



50th Annual Report

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YEARS OF TRUST & DEVOTION



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CORPORATE INFORMATION

Board of Directors

Mrs. Akhter Khalid Waheed
(Chairperson & Chief Executive)

Mr. Osman Khalid Waheed
(President)

Ms. Munize Azhar Peracha
(Non Executive Director)

Mr. Nihal A. Cassim
(Non Executive Director)

Mr. M. M. Ispahani
(Non Executive Director)

Mr. Taj Muhammad Khanzada
(Non Executive Director)

Mr. Farooq Mazhar
(Non Executive Director)

Mr. Khan Dost Muhammad Khan Sherpao
(Non Executive Director)

Mr. Muhammad Nawaz Tishna
(Nominee of the National Investment Trust)

Company Secretary

Syed Ghausuddin Saif

General Manager

Mr. Omar Khalid Waheed

Audit Committee

Mr. Taj Muhammad Khanzada
(Chairman)

Mr. Muhammad Nawaz Tishna
(Member)

Mr. Farooq Mazhar
(Member)

Mr. Nihal A. Cassim
(Member)

Auditors

Messrs KPMG Taseer Hadi & Co.
6th Floor, State Life Building No. 5,
Blue Area, Islamabad.

Bankers

Bank Alfalah Limited
Habib Bank Limited
Standard Chartered Bank Limited

Registered Office

197-A, The Mall, Rawalpindi, Pakistan
Phones: +92-51-5562155-57 / 5566881
Fax: +92-51-5584195

Corporate Office

14th Floor, Saudi Pak Tower,
Jinnah Avenue, Islamabad, Pakistan
Phones: +92-51-2274846, 2273253
Fax: +92-51-2275089

E-mail

Info@ferozsons-labs.com

Internet

<http://www.ferozsons-labs.com>

Factories

P.O. Ferozsons, Nowshera (N.W.F.P.),
Pakistan

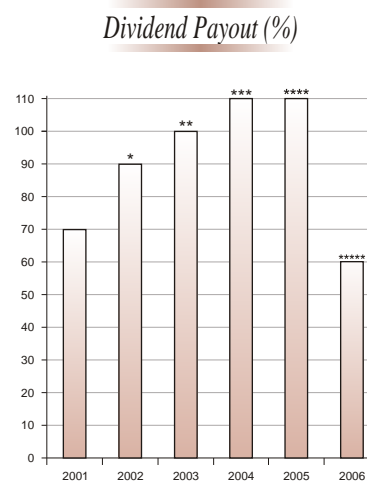
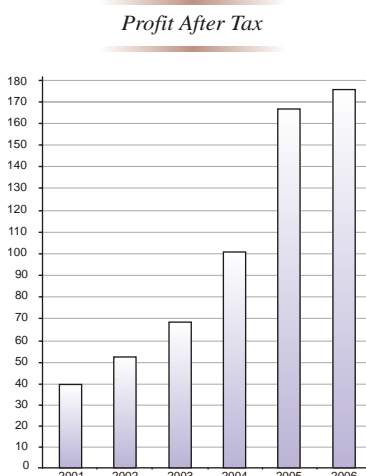
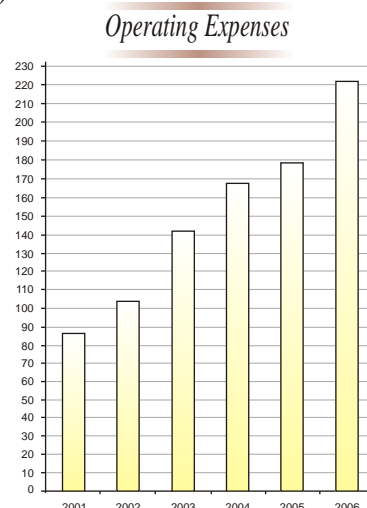
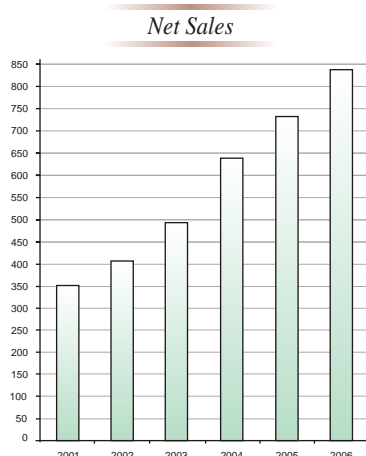
Summary of Consolidated Financial Results

	2005 (Rs.)	2006 (Rs.)	Growth (%)
Net Sales	730,066,661	839,122,794	14.94
Operating Expenses	178,691,707	223,596,002	25.13
Profit after Tax	153,565,799	175,495,115	14.28
Dividend Payout (%)	110%	60%	(45.46)
Current Ratio	2.82	4.08	44.68
Earning per Share	15.29	17.51	14.52

2001 - 2006

Six Years at a Glance

(Rs. in Millions)



* Interim 40% Cash, final 25% Cash & 25% Bonus
 ** Interim 30% Cash, final 45% Cash & 25% Bonus
 *** Interim 30% Cash, final 40% Cash & 40% Bonus
 **** Interim 25% Cash, final 55% Cash & 30% Bonus
 ***** final 40% Cash & 20% Bonus

Mission Statement

We aim to improve the Quality of Life through the ethical promotion and sales of world class medicines at locally relevant prices.

In doing so we will:

Strive to provide best-in-industry returns to our shareholders.

Be the Second to None in Employee Training, Reward and Motivation.

Maintain the Highest Levels of Ethics while focusing on building our portfolio of Prescription Brands.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **50th** Annual General Meeting of **FEROZSONS LABORATORIES LIMITED** will be held on Saturday, September 30, 2006 at 11.30 A.M. at its Registered Office, 197-A, The Mall, Rawalpindi to transact the following business:

Ordinary Business:

1. To confirm the Minutes of the Extra Ordinary General Meeting held on April 07, 2006.
2. To receive, consider and adopt the Audited Annual Financial Statements of the Company for the year ended June 30, 2006 together with the Directors' and Auditors' Reports thereon.
3. To approve the payment of final cash dividend of Rs. 4/- per share (40%) for the year ended June 30, 2006.
4. To approve recommendation of the Board of Directors for the issue of Stock Dividend (Bonus Shares) at the rate of 20% in the ratio of Two Bonus Shares for every Ten Shares held, for the year ended June 30, 2006. Bonus Shares so allotted shall rank pari passu in all respect with the existing shares of the Company except that they shall not qualify for the dividend or any other benefit for the year ended June 30, 2006. The Bonus Shares if approved will be issued to those shareholders whose names appear in the Register of Members of the Company on September 20, 2006.
5. To appoint Auditors for the financial year ending June 30, 2007 and fix their remuneration.

Special Business:

6. To consider and approve the following resolution:

“RESOLVED THAT in the event of any member holding shares which are not in exact Multiple of his/her entitlement, the Directors be and are hereby authorized to sell in the Stock Market such fractional entitlement and to pay the net proceeds of sale when realized to a charitable institution as the Directors may deem fit.”
7. To transact any other business with the permission of the Chair.

Rawalpindi
August 31, 2006

By order of the Board

(Syed Ghausuddin Saif)
Company Secretary

Notes:

1. The Share Transfer Books of the Company shall remain closed from September 21, 2006 to September 30, 2006 (both days inclusive).
2. A Member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies to be effective must be received by the registered office of the Company not less than 48 hours before the Meeting. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

- A) *For attending the Meeting:*
- i. In case of individuals, the account holder or sub-account holder and or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC), or original Passport at the time of attending the meeting.
 - ii. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced at the Meeting.
- B) *For appointing Proxies:*
- i. In case of individuals, the account holder or sub-account holder and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the Proxy Form of another member as per the above requirement.
 - ii. The Proxy Form shall be witnessed by two persons whose names, address and NIC numbers shall be mentioned on the Form.
 - iii. Attested copies of NIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.
 - iv. The Proxy shall produce his original NIC or original passport at the time of meeting.
 - v. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted, alongwith Proxy Form to the Company.
3. Members are requested to promptly notify the Company of any change in their address.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the 50th Annual General Meeting of the Company to be held on September 30, 2006 and information as required under SRO 865(I)/2000 dated December 6, 2006 relating to status of investment in subsidiary company under authority of the special resolution passed in the extra ordinary general meeting held on April 07, 2006.

Special Business

To cater with the matter relating to fractional shares resulting from bonus issue, the approval of the Shareholders is sought to consolidate all such fractions resulting from the issue of bonus shares recommended by the Board of Directors in their meeting held on August 31, 2006 into whole shares and sell them in the stock market and pay the net proceeds of such sale to a charitable institution.

The Directors of the Company have no interest in the special business except to the extent of shares held by them.

Information under SRO 865(I)/2000

This is for the information of the shareholders as required under para 3 of SRO 865(I)/2000 dated December 6, 2006 relating to status of the decision made under authority of the special resolution passed in the extra ordinary general meeting held on April 07, 2006 till the holding of a subsequent general meeting.

The investment through equity has been made in accordance with the resolution; however, investment through loan is still pending. The loan amount has been made available to the subsidiary company and the subsidiary company will avail it for retiring the letters of credits which have been opened for import of Biotech Pharmaceutical Production Plant.

There has been no adverse change in the financial position of the subsidiary company since the date of last resolution, however, equity investments has been received from the joint venture partners M/s Ferozsons Laboratories Limited and M/s Laboratorios Bago S.A., Argentina.

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED JUNE 30, 2006

We are pleased to present your Company's consolidated and individual audited financial statements for the year ended June 30, 2006, which is also your company's 50th year of operations. The completion of five decades of service to humanity marks an important milestone in your company's history. It is therefore fitting that this occasion also coincides with your company's expansion into the area of biotech pharmaceutical manufacturing through its subsidiary BF Biosciences Limited, which is being set up in joint venture with the Bagó group of Argentina and is expected to come online in 2007.

Industry Scenario

Demand growth for the pharmaceutical industry continued to remain strong at 12% during the year (Source: IMS Pharmaceutical Index, Quarter II, 2006). However, inflationary pressure on inputs, particularly energy and construction materials, increased the cost of operations as well as investment in the country.

Your Company's performance

Your Company's Net Sales increased by 15% during the year under review to reach a level of Rs. 752.222 Million, compared to Rs. 655.762 Million the year before. Consolidated Net Sales for the year - including Farmacia Sales – also grew by 15% to Rs. 839.123 Million (2005: Rs. 730.067 Million).

Owing to a slightly higher increase in cost of sales – due largely by increase in raw material consumed, devaluation of rupee against the Euro, and a higher depreciation resulting from a change in the company's depreciation policy - the Gross Profit (GP) of your company increased by 14% during the year under review, from Rs. 376.253 Million during the previous year to Rs. 429.383 Million at the close of FY 2006.

The Company's overall operating expenses increased by 25%, from 173.238 Million during the previous year to Rs. 216.322 Million during FY 2006. Administrative costs increased by 51% owing to increased salaries, donations made by the company and increased depreciation. Selling and distribution costs, the largest component of Operating Costs, increased by 18% to Rs. 163.053 Million. The increase was driven by higher costs of traveling and conveyance, and increased participation in medical congresses and continuing medical education (CME) activities during the year.

Profit from Operations of your Company for the year amounted to Rs. 213.062 Million, an increase of 5% over the previous year. Other income for the year fell by 41%, as last year's figure also included a one-time income of Rs. 20.340 Million derived from the sale of surplus land and equipment at Nowshera. After a provision for taxation, Workers Profit Participation Fund and Central Research Fund of Rs. 54.926 Million, the Net Profit of your company for the year under review stands at Rs. 175.869 Million, an improvement of 15% over the Net Profit of Rs. 153.566 Million achieved during the previous year. It is important to mention that during the year, the Company changed its depreciation policy to the straight-line method, and also undertook a revaluation of its assets in order to keep its financial statements in line with International Accounting Standards.

The Earnings per Share (EPS) of your Company for the year ended June 30, 2006, on its increased paid up capital after issue of bonus shares stand at **Rs. 17.51**. The pro rata equivalent (basic) EPS during the last year corresponds to Rs. 15.29 per 10-Rupee Share.

Dividend

In view of this year's financial performance, the Board of Directors is pleased to recommend a final cash dividend of 40% i.e. Rs. 4 per 10-Rupee Share, as well as a stock dividend (bonus shares) @ 20% i.e. 2 shares for every 10 shares held.

Future Scenario

Construction work on your company's subsidiary, BF Biosciences Limited, has commenced following the company's incorporation on February 24, 2006 as a non listed public company under Companies Ordinance, 1984.

The Company was incorporated pursuant to signing of an agreement between M/s Ferozsons Laboratories Limited ("the parent company") and M/s Laboratorios Bagó S.A., Argentina on February 07, 2006 in Islamabad to setup the first biotech pharmaceutical plant in Pakistan, for the manufacture of medicines to treat Hepatitis and Cancer, at an approximate initial cost of Rs. 416 million. Major letter of credits with suppliers have been established for shipment, erection, construction, installation and commissioning of the biotech plant. The civil, electrical and mechanical works for the central production building are also in line and are expected to kick off by mid September 2006. The plant is scheduled to come online in 2007. We are hopeful that through this plant, your Company will be able to make the country self-sufficient in the treatment of Hepatitis C and Cancer, and will also be able to leverage the Bagó Group's global presence to develop a significant export base in the years to come.

Summary of Financial Results

Summary of consolidated Financial Results for the last six years is shown on page 2

Statement under Section 236 of the Companies Ordinance, 1984

The Board of Directors of Ferozsons Laboratories Limited is pleased to state as follows:

- (a) The financial statements prepared by the Management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- (b) Proper books of account of the Company have been maintained.
- (c) Appropriate Accounting Policies have been consistently applied in preparation of the company's financial statements and accounting estimates are based on reasonable and prudent judgment.
- (d) International Accounting Standards as applicable in Pakistan have been followed in preparation of Financial Statements and departure from them, if any, has been adequately disclosed.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the Company's ability to continue as a going concern.
- (g) There has been no material departure from the practices of Corporate Governance as detailed in the Listing Regulations.

Board Meetings

Information regarding Board Meetings held during the year ended June 30, 2006 is enclosed.

Auditors

The Company's Auditors Messrs KPMG Taseer Hadi & Co, Chartered Accountants stand retired and have offered themselves for reappointment. The Audit Committee of the Board has recommended their re-appointment to the Board.

Pattern of Shareholding

The statement indicating the number of shareholders and their categories forming the pattern of shareholding is annexed.

Provident Fund

A statement as to the value of investments of Provident Fund, based on their respective audited accounts is as under:

Defence Saving Certificates	Rs. 19,097,500
National Investment Trust	Rs. 19,630,596
Total	<u>Rs. 38,728,096</u>

The Company does not operate gratuity and pension funds.

