FEROZSONS
LABORATORIES LIMITED

CORPORATE INFORMATION

Board of Directors

Mrs. Akhter Khalid Waheed	Chairperson & Chief Executive	Executive Director
Mr. Osman Khalid Waheed	President	Executive Director
Mr. Omar Khalid Waheed	General Manager	Executive Director
Ms. Munize Azhar Piracha		Non-Executive Director
Mr. Farooq Mazhar		Non-Executive Director
Mr. Nihal Cassim		Non-Executive Director
Mr. M. M. Ispahani		Non-Executive Director
Mr. Shahid Anwar		Nominee of the NIT

Audit Coommittee

Mr. Farooq Mazhar	Chairman
Mr. Osman Khalid Waheed	Member
Mr. Nihal A. Cassim	Member
Mr. M. M. Ispahani	Member

Investment Coommittee

Mr. M. M. Ispahani	Chairman
Mr. Osman Khalid Waheed	Member
Mr. Nihal A. Cassim	Member

Senior Management

Mr. Osman Khalid Waheed	President
Mr. Omar Khalid Waheed	General Manager
Dr. Sohail Manzoor	Director Commercial
Mr. Anwar Khan	Director Procurment
Mr. Altaf Hussain	Director Export
Syed Ghausuddin Saif	CFO & Company Secretary

Registered Office

Ferozsons Laboratories Limited
197-A, The Mall, Rawalpindi
Rawalpindi-42000
Telephone: +92-51-5562155-57
Fax: +92-51-5584195, 5566881
Web: www.ferozsons-labs.com
Email: info@ferozsons-labs.com

Company Secretary

Syed Ghausuddin Saif

Bankers

Habib Bank Limited
Bank Alfalah Limited
Allied Bank Limited
HSBC Bank Middle East Limited
Standard Chartered Bank Limited

External Auditor

KPMG Taseer Hadi & Co.
Chartered Accountants

Internal Auditor

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisors

Khan & Piracha

Share Registrar

CorpTec Associates (Pvt.) Limited
7/3-G, Mushtaq Ahmed Gormani Road
Gulberg-II, Lahore
Telephone: +92-42-35788097-98
Fax: +92-42-5755215

Pharma Factory

P.O. Ferozsons
Amangarh-Nowshera (KPK)
Telephone: +92-923-614295, 610159
Fax: +92-923-611302

Head Office

5.K.M - Sunder Raiwind Road
Raiwind, Lahore
Telephone: +92-42-32104001-03
Fax: +92-42-32104004

Lahore Office

29-A, Lytton Road
Near Hamdard Dispensary
Lahore
Telephone: +92-42-37358194

Karachi Office

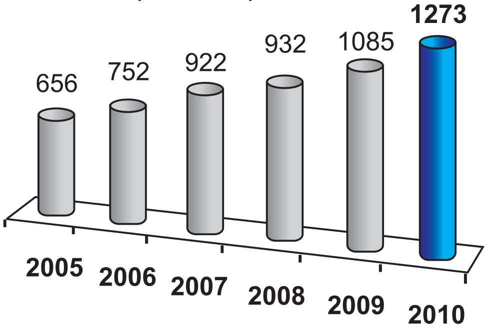
House No. 9, Block 7/8, Maqbool
Cooperative Housing Society, Karachi
Telephone: +92-21-34386852
Fax: +92-21-34386754

SIX YEARS AT A GLANCE

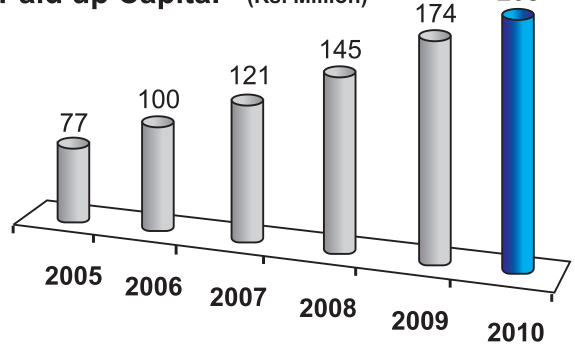
		2010	2009	2008	2007	2006	2005
			(Rs. in million unless otherwise stated)				
Ferozsons Laboratories Limited							
Operating Results							
Net Sales		1,273	1,085	932	922	752	656
Gross Profit		633	584	541	507	429	376
Profit Before Tax		333	246	293	259	218	215
Profit After Tax		318	183	217	200	176	154
Financial Position							
Share Capital		208	174	145	121	100	77
Reserves		1,067	797	682	562	417	306
Property, Plant and Equipment		742	736	611	551	487	266
Net Current assets		228	321	313	288	206	181
Long term / Deferred Liabilities		101	154	207	125	52	28
Summary of Cashflow Statement							
Cash generated from Operations		227	63	184	212	150	125
Net cash (used in)/generated from Investing activities		(196)	25	(230)	(226)	(157)	(44)
Net cash used in Financing activities		(38)	(101)	40	43	(48)	(55)
Key Performance Indicators							
Gross Profit ratio	%	50	54	58	55	55	57
Profit (PAT) to sales	%	25	17	23	22	22	23
Return on Equity	%	25	19	26	29	34	40
Return on Capital Employed	%	20	13	23	24	26	46
Earning Per Share - Basic & Diluted (Adjusted)	Rs.	15	11	15	14	15	19
Cash Dividend per share	Rs.	-	1.00	3.00	6.50	4.00	8.00
Bonus Share Issued	%	20	20	20	20	20	30
Price Earning ratio	%	7	15	21	17	12	10
Market Price per share	Rs.	100	157	309	248	205	195
Consolidated							
Operating Results							
Net Sales		1,537	1,189	1,029	1,012	839	730
Gross Profit		700	605	564	528	446	388
Profit Before Tax		261	249	296	262	222	217
Profit After Tax		244	183	217	200	176	154
Financial Position							
Share Capital		208	174	145	121	100	77
Reserves		1,008	795	681	561	416	306
Property, Plant and Equipment		1,295	1,273	1,047	818	495	269
Net Current assets		320	206	297	273	364	197
Long term / Deferred Liabilities		138	228	241	125	52	28

FEROZSONS
LABORATORIES LIMITED

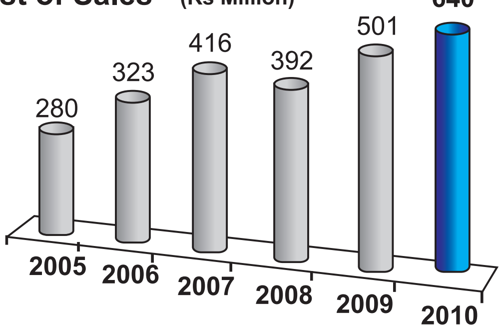
Net Sales - (Rs. Million)



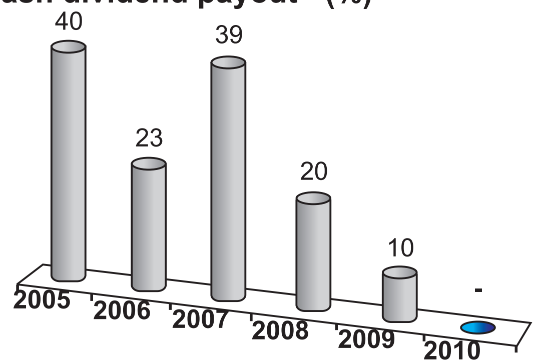
Paid up Capital - (Rs. Million)



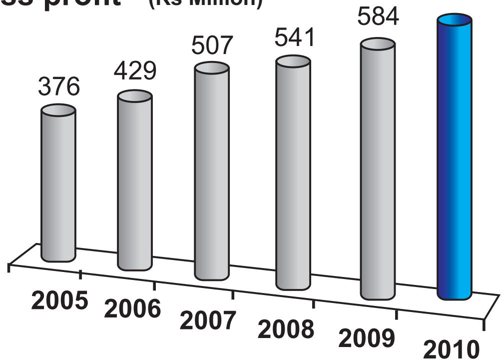
Cost of Sales - (Rs Million)



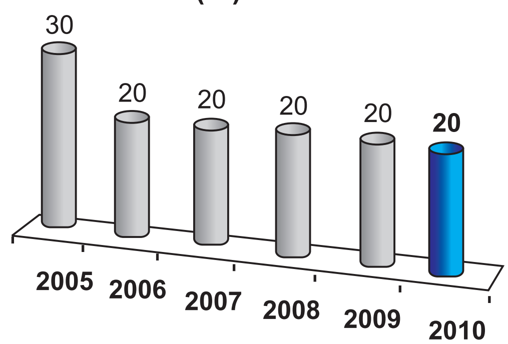
Cash dividend payout - (%)



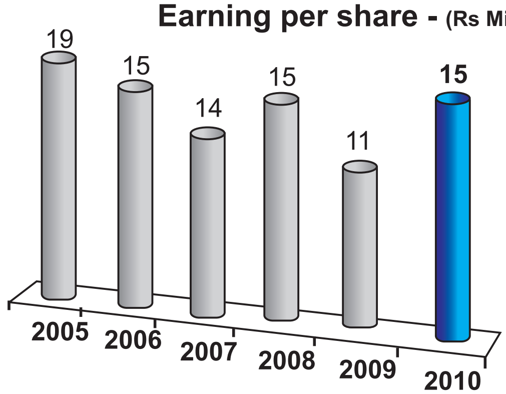
Gross profit - (Rs Million)



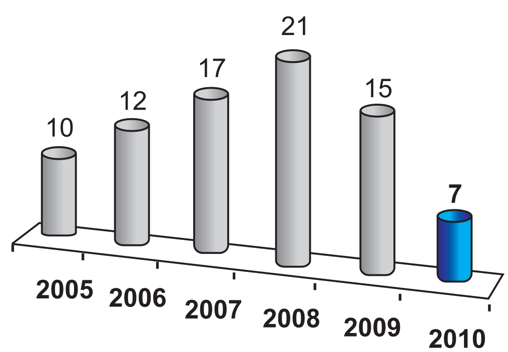
Bonus shares - (%)



Earning per share - (Rs Million)



Price earning Ratio - Ratio



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 **54th** Annual General Meeting ("the Meeting") of **FEROZSONS LABORATORIES LIMITED** ("the Company") will be held at its Registered Office, 197-A, The Mall, Rawalpindi on Thursday, October 21, 2010 at 11.30 A.M. to transact the following business:

Ordinary Business:

1. To confirm the Minutes of the Extra Ordinary General Meeting held on June 14, 2010.

2. To receive, consider and adopt the audited Annual Financial Statements of the Company for the year ended June 30, 2010 together with the Directors' and Auditors' Reports thereon.

