Six Month Ended 30 June	
	2016	2015
	---------- (Rupees) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	404,881,056	307,465,951
Adjustments for non-cash and other items:		
Depreciation	39,500,673	38,965,619
Amortization of intangible assets	8,337,101	9,111,966
Gain on disposal of property, plant and equipment	(3,254,468)	(4,982,882)
Exchange loss	4,185,357	5,056,584
Provision for slow moving and obsolete items	9,752,122	2,264,165
Provision for gratuity	21,584,814	20,409,492
Finance cost	3,271,006	5,441,888
	83,376,605	76,266,832
Profit before working capital changes	488,257,661	383,732,783
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets:		
Stock in trade	(52,895,281)	(52,680,417)
Trade debts	20,397,207	(20,716,086)
Advances	21,411,893	(40,170,720)
Trade deposits and short term prepayments	(5,599,572)	(8,701,169)
Profit accrued	585,610	359,589
Other receivables	975,438	(333,906)
Tax refund due from government	2,158,196	7,524,700
Increase/(decrease) in current liabilities:		
Trade and other payables	(69,933,365)	41,084,405
	(82,899,874)	(73,633,604)
Cash flow generated from operations	405,357,787	310,099,179
Taxes paid	(100,610,820)	(72,152,055)
Gratuity paid	(7,116,190)	(26,924,676)
Finance cost paid	(1,200,213)	(1,835,001)
Long term advances - net	5,723,204	1,659,959
Net cash flow generated from operating activities	302,153,768	210,847,406
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(15,746,060)	(37,335,776)
Proceeds from disposal of property, plant and equipment	8,419,204	17,252,754
Intangible assets acquired	-	(845,356)
Acquisition of further interest in subsidiary	(41,077,000)	-
Short term investment	(50,000,000)	-
Long term deposits - net	(1,622,700)	-
Net cash flow used in investing activities	(100,026,556)	(20,928,378)

	Note	Six Month Ended 30 June 2016	2015
		---------- (Rupees) ----------	
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		(16,892,737)	(14,210,074)
Short term borrowings - net		-	1,146,431
Dividend paid		(138,300,466)	(114,379,068)
Net cash flow used in financing activities		(155,193,203)	(127,442,711)
Net increase in cash and cash equivalents		46,934,009	62,476,317
Cash and cash equivalents at beginning of the period		352,794,973	335,324,473
Cash and cash equivalents at end of the period	13	399,728,982	397,800,790

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

STATEMENT
OF CHANGES IN EQUITY (UN-AUDITED)
For the Six Month Period Ended 30 June 2016

	Share Capital	Revenue Reserves			Total
		General Reserves	Unappropriated Profit	Sub Total	
	---------- Rupees ----------				
Balance as at 01 January 2015	181,805,170	114,000,000	617,355,424	731,355,424	913,160,594
Profit for the period ended 30 June 2015	-	-	195,909,641	195,909,641	195,909,641
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	195,909,641	195,909,641	195,909,641
Issuance of bonus shares @ 12%	21,816,620	-	(21,816,620)	(21,816,620)	
Final dividend @ Rs. 6.50 per share for the year ended 31 December 2014	-	-	(118,173,361)	(118,173,361)	(118,173,361)
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	5,449,250	5,449,250	5,449,250
Balance as at 30 June 2015	203,621,790	114,000,000	678,724,334	792,724,334	996,346,124
Balance as at 01 January 2016	203,621,790	114,000,000	907,980,732	1,021,980,732	1,225,602,522
Profit for the period ended 30 June 2016	-	-	270,906,061	270,906,061	270,906,061
Other comprehensive income	-	-	637,290	637,290	637,290
Total comprehensive income for the period, net of tax	-	-	271,543,351	271,543,351	271,543,351
Issuance of bonus shares @ 12%	24,434,610	-	(24,434,610)	(24,434,610)	-
Final dividend @ Rs. 7.50 per share for the year ended 31 December 2015	-	-	(152,716,343)	(152,716,343)	(152,716,343)
Incremental depreciation relating to surplus on revaluation of fixed assets - net of tax	-	-	3,390,320	3,390,320	3,390,320
Balance as at 30 June 2016	228,056,400	114,000,000	1,005,763,450	1,119,763,450	1,347,819,850

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

SELECTED NOTES TO THE FINANCIAL INFORMATION (UN-AUDITED) For the Six Month Period Ended 30 June 2016

1. THE COMPANY AND ITS OPERATIONS

Highnoon Laboratories Limited ('the Company') was incorporated as a private limited company in Pakistan in 1984 and converted into an unquoted public limited company in 1985. Its shares are quoted on all three stock exchanges in Pakistan (now Pakistan Stock Exchange) since November 1994. The Company is principally engaged in the manufacture, import, sale 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 ended 30 June 2016 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 condensed 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 condensed 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 2015.

3.2 This financial information represents the separate financial information of the company in which investment in subsidiary is stated at cost less impairement losses, if any. The condensed interim consolidated financial statements are prepared separately.

3.3 The accounting policies adopted for the preparation of this condensed 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 2015 except for as disclosed in note 3.4 below.

3.4 The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current period:

IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment).

IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment).

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment).

IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment).

IAS 16 – Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment).

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment).

Improvements to Accounting Standards Issued by the IASB

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal.

IFRS 7 – Financial Instruments: Disclosures - Servicing contracts.

IFRS 7 – Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements.

IAS 19 – Employee Benefits - Discount rate: regional market issue.

IAS 34 – Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report.

The adoption of the above amendment to accounting standards did not have any material effect on the condensed interim 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 2015.

