

## *In Memoriam*

The Company mourns the loss of Mr. Taj Khanzada, who passed away on August 23, 2008 at the age of 94. Mr. Khanzada not only had the honour of being the Sub-Continent's most highly decorated soldier, he was elected continuously to the National Assembly and the Punjab Provincial Assembly in various elections from 1956-99. Mr. Khanzada was a founding member of the Ferozsons Board. We will miss his Guidance, and his contributions to the Company from its inception will never be forgotten.

May the Almighty rest his soul in heaven, and give his loved ones the courage to bear his loss and the fortitude to continue his legacy.

Aameen



## CORPORATE INFORMATION

### Board of Directors

Mrs. Akhter Khalid Waheed  
Mr. Osman Khalid Waheed  
Mrs. Munize Azhar Peracha  
Mr. Nihal A. Cassim  
Mr. M. M. Ispahani  
Mr. Farooq Mazhar  
Mr. Dost Muhammad Khan Sherpao  
Mr. Muhammad Nawaz Tishna

Chairperson & Chief Executive  
President/Director  
Non Executive Director  
Non Executive Director  
Non Executive Director  
Non Executive Director  
Non Executive Director  
Nominee of the National Investment Trust

### Company Secretary

Syed Ghausuddin Saif

### Audit Committee

Mr. Muhammad Nawaz Tishna  
Mr. Farooq Mazhar  
Mr. Nihal A. Cassim

Chairman  
Member  
Member

### Executive Committee

Mr. Osman Khalid Waheed  
Mr. Omar Khalid Waheed  
Mr. A. U. Zafar  
Mr. Anwar Khan  
Dr. Sarmad Maqbool  
Syed Ghausuddin Saif  
Mr. Armghan Aized

Chairman/President  
Member/General Manager  
Member/Executive Director  
Member/Director Procurement  
Member/Director Marketing - Pharma  
Member/ CFO & Company Secretary  
Member/Human Resources Manager

### Auditors

Messrs KPMG Taseer Hadi & Co.  
Chartered Accountants

### Bankers

Bank Alfalah Limited  
Habib Bank Limited  
Standard Chartered Bank Limited  
Allied Bank Limited

### Registered Office

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

### Factories

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

### E-mail & Internet

Info@ferozsons-labs.com  
www.ferozsons-labs.com

**SIX YEARS AT A GLANCE**

**2008**    2007    2006    2005    2004    2003  
 (Rs in million unless otherwise stated)

**Ferozsons Laboratories Limited**
**Operating Results**

Net Sales	<b>932</b>	922	752	656	501	493
Gross Profit	<b>541</b>	507	429	376	305	243
Profit Before Tax (PBT)	<b>293</b>	259	218	215	149	99
Profit After Tax (PAT)	<b>217</b>	200	176	154	101	68

**Financial Position**

Share Capital	<b>145</b>	121	100	77	55	44
Reserves	<b>681</b>	562	417	306	187	136
Property, Plant and Equipment	<b>611</b>	551	487	266	227	178
Net Current assets	<b>313</b>	288	206	181	82	75
Long term / Deferred Liabilities	<b>207</b>	125	52	28	20	19

**Summary of Cashflows**

Cash flow from operating activities	<b>184</b>	212	150	125	123	27
Cash flows from investing activities	<b>(230)</b>	(226)	(157)	(44)	(78)	(17)
Cash flows from financing activities	<b>40</b>	43	(48)	(55)	(42)	(6)

**Key Performance Indicators**

Gross profit ratio	%	<b>58</b>	55	57	57	61	49
Profit (PAT) to sales	%	<b>23</b>	22	23	23	20	14
Return on equity	%	<b>26</b>	29	34	40	42	38

EPS - Basic & Diluted (Adjusted)	Rs.	<b>15</b>	14	15	19	13	12
Cash Dividend per share	Rs.	<b>3.00</b>	6.50	4.00	8.00	7.00	7.50
Bonus Share Issued	%	<b>20</b>	20	20	30	40	25
Price earning ratio (Adjusted)	%	<b>21</b>	18	14	10	12	8
Market price per share	Rs.	<b>309</b>	248	205	195	150	94

**Consolidated**
**Operating Results**

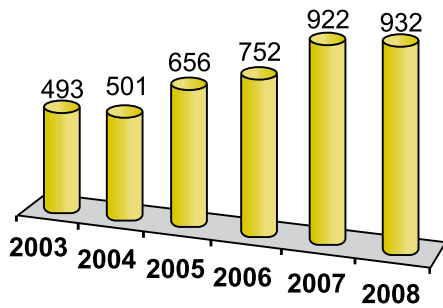
Net Sales	<b>1,029</b>	1,012	839	730	* 637	-
Gross Profit	<b>564</b>	528	446	388	* 319	-
Profit Before Tax	<b>296</b>	262	222	217	* 149	-
Profit After Tax	<b>217</b>	200	176	154	* 101	-

**Financial Position**

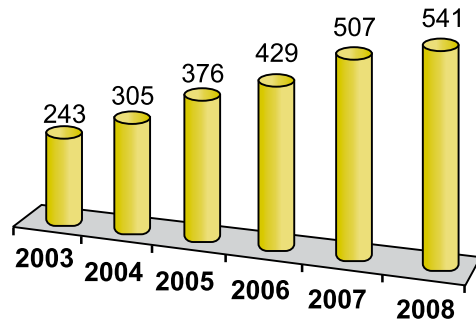
Share Capital	<b>145</b>	121	100	77	* 77	-
Reserves	<b>681</b>	561	416	306	* 187	-
Property, Plant and Equipment	<b>1,047</b>	818	495	269	* 230	-
Net Current assets	<b>297</b>	273	364	197	* 93	-
Long term / Deferred Liabilities	<b>241</b>	125	52	28	* 20	-

\* First year of consolidation

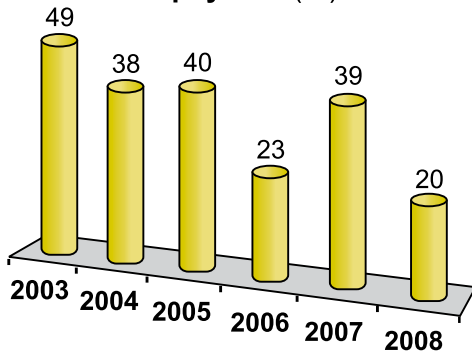
**Net sales - (Rs. Million)**



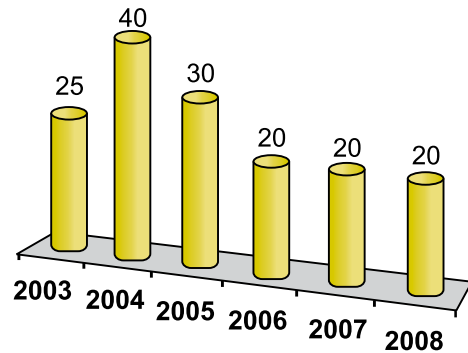
**Gross profit - (Rs. Million)**



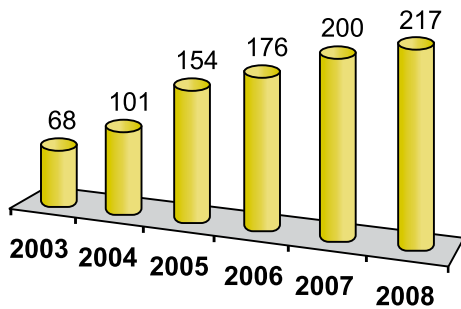
**Cash dividend payout - (%)**



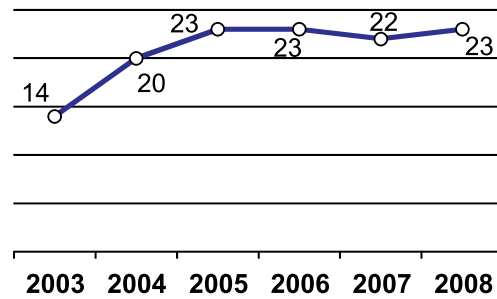
**Bonus shares - (%)**



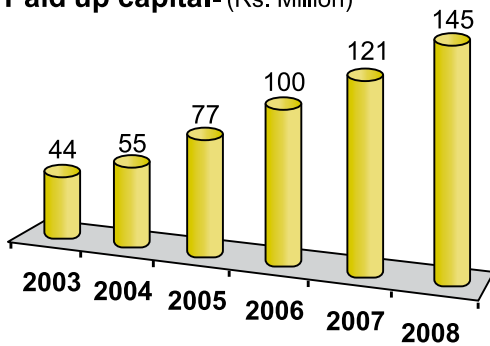
**Profit after tax - (Rs. Million)**



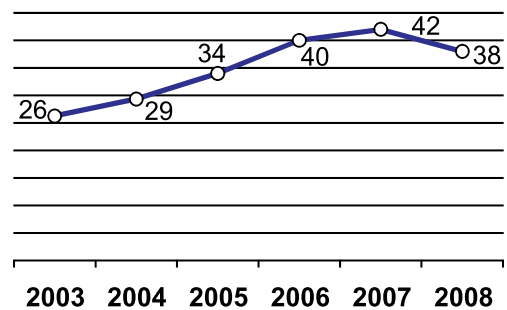
**PAT margin - (%)**



**Paid up capital - (Rs. Million)**



**Return on equity - (%)**





## *Mission Statement*

We aim to improve the Quality of Life through the ethical promotion and sales of world class medicines at locally relevant prices.  
In doing so we will:

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

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

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

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **52nd** Annual General Meeting of **FEROZSONS LABORATORIES LIMITED** (the Company) will be held on Saturday, September 27, 2008 at 11.30 A.M. at its Registered Office, 197-A, The Mall, Rawalpindi to transact the following business:

### **Ordinary Business:**

1. To confirm the Minutes of the last Extra Ordinary General Meeting held on July 05, 2008.
2. To receive, consider and adopt the Audited Annual Financial Statements of the Company for the year ended June 30, 2008 together with the Directors' and Auditors' Reports thereon.
3. To approve the payment of final cash dividend of Rs. 3.00 per share (30 %) for the year ended June 30, 2008.
4. To approve recommendation of the Board of Directors for the issue of Stock Dividend (Bonus Shares) at the rate of 20% in the ratio of two Bonus Shares for every ten shares held, for the year ended June 30, 2008.
5. To appoint External Auditors for the financial year ending June 30, 2009 and fix their remuneration.

### **Special Business:**

To consider and pass the following special resolutions with or without modifications:

6. **“RESOLVED THAT** in the event of any member holding shares which are not in exact Multiple of his/her entitlement, the Directors of the Company be and are hereby authorized to sell in the Stock Market such fractional entitlement and to pay the net proceeds of sale to a charitable institution as approved by Directors.”
7. **“RESOLVED THAT** the gross salary of the Chief Executive (Chief Executive Officer), Mrs. Akhter Khalid Waheed of the Company be and hereby increased to Rs. 500,000 per month with effect from July 1, 2008 while other prevailing terms and conditions of service will remain unchanged and the gross salary and other terms and conditions of the Working Director/President, Mr. Osman Khalid Waheed shall remain unchanged since were approved in the last Annual General Meeting. His existing salary amounts to Rs. 475,000 per month.”
8. To transact any other business with the permission of the Chair.

By the order of the board

Rawalpindi  
August 30, 2008

(Syed Ghausuddin Saif)  
Company Secretary



Notes:

1. The Share Transfer Books of the Company shall remain closed from September 22, 2008 to September 30, 2008 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies to be effective must be received by the registered office of the Company not less than 48 hours before the Meeting. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.
  - A) *For attending the Meeting:*
    - i. In case of individuals, the account holder or sub-account holder and/or persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC), or original Passport at the time of attending the meeting.
    - ii. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced at the meeting.
  - B) *For appointing Proxies:*
    - i. In case of individual, the account holder or sub-account holder and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the Proxy Form of another member as per the above requirement.
    - ii. The Proxy Form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the Form.
    - iii. Attested copies of CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.
    - iv. The Proxy shall produce his original CNIC or original passport at the time of meeting.
    - v. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted, alongwith Proxy Form to the Company.
3. Members are requested to notify immediately changes in their address, if any.

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

**PERTAINING TO ITEM NO.6**

The approval of the Shareholders is sought to consolidate fractional shares resulting from the bonus issue, recommended by the Board of Directors in their meeting held on August 30, 2008 into whole shares and pay the net proceeds of the sale through stock market to a charitable institution.

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

**PERTAINING TO ITEM NO.7**

The last increase in the remuneration of Chief Executive Officer of the Company was approved by the Board in July 2005, where as the President's gross salary was increased in July 2007. It is proposed to increase the salary of the Chief Executive officer from Rs. 390,000 to Rs. 500,000 while other terms and conditions will remain unchanged where as the President will continue working on the salary and terms as were approved in the previous Annual General Meeting.

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED JUNE 30, 2008

We are pleased to present the 52nd Annual Report and the Audited Financial Statements of your Company for the financial year ended June 30, 2008 along with the Consolidated Financial Statements of its subsidiaries, BF Biosciences Limited and Farmacia.

### Your Company's Individual and Consolidated Financial Results

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

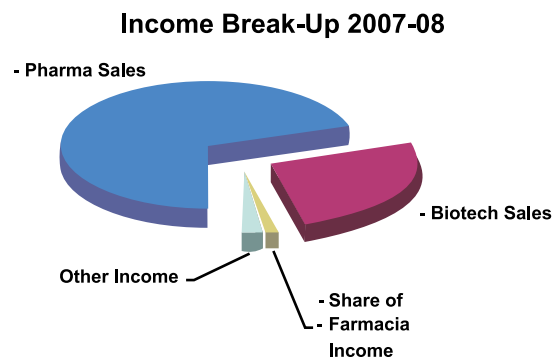
	Individual		Consolidated	
	2008	2007	2008	2007
	<b>(Rupees in thousands)</b>			
Sales (net)	932,298	922,369	1,029,048	1,012,904
Gross Profit	540,739	506,861	563,948	528,375
Profit before tax	292,662	258,513	296,124	262,460
Taxation	(75,638)	(58,259)	(79,182)	(62,426)
Profit after tax	217,024	200,254	216,942	200,034
Un-appropriated profit	464,218	361,468	463,490	361,100
Profit available for appropriation	681,242	561,722	680,223	560,994
<b>Appropriations</b>				
Final cash dividend for FY 2008@ Rs. 3/share (FY 2007: Rs. 6.50/share)	(43,402)	(78,364)	(43,402)	(78,364)
Bonus shares for the FY 2008@ 20% (FY 2007: 20%)	(28,935)	(24,112)	(28,935)	(24,112)

Although there was a significant slowdown in sales growth owing to market conditions, your Company was able to cross the figure of Rs. One Billion in its consolidated net sales (inclusive of its Farmacia venture) during the Financial Year ended June 30, 2008, achieving a Net Sales figure of Rs. 1.029 Billion at the close of the year (FY 2008).

In terms of individual Net Sales, your company achieved Net Sales of Rs. 932.298 Million, against the figure of Rs. 922.369 Million achieved last year, a growth of 1%

Gross Profit of your company grew by 6.68%, while the Net Profit increased by 8.37% to close at Rs. 217.024 Million for the Year (2007: Rs. 200.254 Million)

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



### Earnings Per Share

Based on the net profit for the year ended June 30, 2008 the earnings per share (EPS) stand at Rs. 15 per share, compared to an EPS of Rs. 13.84 on the expanded capital of Rs. 144.673 Million after issuance of bonus shares during the year.

### Dividend Announcement

The Board of Directors is pleased to recommend a cash dividend of 30% (Rs. 3 per 10 rupee share), and a bonus dividend of 20% (i.e. 2 shares for every ten shares held), making a total payout of 50% for the year ended June 30, 2008.

