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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”



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.



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 Dr. Adeel Abbas Haideri Mr. Ghulam Hussain Khan Mr. Shazib Masud Mr. Taufiq Ahmed Khan Mrs. Zainub Abbas Mr. Romesh Elapata Miss Nael Najam	Chairman Chief Executive Officer (Alternate Director)
Audit Committee	Mr. Shazib Masud Mr. Ghulam Hussain Khan Mrs. Zainub Abbas	Chairman Member Member
Human Resource and Remuneration Committee	Mr. Shazib Masud Dr. Adeel Abbas Haideri Mrs. Zainub Abbas	Chairman Member Member
Chief Financial Officer	Mr. Javed Hussain Tel: +92(42)37511953 Email: javed@highnoon.com.pk	
Company Secretary	Mr. Khadim Hussain Mirza Tel: +92(42)37510036 Email: khadim@highnoon.com.pk	
Bankers	Habib Bank Limited United Bank Limited J.S. Bank Limited Allied Bank Limited	
Registered, Head Office & Plant	17.5 Kilometer Multan Road, Lahore - 53700, Pakistan UAN: +92 (42) 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	

Directors' Report

The Directors are pleased to present their review, together with un-audited condensed interim financial statements of your Company for the quarter and nine months ended September 30, 2019.

Net turnover for the quarter at Rs. 2,252 million is 19% higher than the same period last year (SPLY). Net turnover for the nine months under review grew to Rs. 6,660 million registering a growth of 22% over SPLY due to increased sales across all therapeutic segments. Gross profit margin decreased to 46 % compared to 47% over SPLY mainly due to the adverse effect of devaluation and inflation. This was largely offset by better sales mix, price increase allowed by Regulators and volumetric sales growth. Distribution selling & promotional expenses and administrative expenses also increased by 14% due to inflation and extended field force operations. Other operating expenses increased by 25% due to increase in provisions for statutory levies that are linked with profitability of the Company.

Net profit after tax for the nine months under review at Rs. 707 million has witnessed a growth of 34% over SPLY. The earning per share (EPS) for the period under review was Rs. 22.45 (2018 restated: Rs. 16.70).

We recognize the challenges ahead, however with a strong portfolio of existing brands and pipeline of new products, we remain certain that the Company is ideally positioned to enhance its market share and position. We have a track record of success and have been able to rise above the hurdles and deliver superior value for all stakeholders.

On behalf of the Board, we would like to express our sincere gratitude to the Shareholders, Healthcare practitioners, Pharmacist, Consumers, Business partners and the Bankers for the continued patronage and to the employees for their continued, dedicated, untiring efforts and hard work.

For & On behalf of the Board

Lahore: 29 October 2019

Taufiq Ahmed Khan
Director

Dr. Adeel Abbas Haideri
Chief Executive Officer

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کمپنی کے مالیتی گوشوارے برائے سہ ماہی اور نو ماہ منہ 30 ستمبر 2019 بمعہ جائزہ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہا ہے۔

زیر جائزہ سہ ماہی کے دوران کمپنی کی خالص فروخت آمدن 2252 ملین روپے رہی جو کہ پچھلے سال کی اسی مدت کے مقابلہ میں 19 فیصد زائد ہے۔ جبکہ زیر جائزہ نو ماہ کی مدت کے دوران کمپنی کی خالص فروخت آمدن بڑھ کر 6,660 ملین روپے ہو گئی جو کہ پچھلے سال کی اسی مدت کے مقابلہ میں 22 فیصد کی شرح نمو ظاہر کرتی ہے اور اس کی وجہ تمام شعبہ جات علاج سے متعلقہ ادویات کی فروخت میں اضافہ ہے۔ افراط زر اور روپے کی قدر میں کمی کی بناء پر خام منافع کی شرح کم ہو کر 46 فیصد ہو گئی جو کہ پچھلے سال کی اسی مدت میں 47 فیصد تھی۔ تاہم بہتر فروخت آمدن، ریگولیٹرز کی جانب سے قیمتوں میں اضافہ کی اجازت کی بناء پر اس کے اثرات مندرل ہو گئے۔ مہنگائی اور فیلڈ فورس کے آپریشنز میں وسعت کی بناء پر تنظیم کاری، فروخت کاری اور انتظامی اخراجات میں 14 فیصد اضافہ ہوا۔ دیگر آپرینٹل اخراجات میں اضافہ کی شرح 25 فیصد رہی۔ جس کی وجہ کمپنی کے منافع سے منسلک قانونی ادائیگیاں ہیں۔

زیر جائزہ نو ماہ کے دوران کمپنی کا بعد از ٹیکس خالص منافع 707 ملین روپے رہا جو کہ پچھلے سال کی اسی مدت کے موازنہ میں 34 فیصد کا اضافہ ظاہر کرتا ہے۔ زیر جائزہ مدت کے دوران فی حصص آمدن 22.45 روپے رہی (2018 Restated: 16.70 روپے)۔

ہم آنے والے وقت کی مشکلات سے بخوبی واقف ہیں، تاہم اپنے موجودہ مضبوط مجموعہ ادویات اور آنے والی نئی ادویات کی بناء پر ہماری کمپنی مارکیٹ میں اپنے حصے کو بڑھانے اور اپنے مقام کو مزید بہتر کرنے کی مثالی حالت میں ہیں۔ ہمارا ماضی کامیابیوں سے بھرپور ہے اور ہم رکاوٹوں کو عبور کرتے ہوئے اپنے تمام حصہ داروں کو اعلیٰ قدر فراہم کر رہے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے ہم اپنے حصہ داروں، ڈاکٹروں، فارماسسٹس، صارفین، کاروباری شراکت داروں اور بینکرز کے تعاون کے بے حد مشکور ہیں۔ بورڈ اپنے ملازمین اور انتظامیہ کی انتھک محنت اور بھرپور کوششوں کی بھی قدر کرتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

ڈاکٹر عدیل عباس حیدری
چیف ایگزیکٹو آفیسر

توفیق احمد خان
ڈائریکٹر

لاہور: 29 اکتوبر 2019

Condensed Interim
Un-consolidated
Financial Statements



Highnoon Laboratories Limited

For the Third
Quarter Ended
30 September 2019



Condensed Interim Statement of Financial Position

	Un Audited 30 September 2019	Audited 31 December 2018
Note	----- (Rupees) -----	
EQUITY AND LIABILITIES		
EQUITY		
Share capital and reserves		
Authorized share capital		
50,000,000 (2018: 50,000,000) Ordinary		
shares of Rs. 10 each	500,000,000	500,000,000
Issued, subscribed and paid up share capital	314,681,320	286,073,930
Revenue reserves	2,530,894,415	2,213,966,374
Revaluation surplus on property, plant and equipment	359,551,428	370,409,400
Total Equity	3,205,127,163	2,870,449,704
Non-current liabilities		
Long term lease liabilities	92,702,215	44,486,094
Long term advances	30,535,206	44,110,306
Deferred liabilities	397,051,883	374,124,390
	520,289,304	462,720,790
Current liabilities		
Trade and other payables	635,841,008	342,711,626
Unclaimed dividend	30,555,755	20,175,464
Mark up accrued	-	30,476
Current portion of long term liabilities	36,300,725	36,956,830
Provision for taxation - net	82,121,537	38,024,485
	784,819,025	437,898,881
Total Liabilities	1,305,108,329	900,619,671
TOTAL EQUITY AND LIABILITIES	4,510,235,492	3,771,069,375
CONTINGENCIES AND COMMITMENTS		