Affirmation

We are privileged as a Company to possess a team of talented and dedicated management and staff, many of whom have spent over three decades in service of the Company. The Board would like to honour all staff and workers who have worked tirelessly at all levels throughout our 50 year history to bring this Company success, and it is our sincere pledge for the next five decades to foster an environment in which the best talent is attracted, and all employees get the opportunity and resources to live up to their potential.

On behalf of the Board

Rawalpindi
August 31, 2006

(Mrs. Akhter Khalid Waheed)
Chairperson & Chief Executive

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE TO THE MEMBERS

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good corporate governance, whereby, a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes seven independent non-executive directors out of a total strength of nine directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as Taxpayers, with the exception of Mr. Dost Muhammad Khan Sherpao, who is a retired agriculturist, and for whose continuation the Securities and Exchange Commission of Pakistan has granted specific approval. None of the Company's Directors has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors during the year ended June 30, 2006.
5. The company has prepared a "Statement of Ethics and Business Practices" which has been signed by directors and senior managers of the Company.
6. The Board has formulated and adopted Vision/Mission Statement.
7. All major decisions relating to investments and disinvestments, appointments and remuneration and terms and conditions of employment of Chief Executive Officer (CEO) are taken or ratified by the Board.
8. The meetings of the Board were presided over by the Chairperson and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company has a Chief Financial Officer (CFO) and Company Secretary. The Board has ratified their appointments including remuneration and terms and conditions as determined by the CEO. The Company has Head of Internal Audit to look after internal audit function of the Company.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The Directors, CEO and Executive do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has reconstituted Audit Committee. Now it comprises of four members, of whom all are non-executive directors including the Chairman of the Committee.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company by the Board of Directors as required by the Code.
16. The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. The Company has adopted terms of reference of Audit Committee. The Audit Committee has been accordingly advised for compliance. The overall corporate strategy and significant policies of the Company have been documented.
19. The Board has started the process of arranging orientation courses for its directors to apprise them of their duties and responsibilities.
20. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

Rawalpindi
August 31, 2006

(Mrs. Akhter Khalid Waheed)
Chairperson & Chief Executive

DATES AND ATTENDANCE OF BOARD MEETINGS HELD DURING THE YEAR ENDED JUNE 30, 2006

A total of eight Board Meetings were held during the Financial Year 2005-2006 on the following dates:

July 04, 2005
August 30, 2005
September 29, 2005
October 24, 2005
January 31, 2006
March 15, 2006
April 07, 2006
April 27, 2006

The detail of attendance by Directors is as under:

Director	Number of meetings attended
Mrs. Akhter Khalid Waheed	8
Mr. Osman Khalid Waheed	8
Mrs. Munize Azhar Peracha	4
Mr. Nihal Cassim	7
Mr. M. M. Ispahani	5
Mr. Taj Muhammad Khanzada	7
Mr. Farooq Mazhar	7
Mr. Dost Muhammad Khan Sherpao	0
Mr. Muhammad Nawaz Tishna	8

Leaves of absence were granted in all cases to Directors.

On behalf of the Board

Rawalpindi
August 31, 2006

(Mrs. Akhter Khalid Waheed)
Chairperson & Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Ferozsons Laboratories Limited (“the Company”) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to enquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2006.

Islamabad
August 31, 2006

KPMG TASEER HADI & Co.
CHARTERED ACCOUNTANTS



*Financial Statements for the
Year Ended June 30, 2006*

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ferozsons Laboratories Limited (“the Company”) as at 30 June 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company’s management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting polices consistently applied except for change referred in note 3(d)(i)(c) and 3(f)(i) with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company’s business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company’s affairs as at 30 June 2006 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Islamabad
August 31, 2006

KPMG TASEER HADI & Co.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS

	Note	2006 (RUPEES)	2005 (RUPEES)
SHARE CAPITAL AND RESERVES			
Share capital	4	100,467,200	77,282,460
Capital reserve		321,843	321,843
Reserve for issue of bonus shares		-	6
Unappropriated profit		416,294,570	305,866,486
		517,083,613	383,470,795
SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax			
	5	262,437,999	54,537,651
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	6	5,321,499	11,873,821
Deferred liability for taxation	7	46,910,274	16,512,079
CURRENT LIABILITIES			
Trade and other payables	8	86,794,523	66,697,360
Current portion of liabilities against assets subject to finance lease	6	10,835,452	11,456,235
Revolving advances	9	65,000	122,456
Provision for taxation - net		13,017,721	23,927,980
		110,712,696	102,204,031
		942,466,081	568,598,377
CONTINGENCIES AND COMMITMENTS			
	30		

The annexed notes from 1 to 31 form an integral part of these financial statements.

These financial statements were authorised for issue on August 31, 2006 by the Board of Directors of the Company.

Rawalpindi
August 31, 2006

Osman Khalid Waheed
Director/President

AT JUNE 30, 2006

	Note	2006 (RUPEES)	2005 (RUPEES)
FIXED ASSETS-tangible			
Property, plant and equipment	10	486,662,333	265,711,067
LONG TERM INVESTMENTS			
	11	138,318,587	19,138,244
LONG TERM DEPOSITS			
		436,447	526,947
CURRENT ASSETS			
Stores, spares and loose tools	12	3,719,036	3,802,163
Stock in trade	13	145,341,209	97,077,143
Trade debts-considered good		12,611,931	5,763,040
Loans and advances	14	46,907,762	44,357,908
Trade deposits and short term prepayments	15	2,563,919	6,192,514
Other receivables		6,954,243	2,500,000
Short term investments	16	86,648,750	57,071,000
Cash and bank balances	17	12,301,864	66,458,351
		317,048,714	283,222,119
		942,466,081	568,598,377

Mrs. Akhter Khalid Waheed
 Chairperson & Chief Executive

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 (RUPEES)	2005 (RUPEES)
Net sales	18	752,221,631	655,761,685
Cost of sales	19	(322,838,328)	(279,508,957)
Gross profit		429,383,303	376,252,728
Administrative expenses	20	(51,000,143)	(33,753,707)
Selling and distribution cost	21	(163,052,856)	(137,686,959)
Finance cost	22	(2,268,560)	(1,797,616)
		(216,321,559)	(173,238,282)
		213,061,744	203,014,446
Other income	23	15,350,477	25,800,546
Loss on remeasurement of short term investments		(4,798,077)	(6,086,758)
Share in profit of Farmacia - 98% owned partnership firm		7,180,383	4,833,505
		230,794,527	227,561,739
Workers' Profit Participation Fund		(10,653,087)	(10,150,722)
Central Research Fund		(2,004,046)	(1,957,558)
		(12,657,133)	(12,108,280)
Profit before taxation		218,137,394	215,453,459
Provision for taxation	24	(42,268,679)	(61,887,660)
Profit after taxation		175,868,715	153,565,799
Earnings per share - basic and diluted	28	17.51	15.29

The annexed notes from 1 to 31 form an integral part of these financial statements.

Rawalpindi
August 31, 2006

Osman Khalid Waheed
Director/President

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2006

	2006 (RUPEES)	2005 (RUPEES)
Cash flow from operating activities		
Profit before taxation	218,137,394	215,453,459
Adjustments for:		
Depreciation	45,170,037	23,829,142
Gain on sale of property, plant and equipment	(5,025,921)	(14,986,494)
Finance cost	2,268,560	1,797,616
Dividends, capital gains and income from investments and deposits	(10,324,556)	(10,814,052)
Share in profit of Farmacia-98% owned subsidiary firm	(7,180,383)	(4,833,505)
Loss on remeasurement of short term investments	4,798,077	6,086,758
	29,705,814	1,079,465
Operating profit before working capital changes	247,843,208	216,532,924
Working capital changes		
Decrease in stocks and stores	(48,180,939)	(12,865,518)
(Increase)/decrease in trade debtors	(6,848,891)	607,798
Increase in loans, advances, deposits, prepayments and other receivables	(3,285,002)	(45,172,965)
Increase in trade and other payables	18,305,902	19,417,548
	(40,008,930)	(38,013,137)
Finance cost paid	(2,268,560)	(1,797,616)
Taxes paid	(55,223,829)	(51,494,301)
	(57,492,389)	(53,291,917)
Net cash from operating activities	150,341,889	125,227,870
Cash flow from investing activities		
Long term investments	(111,999,960)	4,995,996
Capital expenditure	(30,665,371)	(43,312,167)
Short term investments	(34,375,827)	(42,954,189)
Dividends, capital gains and income from investments and deposits	10,324,556	10,378,274
Sale proceeds of property, plant and equipment	10,163,018	26,490,250
Net cash used in investing activities	(156,553,584)	(44,401,836)
Cash flow from financing activities		
Finance leases repaid	(7,173,105)	(14,930,361)
Dividend paid	(40,771,687)	(40,409,644)
Net cash used in financing activities	(47,944,792)	(55,340,005)
Net(decrease)/increase in cash and cash equivalents during the year	(54,156,487)	25,486,029
Cash and cash equivalents at beginning of the year	66,458,351	40,972,322
Cash and cash equivalents at end of the year	12,301,864	66,458,351

The annexed notes from 1 to 31 form an integral part of these financial statements.

Rawalpindi
August 31, 2006

Osman Khalid Waheed
Director/President

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2006

	Share capital (Rupees)	Capital reserve (Rupees)	Reserve for issue of bonus shares (Rupees)	Unappropriated profit (Rupees)	Total (Rupees)
Opening balance as at 01 July 2004	55,201,760	321,843	6	209,036,136	264,559,745
Transfer from surplus on revaluation of fixed assets on disposal of land	-	-	-	6,491,714	6,491,714
Surplus on revaluation of fixed assets realized through depreciation for the year- net of deferred tax	-	-	-	254,856	254,856
Bonus shares issued	22,080,700	-	-	(22,080,700)	-
Net profit for the year	-	-	-	153,565,799	153,565,799
Final dividend 2004 Rs. 4 per share	-	-	-	(22,080,704)	(22,080,704)
Interim dividend 2005 Rs. 2.50 per share	-	-	-	(19,320,615)	(19,320,615)
Balance as at 30 June 2005	77,282,460	321,843	6	305,866,486	383,470,795
Surplus on revaluation of fixed assets realized through depreciation for the year- net of deferred tax	-	-	-	249,595	249,595
Bonus shares issued	23,184,740	-	(6)	(23,184,734)	-
Net profit for the year	-	-	-	175,868,715	175,868,715
Final dividend Rs. 5.50 per share	-	-	-	(42,505,492)	(42,505,492)
Balance as at 30 June 2006	100,467,200	321,843	-	416,294,570	517,083,613

The annexed notes from 1 to 31 form an integral part of these financial statements.

Rawalpindi
August 31, 2006

Osman Khalid Waheed
Director/President

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

1. THE COMPANY AND ITS OPERATIONS

Ferozsons Laboratories Limited (“the Company”) was incorporated as a private limited company on 28th January 1954 and was converted into a public limited company on 8th September 1960. The company is listed on the Karachi, Lahore and Islamabad stock exchanges. The company is primarily engaged in the manufacture and sale of pharmaceuticals products and its registered office is situated at 197-A, The Mall, Rawalpindi.

The company is domiciled in Rawalpindi, Pakistan.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

a) Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

b) Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

Provisions and liabilities

Estimates of the amount of provisions and liabilities recognized are based on current legal and

constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions and liabilities are regularly reviewed and adjusted to take account of such changes.

Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on depreciation charge and impairment.

Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and investment in listed securities are stated at their fair values.

b) Staff retirement benefits

The Company operates a recognised provident fund scheme as a defined contribution plan for employees who fulfill conditions laid down in the scheme. Provision is made in the accounts for the amount payable by the Company to the scheme in this regard. Contribution is made to the fund equally by the Company and the employees at the rate of 10% of basic salary.

c) Taxation

i) Current

Provision for current taxation is based on taxable income at current rate of taxation after taking into account tax credits and rebates available, if any.

ii) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of tax. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent to which it is probable that taxable profits will be available against which the deductible temporary differences, unused tax loss, and tax credits can be utilized.

d) *Fixed assets and capital work in progress*

Fixed Assets owned

- i. These are stated at cost less accumulated depreciation except for:
 - a) Lands which, were revalued in 1975-76, 1988-89, 2001-02 and 2005-06, are stated at the revalued figures.
 - b) Buildings which, were revalued in 1975-76, 1988-89, 2001-02 and 2005-06, are stated at the revalued figures less accumulated depreciation thereon.
 - c) Plant and machinery has been first time revalued in 2005-06 and is stated at the revalued figures less accumulated depreciation thereon. Previously plant and machinery was carried at cost. The effect of this change in policy is given in note 10.2 and 10.3.
- ii. Depreciation is calculated on the cost of fixed assets or their reassessed value, as the case may be, at rates set out in note 10 on the straight line method.
- iii. Maintenance and normal repair costs are charged to income as and when these costs are incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Profit or loss on retirement and disposal of fixed assets is reflected in the profit and loss account.
- iv. Pursuant to the requirements of section 235 of the Companies Ordinance, 1984 and in terms of SRO 45(I)/2003 dated 13 January 2003, revaluation surplus to the extent of excess depreciation on revalued assets during the current financial year is taken to retained earnings. This effect has been shown in note 5 to these financial statements.

Capital work in progress

Capital work in progress is stated at cost less provision for impairment, if any.

Leased assets

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 3 (k) to these financial statements.

During the year the Company changed its depreciation method and now the fixed assets are being depreciated on straight line basis. Previously the fixed assets were being depreciated on reducing balance method. Had there been no change, depreciation expense for the year would have been lower and profit for the year would have been higher by an amount of Rs. 14.24 million respectively.

e) *Impairment*

The carrying amounts of the Company's assets are analyzed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the recoverable

amount of assets is estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognized as expense in the profit and loss account.

f) Investments

i) Investment in subsidiaries

Investments in subsidiaries where significant control can be established are stated at cost and the carrying amount is adjusted for impairment, if any, in the recoverable amounts of such investments.

Pursuant to changes in International Accounting Standard 27 “Consolidated and Separate Financial Statements” the Company changed its accounting policy in respect of investment in subsidiaries and now investments in subsidiaries are stated at cost. Previously such investments were being accounted for under the equity method. There is no effect of this change on the current and prior years’ profit and loss account and retained earnings.

ii) Investments available for sale

These are investments, which do not fall under the investments at fair value through profit or loss or held to maturity categories. These are stated at fair values with any resulting gains/losses recognized in equity through statement of changes in equity. The investments representing unlisted shares are stated at cost as relevant financial information is not available to determine their fair values.

iii) Investments held to maturity

Investments with fixed maturity, where management has both the intent and ability to hold to maturity are classified as held to maturity and are stated at amortised costs using effective interest rate method. The resultant change in values is reported directly in the profit and loss account.

iv) Investments at fair value through profit or loss

All investments classified as investments at fair value through profit or losses are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments is determined on the basis of prevailing market prices.

