Financial Statements for the Year Ended June 30, 2009

FEROZSONS
LABORATORIES LIMITED

AUDITORS' REPORT TO THE MEMBERS
FEROZSONS LABORATORIES LIMITED

We have audited the annexed balance sheet of Ferozsons Laboratories Limited ("the Company") as at 30 June 2009 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 2009 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 18, 2009

KPMG TASEER HADI & Co.
CHARTERED ACCOUNTANTS
Riaz Akbar Ali Pesnani

BALANCE SHEET AS

	Note	2009 (Rupees)	2008 (Rupees)
SHARE CAPITAL AND RESERVES			
Share capital	5	173,607,322	144,672,768
Capital reserve	6	321,843	321,843
Revenue reserve - unappropriated profit		796,200,236	681,242,280
		970,129,401	826,236,891
SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax	7	247,474,526	252,011,413
NON CURRENT LIABILITIES			
Long term financing - secured	8	99,312,500	156,062,500
Liabilities against assets subject to finance lease	9	475,003	1,456,643
Deferred liability for taxation	10	53,960,117	49,691,426
		153,747,620	207,210,569
CURRENT LIABILITIES			
Trade and other payables	11	146,275,665	116,423,214
Accrued mark-up on long term financing		4,187,777	5,588,157
Current portion of long term financing	8	56,750,000	56,750,000
Current portion of liabilities against assets subject to finance lease	9	983,653	2,399,815
Provision for taxation - net		361,151	15,008,477
		208,558,246	196,169,663
		1,579,909,793	1,481,628,536
CONTINGENCIES AND COMMITMENTS	12	-	-

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

Rawalpindi
August 18, 2009

Director

AT JUNE 30, 2009

	Note	2009 (Rupees)	2008 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	735,614,952	610,987,413
Long term investments	14	214,806,189	203,425,956
Long term loan	15	99,312,500	156,062,500
Long term deposits		969,370	790,870
Derivative asset-interest rate swap	16	31,143	822,691
CURRENT ASSETS			
Stores, spare parts and loose tools	17	3,628,845	4,091,300
Stock in trade	18	272,988,349	180,787,784
Trade debts-considered good		49,545,707	24,454,201
Current portion of long term loan	15	99,312,500	56,750,000
Loans and advances-considered good	19	7,367,988	4,560,060
Deposits and prepayments	20	7,293,812	5,809,956
Interest accrued		29,804,338	1,273,496
Other receivables	21	1,881,726	1,530,284
Other financial assets	22	35,069,367	194,474,564
Cash and bank balances	23	22,283,007	35,807,461
		529,175,639	509,539,106
		1,579,909,793	1,481,628,536

Chairperson & CEO

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees)	2008 (Rupees)
Net sales	24	1,085,393,578	932,297,994
Cost of sales	25	(501,182,280)	(391,559,432)
Gross profit		584,211,298	540,738,562
Other operating income	26	23,954,076	20,809,630
Administrative expenses	27	(80,995,604)	(60,719,276)
Selling and distribution cost	28	(261,185,939)	(199,424,660)
Finance cost	29	(3,675,937)	(1,487,228)
Other charges	30	(27,964,316)	(21,073,792)
Share in profit of Farmacia - 98% owned partnership firm		11,380,233	13,818,997
Profit before taxation		245,723,811	292,662,233
Provision for taxation	31	(62,966,358)	(75,638,404)
Profit after taxation		182,757,453	217,023,829
Earnings per share - basic and diluted	35	10.53	12.50

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

Rawalpindi
August 18, 2009 Director Chairperson & CEO

FEROZSONS LABORATORIES LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009 (Rupees)		2008 (Rupees)	
Cash flow from operating activities				
Profit before taxation		245,723,811		292,662,233
Adjustments for:				
Depreciation	45,024,493		33,244,566	
Gain on disposal of property, plant and equipment	(2,935,807)		(687,675)	
Finance Cost	2,488,299		1,487,228	
Dividends, capital gains and income from investments and deposits	(21,018,269)		(15,229,955)	
Loss/(Gain) on re-measurement of short term investments	5,251,345		(3,704,361)	
Loss/(Gain) on fair value adjustment of interest rate swap	1,187,639		(1,187,639)	
Share in profit of Farmacia-98% owned subsidiary firm	(11,380,233)		(13,818,997)	
		18,617,467		103,168
		264,341,278		292,765,400
Working capital changes:				
Increase in stocks and stores	(91,738,110)		(46,782,262)	
(Increase)/decrease in trade debtors	(25,091,506)		7,483,572	
(Increase)/decrease in loans, advances, deposits, prepayments and other receivables	(5,217,817)		6,833,437	
Increase/(decrease) in trade and other payables	28,062,000		(17,426,686)	
		(93,985,433)		(49,891,939)
Cash generated from operations		170,355,845		242,873,461
Finance cost paid	(34,256,356)		(3,097,660)	
Taxes paid	(73,344,993)		(55,878,093)	
		(107,601,349)		(58,975,754)
Net cash from operating activities		62,754,496		183,897,708
Cash flows from investing activities				
Purchase of long term investments	-		(40,000,000)	
Long term loan disbursed	-		(134,500,000)	
Long term loan recovered	14,187,500		14,187,500	
Purchase of property, plant and equipment	(173,828,447)		(86,770,250)	
Purchase of short term investments	(67,507,150)		(240,974,845)	
Sale proceeds from short term investments	221,661,001		237,173,839	
Dividends, capital gains and income from investments and deposits	23,182,035		18,414,107	
Sale proceeds of property, plant and equipment	7,112,222		2,369,375	
Net cash generated from/(used in) investing activities		24,807,161		(230,100,274)
Cash flows from financing activities				
Payment of finance lease liabilities	(2,397,802)		(4,444,417)	
Proceeds from long term financing	-		134,500,000	
Repayment of long term financing	(56,750,000)		(14,187,500)	
Dividend paid	(41,938,309)		(75,538,996)	
Net cash (used in) generated from financing activities		(101,086,111)		40,329,087
Net decrease in cash and cash equivalents during the year		(13,524,454)		(5,873,479)
Cash and cash equivalents at beginning of the year		35,807,461		41,680,940
Cash and cash equivalents at end of the year		22,283,007		35,807,461