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		42,446,894	33,349,682
Less: Current portion shown under current liabilities	7	23,633,972	22,187,654
		18,812,922	11,162,028

	Minimum lease payments	Finance cost for future periods	Principal outstanding
	Un-Audited 30 June 2016		
	(Rupees)		
Not later than one year	26,184,671	2,550,699	23,633,972
Later than one year but not later than five years	19,426,930	614,008	18,812,922
	45,611,601	3,164,707	42,446,894

	Minimum lease payments	Finance cost for future periods	Principal outstanding
	Audited 31 December 2015		
	(Rupees)		
Not later than one year	24,322,800	2,135,146	22,187,654
Later than one year but not later than five years	11,684,770	522,742	11,162,028
	36,007,570	2,657,888	33,349,682

Salient features of the leases are as follows:

	2016	2015
Discounting factor	7.30%-11.31%	7.30%-11.31%
Period of lease	36 months	36 months
Security deposits	5%-10%	5%-10%

The Company has entered into finance lease arrangements with various conventional financial institutions for lease vehicles as shown in note 9. The liabilities under these arrangements are payable in monthly installments and above mentioned mark-up rates are used as discounting factor to determine the present value of minimum lease payments.

All lease agreements carry renewal option at the end of lease period and the Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the leased assets has already been paid at the inception of the lease in the form of security deposit. There are no financial restrictions imposed by lessor. Taxes, repairs, replacements and insurance costs are borne by the lessee.

	Un-Audited 30 June 2016	Audited 31 December 2015
	(Rupees)	
6. SHORT TERM BORROWINGS		
Short term borrowings	-	-

6.1 Short term running finances are availed from various commercial banks having aggregate sanctioned limit of Rs. 605 million (2015: Rs. 605 million).These facilities have various maturity dates up to 31 October 2016 and renewable on the date of maturity. These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 100 to 150 basis points (2015: one month KIBOR to six months KIBOR plus 100 to 150 basis points) per annum. These facilities along with import credit facility are secured by way of first pari passu charge for Rs. 733 million (2015: Rs. 733 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 656 million (2015: Rs. 656 million) on stocks including but not limited to raw materials, goods in process and finished goods of the Company.

6.2 Out of total borrowing facility, an amount of Rs. 50,000,000 (2015: Rs. 50,000,000) represents Export Refinance Facility obtained from a commercial bank under SBP regulations at a subsidized mark up rate of 7% (2015: 7%) per annum.

6.3 The Company also has aggregate sanctioned unfunded import credit facilities negotiated with various commercial banks amounting to Rs. 900 million (2015: Rs. 900 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2015: one month KIBOR to six months KIBOR plus 125 to 150 basis points) per annum. These available facilities are secured by way of joint pari passu, ranking hypothecation charge over present and future current assets of the Company and lien on export documents or firm contracts and have various maturity dates.

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
7. CURRENT PORTION OF LONG TERM LIABILITIES			
Liabilities against assets subject to finance lease	5	23,633,972	22,187,654
Long term advances		2,472,601	3,014,793
		26,106,573	25,202,447

8. CONTINGENCIES AND COMMITMENTS

Contingencies:

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

Commitments:

Commitments against irrevocable letters of credit include:

Raw materials	241,319,490	108,340,480
Packing materials	20,150,125	47,416,348
Finished goods	4,911,500	-
	266,381,115	155,756,828
Rentals under ijara agreements:		
Not later than one year	10,041,063	22,999,174
Later than one year but not later than five years	59,384,140	33,890,465
	69,425,203	56,889,639

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
9. PROPERTY, PLANT AND EQUIPMENT			
Operating assets - (owned)	9.1	692,833,915	708,136,848
Operating assets - (leased)	9.2	64,073,750	55,747,159
Capital work-in-progress	9.3	3,513,148	1,506,155
		760,420,813	765,390,162
9.1 Operating fixed assets (owned)			
Opening book value		708,136,848	669,818,556
Add: Additions during the period/year-cost	9.1.1	13,739,067	104,425,343
Transferred during the period/year-vehicles		9,232,980	18,443,388
		22,972,047	122,868,731
Less: Deletions during the period / year	9.1.2	5,164,736	18,276,975
Depreciation during the period / year		33,110,244	66,273,464
		38,274,980	84,550,439
Book value at the end of the period / year		692,833,915	708,136,848
9.1.1 Additions during the period / year - cost			
Building on freehold land		-	2,282,599
Plant and machinery		3,392,573	54,696,053
Laboratory equipment		517,020	1,357,400
Furniture and fixtures		349,731	2,607,371
Electric and gas appliances		1,892,999	3,053,603
Office equipment		1,587,244	3,095,700
Vehicles		5,999,500	37,332,617
		13,739,067	104,425,343
9.1.2 Deletions during the period / year			
Plant and machinery		-	2,153,821
Office equipment		-	347,586
Vehicles		5,164,736	15,775,568
		5,164,736	18,276,975
9.2 Operating fixed assets (leased - vehicles)			
Opening book value		55,747,159	81,423,968
Add: Additions during the period/year-cost		23,950,000	7,798,500
		79,697,159	89,222,468
Less: Transfers during the period / year		9,232,980	18,443,388
Depreciation during the period / year		6,390,429	15,031,921
		15,623,409	33,475,309
Book value at the end of the period / year		64,073,750	55,747,159

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
9.3 Capital work in progress			
Plant and machinery - owned		727,648	1,506,155
Advances to suppliers - vehicles		2,785,500	-
		3,513,148	1,506,155
10. LONG TERM INVESTMENT			
Subsidiary Company - Unlisted			
Biocef (Private) Limited			
12,537,700 (2015: 8,430,000) ordinary shares of Rs.10			
Equity held: 100% (2015: 88.39%)		125,377,000	84,300,000

In May 2016, the Company further acquired 1,107,700 shares of Biocef (Private) limited at par value of Rs. 10 per share, due to which it became wholly owned subsidiary of the Company. Further, in June 2016 the Company has also acquired 3,000,000 right shares of Subsidiary Company at par value of Rs.10 per share.

