YEARS OF TRUST & DEVOTION

50+

55th Annual Report

2011

FEROZSONS
LABORATORIES LIMITED

Contents

FEROZSONS LABORATORIES LIMITED

YEARS OF TRUST & DEVOTION 50+

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 Committee

Mr. Nihal A. Cassim	Chairman
Mr. Farooq Mazhar	Member
Mr. Shahid Anwar	Member

Investment Committee

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

Remuneration Coommittee

Mr. Shahid Anwar	Chairman
Mr. Farooq Mazhar	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

CFO & 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

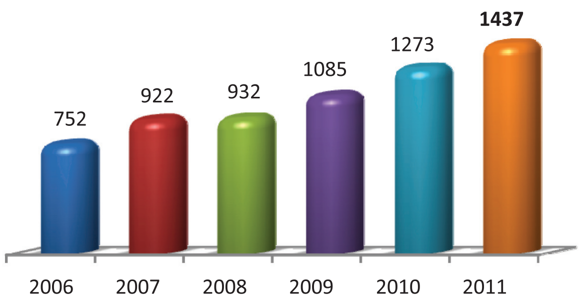
House No. 9, Block 7/8, Maqbool
Cooperative Housing Society, Karachi
Telephone: +92-21-34386852
Fax: +92-21-34386754

FEROZSONS LABORATORIES LIMITED

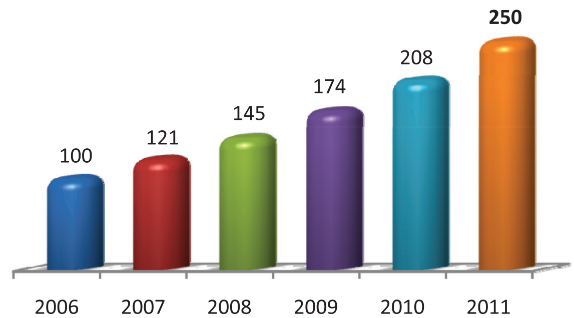
SIX YEARS AT A GLANCE

		2011	2010	2009	2008	2007	2006
			(Rs. in million unless otherwise stated)				
Ferozsons Laboratories Limited							
Operating Results							
Net Sales		1,437	1,273	1,085	932	922	752
Gross Profit		730	633	584	541	507	429
Profit Before Tax		337	333	246	293	259	218
Profit After Tax		301	318	183	217	200	176
Financial Position							
Share Capital		250	208	174	145	121	100
Reserves		1,304	1,067	797	682	562	417
Property, Plant and Equipment		925	742	736	611	551	487
Net Current assets		494	228	321	313	288	206
Long term / Deferred Liabilities		88	101	154	207	125	52
Summary of Cashflow Statement							
Cash generated from Operations		133	227	63	184	212	150
Net cash (used in)/generated from Investing activities		(42)	(196)	25	(230)	(226)	(157)
Net cash used in Financing activities		(87)	(38)	(101)	40	43	(48)
Key Performance Indicators							
Gross Profit ratio	%	51	50	54	58	55	55
Profit (PAT) to sales	%	21	25	17	23	22	22
Return on Equity	%	19	25	19	26	29	34
Return on Capital Employed	%	15	20	13	23	24	26
Earning Per Share - Basic & Diluted (Adjusted)	Rs.	12	15	11	15	14	15
Cash Dividend per share	Rs.	2.5	-	1.00	3.00	6.50	4.00
Bonus Share Issued	%	15	20	20	20	20	20
Price Earning ratio	%	7	7	15	21	17	12
Market Price per share	Rs.	90	100	157	309	248	205
Consolidated							
Operating Results							
Net Sales		2,203	1,537	1,189	1,029	1,012	839
Gross Profit		1,129	700	605	564	528	446
Profit Before Tax		508	261	249	296	262	222
Profit After Tax		426	244	183	217	200	176
Financial Position							
Share Capital		250	208	174	145	121	100
Reserves		1,343	1,008	795	681	561	416
Property, Plant and Equipment		1,465	1,295	1,273	1,047	818	495
Net Current assets		681	320	206	297	273	364
Long term / Deferred Liabilities		122	138	228	241	125	52

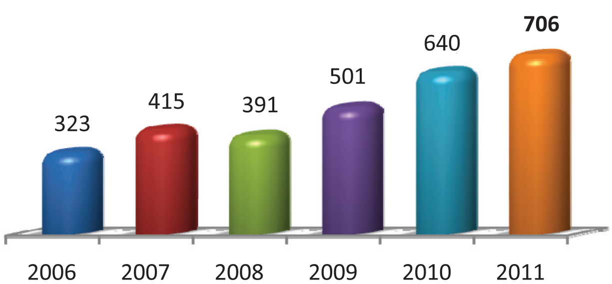
Net Sales (Rs. Millions)



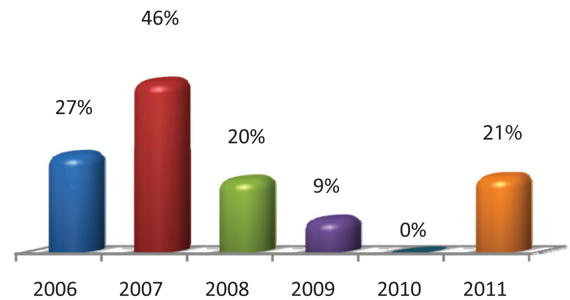
Paid up Capital (Rs. Millions)



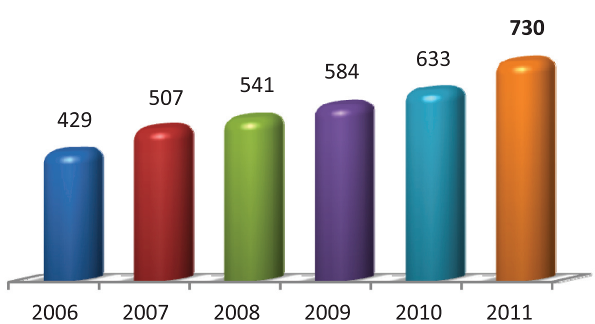
Cost of Sales (Rs. Millions)



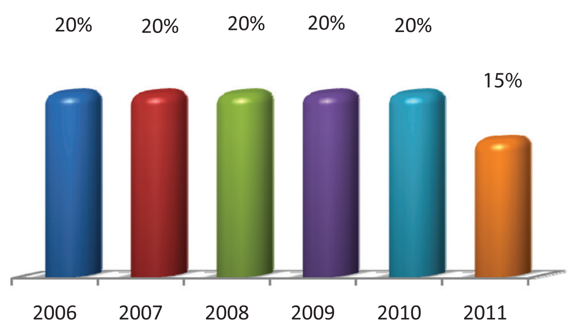
Cash Dividend Payout - %



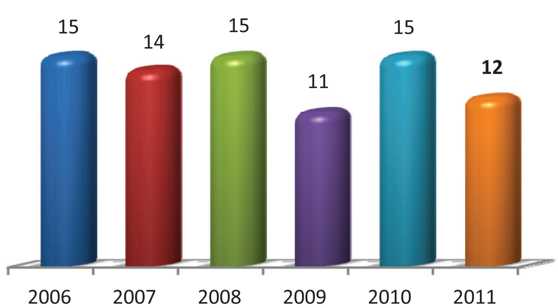
Gross Profit (Rs. Millions)



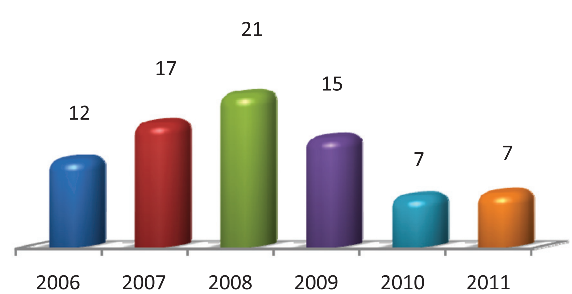
Bonus Shares - %



Earning per Share (Rs. Millions)



Price Earning 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 **55th** 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, September 29, 2011 at 12:30 P.M. to transact the following business:

Ordinary Business:

1. To confirm the Minutes of the Extra Ordinary General Meeting held on July 09, 2011.

2. To receive, consider and adopt the audited Annual Financial Statements of the Company for the year ended June 30, 2011 together with the Directors' and Auditors' Reports thereon.

3. To approve the payment of final cash dividend of Rs. 1.25 per share (12.50%) and also the interim cash dividend of Rs. 1.25 per share (12.50%) declare on February 22, 2011 making a total cash dividend of Rs. 2.50 per share for the year ended June 30, 2011.

4. To approve the issue of Stock Dividend (Bonus Shares) at the rate of 15% in the ratio of three Bonus Shares for every twenty shares held, for the year ended June 30, 2011 as recommended by the Board of Directors.

5. To appoint External Auditors for the financial year ending June 30, 2012 and to fix their remuneration.

Special Business:

6. 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."

7. To consider and approve the increase in gross salaries of the whole time working Directors including Chief Executive (Chief Executive Officer) of the Company.

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

By the order of the board

Rawalpindi
August 27, 2011

Syed Ghausuddin Saif
Company Secretary

Notes:

1. The Share Transfer Books of the Company will be closed from September 26, 2011 to October 05, 2011 (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 September 25, 2011 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 wit 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. 6

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 August 27, 2011 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.

PERTAINING TO ITEM NO. 7

The last increase in the remuneration of the whole time working Directors including Chief Executive (Chief Executive Officer) of the Company was approved by the Board on April 27, 2010. Now, the Board of Directors in their last meeting held on August 27, 2011 proposed the following increases in the salaries of the working Directors:

- the Chief Executive Officer's gross salary to be increased from Rs. 575,000 to Rs. 665,000 per month,
- the Director/President's gross salary to be increased from Rs. 650,000 to Rs. 750,000 per month,
- the Director/GM's gross salary to be increased from Rs. 450,000 to Rs. 520,000 per month, and
- that these increases in salaries to take effect from July 01, 2011 without any change in the other prevailing terms and conditions of service.

Approval of the shareholders is sought to pass with or without modification the following resolution.

"**RESOLVED THAT** the gross salaries of the whole time working Directors including Chief Executive (Chief Executive Officer) be and hereby increased with effect form July 01, 2011 as follows:

Name of Working Directors	Designation	Current	Revised
Mrs. Akhter Khalid Waheed	Chairperson/CEO	575,000	665,000
Mr. Osman Khalid Waheed	Director/President	650,000	750,000
Mr. Omar Khaild Waheed	Director/GM	450,000	520,000

while other prevailing terms and conditions of service will remain unchanged."

CHAIRPERSONS REVIEW REPORT

I am pleased to present the 55th Annual Report and the Audited Financial Statements of your Company for the financial year ended June 30, 2011 along with the Consolidated Financial Statements of its subsidiaries, BF Biosciences Limited and Farmacia.

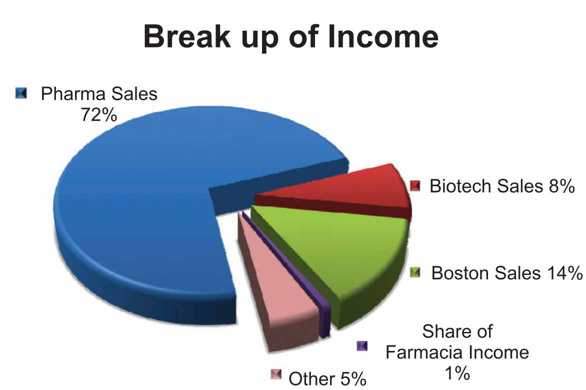
Your Company's Individual and Consolidated Financial Results

A summary of the operating results for the year and appropriation of the divisible profits as compared to 2010 is given below:

	Individual		Consolidated	
	2011	2010	2011	2010
	(Rupees in thousands)			
Sales (net)	1,436,713	1,273,375	2,202,757	1,536,683
Gross Profit	730,343	633,243	1,129,417	699,542
Profit before tax	336,514	332,773	507,539	261,433
Taxation	(35,526)	(15,231)	(81,917)	(17,135)
Profit after tax	300,988	317,543	425,623	244,298
Profit available for appropriation	1,303,293	1,067,114	1,342,834	1,007,224
Appropriations				
Interim cash dividend for YE 2011	(31,249)	-	(31,249)	-
@ Rs. 1.25/share (FY 2010: Nil) &				
Final cash dividend for FY 2011				
@ Rs.1.25/share(FY 2010: Rs. Nil/share)	(31,249)	-	(31,249)	-
Bonus shares for the FY 2011 @15%				
(FY 2010: 20%)	(49,999)	(41,666)	(49,999)	(41,666)

The net sales of your Company's operations showed an increase of 12.83%. Despite the difficult economic conditions prevailing in our country, I am pleased to report that your Company was able to improve performance with a positive sales growth and was able to close the year with Net Sales of Rs. 1.436 Billion.

In terms of its consolidated net sales the Company achieved a land mark by crossing Two Billion Sales, hence achieved a growth of 43% in comparison with last year. It is pertinent to mention that growth of 127% in the sales of the subsidiary company Bf Biosciences Limited was the major contributor in achieving this landmark.

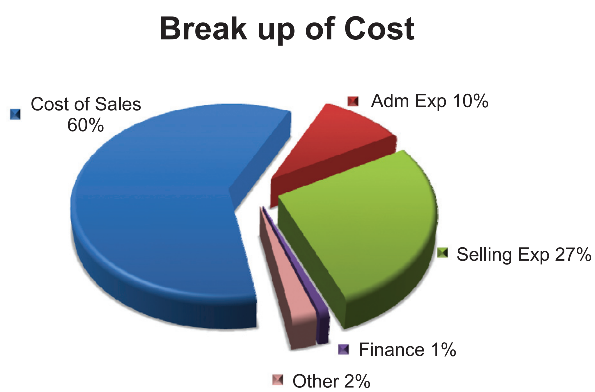


The Gross profit of your Company grew by 15.33% while the Net profit after tax reduced by 5.57% to close at Rs. 300.988 million for the year. The overall decrease in net margins was further effected by your Company's increased marketing spend due major investments in local and export markets. We are hopeful that return on these investments will be available to the company in years to come.

On the export front our newly formed export department was able to achieve commitments of one million USD in current year, out of which 75% were materialized before year end and the rest subsequently. Simultaneously we are in phase of product registration in certain African and Central Asian countries as well.

Key Operating and Financial Data

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, 2011 the earnings per share (EPS) stand at Rs. 12.04 per share, compared to an adjusted EPS of Rs. 12.70 on the expanded capital of Rs. 249.994 Million after issuance of bonus shares during the year.

Dividend Announcement

The Directors have recommenced a final cash dividend of 12.50% i.e. Rs. 1.25 per 10- Rupees share, as well as a stock dividend (bonus shares) @ 15% i.e. three shares for every twenty shares held. Added to the interim cash dividend of 12.50% declared earlier during the year, this would amount to a total payout of 40% for the year ended June 30, 2011.

