Consolidated Financial Statements for the Year Ended 30 June 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

Telephone + 92 (42) 3579 0901-6
Fax + 92 (42) 3579 0907
Internet www.kpmg.com.pk

Auditor's Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Ferozsons Laboratories Limited ("the Holding Company")** and its subsidiary companies as at 30 June 2014 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Ferozsons Laboratories Limited and its subsidiaries. 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.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Ferozsons Laboratories Limited and its subsidiary companies as at 30 June 2014 and the results of their operations for the year then ended.

KPMG Taseer Hadi & Co.

Date: 15 September 2014

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

CONSOLIDATED BALANCE SHEET AS

	Note	2014 Rupees	2013 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (2013: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid up capital	4	301,868,410	301,868,410
Capital reserve	5	321,843	321,843
Accumulated profit		2,289,472,502	2,061,029,564
Equity attributable to owners of the Company		2,591,662,755	2,363,219,817
Non-controlling interests		98,750,513	72,090,498
		2,690,413,268	2,435,310,315
Surplus on revaluation of property, plant and equipment	6	420,677,699	378,719,924
Non current liabilities			
Deferred taxation	7	121,832,192	64,932,160
Current liabilities			
Trade and other payables	8	523,202,919	385,502,736
Short term borrowings - secured	9	495,829	1,241,992
		523,698,748	386,744,728
Contingencies and commitments	10		
		3,756,621,907	3,265,707,127

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

Lahore
15 September 2014

Director

AT 30 JUNE 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**1,633,330,817**	1,518,791,709
Intangible assets	*12*	**939,398**	1,884,709
Long term deposits		**7,758,100**	7,733,100
		1,642,028,315	1,528,409,518
Current assets			
Stores, spare parts and loose tools	*13*	**33,225,587**	19,552,661
Stock in trade	*14*	**863,607,592**	846,906,085
Trade debts - considered good		**174,178,229**	206,232,139
Loans and advances - considered good	*15*	**25,848,100**	18,010,264
Deposits and prepayments	*16*	**46,460,968**	46,290,743
Other receivables		**3,925,022**	7,412,959
Short term investments	*17*	**748,688,343**	413,499,520
Advance tax - net		**52,804,745**	72,357,631
Cash and bank balances	*18*	**165,855,006**	107,035,607
		2,114,593,592	1,737,297,609
		3,756,621,907	3,265,707,127

Chairperson & CEO

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Rupees	2013 Rupees
Revenue - net	19	3,831,560,333	2,878,746,743
Cost of sales	20	(2,003,510,028)	(1,498,326,566)
Gross profit		1,828,050,305	1,380,420,177
Administrative expenses	21	(196,185,011)	(167,652,586)
Selling and distribution expenses	22	(852,798,246)	(684,909,625)
Finance cost	23	(18,781,869)	(15,465,171)
Other expenses	24	(77,777,047)	(43,623,930)
Other income	25	78,211,384	54,259,592
Profit before taxation		760,719,516	523,028,457
Taxation	26	(208,556,709)	(56,648,761)
Profit after taxation		552,162,807	466,379,696
Attributable to:			
Owners of the Company		525,502,792	455,062,472
Non-controlling interests		26,660,015	11,317,224
Profit for the year		552,162,807	466,379,696
Earnings per share - basic and diluted	27	17.41	15.07

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

Lahore
15 September 2014 | Director | Chairperson & CEO

FEROZSONS LABORATORIES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rupees	2013 Rupees
Profit after taxation	**552,162,807**	466,379,696
Other comprehensive income for the year	-	-
Total comprehensive income for the period	**552,162,807**	466,379,696
Attributable to:		
Owners of the Company	**525,502,792**	455,062,472
Non-controlling interests	**26,660,015**	11,317,224
	552,162,807	466,379,696

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

Lahore
15 September 2014 Director Chairperson & CEO

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Rupees	2013 Rupees
Cash flow from operating activities			
Profit before taxation		760,719,516	523,028,457
Adjustments for:			
Depreciation		174,872,366	148,527,072
Amortisation		2,264,735	1,829,328
Gain on sale of property, plant and equipment		(13,701,929)	(4,569,587)
Loss on write off of property, plant and equipment		6,377,986	-
Finance costs		18,781,869	15,465,171
Provision for Workers' Profit Participation Fund		40,506,542	23,749,231
Provision for Workers' Welfare Fund		15,392,486	9,499,692
Provision for Central Research Fund		8,183,140	5,244,372
Gain on re-measurement of short term investments to fair value		(37,195,544)	(29,579,962)
Gain on sale of short term investments		(2,106,603)	(617,554)
Dividend income, profit on bank deposits and commissions		(25,207,308)	(19,492,489)
		188,167,740	150,055,274
Cash generated from operations before working capital changes		948,887,256	673,083,731
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(13,672,926)	(10,062,918)
Loans, advances, deposits and prepayments		(4,520,125)	(22,714,809)
Stock in trade		(16,701,507)	(263,854,124)
Trade debts - considered good		32,053,910	119,459,159
		(2,840,648)	(177,172,692)
Increase / (decrease) in current liabilities			
Trade and other payables		100,182,952	(69,089,518)
Cash generated from operations		1,046,229,561	426,821,521
Taxes paid		(157,285,671)	(48,217,693)
Workers' Profit Participation Fund paid		(26,729,838)	(21,350,985)
Workers' Welfare Fund paid		(9,499,692)	(8,273,120)
Workers' Central Research Fund paid		(5,244,372)	(4,988,847)
Net cash generated from operating activities		847,469,988	343,990,876
Cash flow from investing activities			
Capital expenditure incurred		(226,923,991)	(189,902,552)
Proceeds from sale of property, plant and equipment		15,465,849	6,687,971
Dividend income, profit on bank deposits and commissions		25,207,308	19,492,489
Acquisition of short term investments		(295,887,277)	(38,054,681)
Long term deposits		(25,000)	(189,500)
Net cash used in investing activities		(482,163,111)	(201,966,273)
Cash flow from financing activities			
(Repayment) / receipt of short term borrowings		(746,163)	1,241,992
Dividend paid		(289,882,689)	(121,364,347)
Finance cost paid		(15,858,626)	(12,484,564)
Net cash used in financing activities		(306,487,478)	(132,606,919)
Net increase in cash and cash equivalents		58,819,399	9,417,684
Cash and cash equivalents at the beginning of year		107,035,607	97,617,923
Cash and cash equivalents at the end of year	*18*	165,855,006	107,035,607

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

Lahore
15 September 2014 | Director | Chairperson & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to Owners of the Company					
	Share capital	Capital reserve	Accumulated profit	Total	Non-controlling Interest	Total
	.... Rupees					
Balance as at 01 July 2012	287,493,720	321,843	1,744,227,890	2,032,043,453	60,773,274	2,092,816,727
Total comprehensive income for the year	-	-	455,062,472	455,062,472	11,317,224	466,379,696
Surplus transferred to accumulated profit:						
-on account of incremental depreciation charged during the year - net of tax	-	-	5,486,066	5,486,066	-	5,486,066
Transactions with owners of the Company:						
Final dividend for the year ended 30 June 2012 @ Rs. 4.50 per share	-	-	(129,372,174)	(129,372,174)	-	(129,372,174)
Bonus shares issued at 5 % for the year ended 30 June 2012	14,374,690	-	(14,374,690)	-	-	-
	14,374,690	-	(143,746,864)	(129,372,174)	-	(129,372,174)
Balance as at 30 June 2013	**301,868,410**	**321,843**	**2,061,029,564**	**2,363,219,817**	**72,090,498**	**2,435,310,315**
Total comprehensive income for the year	**-**	**-**	**525,502,792**	**525,502,792**	**26,660,015**	**552,162,807**
Surplus / deficit transferred to accumulated profit:						
-on account of incremental depreciation charged during the year - net of tax	**-**	**-**	**5,570,467**	**5,570,467**	**-**	**5,570,467**
-on account of disposal during the period - net of tax	**-**	**-**	**(761,911)**	**(761,911)**	**-**	**(761,911)**
	-	**-**	**530,311,348**	**530,311,348**	**26,660,015**	**556,971,363**
Transactions with owners of the Company:						
-Final dividend for the year ended 30 June 2013@ Rs. 7 per share	**-**	**-**	**(211,307,887)**	**(211,307,887)**	**-**	**(211,307,887)**
-Interim dividend for the year ended 30 June 2014 @ Rs. 3 per share	**-**	**-**	**(90,560,523)**	**(90,560,523)**	**-**	**(90,560,523)**
	-	**-**	**(301,868,410)**	**(301,868,410)**	**-**	**(301,868,410)**
Balance as at 30 June 2014	**301,868,410**	**321,843**	**2,289,472,502**	**2,591,662,755**	**98,750,513**	**2,690,413,268**

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

Lahore
15 September 2014

Director

Chairperson & CEO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1 Reporting entity

Ferozsons Laboratories Limited ("the Holding Company") was incorporated as a private limited company on 28 January 1954 and was converted into a public limited company on 08 September 1960. The Holding Company is listed on the Karachi, Lahore and Islamabad stock exchanges and is primarily engaged in the import, manufacture and sale of pharmaceutical products. Its registered office is situated at 197-A, The Mall, Rawalpindi and the factory is located at Amangarh, Nowshera, Khyber Pakhtoon Khwa.