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
11. STOCK IN TRADE			
Raw materials			
In hand		384,845,213	373,148,639
In transit		120,961,105	39,905,691
With third party		14,399,452	24,347,160
		520,205,770	437,401,490
Packing material			
In hand		132,623,286	133,675,879
In transit		509,632	17,400,007
With third party		1,955,259	5,863,887
		135,088,177	156,939,773
Work in process		49,602,806	54,006,164
Finished goods			
In hand		215,724,801	210,447,080
In transit		-	12,613,672
		215,724,801	223,060,752
Less: Provision for slow moving and obsolete items	11.1	(17,154,191)	(11,083,975)
		903,467,363	860,324,204
11.1 Provision for slow moving and obsolete items			
Opening provision		11,083,975	20,262,765
Charge for the year		9,752,122	8,550,977
Written off during the year		(3,681,906)	(17,729,767)
Closing provision		17,154,191	11,083,975

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
12. SHORT TERM INVESTMENT			
Available for sale	12.1	50,637,290	-

12.1 This represent investment in units of NAFA money market fund managed by NBP Fullerton Asset Management Limited.

	Un-Audited 30 June 2016	Audited 31 December 2015
	(Rupees)	
13. CASH AND BANK BALANCES		
Cash and Imprest	2,023,545	2,020,422
Balance with banks		
Current accounts		
-Local Currency	392,356,095	191,755,929
-Foreign Currency	5,349,342	9,018,622
Deposit accounts	-	150,000,000
	397,705,437	350,774,551
	399,728,982	352,794,973

13.1 This carries profit at the rate of 7% per annum.

13.2 Out of these bank balances Rs. 309,760 (2015: Rs. 469,957) are placed under Shariah permissible agreement.

	Un-Audited			
	Six Month Ended 30 June		Three Month Ended 30 June	
	2016	2015	2016	2015
	Rupees			
14. SALES - net				
Manufactured products				
Local	2,381,885,836	1,923,745,466	1,232,559,469	1,013,202,382
Export	125,925,660	149,123,197	62,012,865	79,144,328
	2,507,811,496	2,072,868,663	1,294,572,334	1,092,346,710
Purchased products-Local	52,976,875	36,081,306	24,343,669	12,549,676
Third Party	223,201,581	221,347,263	114,977,001	124,798,795
	2,783,989,952	2,330,297,232	1,433,893,004	1,229,695,181
Less: Discount	240,504,133	156,801,929	125,787,449	82,210,591
Sales tax	8,758,392	7,031,220	3,341,919	3,308,005
	249,262,525	163,833,149	129,129,368	85,518,596
	2,534,727,427	2,166,464,083	1,304,763,636	1,144,176,585

	Un-Audited			
	Six Month Ended 30 June		Three Month Ended 30 June	
	2016	2015	2016	2015
	Rupees			

15. COST OF SALES

Opening stock of finished goods (excluding purchased products)	190,760,824	140,089,826	209,466,581	165,910,969
Cost of goods manufactured	1,265,200,219	1,099,820,855	624,459,009	543,495,803
	1,455,961,043	1,239,910,681	833,925,590	709,406,772
Closing stock of finished goods (excluding purchased products)	(173,950,196)	(109,880,781)	(173,950,196)	(109,880,781)
Cost of sales - Manufactured	1,282,010,847	1,130,029,900	659,975,394	599,525,991
Cost of sales - Purchased products	34,721,479	19,448,324	17,060,169	6,307,369
	1,316,732,326	1,149,478,224	677,035,563	605,833,360

		Un-Audited Six Month Ended 30 June	
	Note	2016	2015
		(Rupees)	

16. OTHER INCOME

Income from non-financial assets			
Gain on disposal of property, plant and equipment		3,254,468	4,982,882
Scrap sales		2,480,632	1,815,450
Others	*16.1*	2,671,582	16,476,036
		8,406,682	23,274,368

16.1 This includes profit amounting to Rs. 2,596,582 (2015: Rs. 6,007,028) earned on short term deposits.

		Un-Audited Six Month Ended 30 June	
	Note	2016	2015
		(Rupees)	

17. FINANCE COST

Mark-up on short term borrowings	104,787	336,192
Finance cost on liability against assets subject to finance lease	2,039,949	3,717,644
Interest on Workers' Profit Participation Fund	8,010	-
Bank charges	1,118,260	1,388,052
	3,271,006	5,441,888

18. This represents unrealized gain on short term investment.

19. RELATED PARTY TRANSACTIONS

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

	Un-Audited			
	Six Month Ended 30 June		Three Month Ended 30 June	
	2016	2015	2016	2015
	Rupees			
19.1 **Sales of goods**				
Associated Company	148,850,676	16,876,729	69,792,693	5,058,176
19.2 **Purchase of goods**				
Associated Company	60,942,269	-	27,543,470	-
19.3 **Contribution towards employees' benefits**				
Staff provident fund	10,187,670	9,117,469	5,133,479	4,643,172
Employees' welfare trust	870,500	1,508,700	435,450	1,134,150
19.4 **Remuneration**				
CEO	5,135,482	4,515,782	1,901,723	2,039,877
Directors	12,481,416	12,874,345	5,970,104	5,596,546
Executives	114,824,275	89,121,340	57,988,909	41,144,165
19.5 **Long term investment**				
Investment in subsidiary	41,077,000	-	41,077,000	-

		Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
19.6 **The outstanding balances of such parties are as under:**			
Relationship with the Company	**Nature of balance**		
Associated company	Creditors	356,273	941,229
Staff provident fund	Contribution payable	3,827,193	3,638,987
Employees' welfare trust	Contribution payable	339,150	341,182
Associated company	Advances	10,660,222	-

20. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized this condensed interim financial information for issuance on 12th August 2016.

21. GENERAL

21.1 The figures of condensed interim profit and loss account for the quarters ended 30 June 2016 and 2015 were not subject to limited scope review by the auditors as scope of review covered only the cumulative figures.

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

21.3 Figures have been rounded off to the nearest rupee unless otherwise specified.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CHAIRMAN'S REVIEW

I feel pleasure to present the consolidated financial statements of the Company and its subsidiary for the half year ended 30th June 2016 on behalf of the Board of Directors.

The group generated net sales revenue of Rs.2.535 billion during the period under review compared to Rs.2.166 billion in the same period last year registering a growth of 17 percent. On quarterly basis the net sales revenue increased by Rs.75 million showing an increase of 6 percent over last quarter. Gross profit and gross profit as a percentage of sales for the period amounted to Rs.1.218 billion and 48% as compared to Rs.1.017 billion and 47% respectively. Distribution selling & promotional expenses increased by 16.56% while administrative expenses decreased by 4.7%. The increase in Distribution selling & promotional expenses is largely on account of increase in the size of sales team to improve market penetration and improving customer focus. As a result of increased sales and better management of resources, profit margins have increased and after taxation showed an increase of 36% over comparative period.