The Company recognizes the regular way purchase or sale of investments using settlement date accounting

g) Stock in trade

Stocks are valued at the lower of average cost and net realizable value except for stock in transit

which is valued at invoice price and related expenses incurred thereon upto the balance sheet date.

Raw material	-	at moving average cost
Work in process	}	at weighted average cost of purchases and
Finished goods	}	applicable manufacturing expenses

Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated cost of completion and selling expenses.

h) Stores, spares and loose tools

These are valued at moving average cost except for items in transit, which are valued at invoice price and related expenses incurred thereon upto the balance sheet date. For items which are slow moving and/or identified as surplus to the Company's requirement, a provision is made for excess of book value over estimated realizable value.

i) Trade and other receivables

Known impaired debts are written off, while debts considered doubtful of recovery are fully provided for.

j) Revenue recognition

Sales are recorded on dispatch of goods to the customers.

Interest on bank deposits is recognized on a time proportion basis.

Gains or losses on sale of investments are taken to income in the period in which they arise.

Dividend is recognized when the right to receive the dividend is established.

k) Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

The company accounts for lease obligations by recording the asset and corresponding liability there against determined on the basis of discounted value of total minimum lease payments. Financial charge is recognized in the profit and loss account using the effective mark-up rate method.

l) Trade and other payables

Trade and other payables are stated at nominal values.

m) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic

benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

n) Dividend appropriation

Dividend is recognized as a liability in the period in which it is declared.

o) Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company de-recognizes a financial assets or a portion of financial asset when, and only when, the Company loses control of the contractual right that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished i.e., when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets are long term investment, trade debts, advances deposits and other receivable, short term investments and cash and bank balances. These are stated at their nominal value or fair value as applicable and reduced by appropriate allowances for estimated irrecoverable amount, if any.

Financial liabilities are classified according to the substance of contractual agreements entered into, significant financial liabilities are liability under lease finance, creditors accrued and other liabilities, unclaimed dividend.

p) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

q) Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalents mainly comprise cash and bank balances, which are stated in the balance sheet at cost.

r) Foreign currency transactions

Foreign currency transactions are translated in to Pak. Rupees using the exchange rates approximating those prevailing at the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak. Rupees at the rates of exchange approximating those prevailing at the balance sheet date.

Foreign exchange gains and losses on translation are included in income currently.

	2006 (RUPEES)	2005 (RUPEES)
4. SHARE CAPITAL		
Authorised share capital:		
15,000,000 ordinary shares of Rs. 10 each.	<u><u>150,000,000</u></u>	<u><u>150,000,000</u></u>
Issued, subscribed and fully paid up:		
1,441,952 ordinary shares of Rs. 10 each issued for cash	<u>14,419,520</u>	14,419,520
119,600 ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged	<u>1,196,000</u>	1,196,000
8,485,168 (2005: 6,166,694) ordinary shares of Rs. 10 each issued as fully paid bonus shares	<u>84,851,680</u>	61,666,940
	<u><u>100,467,200</u></u>	<u><u>77,282,460</u></u>
5. SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax		
Surplus on revaluation of fixed assets as at 01 July.	<u>58,533,863</u>	65,417,663
Less adjustment of revaluation surplus on land of leather factory disposed off.	<u>-</u>	6,491,714
	<u>58,533,863</u>	58,925,949
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)	<u>(249,595)</u>	(254,856)
Related deferred tax liability	<u>(134,398)</u>	(137,230)
	<u>(383,993)</u>	(392,086)
Surplus on revaluation during the year (refer note 10.2)	<u>240,593,029</u>	-
Surplus on revaluation of fixed assets at 30 June	<u>298,742,899</u>	58,533,863
Related deferred tax liability:		
On revaluation surplus as at 01 July	<u>(3,996,212)</u>	(4,133,442)
On revaluation surplus during the year	<u>(32,443,086)</u>	-
Deferred tax effect on incremental depreciation charged during the year transferred to profit and loss account	<u>134,398</u>	137,230
	<u>(36,304,900)</u>	(3,996,212)
	<u><u>262,437,999</u></u>	<u><u>54,537,651</u></u>

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2006 (RUPEES)			2005 (RUPEES)		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments periods	Financial charges for future	Principal outstanding
Not later than one year	11,826,554	991,102	10,835,452	12,578,527	1,122,292	11,456,235
Later than one year and not later than five years	5,639,778	318,279	5,321,499	13,199,945	1,326,124	11,873,821
	<u>17,466,332</u>	<u>1,309,381</u>	<u>16,156,951</u>	<u>25,778,472</u>	<u>2,448,416</u>	<u>23,330,056</u>

The Company has entered into various lease agreements with Standard Chartered Modarba and Bank Alfalah Limited for vehicles. Lease rentals are payable on monthly basis and include finance charge at 6% to 13%. The Company has an option to purchase the assets upon completion of lease period and has the intention to exercise such option.

7. DEFERRED LIABILITY FOR TAXATION

The net balance of deferred tax is in respect of the following major temporary differences:

	2006 (RUPEES)	2005 (RUPEES)
Accelerated depreciation	16,260,307	20,681,387
Obligations under finance lease	(5,654,933)	(8,165,520)
Surplus on revaluation of fixed assets	36,304,900	3,996,212
	<u>46,910,274</u>	<u>16,512,079</u>

8. TRADE AND OTHER PAYABLES

Creditors		39,604,274	22,309,745
Accrued liabilities		11,935,903	9,850,148
Advances from customers		5,527,937	7,596,576
Unclaimed dividend		8,095,653	6,361,848
Tax deducted at source		692,272	2,218,613
Provision for compensated absences and employees' provident fund		2,187,044	2,081,793
Workers' Profit Participation Fund	8.1	10,700,877	10,182,018
Central Research Fund	8.2	1,956,030	1,909,542
Advances from employees		5,943,824	4,061,024
Others		150,709	126,053
		<u>86,794,523</u>	<u>66,697,360</u>

	2006 (RUPEES)	2005 (RUPEES)
8.1 Workers' (Profit) Participation Fund		
Operating profit for the year	<u>213,061,744</u>	<u>203,014,446</u>
Opening balance	<u>10,182,018</u>	7,759,695
Allocation of profit	<u>10,653,087</u>	10,150,722
Interest	<u>47,790</u>	31,296
	<u>20,882,895</u>	17,941,713
Less: Payments	<u>10,182,018</u>	7,759,695
	<u><u>10,700,877</u></u>	<u><u>10,182,018</u></u>

The fund balance has been utilised by the Company for its own purpose and interest at the rate of 60% (2005-52.5%) has been credited to the fund. Interest is calculated at 75% of the cash dividends paid as required under Companies Profit (Workers' Participation) Rules 1971.

8.2 Central Research Fund

Opening balance	<u>1,909,542</u>	1,453,106
Charge for the year	<u>2,004,046</u>	1,909,542
Charge for prior year	<u>-</u>	48,016
	<u>2,004,046</u>	1,957,558
Less: Payments	<u>1,957,558</u>	1,501,122
	<u><u>1,956,030</u></u>	<u><u>1,909,542</u></u>

9. REVOLVING ADVANCES

These advances from distributors are interest free and are payable on termination of agency agreements with customers.

10. PROPERTY, PLANT AND EQUIPMENT

(2006 Rupees)

PARTICULARS	Reassessed value or original cost June as at 01 July 2005	Cost of additions/ (disposals)	Surplus on Revaluation	Transfers	Gross book value as at 30 June 2006	Rate %	DEPRECIATION				Net book value as at June 30 2006	
							As at 01 July 2005	For the year	On disposals/ transfers	Release on revaluation		Accumulated as at 30 June 2006
OWNED												
Freehold land	78,457,502	-	147,898,498	-	226,356,000	-	-	-	-	-	-	226,356,000
Building on freehold land	32,983,727	2,183,866	37,982,282	-	73,149,875	2.50-10	5,756,471	2,975,153	-	(7,883,892)	847,732	72,302,143
Leasehold improvements	469,637	80,693	-	-	550,330	10	46,964	55,033	-	-	101,997	448,333
Plant and machinery	142,355,007	6,377,684	(29,915,727)	14,828,193	131,370,987	10	52,946,619	23,040,305	3,617,879	(76,744,085)	1,278,045	130,092,942
Electric and gas appliances	4,646,515	35,069	-	-	4,681,584	10	2,328,225	468,158	-	(1,582,673)	2,796,383	1,885,201
Furniture and fixtures	30,286,163	5,998,329	-	(14,828,193)	21,456,299	10	12,003,964	2,145,630	(3,617,879)	-	10,531,715	10,924,584
Computers	7,116,162	1,975,646	-	-	9,091,808	10	3,390,139	909,181	-	-	4,299,320	4,792,488
Vehicles	18,479,905	10,892,500	-	9,395,500	30,939,085	20	11,218,876	8,347,851	4,435,643	-	19,476,442	11,462,643
	314,794,618	27,543,787	155,965,053	9,395,500	497,595,968	-	87,691,258	37,941,311	4,435,643	(84,627,977)	39,331,634	458,264,334
		(10,102,990)		-					(6,108,601)			
LEASED												
Vehicles	40,700,560	5,319,700	-	-	35,934,430	20	10,524,112	7,228,726	(4,232,466)	-	13,520,372	22,414,058
		(1,450,830)		(8,635,000)								
	40,700,560	5,319,700	-	(8,635,000)	35,934,430	-	10,524,112	7,228,726	(4,232,466)	-	13,520,372	22,414,058
		(1,450,830)										
Capital work in progress (10.5)	8,431,259	3,014,925	-	(5,462,243)	5,983,941	-	-	-	-	-	-	5,983,941
2006 Rupees	363,926,437	35,878,412	155,965,053	(4,701,743)	539,514,339	-	98,215,370	45,170,037	(84,627,977)	(5,905,424)	52,852,006	486,662,333
		(11,553,820)										

10.1 PROPERTY, PLANT AND EQUIPMENT - Comparatives

PARTICULARS	(2005 Rupees)						
	Reassessed value or original cost as at 01 July 2004	Cost of additions/ (disposals) adjustments	Gross book value as at 30 June 2006	Rate %	DEPRECIATION		Net book value as at June 30 2005
					As at 01 July 2004	On disposals/ adjustments	
OWNED							
Freehold land	82,582,998	2,695,754 (6,821,250)	78,457,502	-	-	-	78,457,502
Leasehold land	2,330,927	- (2,330,927)	-	-	-	-	-
Building on freehold land	32,094,863	576,124 312,740	32,983,727	2.5 - 10	3,903,335	1,853,136	5,756,471
Leasehold improvements	-	469,637	469,637	10	-	46,964	46,964
Plant and machinery	114,324,202	28,343,545 (312,740)	142,355,007	10	43,079,457	9,867,162	52,946,619
Electric and gas appliances	4,586,421	60,094	4,646,515	10	2,070,637	257,588	2,328,225
Furniture, fixtures and equipment	28,686,679	2,724,935 (1,125,451)	30,286,163	10	9,972,607	2,031,357	12,003,964
Computers	4,944,433	1,046,278 1,125,451	7,116,162	10	2,976,136	414,003	3,390,139
Vehicles	12,267,990	- (6,295,135)	18,479,905	20	8,369,964	1,814,820	11,218,876
Rupees	281,818,513	35,916,367 (15,447,312) 12,507,050	314,794,618		70,372,136	16,285,030	87,691,258
LEASED							
Vehicles	20,959,500	30,959,260 (73,700)	40,700,560	20	7,909,548	7,544,112	10,524,112
Rupees	20,959,500	19,741,060 (11,144,500)	40,700,560		7,909,548	7,544,112	10,524,112
Capital work in progress	2,457,970	5,973,289	8,431,259		-	-	-
2005 Rupees	305,235,983	72,848,916 (15,521,012) 1,362,550	363,926,437		78,281,684	23,829,142	98,215,370
							265,711,067
						121,800	

10.2 Land and building of the company were revalued on 31 March 1976, 30 June 1989, 30 June 2002 and then on 30 June 2006 whereas plant and machinery has been revalued for the first time on 30 June 2006. Valuation of land, building and plant and machinery has been carried out by an independent valuer, M/s Haseeb Associates under the market value basis on 30 June 2006. These revaluations resulted in net surplus of Rs. 13.661 million, Rs. 40.067 million Rs. 30.433 million and Rs. 240.593 million respectively. Element of this revaluation surplus included in the book value of these assets as stated in Note 5 amounted to Rs. 298.743 million (2005: Rs. 58.534 million) at the year end.

10.3 As referred to in Note 5 to these financial statements, land, buildings and plant and machinery are carried at revalued amounts. Had there been no revaluations, related figures of revalued assets would have been as follows:

	(Rupees)		
	Cost	Accumulated depreciation	Written down value
Free hold land	31,434,876	-	31,434,876
Buildings	33,410,517	17,783,612	15,626,905
Plant and machinery	161,286,714	78,022,130	83,264,584
2006	226,132,107	95,805,742	130,326,365
2005	204,935,841	68,203,137	136,732,704
		2006	2005
		(RUPEES)	(RUPEES)

10.4 Depreciation is allocated as under:

Cost of sales	29,359,924	14,655,381
Administrative expenses	6,144,136	3,726,980
Distribution cost	9,665,977	5,446,781
	45,170,037	23,829,142

10.5 This represents cost of civil work on freehold land situated in Raiwind, Lahore.

11. LONG TERM INVESTMENTS

Investments in subsidiaries-at cost (unlisted)	11.1	138,285,502	19,105,159
Available for sale investments	11.2	33,085	33,085
		138,318,587	19,138,244

	Note	2006 (RUPEES)	2005 (RUPEES)
11.1 Investments in subsidiaries			
Investment in Farmacia- 98% owned subsidiary partnership firm	11.1.1	26,285,542	19,105,159
Investment in BF Biosciences Limited.-80% owned subsidiary company	11.1.2	111,999,960	-
		<u>138,285,502</u>	<u>19,105,159</u>
11.1.1 Investment in Farmacia			
Opening balance		19,105,159	14,271,654
Share in profit for the year		7,180,383	4,833,505
		<u>26,285,542</u>	<u>19,105,159</u>

This represents Company's 98% share in profit for the year of Farmacia, a partnership duly registered under the Partnership Act, 1932 and engaged in operating retail shops. Share of profit for the year not withdrawn is treated as reinvestment in capital account of the partnership.

11.1.2 Investment in BF Biosciences Limited

This represents investment made in 11,199,996 ordinary share of Rs. 10 each.

