



# Q3

REPORT  
2014



**HIGHNOON**  
LABORATORIES LTD.

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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

<b>Board of Directors</b>	Mr. Tausif Ahmad Khan Mr. Anees Ahmad Khan Mr. Baqar Hasan Mr. Ghulam Hussain Khan Mr. Taufiq Ahmed Khan Mr. Shazib Masud Mst. Siddiqa Begum Mrs. Zainub Abbas	Chairman Vice Chairman Chief Executive Officer
<b>Chief Financial Officer</b>	Mr. Javed Hussain Tel: +92(42)37511953 Email: javed@highnoon.com.pk	
<b>Company Secretary</b>	Mr. Khadim Hussain Mirza Tel: +92(42)37510036 Email: khadim@highnoon.com.pk	
<b>Bankers</b>	Habib Bank Limited United Bank Limited Faysal Bank Limited J.S. Bank Limited Allied Bank Limited Standard Chartered Bank (Pakistan) Limited	
<b>Registered, Head Office &amp; Plant</b>	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	
<b>Legal Advisors</b>	Raja Muhammad Akram & Company	
<b>Tax Advisors</b>	Yousuf Islam & Associates	
<b>Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
<b>Shares Registrar</b>	Corplink (Pvt) Ltd. Wings Arcade, 1-K Commercial, Model Town, Lahore. Tel: +92 (42) 35916714, 35916719, Fax: +92 (42) 35869637	

## CHAIRMAN'S REVIEW

It is my pleasure to present the financial information of the Company for the nine months ended 30 September 2014 on behalf of the Board of Directors.

The Company generated net sales revenue of Rs.2,737 million during the period under review compared to Rs.2,201 million in the same period last year registering a growth of 24%. The sales growth in the current quarter was effected partly because of Ramadan and partly because of fewer working days available. Gross profit and gross profit as a percentage of sales for the period amounted to Rs.1,172 million and 43% as compared to Rs.868 million and 39% respectively. The increase in gross margin is mainly attributable to volumetric growth, operational efficiencies and comparatively stable Pak Rupee that had a positive impact on the raw materials cost. Distribution selling and promotional expenses increased by 32%; The increase is on account of increase in the size of our sales force and investments on key products as well as new products launched during the period. Administrative expenses remained under control increasing in line with inflation. Other expenses mainly represent statutory provisions that are linked with profitability of the Company.