"The Group" consists of the following subsidiaries:

Company	Country of incorporation	Nature of business	Effective holding %	
			2014	2013
BF Biosciences Limited	Pakistan	Import, manufacturing and sale of pharmaceutical products.	**80**	80
Farmacia	Pakistan	Sale and distribution of medicines and other related products.	**98**	98

2 Basis of preparation

2.1 Consolidated financial statements

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2014 and the audited financial statements of the subsidiary companies for the year ended 30 June 2014.

2.2 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 are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

2.3 Standards, interpretations and amendments to published approved accounting standards

2.3.1 New standards, ammendments to approved accounting standards and interpretations which became effective during the year ended 30 June 2014

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.

2.3.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on financial statements of the Group.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have a material impact on financial statements of the Group.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment is not likely to have a material impact on financial statements of the Group.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The ammendments are not likely to have an impact on financial statements of the Group.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The ammendments are not likely to have an impact on financial statements of the Group.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on financial statements of the Group.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. The standard is not likely to have a material impact on financial statements of the Group.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/ operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The standard is not likely to have a material impact on financial statements of the Group.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The standard is not likely to have any impact on financial statements of the Group.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015 defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard is not likely to have an impact on financial statements of the Group.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Group can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The standard is not likely to have any impact on financial statements of the Group.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- o IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- o IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- o IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- o Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- o IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- o IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

2.4 Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention except for certain items of property, plant and equipment that are stated at revalued amounts and investment in listed securities and financial instruments that are stated at their fair values.

The methods used to measure fair values are discussed further in their respective policy notes.

2.5 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupee ("Rs.") which is also the Group's functional currency. All financial information presented in Rupees has been rounded to the nearest rupee, unless otherwise stated.

2.6 Use of estimates and judgements

The preparation of consolidated 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 a continuous 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 consolidated 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.

Intangible asset

The Group reviews the rate of amortization and value of intangible assets for possible impairment, on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

Stores, spare parts, loose tools and stock in trade

The Group 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 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.

3 Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiary companies. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities

Subsidiaries

Subsidiaries are those entities in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value of investment held by the Parent Company is eliminated against the Parent Company's share in paid up capital of the subsidiaries. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

3.2 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 Holding Company and the subsidiary company, BF Biosciences Limited, operate a recognized provident fund as a defined contribution plan for employees, who fulfil conditions laid down in the trust deed. Provision is made in the consolidated 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 Group and its subsidiary company - BF Biosciences Limited provides for compensated absences for its employees on unavailed balance of leave in the period in which leave is earned.

3.3 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or below equity, in which case it is recognized in other comprehensive income or below equity respectively.

3.3.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

3.3.2 Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Group recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the Group recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

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

3.4.1 Owned

Property, plant and equipment of the Group other than freehold land, building and plant & machinery 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, plant and 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, except for freehold land, over its estimated useful life at the rates specified in note 11 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 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.

Gain and loss on sale of an item of property, plant and equipment are determined by comparing the proceeds from sale with the carrying amount of property, plant and equipment, and are recognised net within "other income / other expenses" in profit or loss account. When revalued asset is sold, the amount included in the surplus on revaluation of property, plant and equipment, net of deferred tax, is transferred directly to equity.

3.4.2 Capital work in progress

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

3.5 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight-line method over the estimated useful life of three years. Amortization of intangible assets is commenced from the date an asset is capitalized.

3.6 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 asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. 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. Any gain or loss on the recognition or de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

Significant financial assets include long term loan, long term deposits, short term investments, trade debts, loans and advances, other receivables, short term investments, advance tax-net and cash and bank balances.

Significant financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are trade and other payables.

3.7 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.8 Investments

3.8.1 Investments at fair value through profit or loss

These include investments classified as held for trading or upon initial recognition are designated by the Group at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in income. Fair value of investments is their quoted bid price at the balance sheet date. Transaction costs are charged to income currently.

3.9 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Long term loans

At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition these are measured at amortized cost using the effective interest rate method less impairment loss, if any. A provision for impairment of long term loan is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of loan.

Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

3.10 Settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by the Group. Regular way purchases or sales of financial assets are those contracts which requires delivery of assets within the time frame generally established by regulation or convention in the market.

3.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services received.

3.12 Offsetting of financial assets and financial liabilities

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

3.13 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.14 Foreign currency

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

3.15 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 incidental charges incurred thereon.

3.16 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.

3.17 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.

3.18 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of pharmaceutical products, net of discounts. Revenue is recognized when the goods are dispatched 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.

3.19 Borrowing costs

Mark-up, 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 mark-up, interest and related charges are charged to the profit and loss account as finance cost.

3.20 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.

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 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 and loss account. 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.

3.22 Operating segment

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and accessing performance of the operating segments, has been identified as the Board of Director of the Group that makes strategic decisions.

	2014 Rupees	2013 Rupees
4 Issued, subscribed and paid up capital		
1,441,952 (2013: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (2013: 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
28,625,289 (2013: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares	286,252,890	286,252,890
	301,868,410	301,868,410

5 Capital reserve

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

	2014 Rupees	2013 Rupees
6 Surplus on revaluation of property, plant and equipment		
Surplus on revaluation of property, plant and equipment as at 1 July	402,374,432	410,814,534
Surplus arising on revaluation of property, plant and equipment during the year	71,948,202	-
Surplus transferred to equity:		
-on account of incremental depreciation charged during the year - net of tax		
- Net of deferred tax	(5,570,467)	(5,486,066)
- Related deferred tax liability	(2,869,635)	(2,954,036)
	(8,440,102)	(8,440,102)
Deficit transferred to equity:		
- on account of disposal of fixed assets during the year-net of tax		
- Net of deferred tax	761,911	-
- Related deferred tax liability	392,499	-
	1,154,410	-
	467,036,942	402,374,432
Related deferred tax liability:		
- On revaluation as at 1 July	(23,654,508)	(26,608,544)
- On revaluation during the year	(25,181,871)	-
- Transferred to accumulated profit:		
- on account of incremental depreciation charged during the year	2,869,635	-
- on account of disposal of fixed assets during the year	(392,499)	2,954,036
	(46,359,243)	(23,654,508)
Surplus on revaluation of property, plant and equipment as at 30 June	420,677,699	378,719,924

The freehold land, building and plant & machinery were revalued by independent valuers in years 1976, 1989, 2002, 2006, 2011 and 2014 respectively. These revaluations had resulted in a cumulative surplus of Rs. 562.14 million, which has been included in the carrying values of free hold land, building and plant & machinery respectively and credited to the surplus on revaluation of property, plant & equipment. 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.