### Business Highlights

During the year, we faced deteriorating market conditions brought about by rampant inflation, devaluation in currency value and reduced purchasing by key institutions as a result of shrinking budgets. However, We are pleased to report that the the Company was able to keep a tight control on its selling costs and sustain its profitability. We are also pleased to report the **Nicoril**, the Company's new launch in the cardiology field, made a successful debute into the market for angina. We expect the product to lead in its category by the close of the coming year,

Our aim for the New Year is to augment our sales by more new launches in the area of cardiology, gastroenterology and oncology. The first of these launches – **Aurora**, a cholesterol-lowering drug, is planned immediately following Eid in October. This will be followed closely by two more launches in the cardiology and gastroenterology segments, targeting the markets for hypertension and functional dyspepsia.

We are also pleased to report that your Company has teamed up with **Boston Scientific Corporation, USA**, to bring to market a range of medical devices and interventional products, with applications in the field of Cardiology, Oncology, Gastroenterology and Neurology. Boston Scientific is the world's leading company in the interventional field, and We are confident that its addition to our arsenal will add a healthy 20-25% to the company's revenue base.

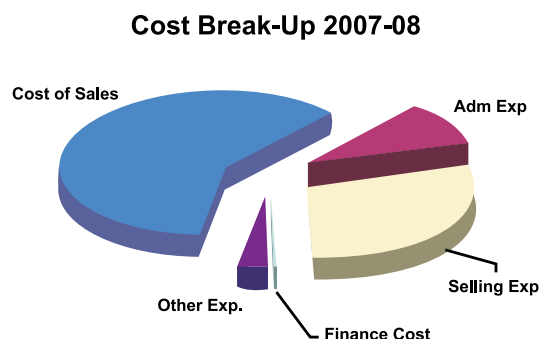
Boston Scientific's range carries complementary synergies to our existing range of medicines, and will help us create a powerful and profitable platform, on which we can serve the medical specialist in a more comprehensive manner, and add true value to the quality of patient care in the country. The first lot of Boston Scientific Products is currently under import, and we expect to launch the range at the start of Quarter 2, 2008-09.

### Information Technology

The Company's ERP system is currently under test, and the first of its modules will Inshallah be implemented during the second quarter of this year.

### Future Industry Scenario

As mentioned in previous reports, the pharmaceutical industry has not had recourse to a single price increase since 2001, and is facing severe pressure on both sales and profitability as the economy heads into a full-



blown recession. In the last few months alone, the state of the industry has been challenged by rampant inflation and currency devaluation to the tune of almost 30%.

The government's artificial steps to maintain constant prices while failing to check the rise in all input costs is a recipe for disaster, and unless steps are taken soon to address the pricing issue, there are chances that the industry may be forced to cease manufacture of several life-saving drugs to the detriment of the patient.

With a logical mix of deregulation and price controls, the government can ensure a win-win for both patient and manufacturer; and with the right combination of fiscal incentives and space, the industry has every chance of thriving while increasing its competitiveness, benefiting not only the local consumer with lower prices but also creating a large export base.

If the Government is serious in its efforts to diversify its export base, it must implement an effective and judicious deregulation policy. This, coupled with prioritization of the industry through a sector-specific policy that incentivizes manufacturing over import (under practice in India and every other regional country except ours), can spur the Pharma industry into a new era of expansion, growth and quality improvement.

### **Corporate Governance**

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

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

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

### Employee Retirement Benefit

The values of investments of employees' provident fund as at June 30, 2008 (based on un-audited financial statements) are Rs. 79.12 million.

### Meetings of the Board of Directors

The information regarding the meetings of the board of directors held during the year ended June 30, 2008 is annexed.

### Share Capital and Pattern of Shareholding

The issued, subscribed and paid of capital of the company as at June 30, 2008 was Rs. 144.673 million.

The statement indicating the number of shareholders as on June 30, 2008 and their categories forming the pattern of shareholding as required under the Code of Corporate Governance is annexed.

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

### Subsidiaries

We are pleased to report that construction work related to the company's Joint Venture subsidiary, **BF Biosciences Limited**, has been completed on site, and the plant is currently undergoing acceptance testing to ensure that required sterility conditions are met for drug manufacture. We expect to apply to obtain our manufacturing license following an inspection in the 2nd Quarter of the new fiscal year, and to enter the market early in the second half of the financial year.

**Farmacia**, the Company's retail venture has also had a satisfactory year, contributing Rs. 13.819 Million to the company's net income against Rs. 11.288 Million last year.

### Auditors

The Auditors Messrs KPMG Taseer Hadi & Co, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment as Auditors. The Audit Committee in their meeting held on August 30, 2008 has recommended the re-appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as auditors for the financial year ending June 30, 2009.

### Affirmation

We are once again privileged to recognize the tireless efforts of the Company's management and staff at all levels. Without their dedication and hard work, the improved financial and operational results reflected in this report would not have been possible.

For and on behalf of the Board of Directors

Rawalpindi  
August 30, 2008

(Mrs. Akhter Khalid Waheed)  
Chairperson & Chief Executive

## **STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE TO THE MEMBERS**

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

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

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes seven independent non-executive directors out of a total strength of nine directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as Taxpayers, with the exception of Mr. Dost Muhammad Khan Sherpao, who is a retired agriculturist, and for whose continuation the Securities and Exchange Commission of Pakistan has granted specific approval. None of the Company's Directors has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors during the year ended June 30, 2008.
5. The company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and senior managers of the Company.
6. The Board has formulated and adopted a vision/mission statement.
7. All powers of the Board has been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment the Chief Executive Officer (CEO) have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman/Chairperson and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company has a Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit. The Board has ratified their appointments including remuneration and terms and conditions as determined by the CEO.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

For and on behalf of the Board of Directors

Rawalpindi  
August 30, 2008

(Mrs. Akhter Khalid Waheed)  
Chairperson & Chief Executive



## **DATES AND ATTENDANCE OF BOARD MEETINGS HELD DURING THE YEAR ENDED JUNE 30, 2008**

A total of Six Board Meetings were held during the Financial Year 2007-2008 on the following dates:

August 01, 2007  
August 29, 2007  
September 29, 2007  
October 26, 2007  
January 31, 2008  
Aril 26, 2008

The detail of attendance by Directors is as under:

<b>Director</b>	<b>Number of meetings attended</b>
Mrs. Akhter Khalid Waheed	5
Mr. Osman Khalid Waheed	5
Mrs. Munize Azhar Piracha	4
Mr. Nihal Cassim	6
Mr. M. M. Ispahani	4
Mr. Taj Muhammad Khanzada	5
Mr. Farooq Mazhar	6
Mr. Dost Muhammad Khan Sherpao	0
Mr. Muhammad Nawaz Tishna	4

Leaves of absence were granted in all cases to Directors.

For and on behalf of the Board of Directors

Rawalpindi  
August 30, 2008

(Mrs. Akhter Khalid Waheed)  
Chairperson & Chief Executive

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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2008.

Islamabad  
August 30, 2008

KPMG TASEER HADI & Co.  
CHARTERED ACCOUNTANTS



---

*Financial Statements for the  
Year Ended June 30, 2008*

---



## **AUDITORS' REPORT TO THE MEMBERS OF FEROZSONS LABORATORIES LIMITED**

We have audited the annexed balance sheet of Ferozsons Laboratories Limited (“the Company”) as at 30 June 2008 and the related profit and loss account, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company’s business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company’s affairs as at 30 June 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Islamabad  
August 30, 2008

KPMG TASEER HADI & Co.  
CHARTERED ACCOUNTANTS

**BALANCE SHEET AS**

	Note	2008 (Rupees)	2007 (Rupees)
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	4	144,672,768	120,560,640
Reserves			
Capital reserve	5	321,843	321,843
Revenue reserve - unappropriated profit		681,242,280	561,722,124
		<u>826,236,891</u>	<u>682,604,607</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax</b>			
	6	252,011,413	256,984,285
<b>NON CURRENT LIABILITIES</b>			
Long term financing - secured	7	156,062,500	75,187,500
Liabilities against assets subject to finance lease	8	1,456,643	1,024,253
Deferred liability for taxation	9	49,691,426	48,302,487
		<u>207,210,569</u>	<u>124,514,240</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	116,423,214	131,024,480
Accrued markup on long term financing		5,588,157	1,610,432
Current portion of long term financing	7	56,750,000	17,312,500
Current portion of liabilities against assets subject to finance lease	8	2,399,815	4,310,822
Provision for taxation - net		15,008,477	-
		<u>196,169,663</u>	<u>154,258,234</u>
		<u><u>1,481,628,536</u></u>	<u><u>1,218,361,366</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11	-	-

The annexed notes from 1 to 38 form an integral part of these financial statements.

Rawalpindi  
 August 30, 2008

Director

**AT JUNE 30, 2008**

	Note	2008 (Rupees)	2007 (Rupees)
<b>FIXED ASSETS</b>			
Property, plant and equipment	12	610,987,413	550,589,472
<b>LONG TERM INVESTMENTS</b>			
	13	203,425,956	149,606,959
<b>LONG TERM LOAN</b>			
	14	156,062,500	75,187,500
<b>LONG TERM DEPOSITS</b>			
		790,870	600,447
<b>DERIVATIVE ASSET-INTEREST RATE SWAP</b>			
	15	822,691	-
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	16	4,091,300	4,280,632
Stock in trade	17	180,787,784	133,816,190
Trade debts-considered good		24,454,201	31,937,773
Current portion of long term loan	14	56,750,000	17,312,500
Loans and advances-considered good	18	4,560,060	3,413,102
Deposits and prepayments	19	5,809,956	3,015,174
Interest accrued		1,273,496	3,634,957
Other receivables	20	1,530,284	12,953,627
Advance income tax - net		-	3,362,895
Short term investments	21	194,474,564	186,969,198
Cash and bank balances	22	35,807,461	41,680,940
		509,539,106	442,376,988
		<u>1,481,628,536</u>	<u>1,218,361,366</u>

Chairperson &amp; Chief Executive

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2008**

	Note	2008 (Rupees)	2007 (Rupees)
Net sales	23	932,297,994	922,368,542
Cost of sales	24	<u>(391,559,432)</u>	<u>(415,507,467)</u>
<b>Gross profit</b>		<b>540,738,562</b>	506,861,075
Other operating income	25	20,809,630	25,664,247
Administrative expenses	26	(60,719,276)	(51,568,412)
Selling and distribution cost	27	(199,424,660)	(214,439,862)
Finance cost	28	(1,487,228)	(1,663,208)
Other charges	29	(21,073,792)	(17,629,100)
Share in profit of Farmacia - 98% owned partnership firm		13,818,997	11,288,372
<b>Profit before taxation</b>		<u>292,662,233</u>	<u>258,513,112</u>
Provision for taxation	30	(75,638,404)	(58,258,952)
<b>Profit after taxation</b>		<u>217,023,829</u>	<u>200,254,160</u>
Earnings per share - basic and diluted	34	<u>15.00</u>	<u>13.84</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

Rawalpindi  
August 30, 2008

Director

Chairperson & Chief Executive



## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	2008 (Rupees)	2007 (Rupees)
<b>Cash flow from operating activities</b>		
Profit before taxation	292,662,232	258,513,112
Adjustments for:		
Depreciation	33,244,566	42,105,532
Gain on disposal of property, plant and equipment	(687,675)	(1,592,218)
Finance cost	1,487,228	4,148,403
Dividends, capital gains and income from investments and deposits	(15,229,954)	(26,557,224)
Gain on remeasurement of short term investments	(3,704,361)	-
Gain on fair value adjustment of interest rate swap	(1,187,639)	-
Share in profit of Farmacia-98% owned subsidiary firm	(13,818,997)	(11,288,372)
	103,168	6,816,121
	<u>292,765,400</u>	<u>265,329,233</u>
Working capital changes		
(Increase)/decrease in stocks and stores	(46,782,262)	10,963,423
Decrease/(increase) in trade debtors	7,483,572	(19,325,842)
Decrease/(increase) in loans, advances, deposits, prepayments and other receivables	6,833,437	(11,753,493)
(Decrease)/increase in trade and other payables	(17,426,686)	42,856,164
	(49,891,939)	22,740,252
	<u>242,873,461</u>	<u>288,069,485</u>
Finance cost paid	(3,097,660)	(2,537,971)
Taxes paid	(55,878,093)	(73,247,355)
	(58,975,753)	(75,785,326)
	<u>183,897,708</u>	<u>212,284,159</u>
<b>Net cash from operating activities</b>		
<b>Cash flows from investing activities</b>		
Long term investments	(40,000,000)	-
Long term loan disbursed	(134,500,000)	(92,500,000)
Long term loan recovered	14,187,500	-
Purchase of property, plant and equipment	(86,770,250)	(58,087,290)
Purchase of short term investments	(240,974,845)	-
Sale proceeds from short term investments	237,173,839	(100,320,448)
Dividends, capital gains and income from investments and deposits	18,414,107	22,922,268
Sale proceeds of property, plant and equipment	2,369,375	2,280,350
<b>Net cash used in investing activities</b>	(230,100,274)	(225,705,120)
<b>Cash flows from financing activities</b>		
Payment of finance lease liabilities	(4,444,417)	(10,821,877)
Proceeds from long term financing	134,500,000	92,500,000
Repayment of long term financing	(14,187,500)	-
Dividend paid	(75,538,996)	(38,878,086)
<b>Net cash from financing activities</b>	40,329,087	42,800,037
	<u>(5,873,479)</u>	<u>29,379,076</u>
<b>Net (decrease)/increase in cash and cash equivalents during the year</b>		
<b>Cash and cash equivalents at beginning of the year</b>	41,680,940	12,301,864
	<u>35,807,461</u>	<u>41,680,940</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

Rawalpindi  
August 30, 2008

Director

Chairperson & Chief Executive

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2008**

	Share capital (Rupees)	Capital reserve (Rupees)	Revenue reserve Unappropriated profit (Rupees)	Total (Rupees)
<b>Balance as at June 30, 2006</b>	<b>100,467,200</b>	<b>321,843</b>	<b>416,294,570</b>	<b>517,083,613</b>
Final dividend for the year ended June 30, 2006 Rs. 4.00 per share	-	-	(40,186,880)	(40,186,880)
Bonus shares issued at 20% for the year ended June 30, 2006	20,093,440	-	(20,093,440)	-
Transfer from surplus on revaluation of fixed assets - net	-	-	5,453,714	5,453,714
Net income recognized directly in equity	-	-	5,453,714	5,453,714
Net profit for the year	-	-	200,254,160	200,254,160
Total recognized income for the year	-	-	205,707,874	205,707,874
<b>Balance as at June 30, 2007</b>	<b>120,560,640</b>	<b>321,843</b>	<b>561,722,124</b>	<b>682,604,607</b>
Final dividend for the year ended 30 June 2007 Rs. 6.50 per share	-	-	(78,364,416)	(78,364,416)
Bonus shares issued at 20% for the year ended 30 June 2007	24,112,128	-	(24,112,128)	-
Transfer from surplus on revaluation of fixed assets - net	-	-	4,972,871	4,972,871
Net income recognized directly in equity	-	-	4,972,871	4,972,871
Net profit for the year	-	-	217,023,829	217,023,829
Total recognized income for the year	-	-	221,996,700	221,996,700
<b>Balance as at June 30, 2008</b>	<b>144,672,768</b>	<b>321,843</b>	<b>681,242,280</b>	<b>826,236,891</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.

Rawalpindi  
August 30, 2008

Director

Chairperson & Chief Executive

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008**

### **1. THE COMPANY AND ITS OPERATIONS**

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

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

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

#### **2.2 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is also the Company’s functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1. Accounting convention**

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the respective policy note.