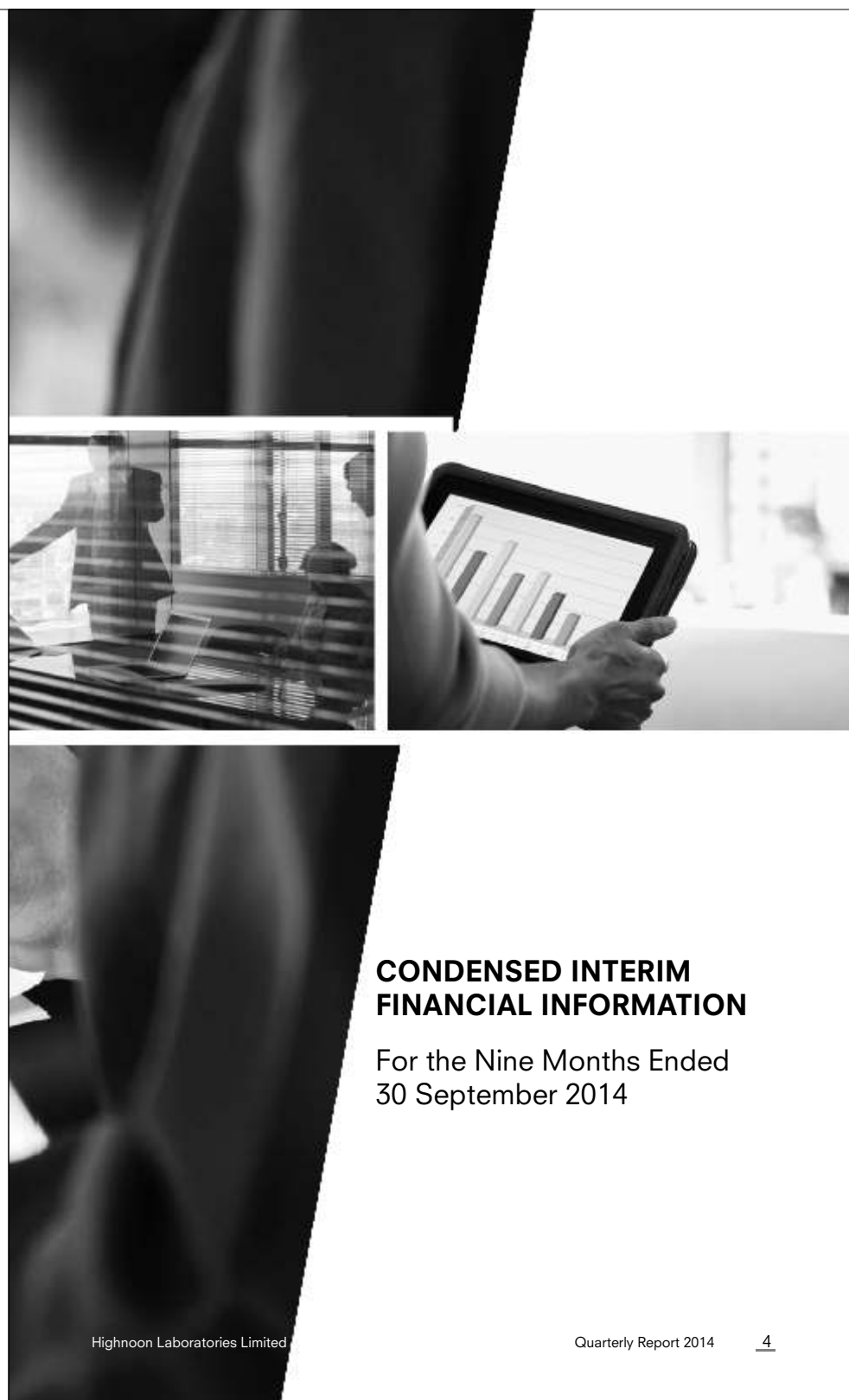
The pharmaceutical Industry is perhaps one of the most regulated industries in the country, while the need for regulating the industry is understood, the current inaction on the part of the regulators is hurting the industry which has a huge potential to boost the country's economy.

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: 23 October 2014

Tausif Ahmad Khan  
Chairman



## CONDENSED INTERIM FINANCIAL INFORMATION

For the Nine Months Ended  
30 September 2014

## CONDENSED INTERIM BALANCE SHEET

Un Audited      Audited  
30 September    31 December  
2014              2013

Note ----- (Rupees) -----

### EQUITY AND LIABILITIES

#### SHARE CAPITAL AND RESERVES

##### AUTHORIZED SHARE CAPITAL

20,000,000 (31 December 2013: 20,000,000)

Ordinary shares of Rs. 10 each	200,000,000	200,000,000
Share capital	181,805,170	181,805,170
Revenue reserves	648,073,746	533,568,145
	829,878,916	715,373,315

<b>Surplus on revaluation of fixed assets</b>	220,596,371	226,842,522
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#### NON CURRENT LIABILITIES

Long term loans - secured	-	37,500,000
Liabilities against assets subject to finance lease	36,126,996	24,778,541
Long term advances	12,296,406	8,734,244
Deferred liabilities	281,712,745	267,232,781
	330,136,147	338,245,566

#### CURRENT LIABILITIES

Trade and other payables	314,632,342	259,539,592
Income Tax - Net	51,584,897	-
Markup payable on secured loans	1,410,000	1,714,617
Short term bank borrowings - secured	-	73,203
Current portion of long term liabilities	30,605,588	40,550,058
	398,232,827	301,877,470

<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,778,844,261</b>	<b>1,582,338,873</b>
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<b>CONTINGENCIES AND COMMITMENTS</b>	5	-	-
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The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.