7 Deferred taxation

	2014			
	Opening	Charge to / (reversal from)		Closing
		Profit or loss	Surplus on revaluation	
	Rupees			
Taxable temporary difference				
Accelerated tax depreciation allowances	76,963,672	(1,490,724)	-	75,472,948
Surplus on revaluation of property, plant and equipment	23,654,508	(2,477,135)	25,181,871	46,359,244
	100,618,180	(3,967,859)	25,181,871	121,832,192
Deductible temporary differences				
Unused tax losses	(26,229,145)	26,229,145	-	-
Minimum tax recoverable against normal tax in future	(9,456,875)	9,456,875	-	-
	(35,686,020)	35,686,020	-	-
	64,932,160	31,718,161	25,181,871	121,832,192

	2013			
	Opening	Charge to / (reversal from)		Closing
		Profit or loss	Surplus on revaluation	
	Rupees			
Taxable temporary difference				
Accelerated tax depreciation allowances	139,819,965	(62,856,293)	-	76,963,672
Surplus on revaluation of property, plant and equipment	26,608,544	(2,954,036)	-	23,654,508
	166,428,509	(65,810,329)	-	100,618,180
Deductible temporary differences				
Unused tax losses	(54,643,272)	28,414,127	-	(26,229,145)
Minimum tax recoverable against normal tax in future	(8,436,716)	(1,020,159)	-	(9,456,875)
	(63,079,988)	27,393,968	-	(35,686,020)
	103,348,521	(38,416,361)	-	64,932,160

	Note	2014 Rupees	2013 Rupees
8 Trade and other payables			
Creditors		335,171,181	247,916,046
Accrued liabilities		21,901,861	8,998,174
Advances from customers		26,412,230	32,957,953
Unclaimed dividend		35,388,721	23,403,000
Tax deducted at source		1,169,342	43,519
Provision for compensated absences		8,499,035	7,088,403
Workers' Profit Participation Fund	*8.1*	43,420,315	26,720,367
Central Research Fund	*8.2*	8,183,517	5,244,749
Workers' Welfare Fund		15,392,486	9,499,692
Advances from employees against purchase of vehicles		21,868,671	18,585,774
Due to related parties - unsecured		2,959,716	3,720,991
Other payables		2,835,844	1,324,068
		523,202,919	385,502,736

8.1 Workers' Profit Participation Fund

	2014 Rupees	2013 Rupees
Balance at the beginning of year	26,720,368	21,341,515
Interest on funds utilized	2,923,243	2,980,607
Provision for the year	40,506,542	23,749,230
	70,150,153	48,071,352
Payments made during the year	(26,729,838)	(21,350,985)
	43,420,315	26,720,367

The fund balance has been utilized by the Holding Company and the subsidiary company, BF Biociences Limited, for their own business and an interest at the rate of 11.88% to 52.50% per annum (2013: 12.99% to 33.75% per annum) has been credited to the fund. Interest is calculated at higher of 75% of the cash dividends paid rate or 2.5% plus bank rate as at 30 June 2014, as required under Companies Profit (Workers' Participation) Act, 1968.

8.2 Central Research Fund

	2014 Rupees	2013 Rupees
Balance at the beginning of the year	5,244,749	4,989,224
Provision for the year	8,183,140	5,244,372
	13,427,889	10,233,596
Payments made during the year	(5,244,372)	(4,988,847)
	8,183,517	5,244,749

	Note	2014 Rupees	2013 Rupees
9 Short term borrowings - secured			
Running finance facility from:			
HSBC Bank Middle East Limited	9.1	-	695,869
Allied Bank Limited	9.1	495,829	546,123
		495,829	1,241,992

9.1 The Group has short term borrowing facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 665 million (2013: Rs. 560 million). These facilities carry mark up at the rates ranging from one to three months KIBOR 0.3% to 1.5% per annum (2013: one to three months KIBOR 0.3% to 2% per annum) on the balances outstanding. Out of aggregate facilities, facilities amounting to Rs. 365 million (2013: Rs.260 million) are secured by first pari passu charge over current and future assets of the respective companies in the Group and remaining facility amounting to Rs. 300 million (2013: Rs. 300 million) is secured by lien on the Holding Company's short term investments in mutual funds which shoud be 110% of the maximum limit allowed for utilization. Under this arrangement Rs. 330 million (2013: 139.6 million) is marked under lien as at 30 June 2014. These facilities are renewable on annual basis by 30 April 2015.

10 Contingencies and commitments

Contingencies

Guarantees issued by banks

Out of the aggregate facility of Rs. 130 million (2013: Rs. 92 million) for letter of guarantees, the amount utilized by the Group at 30 June 2014 was Rs. 30.32 million (2013: Rs. 47.80 million).

Commitments

Letter of credits other than capital expenditure

Out of the aggregate facility of Rs. 355 million (2013: Rs. 440 million) for opening letters of credit, the amount utilized by the Group at 30 June 2014 for capital expenditure was Rs. 24.3 million (2013: Rs. Nil) and for other than capital expenditure was Rs. 131.62 million (2013: Rs. 51.81 million).

Guarantees issued on behalf of the subsidiary company

The Holding Company has issued cross corporate guarantee to various commercial banks favouring its subsidiary company BF Biosciences Limited amounting to Rs. 275 million (2013: Rs. 275 million).

11 Property, plant and equipment

	Owned								
	Freehold land (Note 11.1)	Building on freehold land	Plant and machinery	Office equipments	Furniture and fittings	Computers	Vehicles	Capital work-in-progress	Total
	Rupees								
30 June 2014									
Cost									
Balance as at 01 July 2013	410,000,000	580,104,288	704,226,484	61,067,443	27,353,543	27,873,676	196,860,852	19,785,727	2,027,272,013
Additions	-	9,299,901	40,809,933	5,729,256	1,832,090	2,512,279	68,583,132	98,158,002	226,924,593
Transfers / adjustments	-	4,904,708	11,843,151	111,919	-	139,979	71,000	(18,390,172)	(1,319,415)
Deletions / write off	-	-	(8,747,230)	(14,929,605)	(8,239,214)	(10,203,653)	(31,554,149)	-	(73,673,851)
Revaluation surplus / (deficit)	-	(21,455,971)	153,873,445	-	-	-	-	-	132,417,474
Balance as at 30 June 2014	**410,000,000**	**572,852,926**	**902,005,783**	**51,979,013**	**20,946,419**	**20,322,281**	**233,960,835**	**99,553,557**	**2,311,620,814**
Depreciation									
Balance as at 01 July 2013	-	144,956,758	187,004,020	33,404,184	14,257,961	22,445,046	106,412,335	-	508,480,304
Charge for the year	-	57,595,675	71,461,533	4,686,595	2,174,301	3,762,271	35,191,991	-	174,872,366
On disposals	-	-	(2,598,079)	(14,572,770)	(8,016,525)	(10,203,343)	(30,141,228)	-	(65,531,945)
Revaluation (surplus) / deficit	-	(10,588,893)	71,058,165	-	-	-	-	-	60,469,272
Balance as at 30 June 2014	**-**	**191,963,540**	**326,925,639**	**23,518,009**	**8,415,737**	**16,003,974**	**111,463,098**	**-**	**678,289,997**
Net book value as at 30 June 2014	**410,000,000**	**380,889,386**	**575,080,144**	**28,461,004**	**12,530,682**	**4,318,307**	**122,497,737**	**99,553,557**	**1,633,330,817**
30 June 2013									
Balance as at 01 July 2012	410,000,000	509,977,163	555,231,297	57,955,998	26,997,594	26,781,638	148,984,440	114,942,948	1,850,871,078
Additions	-	-	1,244,850	3,634,631	404,019	2,647,423	51,463,592	130,737,537	190,132,052
Transfers / adjustments	-	70,758,079	147,750,337	115,112	842,833	474,398	5,954,000	(225,894,759)	-
Deletions	-	(630,954)	-	(990,335)	(505,763)	(2,062,881)	(9,541,180)	-	(13,731,113)
Balance as at 30 June 2013	**410,000,000**	**580,104,288**	**704,226,484**	**60,715,406**	**27,738,683**	**27,840,578**	**196,860,852**	**19,785,726**	**2,027,272,017**
Depreciation									
Balance as at 01 July 2013	-	96,401,046	127,787,132	29,795,782	12,240,256	20,569,466	84,542,783	-	371,336,465
Transfers / adjustments	-	(1,620,180)	1,152,845	22,349	316,530	128,456	229,500	-	229,500
Charge for the year	-	50,806,846	58,064,043	4,578,622	2,344,748	3,638,857	29,093,956	-	148,527,072
On disposals	-	(630,954)	-	(990,335)	(505,763)	(2,031,773)	(7,453,904)	-	(11,612,729)
Balance as at 30 June 2013	**-**	**144,956,758**	**187,004,020**	**33,406,418**	**14,395,771**	**22,305,006**	**106,412,335**	**-**	**508,480,308**
Net book value as at 30 June 2013	**410,000,000**	**435,147,530**	**517,222,464**	**27,308,988**	**13,342,912**	**5,535,572**	**90,448,517**	**19,785,726**	**1,518,791,709**
Depreciation Rate %		**10**	**10**	**10**	**10**	**33.33**	**20**		

11.1 Free hold land includes 2 acres of land leased out by the Holding Company to its subsidiary company, BF Biosciences Limited, for the construction of plant facility.