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

Rawalpindi
August 18, 2009 Director Chairperson & CEO

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	Share capital (Rupees)	Capital reserve (Rupees)	Revenue reserve Unappropriated profit (Rupees)	Total (Rupees)
Balance as at June 30, 2007	**120,560,640**	**321,843**	**561,722,124**	**682,604,607**
Final dividend for the year ended June 30, 2007 Rs. 6.50 per share	-	-	(78,364,416)	(78,364,416)
Bonus shares issued at 20% for the year ended June 30, 2007	24,112,128	-	(24,112,128)	-
Transfer from surplus on revaluation of fixed assets - net	-	-	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
Balance as at June 30, 2008	**144,672,768**	**321,843**	**681,242,280**	**826,236,891**
Final dividend for the year ended June 30, 2008 Rs. 3 per share	-	-	(43,401,830)	(43,401,830)
Bonus shares issued at 20% for the year ended June 30, 2008	28,934,554	-	(28,934,554)	-
Transfer from surplus on revaluation of fixed assets - net	-	-	4,536,887	4,536,887
Net profit for the year	-	-	182,757,453	182,757,453
Total recognized income for the year	-	-	187,294,340	187,294,340
Balance as at June 30, 2009	**173,607,322**	**321,843**	**796,200,236**	**970,129,401**

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

Rawalpindi
August 18, 2009 Director Chairperson & CEO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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

The following standards, interpretations and amendments in approved accounting standards are effective from current accounting period;

IFRS 7 – "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the disclosure requirements of IAS 32 – "Financial Instruments: Disclosure and Presentation". The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

IAS 29 – "Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in hyperinflationary economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC 13 – "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

IFRIC 14 – "IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction" (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on Company's financial statements for the year ended 30 June 2009.

IFRIC 4 – "Determining whether an Arrangement contains a Lease" (effective for annual periods beginning on or after 1 January 2006) and IFRIC 12 – "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). However, the application of these interpretations have been deferred by the Securities and Exchange Commission of Pakistan (SECP), through circular 21 of 2009 dated 22 June 2009, for all companies till 30 June 2010, subject to the following:

- The relaxation is available to companies till the conclusion of their agreements entered on or before 30 June 2010 with the government or other authority.

- The relaxation from IFRIC 4 and IFRIC 12 is applicable to all companies and is not restricted to power sector. In case of power sector companies, the relaxation is available only in case where letter of intent or approval was issued by the government on or before 30 June 2010. In other cases, the date of agreement with the government or the other authority would determine the entitlement to the deferment and the same would be available till the conclusion of the existing agreement.

- The requirement of IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" is mandatory so that the investors / users of financial statements have knowledge about the results with and without the exemption.

However, the companies are encouraged to comply with the said interpretations but the fact of compliance shall be disclosed in their financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2009. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases.

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

IAS 27 – "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

IAS 27 – "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with gain or loss recognised in the profit or loss.

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

Amendments to IAS 39 and IFRIC 9 – "Embedded derivatives" (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.

Amendments to IAS 39 – "Financial Instruments: Recognition and measurement - Eligible hedged items" (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Amendment to IFRS 2 – "Share-based Payment - Group Cash-settled Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendment resolves diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

IFRS 4 – "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires the entity issuing insurance contracts (an insurer) to disclose information about those contracts.

IFRS 5 (Amendment) – "Non-current assets held-for-sale and discontinued operations" (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

Amendment to IFRS 7 – "Improving disclosures about Financial Instruments" (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

IFRS 8 – "Operating segments" (effective for annual periods beginning on or after 1 January 2009) 'introduces the management approach' to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's 'chief operating decision maker' in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments.

IFRIC 15 – "Agreement for Construction of Real Estate" (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16 – "Hedge of Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC 17 – "Distributions of Non-cash Assets to Owners" (effective annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

IFRIC 18 – "Transfers of Assets from Customers" (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

2.4. Basis of measurement

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.

2.5. 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.

2.6. Use of estimates and judgments

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. SIGNIFICANT ACCOUNTING POLICIES

3.1. Dividend and reserve appropriation

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

3.2. 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.

3.3. 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

3.3.1. 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.

3.3.2. 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.

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

3.4.1. Owned

Property, plant and equipment of the Company other than freehold 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. Freehold land is stated at revalued amount. Revaluation is carried out every five years unless earlier revaluation is necessitated.

Depreciation is provided on a straight line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 13. 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 7 to these financial statements.

3.4.2. Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, 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.

3.4.3. 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 13. Depreciation on leased assets is charged to profit and loss account currently.

3.5. 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.

3.6. Investments

3.6.1. 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.

3.6.2. 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.

3.6.3. Investments held to maturity

Investments with fixed maturity, where management has both the intent and ability to hold to maturity are classified as held to maturity and are stated at 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.

3.6.4. 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

3.7. Stores, spare parts and loose tools

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

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.

3.8. Stock in trade

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

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

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

3.9. 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.

3.10. 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 is recognized when the right to receive is established.

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

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

3.11. 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.

3.12. Borrowing costs

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

3.13. 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.

3.14. 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.

3.15. 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.

3.16. 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.

3.17. Cash flow hedges

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

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

3.18. 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.

3.19. 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.

3.20. 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.

4. FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, the

Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Board has delegated the responsibility for developing and monitoring the Company’s risk management policies to its Audit Committee. The committee reports regularly to the Board of Directors on its activities. The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers and investment securities.

Trade and other receivables

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company’s customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. More than 60 percent of the Company’s revenue is attributable to sales transactions through a single distributor based on demand. However, geographically there is no concentration of credit risk.

Investments

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains the following lines of credit:

a) Unavailed cash finance facility of Rs. 60 Million from Bank Al-falah Limited.

b) Unavailed running finance facility of Rs. 85 Million from Habib Bank Limited.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to currency risk on outstanding import payments. These transactions are not covered through foreign exchange risk cover as exchange risk is not considered material.

Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company has long term Rupee based loans and running finance arrangement at variable rates. The local currency loans have variable rate pricing that is dependent on the State Bank of Pakistan's discount rate and the Karachi Inter Bank Offer Rate (KIBOR).

Other market price risk

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

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.

