CORPORATE INFORMATION

Board of Directors

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

Audit Committee

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

Investment Committee

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

HR & Remuneration Committee

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

Senior Management

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

CFO & Company Secretary
Syed Ghausuddin Saif

Head of Internal Audit
Mr. Rizwan Hameed Butt

External Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants

Internal Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Bankers
Habib Bank Limited
HSBC Bank Middle East Limited
Bank Alfalah Limited
Standard Chartered Bank Limited
Barclays Bank PLC Pakistan

Legal Advisors
Khan & Piracha

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

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

Factory
P.O. Ferozsons
Amangarh-Nowshera (N.W.F.P)
Telephone: +92-923-614295, 610159
Fax: +92-923-611302

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

Sales Office Lahore
43-Al Noor Building
Bank Square, The Mall
Lahore
Telephone: +92-42-37358194

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

SIX YEARS AT A GLANCE

(Rs. in million unless otherwise stated)

Ferozsons Laboratories Limited

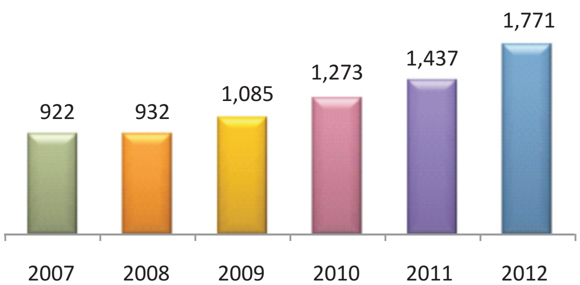
		2012	2011	2010	2009	2008	2007
Operating Results							
Net Sales		**1,771**	1,437	1,273	1,085	932	922
Gross Profit		**909**	730	633	584	541	507
Profit Before Tax		**423**	337	333	246	293	259
Profit After Tax		**409**	301	318	183	217	200
Financial Position							
Share Capital		**287**	250	208	174	145	121
Reserves		**1,649**	1,304	1,067	797	682	562
Property, Plant and Equipment		**993**	925	742	736	611	551
Net Current assets		**850**	494	228	321	313	288
Long term / Deferred Liabilities		**84**	88	101	154	207	125
Summary of Cashflow Statement							
Cash generated from Operations		**372**	133	227	63	184	212
Net cash (used in)/generated from Investing activities		**(223)**	(42)	(196)	25	(230)	(226)
Net cash used in Financing activities		**(111)**	(87)	(38)	(101)	40	43
Key Performance Indicators							
Gross Profit ratio	%	**51**	51	50	54	58	55
Profit (PAT) to sales	%	**23**	21	25	17	23	22
Return on Equity	%	**21**	19	25	19	26	29
Return on Capital Employed	%	**17**	15	20	13	23	24
Earning Per Share - Basic & Diluted (Adjusted)	Rs.	**14**	12	15	11	15	14
Cash Dividend per share	Rs.	**1.25**	2.5	-	1.00	3.00	6.50
Bonus Share Issued	%	**5**	15	20	20	20	20
Price Earning ratio	%	**6**	7	7	15	21	17
Market Price per share	Rs.	**81**	90	100	157	309	248

Consolidated

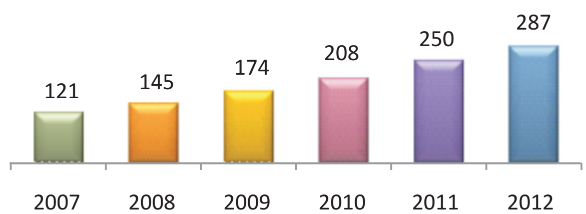
	2012	2011	2010	2009	2008	2007
Operating Results						
Net Sales	**2,766**	2,203	1,537	1,189	1,029	1,012
Gross Profit	**1,309**	1,129	700	605	564	528
Profit Before Tax	**493**	508	261	249	296	262
Profit After Tax	**476**	426	244	183	217	200
Financial Position						
Share Capital	**287**	250	208	174	145	121
Reserves	**1,744**	1,343	1,008	795	681	561
Property, Plant and Equipment	**1,480**	1,465	1,295	1,273	1,047	818
Net Current assets	**1,090**	681	320	206	297	273
Long term / Deferred Liabilities	**103**	122	138	228	241	125