11.2 Land and building of the Holding Company were first revalued on 31 March 1976, resulting in surplus of Rs. 13.66 million. The second revaluation was carried out on 30 June 1989 and resulted in a surplus of Rs. 41.51 million. The third revaluation was carried out on 30 June 2002 and resulted in a surplus of Rs. 30.43 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. 240.59 million. The fifth revaluation was carried out on 30 June 2011 and resulted in a surplus of Rs.164.39 million. The last revaluation was carried out resulted in surplus of Rs. 78.52 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	Net book value
	---Rupees---		
Freehold land	75,418,037	-	75,418,037
Buildings	567,374,037	202,583,451	364,790,586
Plant and machinery	828,992,083	392,967,344	436,024,739
2014	**1,471,784,157**	**595,550,795**	**876,233,362**
2013	1,413,263,694	488,337,811	924,925,883

	Note	**2014 Rupees**	**2013 Rupees**
11.3 Capital work-in-progress - movements			
Opening balance		**19,785,727**	114,942,948
Additions during the year		**98,158,002**	130,737,537
Transfers during the year		**(18,390,172)**	(225,894,759)
Closing balance		**99,553,557**	19,785,726
11.4 Capital work-in-progress - breakup			
Building and civil works		**47,634,312**	4,280,664
Plant and machinery		**30,818,442**	12,095,048
Advances to suppliers		**21,100,803**	3,410,014
		99,553,557	19,785,726
11.5 Depreciation for the year has been allocated as follows:			
Cost of sales	*20*	**114,866,572**	92,177,282
Administrative expenses	*21*	**31,204,021**	31,040,354
Selling and distribution expenses	*22*	**28,801,773**	25,309,436
		174,872,366	148,527,072

11.6 Gain on sale of property, plant and equipment

Particulars of assets	Cost	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer
	----------	----------	Rupees	----------		
Vehicles disposed of:						
Suzuki Alto	620,000	10,337	250,000	239,663	Company Policy	Mr. Asadullah Khan
Suzuki Mehran	469,000	31,262	345,000	313,738	Company Policy	Mr. Tahir Ali Khan
Suzuki Alto	620,000	10,337	250,000	239,663	Company Policy	Mr. Muhammad Waqas
Suzuki Mehran	504,000	42,000	260,000	218,000	Company Policy	Mr. Khawer Jawed
Suzuki Liana	1,075,000	89,578	576,500	486,922	Company Policy	Mr. Aatif Majeed
Suzuki Mehran	499,000	58,213	350,000	291,787	Company Policy	Mr. Ammad Naseem
Suzuki Liana	1,239,000	433,650	653,000	219,350	Company Policy	Mr.Amir Qureshi
Suzuki Cultus	810,000	229,500	580,500	351,000	Company Policy	Mr.Aftab Saleem
Honda CD 70	62,900	8,391	30,000	21,609	Company Policy	Mr. Muhammad Saeed
Honda CD 70	62,900	6,294	31,450	25,156	Company Policy	Mr. Sohail Jameel
Honda CD 70	62,900	6,294	31,450	25,156	Company Policy	Mr. Mustafa Abbas Basra
Honda CD 70	62,900	8,391	31,450	23,059	Company Policy	Mr. Rizwan Saeed
Honda CD 70	62,900	11,536	31,400	19,864	Company Policy	Mr. Adil Jehanzeb
Honda CD 70	62,900	10,487	31,450	20,963	Company Policy	Mr. Muhammad Asim
Honda CD 70	62,900	15,728	24,000	8,272	Company Policy	Mr. Asif Saif
Honda CD 70	62,900	8,389	31,450	23,061	Company Policy	Mr. Ghulam Shabir
Honda CD 70	62,900	8,389	31,450	23,061	Company Policy	Mr. Ghulam Zakariya
Honda CD 70	62,900	10,484	31,450	20,966	Company Policy	Mr. Naeem Akhtar
Suzuki Mehran	568,500	255,825	357,500	101,675	Company Policy	Mr. Mubbashir Hassan
CD70 Dhoom (Yamaha)	47,500	33,250	47,000	13,750	Insurance Claim	EFU Insurance Company
Motor Cycle 70 CC	72,099	70,897	72,099	1,202	Insurance Claim	EFU Insurance Company
Motor Cycle 70 CC	50,990	48,440	50,990	2,550	Insurance Claim	EFU Insurance Company
UPS 15KV	585,000	351,000	556,000	205,000	Insurance Claim	EFU Insurance Company
Vehicles with individual book value not exceeding Rs. 5,000	24,350,060	5,248	10,811,710	10,806,462	Company Policy	various persons
	32,139,149	**1,763,920**	**15,465,849**	**13,701,929**		
Assets written off:						
Computers	10,203,653	312	-	(312)	Obsolete items-written off	
Furniture & Fittings	8,239,214	222,692	-	(222,692)	Obsolete items-written off	
Office Equipment	14,929,605	356,832	-	(356,832)	Obsolete items-written off	
Plant & Machinery	8,162,230	5,798,150	-	(5,798,150)	Obsolete items-written off	
	41,534,702	**6,377,986**	**-**	**(6,377,986)**		
2014 Rupees	**73,673,851**	**8,141,906**	**15,465,849**	**7,323,943**		
2013 Rupees	13,731,113	2,118,384	6,687,971	4,569,587		

12 Intangible assets

Computer softwares and software licence fees

	Rupees
Cost	
Balance at 01 July 2012	5,543,356
Balance at 30 June 2013	5,543,356
Balance at 01 July 2013	5,543,356
Additions	1,319,415
Balance at 30 June 2014	6,862,771
Amortization	
Balance at 01 July 2012	1,829,319
Amortization for the year	1,829,319
Balance at 30 June 2013	3,658,638
Balance at 01 July 2013	3,658,638
Amortization for the year	2,264,735
Balance at 30 June 2014	5,923,373
Amortization rate per annum (%)	33.33%
Carrying amounts	
At 30 June 2013	1,884,718
At 30 June 2014	939,398

13 Stores, spare parts and loose tools

	2014 Rupees	2013 Rupees
Stores	28,904,873	17,410,219
Spare parts	4,136,133	1,282,087
Loose tools	184,581	860,355
	33,225,587	19,552,661

	Note	2014 Rupees	2013 Rupees
14 Stock in trade			
Raw material		337,052,623	310,046,452
Work in process		97,330,065	94,418,678
		434,382,688	404,465,130
Finished goods		424,946,380	425,214,245
Less: provision for write down to net realisable value		(517,711)	(165,394)
		424,428,669	425,048,851
Stock in transit		4,796,235	17,392,104
		863,607,592	846,906,085
15 Loans and advances - considered good			
Advances to employees - secured		15,257,527	12,382,411
Advances to suppliers - unsecured		9,598,879	4,579,104
Others		991,694	1,048,749
		25,848,100	18,010,264

15.1 Advances given to staff for expenses are in accordance with the Group's policy and terms of employment contract. The maximum aggregate amount of advance to staff outstanding during the year was Rs. 18.46 million (2013: Rs. 12.2 million). These advances are secured against provident fund. Advances to staff includes amount due from executives of the Holding Company amounting to Rs. 0.55 million (2013: Nil).