	2009 (Rupees)	2008 (Rupees)
5. SHARE CAPITAL		
Authorized share capital:		
25,000,000 (2008: 25,000,000) ordinary shares of Rs. 10 each.	**250,000,000**	250,000,000
Issued, subscribed and paid up capital:		
1,441,952 (2008: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	**14,419,520**	14,419,520
119,600 (2008: 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
15,799,180 (2008: 12,905,725) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**157,991,802**	129,057,248
	173,607,322	144,672,768

6. CAPITAL RESERVE

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

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

	2009 (Rupees)	2008 (Rupees)
Surplus on revaluation of fixed assets as at 01 July.	**282,701,998**	290,352,569
Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:		
- Net of deferred tax	**(4,536,887)**	(4,972,871)
- Related deferred tax liability	**(2,442,939)**	(2,677,700)
	(6,979,826)	(7,650,571)
Surplus on revaluation of fixed assets as at 30 June	**275,722,172**	282,701,998
Related deferred tax liability:		
- On Revaluation as at 01 July	**(30,690,585)**	(33,368,285)
- Transferred to profit and loss account Incremental depreciation charged during the year	**2,442,939**	2,677,700
	(28,247,646)	(30,690,585)
	247,474,526	252,011,413

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.

8. LONG TERM FINANCING - SECURED

	Note	2009 (Rupees)	2008 (Rupees)
from banking company			
- Habib Bank Limited (HBL)	8.1	156,062,500	212,812,500
Less : Current portion shown under current liabilities		(56,750,000)	(56,750,000)
		99,312,500	156,062,500

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

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2009 (Rupees)	2008 (Rupees)
Minimum lease payments due			
Not later than one year		1,090,320	2,698,560
Later than one year and not later than five years		478,300	1,570,454
Total future minimum lease payments		1,568,620	4,269,014
Less: Future financial costs		(109,964)	(412,556)
Present value of minimum lease payments	9.1	1,458,656	3,856,458
Less : Current maturity shown under current liabilities		(983,653)	(2,399,815)
		475,003	1,456,643

9.1 Break-up of present value of minimum lease payments

	2009 (Rupees)	2008 (Rupees)
Not later than one year	983,653	2,399,815
Later than one year and not later than five years	475,003	1,456,643
	1,458,656	3,856,458

This represent Finance Leases arrangement entered into with Bank Alfalah Limited for vehicles. Lease rentals are paid on monthly basis in advance and include finance charges. As per terms of agreement with Bank Alfalah Limited the floating interest rates are used under the terms of agreement, equivalent to a base rate of 3 months KIBOR plus 1.95% (2008: 3 months KIBOR plus 1.95% to 3%) with no floor and no cap, review on expiry of base rate term of 3 months.

10. DEFERRED LIABILITY FOR TAXATION

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

	2009 (Rupees)	2008 (Rupees)
Accelerated depreciation	26,246,318	20,766,275
Derivative asset-interest rate SWAP	(23,317)	(415,674)
Obligations under finance lease	(510,530)	(1,349,760)
Surplus on revaluation of fixed assets	28,247,646	30,690,585
	53,960,117	49,691,426

11. TRADE AND OTHER PAYABLES

	Note	2009 (Rupees)	2008 (Rupees)
Creditors		42,565,793	35,324,151
Accrued liabilities		9,825,624	9,701,511
Advances from customers		30,028,006	16,119,145
Unclaimed dividend		13,693,388	12,229,867
Tax deducted at source		1,147,677	608,582
Employees' provident fund		-	2,136,862
Provision for compensated absences		2,500,000	2,500,000
Workers' (Profit) Participation Fund	11.1	12,266,421	14,610,203
Central Research Fund	11.2	10,011,722	7,467,783
Workers' Welfare Fund		3,418,759	-
Advances from employees		13,465,360	11,547,961
Retention money payable		4,374,723	3,049,053
Due to subsidiary - BF Biosciences Ltd.		2,900,777	-
Others		77,415	1,128,096
		146,275,665	116,423,214

11.1 Workers' (Profit) Participation Fund

	2009 (Rupees)	2008 (Rupees)
Balance at the beginning of the year	14,610,203	12,035,662
Interest on funds utilized by the Company	326,930	680,754
Allocation for the year	11,917,691	13,955,370
	26,854,824	26,671,786
Payments made during the year	(14,588,403)	(12,061,583)
	12,266,421	14,610,203

The fund balance has been utilized by the Company for its own business and an interest at the rate of 22.5% (2008: 48.75%) has been credited to the fund. Interest is calculated at 75% of the cash dividend paid rate as required under Companies Profit (Workers' Participation) Rules 1971.

11.2 Central Research Fund

	2009 (Rupees)	2008 (Rupees)
Opening balance	7,467,783	4,541,161
Charge for the year	2,543,939	2,926,622
	10,011,722	7,467,783

12. CONTINGENCIES AND COMMITMENTS

		2009 (Rupees)	2008 (Rupees)
	Contingencies:		
i	Guarantees issued by banks on behalf of the Company	5,455,640	455,640
	Commitments:		
ii	Capital expenditure	31,415,419	36,330,718
iii	Letter of credits other than for capital expenditure	23,370,273	12,011,016

13 PROPERTY, PLANT & EQUIPMENT

	Note	Reassessed Value/Original Cost					Rate	Depreciation					Net Book Value
		As At July 01, 2008	Additions	Transfers/ Adjustments	(Deletions)	As At Jun 30, 2009	%	As At July 01, 2008	For the Year	On Deletions	Transfers/ Adjustments	As At Jun 30, 2009	As At Jun 30, 2009
OWNED:													
Freehold land		266,131,000	2,000,000	-	-	268,131,000	-	-	-	-	-	-	268,131,000
Building on freehold land		83,140,833	9,165,940	12,885,258	-	105,192,031	5 - 10	11,022,704	6,632,279	-	-	17,654,983	87,537,048
Plant and machinery		158,571,535	6,389,289	107,685	-	165,068,509	10	31,999,964	16,031,482	-	-	48,031,446	117,037,063
Office equipments		7,673,355	15,895,309	15,694,136	-	39,262,800	10	3,969,866	2,355,312	-	11,005,940	17,331,118	21,931,682
Furniture and fittings		23,816,680	171,398	(6,906,278)	-	17,081,800	10	16,358,054	708,985	-	(11,005,940)	6,061,099	11,020,701
Computers		11,560,550	2,672,225	-	(213,650)	14,019,125	33.33	9,775,650	1,552,076	(213,650)	-	11,114,076	2,905,049
Vehicles		69,877,841	44,283,400	9,033,000	(10,838,940)	112,355,301	20	42,773,045	17,144,699	(6,851,025)	5,124,633	58,191,352	54,163,949
Capital work in progress	13.2	99,540,035	93,250,886	(21,780,801)	-	171,010,120		-	-	-	-	-	171,010,120
		720,311,829	173,828,447	9,033,000	(11,052,590)	892,120,686		115,899,283	44,424,833	(7,064,675)	5,124,633	158,384,074	733,736,612
LEASED:													
Vehicles		12,388,800	-	(9,033,000)	(390,000)	2,965,800	20	5,813,933	599,660	(201,500)	(5,124,633)	1,087,460	1,878,340
		12,388,800	-	(9,033,000)	(390,000)	2,965,800		5,813,933	599,660	(201,500)	(5,124,633)	1,087,460	1,878,340
Total 2009		732,700,629	173,828,447	-	(11,442,590)	895,086,486		121,713,216	45,024,493	(7,266,175)	-	159,471,534	735,614,952