3. To approve 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, 2010 as recommended by the Board of Directors.

4. To appoint External Auditors for the financial year ending June 30, 2011 and to fix their remuneration.

Special Business:

5. To consider and pass the following special resolution with or without modification:

   "RESOLVED THAT in the event of any member holding shares which are not in exact Multiple of his/her entitlement, the Directors of the Company be and are hereby authorized to sell in the Stock Market such fractional entitlement and to pay the net proceeds of sale to a charitable institution as approved by Directors."

6. To transact any other business with the permission of the Chair.

By the order of the board

Rawalpindi
September 18, 2010

(Syed Ghausuddin Saif)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will be closed from October 16, 2010 to October 25, 2010 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, CorpTec Associates (Pvt.) Limited, 7/3-G, Mushtaq Ahmed Gormani Road, Gulberg II, Lahore at the close of business on October 15, 2010 will be in time to be entitled to vote and for the entitlement of bonus.

2. A member of the Company entitled to attend and vote at the 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 office of the Company's Share Registrar not less than 48 hours before the Meeting.

3. 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 persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC), 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 individual, 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 CNIC numbers shall be mentioned on the Form.

   iii. Attested copies of CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.

   iv. The Proxy shall produce his original CNIC 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.

4. Shareholders are requested to notify the Company's Share Registrar promptly changes in their address, if any.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

PERTAINING TO ITEM NO. 5

The approval of the Shareholders is sought to consolidate fractional shares resulting from the bonus issue, recommended by the Board of Directors in their meeting held on September 18, 2010 into whole shares and pay the net proceeds of the sale through stock market 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.

DIRECTORS' REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED JUNE 30, 2010

We are pleased to present the 54th Annual Report and the Audited Financial Statements of your Company for the financial year ended June 30, 2010 along with the Consolidated Financial Statements of its subsidiaries, BF Biosciences Limited and Farmacia.

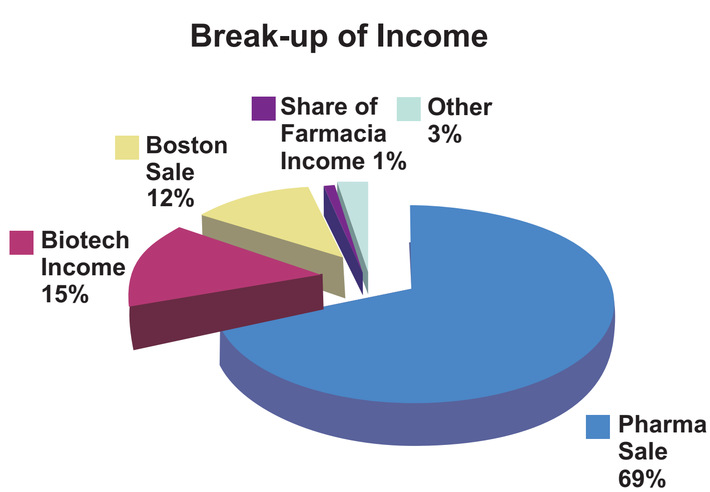
Your Company's Individual and Consolidated Financial Results

A summary of the operating results for the year and appropriation of the divisible profits is given below:

	Individual		Consolidated	
	2010	2009	**2010**	2009
	(Rupees in thousands)			
Sales (net)	**1,273,375**	1,085,394	**1,536,683**	1,189,257
Gross Profit	**633,243**	584,211	**699,542**	605,110
Profit before tax	**332,773**	245,724	**261,433**	249,141
Taxation	**(15,231)**	(62,966)	**(17,135)**	(66,332)
Profit after tax	**317,543**	182,757	**244,298**	182,809
Un-appropriated profit	**749,571**	613,443	**748,408**	612,424
Profit available for appropriation	**1,067,114**	796,200	**1,007,224**	795,037
Appropriations				
Final cash dividend for FY 2010 @ Rs.Nil/share (FY 2009: Re. 1/share)	**-**	(17,361)	**-**	(17,361)
Bonus shares for the FY 2010 @20% (FY 2009: 20%)	**(41,666)**	(34,721)	**(41,666)**	(34,721)

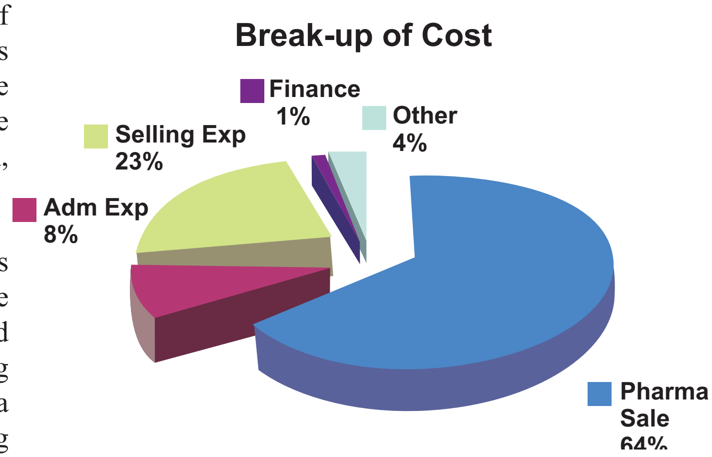
The net sales of your Company's operations showed an increase of 17.32%. It is important to point out that this growth is a diluted figure as the last year's sale included the Biotech product range, which has since become part of its subsidiary, BF Biosciences Limited as of July 1, 2009.

Despite the uncertain economic conditions prevailing in our county, We are pleased to report that your Company was able to improve its top-line performance with a positive sales growth and was able to close the year with Net Sales of Rs. 1.273 Billion.



In terms of its consolidated net sales (inclusive of Farmacia and biotech sales now represented in its subsidiary BF Biosciences Limited), the Company achieved a Net Sales figure of Rs. 1.536 Billion against the figure of Rs 1.189 Billion achieved last year, a growth of 29%.

The overall increase in cost of sales of your company is a result of the continuous depreciation of rupee value and increase in raw material prices on one hand, and the addition of the Boston Scientific division, which operates at a lower GP margin.



The apparent decrease in Company's marketing spend reflects the fact that the Biotech division expenditures were transferred to BF Biosciences in current year. Selling and Distribution Expenses in the Pharma Division, however, increased by 12% during the year. During this period we launched the following new products:

- Flosure Caps 0.4 mg (Tamsulosin HCI), in urology.
- Orion DIU Tabs 20/12.5 mg, Xavor – DIU FORTE, and Carveda 12.5 mg, as line extensions in cardiology
- Actigem Tabs 320 mg (Gemifloxacin), an antibiotic for respiratory tract infections.

While the marketing activities associated with these launches significantly increased the selling expense during the fiscal year, the benefit they are expected to add to the top line and profitability will begin to accrue in Fiscal year 2010-11.

Net Profit before tax increased by 36% to close at Rs. 333.978 Million for the Year (2009: Rs. 245.724 Million). This was augmented by the transfer of selling and distribution costs of Biotech division to BF Biosciences in current year. In addition, the company has restricted its tax provision to the extent of turnover tax in current year after a tax relief/exemption was introduced by the Finance Act 2010, through clause 126F in part one of the 2nd Schedule of Income Tax Ordinance 2001.

A summary of key operating and financial data of the individual and consolidated financial statements for the last six years is annexed.

Earnings Per Share

Based on the net profit for the year ended June 30, 2009 the earnings per share (EPS) stand at Rs. 15.3 per share, compared to an adjusted EPS of Rs. 8.77 on the expanded capital of Rs. 208.329 Million after issuance of bonus shares during the year.

Dividend Announcement

The Board of Directors is pleased to recommend a stock dividend of 20% (i.e. two shares for every ten shares held), making a total payout of 20% for the year ended June 30, 2010.

Industry Scenario

Faced with the consequences of the most devastating floods in the country's history, the economic growth of Pakistan will be severely tested. At the same time, the country's industrial infrastructure, already compromised by continuous electricity and gas outages, is also bound to worsen, leading to further increases in the cost of manufacture for the industrial sector.

In this background and despite several adverse challenges, your company will continue to seek future avenues of growth. Our subsidiary venture, BF Biosciences Limited, is Alhamdolillah now fully operational, and in addition to locally producing its previously imported range of biologics, has also launched the first true biosimilar Peginterferon (Peg-INF), entering the Rs 1 billion market for pegylated interferon's and completing its portfolio of solutions in the war against Hepatitis C, a disease that afflicts an estimated 12 million people in the country.

Information Technology

The Company is currently in a phase of a parallel run for its new ERP system. As per implementation plan this parallel run would be carried out for 1st quarter to verify the financial results and training of staff. We sincerely hope that with the success of this critical phase we will Insha' Allah be able to switch over to new system in 2nd quarter of 2010-11.

Corporate Governance

The Board of Directors and the Company remain committed to the principal of good corporate management practices with the emphasis on transparency and disclosures. The Board and management are cognizant of their responsibility and monitor the operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The Company is fully compliant of Code of Corporate Governance and as per the requirements of listing regulations, following specific statements are being given hereunder:

- Proper books of account of the Company have been maintained.
- 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.
- Appropriate Accounting Policies have been consistently applied in preparation of the company's financial statements which confirm to the International Accounting Standards as applicable in Pakistan. The accounting estimates, wherever required, are based on reasonable and prudent judgment.
- The systems of internal controls are sound in design and have been effectively implemented by the management and monitored by the internal auditor as well as the Board of Directors as well as Board's Audit Committee. The Board reviews the effectiveness of established internal controls through the Audit Committee and suggests, whenever required, further improvement in the internal control system. The internal controls are also reviewed by the external auditors.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.

Employee Retirement Benefit

The values of investments of employees' provident fund as at June 30, 2010 (based on un-audited accounts) are Rs. 118.528 million.

Corporate Social Responsibility (CSR)

Your Company prides itself in being a responsible corporate citizen and playing its role in support of health and literacy efforts in the country. This year, we continued our support to the scholarship programme at the LUMS School of Science & Engineering. We also sponsored needy children at Rising Sun Institute for Special Children under the auspices of Rising Sun Education & Welfare Society.

Despite being affectees of the most floods in Nowshera, we have strived to play our role in supporting relief activities. We have provided shelter and food facilities to the local community, and have donated medicines through several relief camps in different parts of the country.

Without urgent access to clean drinking water in flood-affected areas, the spread of water-borne diseases will create a healthcare catastrophe of unprecedented proportions. The UN has projected that 3.5 million children are at immediate risk of contracting fatal diseases. We are pleased to report that through the extremely generous support of our joint venture partners, the Bagó Group, we are also working with The Citizens Foundation (TCF), to import filters that will provide clean, safe (virus and bacteria free) drinking water to at least 8,000 families in affected areas on a daily basis. We plan to continue working with TCF to provide clean water on a long-term basis throughout its network of 660 schools across the country.