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The annexed notes from 1 to 13 form an integral part of these unconsolidated financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

As at 30 September 2019

	Un Audited 30 September 2019	Audited 31 December 2018
Note	----- (Rupees) -----	
ASSETS		
Non-current assets		
Property, plant and equipment	7 1,059,892,461	976,068,012
Long term investment	200,000,000	200,000,000
Long term deposits	9,317,414	14,020,764
Long term advances	35,676,668	29,316,392
	1,304,886,543	1,219,405,168
CURRENT ASSETS		
Stock in trade	8 1,675,730,488	1,352,928,094
Trade debts	497,797,871	281,509,755
Advances	157,352,083	75,263,456
Trade deposits and short term prepayments	57,943,358	30,572,873
Profit accrued	3,651,371	318,836
Other receivables	4,273,901	3,457,488
Loan to subsidiary	10,000,000	20,000,000
Tax refunds due from the Government	3,762,085	7,638,162
Cash and bank balances	794,837,792	779,975,543
	3,205,348,949	2,551,664,207
TOTAL ASSETS	4,510,235,492	3,771,069,375

Javed Hussain
Chief Financial Officer

Condensed Interim Statement of Profit or Loss (un-audited)

For The Nine And Three Months Ended 30 September 2019

	Note	Nine Month Period Ended 30 September		Three Month Period Ended 30 September	
		2019	2018	2019	2018
		----- (Rupees) -----		----- (Rupees) -----	
Revenue - net	9	6,659,512,893	5,443,281,641	2,251,640,314	1,888,111,749
Cost of sales	10	3,617,898,643	2,900,121,547	1,239,148,073	1,027,644,870
Gross profit		3,041,614,250	2,543,160,094	1,012,492,241	860,466,879
Distribution, selling and promotional expenses		1,726,694,295	1,513,210,848	600,156,029	498,994,189
Administrative and general expenses		257,145,010	225,205,152	87,627,645	77,937,001
Research and development expenses		3,845,972	3,156,564	1,260,468	1,101,287
Other operating expenses		87,368,953	69,894,403	27,068,571	23,949,384
		2,075,054,230	1,811,466,967	716,112,713	601,981,861
Other income		64,579,453	26,451,675	18,109,370	421,280
Operating Profit		1,031,139,473	758,144,802	314,488,898	258,906,298
Finance costs		16,891,908	6,191,690	5,913,900	1,706,233
Profit before taxation		1,014,247,565	751,953,112	308,574,998	257,200,065
Taxation		307,673,997	226,443,037	90,694,214	71,282,873
Profit for the period		706,573,568	525,510,075	217,880,784	185,917,192
		Restated		Restated	
Earnings per share - basic and diluted		22.45	16.70	6.92	5.90

The annexed notes from 1 to 13 form an integral part of these unconsolidated financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (un-audited)

For The Nine Months Ended 30 September 2019

	30 September	
	2019	2018
	----- (Rupees) -----	
Profit for the year	706,573,568	525,510,075
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:	-	-
Total comprehensive income for the period	706,573,568	525,510,075

The annexed notes from 1 to 13 form an integral part of these unconsolidated financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Condensed Interim Statement of Cash Flows (un-audited) For The Nine Months Ended 30 September 2019

	Note	30 September	
		2019	2018
		----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,014,247,565	751,953,112
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of operating fixed assets		91,004,300	72,281,535
Amortization of intangible assets		-	5,073,019
Gain on disposal of property plant and equipment		(19,309,986)	(13,123,388)
Exchange (gain) / loss - net		1,197,350	5,179,466
Provision for slow moving and obsolete stocks	8.1	17,490,889	-
Provision for defined benefit obligation		49,411,528	38,251,620
Provision for Workers' Profit Participation Fund		53,379,957	-
Finance costs		16,891,908	6,191,690
		210,065,946	113,853,942
Profit before working capital changes		1,224,313,511	865,807,054
Working capital changes:			
(Increase) / decrease in current assets:			
Stock in trade		(340,293,283)	(331,609,326)
Trade debts		(217,485,466)	(165,701,362)
Advances		(82,088,627)	(54,790,185)
Trade deposits and short term prepayments		(27,370,485)	(13,018,958)
Profit accrued		(3,332,535)	712,719
Other receivables		(816,413)	2,053,194
Tax refund due from government		3,876,077	(3,719,745)
Increase in current liabilities:			
Trade and other payables		237,545,817	45,205,557
		(419,964,915)	(520,868,106)
Cash generated from operations		804,348,596	344,938,948
Taxes paid		(266,497,126)	(239,087,725)
Gratuity paid		(21,360,246)	(56,546,385)
Finance costs paid		(16,922,384)	(2,580,553)
Net cash flows generated from / (used in) operating activities		499,568,840	46,724,285

Condensed Interim Statement of Cash Flows (un-audited) For The Nine Months Ended 30 September 2019

	Note	30 September	
		2019	2018
		----- (Rupees) -----	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(148,035,406)	(79,603,954)
Additions in long term advances		(6,360,276)	1,720,635
Proceeds from disposal of short term investment - net		-	100,000,000
Increase in long term deposits - net		4,703,350	(363,600)
Proceeds from disposal of property plant and equipment		93,626,482	31,244,129
Net cash flows (used in) / generated from investing activities		(56,065,850)	52,997,210
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term lease liabilities - net		(45,922,119)	(27,009,741)
Long term advances - net		(21,202,804)	19,341,963
Dividend paid		(361,515,818)	(246,346,765)
Net cash flows used is financing activities		(428,640,741)	(254,014,543)
Net increase/(decrease) in cash and cash equivalents		14,862,249	(154,293,048)
Cash and cash equivalents at beginning of the period		779,975,543	612,566,431
Cash and cash equivalents at 30 September 2019		794,837,792	458,273,383

The annexed notes from 1 to 13 form an integral part of these unconsolidated financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Condensed Interim Statement of Changes in Equity (un-audited) For The Nine Months Ended 30 September 2019

