



**HIGHNOON**  
LABORATORIES LTD.

# Q1 REPORT 2015



growth  
by innovation

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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	

## DIRECTORS' REPORT

It is my pleasure to present the financial information of the Company for the quarter ended 31 March 2015 on behalf of the Board of Directors.

The Company generated net sales revenue of Rs.1,022 million during the period under review compared to Rs.859 million in the same period last year registering a growth of 19 percent. Gross profit and gross profit as a percentage of sales for the period amounted to Rs.479 million and 47% as compared to Rs.357 million and 42% respectively. Operating expenses were largely kept under control and only showed marginal increase over last quarter. Profit after tax increased to Rs.91 million due to increase in sales, better productivity and competitive sourcing of materials.

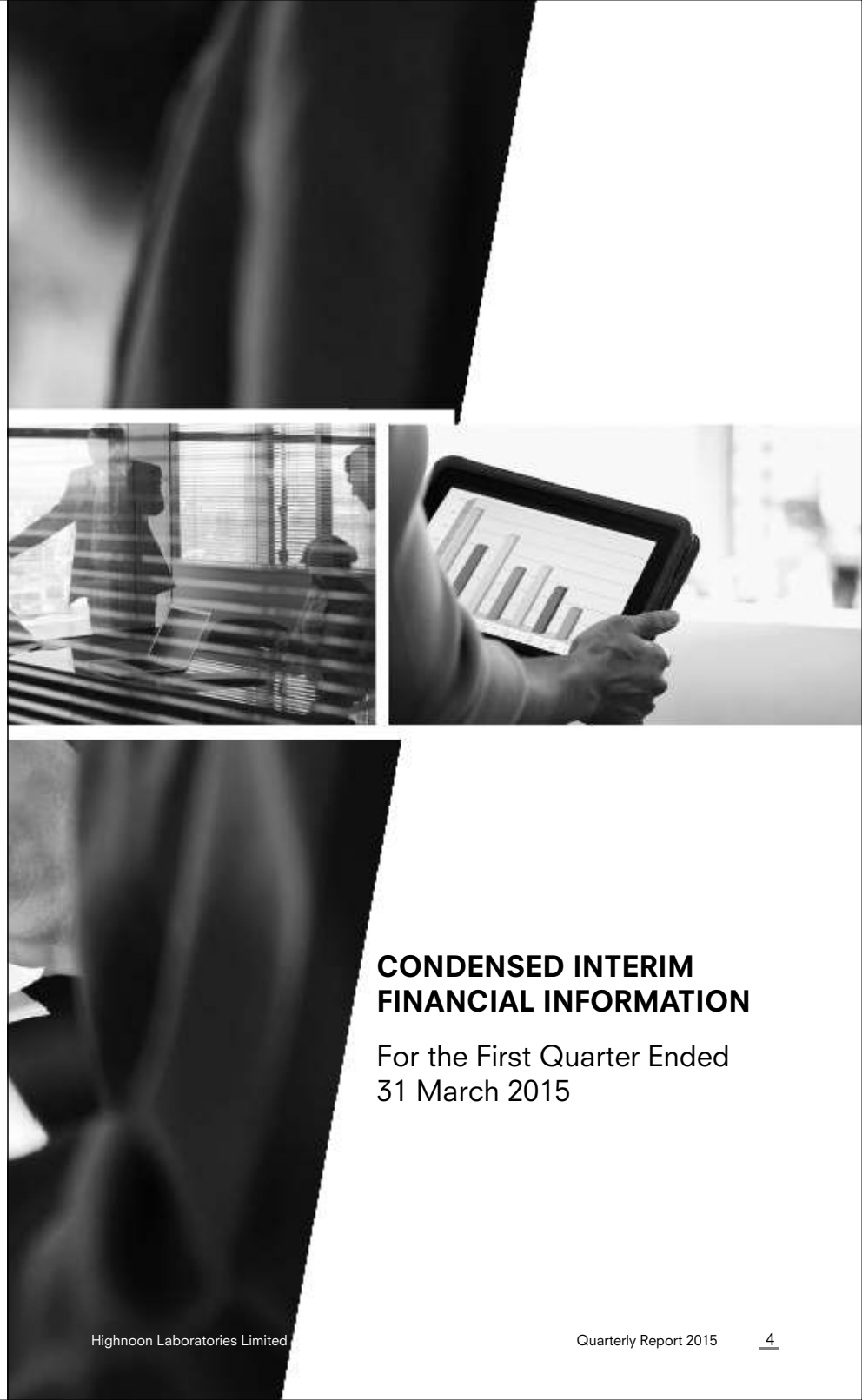
We are continuously investing in our products and infrastructure facilities. We are confident that the synergic effect of planned launches of new products, broadening of market base, retail level penetration and increase in productivity through up gradation of the manufacturing facilities, will results in increase in market share as well as profitability of the Company in the ensuing periods.