Pursuant to the resolution passed in the Extra Ordinary General meeting, the Company fortified its shareholding in Biocef Pvt Limited. As a result, the subsidiary company is now a wholly owned subsidiary company. The construction work on ancillary building is in full swing and is expected to be completed by the end of third quarter. All local and imported equipment shall be installed by the end of the year, thereafter qualification and validation process shall commence before an application is made for the manufacturing license.

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: 12 August 2016

Tausif Ahmad Khan
Chairman

چیئرمین کا تجزیہ

میں بورڈ آف ڈائریکٹرز کی جانب سے گروپ کی پہلی ششماہی مختتمہ ۳۰ جون ۲۰۱۶ کے اشتمال شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

اس سال کی پہلی ششماہی میں گروپ کی کل فروخت ۲.۵۳۵ ارب روپے ہے اور اسکا موازنہ پچھلے سال کی اسی مدت کی کل فروخت ۲.۱۶۶ ارب روپے سے کیا جائے تو اضافے کی شرح ۱۷ فیصد ہے۔ جبکہ دوسری سہ ماہی میں اس سال کی پہلی سہ ماہی کے مقابلے میں کل فروخت میں ۶ فیصد کی شرح سے ۷ کروڑ ۵۰ لاکھ روپے کا اضافہ ہوا ہے۔ زیرِ جائزہ مدت میں خام منافع میں ۱.۲۱۸ ارب روپے اور اسکی شرح ۴۸ فیصد ہے اسکے موازنہ میں پچھلے سال اسی مدت میں خام منافع ۱.۰۱۷ ارب روپے اور اسکی شرح ۴۷ فیصد تھی۔ مارکیٹنگ اور ڈسٹریبیوشن کے اخراجات میں ۱۶.۵۶ فیصد کی شرح سے اضافہ ہوا ہے۔ اس اضافہ کی بنیادی وجہ مارکیٹنگ ٹیم کے حجم کو بڑھانا ہے تاکہ مارکیٹ تک رسائی اور صارف پر توجہ میں بہتری لائی جاسکے۔ اسکے برعکس انتظامی امور کے اخراجات میں ۷.۴ فیصد کمی ہوئی ہے۔ کل فروخت میں اضافے اور وسائل کے بہترین استعمال کے نتیجے میں شرح منافع میں اضافہ ہوا ہے اور بعد از ٹیکس خالص منافع پچھلے سال کے مقابلے میں ۳۶ فیصد زیادہ ہے۔

ھائی نون لیبارٹریز نے اپنے غیر معمولی اجلاس میں منظور کی گئی قرارداد کیمطابق بائیوسیف (پرائیویٹ) لمیٹڈ میں اپنی حصہ داری کو بڑھا کر سو فیصد تک مستحکم کیا ہے جسکے نتیجے میں اب ذیلی کمپنی ھائی نون کی کُلی طور پر ذیلی کمپنی بن گئی ہے۔ بائیوسیف کی فیکٹری کی عمارت پر کام بھرپور طریقے سے جاری ہے اور اس کی تکمیل تیسری سہ ماہی کے اختتام تک متوقع ہے۔ تمام مقامی اور درآمد شدہ مشینری اس سال کے اختتام تک نصب کر دی جائے گی جسکے بعد اسکی استعداد کار اور معیاری پیداواری صلاحیت کو جانچنے کا عمل شروع کیا جائے گا اور پھر ادویات سازی کے لائسنس کیلئے درخواست دی جائے گی۔

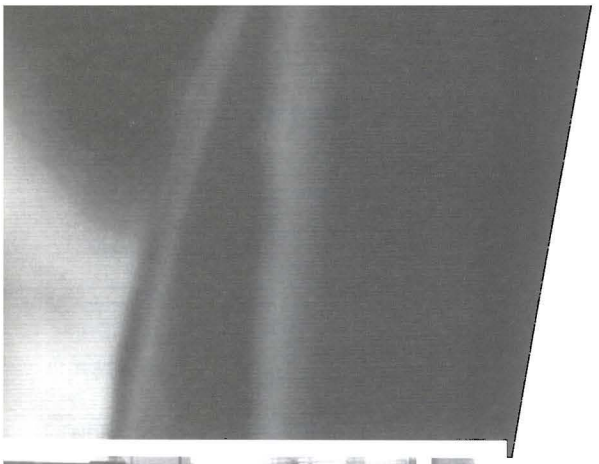
میں بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام حصص داران، ڈاکٹرز، فارماسسٹس، صارفین، شراکت داروں اور بینکوں کی مسلسل سرپرستی کاروباری تعاون اور حمایت کا نہایت مشکور ہوں۔ اسکے ساتھ میں ملازمین اور انتظامیہ کی مسلسل، غیر متزلزل اور ان تھک کوششوں اور محنت کی بھی بھرپور قدر کرتا ہوں۔

بورڈ کی جانب سے

توصیف احمد خان
چیئرمین

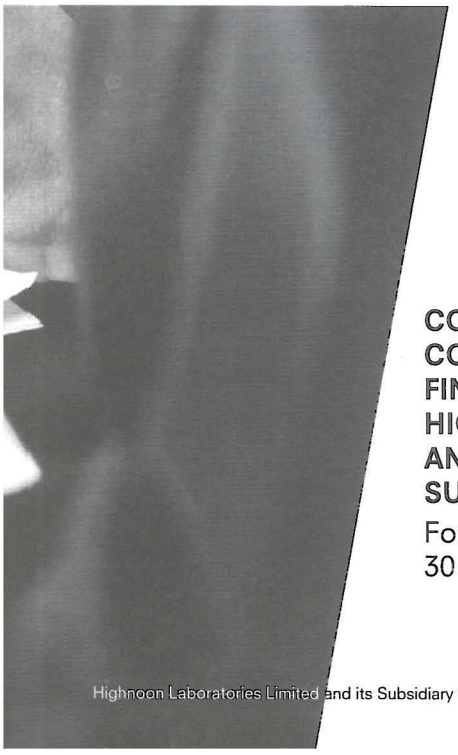
لاہور: ۱۲ اگست ۲۰۱۶

Left intentionally blank









CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION HIGHNOON LABORATORIES LTD. AND ITS WHOLLY OWNED SUBSIDIARY COMPANY