BAQAR HASAN  
CHIEF EXECUTIVE OFFICER

## AS AT 30 SEPTEMBER 2014

Un Audited      Audited  
30 September    31 December  
2014              2013

Note ----- (Rupees) -----

### ASSETS

#### NON CURRENT ASSETS

Property, plant and equipment	6	762,862,024	761,880,224
Intangible assets		67,945,964	80,552,715
Long term deposits		1,562,054	1,562,054
		832,370,042	843,994,993

#### CURRENT ASSETS

Stock in trade	7	592,517,962	557,766,682
Trade debts		80,836,385	63,517,462
Advances, deposits and prepayments		42,971,025	44,942,404
Other receivables		1,418,578	1,301,880
Balances with statutory authorities		13,497,589	19,461,964
Income tax - net		-	1,820,196
Cash and bank balances		215,232,680	49,533,292
		946,474,219	738,343,880

<b>TOTAL ASSETS</b>		<b>1,778,844,261</b>	<b>1,582,338,873</b>
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ANEES AHMAD KHAN  
DIRECTOR

**CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT (UN AUDITED)  
For the Nine Months Ended 30 September 2014**

	Note	Nine Months Ended 30 September		Three Months Ended 30 September	
		2014	2013	2014	2013
		----- (Rupees) -----		----- (Rupees) -----	
Sales - net	8	2,737,057,705	2,200,531,201	894,993,631	766,593,477
Cost of sales	9	1,565,509,376	1,332,455,248	494,211,223	455,855,055
<b>Gross profit</b>		<b>1,171,548,329</b>	<b>868,075,953</b>	<b>400,782,408</b>	<b>310,738,422</b>
<b>Operating expenses</b>					
Distribution, selling and promotional		686,027,127	519,810,958	232,878,043	187,862,102
Administrative and general		155,457,718	140,543,108	51,824,233	47,341,617
Research and development		2,183,928	4,088,367	874,367	206,747
Other operating charges		32,188,048	22,837,763	11,771,278	9,156,359
		875,856,821	687,280,196	297,347,921	244,566,825
		295,691,508	180,795,757	103,434,487	66,171,597
Other income		7,586,008	12,152,774	733,545	472,422
<b>Operating profit</b>		<b>303,277,516</b>	<b>192,948,531</b>	<b>104,168,032</b>	<b>66,644,019</b>
Finance cost		14,142,739	20,153,833	5,299,271	8,372,765
<b>Profit before taxation</b>		<b>289,134,777</b>	<b>172,794,698</b>	<b>98,868,761</b>	<b>58,271,254</b>
Taxation		99,063,000	58,949,649	38,500,000	17,921,637
<b>Profit after taxation</b>		<b>190,071,777</b>	<b>113,845,049</b>	<b>60,368,761</b>	<b>40,349,617</b>
<b>Earnings per share-basic and diluted</b>		<b>10.45</b>	<b>6.26</b>	<b>3.32</b>	<b>2.22</b>

The annexed notes from 1 to 12 form an integral part of this interim financial information.



BAQAR HASAN  
CHIEF EXECUTIVE OFFICER



ANEES AHMAD KHAN  
DIRECTOR

**CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (UN AUDITED)  
For the Nine Months Ended 30 September 2014**

	Nine Months Ended 30 September	
	2014	2013
	----- (Rupees) -----	
Profit after tax for the period	190,071,777	113,845,049
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>190,071,777</b>	<b>113,845,049</b>

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(II)/2003 dated 13 January 2003 and section 235 of Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 12 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 Nine Months Ended 30 September 2014**

	Nine Months Ended 30 September	
	2014	2013
	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	289,134,777	172,794,698
Adjustments for non-cash and other items:		
Depreciation	57,695,434	58,747,700
Amortization of intangible assets	13,549,635	13,500,000
Gain on disposal of property, plant and equipment	(4,406,589)	(10,359,066)
Exchange loss	6,071,356	7,396,232
Provision for defined benefit obligation	31,505,832	31,985,370
Finance cost	14,142,739	20,153,833
	118,558,407	121,424,069
<b>Profit before working capital changes</b>	<b>407,693,184</b>	<b>294,218,767</b>
<b>WORKING CAPITAL CHANGES</b>		
<i>(Increase)/decrease in current assets:</i>		
Stores and spares	-	(2,265,357)
Stock in trade	(34,751,280)	56,802,470
Trade debts	(17,318,923)	(5,263,197)
Advances, deposits and prepayments	1,971,379	(8,839,519)
Balances with statutory authorities	5,964,375	553,132
Other receivables	(116,698)	212,800
<i>Increase/(decrease) in current liabilities:</i>		
Trade and other payables	46,627,094	17,658,003
	2,375,947	58,858,332
<b>Cash generated from operations</b>	<b>410,069,131</b>	<b>353,077,099</b>
Add/(less):		
Taxes paid	(49,404,907)	(43,656,619)
Gratuity paid	(13,278,869)	(20,593,129)
Finance cost paid	(10,169,946)	(17,519,498)
Increase/(decrease) Long term advances - net	3,562,162	(245,961)
<b>Net cash generated from operating activities</b>	<b>340,777,571</b>	<b>271,061,892</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(32,657,240)	(35,238,973)
Intangible assets acquired	(942,884)	(146,463)
Proceeds from disposal of property, plant and equipment	8,152,596	21,349,529
<b>Net cash used in investing activities</b>	<b>(25,447,528)</b>	<b>(14,035,907)</b>