Pursuant to signing of an agreement between the Company and Laboratorios Bagó S.A., Argentina on February 07, 2006 in Islamabad, BF Bioscience Limited was set up for establishing a Biotech Production Plant to manufacture mainly Cancer and Hepatitis related medicines. The Company holds 80% of equity of the subsidiary and the remaining 20% is held by Laboratorios Bagó S.A., Argentina.

11.2 Available for sale investments

Unquoted - shares

Number of shares	Name of Companies	2006 (Rupees)	2005 (Rupees)
2006 218	2005 218 National General Insurance Company Limited Ordinary shares of Rs. 10 each Equity held 0.01% Breakup value Rs. 1.57 per share as per audited accounts for the year ended 31 December 2001 (31 December 2000: Rs. 2.14 per share)	2,985	2,985
301	301 Mercantile Co-operative Finance Corporation Limited 'A' class shares of Rs. 100 each The entity is under liquidation	30,100	30,100
		<u>33,085</u>	<u>33,085</u>

	2006	2005
	(RUPEES)	(RUPEES)
12. STORES, SPARES AND LOOSE TOOLS		
Stores	3,365,327	3,406,012
Spares	241,237	262,814
Loose tools	112,472	133,337
	<u>3,719,036</u>	<u>3,802,163</u>
13. STOCK IN TRADE		
Raw material/medicines	54,279,980	55,752,379
Work in process	3,059,331	3,182,690
Finished goods	81,253,393	34,542,087
	<u>138,592,704</u>	<u>93,477,156</u>
Raw material in transit	6,748,505	3,599,987
	<u>145,341,209</u>	<u>97,077,143</u>
13.1 These include finished goods amounting to Rs. 3,107,867 (2005: 4,067,025) which are carried at net realizable value.		
14. LOANS AND ADVANCES		
Advances-unsecured considered good		
To employees	4,632,314	2,222,935
To contractors	4,698,995	4,542,299
Advance for purchase of land	37,500,000	37,500,000
Others	76,453	92,674
	<u>46,907,762</u>	<u>44,357,908</u>
14.1 These include interest free advances against salary to executives amounting to Rs. 1,322,738. (2005: Rs. 156,628).		
15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Earnest money	573,906	1,307,577
Deposits for leasing contracts	-	136,300
Margin deposits	276,544	276,544
Prepayments	1,713,469	4,472,093
	<u>2,563,919</u>	<u>6,192,514</u>

		2006 (RUPEES)	2005 (RUPEES)
Investments at fair value through profit or loss	16.1	26,648,750	57,071,000
Held to maturity investment	16.2	60,000,000	-
		86,648,750	57,071,000

16.1 Investments at fair value through profit or loss- Listed securities

Number of shares		Name of Companies	2006 (Rupees)		2005 (Rupees)	
2006	2005		Carrying value	Fair value	Carrying value	Fair value
190,000	800,000	Pakistan Telecommunication Company Ltd. 'A' class ordinary shares of Rs. 10 each	12,530,500	7,714,000	57,732,009	52,760,000
110,000	110,000	Hub Power Company Limited Ordinary shares of Rs. 10 each	2,904,000	2,530,000	4,083,770	2,904,000
-	5,000	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	-	-	1,341,979	1,407,000
10,000	-	Indus Motor Company Ltd. Ordinary shares of Rs. 10 each	1,363,887	1,910,000	-	-
75,000	-	Agri Autos Industries Ltd. Ordinary shares of Rs. 10 each	4,738,976	5,160,000	-	-
100,000	-	Fauji Cement Company Ltd. Ordinary shares of Rs. 10 each	2,274,287	1,920,000	-	-
35,000	-	Pakistan Petroleum Ltd. Ordinary shares of Rs. 10 each	7,635,177	7,414,750	-	-
			31,446,827	26,648,750	63,157,758	57,071,000
		Unrealised loss on account of remeasurement to fair value	(4,798,077)	-	(6,086,758)	-
			26,648,750	26,648,750	57,071,000	57,071,000

16.2 Held to maturity investment

This represents investment in term deposit receipt having maturity of six months which carries interest rate of 11.35% per annum.

		2006 (RUPEES)	2005 (RUPEES)
17. CASH AND BANK BALANCE			
Cash in hand		764,625	254,912
Cast at banks - current accounts		1,707,839	554,245
- saving accounts	17.1	9,829,400	65,649,194
		12,301,864	66,458,351

17.1 These carry interest rate of 4% to 8% per annum (2005: 2.0% to 4.5% per annum)

17.2 The company has unavailed cash finance facility of Rs. 60 million (2005: Rs. 60 million) from Bank Alfalah Limited, Rawalpindi. This is secured against first charge on company's current assets including stock of medicine, finished goods, packing material, spares, rights and assets amounting to Rs. 72 million (2005: Rs. 72 million) and first charge on fixed assets of the company including land, building, machinery and fixtures amounting to Rs. 132 million (2005: Rs. 132 million). This facility carries mark-up at the rate of KIBOR + 1.75%.

		2006 (RUPEES)	2005 (RUPEES)
18. NET SALES			
Gross sales		833,818,823	730,487,095
Less: Sales tax		(200,502)	(46,804)
		833,618,321	730,440,291
Less: Discount		(81,396,690)	(74,678,606)
		752,221,631	655,761,685
19. COST OF SALES			
Work in process:			
Opening		3,182,690	3,748,567
Closing		(3,059,331)	(3,182,690)
		123,359	565,877
Raw material consumed	19.1	283,551,601	223,734,959
Salaries and wages	20.1	34,935,818	31,115,953
Fuel and power		5,974,115	5,329,037
Repairs and maintenance		4,418,690	2,804,136
Stores and spares consumed		3,114,047	5,385,923
Packing charges		2,651,461	2,034,962
Excise duty		207,715	151,536
Postage and telephone		692,135	759,738
Insurance		1,485,987	1,157,583
Travelling and conveyance		843,288	1,307,028
Transport		1,125,505	925,727
Laboratory and other expenses		1,065,989	1,303,597
Depreciation		29,359,924	14,655,381
Cost of goods manufactured		369,549,634	291,231,437
Finished stock:			
Opening		34,542,087	22,819,607
Closing		(81,253,393)	(34,542,087)
		(46,711,306)	(11,722,480)
		322,838,328	279,508,957
19.1 Raw material consumed			
Opening stock		55,752,379	54,689,766
Add: Purchases		282,079,202	224,797,572
		337,831,581	279,487,338
Less: Closing stock		(54,279,980)	(55,752,379)
		283,551,601	223,734,959

		2006	2005
		(RUPEES)	(RUPEES)
20. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	20.1	13,379,486	11,653,714
Salaries to directors	20.1	12,632,643	7,625,288
Directors' fees and expenses		1,452,890	574,750
Rent, rates and taxes		903,800	17,636
Postage and telephone		857,171	789,627
Newspapers and periodicals		55,546	22,640
Printing and stationery		540,890	581,204
Travelling and conveyance		1,285,162	1,245,809
Transport		1,470,037	1,649,211
Legal and professional charges		106,000	224,160
Electricity and gas		588,596	612,669
Auditors' remuneration	20.2	287,000	270,000
Repairs and maintenance		216,390	445,660
Subscriptions		330,058	233,574
Donation for earthquake relief	20.3	6,759,813	-
Insurance		521,219	714,803
Depreciation		6,144,136	3,726,980
Workers' Welfare Fund		2,351,417	2,456,770
Other administrative expenses		1,117,889	909,212
		<u>51,000,143</u>	<u>33,753,707</u>

20.1 Salaries, wages and benefits include Rs. 3.209 million (2005: Rs. 2.930 million) charged on account of staff retirement benefit.

20.2 Auditors' remuneration

Audit fee- annual audit	140,000	125,000
Fee for audit of consolidated accounts	35,000	35,000
Review of half yearly accounts	40,000	40,000
Other certifications	50,000	50,000
Out of pocket expenses	22,000	20,000
	<u>287,000</u>	<u>270,000</u>

20.3 Donations do not include any amount paid to any person or organization in which a director or his spouse had any interest.

		2006 (RUPEES)	2005 (RUPEES)
21. SELLING AND DISTRIBUTION COST			
Salaries and allowances	20.1	57,911,442	58,016,765
Traveling and conveyance		34,591,981	27,055,573
Transport		1,767,898	1,482,932
Rent, rates and taxes		3,367,900	1,510,880
Advertisement and publicity		41,652,274	32,946,642
Freight and forwarding		4,822,652	4,437,349
Printing and stationery		1,045,454	560,334
Postage and telephone		1,731,242	2,185,453
Electricity and gas		470,547	103,848
Subscription and fees		433,828	64,314
Donation	20.3	1,482,764	-
Insurance		1,501,775	1,231,249
Repairs		123,434	145,154
Legal and professional charges		58,500	197,000
Entertainment		225,579	180,443
Newspapers and periodicals		2,021,254	2,025,452
Depreciation		9,665,977	5,446,781
Other selling expenses		178,355	96,790
		<u><u>163,052,856</u></u>	<u><u>137,686,959</u></u>
22. FINANCE COST			
Finance charge on leased assets		1,985,504	1,379,741
Bank charges		235,266	386,579
Interest on Workers' Profit Participation Fund		47,790	31,296
		<u><u>2,268,560</u></u>	<u><u>1,797,616</u></u>
23. OTHER INCOME			
Dividend income		615,500	2,661,296
Profit on Term Finance Certificates		-	56,560
Profit on disposal of property, plant and equipment	23.1	5,025,921	14,986,494
Capital gain on sale of shares		4,724,003	4,799,586
Profit on deposits with banks		4,985,053	1,574,896
Return on financing Carry Over Transactions		-	1,721,714
		<u><u>15,350,477</u></u>	<u><u>25,800,546</u></u>

23.1 PROFIT/(LOSS) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost	Book value	Sale proceeds	Profit/(loss)	Mode of disposal By negotiation to:
VECHILES					
FIAT, RIY 6489	670,000	343,040	240,000	(103,040)	Said Nawab s/o Said Iqbal, Nowshera
HONDA CIVIC, RIY 994	1,210,550	538,805	675,000	136,195	Dr. Aziz ur Rab, Staff Member
HONDA CD 70, RL 819	56,240	44,992	54,000	9,008	Mr. Noor Abbas, Ex. Staff Member
HONDA CD 70, IDL 1984	74,250	33,048	33,750	702	Mr. Humair Iqbal, Staff Member
HONDA CD 125 SGT 9634	84,700	37,699	43,250	5,551	Mr. Liaqat Hussain, Staff Member
HONDA CD 70, JGC 1222	74,250	33,048	33,750	702	Mr. Maqbool Ali, Staff Member
HONDA CD 70, SGJ 9634	74,250	33,048	33,750	702	Mr. Nadeem Ayaz, Staff Member
HONDA CD 70, SKL 4837	74,250	33,048	33,750	702	Mr. Zulifqar Ali, Staff Member
HONDA CD 70, LRA 4354	74,250	33,048	33,750	702	Mr. Mansoor Hayat, Staff Member
HONDA CD 70, STC 7973	74,250	33,048	33,750	702	Mr. Zulifqar Ali, Staff Member
HONDA CD 70, MNZ 193	74,250	33,048	33,750	702	Mr. Ghulam Mujtaba, Staff Member
YAMAHA 100, RIY 2750	77,550	34,517	36,750	2,233	Mr. Shahid Raza, Staff Member
YAMAHA 100	77,550	34,517	36,750	2,223	Mr. Muhammad Asad, Staff Member
YAMAHA 100, F 4271	77,550	34,517	36,750	2,233	Mr. Bashir Ahmed, Staff Members
YAMAHA 100, SGJ 9607	77,550	34,517	36,750	2,233	Mr. Waqar Ahmed, Staff Member
HONDA CD 70, FDZ 1362	74,250	33,048	33,750	702	Mr. Imran Zia, Staff Member
HONDA CD 70, LRA 4337	74,250	33,048	33,750	702	Mr. Aashiq Mahmood, Staff Member
SUZUKI CULTUS, IDK 7761	559,000	183,173	320,500	137,327	Mr. Mazhar Yasin, Staff Member
SUZUKI ALTO, RIY 5230	515,900	229,622	251,500	21,878	Dr. Saira Siddique, Staff Member
SUZUKI MARGALLA, IDH 5707	556,920	74,749	147,500	72,751	Mr. Javaid Maqbool, Staff Member
HONDA CITY, RIY 1368	800,500	262,308	550,000	287,692	EFU General Insurance Company, insurance claim
SUZUKI CULTUS, BAH 015	610,500	328,560	300,000	(28,560)	Mujahid Ahmed, Staff Member
SUZUKI MEHRAN, HV 612	380,000	304,000	329,514	25,514	EFU General Insurance Company, insurance claim
HONDA CD 70, KAX 4475	73,700	41,004	35,017	(5,987)	EFU General Insurance Company, insurance claim
SUZUKI MEHRAN, 8909	380,000	304,000	362,948	58,948	EFU General Insurance Company, insurance claim
SUZUKI BALENO, LRK 4345	739,000	378,368	400,000	21,632	Mr. Ali Gohar, Staff Member
THREE HONDA MOTOR CYCLES	185,890	148,712	143,039	(5,673)	EFU General Insurance Company, insurance claim
SUZUKI CULTUS, RIY 2714	664,400	295,718	300,000	4,282	Mr. Abdul Azeem, Staff Member
DIAHATSU COURE, RIY 2736	438,900	195,350	230,000	34,650	Mr. Medhi Raza Jaffry, Staff Member
SUZUKI MEHRAN, AHZ 698	375,000	300,000	330,000	30,000	EFU General Insurance Company, insurance claim
	9,279,650	4,445,600	5,163,018	717,418	

PLANT AND MACHINERY

SOAP PLANT, NOWSHERA	2,274,170	691,497	5,000,000	4,308,503	Basra Soap Factory, Karachi
2006 Rupees	11,553,820	5,137,097	10,163,018	5,025,921	
2005 Rupees	15,521,012	11,503,756	26,490,250	14,986,494	

24. TAXATION

	2006 (RUPEES)	2005 (RUPEES)
Current year	59,405,231	62,870,712
Prior years'	(15,091,661)	(280,921)
Deferred	(2,044,891)	(702,131)
	42,268,679	61,887,660

24.1 Relationship between tax expense and accounting profit

Profit before taxation	218,137,394	215,453,459
Tax rate	35%	35%
Tax on accounting profit	76,348,088	75,408,711
Tax effect of expenses that are admissible/inadmissible in determining taxable profit	971,444	(7,282,284)
Tax effect of income exempt from tax	25,926	(4,396,228)
Tax effect of lower tax rates on certain income	(17,940,227)	(859,487)
	59,405,231	62,870,712
Tax effect of adjustments in respect of income tax of prior years	(15,091,661)	(280,921)
Net effect of (reversal)/origination of temporary differences	(2,044,891)	(702,131)
Tax expense for the current year	42,268,679	61,887,660

24.2 Tax assessments of the Company have been finalised up to and including the assessment year 2002-2003 (income year ended 30 June 2002). Returns for tax years 2003, 2004 and 2005 were filed and accepted under universal self assessment scheme.

25. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	2006 (Rupees)			2005 (Rupees)		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
Meeting fee	5,200	900	-	1,900	300	-
Remuneration	5,807,747	6,222,575	19,999,876	4,200,000	4,500,000	14,162,469
Utilities	-	275,954	-	-	200,228	-
Provident fund	280,759	321,562	620,044	216,780	248,280	459,230
Meeting expenses	1,334,790	112,000	-	534,050	38,500	-
	7,428,496	6,932,991	20,619,920	4,952,730	4,987,308	14,621,699
Numbers	7	1	10	7	1	10

In addition, the chief executive, a working director and certain executives of the Company are allowed free use of Company cars.

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. All the financial assets except cash in hand are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. The Company controls its credit risk by the following methods:

- Ascertainment of credit worthiness of customers.
- Monitoring of debt on a continuous basis.
- Legal notices and follow-up.

26.2 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction with foreign undertakings. In case of the Company this risk results from outstanding import payments. These transactions are not covered through foreign exchange risk cover as exchange risk is not considered material.

26.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

26.4 Fair value of financial instruments

The estimated fair value of financial instruments is not significantly different from their book value as shown in these financial statements except for the value of long term investments given in note 11.

26.5 The information about the company's exposure to interest rate risk based on contractual refinancing or maturity dates whichever is earlier is as follows:

	2006 (Rupees)				Effective Interest rate
	Interest bearing		Non-interest bearing	Total	
	Less than one year	Overone year			
Financial assets					
Long term investments	-	-	138,285,502	138,285,502	-
Long term deposits	-	-	436,447	436,447	-
Trade debts - considered good	-	-	12,611,931	12,611,931	-
Loans and advances	-	-	4,708,767	4,708,767	-
Trade deposits and other receivable	-	-	7,528,149	7,528,149	-
Short term investments	60,000,000	-	26,648,750	86,648,750	11.35%
Cash and bank balances	9,829,400	-	2,472,464	12,301,864	8%
	69,829,400	-	192,692,010	262,521,410	
Financial liabilities					
Recognized					
Liabilities against assets subject to finance lease	10,835,452	5,321,499	-	16,156,951	6-13%
Trade and other payables	10,700,877	-	64,621,885	75,322,762	60%
Revolving advances	-	-	65,000	65,000	-
	21,536,329	5,321,499	64,686,885	91,544,713	
On balance sheet gap	48,293,071	(5,321,499)	128,005,125	170,976,697	
Unrecognized					
Guarantees	-	-	768,000	768,000	-
Commitments	-	-	11,919,000	11,919,000	-
	-	-	12,687,000	12,687,000	
2005 (Rupees)					
	Interest bearing		Non-interest bearing	Total	Effective Interest rate
	Less than one year	Overone year			
Financial assets					
Long term investments	-	-	19,138,244	19,138,244	-
Long term deposits	-	-	526,947	526,947	-
Trade debts - considered good	-	-	5,763,040	5,763,040	-
Loans and advances	-	-	4,815,609	4,815,609	-
Trade deposits and other advances	-	-	1,307,577	1,307,577	-
Short term investments	-	-	57,071,000	57,071,000	-
Cash and bank balances	65,649,194	-	809,157	66,458,351	2%-4.5%
	65,649,194	-	89,431,574	155,080,768	
Financial liabilities					
Recognized					
Liabilities against assets subject to finance lease	11,456,235	11,873,821	-	23,330,056	6-13%
Trade and other payables	10,182,018	-	44,857,742	55,039,760	52.50%
Revolving advances	-	-	122,456	122,456	-
	21,638,253	11,873,821	44,980,198	78,492,272	
On balance sheet gap	44,010,941	(11,873,821)	44,451,376	76,588,496	
Unrecognized					
Guarantees	-	-	768,000	768,000	-
Commitments	-	-	12,550,000	12,550,000	-
	-	-	13,318,000	13,318,000	

27. TRANSACTIONS WITH RELATED PARTIES

The Company's related parties include subsidiaries, staff retirement fund, directors and key management personnel. Balances with the related parties are shown else where in the accounts. The transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment which are disclosed in note 25 are as follows:

	2006 (RUPEES)	2005 (RUPEES)
Farmacia-98% owned subsidiary firm		
Sale of medicines	15,068,982	2,135,486
Lease rental paid on behalf of subsidiary	113,342	136,011
Share of profit	7,180,383	4,833,505
BF Biosciences Limited-80% owned subsidiary		
Equity investment made	111,999,960	-
Balance receivable (unsecured) on account of Capital work in progress transferred at year end (included in other receivables)	5,462,243	
Other related parties		
Contribution to staff retirement fund	3,209,018	2,930,226

28. EARNINGS PER SHARE - BASIC

There is no dilutive effect on the basic earnings per share of the Company.

Net profit for the year	(Rupees)	175,868,715	153,565,799
Average number of shares		10,046,720	10,046,720
Earnings per share	(Rupees)	17.51	15.29

For the purpose of computing earnings per share the number of shares for the previous year have been adjusted for the effect of bonus shares issued during the year.

29. CAPACITY AND PRODUCTION

Capacity of the pharmaceutical unit cannot be determined as the unit is used for manufacturing different products in varying quantities and packings.

30. CONTINGENCIES AND COMMITMENTS

- 30.1 Standard Chartered Bank, Rawalpindi and Bank Alfalah Limited, Rawalpindi have issued guarantees amounting to Rs. 0.768 million (2005: Rs. 0.768 million) on behalf of the company in the ordinary course of business.
- 30.2 Commitments in respect of irrevocable letters of credit amounted to Rs. 11.919 million (2005: Rs. 12.550 million) at the year end

31. GENERAL

- 31.1 Figures have been rounded off to the nearest rupee.
- 31.2 The Board of Directors of the company in the meeting held on August 31, 2006 proposed final cash dividend of Rs. 4.00 per share and stock dividend @ 20% i.e. 2 bonus shares for every 10 shares held.

Rawalpindi
August 31, 2006

Osman Khalid Waheed
Director/President

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive



Consolidated Financial Statements
For the Year Ended June 30, 2006

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Ferozsons Laboratories Limited and its subsidiaries as at 30 June 2006 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof for the year then ended. We have also expressed separate opinions on the financial statements of Ferozsons Laboratories Limited and its subsidiary except for Farmacia which were audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such subsidiary is based solely on the report of such other auditors. These financial statements are the responsibility of the parent company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Ferozsons Laboratories Limited and its subsidiaries as at 30 June 2006 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Islamabad
August 31, 2006

KPMG TASEER HADI & Co.
CHARTERED ACCOUNTANTS

CONSOLIDATED BALANCE SHEET

	Note	2006 (RUPEES)	2005 (RUPEES)
SHARE CAPITAL AND RESERVES			
Share capital	4	100,467,200	77,282,460
Capital reserve		321,843	321,843
Reserve for issue of bonus shares		-	6
Unappropriated profit		415,926,970	305,866,486
		516,716,013	383,470,795
MINORITY INTEREST			
		28,444,580	389,902
		545,160,593	383,860,697
SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax			
	5	262,437,999	54,537,651
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	6	5,321,499	11,873,821
Deferred liability for taxation	7	46,910,274	16,512,079
CURRENT LIABILITIES			
Trade and other payables	8	92,534,982	71,912,416
Current portion of liabilities against assets subject to finance lease	6	10,835,452	11,456,235
Revolving advances	9	65,000	122,456
Provision for taxation - net		14,872,789	25,029,808
		118,308,223	108,520,915
		978,138,588	575,305,163
CONTINGENCIES AND COMMITMENTS			
	29		

The annexed notes from 1 to 30 form an integral part of these financial statements.

These financial statements were authorised for issue on August 31, 2006 by the Board of Directors of the Company.

Rawalpindi
August 31, 2006

Osman Khalid Waheed
Director/President

AS AT JUNE 30, 2006

	Note	2006 (RUPEES)	2005 (RUPEES)
FIXED ASSETS-tangible			
Property, plant and equipment	10	495,460,990	268,730,981
LONG TERM INVESTMENTS			
	11	33,085	33,085
LONG TERM DEPOSITS			
		446,647	538,147
CURRENT ASSETS			
Stores, spares and loose tools	12	3,719,036	3,802,163
Stock in trade	13	149,777,434	100,545,997
Trade debts-considered good		17,364,727	8,415,508
Loans and advances	14	96,399,165	44,416,421
Trade deposits and short term prepayments	15	2,563,919	6,206,514
Other receivables		1,476,920	2,500,000
Short term investments	16	86,648,750	57,071,000
Cash and bank balances	17	124,247,915	83,045,347
		482,197,866	306,002,950
		<u>978,138,588</u>	<u>575,305,163</u>

Mrs. Akhter Khalid Waheed
 Chairperson & Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 (RUPEES)	2005 (RUPEES)
Net sales	18	839,122,794	730,066,661
Cost of sales	19	(392,726,393)	(341,837,087)
Gross profit		446,396,401	388,229,574
Administrative expenses	20	(51,856,782)	(34,174,331)
Selling and distribution cost	21	(169,411,467)	(142,663,053)
Finance cost	22	(2,327,753)	(1,854,323)
		(223,596,002)	(178,691,707)
		222,800,399	209,537,867
Other income	23	16,246,241	25,929,235
Loss on remeasurement of short term investments		(4,798,077)	(6,086,758)
		234,248,563	229,380,344
Workers' (Profit) Participation Fund		(10,653,087)	(10,150,722)
Central Research Fund		(2,004,046)	(1,957,558)
		(12,657,133)	(12,108,280)
Profit before taxation		221,591,430	217,272,064
Provision for taxation	24	(46,035,677)	(63,607,622)
Profit after taxation		175,555,753	153,664,442
Attributable to:			
Shareholders of the parent company		175,501,115	153,565,799
Minority interest		54,638	98,643
		175,555,753	153,664,442

The annexed notes from 1 to 30 form an integral part of these financial statements.

Rawalpindi
August 31, 2006

Osman Khalid Waheed
Director/President

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2006

	2006 (RUPEES)	2005 (RUPEES)
Cash flow from operating activities	221,591,430	217,272,064
Profit before taxation		
Adjustments for		
Depreciation	45,516,176	24,234,766
Profit on sale of property, plant and equipment	(5,025,921)	(14,986,494)
Finance cost	2,327,753	1,854,323
Dividends, capital gains and income from investments and deposits	(11,220,320)	(10,942,741)
Loss on remeasurement of short term investments	4,798,077	6,086,758
	36,395,765	6,246,612
Operating profit before working capital changes	257,987,195	223,518,676
Working capital changes		
Decrease in stocks and stores	(49,148,310)	(9,955,192)
(Increase)/decrease in trade debtors	(8,949,219)	1,466,137
Increase in loans, advances, deposits, prepayments and other receivables	(47,225,569)	(45,094,514)
Increase in trade and other payables	18,831,303	19,539,431
	(86,491,795)	(34,044,138)
Finance cost paid	(2,327,753)	(1,854,323)
Taxes paid	(58,237,587)	(52,073,861)
	(60,565,340)	(53,928,184)
Net cash from operating activities	110,930,060	135,546,354
Cash flow from investing activities		
Long term investments	-	4,995,996
Capital expenditure	(37,039,453)	(43,319,416)
Short term investments	(34,375,827)	(42,954,189)
Dividends, capital gains and income from investments and deposits	11,220,320	10,506,962
Sale proceeds of property, plant and equipment	10,412,219	26,490,250
Net cash used in investing activities	(49,782,741)	(44,280,397)
Cash flow from financing activities		
Finance leases repaid	(7,173,104)	(14,930,361)
Dividend paid	(40,771,687)	(40,409,644)
Minority contribution in share capital of BF Biosciences Limited	28,000,040	-
Net cash used in financing activities	(19,944,751)	(55,340,005)
Net increase in cash and cash equivalents during the year	41,202,568	35,925,952
Cash and cash equivalents at beginning of the year	83,045,347	47,119,395
Cash and cash equivalents at end of the year	124,247,915	83,045,347

The annexed notes from 1 to 30 form an integral part of these financial statements.

Rawalpindi
August 31, 2006

Osman Khalid Waheed
Director/President

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2006

	Attributable to shareholders of the parent company					Minority interest (Rupees)	Total (Rupees)
	Share capital	Capital reserve	Reserve for issue of bonus shares	Unappropriated profit	Total		
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)		
Opening balance as at 01 July 2004	55,201,760	321,843	6	209,036,136	264,559,745	291,259	264,851,004
Transfer from surplus on revaluation of fixed assets on disposal of land	-	-	-	6,491,714	6,491,714	-	6,491,714
Surplus on revaluation of fixed assets realized through depreciation for the year-net of deferred tax	-	-	-	254,856	254,856	-	254,856
Bonus shares issued	22,080,700	-	-	(22,080,700)	-	-	-
Net profit for the year	-	-	-	153,565,799	153,565,799	98,643	153,664,442
Final dividend 2004 Rs. 4 per share	-	-	-	(22,080,704)	(22,080,704)	-	(22,080,704)
Interim dividend 2005 Rs. 2.50 per share	-	-	-	(19,320,615)	(19,320,615)	-	(19,320,615)
Balance as at June 30, 2005	<u>77,282,460</u>	<u>321,843</u>	<u>6</u>	<u>305,866,486</u>	<u>383,470,795</u>	<u>389,902</u>	<u>383,860,697</u>
Minority share capital contribution in BF Biosciences Limited.	-	-	-	-	-	28,000,040	28,000,040
Surplus on revaluation of fixed assets realized through depreciation for the year-net of deferred tax	-	-	-	249,595	249,595	-	249,595
Bonus shares issued	23,184,740	-	(6)	(23,184,734)	-	-	-
Net profit for the year	-	-	-	175,501,115	175,501,115	54,638	175,555,753
Final dividend 2005 Rs. 5.50 per share	-	-	-	(42,505,492)	(42,505,492)	-	(42,505,492)
Balance as at June 30, 2006	<u>100,467,200</u>	<u>321,843</u>	<u>-</u>	<u>415,926,970</u>	<u>516,716,013</u>	<u>28,444,580</u>	<u>545,160,593</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

Rawalpindi
August 31, 2006

Osman Khalid Waheed
Director/President

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

1. THE GROUP AND ITS OPERATIONS

Ferozsons Laboratories Limited (“the parent company”) was incorporated as a private limited company on 28th January 1954 and was converted into a public limited company on 8th September 1960. The parent company is listed on Karachi, Lahore and Islamabad stock exchanges. The parent company is primarily engaged in the manufacture and sale of pharmaceuticals products. The parent company is domiciled in Rawalpindi, Pakistan.