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

13 PROPERTY, PLANT & EQUIPMENT

	Note	Reassessed Value/Original Cost					Rate	Depreciation					Net Book Value
		As At July 01, 2007	Additions	Transfers/ Adjustments	(Deletions)	As At Jun 30, 2008	%	As At July 01, 2007	For the Year	On Deletions	Transfers/ Adjustments	As At Jun 30, 2008	As At Jun 30, 2008
OWNED:													
Freehold land		264,131,000	2,000,000	-	-	266,131,000	-	-	-	-	-	-	266,131,000
Building on freehold land		80,741,310	2,399,523	-	-	83,140,833	5 - 10	6,634,700	4,388,004	-	-	11,022,704	72,118,129
Leasehold improvements		550,330	-	-	(550,330)	-	10	157,030	-	(157,030)	-	-	-
Plant and machinery		146,665,280	11,906,255	-	-	158,571,535	10	15,944,573	16,055,391	-	-	31,999,964	126,571,571
Office equipments		4,724,034	2,949,321	-	-	7,673,355	10	3,597,391	372,475	-	-	3,969,866	3,703,489
Furniture and fittings		23,633,320	183,360	-	-	23,816,680	10	13,838,217	2,519,837	-	-	16,358,054	7,458,626
Computers		10,331,310	1,229,240	-	-	11,560,550	33.33	8,616,733	1,158,917	-	-	9,775,650	1,784,900
Vehicles		37,015,785	11,099,126	25,075,430	(3,312,500)	69,877,841	20	22,380,678	7,566,209	(2,219,100)	15,045,258	42,773,045	27,104,796
Capital work in progress	13.2	38,948,453	60,591,582	-	-	99,540,035		-	-	-	-	-	99,540,035
		606,740,822	92,358,407	25,075,430	(3,862,830)	720,311,829		71,169,322	32,060,833	(2,376,130)	15,045,258	115,899,283	604,412,546
LEASED:													
Vehicles		34,888,430	2,965,800	(25,075,430)	(390,000)	12,388,800	20	19,870,458	1,183,733	(195,000)	(15,045,258)	5,813,933	6,574,867
		34,888,430	2,965,800	(25,075,430)	(390,000)	12,388,800		19,870,458	1,183,733	(195,000)	(15,045,258)	5,813,933	6,574,867
Total 2008		641,629,252	95,324,207	-	(4,252,830)	732,700,629		91,039,780	33,244,566	(2,571,130)	-	121,713,216	610,987,413

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

	2009	2008
13.2 Capital Work-In-Progress	(Rupees)	(Rupees)
Building and civil works	133,869,688	77,792,718
Plant & machinery	4,887,670	5,135,207
Consultancy services	5,993,269	2,905,220
Advances to contractors	26,259,493	13,706,890
	171,010,120	99,540,035

13.3 As referred in Note 7 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:

		Cost	Accumulated Depreciation	Written Down Value
		(Rupees)	(Rupees)	(Rupees)
Freehold land		69,209,876	-	69,209,876
Buildings		41,221,990	25,409,228	15,812,762
Plant & Machinery		156,044,260	101,443,730	54,600,530
	2009	266,476,126	126,852,958	139,623,168
	2008	266,476,126	116,503,886	149,972,240

		2009	2008
13.4 Depreciation is allocated as under:	Note	(Rupees)	(Rupees)
Cost of sales	25	26,760,859	22,828,950
Administrative expenses	27	6,882,541	5,477,028
Selling and distribution cost	28	11,381,093	4,938,588
		45,024,493	33,244,566

		Note	2009 (Rupees)	2008 (Rupees)
14	**LONG TERM INVESTMENTS**			
	Related Parties - At cost			
	Farmacia (Partnership firm, unlisted subsidiary)	14.1	**62,773,144**	51,392,911
	BF Biosciences Limited (unlisted subsidiary)	14.2	**151,999,960**	151,999,960
	Others available for sale - unlisted	14.3	**33,085**	33,085
			214,806,189	203,425,956

14.1 Farmacia (Partnership firm, unlisted subsidiary)

	Note	2009 (Rupees)	2008 (Rupees)
Opening Balance		**51,392,911**	37,573,914
Company's share in profit of subsidiary	14.1.1	**11,380,233**	13,818,997
		62,773,144	51,392,911

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

14.2 BF Biosciences Limited (Unlisted Subsidiary)
This represents investment made in 15,199,996 ordinary shares of Rs. 10 each, in BF Biosciences Limited.

BF Biosciences Limited was set up for establishing a Biotech Pharmaceutical Plant to manufacture mainly Cancer and Hepatitis related medicines. The Company holds 80% of equity of the subsidiary and the remaining 20% is held by Laboratories Bagó S.A., Argentina. The Company has commenced its commercial operations effective July 2009.