### **3.2. Dividend and reserve appropriation**

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

### **3.3. Staff retirement benefits**

#### ***Staff provident fund***

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

#### ***Compensated absences***

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

### **3.4. Taxation**

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

#### **3.4.1. Current**

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

#### **3.4.2. Deferred**

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

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

### **3.5. Property, plant and equipment , depreciation and capital work in progress**

#### **3.5.1. Owned**

Property, plant and equipment of the company other than land, building and plant & machinery are stated at cost less accumulated depreciation and impairment loss, if any. Building and plant & machinery are stated at revalued amount less accumulated depreciation and impairment loss, if any. Land is stated at revalued amount. Revaluation is carried out every five years unless earlier revaluation is necessitated.

Depreciation is provided on a straight line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 12. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired.

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

Maintenance and normal repair costs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains or losses on disposal of assets, if any, are included in the profit and loss account currently.

Pursuant to the requirements of section 235 of the Companies Ordinance, 1984 and in terms of SRO 45(I)/2003 dated 13 January 2003, revaluation surplus to the extent of excess depreciation on revalued assets during the current financial year is taken to retained earnings. This effect has been shown in note 6 to these financial statements.

#### **3.5.2. Capital work in progress**

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

#### **3.5.3. Leased assets**

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and

impairment losses, if any. Outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Value of leased assets is depreciated on the useful life of the asset using the straight line method at the rate given in note 12. Depreciation on leased assets is charged to profit and loss account currently.

### **3.6. Impairment**

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

### **3.7. Investments**

#### **3.7.1. Investment in subsidiary**

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

#### **3.7.2. Investments available for sale**

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

#### **3.7.3. Investments held to maturity**

Investments with fixed maturity other than investments in short term deposits, where management has both the intent and ability to hold to maturity are classified as held to maturity and are stated at amortized costs using effective interest rate method less impairment losses, if so determined. The resultant change in values is reported directly in the profit and loss account.

Investments in short term deposits are stated at cost less impairment losses, if any.

#### **3.7.4. Investments at fair value through profit or loss**

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

### 3.8. Stores, spare parts and loose tools

Stores and spare parts are valued on a weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

### 3.9. 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

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

### 3.10. Trade and other receivables

These are originated by the Company and are stated at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

### 3.11. Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.

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

Dividend income relating to post acquisition profit, if practicable to determine, is recognized when the right to receive is established.

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

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

### 3.12. Related party transactions

The transactions with related parties are made on commercially negotiated terms.

### **3.13. Mark-up bearing borrowings**

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

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

### **3.14. Borrowing costs**

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

### **3.15. Trade and other payables**

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

### **3.16. Provisions**

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

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

### **3.17. Financial instruments**

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

Financial assets are long term investment, trade debts, advances deposits and other receivable, short term investments and cash and bank balances.



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

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

### **3.18. Derivative financial instruments**

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

### **3.19. Cash flow hedges**

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

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

### **3.20. Offsetting of financial assets and financial liabilities**

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

### **3.21. 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.

### **3.22. Foreign currency transactions**

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

### 3.23. Capital management

The board of director's monitors return on equity on a regular basis. Return on equity is defined as percentage of earning before interest and tax to the total capital employed. Board of directors monitors the company's performance along with the capital and debt costs. There were no changes to the company's approach to the capital management during the year. The company is not subject to externally imposed capital requirements.

### 3.24. New accounting standards, interpretations and amendments which are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1 July 2008 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in certain cases:

IFRS 2	(amendment)-Share-based payments (effective for annual periods beginning on or after 1 January 2009). IFRS 2 clarifies the vesting conditions and cancellations in the share-based payment arrangement.
IFRS 3	(amendment)-Business Combinations and consequential amendments to IAS 27- Consolidated and separate financial statements, IAS 28-Investment in associates and IAS 31-Interest in Joint Ventures. (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).
IFRS 7	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2008).
IFRS 8	Operating Segments: (effective for annual periods beginning on or after 1 July 2008). Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics.
IAS 23	Revised, Borrowing costs (effective from 1 January 2009). Amendments relating to mandatory capitalisation of borrowing costs relating to qualifying assets.
IAS 29	Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 July 2008).
IAS 32	(amendment)-Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements (effective for annual period beginning on or after 1 January 2009). IAS 32 amended classification of Puttable Financial Instruments.
IFRIC 12	Service Concession Arrangements (effective for annual period beginning on or after 1 January 2008).
IFRIC 13	Customer Loyalty Programmes (effective for annual period beginning on or after 1 July 2008).
IFRIC 14	IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual period beginning on or after 1 January 2008).
IFRIC 15	Agreement for the Construction of Real Estate (effective for annual period beginning on or after 1 October 2009).
IFRIC 16	Hedge of Net Investment in a Foreign Operation (effective for annual period beginning on or after 1 October 2008).

	Note	2008 (Rupees)	2007 (Rupees)
<b>4. SHARE CAPITAL</b>			
<b>Authorized share capital:</b>			
25,000,000 (2007: 15,000,000) ordinary shares of Rs. 10 each.		<u>250,000,000</u>	<u>150,000,000</u>
<b>Issued, subscribed and paid up capital:</b>			
1,441,952 (2007: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash		14,419,520	14,419,520
119,600 (2007: 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
12,905,725 (2007: 10,494,512) ordinary shares of Rs. 10 each issued as fully paid bonus shares		<u>129,057,248</u>	<u>104,945,120</u>
		<u>144,672,768</u>	<u>120,560,640</u>
<b>5. CAPITAL RESERVE</b>			
This represents capital reserve arising on conversion of shares of NWF Industries Limited and Sargodha Oil & Floor Mills Limited, since merged.			
<b>6. SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax</b>			
Surplus on revaluation of fixed assets as at 01 July.		290,352,569	298,742,899
Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:			
- Net of deferred tax		(4,972,871)	(5,453,714)
- Related deferred tax liability		(2,677,700)	(2,936,616)
		(7,650,571)	(8,390,330)
Surplus on revaluation during the year		-	-
Surplus on revaluation of Fixed Assets as at 30 June		<u>282,701,998</u>	<u>290,352,569</u>
Related deferred tax liability:			
- On Revaluation as at 01 July		(33,368,285)	(36,304,900)
- On Revaluation surplus during the year		-	-
- Transferred to profit and loss account		2,677,700	2,936,616
Incremental depreciation charged during the year		<u>(30,690,585)</u>	<u>(33,368,284)</u>
		<u>252,011,413</u>	<u>256,984,285</u>

This represents surplus arising on revaluation of free hold land, building and plant & machinery carried out in 1976, 1989, 2002 and 2006 respectively. This has been adjusted by surplus realized on disposal of revalued assets and incremental depreciation arising due to revaluation, net of deferred tax.

<b>7. LONG TERM FINANCING - SECURED</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
<b>from banking company</b>			
- Habib Bank Limited (HBL)	7.1	<b>212,812,500</b>	92,500,000
Less : Current portion shown under current liabilities		<b>(56,750,000)</b>	(17,312,500)
		<b><u>156,062,500</u></b>	<b><u>75,187,500</u></b>

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

## **8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Minimum lease payments due			
Not later than one year		<b>2,698,560</b>	4,602,578
Later than one year and not later than five years		<b>1,570,454</b>	1,067,820
Total future Minimum lease payments		<b>4,269,014</b>	5,670,398
Less: Future financial costs		<b>(412,556)</b>	(335,323)
Present value of minimum lease payments	8.1	<b>3,856,458</b>	5,335,075
Less : Current maturity shown under current liabilities		<b>(2,399,815)</b>	(4,310,822)
		<b><u>1,456,643</u></b>	<b><u>1,024,253</u></b>
<b>8.1 Breakup of Present value of minimum lease payments</b>			
Not later than one year		<b>2,399,815</b>	4,310,822
Later than one year and not later than five years		<b>1,456,643</b>	1,024,253
		<b><u>3,856,458</u></b>	<b><u>5,335,075</u></b>

These represent finance leases entered into with Standard Chartered Modarba and Bank Alfalah for vehicles. Lease rentals are paid on monthly basis in advance and include finance charges. As per terms of agreement with Standard Chartered Modarba the interest rate implicit is fixed for lease term ranging between 6% to 13% (2007: 6% to 13%). In case of Bank Alfalah floating interest rates are used under the terms of agreement, equivalent to a base rate of 3 months KIBOR plus 1.95% to 3% (2007: 3 months KIBOR plus 2.5% to 3%) with no floor and no cap, review on expiry of base rate term of 3 months.

<b>9. DEFERRED LIABILITY FOR TAXATION</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
The net balance of deferred tax is in respect of the following major temporary differences:			
Accelerated depreciation		20,766,275	16,801,478
Obligations under finance lease		(1,349,760)	(1,867,276)
Derivative asset-interest rate swap		(415,674)	-
Surplus on revaluation of fixed assets		30,690,585	33,368,285
		<u>49,691,426</u>	<u>48,302,487</u>
<b>10. TRADE AND OTHER PAYABLES</b>			
Creditors		35,324,151	52,874,643
Accrued liabilities		9,701,511	14,205,330
Advances from customers		16,119,145	24,275,436
Unclaimed dividend		12,229,867	9,404,447
Tax deducted at source		608,582	687,424
Provision for compensated absences and employees' provident fund		4,636,862	3,443,869
Workers' (Profit) Participation Fund	10.1	14,610,203	12,035,662
Central Research Fund	10.2	7,467,783	4,541,161
Advances from employees		11,547,961	8,349,095
Retentions		3,049,053	866,595
Others	10.3	1,128,096	340,818
		<u>116,423,214</u>	<u>131,024,480</u>
<b>10.1 Workers' (Profit) Participation Fund</b>			
Balance at the beginning of the year		12,035,662	10,700,877
Interest on funds utilized by the company		680,754	200,442
Allocation for the year		13,955,370	11,835,220
		<u>26,671,786</u>	<u>22,736,539</u>
Payments made during the year		(12,061,583)	(10,700,877)
		<u>14,610,203</u>	<u>12,035,662</u>

The fund balance has been utilized by the company for its own business and an interest at the rate of 48.75% (2007: 30%) has been credited to the fund. The interest is calculated at 75% of the cash dividends paid as required under Companies Profit (Workers' Participation) Rules 1971.

<b>10.2 Central Research Fund</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
Opening balance	4,541,161	1,956,030
Charge for the year	2,926,622	2,585,131
	<u>7,467,783</u>	<u>4,541,161</u>
Less: Payments	-	-
	<u>7,467,783</u>	<u>4,541,161</u>

**10.3** These include Rs. 65,000 (2007: Rs.65,000) advances from distributors which are interest free and are payable on termination of agency agreements with customers.

## **11. CONTINGENCIES AND COMMITMENTS**

### **Contingencies:**

i	Guarantees issued by banks on behalf of the company	455,640	455,640
---	---	---------	---------

### **Commitments:**

ii	Capital Expenditure	36,330,718	32,511,978
iii	Letter of credits other than for capital expenditure	12,011,016	33,271,273

## 12. PROPERTY, PLANT & EQUIPMENT

	Reassessed Value/Original Cost			Rate %	Depreciation			Net Book Value	
	As At July 01, 2007	Additions	Transfers/ Adjustments (Deletions)		As At July 01, 2007	For the Year	On Deletions	Transfers/ Adjustments	As At Jun 30, 2008
<b>OWNED:</b>									
Freehold Land	264,131,000	2,000,000	-	-	-	-	-	-	266,131,000
Building on freehold land	80,741,310	2,399,523	-	2.5 - 10	4,388,004	-	-	11,022,704	72,118,129
Leasehold improvements	550,330	-	(550,330)	10	-	(157,030)	-	-	-
Plant and machinery	146,665,280	11,906,255	-	10	16,055,391	-	-	31,999,964	126,571,571
Office Equipments	4,724,034	2,949,321	-	10	372,475	-	-	3,969,866	3,703,489
Furniture and fittings	23,633,320	183,360	-	10	2,519,837	-	-	16,358,054	7,458,626
Computers	10,331,310	1,229,240	-	33.33	1,158,917	-	-	9,775,650	1,784,900
Vehicles	37,015,785	11,099,126	(3,312,500)	20	7,566,209	(2,219,100)	15,045,258	42,773,045	27,104,796
	<b>567,792,369</b>	<b>31,766,825</b>	<b>(3,862,830)</b>		<b>32,060,833</b>	<b>(2,376,130)</b>	<b>15,045,258</b>	<b>115,899,283</b>	<b>504,872,511</b>
<b>LEASED:</b>									
Vehicles	34,888,430	2,965,800	(390,000)	20	1,183,733	(195,000)	(15,045,258)	5,813,933	6,574,867
	<b>34,888,430</b>	<b>2,965,800</b>	<b>(390,000)</b>		<b>1,183,733</b>	<b>(195,000)</b>	<b>(15,045,258)</b>	<b>5,813,933</b>	<b>6,574,867</b>
<b>CAPITAL WORK IN PROGRESS</b>									
Capital Work in Progress	38,948,453	60,591,582	-		-	-	-	-	99,540,035
	<b>38,948,453</b>	<b>60,591,582</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,540,035</b>
<b>Total 2008</b>	<b>641,629,252</b>	<b>95,324,207</b>	<b>(4,252,830)</b>		<b>33,244,566</b>	<b>(2,571,130)</b>	<b>-</b>	<b>121,713,216</b>	<b>610,987,413</b>

Note: The Company has capitalized the land based on the allotment letters issued in the name of the Company.

## 12 PROPERTY, PLANT & EQUIPMENT - Comparatives

	Reassessed Value/Original Cost				Rate %	Depreciation				Net Book Value	
	As At July 01, 2006	Additions	Transfers/ Adjustments	(Deletions)		As At July 01, 2006	For the Year	On Deletions	Transfers/ Adjustments	As At June 30, 2007	As At June 30, 2007
<b>OWNED:</b>											
Freehold Land	226,356,000	37,775,000	-	-	-	-	-	-	-	-	264,131,000
Building on freehold land	73,149,875	2,116,705	5,474,730	-	2.5 - 10	5,786,968	-	-	6,634,700	-	74,106,610
Leasehold improvements	550,330	-	-	-	10	55,033	-	-	157,030	-	393,300
Plant and machinery	131,370,987	9,207,058	6,087,235	-	10	14,666,528	-	-	15,944,573	-	130,720,707
Office Equipments	4,681,584	42,450	-	-	10	801,008	-	-	3,597,391	-	1,126,643
Furniture and fittings	21,456,299	1,874,513	302,508	-	10	3,306,502	-	-	13,838,217	-	9,795,103
Computers	9,091,808	1,297,222	4,870	(62,590)	33.33	4,329,931	(12,518)	-	8,616,733	-	1,714,577
Vehicles	30,939,085	9,574,000	1,046,000	(4,543,300)	20	6,181,876	(3,905,240)	627,600	22,380,678	-	14,635,107
	497,595,968	61,886,948	12,915,343	(4,605,890)		35,127,846	(3,917,738)	627,600	71,169,322	-	496,623,047
<b>LEASED:</b>											
Vehicles	35,934,430	-	(1,046,000)	-	20	6,977,686	-	(627,600)	19,870,458	-	15,017,972
	35,934,430	-	(1,046,000)	-		6,977,686	-	(627,600)	19,870,458	-	15,017,972
<b>CAPITAL WORK IN PROGRESS</b>											
Capital Work in Progress	5,983,941	44,833,855	(11,869,343)	-		-	-	-	-	-	38,948,453
	5,983,941	44,833,855	(11,869,343)	-		-	-	-	-	-	38,948,453
<b>Total 2007</b>	<b>539,514,339</b>	<b>106,720,803</b>	<b>-</b>	<b>(4,605,890)</b>		<b>42,105,532</b>	<b>(3,917,738)</b>	<b>-</b>	<b>91,039,780</b>	<b>-</b>	<b>550,589,472</b>

Note: The Company has capitalized the land based on the allotment letters issued in the name of the Company.