Meetings of the Board of Directors

The information regarding the meetings of the board of directors held during the year ended June 30, 2010 is annexed.

Share Capital and Pattern of Shareholding

The issued, subscribed and paid of capital of the company as at June 30, 2010 was Rs. 208.329 million.

The statement indicating the number of shareholders as on June 30, 2010 and their categories forming the pattern of shareholding as required under the Code of Corporate Governance is annexed.

The Directors, CEO and CFO & Company Secretary, their spouses and minor children did not carry out any trade in the shares of the Company.

Subsidiaries

As mentioned above, BF Biosciences, the newest subsidiary of Ferozsons group, is now fully operational. The commercial batches of its hepatology and oncology products, that were previously being imported, are now being sold in market as BF Biosciences brands. Despite significant start-up costs and continued pressure because of utilities shortages, we expect that with the launch of its new products and the benefit of local production, the margins of this business will Insha' Allah improve significantly.

Farmacia, the Company's retail venture has also had a satisfactory year. In the current year it contributed Rs. 8.953 Million to the company's net income against Rs. 10.551 Million last year. Although it's contribution towards parent company has decreased due to the decrease in net profit by 15% this was primarily an effect of higher depreciation in current year as the subsidiary has invested an amount of Rs. 34 Million in real state.

Auditors

The Auditors Messrs KPMG Taseer Hadi & Co, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment as Auditors. The Audit Committee in their meeting held on September 17, 2010 has recommended the re-appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as auditors for the financial year ending June 30, 2011.

Affirmation

We would also like to thank our valued customers for their continued trust in our products. We are making all efforts to widen the range of our products with the highest of quality standards. We also thank our vendors, distributors and financial institutions for their extended cooperation.

We would also like to register my appreciation for tireless efforts of the Company's management and staff at all levels. Without their dedication and hard work, the financial and operational results reflected in this report would not have been possible.

On behalf of the Board

Rawalpindi
September 18, 2010

(Mrs. Akhter Khalid Waheed)
Chairperson & CEO

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE

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 six independent non-executive directors out of a total strength of nine detectors.

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 and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurred in the Board of Directors during the year ended June 30, 2010 which were subsequently filled up by the Board of Directors in their meeting held on September 18, 2010.

5. The company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the Company.

6. The Board has formulated and adopted a Vision/Mission Statement.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman/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 Board has started the process of arranging orientation courses for its directors to apprise them of their duties and responsibilities.

10. There was no change in the position of Company Secretary and Chief Financial Officer while Head of Internal Audit has resigned during the year. Internal audit function of the Company was outsourced to a firm of Chartered Accountants, with the approval of the Board.

11. 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.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of four members, out of which three are non-executive directors including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme 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.

18. 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.

19. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation number 37 of the Karachi Stock Exchange (Guarantee) Limited

20. We confirm that all other material principles contained in the Code have been complied with.

For and behalf of the Board of Directors

Rawalpindi
September 18, 2010

(Mrs. Akhter Khalid Waheed)
Chairperson and CEO

DATES AND ATTENDANCE OF BOARD MEETINGS HELD DURING THE YEAR ENDED JUNE 30, 2010

A total of Six Board Meetings were held during the Financial Year 2009-2010 on the following dates:

August 18, 2009
September 28, 2009
October 26, 2009
January 28, 2010
April 27, 2010
June 14, 2010

The detail of attendance by Directors is as under:

Director	Number of meetings attended
Mrs. Akhter Khalid Waheed	5
Mr. Osman Khalid Waheed	5
Mrs. Munize Azhar Piracha	5
Mr. Omar Khalid Waheed	6
Mr. Farooq Mazhar	6
Mr. Nihal Cassim	3
Mr. M. M. Ispahani	5
Mr. Dost Muhammad Khan Sherpao	0
Mr. M. Khalil Mian	0
Mr. Muhammad Iqbal Hussain	2

Leaves of absence were granted in all cases to Directors.

For and behalf of the Board of Directors

Rawalpindi
September 18, 2010

(Mrs. Akhter Khalid Waheed)
Chairperson and CEO

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 inquiries 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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.

Islamabad
September 18, 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Riaz Pesnani

Financial Statements for the Year Ended June 30, 2010

AUDITORS' REPORT TO THE MEMBERS
FEROZSONS LABORATORIES LIMITED

We have audited the annexed balance sheet of Ferozsons Laboratories Limited ("the Company") as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, 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 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 above said 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 policies consistently applied, except for the change as mentioned in note 2.2 to the financial statements, 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, statement of comprehensive income, 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 the Company's affairs as at 30 June 2010 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 the 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
September 18, 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Riaz Pesnani

BALANCE SHEET AS

	Note	2010 (Rupees)	2009 (Rupees)
SHARE CAPITAL AND RESERVES			
Share capital	4	208,328,786	173,607,322
Capital reserve	5	321,843	321,843
Unappropriated profit		1,067,114,429	796,200,236
		1,275,765,058	970,129,401
SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax	6	242,020,812	247,474,526
NON CURRENT LIABILITIES			
Long term financing - secured	7	42,562,500	99,312,500
Liabilities against assets subject to finance lease	8	-	475,003
Deferred taxation - net	9	58,329,176	53,960,117
		100,891,676	153,747,620
DERIVATIVE LIABILITY-INTEREST RATE SWAP	10	140,174	-
CURRENT LIABILITIES			
Trade and other payables	11	154,732,360	146,275,665
Accrued mark-up on long term financing		1,634,970	4,187,777
Current portion of long term financing	7	56,750,000	56,750,000
Current portion of liabilities against assets subject to finance lease	8	475,003	983,653
Short term borrowing	12	36,528,049	-
Provision for current taxation - net		-	361,151
		250,120,382	208,558,246
		1,868,938,102	1,579,909,793
CONTINGENCIES AND COMMITMENTS	13	-	-

The annexed notes from 1 to 41 form an integral part of these financial statements.

Rawalpindi
September 18, 2010

Director

AT JUNE 30, 2010

	Note	2010 (Rupees)	2009 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	742,280,446	735,614,952
Long term investments	15	222,813,836	214,806,189
Long term loan	16	425,000,000	99,312,500
Long term deposits		1,053,400	969,370
Derivative asset-interest rate swap		-	31,143
CURRENT ASSETS			
Stores, spare parts and loose tools	17	4,640,630	3,628,845
Stock in trade	18	296,402,640	272,988,349
Trade debts- secured, considered good	19	45,215,438	49,545,707
Current portion of long term loan	16	-	99,312,500
Loans and advances-considered good	20	13,228,405	7,367,988
Deposits and prepayments	21	11,129,809	7,293,812
Interest accrued		-	29,804,338
Advance income tax - net	22	81,090,608	-
Other receivables	23	1,100,901	1,881,726
Other financial assets	24	9,714,907	35,069,367
Cash and bank balances	25	15,267,082	22,283,007
		477,790,420	529,175,639
		1,868,938,102	1,579,909,793

Chairperson & CEO

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees)	2009 (Rupees)
Sales - net	26	1,273,374,822	1,085,393,578
Cost of sales	27	(640,132,304)	(501,182,280)
Gross profit		633,242,518	584,211,298
Other operating income	28	43,434,507	23,954,076
Administrative expenses	29	(83,262,197)	(80,995,604)
Selling and distribution cost	30	(234,076,533)	(261,185,939)
Finance cost	31	(5,752,880)	(3,675,937)
Other charges	32	(28,819,846)	(27,964,316)
Share in profit of Farmacia - 98% owned partnership firm		8,007,647	11,380,233
Profit before taxation		332,773,215	245,723,811
Provision for taxation	33	(15,230,540)	(62,966,358)
Profit for the year		317,542,675	182,757,453
Earnings per share - basic and diluted	34	15.24	8.77

The annexed notes from 1 to 41 form an integral part of these financial statements.

Rawalpindi
September 18, 2010 Director Chairperson & CEO

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 (Rupees)	2009 (Rupees)
Profit after tax	**317,542,675**	182,757,453
Other comprehensive income		
Transfer from surplus on revaluation of fixed assets recognized directly in equity	**8,390,329**	6,979,826
Income tax on other comprehensive income	**(2,936,615)**	(2,442,939)
Other comprehensive income for the period net of tax	**5,453,714**	4,536,887
Total comprehensive income	**322,996,389**	187,294,340

The annexed notes from 1 to 41 form an integral part of these financial statements.

Rawalpindi
September 18, 2010

Director

Chairperson & CEO

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees)	2009 (Rupees)
Cash flow from operating activities			
Profit before taxation		332,773,215	245,723,811
Adjustments for:			
Depreciation		49,698,417	45,024,493
Gain on disposal of property, plant and equipment		(5,765,691)	(2,935,807)
Finance Cost		5,752,880	2,488,299
Dividends, capital gains and income from investments and deposits		(37,668,816)	(21,018,269)
Loss on re-measurement of short term investments		1,628,060	5,251,345
Loss on fair value adjustment of interest rate swap		-	1,187,639
Provision for employees benefit		917,567	-
Provision for Workers' (Profit) Participation Fund		15,507,545	11,917,691
Provision for Workers' Welfare Fund		8,340,228	8,251,341
Provision for Central Research Fund		3,344,013	2,543,939
Share in profit of Farmacia-98% owned subsidiary firm		(8,953,016)	(11,380,233)
		33,746,556	41,330,438
		366,519,771	287,054,249
Working capital changes			
Increase in stocks and stores, spare parts & loose tools		(24,426,076)	(91,738,110)
Decrease/(Increase) in trade debts		4,330,269	(25,091,506)
Decrease/(Increase) in loans, advances, deposits, prepayments and other receivables		15,386,973	(5,217,817)
Increase in trade and other payables		7,555,069	24,770,014
		2,846,235	(97,277,419)
Cash generated from operations		369,366,006	189,776,830
Finance cost paid		(22,453,346)	(34,256,356)
Income taxes paid		(92,313,240)	(73,344,993)
Payment to Workers' (Profit) Participation Fund		(12,891,516)	(14,588,403)
Payment to Workers' Welfare Fund		(4,914,476)	(4,832,582)
Payment to Central Research Fund		(10,011,722)	-
		(142,584,300)	(127,022,334)
Net cash from operations		226,781,706	62,754,496
Cash flows from investing activities			
Increase in long term loan		(226,375,000)	-
Long term loan recovered		-	14,187,500
Purchase of property, plant and equipment		(82,988,607)	(173,828,447)
Purchase of short term investments		(6,109,752)	(67,507,150)
Proceeds from incashment of short term investments		36,623,330	221,661,001
Dividends, capital gains and income from investments and deposits received		75,037,623	23,182,035
Proceeds from disposal of property, plant and equipment		8,034,942	7,112,222
Net cash (used in)/generated from investing activities		(195,777,464)	24,807,161
Cash flows from financing activities			
Payment of finance lease liabilities		(983,653)	(2,397,802)
Proceeds from short term financing		36,528,049	-
Repayment of long term financing		(56,750,000)	(56,750,000)
Payment of dividend		(16,814,563)	(41,938,309)
Net cash used in financing activities		(38,020,167)	(101,086,111)
Net decrease in cash and cash equivalents during the year		(7,015,925)	(13,524,454)
Cash and cash equivalents at beginning of the year		22,283,007	35,807,461
Cash and cash equivalents at end of the year	25	15,267,082	22,283,007

The annexed notes from 1 to 41 form an integral part of these financial statements.