	Share Capital	Capital Reserves	Revenue reserves			Total
		Revaluation Surplus	General reserve	Unappropriated profit	Sub total	
----- (Rupees) -----						
Balance as at 01 January 2018	255,423,160	384,003,155	114,000,000	1,662,525,305	1,776,525,305	2,415,951,620
Profit for the half year ended 30 September 2018	-	-	-	525,510,075	525,510,075	525,510,075
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	525,510,075	525,510,075	525,510,075
<u>Surplus transferred to accumulated profit</u>						
On account of incremental depreciation relating to surplus on revaluation of property plant and equipment net of tax'	-	(6,783,464)	-	6,783,464	6,783,464	-
<u>Transaction with owners of the company, recognized directly in equity - Distributions</u>						
Issuance of bonus shares @12% for the year ended 31 December 2017	30,650,770	-	-	(30,650,770)	(30,650,770)	-
Final dividend @ Rs. 10 per share for the year ended 31 December 2017	-	-	-	(255,423,160)	(255,423,160)	(255,423,160)
Balance as at 30 September 2018	286,073,930	377,219,691	114,000,000	1,908,744,914	2,022,744,914	2,686,038,535
Balance as at 01 January 2019	286,073,930	370,409,400	114,000,000	2,099,966,374	2,213,966,374	2,870,449,704
Profit for the period ended 30 September 2019	-	-	-	706,573,568	706,573,568	706,573,568
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	706,573,568	706,573,568	706,573,568
<u>Surplus transferred to accumulated profit</u>						
On account of incremental depreciation relating to surplus on revaluation of property plant and equipment - net of tax"	-	(10,857,972)	-	10,857,972	10,857,972	-
<u>Transaction with owners of the company, recognized directly in equity - Distributions</u>						
Issuance of bonus shares @ 10%	28,607,390	-	-	(28,607,390)	(28,607,390)	-
Final dividend @ Rs. 13 per share for the year ended 31 December 2018	-	-	-	(371,896,109)	(371,896,109)	(371,896,109)
Balance as at 30 September 2019	314,681,320	359,551,428	114,000,000	2,416,894,415	2,530,894,415	3,205,127,163

The annexed notes from 1 to 13 form an integral part of these unconsolidated financial statements.

Dr. Adeel Abbasi
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Selected Notes to the Condensed interim Financial Statements (un-audited) For The Nine Months Ended 30 September 2019

1 THE COMPANY AND ITS OPERATIONS

Highnoon Laboratories Limited ("the Company") was incorporated as a private limited company in Pakistan in year 1984 under the Companies Ordinance, 1984 (repealed with the enactment of Companies Act, 2017) and converted into an unquoted public limited company in 1985. Its shares are quoted on 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.

These unconsolidated condensed interim financial statements are the separate unconsolidated condensed interim financial statements of the Company in which investment in subsidiary is stated at cost less impairment losses, if any.

2 STATEMENT OF COMPLIANCE

- 2.1 These unconsolidated condensed interim financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan on interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
 - International Accounting Standard 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017
 - provisions of and directives issued under the Companies Act, 2017.

In case the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 shall prevail.

The disclosures in these condensed interim financial statements do not include the information reported for complete annual financial statements and should therefore be read in conjunction with the financial statements for the year ended December 31, 2018. The comparative financial statements of financial position is extracted from the annual financial statements, as of December 31, 2018, whereas the statement of profit or loss, the statement of comprehensive Income, the statement of Cash Flows and the statement of changes in equity are extracted from the un-audited unconsolidated condensed interim financial statements, for the Nine months ended September 30, 2018.

These unconsolidated condensed interim financial statements are un audited and are being submitted to the members, as required under section 237 of the Companies Act, 2017 and the listed Companies (Code of Corporate Governance) Regulations, 2017.

3 BASIS OF PREPARATION

3.1 Basis of preparation

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention, except for which is carried at revalued amount and recognition of certain employees retirement benefits at present value.

3.2 Functional and presentation currency

These unconsolidated condensed interim financial statements are presented in Pak rupee, which is also the functional currency of the Company. Figures have been rounded off to the nearest rupee, unless otherwise stated.

These unconsolidated condensed interim financial statements do 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 2018.

Selected Notes to the Condensed interim Financial Statements (un-audited) For The Nine Months Ended 30 September 2019

4 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these unconsolidated condensed interim financial statements 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 2018 except for the following:

4.1 IFRS 15 Revenue from contracts with customers

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations on revenue recognition. IFRS 15 introduces a single five step model for revenue recognition and establishes a comprehensive framework for revenue recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The impact of aforementioned has been determined to be immaterial to these interim financial information.

4.2 IFRS 16 Leases

During the current year, the Company have adopted IFRS 16 as issued by the International Accounting Standards Board (IASB) in January 2016.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Company has lease contracts for its various branches. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under prepayments and trade and other payables, respectively.

Upon adoption of IFRS 16, the Company initially recognized a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. The lease liability is measured at the present value of the consideration (lease payments) to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. The right-of-use asset is initially measured at the present value of lease liability, adjusted for lease prepayments and borrowing costs.

As permitted by the transitional provisions of IFRS 16, the Company elected not to restate the comparative figures and not to adjust the opening retained earnings. Accordingly, adjustment to the carrying amount of assets and liabilities were recognized in the current period.

The Company also applied the available practical expedients wherein it:

Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

Relied on its assessment of whether leases are onerous immediately before the date of initial application.

Selected Notes to the Condensed interim Financial Statements (un-audited) For The Nine Months Ended 30 September 2019

Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

4.2.1 Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

iv) Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three to ten years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

Selected Notes to the Condensed interim Financial Statements (un-audited) For The Nine Months Ended 30 September 2019

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company included the renewal period as part of the lease term for leases of branches due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to 10 years) and there will be a significant negative effect on production if a replacement is not readily available.

4.3 IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 financial instruments: Recognition and Measurement, IFRS 9 sets out new requirements for the accounting of financial instruments including classification, measurement, impairment, and hedge accounting.

Under IFRS 9, the Company classifies financial assets, based on the business model in which they are managed, and their contractual cashflows. The principal categories of financial assets under IFRS 9 are amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). In accordance with the expected loss impairment model introduced by IFRS 9, the Company assesses lifetime expected credit losses on assets carried at amortized cost which include trade debts, advance to employees, balance with banks, interest accrued, long term advances, long term deposits, long term investments, other receivables, term deposits with financial institution. While fair value changes for assets carried at fair value through profit and loss, which includes short-term investments through mutual funds, are recognized in the statement of profit or loss. The Company does not have assets carried at fair value through other comprehensive income.

The management has reviewed and assessed the Company's existing financial assets for impairment in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets and has incorporated the same in the financial statements of the Company. The management has also concluded that the impact of impairment of these financial assets under IFRS 9 is insignificant for the Company's financial statements of prior period and accordingly no adjustment has been made to the figures reported in previous period.

5 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of unconsolidated condensed interim financial statements require 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 2018.