**12.1** Land and building of the company were first revalued on March 31, 1976, resulting in surplus of Rs. 13.661 million. The second revaluation was carried out on June 30, 1989 and resulted in a surplus of Rs. 40.067 million. The third revaluation was carried out on June 30, 2002 and resulted in a surplus of Rs. 30.433 million. The last revaluation that also included the plant and machinery was carried out on June 30, 2006 and resulted in a surplus of Rs. 240.593. These valuations were carried out by an independent valuer under the market value basis.

	<b>2008</b> <b>(Rupees)</b>	<b>2007</b> <b>(Rupees)</b>
<b>12.2 Capital Work-In-Progress</b>		
Building and civil works	<b>77,792,718</b>	26,466,468
Plant & machinery	<b>5,135,207</b>	-
Consultancy services	<b>2,905,220</b>	1,348,472
Advances to contractors	<b>13,706,890</b>	11,133,513
	<u><b>99,540,035</b></u>	<u><b>38,948,453</b></u>

**12.3** As referred in Note 6 to these financial statements, land, building and plant & machinery of the company are carried at revalued amount. Had there been no revaluation the related figures of revalued assets would have been as follows:

	<b>Cost</b> <b>(Rupees)</b>	<b>Accumulated</b> <b>Depreciation</b> <b>(Rupees)</b>	<b>Written</b> <b>Down Value</b> <b>(Rupees)</b>
Freehold land	69,209,876	-	69,209,876
Buildings	41,221,990	22,867,356	18,354,634
Plant & Machinery	156,044,260	93,636,530	62,407,730
<b>2008</b>	<u><b>266,476,126</b></u>	<u><b>116,503,886</b></u>	<u><b>149,972,240</b></u>
2007	<u><b>266,476,126</b></u>	<u><b>106,154,814</b></u>	<u><b>160,321,312</b></u>

**12.4 Depreciation is allocated as under:**

Cost of sales	<b>22,828,950</b>	22,571,744
Administrative expenses	<b>5,477,028</b>	10,863,916
Selling and distribution cost	<b>4,938,588</b>	8,669,872
	<u><b>33,244,566</b></u>	<u><b>42,105,532</b></u>

<b>13. LONG TERM INVESTMENTS</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
<b>Related Parties - At cost</b>			
Farmacia (Partnership firm, unlisted subsidiary)	13.1	<b>51,392,911</b>	37,573,914
BF Biosciences Limited (unlisted subsidiary)	13.2	<b>151,999,960</b>	111,999,960
<b>Others available for sale - unlisted</b>	13.3	<b>33,085</b>	33,085
		<u><b>203,425,956</b></u>	<u>149,606,959</u>
<b>13.1 Farmacia (unlisted subsidiary)</b>			
Opening Balance		<b>37,573,914</b>	26,285,542
Company's share in profit of subsidiary	13.1.1	<b>13,818,997</b>	11,288,372
		<u><b>51,392,911</b></u>	<u>37,573,914</u>

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

### **13.2 BF Biosciences Limited (unlisted subsidiary)**

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

BF Biosciences Limited was set up for establishing a Biotech Production Plant to manufacture mainly Cancer and Hepatitis related medicines. The Company holds 80% of equity of the subsidiary and the remaining 20% is held by Laboratories Bagó S.A., Argentina. The Company has not yet started its commercial operations.

### **13.3 Others Available for sale - unlisted**

<b>Number of shares</b>		<b>Name of Companies</b>	<b>2008</b>	<b>2007</b>
<b>2008</b>	2007		<b>(Rupee)</b>	<b>(Rupee)</b>
<b>218</b>	218	National General Insurance Company Limited Ordinary shares of Rs. 10 each Equity held 0.01%	<b>2,985</b>	2,985
<b>301</b>	301	Mercantile Co-operative Finance Corporation Limited 'A' class shares of Rs. 100 each The entity is under liquidation	<b>30,100</b>	30,100
			<u><b>33,085</b></u>	<u>33,085</u>

<b>14. LONG TERM LOAN</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
<b>Related party - considered good</b>			
BF Biosciences Limited	14.1	<b>212,812,500</b>	92,500,000
Less : Amount due within twelve months, shown under current assets		<b>(56,750,000)</b>	(17,312,500)
		<b><u>156,062,500</u></b>	<b><u>75,187,500</u></b>

**14.1** This represents the amount utilized by the subsidiary against the long term loan facility of Rs. 277 million. This facility was provided by the company under the authority of a special resolution passed by the Shareholders in the Extraordinary General Meeting held in April 2006, in accordance with the provisions of Section 208 of the Companies Ordinance, 1984. The long term loan is recoverable in sixteen equal quarterly installments with a grace period of one year, commencing from 15th month after first draw down and carry mark-up at base rate (six months KIBOR) plus 1.5% per annum. The company is in the process of formally signing a loan agreement with the subsidiary.

The maximum amount of long term loan at the end of any month during the year was Rs. 227 million, out of the facility of Rs 277 million.

#### **15. DERIVATIVE ASSET-INTEREST RATE SWAP**

Interest rate swap	15.1	<b>1,187,639</b>	-
Current portion		<b>(364,948)</b>	-
		<b><u>822,691</u></b>	<b><u>-</u></b>

**15.1** This Represents fair value, as confirmed by Standard Chartered (SC) , of variable Interest rate swap agreement with SC to hedge the interest rate exposure on loan obtained from HBL amounting to Rs 227 million at notional amount of Rs 275 million. As per the terms of the agreement the company will pay fix interest rate @12.8 % p.a to the bank and will receive 3 month PKR KIBOR, and is recognized as asset in accordance with the provisions of IAS-39 'Financial Instruments: Recognition and Measurement'.

#### **16. STORES, SPARE PARTS AND LOOSE TOOLS**

Stores		<b>3,320,674</b>	3,902,656
Spare parts		<b>456,950</b>	251,688
Loose tools		<b>313,676</b>	126,288
		<b><u>4,091,300</u></b>	<b><u>4,280,632</u></b>

	Note	2008 (Rupees)	2007 (Rupees)
<b>17. STOCK IN TRADE</b>			
Raw material		86,298,725	68,389,436
Work in process		5,206,081	2,897,691
Finished goods	17.1	<u>87,060,584</u>	<u>48,256,053</u>
		<u>178,565,390</u>	<u>119,543,180</u>
Stocks in transit		<u>2,222,394</u>	<u>14,273,010</u>
		<u><u>180,787,784</u></u>	<u><u>133,816,190</u></u>

**17.1** These includes finished goods amounting to Rs. 1,988,243 (2007: 2,854,718) which are carried at net realizable value.

#### 18. LOANS AND ADVANCES - Considered good

Advances to employees	18.1	4,482,014	3,308,975
Others		78,046	104,127
		<u>4,560,060</u>	<u>3,413,102</u>

**18.1** These include interest free advances against salary to executives amounting to Rs. 666,085 (2007: Rs. 1,663,442).

#### 19. DEPOSITS AND PREPAYMENTS

Earnest money		952,081	686,077
Lease Key Money		827,380	-
Margin deposits		3,817,170	42,135
Prepayments		213,325	2,286,962
		<u>5,809,956</u>	<u>3,015,174</u>

#### 20. OTHER RECEIVABLES

Due from Subsidiaries:			
BF Biosciences		3,000	11,396,572
Current portion of interest rate swap		364,948	-
Others		1,162,336	1,557,055
		<u>1,530,284</u>	<u>12,953,627</u>

#### 21. SHORT TERM INVESTMENTS

Held to maturity investments - local currency		-	186,969,198
Investments at fair value through profit and loss - listed securities	21.1	194,474,564	-
		<u>194,474,564</u>	<u>186,969,198</u>

## 21.1 Investments at fair value through profit or loss- listed securities

Number of shares/units	Name of Companies	2008 (Rupees)		2007 (Rupees)		
		Carrying value	Fair value	Carrying value	Fair value	
2008	2007					
25,000	-	Pakistan National Shipping Corporation Ordinary shares of Rs. 10 each	2,530,057	1,788,750	-	-
108,000	-	Pakistan Petroleum Limited Ordinary shares of Rs. 10 each	28,567,884	26,566,920	-	-
92,300	-	Bank Alfalah Ltd Ordinary shares of Rs. 10 each	4,672,262	3,789,838	-	-
431,757	-	Arif Habib Investments Ltd. PIF Units of Rs. 50 each	20,000,000	22,218,232	-	-
502,899	-	JS Investments Ltd. JS-IF Units of Rs. 100 each	50,000,000	52,337,682	-	-
5,770,222	-	NAFA Cash Funds NAFA-CF Units of Rs. 10 each	60,000,000	62,185,107	-	-
247,930	-	UBL Fund Managers Ltd. UGIF Units of Rs. 10 each	25,000,000	25,588,035	-	-
			190,770,203	194,474,564	-	-
		Unrealized gain on account of remeasurement to fair value	3,704,361	-	-	-
			194,474,564	194,474,564	-	-

## 22. CASH AND BANK BALANCES

	Note	2008 (Rupees)	2007 (Rupees)
Cash in hand		521,425	780,730
Cash at banks - Current accounts		1,115,202	2,844,987
- Deposit accounts	22.1	34,170,834	38,055,223
		35,807,461	41,680,940

**22.1** These carry interest rate of 8% per annum (2007: 8% per annum)

**22.2** The Company has unavailed cash finance facility of Rs. 60 Million (2007: Rs. 60 Million) from Bank Alfalah Limited. The facility is secured by first pari passu charge by way of hypothecation over all present and future current and movable assets of the company and equitable mortgage over immovable property to the extent of Rs. 204 Million. This facility carries mark up at the rate of three months KIBOR + 1.65% per annum.

**22.3** The Company has unavailed running finance facility of Rs. 50 Million (2007: Nil) from Habib Bank Limited. The facility is secured by first charge on all present and future moveable assets of the company, with a 25% margin, and by a first equitable mortgage charge over land and building of Company's Nowshehra plant, ranking pari passu with the existing first charge holders to the extent of Rs. 370 Million. This facility carries mark up at the rate of three months KIBOR + 0.90% per annum.

	Note	2008 (Rupees)	2007 (Rupees)
<b>23. NET SALES</b>			
Gross sales		1,045,219,680	1,022,504,839
Less: Discount		<u>(112,921,686)</u>	<u>(100,136,297)</u>
		<u>932,297,994</u>	<u>922,368,542</u>
<b>24. COST OF SALES</b>			
Work in process:			
Opening		2,897,691	3,059,331
Closing		<u>(5,206,081)</u>	<u>(2,897,691)</u>
		<u>(2,308,390)</u>	161,640
Raw materials consumed	24.1	342,835,659	298,955,786
Salaries & Wages	24.2	42,377,032	39,001,932
Fuel and power		6,335,399	6,326,093
Repair and Maintenance		3,599,261	2,206,655
Stores and spares consumed		3,829,651	2,813,795
Packing charges		4,697,415	4,027,410
Excise duty		25,915	120,757
Postage and telephone		865,132	665,930
Insurance		1,543,545	1,490,109
Travelling and conveyance		962,121	1,163,241
Transport		1,465,440	1,627,397
Laboratory and other expenses		1,306,833	1,377,638
Depreciation		<u>22,828,950</u>	<u>22,571,744</u>
Cost of goods manufactured		<u>430,363,963</u>	382,510,127
Finished stock:			
Opening		48,256,053	81,253,393
Closing		<u>(87,060,584)</u>	<u>(48,256,053)</u>
		<u>(38,804,531)</u>	32,997,340
		<u>391,559,432</u>	<u>415,507,467</u>
<b>24.1 Raw materials consumed</b>			
Opening stock		68,389,436	54,279,980
Add: Purchases		<u>360,744,948</u>	<u>313,065,242</u>
		<u>429,134,384</u>	367,345,222
Less: Closing stock		<u>(86,298,725)</u>	<u>(68,389,436)</u>
		<u>342,835,659</u>	<u>298,955,786</u>

<b>25. OTHER OPERATING INCOME</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
<i>From financial assets</i>			
Dividend income		424,625	1,711,000
Profit on term deposit receipts		9,086,473	11,338,351
Capital gain on sale of shares		2,388,478	6,934,322
Profit on deposits with banks		3,330,379	4,088,356
Gain on reameasurement of short term investments		3,704,361	-
Gain on fair value adjustment of interest rate swap		1,187,639	-
		<b>20,121,955</b>	<b>24,072,029</b>
<i>From non financial assets</i>			
Gain on disposal of property, plant and equipment	25.2	687,675	1,592,218
		<b>20,809,630</b>	<b>25,664,247</b>

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

<u>Particulars</u>	<u>Cost</u>	<u>Net Book value</u>	<u>Sale proceeds</u>	<u>Profit/(loss)</u>	<u>Mode of disposal</u>
<u>VEHICLES</u>					
					As per company's policy
1 SUZUKI BALENO IDS 687	799,000	-	280,875	280,875	Mr. M. Yasin (Ex-Staff Member)
2 SUZUKI MEHRAN LA 962	390,000	312,000	320,000	8,000	Mr. Asif Haroon (Ex-Staff Member)
3 SUZUKI CULTUS RIY 8162	560,000	-	250,000	250,000	Mr. M. Javed Mirza - Staff Member
4 SUZUKI MEHRAN HJ 785	390,000	195,000	280,000	85,000	Mr. Gul Abdullah Awan (Ex-Staff Member)
					By Insurance Claim form
5 SUZUKI MEHRAN ANP 285	390,000	312,000	370,500	58,500	EFU Insurance Company (Stolen)
6 SUZUKI MEHRAN ANU 826	380,000	152,000	300,000	148,000	EFU Insurance Company (Stolen)
7 HONDA CITY HV 593	793,500	317,400	568,000	250,600	EFU Insurance Company (Stolen)
<u>LEASE HOLD IMPROVEMENTS</u>					
8 LEASE HOLD IMPROVEMENTS	550,330	393,300	-	(393,300)	Scraped
<b>2008 Rupees</b>	<b>4,252,830</b>	<b>1,681,700</b>	<b>2,369,375</b>	<b>687,675</b>	
2007 Rupees	4,605,890	688,132	2,280,350	1,592,218	

<b>26. ADMINISTRATIVE EXPENSES</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
Salaries, wages and benefits	26.1	33,920,837	28,164,150
Directors fees and expenses		1,279,680	958,370
Rent, rates and taxes		584,200	523,564
Postage and telephone		1,123,453	729,689
Printing and Stationary		766,235	580,964
Travelling and conveyance		2,097,622	1,133,527
Transport		2,521,153	1,165,373
Legal and professional charges		419,000	915,723
Fuel and Power		4,337,809	977,658
Auditors' Remuneration	26.2	348,000	288,600
Repairs and maintenance		1,209,415	408,631
Subscriptions		916,603	352,294
Donation	26.3	800,000	2,610,000
Insurance		831,589	610,502
Depreciation		5,477,028	10,863,916
Other administrative expenses		4,086,652	1,285,451
		<u>60,719,276</u>	<u>51,568,412</u>

**26.1** Salaries, wages and benefits include Rs. 4.365 million (2007: Rs. 3.856 million) charged on account of defined contribution plan.