Rawalpindi
September 18, 2010 Director Chairperson & CEO

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Share capital (Rupees)	Capital reserve (Rupees)	Revenue reserve Unappropriated profit (Rupees)	Total (Rupees)
Balance as at July 01, 2008	**144,672,768**	**321,843**	**681,242,280**	**826,236,891**
Total Comprehensive income for the year				
Profit for the year	-	-	182,757,453	182,757,453
Other Comprehensive income				
Transfer from surplus on revaluation of fixed assets Net income recognized directly in equity	-	-	4,536,887	4,536,887
Total other comprehensive income for the year			4,536,887	4,536,887
Total comprehensive income for the year			187,294,340	187,294,340
Transactions with owners, recorded directly in equity				
Final dividend for the year ended June 30, 2008 Rs. 3.00 per share	-	-	(43,401,830)	(43,401,830)
Bonus shares issued at 20% for the year ended June 30, 2008	28,934,554	-	(28,934,554)	-
Total distribution to owners	28,934,554		(72,336,384)	(43,401,830)
Balance as at June 30, 2009	**173,607,322**	**321,843**	**796,200,236**	**970,129,401**
Balance as at July 01, 2009	**173,607,322**	**321,843**	**796,200,236**	**970,129,401**
Total Comprehensive income for the year				
Profit for the year	-	-	317,542,675	317,542,675
Other Comprehensive income				
Transfer from surplus on revaluation of fixed assets Net income recognized directly in equity	-	-	5,453,714	5,453,714
Total other comprehensive income for the year			5,453,714	5,453,714
Total comprehensive income for the year	-	-	322,996,389	322,996,389
Transactions with owners, recorded directly in equity				
Final dividend for the year ended June 30, 2009 Re. 1.00 per share	-	-	(17,360,732)	(17,360,732)
Bonus shares issued at 20% for the year ended June 30, 2009	34,721,464	-	(34,721,464)	-
Total distribution to owners	**34,721,464**	**-**	**(52,082,196)**	**(17,360,732)**
Balance as at June 30, 2010	**208,328,786**	**321,843**	**1,067,114,429**	**1,275,765,058**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Rawalpindi
September 18, 2010

Director

Chairperson & CEO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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. The registered office of the Company is situated at 197-A, The Mall, Rawalpindi and the Factory is Located at Amangarh, Nowshera - Khyberpakhtoonkhwa.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, shall prevail.

2.2 Change in accounting policy

The Company applied revised IAS 1 "Presentation of Financial Statements", which became effective from 01 January 2009. Accordingly all owners' changes in equity are presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented in conformity with the revised standard. The change in accounting policy impacts presentation only without any impact on earnings per share.

2.3 Amendments to published standards and new interpretations effective in current year

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements;

IFRS 2 (amendments relating to group cash-settled share-based Payment transactions) - Share-based Payment (effective for annual periods beginning on or after 01 January 2010).

IFRS 5 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Non-Current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 01 January 2010).

IFRS 8 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Operating Segments (effective for annual periods on or after 01 January 2010).

IFRS 9 (Classification and Measurement) - Financial Instruments (effective for annual periods beginning on or after 01 January 2010).

IAS 1 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2010).

IAS 7 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Statement of Cash Flows (effective for annual periods beginning on or after 01 January 2010).

IAS 17 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Leases (effective for annual periods beginning on or after 01 January 2010).

IAS 24 (revised definition of related parties) - Related Party Disclosures (effective for annual periods beginning on or after 01 January 2011).

IAS 32 (amendments relating to classification of right issue) - Financial Instruments: Presentation (effective for annual periods beginning on or after 01 January 2010).

IAS 36 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Impairment of Assets (effective for annual periods beginning on or after 01 January 2010).

IAS 39 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 01 January 2010).

IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 01 January 2011.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010.

The International Accounting Standards Board made certain amendments to existing standards as part of its improvement project. The effective dates for these amendments vary by standard and will be applicable to the Company in ensuing years. These amendments are unlikely to have an impact on the Company's financial statements.

2.4 Basis of measurement

These financial statements have been prepared on the historical cost basis except that certain items of property, plant and equipment are stated at revalued amounts and investment in listed securities and derivative financial instruments are stated at their fair values. The methods used to measure fair values are discussed further in their respective policy notes.

These financial statements are separate financial statements of the Company in which investments in subsidiaries are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2.5 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR) which is the Company's functional currency. All financial information presented in PKR has been rounded off to the nearest thousand, unless otherwise stated.

2.6 Use of estimates and judgments

The preparation of financial statements in conformity with the 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 estimates are revised if the revision affects only that period, or in the period of the revision and any future periods affected.

Judgments made by the 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.

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 effect on the depreciation charge and impairment.

Stores spare parts and loose tools and stock in trade

The Company reviews the stores spare parts and loose tools and stock in trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spares parts and loose tools and stock in trade with a corresponding affect on the provision.

Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

Provisions

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. 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 are regularly reviewed and adjusted to take account of such changes.

Taxation

The Company takes into account the current income tax laws 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 the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.2 which addresses change in accounting policy.

3.1 Employee benefits

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis. The accounting policy for employee retirement benefits is described below;

Staff provident fund

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

Compensated absences

The Company provides for compensated absences for its employees on unavailed balance of leave in the period in which leave is earned.

3.2 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in the profit and loss account except to the extent that it relates to items recognized outside profit and loss account (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside profit and loss account.

3.2.1 Current

Provision for current taxation is based on taxable income for the year at the applicable tax rates after taking into account tax credit and tax rebates, if any and any adjustment to tax payable in respect of previous years.

3.2.2 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.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on the tax rates that have been enacted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

3.3 Property, plant and equipment , depreciation and capital work in progress

3.3.1 Owned

Property, plant and equipment of the Company other than freehold land, building, plant & machinery and capital work in progress are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs. Building and plant & machinery are stated at revalued amount less accumulated depreciation and impairment loss, if any. Freehold land is stated at revalued amount. Revaluation is carried out every five years unless earlier revaluation is necessitated.

Depreciation is provided on a straight line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 14 to these financial statements. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed asset account. Deficit, if any, arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the above mentioned surplus account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to equity net of related deferred tax.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other operating income” in profit or loss account. When revalued asset is sold, the amount included in the surplus on revaluation of fixed assets net of deferred tax is transferred directly to equity.

3.3.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labor and appropriate directly attributable overheads. These costs are transferred to property, plant and equipment as and when assets are available for their intended use.

3.3.3 Leased assets

Leased property, plant and equipment in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance charges and the reduction of outstanding liability. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods. The finance charge is allocated to each period using the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leased assets are depreciated on the useful life of the asset using the straight line method at the rate given in note 14. Depreciation on leased assets is charged to profit and loss account currently.

3.4 Investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Company. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.4.1 Investment in subsidiary

Investments in subsidiaries are initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

3.4.2 Investments available for sale

These are initially recognized at cost and at subsequent reporting dates measured at fair values. Gains and losses from changes in fair value are taken to equity until disposal at which time these are recycled to profit and loss account.

3.4.3 Investments held to maturity

Investments with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold investments to maturity are classified as investments held to maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses. The resultant change in values is reported directly in the profit and loss account.

3.4.4 Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. All investments classified as investments 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, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account.

3.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of cost and net realizable value. Cost is determined on weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

3.6 Stocks in trade

Stocks are valued at the lower of average cost and net realizable value. Cost is determined as follows:

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

Cost comprises of purchase and other costs incurred in bringing the material to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs necessarily to be incurred in order to make a sale.

3.7 Trade and other receivables

Trade and other receivable are stated at original invoice amount as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The allowance for doubtful accounts is based on the Company's assessment of the Collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

3.8 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.

3.9 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.

3.10 Trade and other payables

Trade and other payables are stated at cost which is fair value of the consideration to be paid in future for goods and services received.

3.11 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of pharmaceuticals, net of discounts. Revenue is recognized when the goods are shipped and title passes to the customer, it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

3.12 Borrowing costs

Markup, interest and other direct charges on borrowings are capitalized to the related qualifying asset till substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. All other markup, interest and related charges are charged to the profit and loss account as finance cost.

3.13 Finance income

Finance income comprises interest income on funds invested, dividend income, exchange gain and changes in the fair value of financial asset at fair value through profit or loss. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.

Dividend income relating to post acquisition profit is recognized when the right to receive is established.

Gains and losses on sale of investments are accounted for when the settlement (settlement date) for sale of security is made.

Unrealized gains/(losses) arising on revaluation of securities classified as 'held for trading' are included in profit and loss account in the period in which they arise. Gains/(losses) arising on the revaluation of the derivatives to the fair value are taken to profit and loss account.

3.14 Dividend

Dividend distribution to the Company's members is recognised as a liability in the period in which the dividends are approved.

3.15 Provisions

A provision is recognized 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.

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.

3.16 Derivative financial instrument

The Company holds derivative financial instrument to hedge its interest rate risk exposures. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivative financial instrument that is not held for trading, and is not designated in a qualifying hedge relationship is measured at fair value, and all changes in its fair value are recognized immediately in profit or loss.

3.17 Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

3.18 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.

Financial liabilities are classified according to the substance of contractual agreements entered into, significant financial liabilities are long term loans, liability under lease finance, accrued mark up and trade and other payables.

All the financial assets and liabilities are initially recognized at fair value. These are subsequently measured at fair value or amortized cost or cost as the case may be.

3.19 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.

3.20 Foreign currencies

PKR is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year

3.21 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss account. An impairment loss is reversed in the profit and loss account if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non financial assets

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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

	2010 (Rupees)	2009 (Rupees)

4. SHARE CAPITAL

	2010 (Rupees)	2009 (Rupees)
Authorized share capital:		
25,000,000 (2009: 25,000,000) ordinary shares of Rs. 10 each.	**250,000,000**	250,000,000
Issued, subscribed and paid up capital:		
1,441,952 (2009: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	**14,419,520**	14,419,520
119,600 (2009: 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
19,271,327 (2009: 15,799,180) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**192,713,266**	157,991,802
	208,328,786	173,607,322

The holders of ordinary shares are entitled to receive dividends as declared, and are entitled to one vote per share at meetings of the Company.