	Nine Months Ended 30 September	
	2014	2013
	----- (Rupees) -----	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease liabilities	(20,139,425)	(15,473,254)
Long term loan repayment	(50,000,000)	-
Decrease in short term borrowings- net	(73,203)	(175,274,675)
Dividend paid	(79,418,027)	(60,565,527)
<b>Net cash used in financing activities</b>	<b>(149,630,655)</b>	<b>(251,313,456)</b>
<b>Net increase in cash and cash equivalents</b>	<b>165,699,388</b>	<b>5,712,529</b>
Cash and cash equivalents at beginning of the period	49,533,292	6,462,091
<b>Cash and cash equivalents at end of the period</b>	<b>215,232,680</b>	<b>12,174,620</b>

The annexed notes from 1 to 12 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 Nine Months Ended 30 September 2014

Share Capital	Revenue Reserves			Total
	General Reserves	Unappropriated Profit	Sub Total	

----- Rupees -----

Balance as at 01 January 2013 - Restated	181,805,170	114,000,000	324,931,431	438,931,431	620,736,601
Final dividend @ Rs. 3.5 per share for the year ended 31 December 2012	-	-	(63,631,810)	(63,631,810)	(63,631,810)
Incremental depreciation relating to surplus on revaluation of fixed assets-net	-	-	6,365,109	6,365,109	6,365,109
Total comprehensive income for the period, net of tax	-	-	113,845,049	113,845,049	113,845,049
<b>Balance as at 30 September 2013</b>	<b><u>181,805,170</u></b>	<b><u>114,000,000</u></b>	<b><u>381,509,779</u></b>	<b><u>495,509,779</u></b>	<b><u>677,314,949</u></b>
Balance as at 01 January 2014	181,805,170	114,000,000	419,568,145	533,568,145	715,373,315
Final dividend @ Rs. 4.5 per share for the year ended 31 December 2013	-	-	(81,812,327)	(81,812,327)	(81,812,327)
Incremental depreciation relating to surplus on revaluation of fixed assets-net	-	-	6,246,151	6,246,151	6,246,151
Total comprehensive income for the period, net of tax	-	-	190,071,777	190,071,777	190,071,777
<b>Balance as at 30 September 2014</b>	<b><u>181,805,170</u></b>	<b><u>114,000,000</u></b>	<b><u>534,073,746</u></b>	<b><u>648,073,746</u></b>	<b><u>829,878,916</u></b>

The annexed notes from 1 to 12 form an integral part of this interim financial information.



BAQAR HASAN  
CHIEF EXECUTIVE OFFICER



ANEES AHMAD KHAN  
DIRECTOR

**SELECTED NOTES TO THE CONDENSED  
INTERIM  
FINANCIAL INFORMATION (UN AUDITED)**  
For the Nine Months Ended 30 September 2014

**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 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 nine months ended 30 September 2014 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 2013.

3.2 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 2013 except for as disclosed in note 3.3 below.

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

IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)

IAS 36 - Recoverable Amount for Non - Financial Assets (Amendment)

IAS 39-Novation of Derivatives and Continuation of Hedge

IFRIC 21-Levies

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

**4. ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2013.



## 5. 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:

	Un Audited 30 September 2014	Audited 31 December 2013
	----- (Rupees) -----	
Raw materials	115,450,000	164,456,000
Packing materials	16,110,500	44,858,000
Finished goods	4,500,000	-
	<u>136,060,500</u>	<u>209,314,000</u>

## 6. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - (owned)	678,737,728	694,898,950
Operating fixed assets - (leased)	66,818,144	52,614,628
Capital work-in-progress	17,306,152	14,366,646
	<u>762,862,024</u>	<u>761,880,224</u>