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 April 2015

Baqar Hasan  
Chief Executive Officer



## CONDENSED INTERIM FINANCIAL INFORMATION

For the First Quarter Ended  
31 March 2015

# CONDENSED INTERIM BALANCE SHEET

Un Audited      Audited  
31 March      31 December  
2015      2014

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

## EQUITY AND LIABILITIES

### SHARE CAPITAL AND RESERVES

#### AUTHORIZED SHARE CAPITAL

20,000,000 (2014: 20,000,000)

Ordinary shares of Rs. 10 each 200,000,000      200,000,000

Share capital 181,805,170      181,805,170

Reserves 823,875,951      731,355,424

1,005,681,121      913,160,594

Surplus on revaluation of fixed assets 219,352,983      221,160,158

### NON CURRENT LIABILITIES

Liabilities against assets subject to finance lease 27,119,677      30,273,913

Long term advances 24,040,678      13,056,828

Deferred liabilities 277,043,169      269,169,709

328,203,524      312,500,450

### CURRENT LIABILITIES

Trade and other payables 501,610,897      409,027,390

Markup payable on secured loans -      224,687

Income Tax - Net 67,229,812      55,637,689

Current portion of long term liabilities 29,008,908      33,282,639

597,849,617      498,172,405

926,053,141      810,672,855

**TOTAL EQUITY AND LIABILITIES** **2,151,087,245      1,944,993,607**

### CONTINGENCIES AND COMMITMENTS

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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 31 MARCH 2015

Un Audited      Audited  
31 March      31 December  
2015      2014

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

## ASSETS

### NON CURRENT ASSETS

Property, plant and equipment 6      756,988,959      759,544,053

Intangible assets 59,785,508      63,510,996

Long term deposits 1,562,054      1,562,054

818,336,521      824,617,103

### CURRENT ASSETS

Stock in trade 7      612,289,397      634,792,103

Trade debts 77,214,604      75,535,273

Advances 35,915,866      43,258,150

Trade deposits and short term prepayments 29,175,308      17,637,699

Interest accrued -      359,589

Other receivables 1,368,845      1,485,660

Balance with statutory authorities 9,001,435      11,983,557

Cash and bank balances 567,785,269      335,324,473

1,332,750,724      1,120,376,504

**TOTAL ASSETS** **2,151,087,245      1,944,993,607**



ANEES AHMAD KHAN  
DIRECTOR

**CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT (UN AUDITED)**  
For the first quarter ended 31 March 2015

	Note	First Quarter Ended 31 March	
		2015	2014
		----- (Rupees) -----	
Sales-net	8	1,022,287,498	859,253,839
Cost of sales	9	543,644,864	502,596,935
Gross profit		478,642,634	356,656,904
Distribution, selling and promotional expenses		273,175,005	204,769,145
Administrative and general expenses		60,287,585	48,994,524
Research and development expenses		796,856	546,953
Other operating expenses		13,424,992	9,597,270
		347,684,438	263,907,892
Other operating income		130,958,196	92,749,012
		5,361,507	2,128,583
		136,319,703	94,877,595
Finance cost		2,433,009	3,842,550
Profit before taxation		133,886,694	91,035,045
Taxation		43,173,342	30,200,000
Profit after taxation		90,713,352	60,835,045
Earnings per share - basic and diluted		4.99	3.35

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  
COMPREHENSIVE INCOME (UN AUDITED)**  
For the first quarter ended 31 March 2015

	First Quarter Ended 31 March		
	2015	2014	
		----- (Rupees) -----	
Profit after tax for the period	90,713,352	60,835,045	
Other comprehensive income	-	-	
Total comprehensive income for the period	90,713,352	60,835,045	

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 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 first quarter ended 31 March 2015**