These appropriations will be accounted for in the subsequent financial statements, in compliance with the revised Forth Schedule of the Companies Ordinance, 1984.

Information Technology (IT)

We strongly believe that the IT function plays a pivotal role in achieving business growth and progress; hence, we intend to aggressively invest in building a strong IT infrastructure for the Company.

The Company's new ERP system has also become operational with effect from July 1, 2011. We hope that during current year we will be able to see the benefits of change in form of improved, timely and accurate financial reporting generated through new ERP.

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 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.

- The Company does not envisage corporate restructuring or discontinuation of its operations in the foreseeable future.

- All major Government levies in the normal course of business, payable as on June 30, 2011 have been cleared subsequent to the year end.

Employee Retirement Benefit

The values of investments of employees' provident fund based on latest audited accounts as of June 30, 2010 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 program at the LUMS School of Science & Engineering. We also extended our contributions towards the Citizen Foundation and Edhi Welfare Trust.

Meetings of the Board of Directors

The information regarding the meetings of the board of directors held during the year ended June 30, 2011 is annexed.

Share Capital and Pattern of Shareholding

The issued, subscribed and paid of capital of the company as at June 30, 2011 was Rs. 249.994 million.

The statement indicating the number of shareholders as on June 30, 2011 and their categories forming the pattern of shareholding as required under the Code of Corporate Governance is annexed.

Subsidiaries

The net sales of BF Biosciences Limited were Rs. 753.878 million against a figure of Rs. 332.004 million last year hence showing 127% growth over last year. Owing to local production, gross profitability has increased substantially by Rs. 368.838 million. IMS which is the leading provider of information services for the healthcare industry has awarded a certificate to the Company for achieving over Rs. 200 million sales of PegINF being the highest ever IMS reported sales in Pakistan Pharma Market for any new product launched within 12 months. During the first year of production the Company was able to participate in government tenders where it has successfully supplied over 1.7 million vials of INFA to the Federal and provincial governments for the treatment of Hepatitus C thus showing the potential to supply in bulk also.

Farmacia, the Company's retail venture has also had a satisfactory year. In the current year it contributed Rs. 11.775 Million to the company's net income against Rs. 8.007 Million last year.

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 August 27, 2011 has recommended the re-appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as auditors for the financial year ending June 30, 2012.

Affirmation

At the end, I would 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. I also thank our vendors, distributors and financial institutions for their extended cooperation.

I 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 **(Mrs. Akhter Khalid Waheed)**
August 27, 2011 **Chairperson & CEO**

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) as contained in the listing regulations of the Stock Exchanges of Pakistan 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 representation of independent non-executive directors on its Board of Directors. At present the Board includes five independent non-executive directors out of a total strength of eight directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as Taxpayers 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, 2011 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 developed vision, mission and values statements and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained. The corporate strategy of the Company is reviewed and approved by the Board along with the annual plan.

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. The Board met five times during the year ended 30 June 2011 including once in every quarter to approve the financial statements of the Company. Following the Best Practices of Corporate Governance, the Board met to review and approve the annual plan and budget of the Company. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.

9. In house orientations for the Directors were conducted to apprise them of their duties and responsibilities and to brief them regarding amendments in the Companies Ordinance/Corporate Laws.

10. There was no new appointment of Company Secretary, Chief Financial Officer and Internal Auditors during the year.

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 three members, all of whom including the chairman are non-executive directors.

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 Board has set-up an effective internal audit function. This function has been outsourced to Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company, and they (or their representatives) are involved in the internal audit function on a full time basis.

19. 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.

20. 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 regulations of the Karachi Stock Exchange (Guarantee) Limited.

21. The Management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.

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

For and behalf of Board of Directors

Rawalpindi
August 27, 2011

(Mrs. Akhter Khalid Waheed)
Chairperson & CEO

DATES AND ATTENDANCE OF BOARD MEETINGS HELD DURING THE YEAR ENDED JUNE 30, 2011

A total of Five Board Meetings were held during the Financial Year 2010-2011 on the following dates:

September 18, 2010
October 21, 2010
February 22, 2011
April 23, 2011
May 28, 2011

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	4
Mr. Omar Khalid Waheed	2
Mr. Farooq Mazhar	5
Mr. Nihal Cassim	3
Mr. M. M. Ispahani	4
Dr. Farid Khan	3
Mr. Shahid Anwar	3

Leaves of absence were granted in all cases to Directors.

For and behalf of the Board of Directors

Rawalpindi
August 27, 2011

(Mrs. Akhter Khalid Waheed)
Chairperson & CEO

KPMG Taseer Hadi & Co.
Chartered Accountants

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 Karachi, Lahore and IslamabadStock 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, listing Regulations of the Karachi, Lahore and Islamabad stock exchanges require 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 under taken 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 as applicable to the Companyfor the year ended 30 June 2011.

Lahore:	**Chartered Accountants**
August 27, 2011	**(Kamran Iqbal Yousafi)**

Financial Statements for the Year Ended June 30, 2011

KPMG Taseer Hadi & Co.
Chartered Accountants

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 2011 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 the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

   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 2011 and of the profit, its comprehensive income, 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.

Lahore:	**Chartered Accountants**
August 27, 2011	**(Kamran Iqbal Yousafi)**

BALANCE SHEET AS

	Note	2011 (Rupees)	2010 (Rupees)
Share capital and reserves			
Share capital	4	249,994,540	208,328,786
Capital reserve	5	321,843	321,843
Unappropriated profit		1,303,293,179	1,067,114,429
		1,553,609,562	1,275,765,058
Surplus on revaluation of fixed assets-net of tax	6	389,692,056	242,020,812
Non current liabilities			
Long term financing - secured	7	-	42,562,500
Deferred liability for taxation	8	88,104,529	58,329,176
Derivative Liability-Interest Rate Swap	9	-	140,174
		88,104,529	101,031,850
Current liabilities			
Trade and other payables	10	152,631,234	154,732,360
Accrued mark-up on long term financing		969,405	1,634,970
Current portion of long term financing	7	42,562,500	56,750,000
Current portion of liabilities against assets subject to finance lease		-	475,003
Short term borrowing	11	37,805,811	36,528,049
		233,968,950	250,120,382
Contingencies and commitments	12	-	-
		2,265,375,097	1,868,938,102

The annexed notes from 1 to 39 form an integral part of these financial statements.

Rawalpindi
August 27, 2011

Director

FEROZSONS LABORATORIES LIMITED

AT JUNE 30, 2011

	Note	2011 (Rupees)	2010 (Rupees)
ASSETS			
Non Current Assets			
Property, plant and equipment	13	924,715,697	742,280,446
Long term investments	14	234,555,914	222,813,836
Long term loan	15	375,000,000	425,000,000
Long term deposits		3,518,500	1,053,400
Current Assets			
Stores, spare parts and loose tools	16	2,223,238	4,640,630
Stock in trade	17	409,005,347	296,402,640
Trade debts-considered good		102,924,380	45,215,438
Current portion of long term loan	15	50,000,000	-
Loans and advances-considered good	18	17,689,563	13,228,405
Deposits and prepayments	19	10,813,518	11,129,809
Interest accrued		16,078,740	-
Advance income tax - net	20	84,196,501	81,090,608
Other receivables	21	1,530,320	1,100,901
Short Term investments	22	13,081,368	9,714,907
Derivative asset-interest rate swap		26,758	-
Cash and bank balances	23	20,015,253	15,267,082
		727,584,986	477,790,420
		2,265,375,097	1,868,938,102

Chairperson & CEO

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 (Rupees)	2010 (Rupees)
Sales- net	24	1,436,713,281	1,273,374,822
Cost of sales	25	(706,369,916)	(640,132,304)
Gross profit		730,343,365	633,242,518
Other operating income	26	72,582,445	43,434,507
Administrative expenses	27	(114,700,505)	(83,262,197)
Selling and distribution cost	28	(325,511,125)	(234,076,533)
Finance cost	29	(11,136,437)	(5,752,880)
Other charges	30	(26,838,834)	(28,819,846)
Share in profit of Farmacia - 98% owned partnership firm		11,775,163	8,007,646
Profit before taxation		336,514,072	332,773,215
Provision for taxation	31	(35,526,262)	(15,230,540)
Profit after taxation		300,987,810	317,542,675
Earnings per share - basic and diluted	32	12.04	12.70

The annexed notes from 1 to 39 form an integral part of these financial statements.

Rawalpindi
August 27, 2011

Director

Chairperson & CEO

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	2011 (Rupees)	2010 (Rupees)
Profit after tax	**300,987,810**	317,542,675
Other comprehensive income	-	-
Total comprehensive income	**300,987,810**	317,542,675

The annexed notes from 1 to 39 form an integral part of these financial statements.

Rawalpindi
August 27, 2011 Director Chairperson & CEO

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 (Rupees)	2010 (Rupees)
Cash flow from operating activities			
Profit before taxation		336,514,072	332,773,215
Adjustments for:			
Depreciation		67,030,967	49,698,417
Loss/ (profit) on disposal of property, plant and equipment		1,503,509	(5,765,691)
Finance costs		10,993,224	5,752,880
Provision for Workers profit participation fund		13,949,765	15,507,545
Provision for Workers' Welfare Fund		5,579,906	8,340,228
Provision for Central Research Fund		3,399,132	3,344,013
Provision for employees benefit		-	917,567
Gain/ (loss) on remeasurement of short term investments		(3,366,461)	1,628,060
Dividend income, profit on bank deposits & commissions		(2,518,214)	(37,668,816)
Interest income		(61,581,918)	-
Long term investments written off		33,085	-
Fair value adjustment on interest rate swap		143,213	-
Share in profit of Farmacia-98% owned subsidiary firm		(11,775,163)	(8,953,016)
		23,391,045	33,746,556
Operating profit before working capital changes		359,905,117	366,519,771
(Increase)/decrease in current assets			
Stores and spares		2,417,392	(1,011,785)
Advances, deposits, prepayments and other receivables		(4,074,286)	15,471,003
Stock in trade		(112,602,707)	(23,414,291)
Trade debtors		(57,708,942)	4,330,269
		(171,968,543)	(4,624,804)
Increase/(decrease) in current liabilities			
Trade and other payables		442,152	7,555,069
Cash generated from operations		188,378,726	369,450,036
Finance cost paid		(11,967,092)	(22,453,346)
Income tax paid		(17,473,026)	(92,313,240)
Payment to Workers' Profit Participation Fund		(15,105,721)	(12,891,516)
Payment to Workers' Welfare Fund		(6,844,511)	(4,914,476)
Payment to Central Research Fund		(3,344,013)	(10,011,722)
		(54,734,363)	(142,584,300)
Net cash generated from operating activities		133,644,363	226,865,736
Cash flow from investing activities			
Fixed capital expenditure		(88,845,686)	(82,988,607)
Proceeds from sale of property, plant and equipment		2,269,250	8,034,942
Markup on long term loan received		45,503,178	-
Dividend income, profit on bank deposits & commissions		2,018,214	75,037,623
Decrease in long term loan		-	(226,375,000)
Purchase of short term investments		-	(6,109,752)
Proceeds from encashment of short term investments		-	36,623,330
Long term deposits		(2,465,100)	(84,030)
Net cash used in investing activities		(41,520,144)	(195,861,494)
Cash flow from financing activities			
Repayment of long term finances		(56,750,000)	(56,750,000)
Payment of liabilities against assets subject to finance lease		(478,082)	(983,653)
Proceeds from short term borrowings		1,277,762	36,528,049
Derivative interest rate swap		(557,287)	-
Dividend paid		(30,868,441)	(16,814,563)
Net cash used in financing activities		(87,376,048)	(38,020,167)
Net increase in cash and cash equivalents		4,748,171	(7,015,925)
Cash and cash equivalents at the beginning of the year		15,267,082	22,283,007
Cash and cash equivalents at the end of the year	23	20,015,253	15,267,082

The annexed notes from 1 to 39 form an integral part of these financial statements.

Rawalpindi
August 27, 2011 Director Chairperson & CEO

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share capital (Rupees)	Capital reserve (Rupees)	Revenue reserve Unappropriated profit (Rupees)	Total (Rupees)
Balance as at 01 July 2009	**173,607,322**	**321,843**	**796,200,236**	**970,129,401**
Total Comprehensive income for the period	-	-	317,542,675	317,542,675
Surplus transferred to unappropriated profit in respect of:				
-incremental depreciation charged during the year- net of tax	-	-	5,453,714	5,453,714
Final dividend for the year ended 30 June 2009 Re 1.00 per share	-	-	(17,360,732)	(17,360,732)
Bonus shares issued at 20% for the year ended 30 June 2009	34,721,464	-	(34,721,464)	-
Balance as at 30 June 2010	**208,328,786**	**321,843**	**1,067,114,429**	**1,275,765,058**
Balance as at 01 July 2010	**208,328,786**	**321,843**	**1,067,114,429**	**1,275,765,058**
Total Comprehensive income for the period	-	-	300,987,810	300,987,810
Surplus transferred to unappropriated profit in respect of :				
-incremental depreciation charged during the year- net of tax	-	-	6,744,289	6,744,289
-disposal of fixed assets during the year	-	-	1,361,536	1,361,536
	-	-	8,105,825	8,105,825
Interim dividend for the year ending 30 June 2011 Rs. 1.25 per share	-	-	(31,249,131)	(31,249,131)
Bonus shares issued at 20% for the year ended 30 June 2010	41,665,754	-	(41,665,754)	-
Balance as at 30 June 2011	**249,994,540**	**321,843**	**1,303,293,179**	**1,553,609,562**

The annexed notes from 1 to 39 form an integral part of these financial statements.

Rawalpindi
August 27, 2011

Director

Chairperson & CEO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. The Company and its operations

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

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 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

2.2.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

2.2.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. Except for the amendment in International Accounting Standard (IAS) 19 which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance costs, these standards are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements, other than increased disclosures in certain cases:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1, 'Presentation of Financial Statements') effective for annual periods beginning on or after 1 July 2012.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after 1 January 2012.

- IAS 19, 'Employee Benefits' (Amended 2011) effective for annual periods on or after 1 January 2013.

- Prepayments of a Minimum Funding Requirement (Amendments to International Financial Reporting Interpretations Committee (IFRIC) Interpretation 14) effective for annual periods beginning on or after 1 January 2011.

- IAS 24, 'Related Party Disclosures' (Revised 2009) effective for annual periods beginning on or after 1 January 2011.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after 1 July 2011.

2.3 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.

2.4 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.

2.5 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.

During the current year the depreciation rate of certain buildings have been revised from 5% to 10%. Since the related effect on the depreciation expense of current and future periods is immaterial hence it has not been disclosed.

Stores, spare parts, loose tools and stock in trade

The Company reviews the stores, spare parts, 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

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.