14.3 Others Available for sale - unlisted

Number of shares 2009	Number of shares 2008	Name of Companies	2009 (Rupee)	2008 (Rupee)
218	218	National General Insurance Company Limited Ordinary shares of Rs. 10 each Equity held 0.01%	**2,985**	2,985
301	301	Mercantile Co-operative Finance Corporation Limited 'A' class shares of Rs. 100 each The entity is under liquidation	**30,100**	30,100
			33,085	33,085

15. LONG TERM LOAN

	Note	2009 (Rupees)	2008 (Rupees)
Related party - considered good			
BF Biosciences Limited	15.1	**198,625,000**	212,812,500
Less : Amount due within twelve months, shown under current assets		**(99,312,500)**	(56,750,000)
		99,312,500	156,062,000

15.1 This represents the outstanding amount of loan given by the Company to its subsidiary, BF Biosciences Limited as stated in note 8.1 to these financial statements. 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 instalments 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 payable quarterly in arrear.

The maximum amount of long term loan at the end of any month during the year was Rs. 212.8 million.

16. DERIVATIVE ASSET-INTEREST RATE SWAP

	Note	2009 (Rupees)	2008 (Rupees)
Interest rate swap	16.1	**66,621**	1,187,639
Less: Current portion shown under current assets - other receivables		**(35,478)**	(364,948)
		31,143	822,691

16.1 This represents fair value, as confirmed by Standard Chartered Bank Limited (the Bank), of variable Interest rate swap agreement with the Bank 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.

17. STORES, SPARE PARTS AND LOOSE TOOLS

	2009 (Rupees)	2008 (Rupees)
Stores	**3,096,802**	3,320,674
Spare parts	**422,735**	456,950
Loose tools	**109,308**	313,676
	3,628,845	4,091,300

	Note	2009 (Rupees)	2008 (Rupees)
18. STOCK IN TRADE			
Raw material		134,222,613	86,298,725
Work in process		7,791,792	5,206,081
Finished goods	18.1	123,514,890	87,060,584
		265,529,295	178,565,390
Stock in transit		7,459,054	2,222,394
		272,988,349	180,787,784

18.1 These include finished goods amounting to Rs.2,188,118 (2008: 1,988,243) which are carried at net realizable value.

	Note	2009 (Rupees)	2008 (Rupees)
19. LOANS AND ADVANCES - Considered good			
Advances to employees	19.1	3,251,567	4,482,014
Advances to suppliers		4,051,710	-
Others		64,711	78,046
		7,367,988	4,560,060

19.1 There is no interest free advance against salary to executives on June 30, 2009 (2008: Rs. 666,085).

	Note	2009 (Rupees)	2008 (Rupees)
20. DEPOSITS AND PREPAYMENTS			
Deposits:			
Earnest money		4,437,186	952,081
Lease key money		296,580	827,380
Margin deposits		2,384,212	3,817,170
Prepayments		175,834	213,325
		7,293,812	5,809,956
21. OTHER RECEIVABLES			
Due from Subsidiaries:			
BF Biosciences Ltd.		-	3,000
Farmacia		112,735	-
Current portion of interest rate swap		35,478	364,948
Others		1,733,513	1,162,336
		1,881,726	1,530,284
22. OTHER FINANCIAL ASSETS			
Investments at fair value through profit and loss - listed securities	22.1	35,069,367	194,474,564
		35,069,367	194,474,564

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

Number of shares 2009	Number of shares 2008	Name of Companies	2009 (Rupees) Carrying value	2009 (Rupees) Fair value	2008 (Rupees) Carrying value	2008 (Rupees) Fair value
25,000	25,000	Pakistan National Shipping Corporation Ordinary shares of Rs. 10 each	1,788,750	1,154,000	2,530,057	1,788,750
118,800	108,000	Pakistan Petroleum Ltd Ordinary shares of Rs. 10 each	26,566,920	22,517,352	28,567,884	26,566,920
155,755	92,300	Bank Alfalah Ltd Ordinary shares of Rs. 10 each	1,643,869	1,643,215	4,672,262	3,789,838
50,000	-	Pakistan Telecommunication Co.Ltd. Ordinary shares of Rs. 10 each	727,943	862,000	-	-
290,000	-	PICIC-Growth Fund Ordinary shares of Rs. 10 each	2,852,317	2,436,000	-	-
20,000	-	Pakistan Oilfields.Ltd. Ordinary shares of Rs. 10 each	3,235,471	2,918,000	-	-
45,000	-	Oil & Gas Development Company Ltd. Ordinary Shares of Rs.10 each	3,505,442	3,538,800		
-	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
			40,320,712	35,069,367	190,770,203	194,474,564
		Unrealized (loss)/gain on account of re-measurement to fair value	(5,251,345)	-	3,704,361	-
			35,069,367	35,069,367	194,474,564	194,474,564

23. CASH AND BANK BALANCES

	Note	2009 (Rupees)	2008 (Rupees)
Cash in hand		848,965	521,425
Cash at banks - Current accounts		739,527	1,115,202
- Deposit accounts	23.1	20,694,515	34,170,834
		22,283,007	35,807,461

23.1 These carry interest rate of 5-10.5% per annum (2008: 8% per annum)

23.2 The Company has unavailed cash finance facility of Rs. 60 Million (2008: 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 + 2.25% per annum.

23.3 The Company has unavailed running finance facility of Rs. 85 Million (2008: 50 Million) from Habib Bank Limited. The facility is secured by first charge on all present and future moveable assets of the Company, with a 25% margin, and by a first equitable mortgage charge over land and building of Company's Nowshehra plant, ranking pari passu with the existing first charge holders to the extent of Rs. 370 Million. This facility carries mark up at the rate of three months KIBOR + 1.50% per annum.