The parent company has 98% holding in Farmacia. Farmacia is a partnership duly registered under Partnership Act, 1932. Farmacia is engaged in the retail trading of pharmaceutical products.

On 15 May 2006, the parent company invested 80% in share capital of BF Biosciences Limited. BF Bioscience Limited is an unquoted public limited company incorporated under the Companies Ordinance 1984 on February 24, 2006. BF Biosciences Limited has been set up for establishing a Biotech Production Plant to manufacture Cancer and Hepatitis related medicines.

2. BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of Ferozsons Laboratories Limited and its subsidiaries- Farmacia and BF Biosciences Limited (“hereinafter referred as the group”).

Subsidiaries are those enterprises in which the parent company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences, until the date when that control ceases. The financial statements of the subsidiaries have been consolidated on a line-by-line basis. Details of subsidiaries are given in note 1.

All material inter-organization balances, transactions and resulting unrealized profits/ losses have been eliminated.

2.1 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

a) Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

b) Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

Provisions and liabilities

Estimates of the amount of provisions and liabilities recognized are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions and liabilities are regularly reviewed and adjusted to take account of such changes.

Property, plant and equipment

The group reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on depreciation charge and impairment.

Taxation

The group takes into account the current income tax law and decisions taken by appellate authorities. Instances where the group's view differs from the view taken by the income tax department at the assessment stage and where the group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and investment in listed securities are stated at their fair values.

b) Staff retirement benefits

The group operates a recognized provident fund scheme as a defined contribution plan for employees

who fulfill conditions laid down in the scheme. Provision is made in the accounts for the amount payable by the group to the scheme in this regard. Contribution is made to the fund equally by the group and the employees at the rate of 10% of basic salary.

c) Taxation

i) Current

Provision for current taxation is based on taxable income at current rate of taxation after taking into account tax credits and rebates available, if any.

ii) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of tax. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent to which it is probable that taxable profits will be available against which the deductible temporary differences, unused tax loss, and tax credits can be utilized.

d) Fixed assets and capital work in progress

Capital work in progress

Capital work in progress is stated at cost less provision for impairment, if any.

Fixed assets-owned

- i. These are stated at cost less accumulated depreciation and impairment loss, if any except for:
 - a) the parent company's lands which, were revalued in 1975-76, 1988-89, 2001-02 and 2005-06, are stated at the revalued figures; and
 - b) the parent company's buildings which, were revalued in 1975-76, 1988-89, 2001-02 and 2005-06, are stated at the revalued figures less accumulated depreciation thereon.
 - c) The parent company's plant and machinery has been first time revalued in 2005-06 and is stated at the revalued figures less accumulated depreciation thereon. Previously plant and machinery was carried at cost. The effect of this change in policy is given in note 10.2 and 10.3.
- ii. Depreciation on the parent company's fixed assets is calculated on the cost of fixed assets or their reassessed value, as the case may be, at rates set out in note 10 on the straight line method.
- iii. Depreciation on the subsidiary's fixed assets is calculated on the cost of fixed assets at normal tax rates on reducing balance method.
- iv. Maintenance and normal repair costs are charged to income as and when these costs are incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Profit or loss on retirement and disposal of fixed assets is reflected in the profit and loss account.
- v. Pursuant to the requirements of section 235 of the Companies Ordinance, 1984 and in terms of SRO 45(I)/2003 dated 13 January 2003, revaluation surplus to the extent of excess depreciation

on revalued assets during the current financial year is taken to retained earnings. This effect has been shown in note 5 to these financial statements.

Leased assets

Leases in terms of which the parent company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 3 (k) to these financial statements.

During the year the parent company changed its depreciation method and now the fixed assets are being depreciated on straight line basis. Previously the fixed assets were being depreciated on reducing balance method. Had there been no change, depreciation expense for the year would have been lower and profit for the year would have been higher by an amount of Rs. 14.24 million respectively

e) Impairment

The carrying amounts of the group's assets are analyzed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the recoverable amount of assets is estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognized as expense in the profit and loss account.

f) Investments

i) Investments at fair values through profit or loss

All investments classified as investment at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value with any resulting gains or losses recognized directly in profit and loss account. The fair value of such investments is determined on the basis of prevailing market prices.

ii) Investments available for sale

These are investments, which do not fall under the held for trading or held to maturity categories. These are stated at fair values with any resulting gains/losses recognized in equity through statement of changes in equity. The investments representing unlisted shares are stated at cost as relevant financial information is not available to determine their fair values.

iii) Investments held to maturity

Investments with fixed maturity, where management has both the intent and ability to hold to maturity are classified as held to maturity and are stated at amortised costs using effective interest rate method. The resultant change in values is reported directly in the profit and loss account.

The Company recognizes the regular way purchase or sale of investments using settlement date accounting

g) Stock in trade

Stocks are valued at the lower of average cost and net realizable value except for stock in transit which is valued at invoice price and related expenses incurred thereon upto the balance sheet date.

Raw material	-	at moving average cost
Work in process	}	at weighted average cost of purchases and
Finished goods	}	applicable manufacturing expenses

Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated cost of completion and selling expenses.

The subsidiary's medicine stock is valued at the lower of average cost and net realisable value.

h) Stores, spares and loose tools

These are valued at moving average cost except for items in transit, which are valued at invoice price and related expenses incurred thereon upto the balance sheet date. For items which are slow moving and/or identified as surplus to the group's requirement, a provision is made for excess of book value over estimated realizable value.

i) Trade and other receivables

Known impaired debts are written off, while debts considered doubtful of recovery are fully provided for.

j) Revenue recognition

Sales are recorded on dispatch of goods to the customers.

Interest on bank deposits is recognized on time proportion basis.

Gains or losses on sale of investments are taken to income in the period in which they arise.

Dividend is recognized when the right to receive the dividend is established.

k) Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

The parent company accounts for lease obligations by recording the asset and corresponding liability there-against determined on the basis of discounted value of total minimum lease payments. Financial charge is recognized in the profit and loss account using the effective mark-up rate method.

l) Trade and other payables

Trade and other payables are stated at nominal values.

m) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprises cash in hand and cash at bank, which are stated in the balance sheet at cost.

n) Provisions

A provision is recognized in the balance sheet when the group has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

o) Dividend appropriation

Dividend is recognized as a liability in the period in which it is declared.

p) Financial instruments

All the financial assets and financial liabilities are recognized at the time when the group becomes a party to the contractual provisions of the instruments. The group de-recognizes a financial assets or a portion of financial asset when, and only when, the group loses control of the contractual right that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished i.e., when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets are long term investment, trade debts, advances deposits and other receivable, short term investment and cash and bank balances these are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount, if any.

Financial liabilities are classified according to the substance of contractual agreements entered into, significant financial liabilities are liability under lease finance, creditors accrued and other liabilities, unclaimed dividend and proposed dividend.

q) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

r) Foreign currency transactions

Foreign currency transactions are translated in to Pak. Rupees using the exchange rates approximating those prevailing at the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak. Rupees at the rates of exchange approximating those prevailing at the balance sheet date.

Foreign exchange gains and losses on translation are included in income currently.

	2006 (RUPEES)	2005 (RUPEES)
4. SHARE CAPITAL		
Authorised share capital:		
15,000,000 ordinary shares of Rs. 10 each.	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and fully paid up:		
1,441,952 ordinary shares of Rs. 10 each issued for cash	14,419,520	14,419,520
119,600 ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged	1,196,000	1,196,000
8,485,168 (2005: 6,166,694) ordinary shares of Rs. 10 each issued as fully paid bonus shares	84,851,680	61,666,940
	<u>100,467,200</u>	<u>77,282,460</u>
5. SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax		
Surplus on revaluation of fixed assets as at 01 July.	58,533,863	65,417,663
Less adjustment of revaluation surplus on land of leather factory disposed off.	-	6,491,714
	<u>58,533,863</u>	<u>58,925,949</u>
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)	(249,595)	(254,856)
Related deferred tax liability	(134,398)	(137,230)
	(383,993)	(392,086)
Surplus on revaluation during the year (refer note 10.2)	<u>240,593,029</u>	<u>-</u>
Surplus on revaluation of fixed assets at 30 June	298,742,899	58,533,863
Related deferred tax liability:		
On revaluation surplus as at 01 July	(3,996,212)	(4,133,442)
On revaluation surplus during the year	(32,443,086)	-
Deferred tax effect on incremental depreciation charged during the year transferred to profit and loss account	134,398	137,230
	(36,304,900)	(3,996,212)
	<u>262,437,999</u>	<u>54,537,651</u>

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2006 (RUPEES)			2005 (RUPEES)		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
Not later than one year	11,826,554	991,102	10,835,452	12,578,527	1,122,292	11,456,235
Later than one year and not later than five years	5,639,778	318,279	5,321,499	13,199,945	1,326,124	11,873,821
	<u>17,466,332</u>	<u>1,309,381</u>	<u>16,156,951</u>	<u>25,778,472</u>	<u>2,448,416</u>	<u>23,330,056</u>

The Company has entered into various lease agreements with Standard Chartered Modarba and Bank Alfalah Limited for vehicles. Lease rentals are payable on monthly basis and include finance charge at 6% to 13%. The Company has an option to purchase the assets upon completion of lease period and has the intention to exercise such option.

7. DEFERRED LIABILITY FOR TAXATION

The net balance of deferred tax is in respect of the following major temporary differences:

	2006 (RUPEES)	2005 (RUPEES)
Accelerated depreciation	16,260,307	20,681,387
Obligations under finance lease	(5,654,933)	(8,165,520)
Surplus on revaluation of fixed assets	36,304,900	3,996,212
	<u>46,910,274</u>	<u>16,512,079</u>

8. TRADE AND OTHER PAYABLES

Creditors		44,024,109	26,904,748
Accrued liabilities		13,256,526	10,470,201
Advances from customers		5,527,937	7,596,576
Unclaimed dividend		8,095,653	6,361,848
Tax deducted at source		692,272	2,218,613
Provision for compensated absences and employees' provident fund		2,187,044	2,081,793
Workers' Profit Participation Fund	8.1	10,700,877	10,182,018
Central Research Fund	8.2	1,956,030	1,909,542
Advances from employees		5,943,824	4,061,024
Others		150,710	126,053
		<u>92,534,982</u>	<u>71,912,416</u>

	2006 (RUPEES)	2005 (RUPEES)
8.1 Workers' (Profit) Participation Fund		
Operating profit for the year-parent company	<u>213,061,744</u>	<u>203,014,446</u>
Opening balance	10,182,018	7,759,695
Allocation of profit	10,653,087	10,150,722
Interest	<u>47,790</u>	31,296
	20,882,895	17,941,713
Less: Payments	<u>10,182,018</u>	7,759,695
	<u>10,700,877</u>	<u>10,182,018</u>

The fund balance has been utilised by the parent company for its own purpose and interest at the rate of 60% (2005-52.5%) has been credited to the fund. Interest is calculated at 75% of the cash dividends paid as required under Companies Profit (Workers' Participation) Rules 1971.

8.2 Central Research Fund

Opening balance	1,909,542	1,453,106
Charge for the year	2,004,046	1,909,542
Charge for prior year	-	48,016
	2,004,046	1,957,558
Less: Payments	<u>1,957,558</u>	1,501,122
	<u>1,956,030</u>	<u>1,909,542</u>

9. REVOLVING ADVANCES

These advances from customers are interest free and are payable on termination of agency agreements with customers.



10. PROPERTY, PLANT AND EQUIPMENT

2006 Rupees

PARTICULARS	Reassessed value or original cost June as at 01 July 2005	Cost of additions/ (disposals)	Surplus on Revaluation	Transfers	Gross book value as at 30 June 2006	Rate %	DEPRECIATION			Net book value as at 30 June 2006	
							As at 01 July 2005	For the year	On disposals/ transfers		Release on revaluation
OWNED											
Freehold land	78,457,502	-	147,898,498	-	226,356,000	-	-	-	-	-	226,356,000
Building on freehold land	32,983,727	2,183,866	37,982,282	-	73,149,875	2.50-10	5,756,471	2,975,153	(7,883,892)	847,732	72,302,143
Leasehold improvements	1,100,591	386,209	-	-	1,486,800	10	206,690	132,707	-	339,397	1,147,403
Plant and machinery	142,355,007	6,377,684 (2,274,170)	(29,915,727)	14,828,193	131,370,987	10	52,946,619	23,040,305	3,617,879 (76,744,085)	1,278,045	130,092,942
Electric and gas appliances	5,317,611	44,969	-	-	5,362,580	10	2,614,895	507,591	-	3,122,486	2,240,094
Furniture and fixtures	31,146,815	6,001,529	-	(14,828,193)	22,320,151	10	12,393,153	2,193,096	(3,617,879)	10,968,370	11,351,781
Computers	9,137,744	1,984,346	-	-	11,122,090	10	4,223,485	1,028,875	-	5,252,360	5,869,730
Vehicles	19,240,405	10,946,500 (7,828,820)	-	9,794,500 (760,500)	31,392,085	20	11,730,175	8,409,723	4,579,283 (5,037,227)	19,681,954	11,710,131
	319,739,402	27,925,103 (10,102,990)	155,965,053	9,794,500 (760,500)	502,560,568	-	89,871,488	38,287,450	4,579,283 (6,619,900)	41,490,343	461,070,225
LEASED											
Vehicles	41,099,560	5,319,700 (1,450,830)	-	-	35,934,430	20	10,667,752	7,228,726	(4,376,106)	13,520,372	22,414,058
	41,099,560	5,319,700 (1,450,830)	-	(9,034,000)	35,934,430	-	10,667,752	7,228,726	(4,376,106)	13,520,372	22,414,058
Capital work in progress (10.5)	8,431,259	3,545,488	-	-	11,976,707	-	-	-	-	-	11,976,707
2006 Rupees	369,270,221	36,790,252 (11,553,820)	155,965,053	-	550,471,705	-	100,539,240	45,516,176	(84,627,977)	55,010,715	495,460,990
											(6,416,723)

10.1 PROPERTY, PLANT AND EQUIPMENT - Comparatives

PARTICULARS	Reassessed value or original cost as at 01 July 2004	Cost of additions/ (disposals) adjustments	Gross book value as at 30 June 2005	Rate %	DEPRECIATION			Net book values as at June 30 2005
					As at 01 July 2004	For the year /	Accumulated as at 30 June 2005	
OWNED								
Freehold land	82,582,998	2,695,754 (6,821,250)	78,457,502	-	-	-	-	78,457,502
Leasehold land	2,330,927	-	-	-	-	-	-	-
Building on freehold land	32,094,863	(2,330,927) 576,124 312,740	32,983,727	2.5 - 10	3,903,335	1,853,136	5,756,471	27,227,256
Building on leasehold land	630,954	-	630,954	10	107,367	52,359	159,726	471,228
Leasehold improvements	-	469,637	469,637	10	-	46,964	46,964	422,673
Plant and machinery	114,324,202	28,343,545 (312,740)	142,355,007	10	43,079,457	9,867,162	52,946,619	89,408,388
Electric and gas appliances	5,223,517	94,094	5,317,611	10	2,314,593	300,302	2,614,895	2,702,716
Furniture, fixtures and equipment	29,200,968	2,727,785 (781,938)	31,146,815	10	10,309,411	2,083,742	12,393,153	18,753,662
Computers	7,299,828	1,055,878 782,038	9,137,744	10	3,677,456	546,029	4,223,485	4,914,259
Vehicles	13,028,490	- (6,295,135) 12,507,050	19,240,405	20	8,818,963	1,877,120	11,730,175	7,510,230
Rupees	286,716,747	35,962,817 (15,447,312) 12,507,150	319,739,402		72,210,582	16,626,814	89,871,488	229,867,914
LEASED								
Vehicles	21,519,500	30,959,260 (73,700) (11,305,500)	41,099,560	20	8,111,148	7,607,952	10,677,752	30,431,808
Rupees	21,519,500	19,653,760	41,099,560		8,111,148	7,607,952	10,667,752	30,431,808
Capital work in progress	2,457,970	5,973,289	8,431,259	-	-	-	-	8,431,259
2005 Rupees	310,694,217	72,895,366 (15,521,012) 1,201,650	369,270,221		80,321,730	24,234,766	100,539,240	268,730,981

10.2 Land and building of the parent company were revalued on 31 March 1976, 30 June 1989, 30 June 2002 and then on 30 June 2006 whereas plant and machinery has been first time revalued on 30 June 2006. Valuation of land, building and plant and machinery has been carried out by an independent valuer, M/s Haseeb Associates under the market value basis on 30 June 2006. These revaluations resulted in net surplus of Rs. 13.661 million, Rs. 40.067 million Rs. 30.433 million and Rs. 240.599 million respectively. Element of this revaluation surplus included in the book value of these assets as stated in Note 5 amounted to Rs. 298.743 million (2005: Rs. 58.534 million) at the year end.