5. CAPITAL RESERVE

This represents capital reserve arising on conversion of shares of NWF Industries Limited and Sargodha Oil & Floor Mills Limited, since merged.

6. SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax

	2010 (Rupees)	2009 (Rupees)
Surplus on revaluation of fixed assets at beginning of the year	**275,722,172**	282,701,998
Surplus transferred to equity in respect of incremental depreciation charged during the year:		
- Net of deferred tax	**(5,453,714)**	(4,536,887)
- Related deferred tax liability	**(2,936,615)**	(2,442,939)
	(8,390,329)	(6,979,826)
Surplus on revaluation of fixed assets as at 30 June	**267,331,843**	275,722,172
Related deferred tax liability:		
- Surplus on revaluation of fixed assets at beginning of the year	**(28,247,646)**	(30,690,585)
- Transferred to equity- incremental depreciation charged during the year	**2,936,615**	2,442,939
	(25,311,031)	(28,247,646)
	242,020,812	247,474,526

The free hold land, building and plant and machinery were revalued by independent valuers in years 1976, 1989, 2002 and 2006 respectively. These revaluations had resulted in a cumulative surplus of Rs. 324.75 million, which has been included in the carrying values of free hold land, building and plant and machinery respectively and credited to the surplus on revaluation of fixed assets. The surplus is adjusted by surplus realized on disposal of revalued assets, if any and incremental depreciation arising due to revaluation, net of deferred tax.

		Note	2010 (Rupees)	2009 (Rupees)
7.	**LONG TERM FINANCING - SECURED**			
	From banking company- Habib Bank Limited (HBL)	7.1		
	Principal outstanding at beginning of the year		**156,062,500**	212,812,500
	Less : Principal paid during the period		**(56,750,000)**	(56,750,000)
	Balance outstanding at end of the year		**99,312,500**	156,062,500
	Less : Current portion shown under current liabilities		**(56,750,000)**	(56,750,000)
			42,562,500	99,312,500

7.1 The Company has obtained a long term finance facility of Rs. 277 million from Habib Bank Limited to finance its 80% owned subsidiary, BF Biosciences Limited, however, the Company has availed the facility to the extent of Rs. 227 million only. This facility is repayable in sixteen equal quarterly instalments with a grace period of 1 year, commencing from 15th month after first draw down and carry mark-up at base rate (six months KIBOR) plus 1.5% per annum payable quarterly in arrear. The facility is secured by first pari passu charge by way of hypothecation over all present and future current and movable assets of the Company and equitable mortgage over immovable property to the extent of Rs. 370 million.

The above facility was later converted into a Long Term Financing Facility (LTFF) for export oriented projects by a scheme introduced by the State Bank of Pakistan (SBP) up to the extent of Rs. 115.043 million only. This facility is repayable in ten quarterly installments commencing from the October 26, 2009 and carries mark-up at 8.0% per annum or as per SBP, payable quarterly in arrear. The facility is secured by first charge on all present and future moveable assets of the Company (25% margin) ranking pari passu with the existing first charge holders to the extent of Rs. 370 million and first, equitable mortgage charge over land and building of the Company's Nowshera plant ranking pari passu with existing first charge holders to the extent of Rs. 370 million.

		Note	2010 (Rupees)	2009 (Rupees)
8.	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Minimum lease payments due			
	Not later than one year		**478,300**	1,090,320
	Later than one year and not later than five years		**-**	478,300
	Total future minimum lease payments		**478,300**	1,568,620
	Less: Future financial costs		**(3,297)**	(109,964)
	Present value of minimum lease payments	8.1	**475,003**	1,458,656
	Less : Current maturity shown under current liabilities		**(475,003)**	(983,653)
			-	475,003
8.1	Break-up of present value of minimum lease payments			
	Not later than one year		**475,003**	983,653
	Later than one year and not later than five years		**-**	475,003
			475,003	1,458,656

This represents finance lease arrangements entered into with Bank Alfalah Limited for vehicles. Lease rentals are paid on monthly basis in advance and include finance charges. As per terms of agreement with Bank Alfalah Limited the floating interest rates are used under the terms of agreement, equivalent to a base rate of 3 months KIBOR plus 1.95% (2009: 3 months KIBOR plus 1.95%).

9. DEFERRED TAXATION - Net

	Note	2010 (Rupees)	2009 (Rupees)
The net balance of deferred tax is in respect of the following major temporary differences:			
Taxable temporary differences:			
Accelerated depreciation		33,048,835	26,246,318
Surplus on revaluation of fixed assets		25,311,031	28,247,646
Derivative liability-interest rate SWAP		135,561	-
		58,495,427	54,493,964
Deductible temporary differences:			
Derivative asset-interest rate SWAP		-	(23,317)
Obligations under finance lease		(166,251)	(510,530)
		(166,251)	(533,847)
		58,329,176	53,960,117

10. DERIVATIVE LIABILITY-INTEREST RATE SWAP

	2010 (Rupees)	2009 (Rupees)
Interest rate swap	387,316	-
Current portion	(247,142)	-
	140,174	-

11 TRADE AND OTHER PAYABLES

	Note	2010 (Rupees)	2009 (Rupees)
Trade creditors		63,939,716	42,565,793
Accrued liabilities		15,215,439	9,825,624
Advances from customers		12,332,702	30,028,006
Unclaimed dividend		14,239,557	13,693,388
Tax deducted at source		1,151,326	1,147,677
Payable to employees' provident fund		2,674,821	-
Central Research Fund	11.1	3,344,013	10,011,722
Provision for compensated absences	11.2	3,417,567	2,500,000
Workers' (Profit) Participation Fund	11.3	15,086,440	12,266,421
Workers' Welfare Fund	32	6,844,511	3,418,759
Advances from employees		11,198,175	13,465,360
Retention money payable		4,942,911	4,374,723
Due to subsidiary - BF Biosciences Limited		-	2,900,777
Current portion of interest rate swap	10	247,142	-
Others		98,040	77,415
		154,732,360	146,275,665

11.1 Central Research Fund

	Note	2010 (Rupees)	2009 (Rupees)
Balance at the beginning of the year		10,011,722	7,467,783
Charge for the year	32	3,344,013	2,543,939
		13,355,735	10,011,722
Payment made during the year		(10,011,722)	-
		3,344,013	10,011,722

11.2 Actuarial valuation of accumulating compensated absences has not been carried out as required by IAS 19- "Employee Benefits" as the amount involved is deemed immaterial.

	Note	2010 (Rupees)	2009 (Rupees)
11.3 Workers' (Profit) Participation Fund			
Balance at the beginning of the year		12,266,421	14,610,203
Interest on funds utilized by the Company	31	203,990	326,930
Charge for the year	32	15,507,545	11,917,691
		27,977,956	26,854,824
Payment made during the year		(12,891,516)	(14,588,403)
		15,086,440	12,266,421

The fund balance has been utilized by the Company for its own business and an interest at the rate of 12.45% (2009: 22.5%) has been credited to the fund. Interest is calculated at higher of 75% of the cash dividend rate or one month KIBOR rate as at June 30, 2009, as required under Companies Profit (Workers' Participation) Rules 1971.

12. SHORT TERM BORROWINGS- SECURED

	Note	2010 (Rupees)	2009 (Rupees)
Running finance facility from:			
Habib Bank Limited	12.1	36,528,049	-
Bank Alflah Limited	12.2	-	-
		36,528,049	-

12.1 The Company has obtained a running finance facility of Rs. 120 million (2009: Rs. 85 million) from Habib Bank Limited. The facility is secured by first charge on all present and future moveable assets of the Company, with a 25% margin, and by a first equitable mortgage charge over land and building of Company's Nowshehra plant, ranking pari passu with the existing first charge holders to the extent of Rs. 370 million. This facility carries mark up at the rate of three months KIBOR + 1.50% per annum.

12.2 The Company has unavailed cash finance facility of Rs. 60 million (2009: Rs. 60 million) from Bank Alfalah Limited at the year end. The facility is secured by first pari passu charge by way of hypothecation over all present and future current and movable assets of the Company and equitable mortgage over immovable property to the extent of Rs. 204 million. This facility carries mark up at the rate of six months KIBOR + 2.25% per annum.

13. CONTINGENCIES AND COMMITMENTS

	2010 (Rupees)	2009 (Rupees)
Contingencies:		
Guarantees issued by banks on behalf of the Company	455,640	5,455,640
Commitments:		
Capital expenditure	13,989,329	31,415,419
Letter of credits other than for capital expenditure	28,073,300	23,370,273

14 PROPERTY, PLANT & EQUIPMENT

	Note	Reassessed Value/Original Cost					Rate	Depreciation					Net Book Value
		As At July 01, 2009	Additions	Transfers/ Adjustments	(Deletions)	As At Jun 30, 2010	%	As At July 01, 2009	For the Year	On Deletions	Transfers/ Adjustments	As At Jun 30, 2010	As At Jun 30, 2010
OWNED:													
Freehold land	14.1 & 14.2	268,131,000	2,000,000			270,131,000	-	-	-	-	-	-	270,131,000
Building on freehold land		105,192,031	620,954	50,906,157	-	156,719,142	5 - 10	17,654,983	8,529,375	-	-	26,184,358	130,534,784
Plant and machinery		165,068,509	9,730,260	-	-	174,798,769	10	48,031,446	16,545,384	-	-	64,576,830	110,221,939
Office equipments		39,262,800	2,772,121	-	-	42,034,921	10	17,331,118	3,211,759	-	-	20,542,877	21,492,044
Furniture and fittings		17,081,800	63,440	-	-	17,145,240	10	6,061,099	1,455,653	-	-	7,516,752	9,628,488
Computers		14,019,125	1,558,757	-	(71,650)	15,506,232	33.33	11,114,076	1,640,246	(71,650)	-	12,682,672	2,823,560
Vehicles		112,355,301	20,160,432	-	(12,217,006)	120,298,727	20	58,191,352	17,803,460	(10,203,055)	-	65,791,757	54,506,970
Capital work in progress	14.4	171,010,120	46,082,643	(50,906,157)	(24,355,449)	141,831,157		-	-	-	-	-	141,831,157
		892,120,686	82,988,607	-	(36,644,105)	938,465,188		158,384,074	49,185,877	(10,274,705)	-	197,295,246	741,169,942
LEASED:													
Vehicles		2,965,800	-	-	(403,100)	2,562,700	20	1,087,460	512,540	(147,804)	-	1,452,196	1,110,504
		2,965,800	-	-	(403,100)	2,562,700		1,087,460	512,540	(147,804)	-	1,452,196	1,110,504
Total 2010		895,086,486	82,988,607	-	(37,047,205)	941,027,888		159,471,534	49,698,417	(10,422,509)	-	198,747,442	742,280,446

14.1 The Company has capitalized certain piece of land based on the allotment letters issued by Defence Housing Authority, Islamabad in the name of the Company.
14.2 The Company has provided two acres of land to the subsidiary company, BF Biosciences Limited, for the construction of building and plant facility thereon.