**26.2 Auditors' remuneration**

Audit fee- annual audit	165,000	140,000
Fee for audit of consolidated accounts	35,000	35,000
Review of half yearly accounts	50,000	40,000
Other certifications	62,000	50,000
Out of pocket expenses	36,000	23,600
	<u>348,000</u>	<u>288,600</u>

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



	Note	2008 (Rupees)	2007 (Rupees)
<b>27. SELLING AND DISTRIBUTION COST</b>			
Salaries and Allowances	26.1	75,685,552	71,191,942
Travelling and conveyance		43,022,493	39,875,482
Transport		1,935,994	1,484,097
Rent, rates and taxes		1,864,670	3,477,905
Advertisement and publicity		57,494,605	74,511,016
Freight & Forwarding		4,721,048	5,066,269
Printing and Stationary		710,088	1,024,784
Postage and telephone		2,033,020	1,691,509
Electricity and Gas		209,631	252,530
Subscriptions and Fees		3,026,498	2,945,631
Insurance		3,164,241	2,904,855
Repairs		197,403	116,863
Legal and professional charges		29,000	109,375
Entertainment		201,949	357,638
Depreciation		4,938,588	8,669,872
Other selling expenses		189,880	760,094
		<b>199,424,660</b>	<b>214,439,862</b>
<b>28. FINANCE COST</b>			
Finance charge on leased assets		512,950	1,034,075
Mark-up on bank financing		35,922	6,335
Bank charges		257,602	422,356
Interest on Workers' Profit Participation Fund		680,754	200,442
Mark-up on long term loan		26,346,916	2,485,195
Less: Mark-up passed on to subsidiary		(26,346,916)	(2,485,195)
	28.1	<b>1,487,228</b>	<b>1,663,208</b>
<b>28.1</b> This represents the mark-up on long term finance facility of Rs. 277 Million availed from Habib Bank Limited to finance its 80% owned subsidiary, BF Biosciences Limited. As referred in note 14, and in accordance with the provision of Section 208 of The Companies Ordinance, 1984 the entire mark-up related to this facility is passed on to the subsidiary company, therefore being offset.			
<b>29. OTHER CHARGES</b>			
Workers' Profit Participation Fund		13,955,370	11,835,220
Workers' Welfare Fund		4,191,800	3,208,749
Central Research Fund		2,926,622	2,585,131
		<b>21,073,792</b>	<b>17,629,100</b>

<b>30. TAXATION</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
Current year		74,249,465	56,840,797
Prior years'		-	25,942
Deferred		1,388,938	1,392,213
		<u>75,638,404</u>	<u>58,258,952</u>

### 30.1 Relationship between tax expense and tax on accounting profit

Profit before taxation	292,662,232	258,513,112
Tax rate	35%	35%
Tax on accounting profit	102,431,781	90,479,589
Tax effect of expenses that are admissible in determining taxable profit	1,978,717	2,551,126
Tax effect of lower tax rates on certain income	(28,772,094)	(34,797,706)
	<u>75,638,404</u>	<u>58,233,009</u>
Tax effect of adjustments in respect of income tax of prior years	-	25,942
Tax expense for the current year	<u>75,638,404</u>	<u>58,258,951</u>
Average rate of tax	<u>26%</u>	<u>23%</u>

**30.2** Tax assessments of the parent company have been finalized up to and including the assessment year 2002-2003 (income year ended 30 June 2002). Returns for tax years 2003, 2004, 2005, 2006 and 2007 were filed and accepted under universal self assessment scheme.

### 31. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	2008 (Rupees)			2007 (Rupees)		
	Director	Chief Executive	Executives	Director	Chief Executive	Executives
Managerial remuneration	7,125,000	5,850,000	26,465,735	5,460,012	5,850,000	23,140,872
Utilities	-	258,219	-	-	274,867	-
Provident fund	367,741	322,764	1,044,516	281,808	322,764	807,312
	<u>7,492,741</u>	<u>6,430,983</u>	<u>27,510,251</u>	<u>5,741,820</u>	<u>6,447,631</u>	<u>23,948,184</u>
Numbers	1	1	12	1	1	10

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

The members of the Board of Directors were paid Rs. 3,900 (2007: Rs. 3,200) as meeting fee and Rs. 1,275,780 (2007: Rs. 955,170) as meeting expenses for attending the Board of Directors meetings.

## **32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

### **32.1 Risk Management**

#### **32.1.1 Concentration of credit risk**

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

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

#### **32.1.2 Interest rate risk**

Total interest bearing liabilities amount to Rs. 230.029 million (2007: Rs. 109.871 million), out of which Rs. 216.669 million (2007: Rs. 97.835 million) are related with KIBOR. The management endeavors to obtain borrowing at competitive rates.

At reporting date the liabilities represented by long term financing, exposed to interest rate risks were hedged through a pay fix, receive-variable Interest Rate Swap agreement with Standard Chartered Bank. On account of these hedging activities, the company is not exposed to any significant interest rate risk.

#### **32.1.3 Currency risk**

Currency risk is the risk of loss through changes in foreign currency rates. In case of the Company this risk results from outstanding import payments. These transactions are not covered through foreign exchange risk cover as exchange risk is not considered material.

#### **32.1.4 Liquidity risk**

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

#### **32.1.5 Fair value of financial instruments**

The estimated fair value of financial instruments is not significantly different from their book value as shown in these financial statements except for the value of long term investments given in note 13.



### 33. TRANSACTIONS WITH RELATED PARTIES

The Company's related parties include associated companies, entities over which directors are able to exercise influence, subsidiaries, staff retirement fund, directors and key management personnel. Balances with the related parties are shown else where in the accounts. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment which are disclosed in note 31, are as follows:

	<b>2008</b> <b>(Rupees)</b>	2007 (Rupees)
<b>Farmacia-98% owned subsidiary partnership firm</b>		
Sale of medicines	<b>39,414,189</b>	36,727,989
Share of profit reinvested	<b>13,818,997</b>	11,288,372
<b>BF Biosciences Limited-80% owned subsidiary</b>		
Equity investment made	<b>40,000,000</b>	111,999,960
Long term loan disbursed to subsidiary	<b>134,500,000</b>	92,500,000
Repayment of loan	<b>14,500,000</b>	-
Interest accrued on long term loan	<b>1,273,496</b>	2,485,196
Amount of capital work in progress transferred by the parent company	-	10,900,250
Other expenses directly paid by the company	-	496,322
<b>Other related parties</b>		
Contribution to employees provident fund	<b>4,364,763</b>	3,856,131

### 34. EARNINGS PER SHARE - BASIC & DILUTED

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

Net profit for the year (Rupees)	<b>217,023,829</b>	200,254,160
Average number of shares	<b>14,467,277</b>	14,467,277
Earnings per share (Rupees)	<b>15.00</b>	13.84

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

### 35. CAPACITY AND PRODUCTION

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

### **36. CORRESPONDING FIGURES**

Following figures have been rearranged/reclassified, for better presentation

- Advances to contractors that relate to purchase/construction of fixed assets have been reclassified as part of capital work in progress in note 12 & 12.2 “Capital Work In Progress” instead of note 18 “Loans and Advances - considered good”
- Mark-up on long term loan has been offset against mark-up passed on to subsidiary company in note 28 “Finance Cost”.

### **37. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Company in their meeting held on August 30, 2008 have proposed a final cash dividend of Rs. 3 per share and stock dividend @ 20% i.e. 2 bonus shares for every 10 shares held, for the year ended June 30, 2008.

### **38. DATE OF AUTHORIZATION**

The financial statements have been authorized for issue by the board of directors of the company on August 30, 2008.

Rawalpindi  
August 30, 2008

Director

Chairperson & Chief Executive



---

*Consolidated Financial Statements  
for the Year Ended June 30, 2008*

---





## **AUDITORS' REPORT TO THE MEMBERS OF FEROZSONS LABORATORIES LIMITED**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Ferozsons Laboratories Limited (“the Company”) as at 30 June 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Ferozsons Laboratories Limited and its subsidiary except for Farmacia which were audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such subsidiary is based solely on the report of such other auditors. These financial statements are responsibility of the Company’s management. Our responsibility is to express our opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Group as at 30 June 2008 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Islamabad  
August 30, 2008

KPMG TASEER HADI & Co.  
CHARTERED ACCOUNTANTS

**CONSOLIDATED BALANCE SHEET**

	Note	2008 (Rupees)	2007 (Rupees)
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	4	144,672,768	120,560,640
Reserves			
Capital reserve	5	321,843	321,843
Revenue reserve - unappropriated profit		680,223,326	560,993,936
		<u>825,217,937</u>	<u>681,876,419</u>
<b>MINORITY INTEREST</b>		<u>28,794,135</u>	<u>28,584,807</u>
<b>TOTAL EQUITY</b>		<u>854,012,072</u>	<u>710,461,226</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax</b>			
	6	252,011,413	256,984,285
<b>NON CURRENT LIABILITIES</b>			
Long term financing - secured	7	189,511,350	75,187,500
Liabilities against assets subject to finance lease	8	1,456,643	1,024,253
Interest rate swap			-
Deferred liability for taxation	9	49,691,426	48,302,487
		<u>240,659,419</u>	<u>124,514,240</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	128,986,789	157,342,421
Short term borrowings - secured	11	1,416,299	-
Accrued markup on long term financing		6,865,680	1,610,432
Current portion of long term financing	7	84,875,000	17,312,500
“Current portion of liabilities against assets subject to finance lease”	8	2,399,815	4,310,822
Provision for taxation - net		14,569,439	-
		<u>239,113,022</u>	<u>180,576,175</u>
		<u>1,585,795,926</u>	<u>1,272,535,926</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12	-	-

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

Rawalpindi  
 August 30, 2008

Director

**AT JUNE 30, 2008**

	Note	2008 (Rupees)	2007 (Rupees)
<b>FIXED ASSETS</b>			
Property, plant and equipment	13	1,046,841,975	817,874,738
<b>LONG TERM INVESTMENTS</b>	14	33,085	33,085
<b>LONG TERM DEPOSITS</b>		841,070	600,447
<b>DERIVATIVE ASSET-INTEREST RATE SWAP</b>	15	822,691	-
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	16	4,091,300	4,280,632
Stock in trade	17	191,696,449	140,372,407
Trade debts-considered good		36,755,668	49,000,779
Loans and advances-considered good	18	4,807,010	3,465,502
Deposits and prepayments	19	5,953,376	3,133,233
Interest accrued		249,662	1,720,035
Other receivables	20	1,476,210	1,557,055
Advance income tax - net		-	3,031,625
Short term investments	21	221,184,835	196,969,198
Cash and bank balances	22	71,042,595	50,497,190
		537,257,105	454,027,656
		<u>1,585,795,926</u>	<u>1,272,535,926</u>

Chairperson &amp; Chief Executive

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2008**

	Note	2008 (Rupees)	2007 (Rupees)
Net sales	23	1,029,047,772	1,012,904,157
Cost of sales	24	<u>(465,099,348)</u>	<u>(484,529,424)</u>
<b>Gross profit</b>		<b>563,948,424</b>	<b>528,374,733</b>
Other operating income	25	24,913,363	27,537,528
Administrative expenses	26	(62,904,608)	(52,760,961)
Selling and distribution cost	27	(207,154,817)	(221,297,717)
Finance cost	28	(1,604,580)	(1,764,907)
Other charges	29	(21,073,792)	(17,629,100)
<b>Profit before taxation</b>		<b>296,123,990</b>	<b>262,459,576</b>
Provision for taxation	30	<u>(79,181,599)</u>	<u>(62,425,778)</u>
<b>Profit after taxation</b>		<b>216,942,391</b>	<b>200,033,798</b>
<b>Attributable to:</b>			
Shareholders of the parent company		216,733,063	199,893,571
Minority shareholders		209,328	140,227
		<u>216,942,391</u>	<u>200,033,798</u>

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

Rawalpindi  
August 30, 2008

Director

Chairperson & Chief Executive

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	2008 (Rupees)	2007 (Rupees)
<b>Cash flow from operating activities</b>		
Profit before taxation	296,123,990	262,459,576
Adjustments for:		
Depreciation	33,737,190	42,644,523
Gain on disposal of property, plant and equipment	(687,675)	(1,592,218)
Finance cost	1,604,580	1,764,907
Dividends, capital gains and income from investments and deposits	(18,464,416)	(25,945,310)
Gain on remeasurement of short term investments	(4,573,633)	-
Gain on fair value adjustment of interest rate swap	(1,187,639)	-
	10,428,406	16,871,902
	<u>306,552,396</u>	<u>279,331,478</u>
Working capital changes		
(Increase)/decrease in stocks and stores	(51,134,710)	8,843,431
Decrease/(increase) in trade debtors	12,245,111	(31,636,052)
(Increase) in loans, advances, deposits, prepayments and other receivables	(5,144,120)	(2,567,201)
(Decrease)/increase in trade and other payables	(31,181,052)	63,433,645
	(75,214,771)	38,073,823
Cash generated from operations	<u>231,337,626</u>	<u>317,405,301</u>
Finance cost paid	(3,215,012)	(1,764,907)
Taxes paid	(60,191,596)	(78,937,979)
	(63,406,608)	(80,702,886)
<b>Net cash from operating activities</b>	<u>167,931,017</u>	<u>236,702,415</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(254,554,647)	(269,438,355)
Purchase of short term investments	(256,815,845)	(110,320,448)
Sale proceeds from short term investments	237,173,838	-
Dividends, capital gains and income from investments and deposits	21,122,428	24,225,275
Sale proceeds of property, plant and equipment	2,369,375	2,280,350
<b>Net cash used in investing activities</b>	<u>(250,704,849)</u>	<u>(353,253,178)</u>
<b>Cash flows from financing activities</b>		
Payment of finance lease liabilities	(4,444,417)	(10,821,876)
Proceeds from long term financing	196,073,850	92,500,000
Repayment of long term financing	(14,187,500)	-
Proceeds from short term financing	1,416,299	-
Dividend paid	(75,538,996)	(38,878,086)
<b>Net cash from financing activities</b>	<u>103,319,236</u>	<u>42,800,038</u>
<b>Net increase/(decrease) in cash and cash equivalents during the year</b>	<u>20,545,404</u>	<u>(73,750,724)</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>50,497,190</u>	<u>124,247,915</u>
<b>Cash and cash equivalents at end of the year</b>	<u>71,042,595</u>	<u>50,497,190</u>

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

Rawalpindi  
August 30, 2008

Director

Chairperson & Chief Executive

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

	Share capital (Rupees)	Capital reserve (Rupees)	Revenue reserve Unappropriated profit (Rupees)	Total (Rupees)	Minority Interest (Rupees)	Total (Rupees)
<b>Balance as at June 30, 2006</b>	<b>100,467,200</b>	<b>321,843</b>	<b>415,926,970</b>	<b>516,716,013</b>	<b>28,444,580</b>	<b>545,160,593</b>
Final dividend for the year ended June 30, 2006 Rs. 4.00 per share	-	-	(40,186,880)	(40,186,880)	-	(40,186,880)
Bonus shares issued at 20% for the year ended June 30, 2006	20,093,440	-	(20,093,440)	-	-	-
Transfer from surplus on revaluation of fixed assets - net	-	-	5,453,715	5,453,715	-	5,453,715
Net income recognized directly in equity	-	-	5,453,715	5,453,715	-	5,453,715
Net profit for the year	-	-	199,893,571	199,893,571	140,227	200,033,798
Total recognized income for the year	-	-	205,347,286	205,347,286	140,227	205,487,513
<b>Balance as at June 30, 2007</b>	<b>120,560,640</b>	<b>321,843</b>	<b>560,993,936</b>	<b>681,876,419</b>	<b>28,584,807</b>	<b>710,461,226</b>
Final dividend for the year ended 30 June 2007 Rs. 6.50 per share	-	-	(78,364,416)	(78,364,416)	-	(78,364,416)
Bonus shares issued at 20% for the year ended 30 June 2007	24,112,128	-	(24,112,128)	-	-	-
Transfer from surplus on revaluation of fixed assets - net	-	-	4,972,871	4,972,871	-	4,972,871
Net income recognized directly in equity	-	-	4,972,871	4,972,871	-	4,972,871
Net profit for the year	-	-	216,733,063	216,733,063	209,328	216,942,391
Total recognized income for the year	-	-	221,705,934	221,705,934	209,328	221,915,262
<b>Balance as at June 30, 2008</b>	<b>144,672,768</b>	<b>321,843</b>	<b>680,223,326</b>	<b>825,217,937</b>	<b>28,794,135</b>	<b>854,012,072</b>

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

Rawalpindi  
August 30, 2008

Director

Chairperson & Chief Executive

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008**

### **1. THE COMPANY AND ITS OPERATIONS**

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

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

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

### **2. BASIS OF CONSOLIDATION**

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

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

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

### **3. STATEMENT OF COMPLIANCE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1. Statement of compliance**

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

### **3.2. Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is also the group's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

### **3.3. Accounting convention and basis of preparation**

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the respective notes.