	First Quarter Ended 31 March	
	2015	2014
	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	133,886,694	91,035,045
Adjustments for non-cash and other items:		
Depreciation	19,137,634	18,550,923
Amortization of intangible assets	4,550,853	4,525,002
Exchange (gain)/ loss	2,197,649	(596,632)
Provision for defined benefit obligation	10,204,746	10,501,944
Finance cost	2,433,009	3,842,550
	<u>38,523,891</u>	<u>36,823,787</u>
<b>Profit before working capital changes</b>	<b>172,410,585</b>	<b>127,858,832</b>
<b>WORKING CAPITAL CHANGES</b>		
<i>(Increase)/decrease in current assets:</i>		
Stock in trade	22,502,706	(63,555,015)
Trade debts	(1,679,331)	(15,967,026)
Loans and advances	7,342,284	9,133,738
Trade deposits and prepayments	(11,537,609)	(9,168,509)
Balance with statutory authorities	2,982,122	7,269,460
Interest accrued	359,589	-
Other receivables	116,815	35,246
<i>Increase/(decrease) in current liabilities:</i>		
Trade and other payables	90,409,577	66,506,329
	<u>110,496,153</u>	<u>(5,745,777)</u>
<b>Cash generated from operations</b>	<b>282,906,738</b>	<b>122,113,055</b>
Taxes paid	(31,581,219)	(23,613,976)
Gratuity paid	(2,331,286)	(1,882,768)
Finance cost paid	(969,237)	(2,471,178)
Long term advances - net	7,148,733	4,195,884
<b>Net cash generated from operating activities</b>	<b>255,173,729</b>	<b>98,341,017</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure incurred	(9,238,040)	(10,649,937)
Intangible assets acquired	(825,365)	(419,021)
<b>Net cash used in investing activities</b>	<b>(10,063,405)</b>	<b>(11,068,958)</b>

	First Quarter Ended 31 March	
	2015	2014
	----- (Rupees) -----	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease liabilities	(12,625,809)	(1,017,578)
Short-term bank borrowings-net	-	(73,203)
Dividend paid	(23,719)	(82,401)
<b>Net cash used in financing activities</b>	<b>(12,649,528)</b>	<b>(1,173,182)</b>
<b>Net increase in cash and cash equivalents</b>	<b>232,460,796</b>	<b>86,098,875</b>
Cash and cash equivalents at beginning of the period	335,324,473	49,533,292
<b>Cash and cash equivalents at end of the period</b>	<b><u>567,785,269</u></b>	<b><u>135,632,167</u></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 first quarter ended 31 March 2015

	Share Capital	Revenue Reserves			Total
		General Reserves	Unappropriated Profit	Sub Total	
----- Rupees -----					
Balance as at 01 January 2014	181,805,170	114,000,000	419,568,145	533,568,145	715,373,315
Profit for the quarter ended 31 March 2014	-	-	60,835,045	60,835,045	60,835,045
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	60,835,045	60,835,045	60,835,045
Incremental depreciation relating to surplus on revaluation of fixed assets-net	-	-	2,306,545	2,306,545	2,306,545
Balance as at 31 March 2014	<u>181,805,170</u>	<u>114,000,000</u>	<u>482,709,735</u>	<u>596,709,735</u>	<u>778,514,905</u>
Balance as at 01 January 2015	181,805,170	114,000,000	617,355,424	731,355,424	913,160,594
Profit for the quarter ended 31 March 2015	-	-	90,713,352	90,713,352	90,713,352
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	90,713,352	90,713,352	90,713,352
Incremental depreciation relating to surplus on revaluation of fixed assets-net	-	-	1,807,175	1,807,175	1,807,175
Balance as at 31 March 2015	<u>181,805,170</u>	<u>114,000,000</u>	<u>709,875,951</u>	<u>823,875,951</u>	<u>1,005,681,121</u>

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

**SELECTED NOTES TO THE CONDENSED  
INTERIM  
FINANCIAL INFORMATION (UN AUDITED)**  
For the first quarter ended 31 March 2015

**1. THE COMPANY AND ITS OPERATIONS**

Highnoon Laboratories Limited ("the Company") was incorporated as a private limited company in Pakistan in year 1984 and converted into an unquoted public limited company in 1985. Its shares are quoted on all 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 first quarter ended 31 March 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 interim condensed financial information is un-audited and is being submitted to shareholders, as required by section 245 of the Companies Ordinance, 1984.