For the Half Year Ended
30 June 2016

CONSOLIDATED BALANCE SHEET

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
25,000,000 (31 December 2015 : 25,000,000)			
Ordinary shares of Rs. 10 each		250,000,000	250,000,000
Share capital		228,056,400	203,621,790
Reserves		1,111,714,920	1,019,311,581
		1,339,771,320	1,222,933,371
Non-controlling interest		-	10,439,622
Total Equity		1,339,771,320	1,233,372,993
Surplus on revaluation of fixed assets		213,289,241	216,679,561
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	6	18,812,922	11,162,028
Long term advances		26,532,718	20,267,322
Deferred liabilities		287,459,908	293,726,596
		332,805,548	325,155,946
CURRENT LIABILITIES			
Trade and other payables		358,811,525	410,431,050
Short term borrowings	7	-	-
Markup payable on secured loans		83,366	52,522
Current portion of long term liabilities	8	26,106,573	25,202,447
Income Tax - Net		142,247,592	88,197,181
		527,249,056	523,883,200
TOTAL EQUITY AND LIABILITIES		2,413,115,165	2,299,091,700
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

AS AT 30 JUNE 2016

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	847,478,963	832,650,533
Intangible assets		30,121,618	38,458,719
Goodwill		834,230	834,230
Long term deposits		12,202,864	10,580,164
		890,637,675	882,523,646
CURRENT ASSETS			
Stock in trade	11	903,467,363	860,324,204
Trade debts		47,500,692	67,897,899
Advances		58,529,446	79,941,339
Trade deposits and short term prepayments		25,308,209	19,708,637
Profit accrued		-	585,610
Other receivables		1,573,573	2,549,011
Tax refund due from government		5,797,281	7,992,428
Short term investment	12	50,637,290	-
Cash and bank balances	13	429,663,636	377,568,926
		1,522,477,490	1,416,568,054
TOTAL ASSETS		2,413,115,165	2,299,091,700

ANEES AHMAD KHAN
DIRECTOR

CONSOLIDATED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
For the Six Month Period Ended 30 June 2016

	Note	Six Month Ended 30 June		Three Month Ended 30 June	
		2016	2015	2016	2015
		---------- (Rupees) ----------		---------- (Rupees) ----------	
Sales - net	14	2,534,727,427	2,166,464,083	1,304,763,636	1,144,176,585
Cost of sales	15	(1,316,732,326)	(1,149,478,224)	(677,035,563)	(605,833,360)
Gross profit		1,217,995,101	1,016,985,859	627,728,073	538,343,225
Operating expenses					
Distribution, selling and promotional		(663,745,988)	(569,413,307)	(360,852,381)	(296,238,302)
Administrative and general		(119,274,911)	(125,183,629)	(52,527,450)	(64,896,044)
Research and development		(1,626,054)	(1,565,269)	(824,564)	(768,413)
Other operating expenses		(38,338,786)	(31,190,183)	(19,695,543)	(17,765,191)
		(822,985,739)	(727,352,388)	(433,899,938)	(379,667,950)
		395,009,362	289,633,471	193,828,135	158,675,275
Other income		8,406,682	23,274,368	5,574,870	17,912,861
Operating profit		403,416,044	312,907,839	199,403,005	176,588,136
Finance cost		(3,276,989)	(5,441,888)	(1,783,436)	(3,008,879)
Profit before taxation		400,139,055	307,465,951	197,619,569	173,579,257
Taxation		(133,974,995)	(111,556,310)	(74,419,379)	(68,382,968)
Profit after taxation		266,164,060	195,909,641	123,200,190	105,196,289
Profit /(Loss) after tax attributable to:					
Shareholders of the Parent		266,531,091	195,909,641	123,302,982	105,196,289
Non-controlling interest		(367,031)	-	(102,792)	-
		266,164,060	195,909,641	123,200,190	105,196,289
			Restated		Restated
Earnings per share-basic and diluted		11.67	8.59	5.43	4.61

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For the Six Month Period Ended 30 June 2016

	Six Month Ended 30 June	
	2016	2015
	---------- (Rupees) ----------	
Profit after tax for the period	266,164,060	195,909,641
Other comprehensive income for the period, to be reclassified to profit and loss in subsequent periods, net of tax	637,290	-
Total comprehensive income for the period	266,801,350	195,909,641
Total comprehensive income attributable to:		
Shareholders of the parent	267,168,381	195,909,641
Non-controlling interest	367,031	-
	266,801,350	195,909,641

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 section 235 of Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONSOLIDATED
CASH FLOW STATEMENT (UN-AUDITED)
For the Six Month Period Ended 30 June 2016

	Six Month Ended 30 June	
	2016	2015
	---------- (Rupees) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	400,139,055	307,465,951
Adjustments for non-cash and other items:		
Depreciation	40,867,413	38,965,619
Amortization of intangible assets	8,337,101	9,111,966
Gain on disposal of property, plant and equipment	(3,254,468)	(4,982,882)
Exchange loss	4,185,357	5,056,584
Provision for slow moving and obsolete items	9,752,122	2,264,165
Provision for gratuity	21,584,814	20,409,492
Finance cost	3,271,006	5,441,888
	84,743,345	76,266,832
Profit before working capital changes	484,882,400	383,732,783
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets:		
Stock in trade	(52,895,281)	(52,680,417)
Trade debts	20,397,207	(20,716,086)
Advances	21,411,893	(40,170,720)
Trade deposits and short term prepayments	(5,599,572)	(8,701,169)
Profit accrued	585,610	359,589
Other receivables	975,438	(333,906)
Tax refund due from government	2,158,196	7,524,700
Increase/(decrease) in current liabilities:		
Trade and other payables	(70,220,771)	41,084,405
	(83,187,280)	(73,633,604)
Cash flow generated from operations	401,695,120	310,099,179
Taxes paid	(100,622,945)	(72,152,055)
Gratuity paid	(7,116,190)	(26,924,676)
Finance cost paid	(1,200,213)	(1,835,001)
Long term advances - net	5,723,204	1,659,959
Net cash flow generated from operating activities	298,478,976	210,847,406
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(36,910,569)	(37,335,776)
Short term investment	(50,000,000)	-
Long term deposits - net	(1,622,700)	-
Proceeds from disposal of property, plant and equipment	8,419,206	17,252,754
Net cash flow used in investing activities	(80,114,063)	(20,083,022)