14 PROPERTY, PLANT & EQUIPMENT

	Note	Reassessed Value/Original Cost					Rate	Depreciation					Net Book Value
		As At July 01, 2008	Additions	Transfers/ Adjustments	(Deletions)	As At Jun 30, 2009	%	As At July 01, 2008	For the Year	On Deletions	Transfers/ Adjustments	As At Jun 30, 2009	As At Jun 30, 2009
OWNED:													
Freehold land	14.1 & 14.2	266,131,000	2,000,000	-	-	268,131,000	-	-	-	-	-	-	268,131,000
Building on freehold land		83,140,833	9,165,940	12,885,258	-	105,192,031	5 - 10	11,022,704	6,632,279	-	-	17,654,983	87,537,048
Leasehold improvements		-	-	-	-	-	10	-	-	-	-	-	-
Plant and machinery		158,571,535	6,389,289	107,685	-	165,068,509	10	31,999,964	16,031,482	-	-	48,031,446	117,037,063
Office equipments		7,673,355	15,895,309	15,694,136	-	39,262,800	10	3,969,866	2,355,312	-	11,005,940	17,331,118	21,931,682
Furniture and fittings		23,816,680	171,398	(6,906,278)	-	17,081,800	10	16,358,054	708,985	-	(11,005,940)	6,061,099	11,020,701
Computers		11,560,550	2,672,225	-	(213,650)	14,019,125	33.33	9,775,650	1,552,076	(213,650)	-	11,114,076	2,905,049
Vehicles		69,877,841	44,283,400	9,033,000	(10,838,940)	112,355,301	20	42,773,045	17,144,699	(6,851,025)	5,124,633	58,191,352	54,163,949
Capital work in progress	14.4	99,540,035	93,250,886	(21,780,801)	-	171,010,120		-	-	-	-	-	171,010,120
		720,311,829	173,828,447	9,033,000	(11,052,590)	892,120,686		115,899,283	44,424,833	(7,064,675)	5,124,633	158,384,074	733,736,612
LEASED:													
Vehicles		12,388,800	-	(9,033,000)	(390,000)	2,965,800	20	5,813,933	599,660	(201,500)	(5,124,633)	1,087,460	1,878,340
		12,388,800	-	(9,033,000)	(390,000)	2,965,800		5,813,933	599,660	(201,500)	(5,124,633)	1,087,460	1,878,340
Total 2009		732,700,629	173,828,447	-	(11,442,590)	895,086,486		121,713,216	45,024,493	(7,266,175)	-	159,471,534	735,614,952

14.3 Land and building of the Company were first revalued on March 31, 1976, resulting in surplus of Rs. 13.661 million. The second revaluation was carried out on June 30, 1989 and resulted in a surplus of Rs. 40.067 million. The third revaluation was carried out on June 30, 2002 and resulted in a surplus of Rs. 30.433 million. The last revaluation that also included the plant and machinery was carried out on June 30, 2006 and resulted in a surplus of Rs. 240.593 million. Freehold land and building revaluations were carried out under the market value basis whereas plant and machinery were revalued on net replacement cost basis. All the revaluations were carried out by independent valuers.

Had there been no revaluation, related figures of revalued land, building and plant and machinery would have been as follows:

		Cost	Accumulated Depreciation	Written Down Value
		(Rupees)	(Rupees)	(Rupees)
Freehold land		69,209,876	-	69,209,876
Buildings		41,221,990	27,951,100	13,270,890
Plant & Machinery		156,044,260	109,250,930	46,793,330
	2010	**266,476,126**	**137,202,030**	**129,274,096**
	2009	266,476,126	126,852,958	139,623,168

14.4 Capital work in progress

14.4.1 During the year capital work in progress amounting to Rs. 23,401,241 (2009: nil) was transferred to the subsidiary company, BF Biosciences Limited.

	Note	2010 (Rupees)	2009 (Rupees)
14.4.2 Capital work in progress at the year end represents:			
Building and civil works		**111,053,217**	133,869,688
Plant & machinery		**5,197,675**	4,887,670
Consultancy services		**6,213,718**	5,993,269
Advances to contractors		**19,366,547**	26,259,493
		141,831,157	171,010,120
14.5 Depreciation is allocated as under:			
Cost of sales	27	**28,528,650**	26,760,859
Administrative expenses	29	**7,657,008**	6,882,541
Selling and distribution cost	30	**13,512,759**	11,381,093
		49,698,417	45,024,493

15 LONG TERM INVESTMENTS

	Note	2010 (Rupees)	2009 (Rupees)
Investment in related parties			
Farmacia- Partnership firm, unlisted subsidiary	15.1	**70,780,791**	62,773,144
BF Biosciences Limited- unlisted subsidiary	15.2	**151,999,960**	151,999,960
		222,780,751	214,773,104
Investments available for sale	15.3	**33,085**	33,085
		222,813,836	214,806,189

15.1 Farmacia - Partnership firm, unlisted subsidiary

	Note	2010 (Rupees)	2009 (Rupees)
Balance at beginning of the year		**62,773,144**	51,392,911
Companys' share of profit in the firm	15.1.1	**8,007,647**	11,380,233
		70,780,791	62,773,144

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

15.2 BF Biosciences Limited - Unlisted subsidiary

This represents investment made in 15,199,996 ordinary shares of Rs. 10 each, in BF Biosciences Limited.

BF Biosciences Limited was set up for establishing a Biotech Pharmaceutical 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 Laboratories Bagó S.A., Argentina. The Company commenced its commercial operations effective July 2009.

15.3 Investment available for sale - Unlisted

Number of shares		Name of Companies - Unlisted	2010	2009
2010	2009		(Rupee)	(Rupee)
218	218	National General Insurance Company Limited Ordinary shares of Rs. 10 each Equity held 0.01%	**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

16. LONG TERM LOAN

	Note	2010 (Rupees)	2009 (Rupees)
Loan to related party - Unsecured, considered good			
BF Biosciences Limited - Unlisted subisdiary			
Total amount due from BF Biosciences Limited	16.1	**198,625,000**	198,625,000
Add: Amount granted during the year		**226,375,000**	-
		425,000,000	198,625,000
Less : Amount due within twelve months, shown under current assets		**-**	(99,312,500)
		425,000,000	99,312,500

16.1 This represent the restructuring in form of further investment by converting the overall outstanding term loan, overdue markup and trade receivables of the Subsidiary Company, BF Biosciences Limited, into a Term Loan. This restructuring was carried out under the authority of a special resolution passed by the shareholders in the extraordinary general meeting held in June 14, 2010, in accordance with the provisions of Section 208 of the Companies Ordinance, 1984. The loan will be recoverable within a period of five years or earlier as and when required by the Company with a grace period of one year starting from July 01, 2010. Markup charged on the loan will not be less then the borrowing cost of the Company.

The maximum amount of long term loan at the end of any month during the year was Rs. 425 million (2009: Rs. 212.8 million).

	Note	2010 (Rupees)	2009 (Rupees)
17. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		3,941,587	3,096,802
Spare parts		546,996	422,735
Loose tools		152,047	109,308
		4,640,630	3,628,845
18. STOCK IN TRADE			
Raw material		138,107,999	134,222,613
Work in process		9,069,289	7,791,792
Finished goods	18.1	138,056,563	123,514,890
		285,233,851	265,529,295
Stock in transit		11,168,789	7,459,054
		296,402,640	272,988,349

18.1 These include finished goods amounting to Rs. 1,893,153 (2009: 2,188,118) which are carried at net realizable value.

19. TRADE DEBTS- Secured, Considered good

Included in trade debts are Rs. 3.719 million (2009: Rs. Nil) due from subsidiary company, BF Biosciences Limited.

	Note	2010 (Rupees)	2009 (Rupees)
20. LOANS AND ADVANCES - Considered good			
Advances to employees	20.1	2,981,726	3,251,567
Advances to suppliers		10,196,468	4,051,710
Others		50,211	64,711
		13,228,405	7,367,988

20.1 There is no interest free advance against salary to executives on June 30, 2009 (2009: Rs. Nil).

	2010 (Rupees)	2009 (Rupees)
21. DEPOSITS AND PREPAYMENTS		
Deposits		
Earnest money	7,919,302	4,437,186
Lease key money	296,580	296,580
Margin deposits	2,560,612	2,384,212
	10,776,494	7,117,978
Prepayments	353,315	175,834
	11,129,809	7,293,812

	Note	2010 (Rupees)	2009 (Rupees)
22. ADVANCE INCOME TAX- NET			
Income tax payable at beginning of the year		(361,151)	(15,008,477)
Income tax paid during the year		92,313,240	73,344,993
Provision for current taxation	33	(10,861,481)	(58,697,668)
Advance income tax/ (income tax payable) at the year end		81,090,608	(361,152)
23. OTHER RECEIVABLES			
Due from Subsidiary:			
BF Biosciences Ltd.		453,937	-
Farmacia		435,248	112,735
		889,185	112,735
Current portion of interest rate swap		-	35,478
Others		211,716	1,733,513
		1,100,901	1,881,726
24. OTHER FINANCIAL ASSETS			
Investments at fair value through profit and loss - listed securities	24.1	9,714,907	35,069,367
		9,714,907	35,069,367

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

Number of shares 2010	Number of shares 2009	Name of Companies	2010 (Rupees) Carrying value	2010 (Rupees) Fair value	2009 (Rupees) Carrying value	2009 (Rupees) Fair value
25,000	25,000	Pakistan National Shipping Corporation Ordinary shares of Rs. 10 each	1,154,000	997,250	1,788,750	1,154,000
-	118,800	Pakistan Petroleum Ltd Ordinary shares of Rs. 10 each	-	-	26,566,920	22,517,352
155,755	155,755	Bank Alfalah Ltd Ordinary shares of Rs. 10 each	1,643,215	1,473,442	1,643,869	1,643,215
-	50,000	Pakistan Telecommunication Co.Ltd. Ordinary shares of Rs. 10 each	-	-	727,943	862,000
415,000	290,000	PICIC-Growth Fund Ordinary shares of Rs. 10 each	4,069,526	3,842,900	2,852,317	2,436,000
7,000	20,000	Pakistan Oilfields.Ltd. Ordinary shares of Rs. 10 each	1,658,604	1,511,300	3,235,471	2,918,000
-	45,000	Oil & Gas Development Company Ltd. Ordinary Shares of Rs.10 each	-	-	3,505,442	3,538,800
500,004	-	PICIC-IF Ordinary shares of Rs. 10 each	2,817,622	1,890,015	-	-
			11,342,967	9,714,907	40,320,712	35,069,367
		Unrealized (loss)/gain on account of re-measurement to fair value	(1,628,060)	-	(5,251,345)	-
			9,714,907	9,714,907	35,069,367	35,069,367