**3. BASIS OF PREPARATION**

3.1 This interim condensed financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December, 2014.

3.2 This condensed interim financial information has been prepared under the historical cost convention, except for revaluation of property plant and equipment and recognition of certain employees retirement benefits at present value. In this condensed interim financial information except for the cash flow statement, all the transactions have been accounted for on accrual basis.

3.3 The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key source of estimation are the same as those applied to the financial statements for the year ended 31 December 2014.

3.4 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 31 December 2014.



#### 4. TRADE AND OTHER PAYABLES

These include a balance of Rs. 772,234 (2014: Rs. 251,200) due to Route-2, an associated company.

#### 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 31 March 2015	Audited 31 December 2014
	----- (Rupees) -----	
Raw materials	267,925,360	169,018,435
Packing materials	42,067,320	16,624,255
Finished goods	4,027,320	14,984,750
Plant and machinery	37,293,781	39,726,075

#### 6. PROPERTY, PLANT AND EQUIPMENT

Operating assets - (owned)	665,378,922	669,818,556
Operating assets - (leased)	84,514,845	81,423,968
Capital work-in-progress	7,095,192	8,301,529
	<u>756,988,959</u>	<u>759,544,053</u>

Un Audited 31 March 2015	Audited 31 December 2014
----- (Rupees) -----	

#### 7. STOCK IN TRADE

Raw materials		
In hand	286,863,823	298,815,977
In transit	-	10,094,743
	<u>286,863,823</u>	<u>308,910,720</u>
Packing materials	97,315,473	120,532,834
Work in process	42,095,055	55,356,113
Finished goods		
In hand	184,760,745	149,221,552
With third party	1,254,301	770,884
	<u>186,015,046</u>	<u>149,992,436</u>
	<u>612,289,397</u>	<u>634,792,103</u>

#### First Quarter Ended 31 March

2015	2014
----- (Rupees) -----	

#### 8. SALES - NET

Manufactured products		
Local	910,543,084	778,220,783
Export	69,978,869	65,764,312
	<u>980,521,953</u>	<u>843,985,095</u>
Purchased products - local	23,531,630	3,586,816
Third party (toll manufacturing)	96,548,468	84,686,369
	<u>1,100,602,051</u>	<u>932,258,280</u>
Less: Discount	74,591,338	72,022,939
Sales tax	3,723,215	981,502
	<u>78,314,553</u>	<u>73,004,441</u>
	<u>1,022,287,498</u>	<u>859,253,839</u>

#### 9. COST OF SALES

Opening stock of finished goods		
(excluding purchased products)	140,089,826	102,090,848
Cost of goods manufactured	556,325,052	491,544,969
	<u>696,414,878</u>	<u>593,635,817</u>
Closing stock of finished goods		
(excluding purchased products)	(165,910,969)	(94,492,920)
Cost of goods sold - Manufactured products	530,503,909	499,142,897
Cost of goods sold - Purchased products	13,140,955	3,454,038
Cost of goods sold	<u>543,644,864</u>	<u>502,596,935</u>

## 10. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise of local associated companies, staff retirement funds, directors and key management personnel. Significant transactions with related parties are stated below:

	First Quarter Ended 31 March	
	2015	2014
	----- (Rupees) -----	
<b>10.1 Sales of goods</b>		
Associate	90,457,307	22,423,620
<b>10.2 Contribution towards employees' benefits</b>		
Staff provident fund	4,474,297	3,765,264
Employee's welfare trust	374,550	307,250
<b>10.3 Remuneration of directors and key management personnel</b>		
CEO	2,475,905	2,695,800
Directors	7,277,799	6,526,832
Executives	47,977,175	47,589,560

## 11. DATE OF AUTHORIZATION FOR ISSUANCE

The Board of Directors of the Company authorized the condensed interim financial information for issuance on 15 April 2015.

## 12. GENERAL

12.1 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.

12.2 Figures have been rounded off to the nearest rupee.



BAQAR HASAN  
CHIEF EXECUTIVE OFFICER



ANEES AHMAD KHAN  
DIRECTOR

BOOK  
POST

[www.highnoon-labs.com](http://www.highnoon-labs.com)



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