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

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

	Note	Un Audited 30 September 2019	Audited 31 December 2018
----- (Rupees) -----			
6.2 Commitments			
Commitments against irrevocable letters of credit include:			
Raw materials		367,058,433	324,563,123
Packing materials		53,651,102	23,515,118
Finished Goods		13,078,182	15,861,921
Plant and machinery		98,890,543	128,128,340
		532,678,260	492,068,502
Rentals under ijarah agreements:			
Not later than one year		11,587,821	9,987,189
Later than one year but not later than five years		16,406,074	17,225,638
		27,993,895	27,212,827

7 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets:

Owned assets	7.1	840,776,977	859,145,356
Right of use assets	7.2	132,860,836	85,939,679
Capital work-in-progress		86,254,648	30,982,977
		1,059,892,461	976,068,012

7.1 Operating fixed assets (owned)

Opening book value		859,145,356	889,678,169
Add: Additions during the period / year - cost	7.1.1	92,763,735	68,234,235
Transferred from leased assets during the period / year - vehicles		31,030,232	2,762,643
		123,793,967	70,996,878
Less: Deletions during the period / year	7.1.2	74,316,496	21,536,522
Depreciation during the period / year		67,845,850	79,993,169
		142,162,346	101,529,691
Book value at the end of the period / year		840,776,977	859,145,356

7.1.1 Additions during the period / year - cost

Building on free hold land	-	3,187,218
Plant and machinery	23,551,562	15,432,676
Laboratory equipment	2,302,800	3,822,971
Furniture and fixtures	507,590	9,237,019
Electric and gas appliances	312,850	3,082,129
Office equipment	4,219,999	18,470,961
Vehicles	61,868,934	15,001,261
	92,763,735	68,234,235

7.1.2 Deletions during the period / year

Laboratory equipment	-	2,193,630
Vehicles	74,316,496	19,342,892
	74,316,496	21,536,522

	Note	Un Audited 30 September 2019	Audited 31 December 2018
		----- (Rupees) -----	
7.2 Right of use asset - leased vehicles			
Opening book value		85,939,679	45,147,777
Add: Additions during the period / year - cost		101,109,839	61,605,500
		101,109,839	61,605,500
Less: Transfers to owned assets during the period / year		31,030,232	2,762,643
Depreciation during the period / year		23,158,450	18,050,955
		54,188,682	20,813,598
Book value at the end of the period / year		132,860,836	85,939,679

8 STOCK IN TRADE

Raw materials			
In hand		712,611,928	575,196,237
In transit		12,842,076	125,235,676
With third party		54,434,562	10,782,962
		779,888,566	711,214,875
Packing material			
In hand		163,647,294	181,389,732
In transit		-	11,201,294
		172,208,540	192,591,026
Work in process		160,646,613	111,922,424
Finished goods			
Trading		169,743,533	232,567,466
Manufactured		412,730,482	113,228,519
		582,474,015	345,795,985
Less: provision for slow moving and obsolete items 8.1		(19,487,246)	(8,596,216)
		1,675,730,488	1,352,928,094

8.1 Provision for slow moving and obsolete items

Opening provision	8,596,216	10,309,838
Charge for the period/year	17,490,889	4,024,543
Written off during the period/year	(6,599,859)	(5,738,165)
Closing provision	19,487,246	8,596,216

	Un-audited			
	Nine Month Period Ended 30 September		Three Month Period Ended 30 September	
	2019	2018	2019	2018
	----- (Rupees) -----		----- (Rupees) -----	
9 REVENUE - net				
Manufactured products:				
Local	6,222,166,294	5,013,301,607	2,108,068,748	1,700,296,985
Export	268,717,775	245,725,415	114,959,244	115,865,697
	6,490,884,069	5,259,027,022	2,223,027,992	1,816,162,682
Toll manufacturing	326,589,550	256,519,446	79,981,733	94,623,800
	6,817,473,619	5,515,546,468	2,303,009,725	1,910,786,482
Less: Discount	131,753,256	50,208,369	44,286,453	16,394,660
Sales tax	26,207,470	22,056,458	7,082,958	6,280,073
	157,960,726	72,264,827	51,369,411	22,674,733
	6,659,512,893	5,443,281,641	2,251,640,314	1,888,111,749

	Un-audited			
	Nine Month Period Ended 30 September		Three Month Period Ended 30 September	
	2019	2018	2019	2018
	----- (Rupees) -----		----- (Rupees) -----	
10 COST OF SALES				
Manufactured pharmaceutical products:				
Opening stock of finished goods	345,795,985	255,768,120	410,504,223	277,771,885
Cost of goods manufactured	3,232,191,168	2,492,044,066	994,082,591	923,391,712
	3,577,987,153	2,747,812,186	1,404,586,814	1,201,163,597
Closing stock of finished goods	(582,474,015)	(336,406,387)	(582,474,015)	(336,406,387)
Cost of sales - manufactured	2,995,513,138	2,411,405,799	822,112,799	864,757,210
Cost of sales - purchased products	622,385,505	488,715,748	417,035,274	162,887,660
	3,617,898,643	2,900,121,547	1,239,148,073	1,027,644,870

11 RELATED PARTY TRANSACTIONS

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

	Un-audited			
	Nine Month Period Ended 30 September		Three Month Period Ended 30 September	
	2019	2018	2019	2018
	----- (Rupees) -----		----- (Rupees) -----	
11.1 Sales of goods				
Associated company	-	37,914,685	-	-
11.2 Purchase of goods				
Associated company	396,450,981	339,423,690	187,725,677	154,292,179
Subsidiary	226,323,401	180,664,874	86,294,046	48,442,247

Un-audited			
Nine Month Period Ended 30 September		Three Month Period Ended 30 September	
2019	2018	2019	2018
----- (Rupees) -----		----- (Rupees) -----	

11.3 Purchase of fixed asset

Associated company	15,137,818	-	-	-
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11.4 Contribution towards employees' benefits fund:

Staff provident fund	29,637,745	23,837,168	10,019,886	8,176,496
Employees' welfare trust	2,042,250	2,034,240	682,500	742,340

11.5 Remuneration

Chief Executive Officer	14,997,079	10,996,037	4,288,799	3,665,346
Directors	-	-	-	-
Executives	235,320,314	168,693,774	53,073,978	56,231,258

11.6 The outstanding balances of such parties are as under:

		Un Audited 30 September 2019	Audited 31 December 2018
		----- (Rupees) -----	
Relationship with the Company	Nature of balance		
Associated company	Creditors	928,714	3,217,952
Staff provident fund	Contribution payable	7,649,547	6,291,047
Employees' welfare trust	Contribution payable	633,243	526,880

12 DATE OF AUTHORIZATION OF ISSUE

The Board of Directors of the Company authorized this condensed interim unconsolidated financial information for issuance on 29th October 2019.

13 GENERAL

13.1 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.