	Note	2009 (Rupees)	2008 (Rupees)
24. NET SALES			
Gross sales		1,199,297,940	1,045,219,680
Less: Discount		(113,904,362)	(112,921,686)
		1,085,393,578	932,297,994
25. COST OF SALES			
Work in process:			
Opening		5,206,081	2,897,691
Closing		(7,791,792)	(5,206,081)
		(2,585,711)	(2,308,390)
Raw materials consumed	25.1	437,159,520	342,835,659
Salaries & wages	27.1	46,050,772	41,551,697
Fuel and power		6,840,309	6,335,399
Repair and maintenance		2,871,215	3,599,261
Stores and spares consumed		5,840,356	3,829,651
Packing charges		5,582,784	4,697,415
Excise duty		16,694	25,915
Postage and telephone		868,945	865,132
Insurance		1,902,739	1,543,545
Travelling and conveyance		747,482	962,121
Transport		1,498,706	1,465,440
Laboratory and other expenses		4,081,916	2,132,168
Depreciation		26,760,859	22,828,950
Cost of goods manufactured		537,636,586	430,363,963
Finished stock:			
Opening		87,060,584	48,256,053
Closing		(123,514,890)	(87,060,584)
		(36,454,306)	(38,804,531)
		501,182,280	391,559,432
25.1 Raw materials consumed			
Opening stock		86,298,725	68,389,436
Add: Purchases		485,083,408	360,744,948
		571,382,133	429,134,384
Less: Closing stock		(134,222,613)	(86,298,725)
		437,159,520	342,835,659
26. OTHER OPERATING INCOME			
From financial assets			
Dividend income		2,594,500	424,625
Profit on Term Deposit Receipts		1,787,671	9,086,473
Capital gain on sale of shares		2,202,955	2,388,478
Capital gain realized on investments in mutual funds		5,556,102	-
Profit on deposits with banks		1,895,634	3,330,379
Gain on re-measurement of short term investments		-	3,704,361
Exchange Gain		443,330	-
Commission		3,692,710	-
Gain on fair value adjustment of interest rate SWAP		-	1,187,639
Mark up on Long Term Loan to Subsidiary		2,845,367	-
		21,018,269	20,121,955
From non financial assets			
Gain on disposal of property, plant and equipment	26.1	2,935,807	687,675
		23,954,076	20,809,630

26.1 Gain on disposal of property, plant and equipment

	Particulars	Cost	Net Book value	Sale proceeds	Gain	Mode of disposal
	OWNED VEHICLES					
						As per company's policy
1	YAMAHA 100 S 1607	77,550	-	18,000	18,000	Mehr Tariq - Ex-Staff Member
2	HONDA 125 LRR 2178	73,700	-	33,500	33,500	Syed Sohail Akhtar - Ex-Staff Member
3	HONDA 125 F 1369	73,700	-	33,500	33,500	Muhamad Ishfaq - Ex-Staff Member
4	SUZUKI MEHRAN VXR CNG BAH 036	380,000	63,333	200,000	136,667	Mamoon Ghauri - Ex-Staff Member
5	SUZUKI MEHRAN CNG MLF 7565	375,000	62,500	200,000	137,500	Rana Iftikhar Ahmed - Ex-Staff Member
6	HONDA CD 70 RL 778	56,240	12,185	54,000	41,815	Muhammad Azam - Ex-Staff Member
7	HONDA CD 70 RLA 782	56,240	9,373	54,000	44,627	M Khalid Askari - Ex-Staff Member
8	HONDA CD 70 RLA 275	56,240	12,185	19,710	7,525	Khalid Masood Bhatti - Ex-Staff Member
9	HONDA CD 70 RLA 219	56,240	11,248	25,000	13,752	Zubair Tariq Rathore - Ex-Staff Member
10	HONDA CD 70 RLA 301	56,240	12,185	54,000	41,815	Shakeel Shehzad - Ex-Staff Member
11	HONDA CD 70 RLA 257	56,240	9,373	54,000	44,627	Mian Amjad Faheem - Ex-Staff Member
12	SUZUKI LIANA KU 790	803,500	374,967	462,013	87,046	Shahid Mehmood - Ex-Staff Member
13	SUZUKI LIANA-KU 792	803,500	401,750	492,813	91,063	Abdul Rauf - Ex-Staff Member
14	HONDA CD 70-RIK 4449	54,000	27,900	40,000	12,100	M. Kamran Mirza - Ex-Staff Member
15	HONDA CD 70-RIK 4451	54,000	28,800	32,400	3,600	Liaqat Ali Qamar - Ex-Staff Member
16	SUZUKI BALENO JXR KE 162	749,000	237,183	315,828	78,645	M. Mehdi Raza - Ex-Staff Member
17	FIAT RIY 6483	620,000	-	120,000	120,000	Muhammad Sultan - Staff Member
18	HONDA 125 SLM 1070	73,700	-	33,500	33,500	Shahid Saleem - Staff Member
19	HONDA 125 RIZ 7395	71,500	1,192	42,250	41,058	Imtiaz Qureshi - Staff Member
20	SUZUKI CULTUS FSA 3307	555,000	64,750	281,750	217,000	Rana Javed Iqbal - Staff Member
21	SUZUKI MEHRAN IDM 9473	374,000	24,933	187,250	162,317	Waseem Shahzad - Staff Member
22	HONDA CD 70 RLA 244	56,240	12,185	54,000	41,815	Imran Qayyum - Staff Member
23	HONDA CD 70 RLA 269	56,240	12,185	54,000	41,815	Sarfaraz A.Khan - Staff Member
24	HONDA CD 70 RLB 5524	56,240	12,185	24,772	12,587	Atiq ur Rehman - Staff Member
25	HONDA CD 70 RLA 294	56,240	12,185	35,000	22,815	Aftab Ahmed - Staff Member
26	HONDA CD 70 RLA 231	56,240	12,185	27,000	14,815	Raja M.Saleem - Staff Member
27	HONDA 125 RL 897	73,410	15,905	44,000	28,095	Syed Waqar Latif - Staff Member
28	DAIHATSU CUORE GAP 705	399,000	19,950	200,000	180,050	Muhammad Afzal - Staff Member
29	SUZUKI MEHRAN CNG HV 237	375,000	31,250	200,000	168,750	Shahid Ali Hanif - Staff Member
30	SUZUKI MEHRAN VXR CNG-MLF-8780	380,000	19,000	240,000	221,000	Ashiq Mehmood - Staff Member
						By Auction
31	HONDA CITY VARIO HG 601	843,500	112,467	500,000	387,533	By Auction
						By Insurance Claim from
32	SUZUKI BALENO JXR CNG LWB 2286	849,000	396,200	550,000	153,800	EFU Insurance Company
33	HONDA CD 70 RIK 4441	54,000	36,000	54,468	18,468	EFU Insurance Company
34	HONDA CD 70 RIK 4443	54,000	36,000	54,468	18,468	EFU Insurance Company
35	HONDA CIVIC RIA 2767	1,524,000	1,473,200	1,500,000	26,800	EFU Insurance Company
36	HONDA CD 70 RLA 274	56,240	6,561	40,000	33,439	EFU Insurance Company
37	SUZUKI MEHRAN VXR CNG ARL - 251	474,000	426,600	474,000	47,400	EFU Insurance Company
	LEASED VEHICLE					
						As per company's policy
38	SUZUKI MEHRAN VXR CNG HJ 878	390,000	188,500	280,000	91,500	Sajid Latif - Ex-Staff Member
	COMPUTERS					
39	HP Compaq	71,650	-	7,000	7,000	Mehdi Raza Jafery - Ex-Staff Member
40	IBM Laptops	71,000	-	10,000	10,000	Shahid Mahmood - Ex-Staff Member
41	IBM Laptops	71,000	-	10,000	10,000	Abdul Azeem - Ex-Staff Member
	2009 Rupees	**11,442,590**	**4,176,415**	**7,112,222**	**2,935,807**	
	2008 Rupees	4,252,830	1,681,700	2,369,375	687,675	