	2011 (Rupees)	2010 (Rupees)
4. SHARE CAPITAL		
Authorized share capital:		
25,000,000 (2010: 25,000,000) ordinary shares of Rs. 10 each.	250,000,000	250,000,000
Issued, subscribed and paid up capital:		
1,441,952 (2010: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (2010: 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
23,437,902 (2010: 19,271,327) ordinary shares of Rs. 10 each issued as fully paid bonus shares	234,379,020	192,713,266
	249,994,540	208,328,786

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

	2011 (Rupees)	2010 (Rupees)
Surplus on revaluation of fixed assets as at 1 July	267,331,843	275,722,172
Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:		
- Net of deferred tax	(6,744,289)	(5,453,714)
- Related deferred tax liability	(3,631,540)	(2,936,615)
	(10,375,829)	(8,390,329)
Surplus transferred to unappropriated profit in respect of disposal of fixed assets during the year:		
- Net of deferred tax	(1,361,536)	-
- Related deferred tax liability	(733,135)	-
	(2,094,671)	-
Surplus on revaluation of fixed assets recognized during the year:		
- Net of deferred tax	155,777,069	-
- Related deferred tax liability	8,616,224	-
	164,393,293	-
Surplus on revaluation of fixed assets as at 30 June	419,254,636	267,331,843
Related deferred tax liability:		
- On Revaluation as at 01 July	(25,311,031)	(28,247,646)
- On Revaluation surplus of fixed assets recognized during the year	(8,616,224)	-
- Transferred to unappropriated profit		
Disposal of fixed assets during the year	733,135	
Incremental depreciation charged during the year	3,631,540	2,936,615
	(29,562,580)	(25,311,031)
	389,692,056	242,020,812

The free hold land, building and plant and machinery were revalued by independent valuers in years 1976, 1989, 2002, 2006 and 2011 respectively. These revaluations had resulted in a cumulative surplus of Rs. 448.14 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	2011 (Rupees)	2010 (Rupees)
7. Long term financing - secured			
from banking company			
Habib Bank Limited (HBL)	7.1	99,312,500	156,062,500
Less : Amount paid during the period		(56,750,000)	(56,750,000)
		42,562,500	99,312,500
Less : Current portion shown under current liabilities		(42,562,500)	(56,750,000)
		-	42,562,500

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 PKR 115.043 Million only. This facility is repayable in ten quarterly installments commencing from the October 26, 2009 and carry 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 PKR 370 million and first, equitable mortgage charge over land and building of FLL's Nowshera plant ranking pari passu with existing first charge holders to the extent of PKR 370 million.

	2011 (Rupees)	2010 (Rupees)
8. Deferred liability for taxation		
The net balance of deferred tax is in respect of the following major temporary differences:		
Taxable temporary differences:		
Accelerated depreciation	58,236,361	33,048,835
Surplus on revaluation of fixed assets	29,562,580	25,311,031
Exchange losses	296,160	-
Derivative liability-interest rate SWAP	9,428	135,561
	88,104,529	58,495,427
Deductible temporary differences:		
Obligations under finance lease	-	(166,251)
	-	(166,251)
	8,104,529	58,329,176

	Note	2011 (Rupees)	2010 (Rupees)
9. Derivative liability-interest rate swap			
Interest rate swap		-	387,316
Current portion		-	(247,142)
		-	140,174

	Note	2011 (Rupees)	2010 (Rupees)
10. Trade and other payables			
Creditors		74,473,255	63,939,716
Accrued liabilities		5,843,413	15,215,439
Advances from customers		10,731,997	12,332,702
Unclaimed dividend		14,620,247	14,239,557
Tax deducted at source		2,997,724	1,151,326
Employees' provident fund		-	2,674,821
Provision for compensated absences	10.1	4,114,299	3,417,567
Workers' (Profit) Participation Fund	10.2	14,413,874	15,086,440
Central Research Fund	10.3	3,399,132	3,344,013
Workers' Welfare Fund	30	5,579,906	6,844,511
Advances from employees		12,806,269	11,198,175
Retentions		2,811,612	4,942,911
Current portion of interest rate swap	9	-	247,142
Others		839,506	98,040
		152,631,234	154,732,360

10.1 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.

10.2 Workers' (Profit) Participation Fund

	2011 (Rupees)	2010 (Rupees)
Balance at the beginning of the year	15,086,440	12,266,421
Interest on funds utilized by the Company	483,390	203,990
Allocation for the year	13,949,765	15,507,545
	29,519,595	27,977,956
Payments made during the year	(15,105,721)	(12,891,516)
	14,413,874	15,086,440

The fund balance has been utilized by the Company for its own business and an interest at the rate of 13.12% (2010: 12.45%) has been credited to the fund. Interest is calculated at higher of 75% of the cash dividends paid rate or one month KIBOR rate as at June 30, 2011, as required under Companies Profit (Workers' Participation) Rules 1971.

	Note	2011 (Rupees)	2010 (Rupees)
10.3 Central Research Fund			
Opening balance		3,344,013	10,011,722
Charge for the year		3,399,132	3,344,013
		6,743,145	13,355,735
Less: Payments		(3,344,013)	(10,011,722)
		3,399,132	3,344,013
11. Short term borrowings-secured			
Running finance facility from:			
Habib Bank Limited	11.1	37,805,811	36,528,049
		37,805,811	36,528,049

11.1 The Company has obtained a running finance facility of Rs. 120 Million (2010: 120 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 Nowshera 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.

11.2 The Company has unavailed cash finance facility of Rs. 60 Million (2010: Rs. 60 Million) from Bank Alfalah Limited. 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. 80 Million. This facility carries mark up at the rate of Six months KIBOR + 2.25% per annum.

	2011 (Rupees)	2010 (Rupees)
12. Contingencies and commitments		
Contingencies		
Guarantees issued by banks on behalf of the Company	3,170,540	455,640
Commitments		
Capital expenditure	-	13,989,329
Letter of credits other than for capital expenditure	103,726,437	28,073,300

13 Property, plant and equipment

	Note	Reassessed Value/Original Cost: As At 01 July 2010	Additions	Transfers/ Adjustments	(Deletions)	Surplus on Revaluation	As At 30 June 2011	Rate %	Depreciation: As At 01 July 2010	For the Year	On Deletions	Transfers/ Adjustments	Release on Revaluation	As At 30 June 2011	Net Book Value: As At 30 June 2011
		Rupees							Rupees						
OWNED															
Freehold land	*13.1 & 13.2*	270,131,000	-	-	-	139,869,000	410,000,000	-	-	-	-	-	-	-	410,000,000
Building on freehold land		156,719,142	12,131,187	145,585,695	(4,138,695)	(56,377,329)	253,920,000	10	26,184,358	24,430,410	(1,896,902)	-	(48,717,866)	-	253,920,000
Plant and machinery		174,798,769	13,862,729	5,072,520	-	(50,534,018)	143,200,000	10	64,576,830	18,074,522	-	66,422	(82,717,774)	-	143,200,000
Office equipments		42,034,921	2,877,957	4,341,594	-	-	49,254,472	10	20,542,877	3,606,847	-	(67,964)	-	24,081,760	25,172,712
Furniture and fittings		17,145,240	1,058,513	1,240,142	-	-	19,443,895	10	7,516,752	1,496,124	-	-	-	9,012,876	10,431,019
Computers		15,506,232	3,431,601	113,684	-	-	19,051,517	33.33	12,682,672	2,044,583	-	1,542	-	14,728,797	4,322,720
Vehicles		120,298,727	12,603,300	2,562,700	(2,755,020)	-	132,709,707	20	65,791,757	17,164,923	(1,224,053)	1,665,755	-	83,398,382	49,311,325
Capital work in progress	*13.4*	141,831,157	42,880,399	(156,353,635)	-	-	28,357,921		-	-	-	-	-	-	28,357,921
		938,465,188	**88,845,686**	**2,562,700**	**(6,893,715)**	**32,957,653**	**1,055,937,512**		**197,295,246**	**66,817,409**	**(3,120,955)**	**1,665,755**	**(131,435,640)**	**131,221,815**	**924,715,697**
LEASED															
Vehicles		**2,562,700**	**-**	**(2,562,700)**	**-**	**-**	**-**	20	**1,452,196**	**213,558**	**-**	**(1,665,755)**	**-**	**-**	**-**
		2,562,700	**-**	**(2,562,700)**	**-**	**-**	**-**		**1,452,196**	**213,558**	**-**	**(1,665,755)**	**-**	**-**	**-**
2011		941,027,888	88,845,686	-	(6,893,715)	32,957,653	1,055,937,512		198,747,442	67,030,967	(3,120,955)	-	(131,435,640)	131,221,815	924,715,697

13.1 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. -

13.2 The Company has provided 2 acres of land to the subsidiary company, BF Biosciences Limited, for the construction of building and plant facility.

Property, plant and equipment

	Note	Reassessed Value/Original Cost					Rate	Depreciation					Net Book Value
		As At 01 July 2009	Additions	Transfers/ Adjustments	(Deletions)	As At 30 Jun 2010	%	As At 01 July 2009	For the Year	On Deletions	Transfers/ Adjustments	As At 30 Jun 2010	As At 30 Jun 2010
		Rupees						Rupees					
OWNED													
Freehold land	13.1 & 13.2	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	13.4	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) 24,631,259	-	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
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

13.1 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.

13.2 The Company has provided 2 acres of land to the subsidiary company, BF Biosciences Limited, for the construction of building and plant facility.

13.3 Land and building of the Company were first revalued on 31 March 1976, resulting in surplus of Rs. 13.661 million. The second revaluation was carried out on 30 June 1989 and resulted in a surplus of Rs. 40.067 million. The third revaluation was carried out on 30 June 2002 and resulted in a surplus of Rs. 30.433 million. The fourth revaluation that also included the plant and machinery was carried out on 30 June 2006 and resulted in a surplus of Rs. 240.593 million. The last revaluation was carried out on 30 June 2011 and resulted in a surplus of Rs.123.393 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		112,984,876	-	112,984,876
Buildings		282,361,017	54,333,438	228,027,579
Plant & Machinery		218,407,291	126,239,244	92,168,047
	2011	**613,753,184**	**180,572,681**	**433,180,502**
	2010	266,476,126	137,202,030	129,274,096

	Note	2011 (Rupees)	2010 (Rupees)
13.4 Capital work in progress			
Building and civil works		**1,044,750**	111,053,217
Plant & machinery		**2,178,515**	5,197,675
Advances to Supplies		**2,594,700**	6,213,718
Advances to contractors		**22,539,956**	19,366,547
		28,357,921	141,831,157
13.5 Depreciation is allocated as under:			
Cost of sales	25	**33,646,247**	28,528,650
Administrative expenses	27	**20,991,700**	7,657,008
Selling and distribution cost	28	**12,357,921**	13,512,759
		28,357,967	49,698,417

13.6 Loss on disposal of Property, Plant and Equipment

	Particulars	Cost	Carrying amount	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal
		--------Rupees--------				
	Vehicles					
1	Arshad Ali	71,000	-	35,500	35,500	As per Company's policy to employees
2	Mubashar Hasan	73,700	-	25,000	25,000	As per Company's policy to employees
3	M. Yasin	73,700	-	30,000	30,000	As per Company's policy to employees
4	Love Kumar	56,240	-	35,000	35,000	As per Company's policy to employees
5	Fakher Alam	56,240	-	27,000	27,000	As per Company's policy to employees
6	M. Iftikhar Attari	56,240	-	54,000	54,000	As per Company's policy to employees
7	Ghulam Rasool	54,000	9,000	54,000	45,000	As per Company's policy to employees
8	Zahid Iqbal	54,000	10,800	54,000	43,200	As per Company's policy to employees
9	Latif Khan	54,000	10,800	54,000	43,200	As per Company's policy to employees
10	EFU Insurance Company	754,000	439,833	543,750	103,917	Insurance claims
11	EFU Insurance Company	1,389,000	1,018,600	1,300,000	281,400	Insurance claims
12	EFU Insurance Company	62,900	41,933	57,000	15,067	Insurance claims
		2,755,020	1,530,966	2,269,250	738,284	
	Soap Plant Building	4,138,695	2,241,793	-	(2,241,793)	
	2011 Rupees	**6,893,715**	**3,772,759**	**2,269,250**	**(1,503,509)**	
	2010 Rupees	12,691,756	2,269,251	8,034,942	5,765,691	

	Note	2011 (Rupees)	2010 (Rupees)
14. LONG TERM INVESTMENTS			
Related parties - At cost			
Farmacia (Partnership firm, unlisted subsidiary)	14.1	82,555,954	70,780,791
BF Biosciences Limited (unlisted subsidiary)	14.2	151,999,960	151,999,960
		234,555,914	222,780,751
Other available for sale - unlisted	14.3	-	33,085
		234,555,914	222,813,836

14.1 Farmacia (Partnership firm, unlisted subsidiary)	Note	2011 (Rupees)	2010 (Rupees)
Opening Balance		70,780,791	62,773,144
Companys' share in profit of subsidiary	15.1.1	82,555,954	8,007,647
		82,555,954	70,780,791

14.1.1 This represent 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.

14.2 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 has commenced its commercial operations effective July 2009.

14.3 Investment available for sale - Unlisted

Number of shares 2011	Number of shares 2010	Name of Companies - Unlisted	2011 (Rupee)	2010 (Rupee)
218	218	National General Insurance Company Limited Ordinary shares of Rs. 10 each Equity held 0.01%	-	2,985
301	301	Mercantile Co-operative Finance Corporation Limited 'A' class shares of Rs. 100 each The entity is under liquidation	-	30,100
			-	33,085

	Note	2011 (Rupees)	2010 (Rupees)
15. Long Term Loan - unsecured			
Related party - considered good			
BF Biosciences Limited	15.1	425,000,000	198,625,000
Add: disbursement made during the period		-	226,375,000
		425,000,000	425,000,000
Less : Amount due within twelve months, shown under current assets		(50,000,000)	-
		375,000,000	425,000,000

15.1 This represent the restructuring in form of further investment by converting the overall outstanding term loan, overdue markup and trade receivables of 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 is recoverable within a period of five years or earlier as and when required by the Company with the 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 (2010: Rs. 425 million).