	Note	Six Month Ended 30 June 2016	2015
		(Rupees)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		(16,892,737)	(14,210,074)
Short term borrowings - net		-	1,146,431
Acquisition of non-controlling interest		(11,077,000)	-
Dividend paid		(138,300,466)	(114,379,068)
Net cash flow used in financing activities		(166,270,203)	(127,442,711)
Net increase in cash and cash equivalents		52,094,710	62,476,317
Cash and cash equivalents at beginning of the period		377,568,926	335,324,473
Cash and cash equivalents at end of the period	13	429,663,636	397,800,790

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
For the Six Month Period Ended 30 June 2016

	Share Capital	Revenue Reserves			Non Controlling Interest	Total
		General Reserves	Unappropriated Profit	Sub Total		
	---------- Rupees ----------					
Balance as at 01 January 2015	181,805,170	114,000,000	617,355,424	731,355,424	-	913,160,594
Profit for the year ended 30 June 2015	-	-	195,909,641	195,909,641	-	195,909,641
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	195,909,641	195,909,641	-	195,909,641
Incremental depreciation relating to surplus on revaluation of fixed assets-net	-	-	5,449,250	5,449,250	-	5,449,250
Issuance of bonus shares @ 12%	21,816,620	-	(21,816,620)	(21,816,620)	-	-
Final dividend @ Rs. 6.50 per share for the year ended 31 December 2014	-	-	(118,173,361)	(118,173,361)	-	(118,173,361)
Balance as at 30 June 2015	203,621,790	114,000,000	678,724,334	792,724,334	-	996,346,124
Balance as at 01 January 2016	203,621,790	114,000,000	905,311,581	1,019,311,581	10,439,622	1,233,372,993
Profit for the period ended 30 June 2016	-	-	266,531,091	266,531,091	(367,031)	266,164,060
Other comprehensive income	-	-	637,290	637,290	-	637,290
Total comprehensive income for the period, net of tax	-	-	267,168,381	267,168,381	(367,031)	266,801,350
Acquisition of Non-controlling interest by Parent- Note 1	-	-	(1,004,409)	(1,004,409)	(10,072,591)	(11,077,000)
Incremental depreciation relating to surplus on revaluation of fixed assets-net	-	-	3,390,320	3,390,320	-	3,390,320
Issuance of bonus shares @ 12%	24,434,610	-	(24,434,610)	(24,434,610)	-	-
Final dividend @ Rs. 7.50 per share for the year ended 31 December 2015	-	-	(152,716,343)	(152,716,343)	-	(152,716,343)
Balance as at 30 June 2016	228,056,400	114,000,000	997,714,920	1,111,714,920	-	1,339,771,320

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
For the Six Month Period Ended 30 June 2016
(Un-Audited)

1. THE GROUP AND ITS OPERATIONS

The Highnoon Group ("the Group") comprises of holding company Highnoon Laboratories Limited ("HNL") and its subsidiary company Biocef (Private) Limited ("Biocef").

Highnoon Laboratories Limited ("the Holding Company") was incorporated as a private limited company in Pakistan in 1984 and converted into an unquoted public limited company in 1985. Its shares are quoted on all three stock exchanges in Pakistan since November 1994. The Company is principally engaged in the manufacture, import, sale and marketing of pharmaceutical and allied consumer products. The registered office of the Company is situated at 17.5 Km, Multan Road, Lahore.

Biocef (Private) Limited was incorporated on 10 June 2015 as a private limited company. It is set up with principle object to carry on business as manufacturers, importers, exporters, producers, preparers, refiners, buyers, seller and dealers of all kinds of pharmaceutical, drugs, medicines medicaments, basic raw material, herbs salts, acids, alkalis, chemical & surgical material, instruments and appliances patent and proprietary articles. It owns Greenfield pharmaceuticals project that envisages production of cephalosporin drugs.

The Holding Company acquired 80% shares of Biocef in September 2015 and it became subsidiary company of HNL.

In May 2016, the Holding Company further acquired 1,107,700 shares of Biocef (Private) limited belonging to non-controlling interest at par value of Rs. 10 per share, due to which it became wholly owned subsidiary of the Holding Company.

2. STATEMENT OF COMPLIANCE

2.1 This condensed interim consolidated financial information of the Company for the six months ended 30 June 2016 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 condensed 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 condensed 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 Holding Company's annual financial statements as at 31 December 2015.

3.2 The accounting policies adopted for the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of the preceding annual published consolidated financial statements of the Group for the year ended 31 December 2015 except for as disclosed in note 3.3 below.

3.3 The Group has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current period:

IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment).

IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment).

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment).

IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment).

IAS 16 – Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment).

Improvements to Accounting Standards Issued by the IASB

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal.

IFRS 7 – Financial Instruments: Disclosures - Servicing contracts.

IFRS 7 – Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements.

IAS 19 – Employee Benefits - Discount rate: regional market issue.

IAS 34 – Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report.

The adoption of the above amendment to accounting standards did not have any effect on the condensed interim consolidated financial information.

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 of the Holding Company for the year ended 31 December 2015.

5. BASIS OF CONSOLIDATION

The Group's consolidated financial statements include the financial statement of HNL and its subsidiary company Biocef. The Group uses the acquisition method of accounting to account for business combination. Identifiable assets acquired and liabilities assumed in the acquisition are measured initially at their fair value at the date of acquisition. The Group recognizes any non-controlling interest in the Biocef either at fair value or at the non-controlling interest's proportionate share of Biocef's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net asset of the subsidiary acquired, the difference is recognized in profit and loss account. After initial recognition it's measured at carrying value i.e. at date of acquisition less any accumulated impairment.