	Note	2014 Rupees	2013 Rupees
16 Deposits and prepayments			
Deposits		45,312,094	46,162,750
Prepayments		1,148,874	127,993
		46,460,968	46,290,743
17 Short term investments			
Investments at fair value through profit or loss - listed securities	*17.1*	748,688,343	413,499,520
17.1 Investments at fair value through profit or loss - listed securities			
These investments are 'held for trading' Carrying value at 30 June:		711,492,799	383,919,557
Unrealized gain on re-measurement of investment during the year		37,195,544	29,579,963
Fair value of short term investments at 30 June	*17.2*	748,688,343	413,499,520

	Shares		Carrying value		Fair value	
	2014	2013	2014	2013	2014	2013
17.2 Held for trading	---------Number---------		----------Rupees---------		----------Rupees---------	
Mutual Funds						
HBL Money Market Fund	6,422,696	1,272,845	609,650,622	117,870,246	644,345,838	128,858,288
HBL Income Fund	147,088	2,634,203	13,591,717	252,496,711	14,892,578	270,921,964
MCB DCF Units	751,071	-	75,000,000	-	75,107,050	-
ABL Cash Fund	72,064	115,245	684,063	1,052,600	722,424	1,152,870
Faysal Money Market Fund	135,083	122,959	12,566,398	12,500,000	13,620,453	12,566,398
			711,492,800	383,919,557	748,688,343	413,499,520

18 Cash and bank balances

	Note	2014 Rupees	2013 Rupees
Cash in hand		4,793,603	4,296,681
Cash at banks:			
Current accounts			
Foreign currency		16,387,456	15,319,750
Local currency		126,469,644	60,202,221
		142,857,100	75,521,971
Deposit accounts - local currency	18.1	18,204,303	27,216,955
		165,855,006	107,035,607

18.1 These carry interest at the rates ranging from 7% to 7.45% per annum (2013: 6% to 7%).

19 Revenue - net

	Note	2014 Rupees	2013 Rupees
Gross sales			
Local	19.1	3,967,643,048	3,064,797,070
Export		203,742,045	156,236,280
		4,171,385,093	3,221,033,350
Less:			
Sales returns, discounts and commission		(335,455,532)	(339,972,212)
Sales tax		(4,369,228)	(2,314,395)
		(339,824,760)	(342,286,607)
		3,831,560,333	2,878,746,743

19.1 This includes own manufactured and imported products sales.

	Note	2014 (Rupees)	2013 (Rupees)
20 Cost of sales			
Raw materials consumed	*20.1*	**1,519,937,693**	1,308,455,739
Salaries, wages and other benefits	*20.2*	**143,240,491**	120,568,472
Fuel and power		**115,474,605**	78,736,423
Repairs and maintenance		**10,428,925**	8,551,012
Stores, spare parts and loose tools		**27,762,200**	23,073,568
Packing charges		**15,722,763**	13,383,478
Rent, rates and taxes		**1,084,541**	655,299
Printing and Stationary		**1,216,992**	2,522,836
Postage and telephone		**2,428,989**	1,769,297
Insurance		**10,708,089**	9,002,798
Travelling and conveyance		**11,902,711**	8,578,302
Canteen expenses		**6,350,831**	4,981,387
Security expenses		**2,147,795**	2,109,706
Fee & subscription		**1,396,561**	394,623
Laboratory and other expenses		**21,131,475**	22,588,792
Depreciation	*11.5*	**114,866,572**	92,177,282
		2,005,801,233	1,697,549,014
Work in process:			
Opening		**94,418,678**	57,088,668
Closing		**(97,330,065)**	(94,418,678)
		(2,911,387)	(37,330,010)
Cost of goods manufactured		**2,002,889,846**	1,660,219,004
Finished stock:			
Opening		**425,048,851**	263,156,413
Less: Closing		**(424,428,669)**	(425,048,851)
		620,182	(161,892,438)
		2,003,510,028	1,498,326,566

20.1 Raw materials consumed

	2014 (Rupees)	2013 (Rupees)
Balance at the beginning of year	**310,046,452**	255,682,554
Add: purchases made during the year	**1,546,943,864**	1,362,819,637
	1,856,990,316	1,618,502,191
Less: balance at the end of year	**(337,052,623)**	(310,046,452)
	1,519,937,693	1,308,455,739

20.2 Salaries, wages and other benefits include Rs. 4.98 million (2013: Rs. 4.54 million) charged on account of defined contribution plan.

21 Administrative expenses

	Note	2014 Rupees	2013 Rupees
Salaries and other benefits	*21.1*	**103,936,649**	85,185,899
Directors fees and expenses		**1,614,955**	1,705,250
Rent, rates and taxes		**1,587,098**	1,545,963
Postage and telephone		**5,888,644**	4,412,932
Printing, stationery and office supplies		**2,852,097**	2,276,891
Travelling and conveyance		**7,239,174**	6,049,190
Transportation		**4,255,138**	3,488,435
Legal and professional charges		**4,807,214**	4,556,520
Fuel and power		**2,404,292**	2,196,600
Auditor's remuneration	*21.2*	**1,295,605**	1,129,580
Repairs and maintenance		**6,833,014**	6,206,673
Subscriptions		**1,415,873**	1,488,689
Donation	*21.3*	**9,300,000**	5,604,500
Insurance		**3,348,794**	2,720,997
Depreciation	*11.5*	**31,204,021**	31,040,354
Amortisation	*12*	**2,264,735**	1,829,328
Canteen expenses		**4,371,385**	4,863,055
Other administrative expenses		**1,566,323**	1,351,730
		196,185,011	167,652,586

21.1 Salaries and other benefits include Rs. 3.90 million (2013: Rs. 3.03 million) charged on account of defined contribution plan.

21.2 Auditor's remuneration

	2014 Rupees	2013 Rupees
Fee for annual audit	**575,000**	500,000
Fee for audit of consolidated accounts	**57,500**	50,000
Review of half yearly accounts	**86,250**	75,000
Audit fee - BF Biosciences Limited	**172,500**	150,000
Other certifications	**232,500**	210,000
Out of pocket expenses	**136,855**	109,580
	1,260,605	1,094,580
Audit fee - Farmacia	**30,000**	30,000
Out of pocket expenses	**5,000**	5,000
	1,295,605	1,129,580

21.3 Donations were given to "The National Management Foundation", "The Citizen Foundation", "Saint Joseph's Hospital", "Forman Christian College" and "Lahore Literary Festival". Donations did not include any amount paid to any person or organization in which a director or his spouse had any interest.

22 Selling and distribution expenses

	Note	2014 Rupees	2013 Rupees
Salaries and other benefits		309,646,850	243,864,635
Travelling and conveyance		145,369,948	128,771,803
Service charges on Sales		41,706,537	17,417,003
Transportation		236,094	1,195,099
Rent, rates and taxes		3,640,484	1,570,294
Advertisement and publicity		116,980,242	108,493,046
Freight and forwarding		30,810,538	26,879,975
Printing, stationery and office supplies		3,899,445	2,279,202
Postage and telephone		9,431,617	8,958,859
Electricity and gas		588,727	660,771
Royalty, subscriptions and fees		17,030,614	11,154,796
Insurance		9,984,992	9,373,366
Repairs and maintenance		4,213,433	3,278,260
Legal and professional charges		1,222,950	1,509,000
Conferences, seminars and training		93,851,244	72,889,590
Medical research and patient care		25,138,932	18,057,497
Depreciation	*11.5*	28,801,773	25,309,436
Other selling expenses		10,243,826	3,246,993
		852,798,246	684,909,625

22.1 Salaries other benefits include Rs. 9.54 million (2013: Rs. 7.46 million) charged on account of defined contribution plan.