### **3.4. Dividend and reserve appropriation**

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

### **3.5. Staff retirement benefits**

#### *Staff provident fund*

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

#### *Compensated absences*

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



### 3.6. Taxation

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

#### 3.6.1. Current

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

#### 3.6.2. Deferred

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

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

### 3.7. Property, plant and equipment , depreciation and capital work in progress

#### 3.7.1. Owned

Property, plant and equipment of the group other than land, building and plant & machinery are stated at cost less accumulated depreciation and impairment loss, if any. Building and plant & machinery are stated at revalued amount less accumulated depreciation and impairment loss, if any. Land is stated at revalued amount. Revaluation is carried out every five years unless earlier revaluation is necessitated.

Property, plant and equipment of Farmacia (the subsidiary) are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation is provided on a straight line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 13. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired.

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

Maintenance and normal repair costs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains or losses on disposal of assets, if any, are included in the profit and loss account currently.

Pursuant to the requirements of section 235 of the Companies Ordinance, 1984 and in terms of SRO 45(I)/2003 dated 13 January 2003, revaluation surplus to the extent of excess depreciation on revalued assets during the current financial year is taken to retained earnings. This effect has been shown in note 6 to these financial statements.

### **3.7.2. Capital work in progress**

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

### **3.7.3. Leased assets**

Leases in terms of which the group assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Value of leased assets is depreciated on the useful life of the asset using the straight line method at the rate given in note 13. Depreciation on leased assets is charged to profit and loss account currently.

## **3.8. Impairment**

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

## **3.9. Investments**

### **3.9.1 Investments available for sale**

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

### **3.9.2 Investments held to maturity**

Investments with fixed maturity other than short term deposits, where management has both the intent and ability to hold to maturity are classified as held to maturity and are stated at amortized costs using effective interest rate method less impairment losses, if so determined. The resultant change in values is reported directly in the profit and loss account.

Investment in short term deposits are stated at cost less impairment losses, if any.

### **3.9.3 Investments at fair value through profit or loss**

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

### **3.10. Stores, spares and loose tools**

Stores and spare parts are valued on a weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

### **3.11. Stocks in trade**

Stocks are valued at the lower of average cost.

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

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

### **3.12. Trade and other receivables**

These are originated by the group and are stated at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

### **3.13. Revenue recognition**

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.

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

Dividend income relating to post acquisition profit, if practicable to determine, is recognized when the right to receive is established.

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

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

### **3.14. Related party transactions**

The transactions with related parties are made on commercially negotiated terms.

### **3.15. Mark-up bearing borrowings**

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

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

### **3.16. Borrowing costs**

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

### **3.17. Trade and other payables**

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

### 3.18. Provisions

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

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

### 3.19. Financial instruments

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

Financial assets are long term investment, trade debts, advances deposits and other receivable, short term investments and cash and bank balances.

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

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

### 3.20. Derivative financial instruments

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

### 3.21. Cash flow hedges

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

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

### **3.22. Offsetting of financial assets and financial liabilities**

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

### **3.23. 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.

### **3.24. Foreign currency transactions**

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

### **3.25. Capital management**

The board of director's monitors return on equity on a regular basis. Return on equity is defined as percentage of earning before interest and tax to the total capital employed. Board of directors monitors the group's performance along with the capital and debt costs. There were no changes to the group's approach to the capital management during the year. The group is not subject to externally imposed capital requirements.

### **3.26. New accounting standards, interpretations and amendments which are not yet effective**

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1 July 2008 and are either not relevant to the group's operations or are not expected to have significant impact on the group's financial statements other than certain increased disclosures in certain cases:

IFRS 2	(amendment)-Share-based payments (effective for annual periods beginning on or after 1 January 2009). IFRS 2 clarifies the vesting conditions and cancellations in the share-based payment arrangement.
IFRS 3	(amendment)-Business Combinations and consequential amendments to IAS 27- Consolidated and separate financial statements, IAS 28-Investment in associates and IAS 31-Interest in Joint Ventures. (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).
IFRS 7	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2008).
IFRS 8	Operating Segments: (effective for annual periods beginning on or after 1 July 2008). Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics.
IAS 23	Revised, Borrowing costs (effective from 1 January 2009). Amendments relating to mandatory capitalisation of borrowing costs relating to qualifying assets.
IAS 29	Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 July 2008).
IAS 32	(amendment)-Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements (effective for annual period beginning on or after 1 January 2009). IAS 32 amended classification of Puttable Financial Instruments.
IFRIC 12	Service Concession Arrangements (effective for annual period beginning on or after 1 January 2008).
IFRIC 13	Customer Loyalty Programmes (effective for annual period beginning on or after 1 July 2008).
IFRIC 14	IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual period beginning on or after 1 January 2008).
IFRIC 15	Agreement for the Construction of Real Estate (effective for annual period beginning on or after 1 October 2009).
IFRIC 16	Hedge of Net Investment in a Foreign Operation (effective for annual period beginning on or after 1 October 2008).

4. SHARE CAPITAL	Note	2008 (Rupees)	2007 (Rupees)
<b>Authorized share capital:</b>			
25,000,000 (2007: 15,000,000) ordinary shares of Rs. 10 each.		<u>250,000,000</u>	<u>150,000,000</u>
<b>Issued, subscribed and paid up capital:</b>			
1,441,952 (2007: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash		14,419,520	14,419,520
119,600 (2007: 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
12,905,725 (2007: 10,494,512) ordinary shares of Rs. 10 each issued as fully paid bonus shares		<u>129,057,248</u>	<u>104,945,120</u>
		<u>144,672,768</u>	<u>120,560,640</u>
<b>5. CAPITAL RESERVE</b>			
This represents capital reserve arising on conversion of shares of NWF Industries Limited and Sargodha Oil & Floor Mills Limited, since merged.			
<b>6. SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax</b>			
Surplus on revaluation of fixed assets as at 01 July.		290,352,569	298,742,899
Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:			
- Net of deferred tax		(4,972,871)	(5,453,715)
- Related deferred tax liability		(2,677,700)	(2,936,616)
		(7,650,571)	(8,390,330)
Surplus on revaluation during the year		-	-
Surplus on revaluation of fixed assets as at 30 June		<u>282,701,998</u>	<u>290,352,569</u>
Related deferred tax liability:			
- On Revaluation as at 01 July		(33,368,285)	(36,304,900)
- On Revaluation surplus during the year		-	-
- Transferred to profit and loss account incremental depreciation charged during the year		2,677,700	2,936,616
		<u>(30,690,585)</u>	<u>(33,368,285)</u>
		<u>252,011,413</u>	<u>256,984,285</u>



This represents surplus arising on revaluation of free hold land, building and plant & machinery of the parent company carried out in 1976, 1989, 2002 and 2006 respectively. This has been adjusted by surplus realized on disposal of revalued assets and incremental depreciation arising due to revaluation, net of deferred tax.

<b>7. LONG TERM FINANCING - SECURED</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
<b>from banking company</b>			
- Habib Bank Limited (HBL)	7.1	212,812,500	92,500,000
- Allied Bank Limited (ABL)	7.2	61,573,850	-
		<b>274,386,350</b>	92,500,000
Less : Current portion shown under current liabilities		<b>(84,875,000)</b>	(17,312,500)
		<b>189,511,350</b>	<b>75,187,500</b>

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

**7.2** This represents a long term finance facility of BF Biosciences Limited (the subsidiary) from Allied Bank Limited. The facility is obtained by the subsidiary for completion of its biotech pharmaceutical plant. The total amount of facility is Rs. 150 million which is repayable in 16 equal quarterly installments, starting from 90 days after the first drawdown. This facility carries markup at the rate of six months KIBOR plus 1.50% p.a. (base rate to be reset semiannually). The facility is secured by creating a first charge of Rs. 334 Million on all present and future fixed and current assets of the subsidiary.

## **8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Minimum lease payments due			
Not later than one year		2,698,560	4,602,578
Later than one year and not later than five years		1,570,454	1,067,820
Total future minimum lease payments		<b>4,269,014</b>	5,670,398
Less: Future financial costs		<b>(412,556)</b>	(335,323)
Present value of minimum lease payments	8.1	<b>3,856,458</b>	5,335,075
Less : Current maturity shown under current liabilities		<b>(2,399,815)</b>	(4,310,822)
		<b>1,456,643</b>	<b>1,024,253</b>
<b>8.1 Breakup of present value of minimum lease payments</b>			
Not later than one year		<b>2,399,815</b>	4,310,822
Later than one year and not later than five years		<b>1,456,643</b>	1,024,253
		<b>3,856,458</b>	<b>5,335,075</b>

These represent finance leases of the parent company, entered into with Standard Chartered Modarba and Bank Alfalah for vehicles. Lease rentals are paid on monthly basis and include finance charges. As per terms of agreement with Standard Chartered Modarba the interest rate implicit is fixed for lease term ranging between 6% to 13% (2007: 6% to 13%). In case of Bank Alfalah floating interest rates are used under the terms of agreement, equivalent to a base rate of 3 months KIBOR plus 1.95% to 3% (2007: 3 months KIBOR plus 2.5% to 3%) with no floor no cap, review on expiry of base rate term of 3 months.

<b>9. DEFERRED LIABILITY FOR TAXATION</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
The net balance of deferred tax is in respect of the following major temporary differences:			
Accelerated depreciation		20,766,275	16,801,478
Obligations under finance lease		(1,349,760)	(1,867,276)
Derivative interest rate SWAP		(415,674)	-
Surplus on revaluation of fixed assets		30,690,585	33,368,285
		<u>49,691,426</u>	<u>48,302,487</u>

## 10. TRADE AND OTHER PAYABLES

Creditors		40,650,872	57,117,729
Accrued liabilities		10,972,784	32,997,733
Advances from customers		16,119,145	24,275,436
Unclaimed dividend		12,229,867	9,404,447
Tax deducted at source		608,582	915,336
Provision for compensated absences and employees' provident fund		4,636,862	3,443,869
Workers' (Profit) Participation Fund	10.1	14,610,203	12,035,662
Central Research Fund	10.2	7,467,783	4,541,161
Advances from employees		11,547,961	8,359,211
Retentions		9,014,634	3,902,733
Others	10.3	1,128,096	349,104
		<u>128,986,789</u>	<u>157,342,421</u>

### 10.1 Workers' (Profit) Participation Fund

Balance at the beginning of the year	12,035,662	10,700,877
Interest on funds utilized by the company	680,754	200,442
Allocation for the year	13,955,370	11,835,220
	<u>26,671,786</u>	<u>22,736,539</u>
Payments made during the year	(12,061,583)	(10,700,877)
	<u>14,610,203</u>	<u>12,035,662</u>

The fund balance has been utilized by the parent company for its own business and an interest at the rate of 48.75% (2007: 30%) has been credited to the fund. The interest is calculated at 75% of the cash dividends paid as required under Companies Profit (Workers' Participation) Rules 1971.

<b>10.2 Central Research Fund</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
Opening balance		4,541,161	1,956,030
Charge for the year		2,926,622	2,585,131
		<u>7,467,783</u>	<u>4,541,161</u>
Less: Payments		-	-
		<u><u>7,467,783</u></u>	<u><u>4,541,161</u></u>

**10.3** These include Rs. 65,000 (2007: Rs.65,000) parent company advances from distributors which are interest free and are payable on termination of agency agreements with customers.

- 11.** This represents a short term running finance facility from Allied Bank Limited obtained by the subsidiary company BF Biosciences Limited for completion of its biotech production plant. The total amount of facility is Rs. 50 million which is repayable within one year on revolving basis. The facility carries markup at the rate of one month KIBOR plus 1.0%p.a. (base rate to be reset every month). The facility is secured by a First charge of Rs. 334 Million on all present and future fixed and current assets of the subsidiary with 25% margin.

## **12. CONTINGENCIES AND COMMITMENTS**

### **Contingencies:**

- |          |  |                |         |
|----------|--|----------------|---------|
| <b>i</b> | Guarantees issued by banks on behalf of the parent company | <b>455,640</b> | 455,640 |
|----------|--|----------------|---------|

### **Commitments:**

- |            |  |                   |             |
|------------|--|-------------------|-------------|
| <b>ii</b>  | Capital Expenditure                                  | <b>63,187,114</b> | 134,680,528 |
| <b>iii</b> | Letter of credits other than for capital expenditure | <b>12,011,016</b> | 33,271,273  |

### 13 PROPERTY, PLANT & EQUIPMENT

Note	Reassessed Value/Original Cost			Rate %	Depreciation			Net Book Value	
	As At June 30, 2007	Additions	Transfers/ Adjustments (Deletions)		As At June 30, 2008	For the Year	On Deletions	Transfers/ Adjustments	As At June 30, 2008
<b>OWNED:</b>									
Freehold Land	264,131,000	2,000,000	-	266,131,000	-	-	-	-	266,131,000
Building on freehold land	80,817,371	2,399,523	-	83,216,894	2.5 - 10	4,457,766	-	11,407,379	71,809,515
Leasehold improvements	1,486,800	-	(550,330)	936,470	10	-	(157,030)	-	936,470
Plant and machinery	146,665,280	11,906,255	-	158,571,535	10	16,055,391	-	31,999,964	126,571,571
Office Equipments	5,498,040	3,072,671	-	8,570,711	10	439,552	-	4,615,569	3,955,142
Furniture and fittings	24,510,157	353,559	-	24,863,716	10	2,562,043	-	16,673,198	8,190,518
Computers	12,361,592	1,388,440	-	13,750,032	33.33	1,432,898	-	11,325,844	2,424,188
Vehicles	37,069,785	11,099,126	(3,312,500)	69,931,841	20	7,573,121	(2,219,100)	15,045,258	42,799,397
	572,540,025	32,219,574	(3,862,830)	625,972,199		32,520,770	(2,376,130)	15,045,258	118,821,350
<b>LEASED:</b>									
Vehicles	35,287,430	2,965,800	(390,000)	12,787,800	20	1,216,419	(195,000)	(15,045,258)	6,082,189
	35,287,430	2,965,800	(390,000)	12,787,800		1,216,419	(195,000)	(15,045,258)	6,082,189
<b>CAPITAL WORK IN PROGRESS</b>									
Capital Work in Progress	303,784,763	229,200,753	-	532,985,516		-	-	-	532,985,516
	303,784,763	229,200,753	-	532,985,516		-	-	-	532,985,516
<b>Total 2008</b>	<b>911,612,218</b>	<b>264,386,127</b>	<b>(4,252,830)</b>	<b>1,171,745,515</b>		<b>33,737,190</b>	<b>(2,571,130)</b>	<b>-</b>	<b>124,903,540</b>
						<b>33,737,190</b>	<b>(2,571,130)</b>	<b>-</b>	<b>1,046,841,975</b>

Note: The Company has capitalized the land based on the allotment letters issued in the name of the Company.