The financial statements of Biocef have been consolidated on line by line basis. Intra Group balances, transactions, income and expenses have been eliminated. Assets, liabilities, income and expense have been consolidated from the date Group acquires the control of the subsidiary till the control cease to exist. Unrealized gain or loss on intra group transactions are also eliminated but unrealized losses are however recognized to the extent of impairment, if any.

The Group uses the same accounting policies for the Holding and subsidiary companies.

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	42,446,894	33,349,682
Less: Current portion shown under current liabilities	23,633,972	22,187,654
	18,812,922	11,162,028

	Minimum lease payments	Finance cost for future periods	Principal outstanding
	Un-Audited 30 June 2016		
	(Rupees)		
Not later than one year	26,184,671	2,550,699	23,633,972
Later than one year but not later than five years	19,426,930	614,008	18,812,922
	45,611,601	3,164,707	42,446,894

	Minimum lease payments	Finance cost for future periods	Principal outstanding
	Audited 31 December 2015		
	(Rupees)		
Not later than one year	24,322,800	2,135,146	22,187,654
Later than one year but not later than five years	11,684,770	522,742	11,162,028
	36,007,570	2,657,888	33,349,682

Salient features of the leases are as follows:	2016	2015
Discounting factor	7.30%-11.31%	7.30%-11.31%
Period of lease	36 months	36 months
Security deposits	5%-10%	5%-10%

The Holding Company has entered into finance lease arrangements with various conventional financial institutions for lease vehicles as shown in note 9. The liabilities under these arrangements are payable in monthly installments and above mentioned mark-up rates are used as discounting factor to determine the present value of minimum lease payments.

All lease agreements carry renewal option at the end of lease period and the Holding Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the leased assets has already been paid at the inception of the lease in the form of security deposit. There are no financial restrictions imposed by lessor. Taxes, repairs, replacements and insurance costs are borne by the lessee.

	Un-Audited 30 June 2016	Audited 31 December 2015
	(Rupees)	
7. SHORT TERM BORROWINGS		
Short term borrowings	-	-

7.1 Short term running finances are availed by the Holding Company from various commercial banks against aggregate sanctioned limit of Rs. 605 million (2015: Rs. 605 million).These facilities have various maturity dates up to 31 October 2016 and renewable on the date of maturity. These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 100 to 150 basis points (2015: one month KIBOR to six months KIBOR plus 100 to 150 basis points) per annum. These facilities along with import credit facility are secured by way of first pari passu charge for Rs. 733 million (2015: Rs. 733 million) on fixed assets and first joint pari passu hypothecation charge of Rs. 656 million (2015: Rs. 656 million) on stocks including but not limited to raw materials, goods in process and finished goods of the Holding Company.

7.2 Out of total borrowing facility, an amount of Rs. 50,000,000 (2015: Rs. 50,000,000) represents Export Refinance Facility obtained from a commercial bank under SBP regulations at a subsidized mark up rate of 7% (2015: 7%) per annum.

7.3 The Group also has aggregate sanctioned unfunded import credit facilities negotiated with various commercial banks amounting to Rs. 1,035 million (2015: Rs. 900 million). These facilities carry mark-up at rates ranging from one month KIBOR to six months KIBOR plus 125 to 150 basis points (2015: one month KIBOR to six months KIBOR plus 125 to 150 basis points) per annum. These available facilities are secured by way of joint pari passu, ranking hypothecation charge over present and future current assets of the Group and lien on export documents or firm contracts and have various maturity dates.

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
8. CURRENT PORTION OF LONG TERM LIABILITIES			
Liabilities against assets subject to finance lease	5	23,633,972	22,187,654
Long term advances		2,472,601	3,014,793
		26,106,573	25,202,447

9. CONTINGENCIES AND COMMITMENTS

Contingencies:

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

Commitments:

Commitments against irrevocable letters of credit include:

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
Civil Work		10,688,513	6,405,000
Raw materials		241,319,490	108,340,480
Packing materials		20,150,125	47,416,348
Finished goods		4,911,500	-
Plant and Machinery		78,345,184	16,962,657
		355,414,812	179,124,485

10. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (owned)	10.1	742,408,004	758,867,687
Operating fixed assets (leased)	10.2	64,073,750	55,747,159
Capital work in progress	10.3	40,997,209	18,035,687
		847,478,963	832,650,533

10.1 Operating fixed assets (owned)

Opening book value		758,867,687	669,818,556
Add: Additions during the period/year-cost	10.1.1	13,949,047	156,287,619
vehicle transfered during the period / year		9,232,980	18,443,388
		23,182,027	174,731,007
Less: Deletions during the period / year	10.1.2	5,164,739	18,276,975
Depreciation during the period / year		34,476,971	67,404,901
		39,641,710	85,681,876
Book value at the end of the period / year		742,408,004	758,867,687

10.1.1 Additions during the period / year - cost

Land	-	25,000,000
Building on freehold land	-	29,002,328
Plant and machinery	3,392,573	54,696,053
Laboratory equipment	517,020	1,357,400
Furniture and fixtures	464,931	2,650,903
Electric and gas appliances	1,921,079	3,053,603
Office equipment	1,587,244	3,194,715
Vehicles	6,066,200	37,332,617
	13,949,047	156,287,619

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
10.1.2 Deletions during the period / year			
Plant and machinery		-	2,153,821
Office equipment		-	347,586
Vehicles		5,164,739	15,775,568
		5,164,739	18,276,975
10.2 Operating fixed assets (leased)			
Opening book value		55,747,159	81,423,968
Add: Additions during the period/year-cost		23,950,000	7,798,500
		79,697,159	89,222,468
Less: vehicle transfered during the period / year		9,232,980	18,443,388
Depreciation during the period / year		6,390,429	15,031,921
		15,623,409	33,475,309
Book value at the end of the period / year		64,073,750	55,747,159
10.3 Capital work in progress			
Civil works		8,674,650	5,440,362
Plant and machinery - owned		727,648	1,506,155
Advances to suppliers		31,594,911	11,089,170
		40,997,209	18,035,687
11. STOCK IN TRADE			
Raw materials			
In hand		384,845,213	373,148,639
In transit		120,961,105	39,905,691
With third party		14,399,452	24,347,160
		520,205,770	437,401,490
Packing material			
In hand		132,623,286	133,675,879
In transit		509,632	17,400,007
With third party		1,955,259	5,863,887
		135,088,177	156,939,773
Work in process		49,602,806	54,006,164
Finished goods			
In hand		215,724,801	210,447,080
In transit		-	12,613,672
		215,724,801	223,060,752
Less: Provision for slow moving and obsolete items	11.1	(17,154,191)	(11,083,975)
		903,467,363	860,324,204
11.1 Provision for slow moving and obsolete items			
Opening provision		11,083,975	20,262,765
Charge for the year		9,752,122	8,550,977
Written off during the year		(3,681,906)	(17,729,767)
		17,154,191	11,083,975