27. ADMINISTRATIVE EXPENSES	Note	2009 (Rupees)	2008 (Rupees)
Salaries, wages and benefits	27.1	48,449,236	33,378,173
Directors fees and expenses		1,212,940	1,279,680
Rent, rates and taxes		959,506	584,200
Postage and telephone		1,584,875	1,123,453
Printing and Stationary		1,230,879	766,235
Travelling and conveyance		2,829,404	2,097,622
Transport		3,343,006	2,521,153
Legal and professional charges		629,500	419,000
Fuel and power		2,818,818	4,337,809
Auditors' remuneration	27.2	453,700	348,000
Repairs and maintenance		2,521,785	1,209,415
Subscriptions		756,726	916,603
Donation	27.3	2,160,000	800,000
Insurance		710,555	831,589
Depreciation		6,882,541	5,477,028
Other administrative expenses		4,452,133	4,629,316
		80,995,604	60,719,276

27.1 Salaries, wages and benefits include Rs.6.646 million (2008: Rs. 4.365 million) charged on account of defined contribution plan.

27.2 Auditors' remuneration

	2009	2008
Fee for annual audit	225,000	165,000
Fee for audit of consolidated accounts	50,000	35,000
Review of half yearly accounts	75,000	50,000
Other certifications	87,000	62,000
Out of pocket expenses	16,700	36,000
	453,700	348,000

27.3 Donation include Rs. 400,000 donated to Aziz Jehan Begum Trust for the Blind situated at 74 PECO Road, Lahore. One of Company's Director i.e. Mr. Khalil Mian, the nominee Director of NIT, is the Chairman of this Trust.

28. SELLING AND DISTRIBUTION COST

	Note	2009 (Rupees)	2008 (Rupees)
Salaries and allowances	27.1	85,441,786	75,147,119
Travelling and conveyance		55,245,825	43,022,493
Transport		3,408,373	1,935,994
Rent, rates and taxes		2,537,346	1,864,670
Advertisement and publicity		74,251,674	57,494,605
Freight & forwarding		7,806,283	4,721,048
Printing and Stationary		1,063,922	710,088
Postage and telephone		3,235,755	2,033,020
Electricity and gas		255,734	209,631
Subscriptions and fees		6,473,661	3,026,498
Insurance		3,503,752	3,164,241
Repairs		481,824	197,403
Legal and professional charges		613,400	29,000
Entertainment		493,704	201,949
Training		4,100,901	-
Depreciation		11,381,093	4,938,588
Other selling expenses		890,906	728,313
		261,185,939	199,424,660

29. FINANCE COST

	Note	2009 (Rupees)	2008 (Rupees)
Finance charge on leased assets		315,287	512,950
Mark-up on bank financing		1,161,321	35,922
Bank charges		684,760	257,602
Interest on Workers' (Profit) Participation Fund		326,930	680,754
Transfer of fair value swap to subsidiary previously recognised in income		1,187,639	-
Mark-up on long term loan		30,694,608	26,346,916
Less: Mark-up passed on to subsidiary		(30,694,608)	(26,346,916)
	29.1	-	-
		3,675,937	1,487,228

29.1 This represents the mark-up on long term finance facility as referred in note 15, 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.

30. OTHER CHARGES

	Note	2009 (Rupees)	2008 (Rupees)
Loss on fair value measurement of other financial assets		5,251,345	-
Workers' (Profit) Participation Fund		11,917,691	13,955,370
Workers' Welfare Fund	30.1	8,251,341	4,191,800
Central Research Fund		2,543,939	2,926,622
		27,964,316	21,073,792

30.1 This includes a prior year error adjustment of Rs.4.8 Million

	2009 (Rupees)	2008 (Rupees)
31. TAXATION		
Current year	58,697,667	74,249,466
Deferred	4,268,691	1,388,938
	62,966,358	75,638,404

31.1 Relationship between tax expense and tax on accounting profit

	2009	2008
Profit before taxation	245,723,811	292,662,232
Tax rate	35%	35%
Tax on accounting profit	86,003,334	102,431,781
Tax effect of expenses that are admissible in determining taxable profit	3,672,980	1,978,717
Tax effect of lower tax rates on certain income	(26,709,956)	(28,772,094)
Tax expense for the current year	62,966,358	75,638,404
Average rate of tax	26%	26%

31.2 Tax assessments of the Company have been finalized up to and including the assessment year 2002-2003 (income year ended 30 June 2003). Returns for tax years 2004 to 2008 were filed and accepted under universal self assessment scheme. However the tax year 2008 is under tax audit against which amendement in assessment order is awaited, if any.

32. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	2009 (Rupees)			2008 (Rupees)		
	Director	Chief Executive	Executives	Director	Chief Executive	Executives
Managerial remuneration	6,650,000	7,000,000	35,771,902	7,125,000	5,850,000	26,465,735
Utilities	-	253,763	-	-	258,219	-
Provident fund	367,740	413,796	1,717,316	367,741	322,764	1,044,516
	7,017,740	7,667,559	37,489,218	7,492,741	6,430,983	27,510,251
Numbers	1	1	21	1	1	12

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. 3,800 (2008: Rs. 3,900) as meeting fee and Rs. 1,209,140 (2008: Rs. 1,275,780) as meeting expenses for attending the Board of Directors meetings.