### 13 PROPERTY, PLANT & EQUIPMENT - Comparatives

	Reassessed Value/Original Cost				Rate %	Depreciation				Net Book Value	
	As At June 30, 2006	Additions	Transfers/ Adjustments	(Deletions)		As At June 30, 2006	For the Year	On Deletions	Transfers/ Adjustments	As At June 30, 2007	As At June 30, 2007
<b>OWNED:</b>											
Freehold Land	226,356,000	37,775,000	-	-	-	-	-	-	-	-	264,131,000
Building on freehold land	73,149,875	2,192,766	5,474,730	-	2.5 - 10	1,085,132	5,864,481	-	6,949,613	73,867,758	
Leasehold improvements	1,486,800	-	-	-	10	101,997	55,033	-	157,030	1,329,770	
Plant and machinery	131,370,987	9,207,058	6,087,235	-	10	1,278,045	14,666,528	-	15,944,573	130,720,707	
Office Equipments	5,362,580	135,460	-	-	10	3,314,186	861,831	-	4,176,017	1,322,024	
Furniture and fittings	22,320,151	1,887,498	302,508	-	10	10,776,669	3,334,486	-	14,111,155	10,399,002	
Computers	11,122,090	1,297,222	4,870	(62,590)	30 - 33.33	5,252,360	4,653,104	(12,518)	9,892,946	2,468,646	
Vehicles	30,993,085	9,574,000	1,046,000	(4,543,300)	20	19,487,242	6,190,516	(3,905,240)	22,400,118	14,669,667	
	502,161,568	62,069,004	12,915,343	(4,605,890)		41,295,631	35,625,979	(3,917,758)	627,600	73,631,452	498,908,573
<b>LEASED:</b>											
Vehicles	36,333,430	-	(1,046,000)	-	20	13,715,084	7,018,544	-	(627,600)	20,106,028	15,181,402
	36,333,430	-	(1,046,000)	-		13,715,084	7,018,544	-	(627,600)	20,106,028	15,181,402
<b>CAPITAL WORK IN PROGRESS</b>											
Capital Work in Progress	11,976,708	303,677,398	(11,869,343)	-							303,784,763
	11,976,708	303,677,398	(11,869,343)	-							303,784,763
<b>Total 2007</b>	<b>550,471,706</b>	<b>365,746,402</b>	<b>-</b>	<b>(4,605,890)</b>		<b>55,010,715</b>	<b>42,644,523</b>	<b>(3,917,758)</b>	<b>-</b>	<b>93,737,480</b>	<b>817,874,738</b>

Note: The Company has capitalized the land based on the allotment letters issued in the name of the Company.

**13.1** Land and building of the parent company were first revalued on March 31, 1976, resulting in surplus of Rs. 13.661 million. The second revaluation was carried out on June 30, 1989 and resulted in a surplus of Rs. 40.067 million. The third revaluation was carried out on June 30, 2002 and resulted in a surplus of Rs. 30.433 million. The last revaluation that also included the plant and machinery was carried out on June 30, 2006 and resulted in a surplus of Rs. 240.593. These valuations were carried out by an independent valuer under the market value basis.

<b>13.2 Capital Work-In-Progress</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
Building and civil works		212,202,633	92,690,259
Plant & machinery		264,998,307	150,063,221
Consultancy services		2,905,220	1,348,472
Borrowing cost		30,340,780	2,485,196
Advances to contractors		22,538,574	57,197,615
		<u>532,985,514</u>	<u>303,784,763</u>

**13.3** As referred in Note 6 to these financial statements, land, building and plant & machinery of the parent company are carried at revalued amount. Had there been no revaluation the related figures of revalued assets would have been as follows:

	<b>Cost (Rupees)</b>	<b>Accumulated Depreciation (Rupees)</b>	<b>Written Down Value (Rupees)</b>
Freehold land	69,209,876	-	69,209,876
Buildings	41,221,990	22,867,356	18,354,634
Plant & Machinery	156,044,260	93,636,530	62,407,730
<b>2008</b>	<u>266,476,126</u>	<u>116,503,886</u>	<u>149,972,240</u>
<b>2007</b>	<u>266,476,126</u>	<u>106,154,814</u>	<u>160,321,312</u>

<b>13.4 Depreciation is allocated as under:</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
Cost of sales		22,828,950	22,571,744
Administrative expenses		5,477,028	11,402,907
Selling and distribution cost		4,938,588	8,669,872
		<u>33,244,566</u>	<u>42,644,523</u>

## 14. LONG TERM INVESTMENTS

### 14.1 Available for sale - unlisted

Number of shares		Name of Companies	2008	2007
2008	2007		(Rupee)	(Rupee)
218	218	National General Insurance Company Limited Ordinary shares of Rs. 10 each Equity held 0.01%	2,985	2,985
301	301	Mercantile Co-operative Finance Corporation Limited 'A' class shares of Rs. 100 each The entity is under liquidation	30,100	30,100
			<u>33,085</u>	<u>33,085</u>

15. DERIVATIVE ASSET-INTEREST RATE SWAP	Note	2008 (Rupees)	2007 (Rupees)
Interest Rate Swap	15.1	1,187,639	-
Current portion		(364,948)	-
		<u>822,691</u>	<u>-</u>

**15.1** This Represents fair value, as confirmed by Standard Chartered (SC) , of variable Interest rate swap agreement with SC to hedge the interest rate exposure on loan obtained from HBL amounting to Rs. 227 million at notional amount of Rs 275 million. As per the terms of the agreement the parent company will pay fix interest rate @12.8 % p.a to the bank and will receive 3 month PKR KIBOR, and is recognized as asset in accordance with the provisions of IAS-39 'Financial Instruments: Recognition and Measurement'.

## 16. STORES, SPARE PARTS AND LOOSE TOOLS

Stores	3,320,674	3,902,656
Spare Parts	456,950	251,688
Loose tools	313,676	126,288
	<u>4,091,300</u>	<u>4,280,632</u>

## 17. STOCK IN TRADE

Raw material	86,298,725	68,389,436
Work in process	5,206,081	2,897,691
Finished goods	17.1 97,969,249	54,812,270
	<u>189,474,055</u>	<u>126,099,397</u>
Stocks in transit	2,222,394	14,273,010
	<u>191,696,449</u>	<u>140,372,407</u>

**17.1** These includes finished goods of parent company amounting to Rs. 1,988,243 (2007: 2,854,718) which are carried at net realizable value.

<b>18. LOANS AND ADVANCES - Considered good</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
Advances			
To employees	18.1	4,728,964	3,312,975
To contractors		-	48,400
Others		78,046	104,127
		<u>4,807,010</u>	<u>3,465,502</u>

**18.1** These include interest free advances against salary to executives amounting to Rs. 666,085 (2007: Rs. 1,663,442).

## **19. DEPOSITS AND PREPAYMENTS**

Earnest money		952,081	686,077
Lease Key Money		827,380	-
Margin deposits		3,908,212	42,135
Prepayments		265,703	2,405,021
		<u>5,953,376</u>	<u>3,133,233</u>

## **20. OTHER RECEIVABLES**

Current portion of interest rate swap		364,948	-
Others		1,111,262	1,557,055
		<u>1,476,210</u>	<u>1,557,055</u>

## **21. SHORT TERM INVESTMENTS**

Held to maturity investments - local currency		-	196,969,198
Investments at fair value through profit and loss - listed securities	21.1	221,184,835	-
		<u>221,184,835</u>	<u>196,969,198</u>



## 21.1 Investments at fair value through profit or loss- listed securities

Number of shares/units	Name of Companies	2008 (Rupees)		2007 (Rupees)		
		Carrying value	Fair value	Carrying value	Fair value	
2008	2007					
25,000	-	Pakistan National Shipping Corporation Ordinary shares of Rs. 10 each	2,530,057	1,788,750	-	-
108,000	-	Pakistan Petroleum Limited Ordinary shares of Rs. 10 each	28,567,884	26,566,920	-	-
92,300	-	Bank Alfalah Ltd Ordinary shares of Rs. 10 each	4,672,262	3,789,838	-	-
651,870	-	Arif Habib Investments Ltd. PIF Units of Rs. 50 each	30,841,000	33,545,249	-	-
471,782	-	JS Investments Ltd. JS-IF Units of Rs. 100 each	50,000,000	52,337,682	-	-
7,537,123	-	NAFA Cash Funds NAFA-CF Units of Rs. 10 each	75,000,000	77,568,362	-	-
233,583	-	UBL Fund Managers Ltd. UGIF Units of Rs. 10 each	25,000,000	25,588,035	-	-
			<u>216,611,203</u>	<u>221,184,836</u>	-	-
		Unrealized gain on account of remeasurement to fair value	4,573,633	-	-	-
			<u>221,184,836</u>	<u>221,184,836</u>	-	-

## 22. CASH AND BANK BALANCES

	Note	2008 (Rupees)	2007 (Rupees)
Cash in hand		927,389	1,193,588
Cash at banks - Current accounts		9,691,656	5,957,531
- Deposit accounts	22.1	<u>60,423,550</u>	<u>43,346,071</u>
		<u>71,042,595</u>	<u>50,497,190</u>

**22.1** These carry interest rate of 2.5-8% per annum (2007: 2.5-8% per annum)

**22.2** The parent company has unavailed cash finance facility of Rs. 60 Million (2007: Rs. 60 Million) from Bank Alfalah Limited. The facility is secured by first pari passu charge by way of hypothecation over all present and future current and movable assets of the parent company and equitable mortgage over immovable property to the extent of Rs. 204 Million. This facility carries mark up at the rate of three months KIBOR + 1.65% per annum.

**22.3** The Parent Company has unavailed running finance facility of Rs. 50 Million (2007: Nil) from Habib Bank Limited. The facility is secured by first charge on all present and future moveable assets of the company, with a 25% margin, and by a first equitable mortgage charge over land and building of Parent Company's Nowshehra plant, ranking pari passu with the existing first charge holders to the extent of Rs. 370 Million. This facility carries mark up at the rate of three months KIBOR + 0.90% per annum.

	Note	2008 (Rupees)	2007 (Rupees)
<b>23. NET SALES</b>			
Gross sales		1,144,498,067	1,115,456,763
Less: Sales tax		-	(258,725)
		<u>1,144,498,067</u>	<u>1,115,198,038</u>
Less: Discount		(115,450,295)	(102,293,881)
		<u>1,029,047,772</u>	<u>1,012,904,157</u>
<b>24. COST OF SALES</b>			
Work in process:			
Opening		2,897,691	3,059,331
Closing		(5,206,081)	(2,897,691)
		<u>(2,308,390)</u>	<u>161,640</u>
Raw materials consumed	24.1	416,375,575	367,703,457
Salaries and wages	26.1	42,377,032	39,001,932
Fuel and power		6,335,399	6,326,093
Repairs and maintenance		3,599,261	2,206,655
Stores and spares consumed		3,829,651	2,813,795
Packing charges		4,697,415	4,301,696
Excise duty		25,915	120,757
Postage and telephone		865,132	665,930
Insurance		1,543,545	1,490,109
Travelling and conveyance		962,121	1,163,241
Transport		1,465,440	1,627,397
Laboratory and other expenses		1,306,833	1,377,638
Depreciation		22,828,950	22,571,744
Cost of goods manufactured		<u>503,903,879</u>	<u>451,532,084</u>
Finished stock:			
Opening		48,256,053	81,253,393
Closing		(87,060,584)	(48,256,053)
		<u>(38,804,531)</u>	<u>32,997,340</u>
		<u>465,099,348</u>	<u>484,529,424</u>
<b>24.1 Raw materials consumed</b>			
Opening stock		74,945,653	58,716,205
Add: Purchases		438,637,312	383,932,905
		<u>513,582,965</u>	<u>442,649,110</u>
Less: Closing stock		(97,207,390)	(74,945,653)
		<u>416,375,575</u>	<u>367,703,457</u>

<b>25. OTHER OPERATING INCOME</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
<b><i>From financial assets</i></b>			
Dividend income		424,625	1,711,000
Profit on term deposit receipts		9,086,473	12,815,086
Capital gain on sale of shares		2,388,478	6,934,322
Profit on deposits with banks		4,055,733	4,484,903
Gain on reameasurement of short term investments		4,573,633	-
Sales Commission		2,509,107	-
Gain on fair value adjustment of interest rate SWAP		1,187,639	-
		<b>24,225,688</b>	<b>25,945,310</b>
<b><i>From non financial assets</i></b>			
Gain on disposal of property, plant and equipment	25.1	687,675	1,592,218
		<b>24,913,363</b>	<b>27,537,528</b>

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

<u>Particulars</u>	<u>Cost</u>	<u>Net Book value</u>	<u>Sale proceeds</u>	<u>Profit/(loss)</u>	<u>Mode of disposal</u>
<b><u>VEHICLES</u></b>					
As per company's policy					
1 SUZUKI BALENO IDS 687	799,000	-	280,875	280,875	Mr. M. Yasin (Ex-Staff Member)
2 SUZUKI MEHRAN LA 962	390,000	312,000	320,000	8,000	Mr. Asif Haroon (Ex-Staff Member)
3 SUZUKI CULTUS RIY 8162	560,000	-	250,000	250,000	Mr. M. Javed Mirza - Staff Member
4 SUZUKI MEHRAN HJ 785	390,000	195,000	280,000	85,000	Mr. Gul Abdullah Awan (Ex-Staff Member)
By Insurance Claim form					
5 SUZUKI MEHRAN ANP 285	390,000	312,000	370,500	58,500	EFU Insurance Company (Stolen)
6 SUZUKI MEHRAN ANU 826	380,000	152,000	300,000	148,000	EFU Insurance Company (Stolen)
7 HONDA CITY HV 593	793,500	317,400	568,000	250,600	EFU Insurance Company (Stolen)
<b><u>LEASE HOLD IMPROVEMENTS</u></b>					
8 LEASE HOLD IMPROVEMENTS	550,330	393,300	-	(393,300)	Scraped
<b>2008 Rupees</b>	<b>4,252,830</b>	<b>1,681,700</b>	<b>2,369,375</b>	<b>687,675</b>	
2007 Rupees	4,605,890	688,132	2,280,350	1,592,218	

<b>26. ADMINISTRATIVE EXPENSES</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
Salaries, wages and benefits	26.1	33,920,837	28,164,150
Directors' fees and expenses		1,279,680	958,370
Rent, rates and taxes		1,108,450	523,564
Postage and telephone		1,124,744	729,689
Printing and stationery		766,922	584,470
Travelling and conveyance		2,106,829	1,149,849
Transport		2,521,153	1,165,373
Legal and professional charges		716,200	1,480,623
Electricity, gas and water		4,857,234	986,538
Auditors' remuneration	26.2	440,990	336,600
Repairs and maintenance		1,390,227	408,631
Subscriptions and fees		921,503	363,944
Donations	26.3	800,000	2,610,000
Insurance		882,431	610,502
Depreciation		5,969,651	11,402,907
Other administrative expenses		4,097,757	1,285,751
		<u>62,904,608</u>	<u>52,760,961</u>

**26.1** Salaries, wages and benefits include Rs. 4.365 million (2007: Rs. 3.856 million) charged on account of defined contribution plan.