10.3 As referred to in Note 5 to these financial statements, land, buildings and plant and machinery are carried at revalued amounts. Had there been no revaluations, related figures of revalued assets would have been as follows:

	(Rupees)		
	Cost	Accumulated depreciation	Written down value
Free hold land	31,434,876	-	31,434,876
Buildings	33,410,517	17,783,612	15,626,905
Plant and machinery	161,286,714	78,022,130	83,264,584
2006	226,132,107	95,805,742	130,326,365
2005	204,935,841	68,203,137	136,732,704

	2006 (RUPEES)	2005 (RUPEES)
10.4 Depreciation is allocated as under:		
Cost of sales	29,359,924	14,655,381
Administrative expenses	6,490,275	4,132,604
Distribution cost	9,665,977	5,446,781
	45,516,176	24,234,766

10.5 This represents cost of civil work and other capital expenditure for development of freehold land situated in Raiwind, Lahore and for Biotech Plant of subsidiary.

11. LONG TERM INVESTMENTS

Available for sale investments

Unquoted - shares

Number of shares		Name of Companies	2006 (Rupees)	2005 (Rupees)
2006	2005			
218	218	National General Insurance Company Limited Ordinary shares of Rs. 10 each Equity held 0.01% Breakup value Rs. 1.57 per share as per audited accounts for the year ended 31 December 2001 (31 December 2000: Rs. 2.14 per share)	2,985	2,985
301	301	Mercantile Co-operative Finance Corporation Limited 'A' class shares of Rs. 100 each The entity is under liquidation	30,100	30,100
			33,085	33,085

		2006 (RUPEES)	2005 (RUPEES)
12. STORES, SPARES AND LOOSE TOOLS			
Stores		3,365,327	3,406,012
Spares		241,237	262,814
Loose tools		112,472	133,337
		<u>3,719,036</u>	<u>3,802,163</u>
13. STOCK IN TRADE			
Raw material/medicines		58,716,205	59,221,233
Work in process		3,059,331	3,182,690
Finished goods	13.1	81,253,393	34,542,087
		<u>143,028,929</u>	<u>96,946,010</u>
Raw material in transit		6,748,505	3,599,987
		<u>149,777,434</u>	<u>100,545,997</u>
13.1 These includes finished goods amounting to Rs. 3,107,867 (2005: 4,067,025) which are carried at net realizable value.			
14. LOANS AND ADVANCES			
Advances-unsecured considered good			
To employees	14.1	4,648,067	2,281,448
To contractors		54,174,645	4,542,299
Advance for purchase of land		37,500,000	37,500,000
Others		76,453	92,674
		<u>96,399,165</u>	<u>44,416,421</u>
14.1 These include interest free advances against salary to executives amounting to Rs. 1,322,738. (2005: Rs. 156,628).			
15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Earnest money		573,906	1,307,577
Deposits for leasing contracts		-	136,300
Margin deposits		276,544	276,544
Prepayments		1,713,469	4,486,093
		<u>2,563,919</u>	<u>6,206,514</u>

		2006 (RUPEES)	2005 (RUPEES)
16. SHORT TERM INVESTMENTS			
Investments at fair value through profit or loss	16.1	26,648,750	57,071,000
Held to maturity investment	16.2	60,000,000	-
		86,648,750	57,071,000

16.1 Investments at fair value through profit or loss- Listed securities

Number of shares		Name of Companies	2006 (Rupees)		2005 (Rupees)	
2006	2005		Carrying value	Fair value	Carrying value	Fair value
		Pakistan Telecommunication Company Ltd.				
190,000	800,000	'A' class ordinary shares of Rs. 10 each	12,530,500	7,714,000	57,732,009	52,760,000
110,000	110,000	Hub Power Company Limited Ordinary shares of Rs. 10 each	2,904,000	2,530,000	4,083,770	2,904,000
-	5,000	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	-	-	1,341,979	1,407,000
10,000	-	Indus Motor Company Ltd. Ordinary shares of Rs. 10 each	1,363,887	1,910,000	-	-
75,000	-	Agri Autos Industries Ltd. Ordinary shares of Rs. 10 each	4,738,976	5,160,000	-	-
100,000	-	Fauji Cement Company Ltd. Ordinary shares of Rs. 10 each	2,274,287	1,920,000	-	-
35,000	-	Pakistan Petroleum Ltd. Ordinary shares of Rs. 10 each	7,635,177	7,414,750	-	-
			31,446,827	26,648,750	63,157,758	57,071,000
		Unrealised loss on account of remeasurement to fair value	(4,798,077)	-	(6,086,758)	-
			26,648,750	26,648,750	57,071,000	57,071,000

16.2 Held to maturity investment

This represents parent company's investment in term deposit receipt having maturity of six months which carries interest rate of 11.35% per annum.

		2006 (RUPEES)	2005 (RUPEES)
17. CASH AND BANK BALANCE			
Cash in hand		1,090,688	536,813
Cast at banks - current accounts		95,367,146	4,202,225
-saving accounts	17.1	27,790,081	78,306,309
		124,247,915	83,045,347

17.1 These carry interest rate of 4% to 8% per annum (2005: 2.0% to 4.5% per annum).

17.2 The parent company has unavailed cash finance facility of Rs. 60 million (2005: Rs. 60 million) from Bank Alfalah Limited, Rawalpindi. This is secured against first charge on

parent company's current assets including stock of medicine, finished goods, packing material, spares, rights and assets amounting to Rs. 72 million (2005: Rs. 72 million) and first charge on fixed assets of the parent company including land, building, machinery and fixtures amounting to Rs. 132 million (2005: Rs. 132 million). This facility carries mark-up at the rate of KIBOR + 1.75%.

	2006	2005
	(RUPEES)	(RUPEES)
18. NET SALES		
Gross sales	923,036,806	806,192,018
Less: Sales tax	(227,277)	(46,804)
	922,809,529	806,145,214
Less: Discount	(83,686,735)	(76,078,553)
	839,122,794	730,066,661
18.1 Pharmaceutical-parent company	735,815,977	655,450,335
Soap-parent company	1,336,673	311,35
Farmacia-subsiary company	101,970,144	74,304,976
	839,122,794	730,066,661
19. COST OF SALES		
Work in process:		
Opening	3,182,690	3,748,567
Closing	(3,059,331)	(3,182,690)
	123,359	565,877
Raw material consumed	353,439,666	286,063,089
Salaries and wages	34,935,818	31,115,953
Fuel and power	5,974,115	5,329,037
Repairs and maintenance	4,418,690	2,804,136
Stores and spares consumed	3,114,047	5,385,923
Packing charges	2,651,461	2,034,962
Excise duty	207,715	151,536
Postage and telephone	692,135	759,738
Insurance	1,485,987	1,157,583
Travelling and conveyance	843,288	1,307,028
Transport	1,125,505	925,727
Laboratory and other expenses	1,065,989	1,303,597
Depreciation	29,359,924	14,655,381
Cost of goods manufactured	439,437,699	353,559,567
Finished stock:		
Opening	34,542,087	22,819,607
Closing	(81,253,393)	(34,542,087)
	(46,711,306)	(11,722,480)
	392,726,393	341,837,087
19.1 Raw material consumed		
Opening stock	59,221,233	61,068,945
Add: Purchases	352,934,638	284,215,377
	412,155,871	345,284,322
Less: Closing stock	(58,716,205)	(59,221,233)
	353,439,666	286,063,089

	Note	2006 (RUPEES)	2005 (RUPEES)
20. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	20.1	13,379,486	11,653,714
Salaries to directors	20.1	12,632,643	7,625,288
Directors' fees and expenses		1,452,890	574,750
Incorporation expenses		428,500	-
Rent, rates and taxes		903,800	17,636
Postage and telephone		857,171	789,627
Newspapers and periodicals		55,546	22,640
Printing and stationery		540,890	581,204
Travelling and conveyance		1,285,162	1,245,809
Transport		1,470,037	1,649,211
Legal and professional charges		143,000	224,160
Electricity and gas		588,596	612,699
Auditors' remuneration	20.2	332,000	285,000
Repairs and maintenance		216,390	445,660
Subscriptions		330,058	233,574
Donation for earthquake relief	20.3	6,759,813	-
Insurance		521,219	714,803
Depreciation		6,490,275	4,132,604
Workers' Welfare Fund		2,351,417	2,456,770
Other administrative expenses		1,117,889	909,212
		51,856,782	34,174,331

20.1 These include Rs. 3.242 million (2005: Rs. 2.942 million) charged on account of staff retirement benefit.

20.2 **Auditors' remuneration**

Audit fee- annual audit	140,000	125,000
Fee for audit of consolidated accounts	35,000	35,000
Audit fee BF Biosciences Limited	30,000	-
Review of half yearly accounts	40,000	40,000
Other certifications	50,000	50,000
Out of pocket expenses	22,000	20,000
Audit fee (Farmacia) Aslam Malik & Co.	15,000	15,000
	332,000	285,000

20.3 Donations do not include any amount paid to any person or organization in which a director or his spouse had any interest.

		2006 (RUPEES)	2005 (RUPEES)
21. SELLING AND DISTRIBUTION COST			
Salaries and allowances	20.1	62,514,471	61,378,979
Traveling and conveyance		34,889,117	27,188,025
Transport		1,767,898	1,482,932
Rent, rates and taxes		3,710,610	1,856,053
Advertisement and publicity		41,672,133	33,003,315
Freight and forwarding		4,822,652	4,437,349
Printing and stationery		1,304,809	835,044
Postage and telephone		1,867,798	2,289,442
Electricity and gas		793,682	479,307
Subscription and fees		433,828	219,314
Donation	20.3	1,644,084	-
Insurance		1,535,884	1,280,540
Repairs		169,270	261,670
Legal and professional charges		58,500	42,000
Entertainment		348,315	319,724
Newspapers and periodicals		2,021,254	2,025,452
Depreciation		9,665,977	5,446,781
Other selling expenses		191,185	117,126
		<u>169,411,467</u>	<u>142,663,053</u>
22. FINANCE COST			
Finance charge on leased assets		1,985,504	1,379,741
Bank charges		294,459	443,286
Interest on Workers' Profit Participation Fund		47,790	31,296
		<u>2,327,753</u>	<u>1,854,323</u>
23. OTHER INCOME			
Dividend income		615,500	2,661,296
Profit on Term Finance Certificates		-	56,560
Profit on disposal of property, plant and equipment	23.1	5,025,921	14,986,494
Capital gain on sale of shares		4,724,003	4,799,586
Profit on deposits with banks		5,864,271	1,688,223
Return on financing Carry Over Transactions		-	1,721,714
Others		16,546	15,362
		<u>16,246,241</u>	<u>25,929,235</u>

23.1 PROFIT/(LOSS) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost	Book value	Sale proceeds	Profit/(loss)	Mode of disposal By negotiation to:
VECHILES					
FIAT, RIY 6489	670,000	343,040	240,000	(103,040)	Said Nawab s/o Said iqbal, Nowshera
HONDA CIVIC, RIY 994	1,210,550	538,805	675,000	136,195	Dr. Aziz ur Rab, Staff Member
HONDA CD 70, RL 819	56,240	44,992	54,000	9,008	Mr. Noor Abbas, Ex. Staff Member
HONDA CD 70, IDL 1984	74,250	33,048	33,750	702	Mr. Humair Iqbal, Staff Member
HONDA CD 125 SGT 9634	84,700	37,699	43,250	5,551	MR. Liaqat Hussain, Staff Member
HONDA CD 70, JGC 1222	74,250	33,048	33,750	702	MR. Maqbool Ali, Staff Member
HONDA CD 70, SGJ 9634	74,250	33,048	33,750	702	MR. Nadeem Ayaz, Staff Member
HONDA CD 70, SKL 4837	74,250	33,048	33,750	702	MR. Zulifqar Ali, Staff Member
HONDA CD 70, LRA 4354	74,250	33,048	33,750	702	MR. Mansoor Hayat, Staff Member
HONDA CD 70, STC 7973	74,250	33,048	33,750	702	MR. Zulifqar Ali, Staff Member
HONDA CD 70, MNZ 193	74,250	33,048	33,750	702	MR. Ghulam Mujtaba, Staff Member
YAMAHA 100, RIY 2750	77,550	34,517	36,750	2,233	MR. Shahid Raza, Staff Member
YAMAHA 100	77,550	34,517	36,750	2,233	MR. Muhammad Asad, Staff Member
YAMAHA 100, F 4271	77,550	34,517	36,750	2,233	MR. Bashir Ahmed, Staff Members
YAMAHA 100, SGJ 9607	77,550	34,517	36,750	2,233	MR. Waqar Ahmed, Staff Member
HONDA CD 70, FDZ 1362	74,250	33,048	33,750	702	MR. Imran Zia, Staff Member
HONDA CD 70, LRA 4337	74,250	33,048	33,750	702	Aashiq Mahmood, Staff Member
SUZUKI CULTUS, IDK 7761	559,000	183,173	320,500	137,327	Mr. Mazhar Yasin, Staff Member
SUZUKI ALTO, RIY 5230	515,900	229,622	251,500	21,878	Dr. Saira Siddique, Staff Member
SUZUKI MARALLA, IDH 5707	556,920	74,749	147,500	72,751	Javaid Maqbool, Staff Member
HONDA CITY, RIY 1368	800,500	262,308	550,000	287,692	EFU General Insurance Company, surance claim
SUZUKI CULTUS, BAH 015	610,500	328,560	300,000	(28,560)	Mujahid Ahmed, Staff Member
SUZUKI MEHRAN, HV 612	380,000	304,000	329,514	25,514	EFU General Insurance Company, insurance claim
HONDA CD 70, KAX 4475	73,700	41,004	35,017	(5,987)	EFU General Insurance Company, insurance claim
SUZUKI MEHRAN, 8909	380,000	304,000	362,948	58,948	EFU General Insurance Company, insurance claim
SUZUKI BALENO, LRK 4345	739,000	378,368	400,000	21,632	MR. ALI GOHAR, Staff Member
THREE HONDA MOTOR CYCLE	185,890	148,712	143,039	(5,673)	EFU General Insurance Company, insurance claim
SUZUKI CULTUS, RIY 2714	664,400	295,718	300,000	4,282	MR. Abdul Azeem, Staff Member
DAHATSU COURE, RIY 2736	438,900	195,350	230,000	34,650	Mr. Medhi Raza Jaffry, Staff Member
SUZUKI MEHRAN, AHZ 698	375,000	300,000	330,000	30,000	EFU General Insurance Company, insurance claim
	9,279,650	4,445,600	5,163,018	717,418	