33. FINANCIAL RISK MANAGEMENT

33.1 Credit risk

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

Exposure to credit risk

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

	Note	2009 (Rupees)	2008 (Rupees)
Long term investment-available for sale	14	**33,085**	33,085
Long term loans	15	**198,625,000**	212,812,500
Derivative asset - Interest rate swap	16	**66,621**	1,187,639
Trade debts		**49,545,707**	24,454,201
Deposits		**5,406,556**	1,742,951
Loan and advances	19	**3,316,278**	4,560,060
Other receivables	21	**1,881,726**	1,530,284
Other financial assets	22	**35,069,367**	194,474,564
Bank balances	23	**21,434,042**	35,286,036
		315,378,382	476,081,320

Geographically there is no concentration of credit risk.

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

	2009	2008
Institutional customers	**33,549,598**	20,747,139
Retail customers	**4,968,508**	3,458,753
Distributors	**11,027,601**	248,309
Others	**5,198,004**	6,090,344
	54,743,711	30,544,545

The aging of loans and receivables at the reporting date was:

	2009	2008
Not past due	**-**	-
Past due 0-30 days	**24,576,161**	9,714,431
Past due 31- 120 days	**16,437,466**	6,437,644
Past due 121-365 days	**7,807,008**	8,971,174
More than one year	**5,923,076**	5,421,296
	54,743,711	30,544,545

Based on historic record the Company believes that no impairement allowance is necessary in respect of loans and receivables not past due more than one year.

33.2 Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	2009 (Rupees)						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loan	**156,062,500**	**(206,430,263)**	**(44,428,837)**	**(41,311,667)**	**(73,539,255)**	**(47,150,504)**	**-**
Finance lease liabilities	**1,458,656**	**(1,568,620)**	**(545,160)**	**(545,160)**	**(478,300)**	**-**	**-**
Trade creditors	**42,565,793**	**(42,565,793)**	**(42,524,879)**	**(40,914)**	**-**	**-**	**-**
	200,086,949	**(250,564,676)**	**(87,498,876)**	**(41,897,741)**	**(74,017,555)**	**(47,150,504)**	**-**

	2008 (Rupees)						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loan	212,812,500	(304,372,017)	(50,546,175)	(47,395,579)	(85,740,504)	(120,689,759)	-
Finance lease liabilities	3,856,458	(4,269,014)	(1,512,291)	(670,347)	(2,086,376)	-	-
Trade creditors	35,324,151	(35,324,151)	(35,315,334)	(8,817)	-	-	-
	251,993,109	(343,965,182)	(87,373,800)	(48,074,743)	(87,826,880)	(120,689,759)	-

33.3 Interest rate risk

Profile

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

	2009 %	2008 %	**2009 (Rupees)**	2008 (Rupees)
Variable rate instruments				
Financial assets	**11.87 to 16.11**	11.50 to 11.87	**198,691,621**	214,000,139
Financial liabilities	**11.87 to 17.45**	11.50 to 16.74	**(157,521,156)**	(216,668,958)
			41,170,465	(2,668,819)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit and loss	
	2009 (Rupees)	2008 (Rupees)
Variable rate instruments	**411,038**	(38,565)

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

33.4 Exposure to currency risk

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

	June 30, 2009	
	Rupees	US Dollars
Cash and cash equivalents	1,476,321	18,150
Trade and other payables	(28,506,904)	(350,466)
Gross balance sheet exposure	(27,030,583)	(332,316)
Estimated forecast sale for next year	50,000,000	614,704
Net exposure	22,969,417	282,388

	June 30, 2008	
	Rupees	US Dollars
Trade and other payables	(26,081,999)	(382,434)
Gross balance sheet exposure	(26,081,999)	(382,434)
Estimated forecast sale for next year	5,115,000	75,000
Net exposure	(20,966,999)	(307,434)

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	June 30, 2009	June 30, 2008	2009	2008
US Dollars	81	68	79	63

Sensitivity analysis

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

	2009 (Rupees)	2008 (Rupees)
Profit and loss	(2,296,942)	2,096,700

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

33.5 Other market price risk

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

Sensitivity analysis of price risk

A change of 5% in the value of investments at fair value through profit and loss would have increased or decreased profit or loss by Rs. 1.75 million (2008: Rs. 9.72 million) on the basis that all other variables remain constant.

33.6 Fair value of financial assets and liabilities

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

34. 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 32, are as follows:

	2009 (Rupees)	2008 (Rupees)
Farmacia-98% owned subsidiary partnership firm:		
Sale of medicines	48,476,236	39,414,189
Share of profit reinvested	11,380,233	13,818,997
BF Biosciences Limited-80% owned subsidiary:		
Equity investment made	-	40,000,000
Long term loan disbursed to subsidiary	-	134,500,000
Repayment of loan	14,500,000	14,500,000
Interest accrued on long term loan	15,993,558	1,273,496
Other expenses directly paid by the Company	1,377,935	-
Other related parties:		
Contribution to employees provident fund	6,646,335	4,364,763
Key management personnel		
Managerial remuneration	37,626,000	31,050,000
Utilities	253,763	258,219
Provident fund	1,881,871	1,398,805
Numbers	11	8

35. EARNINGS PER SHARE - BASIC & DILUTED

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

	2009 (Rupees)	2008 (Rupees)
Net profit for the year (Rupees)	182,757,453	217,023,829
Average number of shares	17,360,732	17,360,732
Earnings per share (Rupees)	10.53	12.50

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.

36. CAPACITY AND PRODUCTION

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

37. COMPARATIVE FIGURES & NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

37.1 Following figures have been rearranged/reclassified, for better presentation

Nature	Amount	Note	Previously classified under	Reclassified under
Security expense	**825,335**	25	Salaries & wages	Laboratory and other expenses
Security expense	**201,710**	27	Salaries, wages and benefits	Other administrative expenses
Relocation expense	**340,954**	27	Salaries, wages and benefits	Other administrative expenses
Security expense	**538,433**	28	Salaries and allowances	Other selling expenses

37.2 The Board of Director's of the company in the meeting held on August 18, 2009 have proposed final cash dividend of Re. 1 per share and stock dividend @ 20% i.e. 2 bonus shares for every 10 shares held, for the year ended June 30, 2009.

38. DATE OF AUTHORIZATION

The financial statements have been authorized for issue by the board of directors of the company on August 18, 2009.

Rawalpindi
August 18, 2009 Director Chairperson & CEO