FEROZSONS
LABORATORIES LIMITED

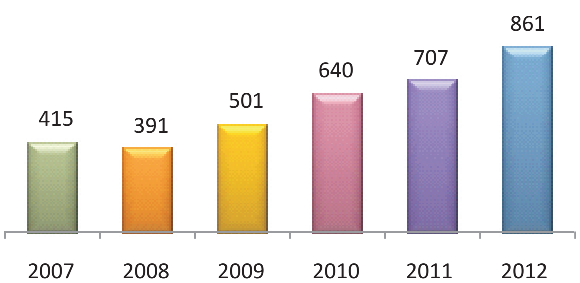
Net Sales (Rs. Millions)



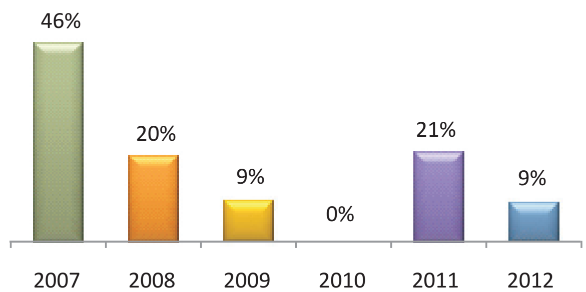
Paid up Capital (Rs. Millions)



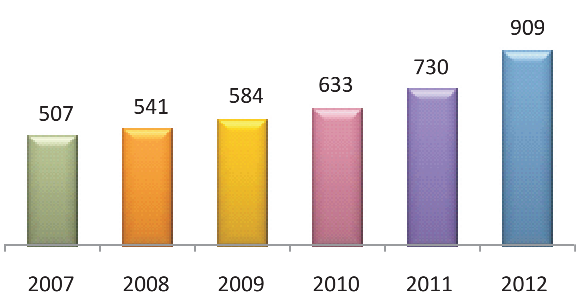
Cost of Sales (Rs. Millions)



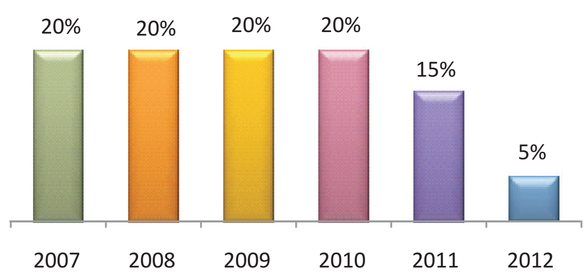
Cash Dividend Payout - %



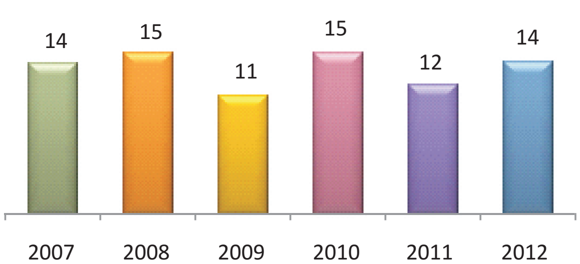
Gross Profit (Rs. Millions)



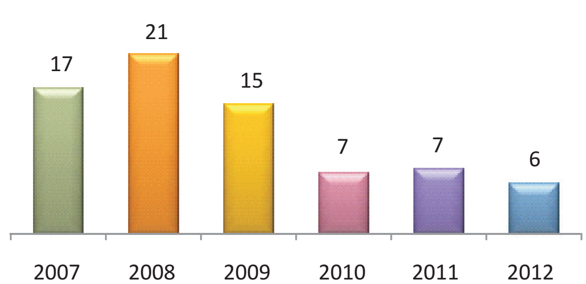
Bonus Shares - %



Earning per Share (Rs.)



Price Earning Ratio- %



Our Vision

We will grow to be the top or second-ranked company
in each targeted market segment,
on the strength of motivated employees, who see every day
as a new opportunity to earn customer trust and credibility.

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 **56th** Annual General Meeting ("the Meeting") of **FEROZSONS LABORATORIES LIMITED** ("the Company") will be held at its Registered Office, 197-A, The Mall, Rawalpindi on Tuesday, October 23, 2012 at 1:00 P.M. to transact the following business:

Ordinary Business:

1. To confirm the Minutes of the last Annual General Meeting held on September 29, 2011.

2. To receive, consider and adopt the audited Annual Financial Statements of the Company for the year ended June 30, 2012 together with the Directors' and Auditors' Reports thereon.