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

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Directors' Report

The Directors are pleased to present their review and un-audited consolidated condensed interim financial statements of the Company and its wholly owned subsidiary ("the Group") for the quarter and nine months ended September 30, 2019.

Net turnover for the quarter at Rs. 2,252 million is 19% higher than the same period last year (SPLY). Net turnover for the nine months under review increased to Rs. 6,660 million registering a growth of 22% over SPLY due to increase witnessed sales across all therapeutic segments. Gross profit margin decreased to 46 % compared to 47% over SPLY mainly due to the adverse effect of devaluation and inflation. This was largely offset by better sales mix, price increase allowed by the Regulators and volumetric growth in sales. Distribution selling & promotional expenses and administrative expenses increased by 14 % due inflation and extended field force operations. Other operating expenses increased by 29% due to increase in provisions for statutory levies that are linked with profitability of the Group.

Net profit after tax of the Group for the nine months under review stood at Rs.725 million resulting in a growth of 36% over SPLY. The earning per share (EPS) for the period under review was Rs 23.04 (2018 restated: Rs.16.88).

The Cephalosporin portfolio of the subsidiary company consolidated its share in the market. During the period under review the injectable dosage forms was supported by the launch of oral dosage range. This therapeutic segment of the company has witnessed a growth of 59% over SPLY. There are more products in the pipeline which are planned to be manufactured by subsidiary company and would be launched in 1st Half of 2020.

We recognize the challenges ahead, however with a strong portfolio of existing brands and pipeline of new products, we remain certain that the Company is ideally positioned to enhance its market share and position. We have a track record of success and have been able to rise above the hurdles and deliver superior value for all stakeholders.

On behalf of the Board, we would like to express our sincere gratitude to the Shareholders, Healthcare practitioners, Pharmacist, Consumers, Business partners and the Bankers for the continued patronage and to the employees for their continued, dedicated, untiring efforts and hard work.

For & On behalf of the Board

Lahore: 29 October 2019

Taufiq Ahmed Khan
Director

Dr. Adeel Abbas Haideri
Chief Executive Officer

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کمپنی اور اس کی کلی ذیلی کمپنی "دی گروپ" کے اشتہال شدہ مالیاتی گواہی کے برائے سہ ماہی اور نو ماہ مختتمہ 30 ستمبر 2019 پیش کرتے ہوئے خوش محسوس کر رہا ہے۔

زیر جائزہ سہ ماہی میں خالص فروخت آمدن 2252 ملین روپے رہی جو کہ پچھلے سال کی اسی مدت کے مقابلہ میں 19% زائد ہے۔ جبکہ زیر جائزہ نو ماہ کی مدت کے دوران خالص فروخت آمدن بڑھ کر 6660 ملین روپے ہو گئی جو کہ پچھلے سال کی اسی مدت کے مقابلہ میں 22% فیصد کی شرح نمو ظاہر کرتی ہے اور اس کی وجہ تمام شعبہ جات علاج سے متعلقہ ادویات کی فروخت میں اضافہ ہے۔ افراط زور روپے کی قدر میں کمی کی بناء پر خام منافع کی شرح کم ہو کر 46 فیصد ہو گئی جو کہ پچھلے سال کی اسی مدت میں 47 فیصد تھا۔ تاہم بہتر فروخت آمدن، ریگولیٹری کی جانب سے قیمتوں میں اضافہ کی اجازت کی بناء پر اس کے اثرات مندرجہ ہوئے ہیں۔ مہنگائی اور فیملی فوئرس کے آپریشنز میں وسعت کی بناء پر تقسیم کاری، فروخت کاری اور انتظامی اخراجات میں 14 فیصد کا اضافہ ہوا۔ دیگر آپریشننگ اخراجات میں اضافہ کی شرح 29% فیصد رہی۔ جس کی وجہ گروپ کے منافع سے منسلک قانونی ادائیگیاں ہیں۔

زیر جائزہ مدت نو ماہ کے دوران گروپ کا بعد از ٹیکس خالص منافع 725 ملین روپے رہا جو کہ پچھلے سال کی اسی مدت کے موازنہ میں 36% فیصد کا اضافہ ظاہر کرتا ہے۔ زیر جائزہ مدت کے دوران فی حصص آمدن 23.04 روپے رہی (2018 Restated: 16.88 روپے)۔

کلی ذیلی کمپنی کے سینفلو سپورن کے مجموعہ ادویات نے مارکیٹ میں اپنے حصہ کو مستحکم کیا ہے۔ زیر جائزہ مدت کے دوران انجیکشن کی ڈوزیج فارم کے ساتھ ساتھ اورل ڈوزیج فارم کو بھی مارکیٹ میں متعارف کرایا گیا، کمپنی کے اس طبقہ علاج کی ادویات پچھلے سال کی اسی مدت کے موازنہ میں 59 فیصد کا اضافہ ظاہر کرتی ہیں۔ کلی ذیلی کمپنی 2020 کی پہلی ششماہی کے دوران اپنی کچھ اور نئی ادویات کے تیار کرنے اور مارکیٹ میں متعارف کروانے کا ارادہ رکھتی ہے۔

ہم آنے والے وقت کی مشکلات سے بخوبی واقف ہیں، تاہم اپنے موجودہ مضبوط مجموعہ ادویات اور آنے والی نئی ادویات کی بناء پر ہماری کمپنی مارکیٹ میں اپنے حصے کو بڑھانے اور اپنے مقام کو مزید بہتر کرنے کی مثالی حالت میں ہیں۔ ہمارا ماضی کامیابیوں سے بھرپور ہے اور ہم رکاوٹوں کو عبور کرتے ہوئے اپنے تمام حصہ داروں کو اعلیٰ قدر فراہم کر رہے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے ہم اپنے حصہ داروں، ڈاکٹروں، فارماسسٹس، صارفین، کاروباری شراکت داروں اور بینکرز کے تعاون کے بے حد مشکور ہیں۔ بورڈ اپنے ملازمین اور انتظامیہ کی انتھک محنت اور بھرپور کوششوں کی بھی قدر کرتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

ڈاکٹر عدیل عباس حیدری
چیف ایگزیکٹو آفیسر

توفیق احمد خان
ڈائریکٹر

لاہور: 29 اکتوبر 2019

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Condensed Interim Consolidated Financial Statements