**26.2 Auditors' remuneration**

Audit fee- annual audit	165,000	140,000
Fee for audit of consolidated accounts	35,000	35,000
Review of half yearly accounts	50,000	40,000
Audit fee- BF Biosciences	35,000	33,000
Other certifications	62,000	50,000
Out of pocket expenses	36,000	23,600
	<u>383,000</u>	321,600
Audit fee and out of pocket expenses - Farmacia - Aslam Malik & Co.	<u>57,990</u>	15,000
	<u>440,990</u>	<u>336,600</u>

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

	Note	2008 (Rupees)	2007 (Rupees)
<b>27. SELLING AND DISTRIBUTION COST</b>			
Salaries and allowances	26.1	82,122,937	76,382,911
Travelling and conveyance		43,313,192	40,183,101
Transport		1,935,994	1,484,097
Rent, rates and taxes		1,864,670	3,822,355
Advertisement and publicity		57,609,558	74,570,499
Freight and forwarding		4,721,048	5,066,269
Printing and stationery		835,397	1,128,532
Postage and telephone		2,171,544	1,815,976
Electricity, gas and water		218,961	693,020
Subscription and fees		3,026,498	2,945,631
Insurance		3,164,241	2,950,754
Repairs		197,403	223,755
Legal and professional charges		29,000	109,375
Entertainment		347,398	478,635
Depreciation		4,938,588	8,669,872
Other selling expenses		658,388	772,935
		<u>207,154,817</u>	<u>221,297,717</u>
<b>28. FINANCE COST</b>			
Finance charge on leased assets		512,950	1,034,075
Mark-up on bank financing		35,922	6,335
Bank charges		374,954	524,055
Interest on Workers' Profit Participation Fund		680,754	200,442
		<u>1,604,580</u>	<u>1,764,907</u>
<b>29. OTHER EXPENSES</b>			
Workers' Profit Participation Fund		13,955,370	11,835,220
Workers' Welfare Fund		4,191,800	3,208,749
Central Research Fund		2,926,622	2,585,131
		<u>21,073,792</u>	<u>17,629,100</u>
<b>30. TAXATION</b>			
Current year		78,174,415	61,007,623
Prior years'		(381,755)	25,942
Deferred		1,388,938	1,392,213
		<u>79,181,599</u>	<u>62,425,778</u>

<b>30.1 Relationship between tax expense and tax on accounting profit</b>	<b>Note</b>	<b>2008 (Rupees)</b>	<b>2007 (Rupees)</b>
Profit before taxation		<u>296,123,990</u>	<u>262,459,576</u>
Tax rate		<u>35%</u>	<u>35%</u>
Tax on accounting profit		<b>103,643,396</b>	91,860,852
Tax effect of expenses that are admissible in determining taxable profit		<b>2,086,291</b>	2,551,126
Tax effect of lower tax rates on certain income		<u>(26,166,333)</u>	<u>(32,012,142)</u>
		<b>79,563,354</b>	62,399,836
Tax effect of adjustments in respect of income tax of prior years		<u>(381,755)</u>	25,942
Tax expense for the current year		<u>79,181,599</u>	<u>62,425,778</u>
Average rate of tax		<u>27%</u>	<u>24%</u>

**30.2** Tax assessments of the parent company have been finalized up to and including the assessment year 2002-2003 (income year ended 30 June 2002). Returns for tax years 2003, 2004, 2005, 2006 and 2007 were filed and accepted under universal self assessment scheme.

### 31. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	<u>2008</u>			<u>2007</u>		
	(Rupees)			(Rupees)		
	Director	Chief Executive	Executives	Director	Chief Executive	Executives
Managerial remuneration	7,125,000	5,850,000	26,465,735	5,460,012	5,850,000	23,140,872
Utilities	-	258,219	-	-	274,867	-
Provident fund	367,741	322,764	1,044,516	281,808	322,764	807,312
	<u>7,492,741</u>	<u>6,430,983</u>	<u>27,510,251</u>	<u>5,741,820</u>	<u>6,447,631</u>	<u>23,948,184</u>
Numbers	1	1	12	1	1	10

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

The members of the Board of Directors were paid Rs. 3,900 (2007: Rs. 3,200) as meeting fee and Rs. 1,275,780 (2007: Rs. 955,170) as meeting expenses for attending the Board of Directors meetings.

## 32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 32.1 Risk Management

#### 32.1.1 Concentration of credit risk

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

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

#### 32.1.2 Interest rate risk

Total interest bearing liabilities amount to Rs. 291.602 million (2007: Rs. 109.871 million), out of which Rs. 278.242 million (2007: Rs. 97.835 million) are related with KIBOR. The management endeavors to obtain borrowing at competitive rates.

At reporting date the liabilities represented by long term financing, exposed to interest rate risks were hedged through a pay fix, receive-variable Interest Rate Swap agreement with Standard Chartered Bank. On account of these hedging activities, the group is not exposed to any significant interest rate risk.

#### 32.1.2 Currency risk

Currency risk is the risk of loss through changes in foreign currency rates. In case of the group this risk results from outstanding import payments. These transactions are not covered through foreign exchange risk cover as exchange risk is not considered material.

#### 32.1.1 Liquidity risk

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

#### 32.1.1 Fair value of financial instruments

The estimated fair value of financial instruments is not significantly different from their book value as shown in these financial statements except for the value of long term investments given in note 14.

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

2008 (Rupees)								
	Interest bearing					Non-interest bearing	Total	Effective Interest rate
	Maturity Upto one year	Maturity after one year upto two year	Maturity after two year upto three year	Maturity after three year upto four year	Maturity after four year upto five year			
<b>Financial assets</b>								
Long term investments	-	-	-	-	-	33,085	33,085	-
Long term loans	-	-	-	-	-	-	-	1.5%+6M KIBOR
Long term deposits	-	-	-	-	-	841,070	841,070	-
Derivative asset-interest rate swap	364,948	480,859	341,832	-	-	-	1,187,639	13%
Trade debts - considered good	-	-	-	-	-	36,755,668	36,755,668	-
Trade deposits and other receivables	-	-	-	-	-	2,428,291	2,428,291	-
Short term investments	-	-	-	-	-	221,184,835	221,184,835	10.6-10.6%
Cash and bank balances	60,423,550	-	-	-	-	10,619,045	71,042,595	8%
	60,788,498	480,859	341,832	-	-	271,861,994	333,473,183	
<b>Financial liabilities</b>								
<b>Recognized</b>								
Long term financing	84,875,000	90,198,850	56,750,000	42,562,500	-	-	274,386,350	1.5%+6M KIBOR
Liabilities against assets subject to finance lease	2,399,815	1,091,892	364,751	-	-	-	3,856,458	6-13%
Trade and other payables	14,610,203	-	-	-	-	77,694,846	92,305,049	30%
	101,885,018	91,290,742	57,114,751	42,562,500	-	77,694,846	370,547,857	
	(41,096,520)	(90,809,883)	(56,772,919)	(42,562,500)	-	194,167,148	(37,074,674)	
<b>Unrecognized</b>								
Guarantees	-	-	-	-	-	455,640	455,640	-
Commitments	-	-	-	-	-	75,198,130	75,198,130	-
	-	-	-	-	-	75,653,770	75,653,770	
2007 (Rupees)								
	Interest bearing					Non-interest bearing	Total	Effective Interest rate
	Maturity Upto one year	Maturity after one year upto two year	Maturity after two year upto three year	Maturity after three year upto four year	Maturity after four year upto five year			
<b>Financial assets</b>								
Long term investments	-	-	-	-	-	33,085	33,085	-
Long term deposits	-	-	-	-	-	600,447	600,447	-
Trade debts - considered good	-	-	-	-	-	49,000,779	49,000,779	-
Trade deposits and other advances	-	-	-	-	-	7,010,770	7,010,770	-
Short term investments	196,969,198	-	-	-	-	-	196,969,198	10.6-10.6%
Cash and bank balances	43,346,071	-	-	-	-	7,151,120	50,497,191	2-8%
	240,315,269	-	-	-	-	63,796,201	304,111,470	
<b>Financial liabilities</b>								
<b>Recognized</b>								
Long term financing	17,312,500	17,312,500	17,312,500	17,312,500	23,250,000	-	92,500,000	1.5%+6M KIBOR
Liabilities against assets subject to finance lease	4,310,822	1,024,253	-	-	-	-	5,335,075	6-13%
Trade and other payables	12,035,622	-	-	-	-	145,306,799	157,342,421	30%
	33,658,944	18,336,753	17,312,500	17,312,500	23,250,000	145,306,799	255,177,496	
	206,656,325	(18,336,753)	(17,312,500)	(17,312,500)	(23,250,000)	(81,510,598)	48,933,974	
<b>Unrecognized</b>								
Guarantees	-	-	-	-	-	455,640	455,640	-
Commitments	-	-	-	-	-	167,951,801	167,951,801	-
	-	-	-	-	-	168,407,441	168,407,441	



### 33. TRANSACTIONS WITH RELATED PARTIES

The Group's related parties include associated companies, entities over which directors are able to exercise influence, subsidiaries, staff retirement fund, directors and key management personnel. Balances with the related parties are shown else where in the accounts. The transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment which are disclosed in note 31 are as follows:

	<b>2008</b>	2007
	<b>(Rupees)</b>	(Rupees)
<b>Other related parties</b>		
Contribution to employee provident fund	<b>4,364,763</b>	3,856,131

### 34. CAPACITY AND PRODUCTION

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

### 35. CORRESPONDING FIGURES

Following figures have been rearranged/reclassified, for better presentation

- Advances to contractors that relate to purchase/construction of fixed assets have been reclassified as part of capital work in progress in note 13 & 13.2 "Capital Work In Progress" instead of note 18 "Loans and Advances - considered good".

### 36. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Parent Company in their meeting held on August 30, 2008 have proposed a final cash dividend of Rs. 3 per share and stock dividend @ 20% i.e. 2 bonus shares for every 10 shares held, for the year ended June 30, 2008.

### 37. DATE OF AUTHORIZATION

The financial statements have been authorized for issue by the board of directors of the parent company on August 30, 2008.

Rawalpindi  
 August 30, 2008

Director

Chairperson & Chief Executive

### PATTERN OF SHAREHOLDING AS AT JUNE 30, 2008

Number of Shareholders	Shareholding				Total Shares held
1,131	From	1	to	100	Shares 24,623
482	From	101	to	500	Shares 126,087
183	From	501	to	1,000	Shares 132,902
250	From	1,001	to	5,000	Shares 597,987
43	From	5,001	to	10,000	Shares 302,373
31	From	10,001	to	15,000	Shares 376,231
8	From	15,001	to	20,000	Shares 133,043
11	From	20,001	to	25,000	Shares 236,989
5	From	25,001	to	30,000	Shares 144,897
2	From	30,001	to	35,000	Shares 67,270
3	From	35,001	to	40,000	Shares 108,930
2	From	40,001	to	45,000	Shares 83,562
1	From	45,001	to	50,000	Shares 46,063
1	From	50,001	to	55,000	Shares 50,464
1	From	70,001	to	75,000	Shares 70,813
1	From	75,001	to	80,000	Shares 78,452
1	From	85,001	to	90,000	Shares 86,380
2	From	140,001	to	145,000	Shares 284,952
2	From	155,001	to	160,000	Shares 319,642
2	From	160,001	to	165,000	Shares 322,167
1	From	165,001	to	170,000	Shares 168,585
1	From	170,001	to	175,000	Shares 172,111
1	From	175,001	to	180,000	Shares 177,102
1	From	180,001	to	185,000	Shares 184,494
1	From	195,001	to	200,000	Shares 196,966
2	From	205,001	to	210,000	Shares 418,086
1	From	290,001	to	295,000	Shares 290,524
1	From	430,001	to	435,000	Shares 434,415
1	From	460,001	to	465,000	Shares 462,200
1	From	470,001	to	475,000	Shares 472,924
1	From	515,001	to	520,000	Shares 519,987
1	From	860,001	to	865,000	Shares 862,374
1	From	865,001	to	870,000	Shares 869,790
1	From	1,670,001	to	1,675,000	Shares 1,672,307
1	From	3,970,585	to	3,975,584	Shares 3,971,585
<b>2,178</b>	<b>Total:</b>				<b>14,467,277</b>

Categories of shareholders	Number	Shares held	Percentage
Individuals	2,146	7,308,637	50.52
Joint Stock Companies	17	4,027,026	27.84
Investment Companies	2	3,404	0.02
Financial Institutions	2	1,672,412	11.56
Insurance Companies	5	1,403,870	9.70
Others	6	51,928	0.36
	<b>2,178</b>	<b>14,467,277</b>	<b>100.00</b>

Categories of shareholders	Number	Shares held	Percentage
<b>Directors, Chief Executive Officer, and their spouse and minor childrens.</b>	<b>8</b>	<b>1,692,827</b>	<b>11.70</b>
<i>Directors</i>			
Mrs. Akhter Khalid Waheed		869,790	6.01
Mr. Osman Khalid Waheed		519,987	3.59
Mrs. Munize Azhar Peracha		159,821	1.10
Mr. Nihal Cassim		4,680	0.03
Mr. M. M. Ispahani		26,424	0.18
Mr. Taj Mohammad Khanzada		35,464	0.25
Mr. Farooq Mazhar		70,813	0.49
Khan Dost Muhammad Khan Sherpao		5,848	0.04
<b>Associated Companies, undertakings and related parties.</b>	<b>3</b>	<b>4,428,171</b>	<b>30.61</b>
<i>Associated Company</i>			
M/s. KFW Factors (Pvt) Limited		3,971,585	27.45
<i>Executives</i>			
Mr. Omer Khalid Waheed		434,415	3.00
Mr. A. U. Zafar		22,171	0.15
<b>NIT and ICP</b>	<b>3</b>	<b>1,675,711</b>	<b>11.58</b>
Investment Corp. of Pakistan		550	0.00
National Bank of Pakistan, Trustee Deptt.		1,672,307	11.56
IDBP (ICP UNIT)		2,854	0.02
<b>Bank Development Financial Institutions, Non Banking Financial Institutions.</b>	<b>17</b>	<b>56,116</b>	<b>0.39</b>
United Executors & Trustees Co Limited (Subsidiary of United Bank Limited)		105	0.00
Mercantile Co-op Finance Corp Limited		570	0.00
N.H. Securities (Pvt) Limited		368	0.00
Ali Hussain Rajabali Limited		6,000	0.04
Amin Agencies (Pvt) Limited		3,600	0.02
AWJ Securities (SMC-PRIVATE) Limited		761	0.01
Pasha Securities (Pvt.) Ltd.		2,274	0.02
Ismail Abdul Shakoor Securities (Private) Ltd.		48	0.00
Darson Securities (Pvt) Limited		33,654	0.23
Azee Securities (Private) Limited		119	0.00
Oriental Securities (Pvt) Ltd.		28	0.00
Live Securities (Private) Limited		2,065	0.01
Clktrade Limited		2,100	0.01
Mam Securities (Pvt) Limited		2,000	0.01
Maha Securities (Pvt.) Limited		1,300	0.01
Msmaniar Financials (Pvt) Ltd.		79	0.00
Y.s. Securities & Services (Pvt) Ltd.		1,045	0.01
<b>Insurance Companies</b>	<b>5</b>	<b>1,403,870</b>	<b>9.70</b>
Adamjee Insurance Co. Ltd.,		144	0.00
Co-op Insurance Society of Pak. Ltd.		78,452	0.54
United Insurance Co of Pak Ltd,		700	0.00
State Life Insurance Corp. of Pakistan		862,374	5.96
EFU General Insurance Limited		462,200	3.19
<b>General Public</b>	<b>2,136</b>	<b>5,158,654</b>	<b>35.66</b>
<b>Others</b>	<b>6</b>	<b>51,928</b>	<b>0.36</b>
The Securities & Exchange Commission of Pakistan		1	0.00
Dy.Administrator(APO),		10,588	0.07
Trustees Packages Ltd.		1,872	0.01
Trustees Saeeda Amin Wakf		14,905	0.10
Trustees Mohammad Amin Wakf Estate		21,170	0.15
Maqbool Shah Trust		3,392	0.02
	<b>2,178</b>	<b>14,467,277</b>	<b>100.00</b>
<b>Shareholders holding 10% or more</b>			
KFW Factors (Pvt) Limited		3,971,585	27.45
National Bank of Pakistan, Trustee Deptt.		1,672,307	11.56

Please Quote Folio Number

**FORM OF PROXY**

I, .....  
of.....  
being member of Ferozsons Laboratories Limited, hereby appoint .....  
.....  
of.....  
or failing him.....  
of.....

as my proxy in my absence to attend and vote for me, and on my behalf at the Annual General Meeting of the Company to be held on September 27, 2008 and at any adjournment thereof.

As witness my hand this ..... day of.....2008

Signed by the said

Rs. 5  
Revenue Stamp

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