3. To approve the payment of final cash dividend of Rs. 4.50 per share (45%) for the year ended June 30, 2012 as recommended by the Board of Directors.

4. To approve the issue of Stock Dividend (Bonus Shares) at the rate of 5% in the ratio of one Bonus Share for every twenty shares held, for the year ended June 30, 2012 as recommended by the Board of Directors.

5. To appoint External Auditors for the financial year ending June 30, 2013 and to fix their remuneration.

Special Business:

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

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

7. To consider and approve the increase in remuneration of the whole time working Directors including Chief Executive (Chief Executive Officer) of the Company as recommended by the Board of Directors.

8. To fix and approve director's fee for attending the meeting of Board of Directors.

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

By the order of the board

Rawalpindi
September 06, 2012

Syed Ghausuddin Saif
Company Secretary

Notes:

1. The Share Transfer Books of the Company will be closed from October 20, 2012 to October 29, 2012(both days inclusive). Transfers received in order at the office of the Company's Share Registrar, CorpTec Associates (Pvt.) Limited, 7/3-G, Mushtaq Ahmed Gormani Road, Gulberg II, Lahore at the close of business on October 19, 2012 will be in time to be entitled to vote and for the entitlement of bonus.

2. A member of the Company entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies to be effective must be received by the office of the Company's Share Registrar not less than 48 hours before the Meeting.

3. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

   A) For attending the Meeting:

   i. In case of individuals, the account holder or sub-account holder and/or persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC), or original Passport at the time of attending the meeting.

   ii. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominee shall be produced at the meeting.

   B) For appointing Proxies:

   i. In case of individual, the account holder or sub-account holder and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the Proxy Form of another member as per the above requirement.

   ii. The Proxy Form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the Form.

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

   iv. The Proxy shall produce his original CNIC or original passport at the time of meeting.

   v. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted, alongwith Proxy Form to the Company.

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

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

PERTAINING TO ITEM NO. 6

The approval of the Shareholders is sought to consolidate fractional shares resulting from the bonus issue, recommended by the Board of Directors in their meeting held on September 06, 2012 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

On the recommendation of the Board of Directors, the increase in the remuneration of whole time working Directors including Chief Executive (Chief Executive Officer) with effect from July 01, 2012 is required to be approved by Shareholders. Therefore, approval of the shareholders is sought to pass with or without modification the following resolution.

"**RESOLVED THAT** the gross salaries be increased for the Chairperson & Chief Executive from Rs. 0.665 million to Rs. 0.730 million per month, for the Executive Director & President from Rs. 0.750 million to Rs. 0.825 million per month and for Executive Director & GM from Rs. 0.52 million to Rs. 0.58 million per month respectively, with effect from July 01, 2012 while other prevailing terms and conditions of service remain unchanged."

PERTAINING TO ITEM NO. 8

When the Memorandum & Articles of the Company were first adopted, the Directors' meeting fee was set as Rs. 100/- per meeting. Now, considering the fact that the operations of the Company have increased manifold due to which the Directors have to spend more of their valuable time in discharging their responsibilities, statutory and otherwise, the revision deems necessary to make it comparable with industry norms. Hence the approval of shareholders is sought to adopt the following resolution with or without modification:

"**RESOLVED THAT** the director's fee for attending the Board Meeting may be paid as Rs.10,000/- and the relevant Clause 91 of the Articles of Association be amended and substituted to read as under respectively.

91 (a) Unless otherwise determined by the Company, in general meeting the remuneration of each Director shall be Rs. 10,000/- (Rupees ten thousand)for each meeting attended by him plus the actual traveling expenses incurred by him, provided that Board of Directors may change in the fee as consider expedient or as specified by law from time to time.

(b) The remuneration of a Director shall not exceed Rs. 10,000/- (Rupees ten thousand) per meeting of the Board attended by him. The remuneration of a Director for performing extra services shall be subject to the approval of the Company in general meeting or by the Board of Directors. The remuneration of Director for performance extra services shall be subject to law.

DIRECTOR'S REPORT TO SHAREHOLDERS
FOR THE YEAR ENDED JUNE 30, 2012

We are pleased to present the 56th Annual Report and the Audited Financial Statements of your Company for the financial year ended June 30, 2012 along with the Consolidated Financial Statements of its subsidiaries, BF Biosciences Limited and Farmacia.