Highnoon Laboratories Limited
and its subsidiary
Curexa Health (Private) Limited

For the Third Quarter Ended
30 September 2019



Condensed Interim Consolidated Statement of Financial Position

	Un Audited 30 September 2019	Audited 31 December 2018
Note	----- (Rupees) -----	
EQUITY AND LIABILITIES		
EQUITY		
Share capital and reserves		
Authorized share capital		
50,000,000 (2018: 50,000,000) Ordinary shares of Rs. 10 each	500,000,000	500,000,000
Share capital		
Revenue reserves	314,681,320	286,073,930
Revaluation Surplus on property, plant and equipment	2,526,070,171	2,190,679,480
Total Equity	359,551,428	370,409,400
	3,200,302,919	2,847,162,810
Non-current liabilities		
Long term loan	26,917,505	44,335,010
Long term Liabilities	92,702,215	44,486,094
Long term advances	31,747,577	44,871,947
Deferred liabilities	397,051,883	374,124,390
	548,419,180	507,817,441
Current liabilities		
Trade and other payables	660,319,669	358,332,007
Unclaimed dividend	30,555,755	20,175,464
Mark up accrued	3,445,811	2,651,012
Short term borrowing	22,653,885	22,011,812
Current portion of long term liabilities	60,050,725	62,289,325
Provision for taxation-net	82,121,537	30,597,052
	859,147,382	496,056,672
Total Liabilities	1,407,566,562	1,003,874,113
TOTAL EQUITY AND LIABILITIES		
	4,607,869,481	3,851,036,923
CONTINGENCIES AND COMMITMENTS		
	6	

*The annexed notes from 1 to 13 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

As at 30 September 2019

		Un Audited 30 September 2019	Audited 31 December 2018
	Note	----- (Rupees) -----	
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,322,366,758	1,254,937,388
Intangible assets		1,584,735	1,772,294
Goodwill		834,230	834,230
Long term deposits		10,295,164	14,998,514
Long term advances		35,676,668	29,316,392
		1,370,757,555	1,301,858,818
CURRENT ASSETS			
Stock in trade	8	1,704,595,215	1,367,923,887
Trade debts		502,696,131	281,509,755
Advances		157,436,457	76,376,676
Trade deposits and short term prepayments		58,482,590	31,242,162
Profit accrued		4,155,656	318,836
Other receivables		4,273,901	3,457,488
Tax refunds due from the Government		10,489,744	7,610,450
Cash and bank balances		794,982,232	780,738,851
		3,237,111,926	2,549,178,105
TOTAL ASSETS		4,607,869,481	3,851,036,923

Javed Hussain
Chief Financial Officer

Condensed Interim Consolidated Statement of Profit or Loss (un-audited)

For The Nine Months Ended 30 September 2019

	Note	Nine Month Period Ended 30 September		Three Month Period Ended 30 September	
		2019	2018	2019	2018
		----- (Rupees) -----		----- (Rupees) -----	
Revenue - net	9	6,659,512,893	5,443,281,641	2,251,640,314	1,888,111,749
Cost of sales	10	3,565,319,712	2,867,651,518	1,206,272,185	1,014,852,095
Gross profit		3,094,193,181	2,575,630,123	1,045,368,129	873,259,654
Distribution, selling and promotional expenses		1,726,694,295	1,513,210,848	600,156,029	498,190,116
Administrative and general expenses		275,235,787	241,257,193	93,640,118	84,724,498
Research and development expenses		3,845,972	3,156,564	1,260,468	1,096,792
Other operating expenses		90,269,590	69,894,403	28,540,281	23,902,050
		2,096,045,644	1,827,519,008	723,596,896	607,913,456
Other income		63,269,173	25,686,897	18,109,370	421,291
Operating Profit		1,061,416,710	773,798,012	339,880,603	265,767,489
Finance costs		25,686,887	13,888,256	7,969,015	4,840,329
Profit before taxation		1,035,729,823	759,909,756	331,911,588	260,927,160
Taxation		310,693,605	228,644,083	92,087,213	71,758,859
Profit for the Period		725,036,218	531,265,673	239,824,375	189,168,301
			Restated		Restated
Earnings per share - basic and diluted		23.04	16.88	7.62	6.01

The annexed notes from 1 to 13 form an integral part of these consolidated financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Condensed Interim Consolidated Statement of Comprehensive Income (un-audited)

For The Nine Months Ended 30 September 2019

	30 September	
	2019	2018
	----- (Rupees) -----	
Profit after tax for the period	725,036,218	531,265,673
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:	-	-
Total comprehensive income for the period	725,036,218	531,265,673

The annexed notes from 1 to 13 form an integral part of these consolidated financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Condensed Interim Consolidated Statement of Cash Flows (un-audited) For The Nine Months Ended 30 September 2019

	Note	30 September	
		2019	2018
		----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,035,729,823	759,909,756
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of operating fixed assets		110,911,105	93,145,161
Amortization of intangible assets		270,871	5,343,661
Gain on disposal of property, plant and equipment		(19,309,986)	(13,123,388)
Exchange loss - net		1,197,350	5,179,466
Provision for slow moving and obsolete stocks	8.1	17,974,269	7,566,226
Provision for defined benefit obligation		49,411,528	38,251,620
Provision for Worker's Profit Participation Fund		56,036,573	-
Finance costs		25,686,887	14,653,034
		242,178,597	151,015,780
Profit before working capital changes		1,277,908,420	910,925,536
Working capital changes:			
(Increase) / decrease in current assets:			
Stock in trade		(354,645,597)	(361,497,708)
Trade debts		(222,383,726)	(165,701,362)
Advances		(81,059,781)	(53,399,308)
Trade deposits and short term prepayments		(27,240,428)	(12,663,803)
Profit accrued		(3,836,820)	1,062,384
Other receivables		(816,413)	2,053,194
Tax refund due from government		(2,879,294)	(14,041,156)
Increase in current liabilities:			
Trade and other payables		243,747,481	53,320,500
		(449,114,578)	(550,867,259)
Cash generated from operations		828,793,842	360,058,277
Taxes paid		(262,089,302)	(241,712,635)
Gratuity paid		(21,360,246)	(56,546,385)
Finance costs paid		(24,892,088)	(10,490,218)
Net cash flows generated from / (used in) operating activities		520,452,206	51,309,039

Condensed Interim Consolidated Statement of Cash Flows (un-audited) For The Nine Months Ended 30 September 2019

	Note	30 September	
		2019	2018
		----- (Rupees) -----	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(151,547,131)	(91,972,690)
Purchase of intangible		(83,312)	(469,482)
Additions in long term advances		(6,360,276)	2,080,763
Additions in short term investment		-	100,000,000
Additions in long term deposits-net		4,703,350	(605,050)
Proceeds from disposal of property, plant and equipment		93,626,482	31,244,129
Net cash flows (used in) / generated from investing activities		(59,660,887)	40,277,670
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term lease liabilities - net		(45,922,119)	(27,009,741)
Repayment of long term loan		(19,000,000)	(18,999,162)
Short term borrowing - net		642,073	16,551,167
Dividend paid		(361,515,818)	(237,270,370)
Long term advances - net		(20,752,074)	19,341,963
Net cash flows used in financing activities		(446,547,938)	(247,386,143)
Net increase/(Decrease) in cash and cash equivalents		14,243,381	(155,799,434)
Cash and cash equivalents at beginning of the year		780,738,851	617,550,956
Cash and cash equivalents at 30 September 2019		794,982,232	461,751,522