	Note	2011 (Rupees)	2010 (Rupees)
16. Stores, spares and loose tools			
Stores		1,586,650	3,941,587
Spare parts		174,681	546,996
Loose tools		461,907	152,047
		2,223,238	4,640,630
17. Stock in trade			
Raw material		224,016,595	138,107,999
Work in process		11,929,149	9,069,289
Finished goods	17.1	169,991,024	138,056,563
		405,936,768	285,233,851
Stock in transit		3,068,579	11,168,789
		409,005,347	296,402,640

17.1 These include finished goods amounting to Rs.1,760,636 (2010: 1,893,153) which are carried at net realizable value.

	Note	2011 (Rupees)	2010 (Rupees)
18. Loans and advances - considered good			
Advances to employees	18.1	5,321,729	2,981,726
Advances to suppliers		11,825,186	10,196,468
Others		542,648	50,211
		17,689,563	13,228,405

18.1 There is no interest free advance against salary to executives on June 30, 2011 (2010: Rs. Nil).

	Note	2011 (Rupees)	2010 (Rupees)
19. Deposits and prepayments			
Deposits:			
Earnest money		6,856,599	7,919,302
Lease key money		-	296,580
Margin deposits		3,220,024	2,560,612
		10,076,623	10,776,494
Prepayments		736,895	353,315
		10,813,518	11,129,809
20. Advance income tax - net			
Income tax payable at beginning of the year		81,090,608	(361,151)
Income tax paid during the year		17,473,026	92,313,240
Provision for current taxation	31	(14,367,133)	(10,861,481)
Advance income tax/ (income tax payable) at the year end		84,196,501	81,090,608
21. Other receivables			
Due from Subsidiary:			
BF Biosciences Ltd.		743,507	453,937
Farmacia		-	435,248
		743,507	889,185
Others		786,813	211,716
		1,530,320	1,100,901
22. Short term investments			
Investments at fair value through profit and loss - listed securities	22.1	13,081,368	9,714,907

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

Number of shares 2011	Number of shares 2010	Name of Companies	2011 Carrying value Rupees	2011 Fair value Rupees	2010 Carrying value Rupees	2010 Fair value Rupees
25,000	25,000	Pakistan National Shipping Corporation Ordinary shares of Rs. 10 each	997,250	600,000	1,154,000	997,250
155,755	155,755	Bank Alfalah Ltd Ordinary shares of Rs. 10 each	1,473,442	1,490,575	1,643,215	1,473,442
415,000	415,000	PICIC-Growth Fund Ordinary shares of Rs. 10 each	3,842,900	5,552,700	4,069,526	3,842,900
7,000	7,000	Pakistan Oilfields Ltd. Ordinary shares of Rs. 10 each	1,511,300	2,513,070	1,658,604	1,511,300
500,004	500,004	PICIC-IF Ordinary shares of Rs. 10 each	1,890,015	2,925,023	2,817,622	1,890,015
			9,714,907	13,081,368	11,342,967	9,714,907
		Unrealized (loss)/gain on account of re-measurement to fair value	3,366,461	-	(1,628,060)	-
			13,081,368	13,081,368	9,714,907	9,714,907

	Note	2011 (Rupees)	2010 (Rupees)
23. Cash and bank balances			
Cash in hand		2,098,369	1,146,202
Cash at bank:			
Current accounts			
- Foreign currency		8,154,897	6,850,069
- Local currency		6,387,236	1,761,503
		14,542,133	8,611,572
Deposit accounts- local currency	23.1	3,374,751	5,509,308
		20,015,253	15,267,082

23.1 These carry interest rate of 5-7.5% per annum (2010:5-8.5% per annum)

	Note	2011 (Rupees)	2010 (Rupees)
24. Sales - net			
Gross sales		1,553,841,473	1,367,322,032
Less: Discount		(117,128,192)	(93,947,210)
		1,436,713,281	1,273,374,822
25. Cost of sales			
Work in process:			
Opening		9,069,289	7,791,792
Closing		(11,929,149)	(9,069,289)
		(2,859,860)	(1,277,497)
Raw materials consumed	25.1	601,561,435	543,651,616
Salaries, wages and benefits	25.2	60,645,691	49,310,885
Fuel and power		8,190,433	6,256,922
Repair and maintenance		7,545,846	4,279,369
Stores and spares consumed		6,842,682	4,166,180
Packing charges		9,275,848	7,147,346
Excise duty		80,000	108,542
Postage and telephone		1,400,229	964,330
Insurance		1,693,360	1,716,736
Travelling and conveyance		1,448,327	1,390,169
Transport		2,366,695	1,389,626
Canteen Expenses		3,026,076	2,713,927
Security expenses		1,268,611	1,086,676
Product Registration Expenses		23,800	1,298,340
Laboratory and other expenses		2,148,957	1,942,161
Depreciation	13.5	33,646,247	28,528,650
Cost of goods manufactured		738,304,377	654,673,978
Finished stock:			
Opening		138,056,563	123,514,890
Closing		(169,991,024)	(138,056,563)
		(31,934,461)	(14,541,673)
		706,369,916	640,132,305

		Note	2011 (Rupees)	2010 (Rupees)
25.1	**Raw materials consumed**			
	Opening stock		138,107,999	134,222,613
	Add: Purchases		687,470,031	547,537,002
			825,578,030	681,759,615
	Less: Closing stock		(224,016,595)	(138,107,999)
			601,561,435	543,651,616

25.2 Salaries, wages and benefits include Rs.2.203 million (2010: Rs. 1.809 million) charged on account of defined contribution plan.

26 Other operating income

	2011 (Rupees)	2010 (Rupees)
From financial assets		
Dividend income	1,373,755	1,000,604
Capital gain on sale of shares	-	6,787,178
Profit on deposits with banks	644,459	817,560
Gain on re-measurement of short term investments	3,366,461	-
Lease rentals from subsidiary company	500,000	-
Exchange Gain	-	98,235
Commission	5,115,852	18,614,333
	11,000,527	27,317,910
From related party		
Mark up on Long Term Loan to Subsidiary	61,581,918	10,350,906
From non financial assets		
Gain on disposal of property, plant and equipment	-	5,765,691
	72,582,445	43,434,507

27. Administrative expenses

	Note	2011 (Rupees)	2010 (Rupees)
Salaries, wages and benefits	27.1	61,128,898	49,257,984
Directors fees and expenses		1,185,025	1,081,870
Rent, rates and taxes		658,615	795,563
Postage and telephone		2,932,969	2,005,157
Printing and Stationary		1,932,804	1,649,215
Travelling and conveyance		2,983,803	2,808,950
Transport		2,444,198	1,877,357
Legal and professional charges		2,362,697	2,292,085
Fuel and power		920,446	2,559,971
Auditors' remuneration	27.2	824,392	808,268
Repairs and maintenance		6,180,225	4,078,802
Subscriptions		901,488	807,954
Donations	27.3	2,600,000	1,240,000
Insurance		1,678,694	1,212,350
Depreciation	13.5	20,991,700	7,657,008
Canteen Expenses		3,323,361	2,033,208
Other administrative expenses		1,651,190	1,096,455
		114,700,505	83,262,197

27.1 Salaries, wages and benefits include Rs.2.243 million (2010: Rs. 2.092 million) charged on account of defined contribution plan.

	Note	2011 (Rupees)	2010 (Rupees)
27.2 Auditors' remuneration			
Fee for annual audit		500,000	500,000
Fee for audit of consolidated accounts		50,000	50,000
Review of half yearly accounts		75,000	75,000
Other certifications		90,000	90,000
Out of pocket expenses		109,392	93,268
		824,392	808,268

27.3 Donations were given to LUMS School of Science and Engineering, The Citizen Foundation and Edhi Welfare Trust. Donations did not include any amount paid to any person or organization in which a director or his spouse had any interest.

28. Selling and distribution cost

	Note	2011 (Rupees)	2010 (Rupees)
Salaries, wages and benefits	28.1	109,587,555	90,055,872
Travelling and conveyance		59,795,070	52,121,870
Transport		4,009,011	2,195,568
Rent, rates and taxes		2,043,596	2,674,908
Advertisement and publicity		102,492,915	52,594,930
Freight and forwarding		6,567,210	7,477,488
Printing and Stationary		1,619,715	1,224,143
Postage and telephone		3,423,719	2,458,908
Electricity and gas		41,856	276,390
Subscriptions and fees		9,391,096	3,057,416
Insurance		4,880,093	4,457,884
Repairs		572,176	381,947
Legal and professional charges		19,626	130,900
Entertainment		1,081,454	410,501
Training		1,371,141	872,553
Depreciation	13.5	12,393,020	13,512,759
Other selling expenses		6,221,873	172,496
		325,511,126	234,076,533

28.1 Salaries, wages and benefits include Rs.4.155 million (2010: Rs. 3.281 million) charged on account of defined contribution plan.

29. Finance cost

	2011 (Rupees)	2010 (Rupees)
Finance charge on leased assets	3,079	105,577
Mark-up on bank financing	9,386,549	4,280,158
Bank charges	1,120,206	1,163,155
Interest on Workers' (Profit) Participation Fund	483,390	203,990
Interest rate swap expense	143,213	
	11,136,437	5,752,880
Loss on fair value measurement of Interest Rate Swap	-	453,937
Less: Loss passed on to subsidiary	-	(453,937)
	-	-
Mark-up on long term loan	-	14,351,647
Less: Mark-up passed on to subsidiary	-	(14,351,647)
	-	-
	11,136,437	5,752,880

		Note	2011 (Rupees)	2010 (Rupees)
30.	**Other charges**			
	Loss on fair value measurement of short term investments		-	1,628,060
	Exchange loss		**2,373,437**	-
	Loss on disposal of fixed assets		**1,503,509**	-
	Write-off of long term investment		**33,085**	-
	Workers' (Profit) Participation Fund		**13,949,765**	15,507,545
	Workers' Welfare Fund-prior period error		-	1,495,717
	Workers' Welfare Fund - Current		**5,579,906**	6,844,511
	Workers' Welfare Fund	32.1	**5,579,906**	8,340,228
	Central Research Fund		**3,399,132**	3,344,013
			26,838,834	28,819,846
31.	**Taxation**			
	Current year		**14,367,133**	10,861,481
	Deferred		**21,159,129**	4,369,059
			35,526,262	15,230,540

31.1 Pursuant to the insertion of clause 126F in Part-I of the Second Schedule of Income Tax Ordinance 2001 (the Ordinance) through the Finance Act 2010, the profits and gains of the Company are 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.

31.2 Since the Company is subject to minimum tax under section 113 of the Income Tax Ordinance, 2001, therefore tax charge reconciliation has not been prepared.

32. Earnings per share - basic and diluted

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

			2011	2010
Net profit for the year	Rupees		**300,987,810**	317,542,675
Average number of shares outstanding during the year	Numbers	32.1	**24,999,454**	24,999,454
Earnings per share	Rupees		**12.04**	12.70

32.1 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.

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

33. Remuneration of Directors, Chief Executive and Executives

	2011			2010		
	Director	Chief Executive	Executives	Director	Chief Executive	Executives
	----Rupees----			----Rupees----		
Managerial remuneration	13,200,000	6,900,000	41,784,910	11,310,000	6,450,000	31,506,357
Bonus	3,300,000	1,725,000	3,147,000	785,000	500,000	1,812,000
Utilities	-	159,885	-	-	142,919	-
Provident fund	851,616	475,860	2,580,094	729,680	444,828	2,024,188
	17,351,616	9,260,745	47,512,004	12,824,680	7,537,747	35,342,545
Numbers	2	1	24	2	1	19

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. 3,200 (2010: Rs. 3,700) as meeting fee and Rs.1,181,825 (2010: Rs. 1,078,170) as meeting expenses for attending the Board of Directors meetings.

34. 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:

	2011 (Rupees)	2010 (Rupees)
Farmacia-98% owned subsidiary partnership firm		
Advance received for supply of good	-	7,919,768
Sale of medicines	5,102,010	37,042,520
Payment received from Farmacia against sale of medicine	(2,697,124)	(37,042,520)
Share of profit reinvested	11,775,163	8,007,647
Other expenses directly paid by the Company	8,400	435,248
BF Biosciences Limited-80% owned subsidiary		
Interest on long term loan	61,581,918	24,702,553
Sales of finished goods	89,605,545	184,335,182
Purchase of goods	39,824,835	978,386
Amount of capital work in progress transferred by the Company	-	23,401,241
Lease rentals accrued	500,000	-
Expenses incurred on behalf of the subsidiary	5,814,096	18,394,859
Payment made by the subsidiary	(144,398,602)	(46,388,122)
Other related parties		
Employees provident fund		
Advances given to members	4,281,941	1,023,823
Mark up recovered	177,941	200,492
Payments made on behalf of the fund to the retiring employees	20,210,810	9,645,550
Company share in employees provident fund	8,602,263	7,181,486
Remuneration including benefits and perquisites of key management personnel	40,020,000	34,663,009

35. 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.

36. 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 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's Audit 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.

36.1 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 carries a significant credit exposure to one single counter party in form of a long term loan to subsidiary company BF Biosciences Limited, however this risk is mitigated as the operations of the subsidiary company has grown considerably in current year thus resulting in positive cash flows out of which the subsidiary company has been duly paying its markup to the parent company. The maximum financial exposure due to credit risk on the Company's financial assets as at 30 June was:

	2011 (Rupees)	2010 (Rupees)
Long term investment-available for sale	-	33,085
Long term loan	425,000,000	425,000,000
Trade debts	102,924,380	45,215,438
Deposits	10,375,099	11,533,314
Other receivables	1,435,538	1,100,901
Other financial assets	13,081,369	9,714,907
Bank balances	17,916,884	14,120,880
	570,733,270	506,718,525

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:

	2011 (Rupees)	2010 (Rupees)
Institutional customers	41,307,283	39,554,320
Retail customers	60,801,857	290,620
Distributors	815,240	5,370,498
Subsidiary company	425,000,000	425,000,000
Banks	17,916,884	14,120,880
Listed companies and mutual funds	13,081,369	9,714,907
Other	11,810,637	2,667,300
	570,733,270	506,718,525

	2011 (Rupees)	2010 (Rupees)
The aging of trade debts at the reporting date was:		
Not past due	-	-
Past due 0-30 days	45,530,724	14,957,299
Past due 31- 120 days	32,185,619	15,397,188
Past due 121-365 days	19,361,407	11,459,106
More than one year	5,846,630	3,401,844
	102,924,380	45,215,438

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.

36.2 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:

	2011						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	----------Rupees----------						
Secured bank loan	42,562,500	44,256,725	44,256,725	-		-	-
Trade & other payables	77,284,867	77,284,867	77,284,867		-	-	-
Accrued mark-up on long term financing	969,405	969,405	969,405	-	-	-	-
Short term borrowing	37,805,811	37,805,811	37,805,811	-	-	-	-
	158,622,583	160,316,808	160,316,808	-	-	-	-

	2010						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	----------Rupees----------						
Secured bank loan	99,312,500	120,689,759	38,311,498	35,227,757	47,150,504	-	-
Finance lease liabilities	475,003	478,300	478,300	-	-	-	-
Trade & other payables	125,107,246	124,858,045	124,776,117	81,928	-	-	-
Accrued mark-up on long term financing	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	-	-

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:

	2011 %	2010 %	2011 (Rupees)	2010 (Rupees)
Variable rate instruments				
Financial assets	5.0 to 15.12	5.0 to 14.84	378,374,751	430,509,308
Financial liabilities	7.5 to 15.2	13.84 to 14.75	(80,368,311)	(156,537,503)
			298,006,440	273,971,805

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	
	2011 (Rupees)	2010 (Rupees)
Variable rate instruments	2,980,064	2,032,949

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.