	Note	Un-Audited 30 June 2016	Audited 31 December 2015
		(Rupees)	
12. SHORT TERM INVESTMENT			
Available for sale	12.1	50,637,290	-

12.1 This represent investment in units of NAFA money market fund managed by NBP Fullerton Asset Management Limited.

13. CASH AND BANK BALANCES			
Cash and Imprest		2,023,545	2,025,466
Balance with banks			
Current accounts			
-Local Currency		422,290,749	366,524,838
-Foreign Currency		5,349,342	9,018,622
Deposit accounts	13.1	-	150,000,000
	13.2	427,640,091	525,543,460
		429,663,636	377,568,926

13.1 This carries profit at the rate of 0% (2015: 7%).

13.2 Out of these bank balances Rs. 309,760 (2015: Rs. 469,957) are placed under Shariah permissible agreement.

	Un-Audited			
	Six Month Ended 30 June		Three Month Ended 30 June	
	2016	2015	2016	2015
	Rupees			
14. SALES - net				
Manufactured products				
Local	2,381,885,836	1,923,745,466	1,232,559,469	1,013,202,382
Export	125,925,660	149,123,197	62,012,865	79,144,328
	2,507,811,496	2,072,868,663	1,294,572,334	1,092,346,710
Purchased products-Local	52,976,875	36,081,306	24,343,669	12,549,676
Third Party	223,201,581	221,347,263	114,977,001	124,798,795
	2,783,989,952	2,330,297,232	1,433,893,004	1,229,695,181
Less: Discount	240,504,133	156,801,929	125,787,449	82,210,591
Sales tax	8,758,392	7,031,220	3,341,819	3,308,005
	249,262,525	163,833,149	129,129,368	85,518,596
	2,534,727,427	2,166,464,083	1,304,763,636	1,144,176,585
15. COST OF SALES				
Opening stock of finished goods (excluding purchased products)	179,676,849	140,089,826	198,382,606	165,910,969
Cost of goods manufactured	1,276,284,194	1,099,820,855	635,542,984	543,495,803
	1,455,961,043	1,239,910,681	833,925,590	709,406,772
Closing stock of finished goods (excluding purchased products)	(173,950,196)	(109,880,781)	(173,950,196)	(109,880,781)
Cost of sales - Manufactured	1,282,010,847	1,130,029,900	659,975,394	599,525,991
Cost of sales - Purchased products	34,721,479	19,448,324	17,060,169	6,307,369
	1,316,732,326	1,149,478,224	677,035,563	605,833,360

	Note	Un-Audited Six Month Ended 30 June 2016	2015
		(Rupees)	
16. OTHER INCOME			
Income from non-financial assets			
Gain on disposal of property, plant and equipment		3,254,468	4,982,882
Scrap sales		2,480,632	1,815,450
Others	16.1	2,671,582	16,476,036
		8,406,682	23,274,368

16.1 This includes profit amounting to Rs. 2,596,582 (2015: Rs. 6,007,028) earned on short term deposits.

	Note	Un-Audited Six Month Ended 30 June 2016	2015
		(Rupees)	
17. FINANCE COST			
Mark-up on short term borrowings		104,787	336,192
Finance cost on liability against assets subject to finance lease		2,039,949	3,717,644
Interest on Workers' Profit Participation Fund		8,010	-
Bank charges		1,124,243	1,388,052
		3,276,989	5,441,888

18. This represents unrealized gain on short term investment.

19. RELATED PARTY TRANSACTIONS

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

	Un-Audited			
	Six Month Ended 30 June		Three Month Ended 30 June	
	2016	2015	2016	2015
	Rupees			
19.1 **Sales of goods**				
Associated Company	148,850,676	16,876,729	69,792,693	5,058,176
19.2 **Purchase of goods**				
Associated Company	60,942,269	-	27,543,470	-
19.3 **Contribution towards employees' benefits**				
Staff provident fund	10,187,670	9,117,469	5,133,479	4,643,172
Employees' welfare trust	870,500	774,750	435,450	400,200
19.4 **Remuneration**				
CEO	7,235,482	4,515,782	4,001,723	2,039,877
Directors	12,481,416	12,874,345	5,970,104	13,489,542
Executives	115,484,275	89,121,340	58,648,909	33,251,169

	Un-Audited 30 June 2016	Audited 31 December 2015
	---------- (Rupees) ----------	

19. RELATED PARTY TRANSACTIONS

19.5 **The outstanding balances of such parties are as under:**

Relationship with the Company	Nature of balance		
Associated company	Creditors	-	941,229
Staff provident fund	Contribution payable	3,425,293	2,530,613
Employees' welfare trust	Contribution payable	339,150	291,281
Associated company	Advances	10,660,222	-

20. DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Holding Company authorized this condensed interim consolidated financial information for issuance on 12th August 2016.

21. GENERAL

21.1 The figures of condensed interim profit and loss account for the quarters ended 30 June 2016 and 2015 were not subject to limited scope review by the auditors as scope of review covered only the cumulative figures.

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

21.3 Figures have been rounded off to the nearest rupee unless otherwise specified.

DR. ADEEL ABBAS
CHIEF EXECUTIVE OFFICER

ANEES AHMAD KHAN
DIRECTOR

Left intentionally blank

BOOK
POST

www.highnoon-labs.com



HIGHNOON LABORATORIES LTD.

17.5 Kilometer Multan Road,
Lahore - 53700, Pakistan.
Phone: +92 (42) 111 000 465
Fax: +92 (42) 3751 0037
Email: info@highnoon.com.pk