23 Finance cost

	2014 Rupees	2013 Rupees
Mark-up on bank financing	9,184,025	7,621,318
Bank charges	6,674,601	4,863,246
Interest on Workers' Profit Participation Fund	2,923,243	2,980,607
	18,781,869	15,465,171

24 Other expenses

	2014 Rupees	2013 Rupees
Exchange loss	7,316,893	5,130,635
Property, plant & equipment written off	6,377,986	-
Workers' Profit Participation Fund	40,506,542	23,749,231
Workers' Welfare Fund	15,392,486	9,499,692
Central Research Fund	8,183,140	5,244,372
	77,777,047	43,623,930

	2014 Rupees	2013 Rupees
25 Other income		
From financial assets		
Gain on sale of short term investments	2,106,603	617,554
Profit on bank deposits	1,280,800	971,944
Unrealised gain on re-measurement of short term investments to fair value	37,195,544	29,579,962
Exchange gain	23,142,107	385,812
Commission income	784,401	18,134,733
	64,509,455	49,690,005
From non financial assets		
Gain on sale of property, plant and equipment	13,701,929	4,569,587
	78,211,384	54,259,592
26 Taxation		
Current		
- For the year	189,524,072	95,082,755
- Prior years	(12,685,524)	(17,630)
	176,838,548	95,065,125
Deferred	31,718,161	(38,416,364)
	208,556,709	56,648,761
Tax charge reconciliation		
Numerical reconciliation between tax expense and accounting profit		
Profit before taxation	760,719,516	450,918,081
Applicable tax rate as per Income Tax Ordinance, 2001	34%	35%
Tax on accounting profit	258,644,636	157,821,328
Effect of final tax regime	(21,043,553)	(12,691,239)
Effect of tax credit	(16,668,837)	(15,781,666)
Effect of permanent difference	(12,260,202)	(10,283,028)
Effect of minimum tax	2,020,086	10,078,631
Others (including the impact arising as a consequence of reversal of deferred tax liability)	(2,135,420)	(72,495,265)
	(50,087,927)	(101,172,567)
	208,556,709	56,648,761

27 Earnings per share - basic and diluted		2014	2013
Profit after taxation for distribution to ordinary shareholders	*Rupees*	525,502,792	455,062,472
Weighted average number of ordinary shares	*Numbers*	30,186,841	30,186,841
Basic and diluted earnings per share	*Rupees*	17.41	15.07

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

28 Remuneration of Directors, Chief Executive and Executives

	2014			2013		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	Rupees			Rupees		
Managerial remuneration	19,389,000	10,074,000	116,952,950	16,860,000	8,760,000	84,622,312
LFA	1,615,750	839,500	7,527,187	1,330,000	730,000	5,829,097
Bonus	3,934,000	2,044,000	13,888,093	3,810,000	1,995,000	11,030,192
Utilities	-	481,684	-	-	367,371	-
Contribution - provident fund	1,237,307	687,212	7,054,688	1,087,739	604,139	5,271,647
	26,176,057	14,126,396	145,422,918	23,087,739	12,456,510	106,753,248
Numbers	2	1	68	2	1	49

In addition, the Chief Executive, two working directors and certain executives of the holding company are allowed free use of company vehicles. The directors, chief executive officer and managing partner of the subsidiary companies are not paid any remuneration.

Non excutive directors are not paid any remuneration or benefits other than the meeting fee. The members of the board of directors were paid Rs. 380,000 (2013: Rs. 231,000) as meeting fee and Rs.1,234,955 (2013: Rs. 1,329,200) as reimbursement of expenses for attending the board of directors' meetings.

29 Related party transactions

The Group's related parties include 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 consolidated financial statements. The transactions with related parties are as follows:

	2014 Rupees	2013 Rupees
Remuneration including benefits and perquisites of key management personnel	166,203,660	72,062,714
Company share in employees provident fund	19,193,658	15,381,558

30 Plant capacity and production

The production capacity of the holding company and subsidiary companies' plants cannot be determined, as it is a multi-product production facility with varying manufacturing processes.

31 Number of employees

	2014	2013
Total number of employees as at 30 June	687	632
Average number of employees during the year	665	627

32 Disclosures relating to provident fund

	2014 Rupees un-audited	2013 Rupees audited
Size of the fund / trust	**275,353,699**	224,463,611
Cost of investment made	**255,069,820**	200,577,682
Percentage of investment made %	**96%**	97%
Fair value of investment	**266,062,023**	216,592,449
Break up of investment		
Special accounts in scheduled banks	**4,577,808**	1,182,774
Term deposit receipts	**85,197,361**	65,469,506
Government Securities	**99,358,221**	-
Mutual funds	**70,143,481**	144,227,065
Shares of listed companies	**6,785,152**	5,713,104
	266,062,023	216,592,449

	2014	2013
	------ (% age of size of fund) -----	
Break up of investment		
Special accounts in scheduled banks	**2%**	1%
Term deposit receipts	**31%**	29%
Government Securities	**36%**	-
Mutual funds	**25%**	64%
Shares of listed companies	**2%**	3%
	96%	97%

The figures for 2014 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and rules formulated for this purpose.

33 Operating segments

33.1 These consolidated financial statements have been prepared on the basis of single operating segment.

33.2 Revenue from local sales and exports represents 100% (2013: 100%) of the total revenue of the Group.

33.3 100% (2013: 100%) of the revenue of the Group relates to operating activities in Pakistan.

33.4 All non-current assets of the Group as at 30 June 2014 are located in Pakistan.

34 Financial risk management

The Group 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 Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

34.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk arises from long term loans, long term deposits, trade debts, other receivables, loans and advances, short term investments and balances with banks. The Group has no significant concentration of credit risk as exposure is spread over a large number of counter parties.

34.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	2014 Rupees	2013 Rupees
Long term deposits	7,758,100	7,733,100
Trade debts - considered good	174,178,229	206,232,139
Loans and advances - considered good	25,848,100	18,010,264
Short term deposits	45,312,094	46,162,750
Other receivables	3,925,022	7,412,959
Short term investments	748,688,343	413,499,520
Bank balances	161,061,403	102,738,926
	1,166,771,291	801,789,658

34.3 Credit quality of financial assets

Bank balances

The credit quality of Group's bank balances can be assessed with reference to external credit rating agencies as follows:

Institutions	Rating Long term	Rating Short term	Rating Agency	2014	2013
				--------- Rupees ---------	
Habib Bank Limited	AAA	A-1+	JCR-VIS	**95,868,811**	88,626,459
National Bank of Pakistan	AAA	A-1+	JCR-VIS	**51,031**	51,031
Allied Bank Limited	AA+	A1+	PACRA	**4,952,047**	887,896
Bank Al-Habib Limited	AA+	A1+	PACRA	**19**	26,457
Bank Alfalah Limited	AA	A1+	PACRA	**60,177,821**	13,134,482
Faysal Bank Limited	AA	A1+	PACRA	**10,209**	10,209
National Investment Bank	AA-	A1+	PACRA	**1,465**	1,465
Silk Bank Limited	A-	A-2	JCR-VIS	**-**	928
				161,061,403	**102,738,927**

Trade debts

The aging of trade debts at the reporting date was:

	2014 Rupees	2013 Rupees
Past due 0 - 30 days	**68,550,269**	75,023,492
Past due 31 - 120 days	**54,845,133**	57,295,167
Past due 121 - 365 days	**36,291,297**	39,590,976
More than 365 days	**14,491,530**	34,322,504
	174,178,229	206,232,139

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

Other financial assets

The credit quality of the Group's short term investments can be assessed with reference to external credit rating agencies as follows:

Fund name	Rating	2014 Rupees	2013 Rupees
HBL Income Fund	A(f)	**644,345,838**	128,858,288
HBL Money Market Fund	AA(f)	**14,892,578**	270,921,964
MCB DCF Units	A+(f)	**75,107,050**	-
ABL Cash Fund	AA(f)	**722,424**	1,152,870
Faysal Money Market Fund	AA+(f)	**13,620,453**	12,566,398
		748,688,343	413,499,520

Loans, deposits and other recievables are mostly due from employees and Government Institutions. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets. There are reasonable grounds to believe that these amounts will be recovered in short course of time.

34.4 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

34.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Group is not materially exposed to liquidity risk as substantially all obligations / commitments of the Group are short term in nature and are restricted to the extent of available liquidity.

The following are the contractual maturities of financial liabilities as on 30 June 2014:

	2014			
	Carrying amount	**Less than one year**	**One to five years**	**More than 5 years**
	----------Rupees----------			
Financial liabilities				
Trade and other payables	**523,202,919**	**523,202,919**	-	-
Short term borrowings	**495,829**	**495,829**	-	-
	523,698,748	**523,698,748**	-	-

	2013			
	Carrying amount	Less than one year	One to five years	More than 5 years
	----------Rupees----------			
Financial liabilities				
Trade and other payables	385,502,736	385,502,736	-	-
Short term borrowing	1,241,992	1,241,992	-	-
	275,683,527	275,683,527	-	-

34.6 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Groups's income or the value of its holdings of financial instruments.