PLANT AND MACHINERY

SOAP PLANT, NOWSHERA	2,274,170	691,497	5,000,000	4,308,503	Basra Soap Factory, Karachi
2006 Rupees	11,553,820	5,137,097	10,163,018	5,025,921	
2005 Rupees	15,521,012	11,503,756	26,490,250	14,986,494	

	2006 (RUPEES)	2005 (RUPEES)
24. TAXATION		
Current year	63,172,229	64,590,674
Prior years'	(15,091,661)	(280,921)
Deferred	(2,044,891)	(702,131)
	<u>46,035,677</u>	<u>63,607,622</u>
24.1 Relationship between tax expense and accounting profit		
Profit before taxation	<u>221,591,430</u>	<u>217,272,064</u>
Tax rate	<u>35%</u>	<u>35%</u>
Tax on accounting profit	77,557,001	76,045,222
Tax effect of expenses that are admissible/inadmissible in determining taxable profit	3,499,007	(5,584,030)
Tax effect of income exempt from tax	25,926	(4,948,510)
Tax effect of lower tax rates on certain income	(17,909,705)	(922,008)
	<u>63,172,229</u>	<u>64,590,674</u>
Tax effect of adjustments in respect of income tax of prior years	(15,091,661)	(280,921)
Net effect of (reversal)/origination of temporary differences	(2,044,891)	(702,131)
Tax expense for the current year	<u>46,035,677</u>	<u>63,607,622</u>

24.2 Tax assessments of the parent company have been finalised up to and including the assessment year 2002-2003 (income year ended 30 June 2002). Returns for tax years 2003, 2004 and 2005 were filed and accepted under universal self assessment scheme.

25. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	2006 (Rupees)			2005 (Rupees)		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
Meeting fee	5,200	900	-	1,900	300	-
Remuneration	5,807,747	6,222,575	19,999,876	4,200,000	4,500,000	14,162,469
Utilities	-	275,954	-	-	200,228	-
Provident fund	280,759	321,562	620,044	216,780	248,280	459,230
Meeting expenses	1,334,790	112,000	-	534,050	38,500	-
	7,428,496	6,932,991	20,619,920	4,952,730	4,987,308	14,621,699
Numbers	7	1	10	7	1	10

In addition, the chief executive, a working director and certain executives of the group are allowed free use of group's cars.

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. All the financial assets except cash in hand are subject to credit risk. The group believes that it is not exposed to major concentration of credit risk. The group controls its credit risk by the following methods:

- Ascertainment of credit worthiness of customers.
- Monitoring of debt on a continuous basis.
- Legal notices and follow-up.

26.2 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction with foreign undertakings. In case of the group this risk results from outstanding import payments. These transactions are not covered through foreign exchange risk cover as exchange risk is not considered material.

26.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties to meet commitments associated with financial instruments. The group believes that it is not exposed to any significant level of liquidity risk.

26.4 Fair value of financial instruments

The estimated fair value of financial instruments is not significantly different from their book value as shown in these financial statements except for the value of long term investments given in note 11.

26.5 The information about the company's exposure to interest rate risk based on contractual refinancing or maturity dates whichever is earlier is as follows:

2006 (Rupees)					
	Interest bearing		Non-interest bearing	Total	Effective Interest rate
	Less than one year	Overone year			
Financial assets					
Long term investments	-	-	33,085	33,085	-
Long term deposits	-	-	446,647	446,647	-
Trade debts - considered good	-	-	17,364,727	17,364,727	-
Loans and advances	-	-	4,724,520	4,724,520	-
Trade deposits and other receivable	-	-	2,050,826	2,050,826	-
Short term investments	60,000,000	-	26,648,750	86,648,750	11.35%
Cash and bank balances	27,790,081	-	96,457,834	124,247,915	4-8%
	87,790,081	-	147,726,389	235,516,470	
Financial liabilities					
Recognized					
Liabilities against assets subject to finance lease	10,835,452	5,321,499	-	16,156,951	6-13%
Trade and other payables	10,700,877	-	70,362,343	81,063,220	60%
Revolving advances	-	-	65,000	65,000	-
	21,536,329	5,321,499	70,427,343	97,285,171	
On balance sheet gap	66,253,752	(5,321,499)	77,299,046	138,231,299	
Unrecognized					
Guarantees	-	-	768,000	768,000	-
Commitments	-	-	11,919,000	11,919,000	-
	-	-	12,687,000	12,687,000	
2005 (Rupees)					
	Interest bearing		Non-interest bearing	Total	Effective Interest rate
	Less than one year	Overone year			
Financial assets					
Long term investments	-	-	33,085	33,085	-
Long term deposits	-	-	538,147	538,147	-
Trade debts - considered good	-	-	8,415,508	8,415,508	-
Loans and advances	-	-	2,374,122	2,374,122	-
Trade deposits and other receivables	-	-	3,807,577	3,807,577	-
Short term investments	-	-	57,071,000	57,071,000	-
Cash and bank balances	78,306,309	-	4,739,038	83,045,347	2%-4.5%
	78,306,309	-	76,978,477	155,284,786	
Financial liabilities					
Recognized					
Liabilities against assets subject to finance lease	11,456,235	11,873,821	-	23,330,256	6-13%
Trade and other payables	10,182,018	-	50,072,798	60,254,816	52.50%
Revolving advances	-	-	122,456	122,456	-
	21,638,253	11,873,821	50,195,254	83,707,328	
On balance sheet gap	56,688,056	(11,873,821)	26,783,223	71,577,458	
Unrecognized					
Guarantees	-	-	768,000	768,000	-
Commitments	-	-	12,550,000	12,550,000	-
	-	-	13,318,000	13,318,000	

27. TRANSACTIONS WITH RELATED PARTIES

The group's related parties include staff retirement fund, directors and key management personnel. Balances with the related parties are shown else where in the accounts. The transaction with staff retirement benefit fund other than remuneration and benefits to key management personnel under the terms of their employment which are disclosed in note 25 to the financial statements are as follows:

	2006 (RUPEES)	2005 (RUPEES)
Contribution to staff retirement fund	3,209,018	2,942,836

28. CAPACITY AND PRODUCTION

Capacity of the pharmaceutical unit cannot be determined as the unit is used for manufacturing different products in varying quantities and packings.

29. CONTINGENCIES AND COMMITMENTS

29.1 Standard Chartered Bank, Rawalpindi and Bank Alfalah Limited, Rawalpindi have issue guarantees amounting to Rs. 0.768 million (2005: Rs. 0.768 million) on behalf of the company in the ordinary course of business.

29.2 Commitments in respect of irrevocable letters of credit amounted to Rs. 11.919 million (2005: Rs. 12.550 million) at the year end

30. GENERAL

30.1 Figures have been rounded off to the nearest rupee.

30.2 The Board of Directors of the company in the meeting held on August 31, 2006 proposed final cash dividend of Rs 4.00 per share and stock dividend @ 20 % i.e 2 bonus shares for every 10 shares held.

Rawalpindi
August 31, 2006

Osman Khalid Waheed
Director/President

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

PATTERN OF SHAREHOLDING AS AT 30 JUNE, 2006

Number of Shareholders	Shareholding			Total Shares held
1,180	From	1	to 100 Shares	25,236
525	From	101	to 500 Shares	133,807
171	From	501	to 1,000 Shares	126,130
233	From	1,001	to 5,000 Shares	524,570
55	From	5,001	to 10,000 Shares	407,724
23	From	10,001	to 15,000 Shares	296,164
8	From	15,001	to 20,000 Shares	141,244
8	From	20,001	to 25,000 Shares	179,464
4	From	25,001	to 30,000 Shares	109,781
2	From	30,001	to 35,000 Shares	64,690
1	From	35,001	to 40,000 Shares	35,045
1	From	40,001	to 45,000 Shares	44,000
2	From	45,001	to 50,000 Shares	98,829
1	From	50,001	to 55,000 Shares	54,481
1	From	55,001	to 60,000 Shares	59,723
1	From	60,001	to 65,000 Shares	62,702
1	From	65,001	to 70,000 Shares	66,826
1	From	75,001	to 80,000 Shares	75,757
5	From	95,001	to 100,000 Shares	488,155
1	From	115,001	to 120,000 Shares	117,074
1	From	120,001	to 125,000 Shares	122,988
2	From	125,001	to 130,000 Shares	253,666
1	From	130,001	to 135,000 Shares	130,542
2	From	135,001	to 140,000 Shares	274,083
1	From	140,001	to 145,000 Shares	143,631
1	From	145,001	to 150,000 Shares	145,581
1	From	215,001	to 220,000 Shares	216,378
1	From	230,001	to 235,000 Shares	234,852
1	From	320,001	to 325,000 Shares	320,929
1	From	595,001	to 600,000 Shares	598,871
1	From	600,001	to 605,000 Shares	602,935
1	From	1,160,001	to 1,165,000 Shares	1,161,325
1	From	2,725,001	to 2,730,000 Shares	,729,537
2,239	Total			10,046,720

Categories of shareholders	Number	Shares held	Percentage
Individuals	2,218	5,102,847	50.79
Joint Stock Companies	7	2,759,916	27.47
Investment Companies	1	7,491	0.07
Financial Institutions	3	1,161,721	11.56
Insurance Companies	5	981,177	9.77
Others	5	33,568	0.33
	2,239	10,046,720	100.00

Categories of shareholders	Number	Shares held	Percentage
Directors, Chief Executive officer, and their spouse and minor childrens.	8	1,173,399	11.68
Directors			
Mrs. Akhter Khalid Waheed		602,935	6.00
Mr. Osman Khalid Waheed		360,009	3.58
Mrs. Munize Azhar Peracha		110,988	1.10
Mr. Nihal Cassim		3,250	0.03
Mr. M. M. Ispahani		18,350	0.18
Mr. Taj Mohammad Khanzada		24,629	0.25
Mr. Farooq Mazhar		49,176	0.49
Khan Dost Muhammad Khan Sherpao		4,062	0.04
Associated Companies, undertakings and related parties.	4	3,091,445	30.77
Associated Company			
M/s. KFW Factors (Pvt) Limited		2,748,902	27.36
Executives			
Mr. Omer Khalid Waheed		301,678	3.00
Mr. A. U. Zafar		33,657	0.34
Mr. Muhammad Yasin		7,208	0.07
NIT and ICP	2	1,168,816	11.63
Investment Corp. of Pakistan		7,491	0.07
National Bank of Pakistan, Trustee Deptt.		1,161,325	11.56
Bank Development Financial Institutions, Non Banking Financial Institutions.	7	11,410	0.11
United Executors & Trustees Co Ltd. (Subsidiary of United Bank Ltd).		74	0.00
Mercantile Co-op Finance Corp Ltd		396	0.00
M/S N.H. Securities (Pvt) Limited		256	0.00
Rahat Securities Limited		1,630	0.02
Ali Hussain Rajabali Limited		6,500	0.06
Amin Agencies (Pvt) Limited		2,500	0.02
General Invest. & Securities (Pvt.) Ltd.		54	0.00
Insurance Companies	5	981,177	9.77
M/S Adamjee Insurance Co. Ltd.,		6,409	0.06
Co-op Insurance Society of Pak. Ltd.		54,481	0.54
United Insurance Co of Pak Ltd,		487	0.00
State Life Insurance Corp. of Pakistan		598,871	5.96
EFU General Insurance Limited		320,929	3.19
Shareholders holding 10% or more			
M/s. KFW Factors (Pvt) Limited		2,748,902	27.36
National Bank of Pakistan, Trustee Deptt.		1,161,325	11.56
General Public	2,208	3,586,905	35.70
Others	5	33,568	0.33
The Securities & Exchange Commission of Pakistan		1	0.00
Trustees Packages Ltd.		1,300	0.01
Trustees Saeeda Amin Wakf		10,351	0.10
Trustees Mohammad Amin Wakf Estate		14,216	0.14
Trustees - NWFP GPI Fund		7,700	0.08
	<u>2,239</u>	<u>10,046,720</u>	<u>100</u>

Please Quote Folio Number

FORM OF PROXY

I,

of

being member of Ferozsons Laboratories Limited, hereby appoint

.....

of

or failing him

of

as my proxy in my absence to attend and vote for me, and on my behalf at the Annual General Meeting of the Company to be held on September 30, 2006 and at any adjournment thereof.

As witness my hand this day of 2006

Signed by the said

Rs. 5
Revenue Stamp

Important: The Form of Proxy duly completed, must be deposited at the Company's Registered Office, 197-A, The Mall, Rawalpindi, not less than 48 hours before the time of holding the meeting. For completion of Proxy Form please fulfill requirements given in the respective Notice of Annual General Meeting.

PEOPLE
TRUST
US

FIVE DECADES
OF DEDICATED SERVICE
TO HUMANITY IN PAKISTAN
AND AROUND THE WORLD
IN PHARMACEUTICALS



FEROZSONS
LABORATORIES LIMITED