## 7. STOCK IN TRADE

Raw material		
In hand	291,869,858	298,613,701
In transit	-	18,654,480
	<u>291,869,858</u>	<u>317,268,181</u>
Packing material		
In hand	124,861,070	104,747,538
In transit	-	2,609,588
With third party	475,121	-
	<u>125,336,191</u>	<u>107,357,126</u>
Work in process	64,347,989	30,876,707
Finished goods		
In hand	110,963,924	101,229,780
With third party	-	1,034,888
	<u>110,963,924</u>	<u>102,264,668</u>
	<u>592,517,962</u>	<u>557,766,682</u>

Un Audited			
Nine Months Ended 30 September		Three Months Ended 30 September	
2014	2013	2014	2013
----- Rupees -----			

## 8. SALES - net

Manufactured products				
Local	2,504,457,988	1,981,257,257	812,440,342	685,487,575
Export	179,008,893	155,908,287	54,121,520	47,997,752
	<u>2,683,466,881</u>	<u>2,137,165,544</u>	<u>866,561,862</u>	<u>733,485,327</u>
Purchased products-Local	25,934,674	31,447,410	8,875,543	9,132,405
Third Party	252,835,874	220,946,844	87,967,591	85,170,454
	<u>2,962,237,429</u>	<u>2,389,559,798</u>	<u>963,404,996</u>	<u>827,788,186</u>
Less: Discount	218,132,209	184,725,232	67,092,585	60,060,682
Sales tax	7,047,515	4,303,365	1,318,780	1,134,027
	<u>225,179,724</u>	<u>189,028,597</u>	<u>68,411,365</u>	<u>61,194,709</u>
	<u>2,737,057,705</u>	<u>2,200,531,201</u>	<u>894,993,631</u>	<u>766,593,477</u>

## 9. COST OF SALES

Opening stock of finished goods (excluding purchased products)	102,090,848	173,386,771	79,047,644	69,482,331
Cost of goods manufactured	1,545,245,956	1,181,025,042	508,406,391	424,803,623
	<u>1,647,336,804</u>	<u>1,354,411,813</u>	<u>587,454,035</u>	<u>494,285,954</u>
Closing stock of finished goods (excluding purchased products)	(99,314,973)	(45,203,325)	(99,314,973)	(45,203,325)
Cost of sales - Manufactured	1,548,021,831	1,309,208,488	488,139,062	449,082,629
Cost of sales - Purchased products	17,487,545	23,246,760	6,072,161	6,772,426
	<u>1,565,509,376</u>	<u>1,332,455,248</u>	<u>494,211,223</u>	<u>455,855,055</u>

## 10. 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			
Nine Months Ended 30 September		Three Months Ended 30 September	
2014	2013	2014	2013
----- Rupees -----			

### 10.1 Sales of goods

Associated Company	60,866,229	38,382,422	17,234,664	15,989,328
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### 10.2 Contribution towards employees' benefits

Staff provident fund	11,335,236	10,669,413	3,736,555	3,482,861
Employees' welfare trust	965,945	912,550	333,750	311,098

	Un Audited			
	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2014	2013	2014	2013
----- Rupees -----				
<b>10.3 Remuneration</b>				
CEO	9,558,167	7,567,268	3,227,450	2,555,755
Directors	22,400,007	20,073,159	8,595,598	9,052,732
Executives	139,678,632	142,200,103	44,060,026	59,561,670
			Un Audited 30 September 2014	Audited 31 December 2013
			----- (Rupees) -----	

**10.4 The outstanding balances of related parties are as under:**


Relationship with the Company	Nature of balance		
Associated company	Creditors	1,157,437	289,618
Staff provident fund	Contribution payable	2,518,505	2,773,897

**11. DATE OF AUTHORIZATION FOR ISSUANCE**

The Board of Directors of the Company authorized the financial information for issuance on 23 October 2014.

**12. GENERAL**

- 12.1 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.
- 12.2 Corresponding figures have been rearranged and / or restated, wherever necessary, for the purpose of comparison. However, no significant reclassification has been made in this financial information except balances with statutory authorities which has been shown on the face of balance sheet which were shown in the other receivable previously.
- 12.3 Figures have been rounded off to the nearest rupee.

  
**BAQAR HASAN**  
 CHIEF EXECUTIVE OFFICER

  
**ANEES AHMAD KHAN**  
 DIRECTOR

BOOK  
POST



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