	Note	2010 (Rupees)	2009 (Rupees)
25. CASH AND BANK BALANCES			
Cash at bank:			
Deposit accounts- Local currency	25.1	5,509,308	19,236,853
Current accounts			
Foreign currency		6,850,069	1,457,662
Local currency		1,761,503	739,527
		8,611,572	2,197,189
Cash in hand		1,146,202	848,965
		15,267,082	22,283,007

25.1 These carry interest rate of 5-8.5% per annum (2009: 5-10.5% per annum)

	Note	2010 (Rupees)	2009 (Rupees)
26. SALES - NET			
Gross sales		1,367,322,032	1,199,297,940
Less: Discount		(93,947,210)	(113,904,362)
		1,273,374,822	1,085,393,578
27. COST OF SALES			
Work in process:			
Balance at beginning of the year		7,791,792	5,206,081
Less: Closing balance at end of the year		(9,069,289)	(7,791,792)
		(1,277,497)	(2,585,711)
Raw materials consumed	27.1	543,651,616	437,434,172
Salaries, wages and benefits	27.2	49,310,885	44,172,196
Fuel and power		6,256,922	6,840,309
Repair and maintenance		4,279,369	2,871,215
Stores and spares consumed		4,166,180	5,840,356
Packing charges		7,147,346	5,582,784
Excise duty		108,542	16,694
Postage and telephone		964,330	868,945
Insurance		1,716,736	1,902,739
Travelling and conveyance		1,390,169	747,482
Transport		1,389,626	1,498,706
Canteen Expenses		2,713,927	2,018,850
Security expenses		1,086,676	1,062,848
Product Registration Expenses		1,298,340	350,992
Laboratory and other expenses		1,942,161	2,253,150
Depreciation	14.5	28,528,650	26,760,859
Cost of goods manufactured		654,673,977	537,636,586
Finished stock:			
Stock at beginning of the year		123,514,890	87,060,584
Less: Closing stock at end of the year		(138,056,563)	(123,514,890)
		(14,541,673)	(36,454,306)
		640,132,304	501,182,280
27.1 Raw materials consumed			
Stock at beginning of the year		134,222,613	86,298,725
Add: Purchases		547,537,002	485,358,060
		681,759,615	571,656,785
Less: Closing stock at end of the year		(138,107,999)	(134,222,613)
		543,651,616	437,434,172

27.2 Salaries, wages and benefits include Rs. 1.809 million (2009: Rs. 1.537 million) charged on account of defined contribution plan.

28. OTHER OPERATING INCOME

	Note	2010 (Rupees)	2009 (Rupees)
From financial assets			
Dividend income		1,000,604	2,594,500
Profit on Term Deposit Receipts		-	1,787,671
Capital gain on sale of shares		6,787,178	2,202,955
Capital gain realized on investments in mutual funds		-	5,556,102
Profit on deposits with banks		817,560	1,895,634
Exchange gain - net		98,235	443,330
Commission income		18,614,333	3,692,710
		27,317,910	18,172,902
From related party			
Mark up on long term loan to subsidiary- BF Biosciences Limited		10,350,906	2,845,367
From non financial assets			
Gain on disposal of property, plant and equipment	28.1	5,765,691	2,935,807
		43,434,507	23,954,076

28.1 GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	Cost	Carying amount	Sale proceeds	Gain/ (loss) on disposal
	(Rupees)			
Detail of vehicles sold to following parties				
Mr. Arshad Nadeem	789,000	184,100	332,695	148,595
Mr. Amir Yaqoob Mir	595,000	168,583	205,275	36,692
Mr. Saqib Naseem	474,000	237,000	350,000	113,000
Mr. Aftab Saleem	390,000	143,000	325,000	182,000
EFU Insurance Company	530,000	468,166	509,000	40,834
Mr. Tariq Mehmood	1,195,500	119,550	250,000	130,450
Mr. Manzoor Hussain	390,000	117,000	183,121	66,121
Mr. Zaheer Ud Den	408,866	252,134	244,285	(7,849)
EFU Insurance Company	62,900	50,320	59,000	8,680
EFU Insurance Company	403,100	255,297	390,000	134,703
	5,238,366	**1,995,150**	**2,848,376**	**853,226**
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs. 50,000, sold through public auction or as per Company's policy	**7,453,390**	**274,101**	**5,186,566**	**4,912,465**
2010	**12,691,756**	**2,269,251**	**8,034,942**	**5,765,691**
2009	**11,442,590**	**4,176,415**	**7,112,222**	**2,935,807**

		Note	2010 (Rupees)	2009 (Rupees)
29	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	29.1	**49,257,984**	48,449,236
	Directors fees and expenses		**1,081,870**	1,212,940
	Postage and telephone		**2,005,157**	1,584,875
	Printing and Stationary		**1,649,215**	1,230,879
	Travelling and conveyance		**2,808,950**	2,829,404
	Transport		**1,877,357**	3,343,006
	Legal and professional charges		**2,292,085**	629,500
	Utilities		**2,559,971**	2,818,818
	Rent, rates and taxes		**795,563**	959,506
	Auditors' remuneration	29.2	**808,268**	453,700
	Repairs and maintenance		**4,078,802**	2,521,785
	Subscriptions		**807,954**	756,726
	Donations	29.3	**1,240,000**	2,160,000
	Insurance		**1,212,350**	710,555
	Depreciation	14.5	**7,657,008**	6,882,541
	Canteen expenses		**2,033,208**	1,957,237
	Other administrative expenses		**1,096,455**	2,494,896
			83,262,197	80,995,604

29.1 Salaries, wages and benefits include Rs. 2.092 million (2009: Rs. 1.850 million) charged on account of defined contribution plan.

		2010 (Rupees)	2009 (Rupees)
29.2	**Auditors' remuneration**		
	Fee for annual audit	**500,000**	225,000
	Fee for audit of consolidated financial statements	**50,000**	50,000
	Review of interim financial information	**75,000**	75,000
	Other certifications	**90,000**	87,000
	Out of pocket expenses	**93,268**	16,700
		808,268	453,700

29.3 Donations were given to LUMS School of Science and Engineering and Rising Sun Education and Welfare Society. Donations did not include any amount paid to any person or organization in which a director or his spouse had any interest.

		Note	2010 (Rupees)	2009 (Rupees)
30.	**SELLING AND DISTRIBUTION COST**			
	Salaries, wages and benefits	30.1	**90,055,872**	85,441,786
	Travelling and conveyance		**52,121,870**	55,245,825
	Transport		**2,195,568**	3,408,373
	Rent, rates and taxes		**2,674,908**	2,537,346
	Advertisement and publicity		**52,594,930**	74,251,674
	Freight and Forwarding		**7,477,488**	7,806,283
	Printing and Stationary		**1,224,143**	1,063,922
	Postage and telephone		**2,458,908**	3,235,755
	Electricity and gas		**276,390**	255,734
	Subscriptions and fees		**3,057,416**	6,473,661
	Insurance		**4,457,884**	3,503,752
	Repairs		**381,947**	481,824
	Legal and professional charges		**130,900**	613,400
	Entertainment		**410,501**	493,704
	Training		**872,553**	4,100,901
	Depreciation	14.5	**13,512,759**	11,381,093
	Other selling expenses		**172,496**	890,906
			234,076,533	261,185,939

30.1 Salaries, wages and benefits include Rs.3.281 million (2009: Rs. 3.259 million) charged on account of defined contribution plan.

31. FINANCE COST

	Note	2010 (Rupees)	2009 (Rupees)
Finance charge on leased assets		**105,577**	315,287
Mark-up on bank financing		**4,280,158**	1,161,321
Bank charges		**1,163,155**	684,760
Interest on Workers' (Profit) Participation Fund	11.3	**203,990**	326,930
		5,752,880	2,488,298
Loss on fair value measurement of Interest Rate Swap		**453,937**	66,621
Less: Loss passed on to subsidiary		**(453,937)**	1,121,018
Transfer of fair value swap to subsidiary previously recognised in income		**-**	1,187,639
Mark-up on long term loan		**14,351,647**	30,694,608
Less: Mark-up passed on to subsidiary		**(14,351,647)**	(30,694,608)
	31.1	**-**	-
		5,752,880	3,675,937

31.1 This represents the mark-up on long term finance facility as referred in note 17, and in accordance with the provision of Section 208 of The Companies Ordinance, 1984 the entire mark-up related to this facility is passed on to the subsidiary company, BF Biosciences Limited, therefore being offset.

32. OTHER CHARGES

	Note	2010 (Rupees)	2009 (Rupees)
Loss on fair value measurement of short term investments		**1,628,060**	5,251,345
Workers' (Profit) Participation Fund	11.3	**15,507,545**	11,917,691
Workers' Welfare Fund			
For prior year		**1,495,717**	4,832,582
Current year	11	**6,844,511**	3,418,759
		8,340,228	8,251,341
Central Research Fund	11.1	**3,344,013**	2,543,939
		28,819,846	27,964,316

32.1 This includes a prior year error adjustment of Rs.1.496 Million

33. TAXATION

	2010 (Rupees)	2009 (Rupees)
Current year	**10,861,481**	58,697,668
Deferred	**4,369,059**	4,268,690
	15,230,540	62,966,358

Reconciliation of tax charge for the year :	Note	2010 (Rupees)	2009 (Rupees)
Profit before taxation		332,773,215	45,723,811
Tax rate		35%	35%
Tax on accounting profit		116,470,625	86,003,334
Tax effect of expenses that are admissible in determining taxable profit		-	3,672,980
Tax effect of permanent difference		(88,934,433)	-
Effect of reduced tax rate on exports		(18,672,526)	(26,709,956)
Minimum tax		6,366,874	-
		15,230,540	62,966,358

33.1 Pursuant to the newly inserted clause 126F in Part-I of the Second Schedule of Income Tax Ordinance 2001 (the Ordinance) through the Finance Act 2010, the income of the Company is exempt from tax for three years commencing from the tax year 2010. Accordingly the Company has not provided any normal tax liability on its taxable income. However, minimum tax under section 113 of the Ordinance has been provided for in these financial statements further more the tax assessments of the Cpmpany have been finalized up to tax year 2009.

34. EARNINGS PER SHARE- BASIC AND DILUTED

	Note	2010	2009
Profit for the year (Rupees)		317,542,674	182,757,453
Average number of shares outstanding during the year (Number)	34.1	20,832,879	20,832,879
Basic earnings per share (Rupees)		15.24	8.77

34.1 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.