36.3 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 unpredictable 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:

	2011		2010	
	Rupees	**US Dollars**	Rupees	US Dollars
Cash and cash equivalents	**8,154,897**	**94,880**	6,850,069	80,024
Trade and other payables	**(52,980,010)**	**(616,405)**	(43,860,584)	(512,390)
Trade receivables	**8,433,434**	**98,120**	2,122,113	24,791
Gross balance sheet exposure	**(36,391,679)**	**(521,525)**	(34,888,402)	(407,575)

The following significant exchange rates were applied during the year:

	Balance Sheet date rate		Average rate	
	2011	2010	**2011**	2010
US Dollars	**85.95**	85.60	**85.73**	84.07

Sensitivity analysis

A ten percent strengthening of the Pakistani Rupee against the following currencies 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	
	2011 Rupees	2010 Rupees
Profit and loss	**3,639,168**	3,488,840

A ten percent weakening of the Pakistani Rupee 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.

36.4 Other market price risk

The primary goal of the Company's investment strategy is to maximise investment returns on surplus funds. The Company adopts a policy of ensuring minimize its price risk by investing in fixed rate investments like TDRs and income funds of 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.

36.5 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.0.65 million (2010: Rs. 0.5 million) on the basis that all other variables remain constant.

36.6 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.

37. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

38. Non Adjusting events after the balance sheet date

The Board of Directors of the Company in their meeting held on 27 August, 2011 have proposed final cash dividend of Rs. 1.25 per share and stock dividend @ 15 % i.e. 3 bonus shares for every 20 shares held, for the year ended June 30, 2011.

39. Date of authorization

The financial statements have been authorized for issue by the board of directors of the company on August 27, 2011.

Rawalpindi		
August 27, 2011	Director	Chairperson & CEO

Consolidated Financial Statements for the Year Ended June 30, 2011

KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS OF FEROZSONS LABORATORIES LIMITED

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Ferozsons Laboratories Limited ("the Holding Company")** and its subsidiary companies BF Biosciences Limited and Farmacia as at 30 June 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Ferozsons Laboratories Limited and its subsidiary company except for Farmacia which was audited by another firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company is based solely on the report of other auditor.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

In our opinion, the consolidated financial statements present fairly the financial position of Ferozsons Laboratories Limited and its subsidiary companies as at 30 June 2011 and the results of their operations, their cash flows, their comprehensive income and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Lahore:	**Chartered Accountants**
August 27, 2011	**(Kamran Iqbal Yousafi)**

CONSOLIDATED BALANCE SHEET

	Note	2011 (Rupees)	2010 (Rupees)
Share Capital and Reserves			
Share capital	5	249,994,540	208,328,786
Capital reserve	6	321,843	321,843
Unappropriated profit		1,342,834,271	1,007,224,346
		1,593,150,654	1,215,874,975
Non-controlling interest		49,675,749	24,472,022
		1,642,826,403	1,240,346,997
Surplus on revaluation of fixed assets-net of tax	7	389,692,056	242,020,812
Non current liabilities			
Long term financing - secured	8	-	79,937,500
Deferred liability for taxation	9	121,695,416	58,329,177
Derivative liability-Interest Rate Swap	10	-	140,174
		121,695,416	138,406,851
Current liabilities			
Trade and other payables	11	290,397,231	226,805,532
Short term borrowings - secured	12	37,805,811	36,528,049
Accrued markup on long term financing		1,898,089	3,306,950
Current portion of long term financing	8	79,937,500	94,125,000
Current portion of liabilities against assets subject to finance lease		-	475,003
		410,038,631	361,240,534
Contingencies and commitments	13	-	-
		2,564,252,506	1,982,015,194

The annexed notes from 1 to 37 form an integral part of these financial statements.

Rawalpindi
August 27, 2011

Director

AT JUNE 30, 2011

	Note	2011 (Rupees)	2010 (Rupees)
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,465,485,976	1,294,926,904
Long term investments	15	-	33,085
Long term deposits		7,465,500	5,444,100
Current assets			
Stores, spares and loose tools	16	4,805,283	4,640,630
Stock in trade	17	592,723,356	389,994,805
Trade debts-considered good		158,262,572	74,110,069
Loans and advances-considered good	18	24,393,199	27,822,383
Deposits and prepayments	19	21,038,681	11,612,557
Advance income tax - net	20	110,196,797	97,011,481
Other receivables		786,813	211,716
Short term investments	21	23,673,368	19,714,907
Derivative asset - interest rate swap		26,758	-
Cash and bank balances	22	155,394,203	56,492,557
		1,091,301,030	681,611,105
		2,564,252,506	1,982,015,194

Chairperson & CEO

FEROZSONS LABORATORIES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 (Rupees)	2010 (Rupees)
Net sales	23	**2,202,757,204**	1,536,682,971
Cost of sales	24	**(1,073,340,283)**	(837,141,095)
Gross profit		**1,129,416,921**	699,541,876
Other operating income	25	**15,134,376**	35,870,360
Administrative expenses	26	**(117,440,687)**	(93,446,110)
Selling and distribution cost	27	**(457,033,374)**	(318,252,691)
Finance cost	28	**(20,109,389)**	(33,460,839)
Other charges	29	**(42,428,364)**	(28,819,846)
Profit before taxation		**507,539,483**	261,432,750
Provision for taxation	30	**(81,916,771)**	(17,135,126)
Profit for the year		**425,622,712**	244,297,624
Attributable to:			
Shareholders of the Parent Company		**400,418,985**	258,815,898
Non-Controlling Interest		**25,203,727**	(14,518,274)
Profit for the year		**425,622,712**	244,297,624

The annexed notes from 1 to 37 form an integral part of these financial statements.

Rawalpindi
August 27, 2011

Director

Chairperson & CEO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	2011 (Rupees)	2010 (Rupees)
Profit after tax	425,622,712	244,297,624
Other comprehensive income	-	-
Total comprehensive income	425,622,712	244,297,624
Attributable to:		
Shareholders of the Parent Company	400,418,985	258,815,898
Non-Controlling Interest	25,203,727	(14,518,274)
	425,622,712	244,297,624

The annexed notes from 1 to 37 form an integral part of these financial statements.

Rawalpindi
August 27, 2011

Director

Chairperson & CEO

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 (Rupees)	2010 (Rupees)
Cash flow from operating activities			
Profit before taxation		507,539,483	261,432,750
Adjustments for:			
Depreciation		131,311,863	108,663,501
Loss/ (profit) on disposal of property, plant and equipment		1,759,009	(5,772,786)
Finance costs		19,966,176	32,809,358
Provision for Workers Profit Participation Fund		22,966,082	15,507,545
Provision for Workers' Welfare Fund		9,186,433	8,340,228
Provision for Central Research Fund		5,080,396	3,344,013
Provision for employees benefit		-	917,567
(Gain)/ loss on remeasurement of short term investments		(3,366,461)	1,628,060
Dividend income, profit on bank deposits		(4,228,209)	30,097,574
Long term investments written off		33,085	-
Fair value adjustment on interest rate swap		(310,724)	651,481
		182,397,650	196,186,541
Operating profit before working capital changes		689,937,133	457,619,291
(Increase)/decrease in current assets			
Stores and spares		(164,653)	(1,011,785)
Advances, deposits, prepayments and other receivables		(6,572,037)	3,146,611
Stock in trade		(202,728,551)	(109,069,921)
Trade debtors		(84,152,503)	(16,155,008)
		(293,617,744)	(123,090,103)
Increase/(decrease) in current liabilities			
Trade and other payables		51,036,095	58,874,014
Cash generated from operations		447,355,484	393,403,202
Finance cost paid		(20,888,568)	(36,933,033)
Income tax paid		(40,352,071)	(105,178,739)
Payment to Workers' Profit Participation Fund		(15,105,721)	(12,891,516)
Payment to Workers' Welfare Fund		(6,844,511)	(4,914,476)
Payment to Central Research Fund		(3,344,013)	(10,011,722)
		(86,534,884)	(169,929,486)
Net cash generated from operating activities		360,820,600	223,473,716
Cash flow from investing activities			
Fixed capital expenditure		(141,830,902)	(158,898,206)
Proceeds from sale of property, plant and equipment		2,594,250	8,061,942
Dividend income, profit on bank deposits & commissions		4,228,209	(35,888,323)
Increase in short term investments		(592,000)	(10,000,000)
Proceeds from encashment of short term investments		-	59,943,392
Long term deposits		(2,021,400)	-
Net cash used in investing activities		(137,621,843)	(136,781,195)
Cash flow from financing activities			
Repayment of long term finances		(94,125,000)	(94,125,000)
Payment of liabilities against assets subject to finance lease		(478,082)	(983,653)
Proceeds from short term borrowings		1,277,762	35,979,495
Derivative interest rate swap		(103,350)	-
Dividend paid		(30,868,441)	(16,814,566)
Net cash used in financing activities		(124,297,111)	(75,943,724)
Net increase / (decrease) in cash and cash equivalents		98,901,646	10,748,797
Cash and cash equivalents at the beginning of the year		56,492,557	45,743,760
Cash and cash equivalents at the end of the year	22	155,394,203	56,492,557

The annexed notes from 1 to 37 form an integral part of these financial statements.

Rawalpindi
August 27, 2011

Director

Chairperson & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Capital reserve	Revenue reserve Unappropriated profit	Total	Non-Controlling Interest	Total
	---Rupees---					
Balance as at 30 June 2009	**173,607,322**	**321,843**	**795,036,930**	**968,966,095**	**38,990,296**	**1,007,956,391**
Total Comprehensive income for the period	-	-	258,815,898	258,815,898	(14,518,274)	244,297,624
Surplus transferred to unappropriated profit in respect of : -incremental depreciation charged during the year- net of tax	-	-	5,453,714	5,453,714	-	5,453,714
Final dividend for the year ended 30 June 2009 Re 1.00 per share	-	-	(17,360,732)	(17,360,732)	-	(17,360,732)
Bonus shares issued at 20% for the year ended 30 June 2009	34,721,464	-	(34,721,464)	-	-	-
Balance as at 30 June 2010	**208,328,786**	**321,843**	**1,007,224,346**	**1,215,874,975**	**24,472,022**	**1,240,346,997**
Balance as at 01 July 2010	**208,328,786**	**321,843**	**1,007,224,346**	**1,215,874,975**	**24,472,022**	**1,240,346,997**
Total Comprehensive income for the period	-	-	400,418,985	400,418,985	25,203,727	425,622,712
Surplus transferred to unappropriated profit in respect of : -incremental depreciation charged during the year- net of tax	-	-	6,744,289	6,744,289	-	6,744,289
-disposal of fixed assets during the year	-	-	1,361,536	1,361,536	-	1,361,536
	-	-	8,105,825	8,105,825	-	8,105,825
Interim dividend for the year ending 30 June 2011 Rs. 1.25 per share	-	-	(31,249,131)	(31,249,131)	-	(31,249,131)
Bonus shares issued at 20% for the year ended 30 June 2010	41,665,754	-	(41,665,754)	-	-	-
Balance as at 30 June 2011	**249,994,540**	**321,843**	**1,342,834,271**	**1,593,150,654**	**49,675,749**	**1,642,826,403**

The annexed notes from 1 to 37 form an integral part of these financial statements.

Rawalpindi
August 27, 2011 Director Chairperson & CEO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. The Group and its operations

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

BF Biosciences Limited is an 80% owned subsidiary of the Parent Company and was incorporated as an unquoted public limited company under the Companies Ordinance, 1984 on 24 February 2006. BF Biosciences Limited has been set up for establishing a biotech pharmaceutical plant to manufacture cancer and hepatitis related medicines.

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

2. Basis of consolidation

These consolidated financial statements include the financial statements of Ferozsons Laboratories Limited and its subsidiaries– BF Biosciences Limited and Farmacia ("hereinafter referred as the Group").

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

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

3. Basis of preparation

3.1 Statement of compliance

These consolidated 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.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

3.2.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Group.

3.2.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. Except for the amendment in International Accounting Standard (IAS) 19 which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance costs, these standards are either not relevant to the Group's operations or are not expected to have a significant impact on the Groups's financial statements, other than increased disclosures in certain cases:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1, 'Presentation of Financial Statements') effective for annual periods beginning on or after 1 July 2012.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after 1 January 2012.

- IAS 19, 'Employee Benefits' (Amended 2011) effective for annual periods on or after 1 January 2013.

- Prepayments of a Minimum Funding Requirement (Amendments to International Financial Reporting Interpretations Committee (IFRIC) Interpretation 14) effective for annual periods beginning on or after 1 January 2011.

- IAS 24, 'Related Party Disclosures' (Revised 2009) effective for annual periods beginning on or after 1 January 2011.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after 1 July 2011.

3.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention 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.

3.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupee (PKR) which is also the Group's functional currency. All financial information presented in PKR has been rounded to the nearest rupee.

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

During the current year, the depreciation rate of certain buildings of parent company have been revised from 5% to 10%. Since the related effect on the depreciation expense of current and future periods is immaterial hence it has not been disclosed.

Stores, spare and loose tools and stock in trade

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

4. Significant accounting policies

4.1 Employee benefits

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

Staff provident fund

The Parent Company and the subsidiary company, BF Biosciences Limited operate 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 Group to the fund in this regard. Contribution is made to the fund equally by the Group and the employees at the rate of 10% of basic salary.

Compensated absences

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

4.2 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.

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.

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.

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

Owned

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

In relation to the subsidiary companies, property, plant and equipment except for capital work in progress are stated at cost less accumulated depreciation and impairment loss, if any. The management believes that there would be no material impact of revaluation of the building and plant of the subsidiary company, BF Biosciences Limited, as these assets were completed and commissioned during the year.

Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs. 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. 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 Group 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.

4.3.1 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, related borrowing cost and appropriate overheads directly attributable to the project. These costs are transferred to property, plant and equipment as and when assets are available for their intended use.

4.3.2 Leased assets

Leased property, plant and equipment in terms of which the Group 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.

4.4 Impairment

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

4.5 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 Group. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Group has transferred substantially all the risks and rewards of ownership.

4.5.1 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.

4.5.2 Investments held to maturity

Investments with fixed or determinable payments and fixed maturity and where the Group 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.

4.5.3 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 Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group'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.

4.6 Stores, spares and loose tools

Stores, spare 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.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets.

4.7 Stock 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.

4.8 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 Group's assessment of the Collectability of counterparty accounts. The Group 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.

4.9 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.

4.10 Mark-up bearing borrowings

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

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

4.11 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 Group and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

4.12 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.

4.13 Dividend

Dividend distribution is recognised as a liability in the period in which the dividends are approved.

4.14 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.

4.15 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.

4.16 Derivative financial instruments

The Parent Company holds derivative financial instruments 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.

4.17 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.

4.18 Provisions

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

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.