Market risk comprises of three types of risks:
- currency risk.
- interest rate risk
- other price risk

34.6.1Currency risk

Pakistani Rupee is the functional currency of the Group and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable 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 rupee 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 currency risk

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

	2014						
	Rupees	**US Dollars**	**Euro**	**UAE Dirham**	**Pound Sterling**	**JPY**	**Aus Dollars**
Cash and cash equivalents	**18,702,071**	**24,840**	**115,242**	**1,198**	**2,815**	**146,000**	**1,000**
Trade and other payables	**(276,344,723)**	**(2,801,264)**	**-**	**-**	**-**	**-**	**-**
Advances to suppliers	**7,137,671**	**72,353**	**-**	**-**	**-**	**-**	**-**
Trade receivables	**43,310,445**	**334,191**	**76,839**	**-**	**-**	**-**	**-**
Advances from customers	**(4,083,814)**	**(41,397)**	**-**	**-**	**-**	**-**	**-**
Gross balance sheet exposure	**(211,278,350)**	**(2,411,277)**	**192,081**	**1,198**	**2,815**	**146,000**	**1,000**

	2013						
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling	JPY	Aus Dollars
Cash and cash equivalents	17,637,275	85,950	69,828	68	-	146,000	-
Trade and other payables	(194,544,017)	(1,971,064)	-	-	-	-	-
Advances to suppliers	876,752	8,883	-	-	-	-	-
Trade receivables	30,995,677	175,572	105,960	-	-	-	-
Gross balance sheet exposure	(145,034,313)	(1,700,659)	175,788	68	-	146,000	-

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	2014	2013	**2014**	2013
US Dollars	**98.65**	98.70	**102.80**	96.80
Euro	**134.60**	128.98	**139.80**	125.60
UAE Dirham	**26.86**	26.88	**27.99**	26.35
Pound Sterling	**167.96**	150.72	**168.01**	151.79
JPY	**0.9738**	0.998	**1.009**	1.107
Aus Dollars	**92.88**	93.12	**94.07**	99.93

Sensitivity analysis

A ten percent strengthening of the Pakistani Rupee against foreign currencies at the reporting date would have increased / (decreased) profit 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	
	2014 Rupees	**2013 Rupees**
Profit and loss account	**21,127,833**	14,503,431

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

34.6.2 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to equity price risk because of investments held by the Group and classified on the Balance Sheet at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee.

Sensitivity analysis

The table below summarizes the Group's equity price risk as of 30 June 2014 and 2013 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Group's equity investment portfolio.

2014	**Fair value**	**"Hypothetical price change"**	**Estimated fair value after hypothetical change in prices"**	**"Hypothetical increase (decrease) in profit / (loss) before tax"**
	--------	--------	Rupees --------	--------
Short term investments				
Investments at fair value through profit or loss	**748,688,343**	**10% increase**	823,557,177	**74,868,834**
		10% decrease	673,819,509	**(74,868,834)**
	748,688,343			

2013	Fair value	"Hypothetical price change"	Estimated fair value after hypothetical change in prices"	"Hypothetical increase (decrease) in profit / (loss) before tax"
	--------	--------	Rupees --------	--------
Short term investments				
Investments at fair value through profit or loss	413,499,520	10% increase	454,849,472	41,349,952
		10% decrease	372,149,568	(41,349,952)
	413,499,520			

34.6.3 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying value of all financial assets and liabilities on the balance sheet approximate to their fair value.

a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	2014		2013	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets	---Rupees---			
Long term deposits	**7,758,100**	**7,758,100**	7,733,100	7,733,100
Trade debts - considered good	**174,178,229**	**174,178,229**	206,232,139	206,232,139
Loans and advances - considered good	**25,848,100**	**25,848,100**	18,010,264	18,010,264
Short term deposits	**45,312,094**	**45,312,094**	46,162,750	46,162,750
Advance tax - net	**52,804,745**	**52,804,745**	72,357,631	72,357,631
Other receivables	**3,925,022**	**3,925,022**	7,412,959	7,412,959
Short term investments	**748,688,343**	**748,688,343**	413,499,520	413,499,520
Bank balances	**161,061,403**	**161,061,403**	102,738,926	102,738,926
	1,219,576,036	**1,219,576,036**	874,147,289	874,147,289
Financial liabilities				
Trade and other payables	**523,202,919**	**523,202,919**	385,502,736	385,502,736
Short term borrowing	**495,829**	**495,829**	1,241,992	1,241,992
	523,698,748	**523,698,748**	386,744,728	386,744,728

b) Valuation of financial instruments

In case of equity instruments, the Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market.

Level 2: Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques used by the Group include discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses equity instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	----------Rupees----------			
Financial assets at fair value through profit or loss	**748,688,343**	**-**	**-**	**748,688,343**
30 June 2013				
Financial assets at fair value through profit or loss	413,499,520	-	-	413,499,520

34.6.4 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Group's significant interest bearing financial instruments was as follows:

	2014	2013	**2014**	2013
	Effective rate		**Carrying amount**	
	---------- **in Percentage** ----------		--------------- **Rupees** ---------------	
Financial assets				
Cash at bank - deposit accounts	**7.1**	6.5	**18,204,303**	27,216,955
Financial liabilities				
Short term borrowings secured	**10.7**	10.1	**(495,829)**	(1,241,992)
			17,708,474	25,974,963

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. Therefore a change in interest rates at the reporting date would not affect profit or loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) for the year 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 for 2013.

	Profit or loss	
	100 bps Increase	100 bps Decrease
	------ Rupees ------	
As at 30 June 2014		
Cash flow sensitivity - Variable rate financial liabilities	**177,085**	**(177,085)**
As at 30 June 2013		
Cash flow sensitivity - Variable rate financial liabilities	259,750	(259,750)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

34.6.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Group. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards

- risk mitigation, including insurance where this is effective

34.6.6 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

35 Corresponding figures

Corresponding figures have been rearranged and reclassified, where necessary. However, there have been no material rearrangements or reclassifications.

36 Non Adjusting events after the balance sheet date

The Board of Directors of the Holding Company in its meeting held on 15 September 2014 has proposed a final cash dividend of Rs. 9 per share, for the year ended 30 June 2014 for approval of the members in the Annual General Meeting to be held on 24 October 2014.

37 Date of authorization for issue

These consolidated financial statements have been authorized for issue by the Board of Directors of the Holding Company on 15 September 2014.