The annexed notes from 1 to 13 form an integral part of these consolidated financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Condensed Interim Consolidated Statement of Changes in Equity (un-audited)

For The Nine Months Ended 30 September 2019

	Share Capital	Capital Reserves	Revenue reserves			Total
		Revaluation Surplus	General reserve	Unappropriated profit	Sub total	
	(Rupees)					
Balance as at 01 January 2018 - restated	255,423,160	384,003,155	114,000,000	1,632,972,154	1,746,972,154	2,386,398,469
Profit for the period ended 30 September 2018	-	-	-	531,265,673	531,265,673	531,265,673
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	531,265,673	531,265,673	531,265,673
<u>Surplus transferred to accumulated profit</u>						
On account of incremental depreciation relating to surplus on revaluation of property plant and equipment net of tax"	-	(6,783,464)	-	6,783,464	6,783,464	-
<u>Transaction with owners of the company, recognized directly in equity - Distributions</u>						
Issuance of bonus shares @12% for the year ended 31 December 2017	30,650,770	-	-	(30,650,770)	(30,650,770)	-
Final dividend @ Rs. 10 per share for the year ended 31 December 2017	-	-	-	(255,423,160)	(255,423,160)	(255,423,160)
Balance as at 30 September 2018	286,073,930	377,219,691	114,000,000	1,884,947,361	1,998,947,361	2,662,240,982
Balance as at 01 January 2019	286,073,930	370,409,400	114,000,000	2,076,679,480	2,190,679,480	2,847,162,810
Profit for the period ended 30 September 2019	-	-	-	725,036,218	725,036,218	725,036,218
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	725,036,218	725,036,218	725,036,218
<u>Surplus transferred to accumulated profit</u>						
On account of incremental depreciation relating to surplus on revaluation of property plant and equipment - net of tax"	-	(10,857,972)	-	10,857,972	10,857,972	-
<u>Transaction with owners of the company, recognized directly in equity - Distributions</u>						
Issuance of bonus shares @ 10% for the year ended 31 December 2018	28,607,390	-	-	(28,607,390)	(28,607,390)	-
Final dividend @ Rs. 13 per share for the year ended 31 December 2018	-	-	-	(371,896,109)	(371,896,109)	(371,896,109)
Balance as at 30 September 2019	314,681,320	359,551,428	114,000,000	2,412,070,171	2,526,070,171	3,200,302,919

The annexed notes from 1 to 23 form an integral part of these financial statements.

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer

Selected Notes to the Condensed interim Consolidated Financial Information (un-audited)

For The Nine Months Ended 30 September 2019

1 THE COMPANY AND ITS OPERATIONS

The Highnoon Group ("the Group") comprises of Highnoon Laboratories Limited ("HNL") ("the Holding Company") and Curexa Health (Private) Ltd (formally Procef Laboratories (Private) Limited) (formerly Biocef (Private) Limited) ("CXH") ("the Subsidiary Company").

The Holding 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 Pakistan Stock Exchange since November 1994. Holding company is principally engaged in the manufacture, import, sale and marketing of pharmaceutical and allied consumer products. The registered office of HNL is situated at 17.5 Km, Multan Road, Lahore.

The subsidiary company was incorporated on 10 June 2015 as a private limited company. The registered office of HNL is situated at 17.5 KM Multan Road, Lahore. 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, herb salts, acids, alkalis, chemical and surgical material, instruments and appliances patent and proprietary articles. It owns Greenfield pharmaceuticals project that envisages production of cephalosporin drugs. The Subsidiary has started its commercial operation in the month of November 2017.

2 STATEMENT OF COMPLIANCE

2.1 These condensed interim consolidated financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan on interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. In case the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 shall prevail.

2.1 This condensed interim consolidated financial information is un-audited and is being submitted to shareholders, as required by section 237 of the Companies Act, 2017.

3 BASIS OF PREPARATION

3.1 These condensed interim consolidated financial information of the Group for the nine months period ended 30 September 2019 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting as are notified under Companies Act, 2017, provisions of and directives issued under Companies Act, 2017.

3.2 These unconsolidated condensed interim financial statements are presented in Pak rupee, which is also the functional currency of the Company. Figures have been rounded off to the nearest rupee, unless otherwise stated.

This condensed consolidated interim financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

Selected Notes to the Condensed interim Consolidated Financial Statements (un-audited) For The Nine Months Ended 30 September 2019

4 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed consolidated interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Group for the year ended 31 December 2018 except for the following:

4.1 IFRS 15 Revenue from contracts with customers

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations on revenue recognition. IFRS 15 introduces a single five step model for revenue recognition and establishes a comprehensive framework for revenue recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The impact of aforementioned has been determined to be immaterial to these interim financial information.

4.2 IFRS 16 Leases

During the current year, the Group have adopted IFRS 16 as issued by the International Accounting Standards Board (IASB) in January 2016.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group has lease contracts for its various branches. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under prepayments and trade and other payables, respectively.

Upon adoption of IFRS 16, the Group initially recognized a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. The lease liability is measured at the present value of the consideration (lease payments) to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. The right-of-use asset is initially measured at the present value of lease liability, adjusted for lease prepayments and borrowing costs.

As permitted by the transitional provisions of IFRS 16, the Group elected not to restate the comparative figures and not to adjust the opening retained earnings. Accordingly, adjustment to the carrying amount of assets and liabilities were recognized in the current period.

The Group also applied the available practical expedients wherein it:

Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

Relied on its assessment of whether leases are onerous immediately before the date of initial application.

Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Selected Notes to the Condensed interim Consolidated Financial Statements (un-audited) For The Nine Months Ended 30 September 2019

4.2.1 Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

iv) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to ten years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Selected Notes to the Condensed interim Consolidated Financial Statements (un-audited) For The Nine Months Ended 30 September 2019

The Group included the renewal period as part of the lease term for leases of branches due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to 10 years) and there will be a significant negative effect on production if a replacement is not readily available.

4.3 IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 financial instruments: Recognition and Measurement, IFRS 9 sets out new requirements for the accounting of financial instruments including classification, measurement, impairment, and hedge accounting.

Under IFRS 9, the Group classifies financial assets, based on the business model in which they are managed, and their contractual cashflows. The principal categories of financial assets under IFRS 9 are amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). In accordance with the expected loss impairment model introduced by IFRS 9, the Group assesses lifetime expected credit losses on assets carried at amortized cost which include trade debts, advance to employees, balance with banks, interest accrued, long term advances, long term deposits, long term investments, other receivables, term deposits with financial institution. While fair value changes for assets carried at fair value through profit and loss, which includes short-term investments through mutual funds, are recognized in the statement of profit or loss. The Group does not have assets carried at fair value through other comprehensive income.