4.19 Financial instruments

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

Financial assets are long term investment, trade debts, advances deposits and other receivable, short term 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 and short term financing, 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.

4.20 Offsetting of financial assets and financial liabilities

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

4.21 Foreign currencies

PKR is the functional currency of the Group. 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.

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

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.

	Note	2011 (Rupees)	2010 (Rupees)
5. SHARE CAPITAL			
Authorized share capital:			
25,000,000 (2010: 25,000,000) ordinary shares of Rs. 10 each.		**250,000,000**	250,000,000
Issued, subscribed and paid up capital:			
1,441,952 (2010: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash		**14,419,520**	14,419,520
119,600 (2010: 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
23,437,902 (2010: 15,799,180) ordinary shares of Rs. 10 each issued as fully paid bonus shares		**234,379,020**	192,713,266
		249,994,540	208,328,786

6. CAPITAL RESERVE

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

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

	2011 (Rupees)	2010 (Rupees)
Surplus on revaluation of fixed assets as at 1 July	**267,331,843**	275,722,172
Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:		
- Net of deferred tax	**(6,744,289)**	(5,453,714)
- Related deferred tax liability	**(3,631,540)**	(2,936,615)
	(10,375,829)	(8,390,329)
Surplus transferred to unappropriated profit in respect of disposal of fixed assets during the year:		
- Net of deferred tax	**(1,361,536)**	-
- Related deferred tax liability	**(733,134)**	-
	(2,094,670)	
Surplus on revaluation of fixed assets recognized during the year:		
- Net of deferred tax	**155,777,069**	-
- Related deferred tax liability	**8,616,224**	-
	164,393,293	-
Surplus on revaluation of fixed assets as at 30 June	**419,254,637**	267,331,843
Related deferred tax liability:		
- On Revaluation as at 1 July	**(25,311,031)**	(28,247,646)
- On Revaluation surplus of fixed assets recognized during the year	**(8,616,224)**	
- Transferred to unappropriated profit on :		
Disposal of fixed assets during the year	**733,134**	
Incremental depreciation charged during the year	**3,631,540**	2,936,615
	(29,562,581)	(25,311,031)
	389,692,056	242,020,812

The free hold land, building and plant and machinery were revalued by independent valuers in years 1976, 1989, 2002, 2006 and 2011 respectively. These revaluations had resulted in a cumulative surplus of Rs. 448.75 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	2011 (Rupees)	2010 (Rupees)
8. LONG TERM FINANCING - Secured			
from banking company			
- Habib Bank Limited (HBL)	8.1	42,562,500	99,312,500
- Allied Bank Limited (ABL	8.2	37,375,000	74,750,000
		79,937,500	174,062,500
Less : Current portion shown under current liabilities		(79,937,500)	(94,125,000)
		-	79,937,500

8.1 Habib Bank Limited (HBL)

	2011 (Rupees)	2010 (Rupees)
Principal outstanding at beginning of the year	99,312,500	156,062,500
Less: Principal paid during the year	(56,750,000)	(56,750,000)
Balance outstanding at end of the year	42,562,500	99,312,500
Current portion shown under current liabilities	(42,562,500)	(56,750,000)
	-	42,562,500

8.1.1 The Parent 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 Parent 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 Parent 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 Parent 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 Parent company's Nowshera plant ranking pari passu with existing first charge holders to the extent of Rs. 370 million.

8.2 Allied Bank Limited (ABL)

	2011 (Rupees)	2010 (Rupees)
Principal outstanding at beginning of the year	74,750,000	112,125,000
Less: Principal paid during the year	(37,375,000)	(37,375,000)
Balance outstanding at end of the year	37,375,000	74,750,000
Current portion shown under current liabilities	(37,375,000)	(37,375,000)
	-	37,375,000

8.2.1 This represents a long term finance facility obtained by the subsidiary company, BF Biosciences Limited from Allied Bank Limited. The total amount of facility is USD 1.78 million which is repayable in 16 equal quarterly installments, starting from May 02, 2008. This facility carries mark-up at the rate of six months KIBOR plus 1.50% per annum (base rate to be reset semi-annually). The facility is secured by creating a first charge of Rs. 334 million on all present and future fixed and current assets, except for land and building of the subsidiary company.

The above facility was later converted into a Long Term Financing Facility (LTFF) for export oriented projects by a scheme introduced by the SBP up to the extent of Rs. 2.3 million only. This facility is repayable in ten quarterly installments commencing from the October 26, 2009 and carry mark-up at 8.0% per annum or as per SBP, payable quarterly in arrear. The facility is secured by creating a first charge of Rs. 334 million on all present and future fixed and current assets, except for land and building of the subsidiary company.

	Note	2011 (Rupees)	2010 (Rupees)
9. Deferred liability for taxation			
The net balance of deferred tax is in respect of the following major temporary differences:			
Taxable temporary differences:			
Accelerated depreciation		147,760,291	33,048,836
Surplus on revaluation of fixed assets		29,562,580	25,311,031
Exchange losses		296,160	
Derivative liability-interest rate SWAP		9,428	135,561
		177,628,459	58,495,428
Deductible temporary differences:			
Obligations under finance lease		-	(166,251)
Tax losses carry forward		(55,933,043)	-
		(55,933,043)	(166,251)
		121,695,416	58,329,177
10. Derivative liability-interest rate swap			
Interest Rate Swap		-	387,316
Current portion		-	(247,142)
		-	140,174
11. Trade and other payables			
Creditors		184,145,529	122,314,914
Accrued liabilities		7,807,887	19,479,112
Advances from customers		15,599,173	13,644,120
Unclaimed dividend		14,620,247	14,239,557
Tax deducted at source		3,041,042	1,433,047
Employees' provident fund		-	4,433,074
Provision for leave encashment	11.1	5,049,417	3,417,567
Workers' Profit Participation Fund	11.2	23,430,191	15,086,440
Central Research Fund	11.3	5,080,396	3,344,013
Workers' Welfare Fund		9,186,433	6,844,511
Advances from employees		15,038,841	12,399,595
Retentions		5,448,259	8,694,127
Due to a related parties - unsecured		1,081,338	1,081,338
Current portion of interest rate swap		-	247,142
Others		868,478	146,975
		290,397,231	226,805,532

11.1 Actuarial valuation of accumulating compensated absences has been carried out as required by IAS 19- "Employee Benefits" as the amount involved is deemed immaterial.

	Note	2011 (Rupees)	2010 (Rupees)
11.2 Workers' Profit Participation Fund			
Balance at the beginning of the year		**15,086,440**	12,266,421
Interest on funds utilized by the Parent Company		**483,390**	203,990
Allocation for the year		**22,966,082**	15,507,545
		38,535,912	27,977,956
Payments made during the year		**(15,105,721)**	(12,891,516)
		23,430,191	15,086,440

The fund balance has been utilized by the Parent Company for its own business and an interest at the rate of 13.12% (2010: 12.45%) has been credited to the fund. Interest is calculated at higher of 75% of the cash dividends paid rate or one month KIBOR rate as at June 30, 2010, as required under Companies Profit (Workers' Participation) Rules 1971.

	Note	2011 (Rupees)	2010 (Rupees)
11.3 Central Research Fund			
Opening balance		**3,344,013**	10,011,722
Charge for the year		**5,080,396**	3,344,013
		8,424,409	13,355,735
Less: Payments		**(3,344,013)**	(10,011,722)
		5,080,396	3,344,013

	Note	2011 (Rupees)	2010 (Rupees)
12. Short term borrowings-secured			
Running finance facility from:			
Habib Bank Limited			
Parent Company	12.1	**37,805,811**	36,528,049
Subsidiary company, BF Biosciences Limited		**-**	-
		37,805,811	36,528,049
Bank Alflah Limited	12.2	**-**	-
Allied Bank Limited	12.3	**-**	-
		37,805,811	36,528,049

12.1 The Parent Company has obtained a running finance facility of Rs. 120 Million (2010: 120 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 Parent Company has unavailed cash finance facility of Rs. 60 Million (2010: Rs. 60 Million) from Bank Alfalah Limited. 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. 80 Million. This facility carries mark up at the rate of Six months KIBOR + 2.25% per annum.

12.3 The subsidiary Company, BF Biosciences Limited has unavailed cash finance facility of Rs. 40 million (2010: Rs. 40 million) from Allied Bank Limited, which is due to expire on November 30, 2011. This facility renewable subject to agreement between both the parties. The facility carries mark-up at the rate of one month KIBOR plus 2.0%. (base rate to be reset every month). The facility is secured by a first charge of Rs. 334 million on all present and future fixed and current assets of the Company.

	2011 (Rupees)	2010 (Rupees)
13 CONTINGENCIES AND COMMITMENS		
Contingencies		
Guarantees issued by banks on behalf of the Parent Company	**3,170,540**	455,640
Guarantees issued by banks on behalf of the Subsidiary company, BF Biosciences Limited	**11,514,700**	8,300,000
	14,685,240	8,755,640
Commitments		
Capital expenditure of the Parent company	**-**	13,989,329
Capital expenditure of the Subsidiary company	**-**	15,288,311
Letter of credits other than for capital expenditure	**111,255,343**	28,073,300
	111,255,343	57,350,940

14 PROPERTY, PLANT AND EQUIPMENT

	Note	Reassessed Value/Original Cost: As At 01 July 2010	Additions	Transfers/ Adjustments	(Deletions)	Surplus on Revaluation	As At 30 June 2011	Rate %	Depreciation: As At 01 July 2010	For the Year	On Deletions	Transfers/ Adjustments	Release on Revaluation	As At 30 June 2011	Net Book Value: As At 30 June 2011
		----Rupees----							----Rupees----						
OWNED:															
Freehold land	14.1	270,131,000	-	-	-	139,869,000	410,000,000	-	-	-	-	-	-	-	410,000,000
Building		390,638,789	14,215,367	153,736,029	(4,138,695)	(56,377,329)	498,074,161	10	48,727,518	48,279,956	(1,896,902)	-	(48,717,866)	46,392,706	451,681,455
Plant and machinery		535,621,454	28,225,974	15,594,762	-	(50,534,018)	528,908,172	10	100,183,044	55,658,269	-	66,421	(82,717,774)	73,189,960	455,718,212
Office equipments		46,143,380	4,541,962	4,341,594	-	-	55,026,936	10	21,476,833	4,107,631	-	(67,964)	-	25,516,500	29,510,436
Furniture and fittings		21,082,082	2,344,123	1,240,142	-	-	24,666,347	10	8,282,446	1,838,991	-	-	-	10,121,437	14,544,910
Computers		18,516,323	4,269,132	113,684	-	-	22,899,139	33.33	14,650,755	2,544,180	-	1,543	-	17,196,478	5,702,661
Vehicles		123,666,227	20,644,800	2,562,700	(3,565,020)	-	143,308,707	20	66,199,390	18,669,278	(1,453,553)	1,665,755	-	85,080,870	58,227,837
Capital work in progress	14.3	147,537,132	67,589,544	(175,026,211)	-	-	40,100,465		-	-	-	-	-	-	40,100,465
		1,553,336,387	**141,830,902**	**2,562,700**	**(7,703,715)**	**32,957,653**	**1,722,983,927**		**259,519,986**	**131,098,305**	**(3,350,455)**	**1,665,755**	**(131,435,640)**	**257,497,951**	**1,465,485,976**
LEASED:															
Vehicles		**2,562,700**	**-**	**(2,562,700)**	**-**	**-**	**-**	**20**	**1,452,197**	**213,558**	**-**	**(1,665,755)**	**-**	**-**	**-**
		2,562,700	**-**	**(2,562,700)**	**-**	**-**	**-**		**1,452,197**	**213,558**	**-**	**(1,665,755)**	**-**	**-**	**-**
Total 2011		**1,555,899,087**	**141,830,902**	**-**	**(7,703,715)**	**32,957,653**	**1,722,983,927**		**260,972,183**	**131,311,863**	**(3,350,455)**	**-**	**(131,435,640)**	**257,497,951**	**1,465,485,976**

14.1 The Parent 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 A PROPERTY, PLANT & EQUIPMENT

	Note	Reassessed Value/Original Cost					Rate	Depreciation					Net Book Value
		As At 01 July 2009	Additions	Transfers/ Adjustments	(Deletions)	As At 30 June 2010	%	As At 01 July 2009	For the Year	On Deletions	Transfers/ Adjustments	As At 30 June 2010	As At 30 June 2010
		Rupees						Rupees					
OWNED:													
Freehold land	14.1	268,131,000	2,000,000	-	-	270,131,000	-	-	-	-	-	-	270,131,000
Building on freehold land		105,268,092	47,034,286	237,399,941	-	389,702,319	5-10	18,102,444	30,625,074	-	-	48,727,518	340,974,801
Leasehold improvements		936,470	-	-	-	936,470	10	-	-	-	-	-	936,470
Plant and machinery		165,068,509	32,916,366	337,636,579	-	535,621,454	10	48,031,446	52,151,598	-	-	100,183,044	435,438,410
Office equipments		40,249,544	4,857,513	1,036,323	-	46,143,380	10	18,046,129	3,430,704	-	-	21,476,833	24,666,547
Furniture and fittings		18,131,198	722,218	2,228,666	-	21,082,082	10	6,414,464	1,867,982	-	-	8,282,446	12,799,636
Computers		16,222,107	1,757,248	608,618	(71,650)	18,516,323	33.33	12,860,107	1,862,298	(71,650)	-	14,650,755	3,865,568
Vehicles		112,409,301	23,527,932	-	(12,271,006)	123,666,227	20	58,223,234	18,213,305	(10,237,149)	-	66,199,390	57,466,837
Capital work in progress	14.3	706,481,730	46,082,643	(578,910,127)	(26,117,114)	147,537,132		-	-	-	-	-	147,537,132
		1,432,897,951	158,898,206	-	(38,459,770)	1,553,336,387		161,677,824	108,150,961	(10,308,799)	-	259,519,986	1,293,816,401
LEASED:													
Vehicles		2,965,800	-	-	(403,100)	2,562,700	20	1,087,460	512,540	(147,803)	-	1,452,197	-
		2,965,800	-	-	(403,100)	2,562,700		1,087,460	512,540	(147,803)	-	1,452,197	1,110,503
Total 2010		1,435,863,751	158,898,206	-	(38,862,870)	1,555,899,087		162,765,284	108,663,501	(10,456,602)	-	260,972,183	1,294,926,904

14.1 The Parent 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 Land and building of the Company were first revalued on 31 March 1976, resulting in surplus of Rs. 13.661 million. The second revaluation was carried out on 30 June 1989 and resulted in a surplus of Rs. 40.067 million. The third revaluation was carried out on 30 June 2002 and resulted in a surplus of Rs. 30.433 million. The fourth revaluation that also included the plant and machinery was carried out on 30 June 2006 and resulted in a surplus of Rs. 240.593 million. The last revaluation was carried out on 30 June 2011 and resulted in a surplus of Rs.123.393 million.Freehold land and building revaluations were carried out under the maket value basis whereas plant and machinery were revalued on net replacement cost basis. All the revaluations were carried out by independent valuers.