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

35. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	2010 (Rupees)			2009 (Rupees)		
	Director	Chief Executive	Executives	Director	Chief Executive	Executives
Managerial remuneration	11,310,000	6,450,000	31,506,357	5,700,000	6,000,000	32,691,902
Bouns	785,000	500,000	1,812,000	950,000	1,000,000	3,080,000
Utilities	-	142,919	-	-	253,763	-
Provident fund	729,680	444,828	2,024,188	367,740	413,796	1,717,316
	12,824,680	7,537,747	35,342,545	7,017,740	7,667,559	37,489,218
Numbers	2	1	19	1	1	21

In addition, the Chief Executive, a working director and certain executives of the company are allowed free use of Company vehicles.

The members of the Board of Directors were paid Rs. 3,700 (2009: Rs. 3,800) as meeting fee and Rs.1,078,170(2009: Rs. 1,209,140) as meeting expenses for attending the Board of Directors meetings.

36. RELATED PARTY TRANSACTIONS

The Company's related parties include subsidiaries, associated companies, entities over which directors are able to exercise influence, staff retirement fund, directors and key management personnel. Balances with the related parties are shown else where in the financial statements. Transactions with related parties are as follows:

	2010 (Rupees)	2009 (Rupees)
Farmacia-98% owned subsidiary partnership firm		
Advance received for supply of good	7,919,768	22,644,604
Sale of medicines	37,042,520	48,476,236
Payment received from Farmacia against sale of medicine	(37,042,520)	(48,476,236)
Share of profit reinvested	8,007,647	11,380,233
Other expenses directly paid by the Company	435,248	421,082
BF Biosciences Limited-80% owned subsidiary		
Repayment of loan	-	14,500,000
Interest accrued on long term loan	24,702,553	15,993,558
Sale of finished stocks to the subsidiary	184,335,182	-
Capital work in progress transferred to the subsidiary	23,401,241	-
Expenses incurred on behalf of the subsidiary	18,394,859	1,377,935
Payment made by the subsidiary	(46,388,122)	-
Other related parties		
Employees provident fund		
Advances given to members	1,023,823	1,400,413
Mark up recovered	200,492	350,720
Payments made on behalf of the fund to the retiring employees	9,645,550	12,658,334
Company's share of contribution in employees provident fund	7,181,486	6,646,335
Remuneration including benefits and perquisites of key management personnel	34,663,009	39,761,634

37. CAPACITY AND PRODUCTION

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

38. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

-Credit risk
-Liquidity risk
-Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated the responsibility for developing and monitoring the Company's risk management policies to its Audit Committee. The committee reports regularly to the Board of Directors on its activities.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company'sAudit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

38.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The primary activities of the Company are manufacturing and sale of pharmaceuticals. The Company is exposed to credit risk from its operation and certain investing activities.

The Company's credit risk exposures are categorised under the following headings:

Counterparties

In relation to the Company's exposure to credit risk, subsidiary company , trade debtors and financial institutions are major counterparties and Company's policies to manage risk in relation to these counter parties are explained in the following paragraphs;

Long term loan and trade debts

Long term loan is due from the subsidiary company, namely BF Biosciences Limited and the amount has been granted under the authority of a special resolution passed by the shareholders of the Company in the extraordinary general meeting held in June 14, 2010, in accordance with the provisions of Section 208 of the Companies Ordinance, 1984

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Substantial portion of the Company's revenue is attributable to sales transactions through a single distributor based on demand. However, geographically there is no concentration of credit risk.

Sale of pharmaceuticals is at a price determined in accordance with the agreed pricing formula as approved by Ministry of Health, Government of Pakistan.

Collectability is assessed based on the creditworthiness of the customer as determined by credit checks and the customer's payment history to the Company. The Company establishes a provision for doubtful debts in respect of trade debts and historically such losses have been within management's expectations.

Bank balances and investments

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of financial assets of the Company represents the maximum credit exposure. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics and the maximum financial exposure due to credit risk on the Company's financial assets as at 30 June was;

	2010 (Rupees)	2009 (Rupees)
Long term investment- available for sale	33,085	33,085
Long term loan	425,000,000	198,625,000
Derivative asset - interest rate swap	-	66,621
Trade debts	45,215,438	49,545,707
Deposits	11,533,314	7,790,768
Loans and advances	3,031,937	3,316,278
Other receivables	1,100,901	1,881,726
Other financial assets	9,714,907	35,069,367
Bank balances	14,120,880	21,434,042
	509,750,462	317,762,594

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts, loans and receivables at the reporting date by type of parties was:

Institutional customers	39,554,320	33,549,598
Retail customers	290,620	4,968,508
Distributors	5,370,498	11,027,601
Subsidiary company	425,000,000	198,625,000
Banks	14,120,880	21,434,042
Listed companies and mutual funds	9,714,907	35,069,367
Others	15,699,237	13,021,857
	509,750,462	317,695,973

The aging of trade debts at the reporting date was:	2010 (Rupees)	2009 (Rupees)
Not past due	-	-
Past due 0-30 days	14,957,299	19,378,157
Past due 31- 120 days	15,397,188	16,437,466
Past due 121-365 days	11,459,107	7,807,008
More than one year	3,401,844	5,923,076
	45,215,438	49,545,707

Trade debts are essentially due from government departments/ projects and the Company is actively pursuing for recovery of debts and the Company does not expect these companies to fail to meet their obligations.

38.2 Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. settlement of borrowings, paying its suppliers and settling finance lease obligations. The responsibility for liquidity risk management rests with the Board of Directors of the Company and their approach in this regard is to ensure that the Company always has sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. Beyond effective net working capital and cash management, the Company mitigates liquidity risk by arranging short term financing from highly rated financial institutions and arranging advances from the parent company.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	June 30, 2010						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loan	99,312,500	120,689,759	38,311,498	35,227,757	47,150,504	-	-
Finance lease obligation	475,003	478,300	478,300	-	-	-	-
Trade and other payables	125,107,246	124,858,045	124,776,117	81,928	-	-	-
Accrued mark-up	1,634,970	1,634,970	1,634,970	-	-	-	-
Short term borrowing	36,528,049	36,528,049	36,528,049	-	-	-	-
	263,057,768	284,189,123	201,728,934	35,309,685	47,150,504	-	-

	June 30, 2009						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loan	156,062,500	206,430,263	44,428,837	41,311,667	73,539,255	47,150,504	-
Finance lease liabilities	1,458,656	1,568,620	(545,160)	545,160	478,300	-	-
Trade and other payables	94,359,122	94,359,122	94,318,208	40,914	-	-	-
Accrued mark-up	4,187,777	4,187,777	4,187,777	-	-	-	
	256,068,055	306,545,782	142,389,662	41,897,741	74,017,555	47,150,504	-

38.3 Market Risk

Market fluctuations may result in cashflow and profit volatility risk for the Company. The Company's operating activities as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and security prices. To optimize the allocation of the financial resources as well as secure an optimal return for its shareholders, the Company identifies, analyzes and proactively manages the associated financial market risks. The Company seeks to manage and control these risks primarily through its regular operating and financing activities.

Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company adopts a policy to ensure that interest rate risk arising on its financial assets is minimized by investing in fixed rate investments like deposit bank accounts.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments were:

	2010 %	2009 %	2010 (Rupees)	2009 (Rupees)
Variable rate instruments				
Financial assets	5.0 to 14.84	5.0 to 16.11	430,509,308	217,861,853
Financial liabilities	13.84 to 14.75	11.87 to 17.45	(156,537,503)	(157,521,156)
			273,971,805	60,340,697

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for the previous year.

	Profit and loss	
	2010 (Rupees)	2009 (Rupees)
Variable rate instruments	2,032,949	2,289,804

A 100 basis points decrease in interest rates at the reporting date would have had an equal but opposite effect on the equity and profit and loss to the amounts shown above, on the basis that all other variables remain constant. The Company uses derivative financial instruments to hedge its exposure to risk of variability in interest rate on its long term loans.

38.4 Foreign currency risk management

PKR is the functional currency of the Company and exposure arises from transactions and balances in currencies other than PKR as foreign exchange rate fluctuations may create unwanted and unperdicticable earnings and cashflow volatility. The Company's potential currency exposure comprises of;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currency other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to currency risk

The Company's exposure to foreign currency risk at the reporting date was as follows:

	June 30, 2010		June 30, 2009	
	Rupees	**US Dollars**	Rupees	US Dollars
Cash and cash equivalents	**6,850,069**	**80,024**	1,457,662	17,996
Trade and other payables	**(43,860,584)**	**(512,390)**	(28,506,904)	(350,466)
Gross balance sheet exposur	**(37,010,515)**	**(432,366)**	(27,030,583)	(332,316)

The following significant exchange rates were applied during the year:

	Balance sheet date rate		**Average rate**	
	June 30, 2010	June 30, 2009	**2010**	2009
US Dollars (USD)	**85.60**	81.00	**84.07**	79.00

Sensitivity analysis

A ten percent strengthening of the PKR against the USD at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for the previous year.

A ten percent strengthening of the PKR against the USD at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for the previous year.

	Profit and loss	
	2010	2009
	(Rupees)	
Profit and loss	**3,701,053**	3,502,163

A ten percent weakening of the PKR against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

38.5 Other market price risk

The primary goal of the Company's investment strategy is to maximize investment returns on surplus funds. The Company adopts a policy of ensuring minimize its price risk by investing in easily disposable securities and mutual funds. Certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. Equity price risk arises from investments at fair value through profit and loss.

Sensitivity analysis of price risk

A change of 5% in the value of investments at fair value through profit and loss would have increased or decreased profit or loss by Rs. 0.5 million (2009: Rs. 1.75 million) on the basis that all other variables remain constant.

38.6 Fair value of financial assets and liabilities

The estimated fair value of financial instruments is not significantly different from their book value as shown in these financial statements.

39. COMPARATIVES

Previous year figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements. For better presentation reclassifications made in the note 27 to these financial statements were as follows:

Reclassification from Component	Reclassification to Component	Amount (Rupees)
Salaries, wages and benefits	Canteen expenses	**1,878,576**
Other administrative expenses	Canteen expenses	**1,957,237**
Laboratory and other expenses	Entertainment expenses	**140,274**
Laboratory and other expenses	Security expenses	**1,062,848**
Laboratory and other expenses	Product registration expenses	**350,992**

40. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company has proposed final cash dividend of Rs. Nil per share and stock dividend @ 20-% i.e. 2 bonus shares for every 10 shares held in their meeting held on September 18, 2010

41. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on September 18, 2010.

Rawalpindi
September 18, 2010 — Director — Chairperson & CEO

Consolidated Financial Statements for the Year Ended June 30, 2010