The management has reviewed and assessed the Group's existing financial assets for impairment in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets and has incorporated the same in the financial statements of the Group. The management has also concluded that the impact of impairment of these financial assets under IFRS 9 is insignificant for the Group's financial statements of prior period and accordingly no adjustment has been made to the figures reported in previous period.

5 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated condensed interim financial statements require 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 2018.

6 CONTINGENCIES AND COMMITMENTS

Contingencies

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

	Note	Un Audited 30 September 2019	Audited 31 December 2018
----- (Rupees) -----			
Commitments			
Commitments against irrevocable letters of credit include:			
Raw materials		368,771,961	324,563,123
Packing materials		18,710,182	23,515,118
Finished goods		13,078,182	15,861,921
Plant and machinery		104,890,543	128,128,340
		505,450,868	492,068,502
Rentals under ijarah agreements:			
Not later than one year		14,070,453	9,987,189
Later than one year but not later than five years		18,328,229	17,225,638
		32,398,682	27,212,827

7 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets:

Owned assets	7.1	1,103,251,274	1,138,014,732
Right of Use-Assets		132,860,836	85,939,679
Capital work-in-progress		86,254,648	30,982,977
		1,322,366,758	1,254,937,388

7.1 Operating fixed assets (owned)

Opening book value		1,138,014,732	1,182,566,020
Add: Additions during the period / year - cost	7.1.1	96,275,460	82,091,064
Transferred from leased assets during the period / year - vehicles		31,030,232	2,762,643
		127,305,692	84,853,707
Less: Deletions during the period / year	7.1.2	74,316,496	21,536,522
Depreciation during the period / year		87,752,655	107,868,473
		162,069,151	129,404,995

Book value at the end of the period / year		1,103,251,274	1,138,014,732
--	--	---------------	---------------

7.1.1 Additions during the period / year - cost

Plant and machinery	24,129,235	19,111,274
Building	105,000	3,930,895
Laboratory equipment	4,484,954	9,160,605
Furniture and fixtures	670,390	10,333,283
Electric and gas appliances	457,850	4,921,334
Office equipment	4,485,597	19,632,412
Vehicles	61,942,434	15,001,261
	96,275,460	82,091,064

	Note	Un Audited 30 September 2019	Audited 31 December 2018
		----- (Rupees) -----	
7.1.2 Deletions during the period / year			
Laboratory equipment		-	2,193,630
Vehicles		74,316,496	19,342,892
		74,316,496	21,536,522

8 STOCK IN TRADE

Raw materials			
In hand	719,501,412	591,435,860	
In transit	27,079,793	125,235,676	
With third party	54,434,562	10,782,962	
	801,015,767	727,454,498	
Packing material			
In hand	177,389,497	196,311,774	
In transit	-	11,821,638	
With third party	8,561,246	-	
	185,950,743	208,133,412	
Work in process	167,600,336	112,613,709	
Finished goods			
Trading	157,978,594	232,567,466	
Manufactured	412,730,482	96,461,098	
	570,709,076	329,028,564	
Less: provision for slow moving and obsolete items	8.1 (20,680,706)	(9,306,296)	
	1,704,595,215	1,367,923,887	

8.1 Provision for slow moving and obsolete items

Opening provision	9,306,296	11,361,112
Charge for the period	17,974,269	4,583,349
Written off during the period	(6,599,859)	(6,638,165)
Closing provision	20,680,706	9,306,296

	Un-audited			
	Nine Month Period Ended 30 September		Three Month Period Ended 30 September	
	2019	2018	2019	2018
	----- (Rupees) -----		----- (Rupees) -----	
9 REVENUE - net				
Manufactured products:				
Local	6,222,166,294	5,013,301,607	2,108,068,748	1,700,296,985
Export	268,717,775	245,725,415	114,959,244	115,865,697
	6,490,884,069	5,259,027,022	2,223,027,992	1,816,162,682
Toll manufacturing	326,589,550	256,519,446	79,981,733	94,623,800
	6,817,473,619	5,515,546,468	2,303,009,725	1,910,786,482
Less: Discount	131,753,256	50,208,369	44,286,453	16,394,660
Sales tax	26,207,470	22,056,458	7,082,958	6,280,073
	157,960,726	72,264,827	51,369,411	22,674,733
	6,659,512,893	5,443,281,641	2,251,640,314	1,888,111,749

10 COST OF SALES

Manufactured pharmaceutical products:				
Opening stock of finished goods	345,795,985	256,602,345	411,718,491	267,049,335
Cost of goods manufactured	3,407,279,115	2,624,119,755	1,071,724,125	960,485,906
	3,753,075,100	2,880,722,100	1,483,442,616	1,227,535,241
Closing stock of finished goods	(565,974,015)	(329,900,660)	(565,974,015)	(329,900,660)
Cost of sales - manufactured	3,187,101,085	2,550,821,440	917,468,601	897,634,581
Cost of sales - purchased products	378,218,627	316,830,078	288,803,584	117,217,514
	3,565,319,712	2,867,651,518	1,206,272,185	1,014,852,095

11 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 Month Period Ended 30 September		Three Month Period Ended 30 September	
	2019	2018	2019	2018
	----- (Rupees) -----		----- (Rupees) -----	
11.1 Contribution towards employees' benefits fund:				
Staff provident fund	19,617,859	25,735,520	9,926,335	8,815,280
Employees' welfare trust	1,359,750	2,034,240	679,350	742,340
11.2 Remuneration				
Chief Executive Officer	14,997,079	15,046,037	9,932,621	5,015,346
Directors	5,940,000	4,050,000	4,158,000	1,350,000
Executives	235,320,314	168,693,774	162,015,509	56,231,258
11.3 Associates:				
Purchase of goods	396,450,981	339,423,690	187,725,677	154,292,179
Purchase of assets	15,137,818	-	-	-

11.4 The outstanding balances of such parties are as under:

	Un Audited 30 September 2019	Audited 31 December 2018
	----- (Rupees) -----	

Relationship with the Company	Nature of balance		
Associated company	Creditors	928,714	3,217,952
Staff provident fund	Contribution payable	7,649,547	7,872,008
Employees' welfare trust	Contribution payable	633,243	526,880

12 DATE OF AUTHORIZATION OF ISSUE

The Board of Directors has authorized this condensed interim consolidated financial information for issuance on 29th October 2019.

13 GENERAL

13.1 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.

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

Dr. Adeel Abbas
Chief Executive Officer

Taufiq Ahmed Khan
Director

Javed Hussain
Chief Financial Officer



BOOK POST



HIGHNOON LABORATORIES LIMITED

17.5 Kilometer Multan Road,
Lahore - 53700, Pakistan
Tel: + 92 42 111 000 465

Fax: + 92 42 375 100 37
Email: info@highnoon.com.pk
Web: www.highnoon-labs.com