Hadthere 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--	
Freehold land		112,984,876	-	112,984,876
Buildings		282,361,017	54,333,438	228,027,579
Plant & Machinery		218,407,291	126,239,244	92,168,047
	2011	**613,753,184**	**180,572,682**	**433,180,502**
	2010	266,476,126	137,202,030	129,274,096

	Note	2011 (Rupees)	2010 (Rupees)
14.3 Capital Work-in-progress			
Building and civil works		**1,044,750**	111,053,217
Plant & machinery		**2,178,515**	5,197,675
Advance to suppliers		**2,594,700**	6,213,718
Advances to contractors		**34,282,500**	25,072,522
		40,100,465	147,537,132
14.4 Depreciation for the year has been allocated as follows:			
Cost of sales	24	**92,916,833**	84,720,982
Administrative expenses	26	**21,128,743**	7,657,007
Selling and distribution cost	27	**17,266,287**	16,285,512
		131,311,863	108,663,501

14.5 Loss on disposal of property, plant and equipment

	Particulars	Cost	Carying amount	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal
		-----	Rupees	-----		
	Vehicles					
1	Arshad Ali	71,000	-	35,500	35,500	As per company's policy for employees
2	Mubashar Hasan	73,700	-	25,000	25,000	As per company's policy for employees
3	M. Yasin	73,700	-	30,000	30,000	As per company's policy for employees
4	Love Kumar	56,240	-	35,000	35,000	As per company's policy for employees
5	Fakher Alam	56,240	-	27,000	27,000	As per company's policy for employees
6	M. Iftikhar Attari	56,240	-	54,000	54,000	As per company's policy for employees
7	Ghulam Rasool	54,000	9,000	54,000	45,000	As per company's policy for employees
8	Zahid Iqbal	54,000	10,800	54,000	43,200	As per company's policy for employees
9	Latif Khan	54,000	10,800	54,000	43,200	As per company's policy for employees
10	EFU Insurance Company	754,000	439,833	543,750	103,917	Insurance claim
11	EFU Insurance Company	1,389,000	1,018,600	1,300,000	281,400	Insurance claim
12	EFU Insurance Company	62,900	41,933	57,000	15,067	Insurance claim
13	Mr.Luqman Aslam	810,000	580,500	325,000	(255,500)	Insurance claim
		3,565,020	2,111,466	2,594,250	482,784	
	Soap Plant Building	4,138,695	2,241,793	-	(2,241,793)	Dismantled
	2011 Rupees	**7,703,715**	**4,353,259**	**2,594,250**	**(1,759,009)**	
	2010 Rupees	12,745,756	2,289,156	8,061,942	5,772,786	

15. Long term investments availbe for sale - Unlisted

Number of shares 2011	Number of shares 2010	Name of Companies	2011 Rupees	2010 Rupees
218	218	National General Insurance Company Limited Ordinary Share of Rs.10 each Equity held 0.01%	-	2,985
301	301	Mercantile Co-operative Finance Corporation Limited A' class shares of Rs. 100 each The entity is under liquidation	-	30,100
			-	33,085

	Note	2011 (Rupees)	2010 (Rupees)
16. Stores, spares and loose tools			
Stores		1,586,650	3,941,587
Spare parts		174,681	546,996
Loose tools		3,043,952	152,047
		4,805,283	4,640,630
17. Stock in trade			
Raw material		261,125,156	164,529,561
Work in process		31,773,388	9,069,289
Finished goods	17.1	263,368,791	202,738,436
		556,267,335	376,337,286
Stock in transit		36,456,021	13,657,519
		592,723,356	389,994,805

17.1 These includes finished goods of Parent company amounting to Rs. 1,760,636 (2010: Rs. 1,893,153) which are carried at net realizable value.

	Note	2011 (Rupees)	2010 (Rupees)
18. Loans and advances - considered good			
Advances to employees	18.1	6,249,872	3,481,774
Advances to suppliers		17,530,042	23,051,026
Others		613,285	1,289,583
		24,393,199	27,822,383

18.1 There is no interest free advance against salary to executives on June 30, 2011 (2010: Rs. Nil).

	Note	2011 (Rupees)	2010 (Rupees)
19. Deposits and prepayments			
Deposits			
Earnest money		14,576,444	8,335,302
Lease key money		-	296,580
Margin deposits		3,220,024	2,560,612
		17,796,468	11,192,494
Prepayments		3,242,213	420,063
		21,038,681	11,612,557
20. Advance income tax - net			
Advance income tax at beginning of the year		97,011,481	4,598,809
Income tax paid during the year		40,352,071	105,178,739
Provision for current taxation	30	(27,166,755)	(12,766,067)
Advance income tax at end of the year		110,196,797	97,011,481
21. Short term investments			
Held to maturity investments - local currency		10,592,000	10,000,000
Investments at fair value through profit and loss - listed securities	21.1	13,081,368	9,714,907
		23,673,368	19,714,907

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

Number of shares 2011	Number of shares 2010	Name of Companies	2011 Carrying value Rupees	2011 Fair value Rupees	2010 Carrying value Rupees	2010 Fair value Rupees
25,000	25,000	Pakistan National Shipping Corporation Ordinary shares of Rs. 10 each	997,250	600,000	1,154,000	997,250
155,755	155,755	Bank Alfalah Ltd Ordinary shares of Rs. 10 each	1,473,442	1,490,575	1,643,215	1,473,442
415,000	415,000	PICIC-Growth Fund Ordinary shares of Rs. 10 each	3,842,900	5,552,700	4,069,526	3,842,900
7,000	7,000	Pakistan Oilfields.Ltd. Ordinary shares of Rs. 10 each	1,511,300	2,513,070	1,658,604	1,511,300
500,004	500,004	PICIC-IF Ordinary Shares of Rs.10 each	1,890,015	2,925,023	2,817,622	1,890,015
			9,714,907	13,081,368	11,342,967	9,714,907
		Unrealized gain on account of remeasurement to fair value	3,366,461	-	(1,628,060)	-
			13,081,368	13,081,368	9,714,907	9,714,907

22. CASH AND BANK BALANCES

	Note	2010 (Rupees)	2009 (Rupees)
Cash in hand		3,710,164	1,522,429
Current accounts			
- Foreign currency		8,154,897	6,850,069
- Local currency		71,089,032	19,615,412
		79,243,929	26,465,481
Deposit accounts- Local currency	22.1	72,440,110	28,504,647
		155,394,203	56,492,557

22.1 These carry interest rate of 5-7.5% per annum (2010:5-8.5% per annum)

23. Sales - net

Gross sales	2,432,156,049	1,701,919,714
Less: Discount	(229,398,845)	(165,236,743)
	2,202,757,204	1,536,682,971

24. Cost of Sales	Note	2011 (Rupees)	2010 (Rupees)
Work in process:			
Opening		9,069,289	7,791,792
Closing		(31,773,388)	(9,069,289)
		(22,704,099)	(1,277,497)
Raw materials consumed	24.1	758,107,865	632,449,257
Salaries, wages and benefits	24.2	79,638,559	62,820,646
Fuel and power		42,868,666	25,642,193
Repair and maintenance		13,498,349	11,146,004
Stores and spares consumed		16,634,807	5,172,149
Packing charges		10,605,420	7,199,185
Excise duty		80,000	108,543
Postage and telephone		1,577,378	1,046,344
Insurance		4,110,737	2,217,394
Travelling and conveyance		3,038,177	1,775,093
Transport		2,896,112	1,575,242
Canteen Expenses		3,026,076	2,713,927
Security expenses		1,268,611	1,086,676
Product registration expenses		23,800	1,298,340
Laboratory and other expenses		13,662,654	5,986,160
Depreciation	14.4	92,916,833	84,720,982
Cost of goods manufactured		1,021,249,945	845,680,637
Finished stock:			
Opening		202,738,436	131,451,425
Purchases		112,720,693	62,747,469
Closing		(263,368,791)	(202,738,436)
		52,090,338	(8,539,542)
		1,073,340,283	837,141,095

24.1 Raw materials consumed

	2011 (Rupees)	2010 (Rupees)
Opening stock	164,529,561	134,222,613
Add: Purchases	854,703,460	662,756,205
	1,019,233,021	796,978,818
Less: Closing stock	(261,125,156)	(164,529,561)
	758,107,865	632,449,257

24.2 Salaries, wages and benefits include Rs.2.203 million (2010: Rs. 2.304 million) charged on account of defined contribution plan of the Parent and Subsidiary companies.

25. Other operating income

	Note	2011 (Rupees)	2010 (Rupees)
From financial assets			
Dividend income		1,373,755	1,864,549
Capital gain on sale of shares		-	6,787,178
Profit on deposits with banks		2,854,454	1,345,123
Gain on reameasurement of short term investments		3,366,461	-
Exchange gain		-	98,235
Commission		1,444,917	20,002,489
Income from services		5,640,852	-
Gain on fair value adjustment of interest rate SWAP		453,937	-
		15,134,376	30,097,574
From non financial assets			
Gain on disposal of property, plant and equipment		-	5,772,786
		15,134,376	35,870,360

26. Adminsitrative expenses

	Note	2011 (Rupees)	2010 (Rupees)
Salaries, wages and benefits	26.1	61,128,898	49,257,984
Directors fees and expenses		1,185,025	1,081,870
Rent, rates and taxes		658,615	1,775,113
Postage and telephone		2,995,948	2,086,465
Printing and Stationary		2,275,176	1,858,127
Travelling and conveyance		3,111,355	2,942,572
Transport		2,517,649	2,158,432
Legal and professional charges		3,125,517	3,798,685
Fuel and power		920,446	2,559,971
Auditors Remuneration	26.2	1,098,392	1,024,304
Repairs and maintenance		6,539,932	6,063,000
Subscriptions		1,155,716	815,004
Donations	26.3	2,610,000	1,343,800
Insurance		1,755,030	1,278,854
Depreciation	14.4	21,128,743	7,657,007
Canteen Expenses		3,323,361	2,033,208
Other administrative expenses		1,910,884	5,711,714
		117,440,687	93,446,110

26.1 Salaries, wages and benefits include Rs.2.243 million (2010: Rs. 2.092 million) charged on account of defined contribution plan of the Parent and Subsidiary companies.

26.2 Auditors' remuneration

	2011 (Rupees)	2010 (Rupees)
Fee for annual audit	650,000	500,000
Fee for audit of consolidated accounts	50,000	50,000
Review of half yearly accounts	75,000	75,000
Audit fee- BF Biosciences	-	75,000
Other certifications	165,000	165,000
Out of pocket expenses	131,892	95,304
	1,071,892	960,304
Audit fee - Farmacia	26,500	64,000
	1,098,392	1,024,304

26.3 Donations were given to LUMS School of Science and Engineering, The Citizen Foundation and Edhi Welfare Trust. Donations did not include any amount paid to any person or organization in which a director or his spouse had any interest.

	Note	2011 (Rupees)	2010. (Rupees)
27. Selling and distribution cost			
Salaries, wages and benefits	27.1	147,489,357	115,044,717
Travelling and conveyance		69,666,610	62,022,056
Transport		4,424,036	2,776,120
Rent, rates and taxes		941,099	1,783,088
Advertisement and publicity		169,392,064	92,344,506
Freight and Forwarding		9,387,889	10,284,013
Printing and Stationary		2,273,326	1,690,513
Postage and telephone		4,676,332	3,301,537
Electricity and gas		944,473	1,004,130
Subscriptions and fees		9,412,706	3,510,273
Insurance		5,609,113	4,844,264
Repairs		1,262,849	1,057,569
Legal and professional charges		44,626	154,100
Entertainment		1,439,636	669,051
Training		1,653,992	1,075,736
Depreciation	14.4	17,266,287	16,285,512
Other selling expenses		11,148,979	405,506
		457,033,374	318,252,691

27.1 Salaries, wages and benefits include Rs.4.155 million (2010: Rs. 3.281 million) charged on account of defined contribution plan of the parent and subsidiary companies.

	2011 (Rupees)	2010 (Rupees)
28. Finance cost		
Finance charge on leased assets	3,079	105,577
Mark-up on bank financing	17,848,733	31,048,123
Bank charges	1,630,974	1,451,668
Interest on Workers' Profit Participation Fund	483,390	203,990
Transfer of fair value swap to subsidiary	143,213	651,481
	20,109,389	33,460,839
29. Other charges		
Long term investments written off	33,085	-
Loss on sale of fixed asset	1,759,009	-
Loss on remeasurement of other financial assets	-	1,628,060
Exchange loss	3,403,359	-
Workers' Profit Participation Fund	22,966,082	15,507,545
Workers' Welfare Fund	9,186,433	8,340,228
Central Research Fund	5,080,396	3,344,013
	42,428,364	28,819,846

	Note	2011 (Rupees)	2010. (Rupees)
30. Taxation			
Current year		**27,166,755**	12,766,067
Deferred		**54,750,016**	4,369,059
		81,916,771	17,135,126

30.1 Taxation of parent company

Pursuant to the insertion of clause 126F in Part-I of the Second Schedule of Income Tax Ordinance 2001 (the Ordinance) through the Finance Act 2010, the profits and gains of the Company are 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.

Since the Company is subject to minimum tax under section 113 of the Income Tax Ordinance, 2001, therefore tax charge reconciliation has not been prepared.

30.2 Taxation of subsidiary companies

The subsidiary company, BF Biosciences Limited has available tax losses. Accordingly minimum tax under section 113 of the Income Tax Ordinance, 2001 has been provided for in these consolidated financial statements. Tax return filed by the subsidiary company upto tax year 2010 stand assessed in terms of section 120 of the Ordinance. However, tax authorities are empowered to open or amend the assessments within five years of the date of assessment.

The provision for taxation against the subsidiary, Farmacia being an Association of Persons, has been provided in accordance with Section 92 and Division I of Part I of First Schedules of the Income Tax Ordinance, 2001. Tax return filed by the subsidiary upto tax year 2010 stand assessed in terms of section 120 of the Ordinance. However, tax authorities are empowered to open or amend the assessments within five years of the date of assessment.

31. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	2011			2010		
	Director	Chief Executive	Executives	Director	Chief Executive	Executives
	Rupees			Rupees		
Managerial remuneration	13,200,000	6,900,000	41,784,910	11,310,000	6,450,000	38,531,879
Bonus	3,300,000	1,725,000	3,147,000	785,000	500,000	1,812,000
Utilities	-	159,885	-	-	142,919	-
Provident fund	851,616	475,860	2,580,094	729,680	444,828	2,414,467
	17,351,616	9,260,745	47,512,004	12,824,680	7,537,747	42,758,346
Numbers	2	1	24	2	1	25

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

The members of the Board of Directors were paid Rs. 3,200 (2010: Rs. 3,700) as meeting fee and Rs.1,181,825 (2010: Rs. 1,078,170) as meeting expenses for attending the Board of Directors meetings.