Lahore
15 September 2014 Director Chairperson & CEO

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2014

Number of Shareholders	Shareholding					Total Shares held
1,076	From	1	to	Shares	100	22,641
549	From	101	to	Shares	500	155,196
301	From	501	to	Shares	1,000	229,318
389	From	1,001	to	Shares	5,000	917,486
120	From	5,001	to	Shares	10,000	887,765
25	From	10,001	to	Shares	15,000	303,490
17	From	15,001	to	Shares	20,000	303,042
20	From	20,001	to	Shares	25,000	455,617
19	From	25,001	to	Shares	30,000	537,568
9	From	30,001	to	Shares	35,000	300,803
4	From	35,001	to	Shares	40,000	149,004
5	From	40,001	to	Shares	45,000	215,926
5	From	45,001	to	Shares	50,000	242,095
1	From	50,001	to	Shares	55,000	52,000
2	From	55,001	to	Shares	60,000	117,314
3	From	60,001	to	Shares	65,000	184,621
2	From	65,001	to	Shares	70,000	133,400
2	From	70,001	to	Shares	75,000	146,595
2	From	85,001	to	Shares	90,000	175,220
2	From	95,001	to	Shares	100,000	191,352
1	From	105,001	to	Shares	110,000	108,100
1	From	145,001	to	Shares	150,000	147,753
1	From	150,001	to	Shares	155,000	150,756
1	From	155,001	to	Shares	160,000	157,142
1	From	160,001	to	Shares	165,000	163,692
1	From	170,001	to	Shares	175,000	174,100
1	From	175,001	to	Shares	180,000	179,503
1	From	180,001	to	Shares	185,000	180,235
1	From	255,001	to	Shares	260,000	259,800
1	From	270,001	to	Shares	275,000	274,696
1	From	300,001	to	Shares	305,000	300,463
2	From	330,001	to	Shares	335,000	666,946
1	From	350,001	to	Shares	355,000	351,761
1	From	355,001	to	Shares	360,000	359,116
1	From	360,001	to	Shares	365,000	362,314
1	From	365,001	to	Shares	370,000	369,531
1	From	380,001	to	Shares	385,000	384,955
1	From	410,001	to	Shares	415,000	410,979
2	From	430,001	to	Shares	435,000	869,763
1	From	435,001	to	Shares	440,000	437,416
1	From	650,001	to	Shares	655,000	651,347
1	From	695,001	to	Shares	700,000	700,000
1	From	905,001	to	Shares	910,000	906,427
1	From	960,001	to	Shares	965,000	964,441
1	From	1,400,001	to	Shares	1,405,000	1,400,780
1	From	1,715,001	to	Shares	1,720,000	1,718,825
1	From	1,795,001	to	Shares	1,800,000	1,799,392
1	From	1,810,001	to	Shares	1,815,000	1,814,867
1	From	8,200,001	to	Shares	8,205,000	8,201,288
2,584						**30,186,841**

Categories of Shareholder	Physical	CDC	Total	Percentage
Directors, Chief Executive Officer, Their Spouses and Minor Childern				
Chief Executive				
Mrs. Akhter Khalid Waheed	1,814,867	-	1,814,867	6.01
Directors				
Mr. Osman Khalid Waheed	434,822	651,347	1,086,169	3.60
Mrs. Munize Azhar Peracha	333,473	-	333,473	1.10
Mr. Omar Khalid Waheed	906,427	-	906,427	3.00
Mr. Farooq Mazhar	-	147,753	147,753	0.49
Mr. Nihal F. Cassim	-	9,762	9,762	0.03
	3,489,589	**157,515**	**4,298,451**	**14.24**
Executives	**-**	**2,208**	**2,208**	**0.01**
Associated Companies, Undertakings & Related Parties				
KFW Factors (Pvt) Limited	58,181	8,228,761	8,286,942	27.45
	58,181	**8,228,761**	**8,286,942**	**27.45**
NIT & ICP (Name Wise Detail)				
CDC - Trustee National Investment (Unit) Trust	-	1,718,825	1,718,825	5.69
	-	**1,718,825**	**1,718,825**	**5.69**
Mutual Funds (Name Wise Detail)				
CDC - Trustee Pak. Int. Element Islamic Asset Allocation Fund	-	13,500	13,500	0.04
CDC - Trustee Al Meezan Mutual Fund	-	5,500	5,500	0.02
CDC - Trustee Meezan Islamic Fund	-	30,700	30,700	0.10
CDC - Trustee PICIC Stock Fund	-	174,100	174,100	0.58
CDC - Trustee Al-Ameen Islamic Ret. Sav. Fund-Equity Sub Fund	-	39,500	39,500	0.13
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	-	65,400	65,400	0.22
Trustee Pak Qatar Family Takaful Limited Balance Fund (bf)	-	5,000	5,000	0.02
Trustee Pak Qatar Family Takaful Limited Aggressive Fund	-	5,000	5,000	0.02
CDC - Trustee Lakson Equity Fund	-	108,100	108,100	0.36
CDC - Trustee PICIC Islamic Stock Fund	-	52,000	52,000	0.17
	-	498,800	498,800	1.65
Banks, NBFCs, DFIs, Takaful, Pension Funds	**3,223**	**1,624,579**	**1,627,802**	**5.39**
Modarabas	**-**	**17,500**	**17,500**	**0.06**
Insurance Companies	**163,998**	**2,763,838**	**2,927,836**	**9.70**
Other Companies,Corporate Bodies, Trust etc.	**8,459**	**385,504**	**393,963**	**1.31**
General Public				
A. Local	5,631,544	4,407,516	10,039,060	33.26
B. Foreign	-	375,454	375,454	1.24
	5,631,544	**4,782,970**	**10,414,514**	**34.50**
Grand Total	**9,354,994**	**20,180,500**	**30,186,841**	**100.00**
Shareholders More Than 5.00%				
KFW Factors (Pvt) Limited			8,286,942	27.45
Mrs. Akhter Khalid Waheed			1,814,867	6.01
State Life Insurance Corp. of Pakistan			1,799,392	5.96
CDC - Trustee National Investment (Unit) Trust			1,718,825	5.69

FEROZSONS LABORATORIES LIMITED

FORM OF PROXY

58th Annual General Meeting

I/We,______________________________of __________being a member of **Ferozsons Laboratories Limited** and holder of______________ ordinary Shares as per share register Folio 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. ____

For beneficial owners as per CDC List

CDC Participant I.D. No. _______________________ Sub-Account No. _______________________

CNIC No. ☐☐☐☐☐■☐☐☐☐☐☐☐■☐ or Passport No. ______________________________

hereby appoint Mr./Mrs.________________________ of ____________ who is also a member of the Company, Folio No.__________ of failing him/her________________________ of ______________

who is also a member of the Company, Folio No.____________ as my/our proxy to vote and act for me/our behalf at FIFTY EIGHT Annual General Meeting of the Company to be held on Friday, 24 October 2014 at 12:30 p.m. or at any adjournment thereof.

Five Rupees
Revenue Stamp

Signature of Member
(The signature should agree with the specimen registered with the Company)

Dated this_____ day of______ 2014

Signature of Proxy ______________________

1. Witness:

Signature : _______________________

Name: __________________________

Address _________________________

____

CNIC No. ☐☐☐☐☐■☐☐☐☐☐☐☐■☐

2. Witness:

Signature : _______________________

Name: __________________________

Address _________________________

____

CNIC No. ☐☐☐☐☐■☐☐☐☐☐☐☐■☐

Note: Proxies, in order to be effective, must be received at the office of the Company's Share Registrar, CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore not less than 48 hours before meeting.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission.

INCOME TAX RETUN FILING STATUS FORM

Confirmation for filing status of income tax return for application of revised rates pursuant to the provisions of Finance Act, 2014

The Company Secretary

Ferozsons Laboratories Limited

197-A, The Mall

Rawalpindi

I, Mr./Mrs./Ms ____

S/O,/D/O,W/O ____

hereby confirm that I am registered as National Tax Payer, My relevant detail is given below:

Folio/CDS ID/AC #	Name	National Tax#	CNIC # (in case of individuals)**	Income Tax return for the year 2013 filed (Yes or No)***

It is stated that the above-mentioned information is correct .

____

Signature of Shareholder

The Shareholders having their accounts with Central Depository Company (CDC) have also to communicate confirmation of tax payment status information to relevant Member Stock Exchange in addition to the Company Secretary .

**Please attach attested photocopy of the CNIC.

***Please attach attested photocopy of receipt of income tax return.

DIVIDEND MANDATE FORM

To:

I, Mr./Mrs./Ms____

S/O,/D/O,W/O____

hereby authorize Ferozsons Laboratories Limited to directly credit cash dividend declared by it, if any, in the below mentioned bank account.

(i) Shareholder's Detail	
Name of the Shareholder	
Folio No./CDC Participants ID A/C No.	
CNIC No. **	
Passport No. (in case of foreign Shareholder)***	
Land Line Phone Number	
Cell Number	

(ii) Shareholder's Bank Detail	
Title of Bank Account	
Bank Account Number	
Bank 's Name	
Branch Name and Address	

It is stated that the above-mentioned information is correct and that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

____

Signature of the Shareholder

*The Shareholders having physical shares have to address the Company Secretary FLL on the address given below:

The Company Secretary
Ferozsons Laboratories Limited
197-A, The Mall
Rawalpindi

and Shareholders having their accounts with Central Depository Company (CDC) have to communicate mandate information to relevant Member Stock Exchange.

**Please attach attested photocopy of the CNIC.
***Please attach attested photocopy of the Passport.