32. Transactions with related parties

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

	2011 (Rupees)	2010 (Rupees)
Employees provident fund		
Advances given to members	4,281,941	2,047,646
Mark up recovered	177,941	200,492
Payments made on behlaf of the fund to the retiring employees	20,210,810	9,645,550
Key management personnel		
Managerial remuneration	40,020,000	63,120,773

33. Capacity and production

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

34 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group's Audit Committee oversees how management monitors compliance with the Groups's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit 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.

34.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Group maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

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

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

Counterparties

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

Trade debts

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Substantial portion of the Groups's revenue is attributable to sales transactions through a single distributor based on demand.

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 Group. The Group establishes a provision for doubtful debts in respect of trade debts and historically such losses have been within management's expectations.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a good credit rating from PACRA and JCR-VIS. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Bank balances

The Group limits its exposure to credit risk by maintaining bank accounts only with counterparties that have sound credit ratings. 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 Group represents the maximum credit exposure. The Group does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics and the maximum financial exposure due to credit risk on the groups financial assets as at 30 June was :

	2011 (Rupees)	2010 (Rupees)
Long term investment-available for sale	-	33,085
Long term deposits	7,465,500	13,779,402
Trade debts	158,262,572	74,110,067
Deposits and prepayments	14,576,444	10,895,914
Loan and advances	46,341	-
Other receivables	692,031	211,716
Short term investments	23,673,368	19,714,907
Cash and bank balances	151,684,039	54,970,128
	356,400,295	173,715,219

The maximum exposure to credit risk for loan and receivables at the reporting date by type of parties was:

Institutional customers	70,212,230	62,643,145
Retail customers	71,641,640	451,820
Distributors	16,408,702	11,015,103
Banks	162,276,039	64,970,128
Listed companies and mutual funds	13,081,369	9,714,907
Others	22,780,316	24,920,116
	356,400,295	173,715,219

The aging of trade debts at the reporting date was:	2011 (Rupees)	2010 (Rupees)
Not past due	-	-
Past due 0-30 days	86,683,034	31,600,501
Past due 31- 120 days	42,261,750	23,974,226
Past due 121-365 days	23,250,634	15,133,496
More than one year	6,067,154	3,401,844
	158,262,572	74,110,067

The management constantly evaluates the creditworthiness of the customers and considers the historical payment record of customers. In relation to the trade debts that are past due the management believes that counterparties will discharge their obligations and accordingly no allowance for impairment is required.

The allowance account in respect of other receivables is used to record impairment losses, when no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off by the Group.

34.2 Liquidity risk

Liquidity risk results from the Group'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 Parent Company and their approach in this regard is to ensure that the Group always has sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation. Beyond effective net working capital and cash management, the Group mitigates liquidity risk by arranging short term financing from highly rated financial institutions.

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

	2011						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	----------Rupees----------						
Long term financing from banking company	79,937,500	84,155,059	64,894,074	19,260,985	-	-	-
Trade and other payables	219,021,155	219,021,155	219,021,155	-	-	-	-
Accrued mark-up on long term financing	1,898,089	1,898,089	1,898,089	-	-	-	-
Short term borrowing	37,805,811	37,805,811	37,805,811	-	-	-	-
	338,662,555	342,880,114	323,619,129	19,260,985	-	-	-

	2010						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	----------Rupees----------						
Secured bank loan	174,062,500	221,177,429	65,658,758	61,124,332	94,394,339	-	-
Finance lease liabilities	475,003	478,300	478,300	-	-	-	-
Trade and other payables	189,553,305	189,553,305	189,553,305	-	-	-	-
Accrued mark-up on long term financing	3,306,950	3,306,950	3,306,950	-	-	-	-
Short term borrowing	36,528,049	36,528,049	36,528,049	-	-	-	-
	403,925,807	451,044,033	295,525,362	61,124,332	94,394,339	-	-

Market Risk

Market fluctuations may result in cashflow and profit volatility risk for the Group. The Group'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 Group identifies, analyzes and proactively manages the associated financial market risks. The Group 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 Group has long tem rupee based loans and runnimg finance arrangement at variable rates. The local currency loans have variable pricing rates that is dependent on the State Bank of Pakistan's discount rate and the Karachi Inter Bank Offer Rate (KIBOR).

Profile

At the reporting date the interest rate profile of the Groups's interest-bearing financial instruments was:

	2011 %	2010 %	2011 (Rupees)	2010 (Rupees)
Variable rate instruments				
Financial assets	5.0 to 7.5	5.0 to 14.84	72,440,110	26,465,481
Financial liabilities	7.5 to 15.18	13.84 to 14.75	(117,743,311)	(174,537,503)
			(45,303,201)	(148,072,022)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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	
	201 (Rupees)	2010 (Rupees)
Variable rate instruments	(453.032)	(1,480,720)

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.

34.3 Exposure to currency risk

PKR is the functional currency of the Group 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 Group'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 Group 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 Group in currency other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Group. These currency risks are managed as a part of overall risk management strategy. The Group does not enter into forward exchange contracts.

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

	2011		2010	
	Rupees	**US Dollars**	Rupees	US Dollars
Cash and bank balances	**8,154,897**	**94,880**	6,952,518	81,221
Trade and other payables	**(150,040,398)**	**(1,745,671)**	(88,108,166)	(1,029,301)
Trade receivables	**9,851,609**	**114,620**	-	-
Gross balance sheet exposure	**(132,033,892)**	**(1,536,171)**	(81,155,648)	(948,080)

The following significant exchange rates were applied during the year:

	Balance Sheet date rate		Average rate	
	2011	2010	**2011**	2010
US Dollars	**85.95**	85.60	**85.77**	84.07

Sensitivity analysis

A ten percent strengthening of the Pakistani Rupee against the following currencies 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

	Profit and loss	
	2011	2010
	(Rupees)	(Rupees)
Profit and loss account	**13,203,389**	(2,642,085)

A 10 percent weakening of the PKR against the USD currencies at the reporting date would have had the equal but opposite effect on the USD to the amounts shown above, on the basis that all other variables remain constant.

34.4 Other market price risk

The primary goal of the Group's investment strategy is to maximise investment returns on surplus funds. The Group adopts a policy of ensuring minimize its price risk by investing in fixed rate investments like TDRs and income funds of 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.0.65 million (2010: Rs. 0.5 million) on the basis that all other variables remain constant.

34.5 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.

35. Capital management

The Group's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders and/ or issue new shares. There were no changes to Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirement.

36. Non Adjusting events after the balance sheet date

The Board of Directors of the Parent Company in their meeting held on 27 August, 2011 have proposed final cash dividend of Rs. 1.25 per share and stock dividend @ 15 % i.e. 3 bonus shares for every 20 shares held, for the year ended June 30, 2011.

37. Date of authorization

The financial statements have been authorized for issue by the board of directors of the company on August 27, 2011.

Rawalpindi		
August 27, 2011	Director	Chairperson & CEO

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2011

Number of Shareholders	Shareholding					Total Shares held
1,035	From	1	to	100	Shares	18,096
502	From	101	to	500	Shares	129,687
256	From	501	to	1,000	Shares	176,546
347	From	1,001	to	5,000	Shares	779,172
86	From	5,001	to	10,000	Shares	599,030
26	From	10,001	to	15,000	Shares	333,603
21	From	15,001	to	20,000	Shares	373,144
19	From	20,001	to	25,000	Shares	428,785
8	From	25,001	to	30,000	Shares	223,540
2	From	30,001	to	35,000	Shares	68,037
8	From	35,001	to	40,000	Shares	298,428
4	From	45,001	to	50,000	Shares	189,735
2	From	50,001	to	55,000	Shares	101,490
2	From	60,001	to	65,000	Shares	122,560
1	From	70,001	to	75,000	Shares	73,545
1	From	75,001	to	80,000	Shares	79,596
1	From	80,001	to	85,000	Shares	81,368
1	From	85,001	to	90,000	Shares	88,674
1	From	110,001	to	115,000	Shares	112,920
1	From	120,001	to	125,000	Shares	122,364
1	From	135,001	to	140,000	Shares	135,564
1	From	140,001	to	145,000	Shares	141,745
1	From	145,001	to	150,000	Shares	149,264
1	From	150,001	to	155,000	Shares	152,115
1	From	165,001	to	170,000	Shares	166,281
1	From	185,001	to	190,000	Shares	185,120
1	From	215,001	to	220,000	Shares	218,686
1	From	225,001	to	230,000	Shares	227,493
1	From	245,001	to	250,000	Shares	248,832
1	From	250,001	to	255,000	Shares	253,620
2	From	275,001	to	280,000	Shares	552,338
1	From	290,001	to	295,000	Shares	291,314
1	From	295,001	to	300,000	Shares	297,406
1	From	305,001	to	310,000	Shares	306,031
1	From	315,001	to	320,000	Shares	318,804
1	From	340,001	to	345,000	Shares	340,356
3	From	360,001	to	365,000	Shares	1,082,552
1	From	535,001	to	540,000	Shares	539,419
1	From	550,001	to	555,000	Shares	552,000
2	From	580,001	to	585,000	Shares	1,167,425
1	From	795,001	to	800,000	Shares	798,710
1	From	1,265,001	to	1,270,000	Shares	1,265,466
1	From	1,420,001	to	1,425,000	Shares	1,423,459
1	From	1,490,001	to	1,495,000	Shares	1,490,180
1	From	1,500,001	to	1,505,000	Shares	1,502,996
1	From	6,790,001	to	6,795,000	Shares	6,791,958
2,354	**Total:**					**24,999,454**

Categories of shareholders	Number	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor childrens	**7**	**3,605,459**	**14.42**
Chief Executive Officer			
Mrs. Akhter Khalid Waheed		1,502,996	6.01
Directors			
Mr. Osman Khalid Waheed		944,486	3.78
Mrs. Munize Azhar Peracha		276,169	1.10
Mr. Omar Khalid Waheed		705,700	2.82
Mr. Farooq Mazhar		122,364	0.49
Mr. Nihal Cassim		8,086	0.03
Mr. M. M. Ispahani		45,658	0.18
Associated Companies, undertakings and related parties.	**2**	**6,864,724**	**27.46**
Associated Company			
M/s. KFW Factors (Pvt) Limited		6,862,895	27.45
Executives			
Syed Ghausuddin Saif		1,829	0.01
NIT and ICP	4	1,465,994	5.86
National Investment Trust Limited		36,655	0.15
Industrial Development of Pakistan		550	0.00
IDBP (ICP UNIT)		5,330	0.02
NBP - Trustee Department NI(U)T Fund		1,423,459	5.69
Banks, Development Financial Institutions, Non Banking Financial Institutions.	**6**	**1,846,719**	**7.39**
Mercantile Co-Op Finance Corp Ltd.		984	0.00
United Bank Limited		1,209	0.00
Faysal Bank Limited		253,620	1.01
The Bank Of Khyber		27,400	0.11
National Bank Of Pakistan		1,378,386	5.51
The Bank Of Punjab, Treasury Division		185,120	0.74
Insurance Companies	**5**	**2,424,746**	**9.70**
Adamjee Insurance Company Ltd.		120	0.00
Co-Op Insurance Society of Pak.Ltd.		135,564	0.54
United Insurance Company of Pak Ltd.		798,710	3.19
State Life Insurance Corp. of Pakistan		1,490,180	5.96
EFU General Insurance Limited		172	0.00
General Public	**2,307**	**8,120,797**	**32.48**
Others	**23**	**671,015**	**2.68**
Manzoor Ilahi & Sons		43	0.00
Karim Bakhsh & Sons		10	0.00
Maqbool Shah Trust		5,860	0.02
United Executors & Trustees Co. Ltd.		66	0.00
Securities & Exchange Commission of Pak.		1	0.00
Custodian of Enemy Property for Pakistan		160	0.00
Dy. Administrator (APO)		18,295	0.07
United Executors & Trustees Co Ltd.		112	0.00
Employee's Old - Age Benefits Institution		552,000	2.21
Trustees - Saeeda Amin Wakf		25,755	0.10
Trustees - Mohamad Amin Wakf Estate		36,580	0.15
Amin Agencies (Pvt) Limited		6,220	0.02
NH Securities (Pvt) Limited		634	0.00
Oriental Securities (Pvt) Limited		46	0.00
Capital Vision Securities (Pvt) Limited		240	0.00
Stock Master Securities (Pvt) Limited		782	0.00
AWJ Securities (SMC-Private) Limited		414	0.00
M. R. Securities (SMC-Pvt) Limited		1,474	0.01
Ismail Abdul Shakoor Securities (Pvt) Limited		81	0.00
MSMANIAR Financials (Pvt) Limited		134	0.00
Investment Managers Securities (pvt.) Limited		15,000	0.06
Trustee - PIPF Equity Sub - Fund		6,608	0.03
Money Line Securities (pvt.) Ltd		500	0.00
Grnad Total	**2,354**	**24,999,454**	**100.00**

Shareholders holding 5% or more		
KFW Factors (Pvt) Limited	6,791,958	27.17
Mrs. Akhter Khalid Waheed	1,502,996	6.01
NBP - Trustee Department NI(U)T Fund	1,423,459	5.69
National Bank Of Pakistan	1,265,466	5.06
State Life Insurance Corp. of Pakistan	1,490,180	5.96

Shares purchased/sold by Directors, CEO, CFO and Company Secretary

Syed Ghausuddin Saif, Company Secretary 825 shares purchased

FEROZSONS
LABORATORIES LIMITED

FORM OF PROXY

I/We, ______________________________ of ______________

being a member of **Ferozsons Laboratories Limited,** and holder of __________ Ordinary Shares as per Share Register Folio No.__________ and/or CDC Participant I.D. No.__________ and Sub Account No.__________ hereby appoint Mr./Mrs. ______________________________

of __________ another member of the Company Folio No. __________or failing him/her Mr./Mrs. ______________________________ of __________ who is also a member of the Company Folio No. __________ as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, September 29, 2011 at 12:30 p.m. and at any adjournment thereof.

Affix Revenue
Stamp of Rs. 5

Signature of Member

As witness given under my/our hand __________ day of __________ 2011

1. **Witness:**
   Signature : __________
   Name: __________
   CNIC No. __________
   Address __________
   ____

2. **Witness:**
   Signature : __________
   Name: __________
   CNIC No. __________
   Address __________
   ____

Important: The Form of Proxy duly completed, must be received at the office of the Company's Share Registrar, CorpTec Associates (Pvt.) Limited, 7/3-G, Mushtaq Ahmed Gormani Road, Gulberg II, Lahore not less than 48 hours before the time of holding the meeting. For completion of Proxy form please fulfill requirements given in the respective Notice of Annual General Meeting.

PEOPLE TRUST US

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

FEROZSONS
LABORATORIES LIMITED

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email: info@ferozsons-labs.com **www.ferozsons-labs.com**