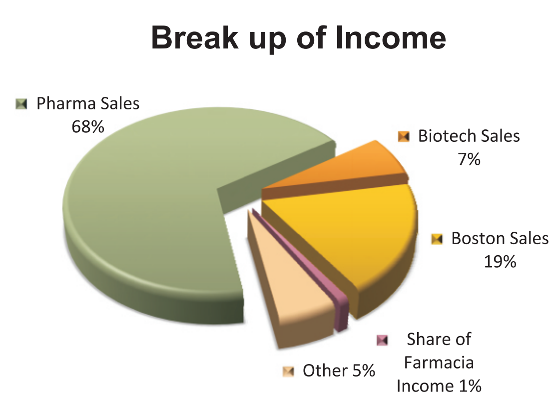
Your Company's Individual and Consolidated Financial Results

A summary of the operating results for the year and appropriation of the divisible profits as compared to 2011is given below:

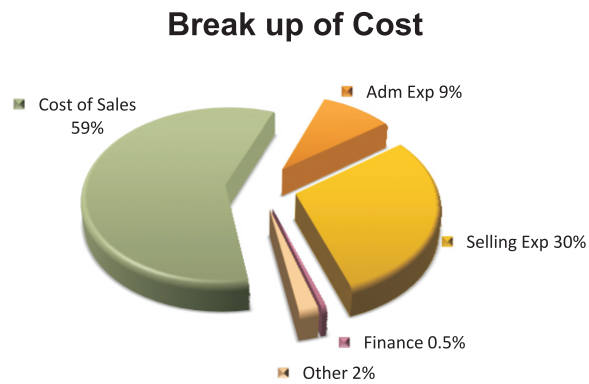
	Individual		Consolidated	
	2012	2011	**2012**	2011
	(Rupees in thousands)			
Sales (net)	**1,770,590**	1,436,713	**2,766,373**	2,202,757
Gross Profit	**909,099**	730,343	**1,309,299**	1,129,417
Profit before tax	**422,474**	336,514	**492,520**	507,539
Taxation	**(13,984)**	(35,526)	**(16,256)**	(81,917)
Profit after tax	**408,491**	300,988	**476,264**	425,623
Profit available for appropriation (Net of dividend)	**1,648,521**	1,303,293	**1,744,228**	1,342,834
Appropriations				
Interim cash dividend for YE 2012: Nill (FY 2011: @ Rs. 1.25/share) &	-	(31,249)	-	(31,249)
Final cash dividend for FY 2012 @ Rs.4.50/share (FY 2011: @ Rs. 1.25/share)	**(129,372)**	(31,249)	**(129,372)**	(31,249)
Bonus shares for the FY 2012 @ 5% (FY 2011: 20%)	**(14,375)**	(49,999)	**(14,375)**	(49,999)

We are pleased to report that despite the unfavorable conditions in the country, including the prevailing energy crisis, economic stagnation and the resulting slowdown in demand, your Company was able to enhance its local market share, and closed the year with Net Sales of Rs. 1.770 Billion, an increase of 23.24% over the previous year.

In terms of its consolidated net sales the Company also showed an increase of 25.59% in comparison with last year, closing the year at PKR 2.75 Billion in net revenues.



The Gross profit of your Company grew by 24.48%in absolute termsand the Net profit after tax also grew by 35.72%in absolute termsto Rs. 408.491 million for the year. It is also important to mention here that the overall decrease in net margins was a combination ofincreased input costs, a devaluation of the rupee, and your Company's continued increased marketing spend in local and export markets as we strove to improve our marketing mix in favour of more profitable, newer products.



Key Operating and Financial Data

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

Earnings Per Share

Based on the net profit for the year ended June 30, 2012 the earnings per share (EPS) stand at Rs. 14.21per share, compared to prior year adjusted EPS of Rs. 10.47on the expanded capital of Rs. 287.493 Million after issuance of bonus shares during the year.

Dividend Announcement

The Directors have recommenced a final cash dividend of 45%i.e. Rs.4.50 per 10- Rupees share, as well as a stock dividend (bonus shares) @ 5% i.e. one bonus share for every twenty shares held.

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

Information Technology (IT)

We have continued on our policy of improving our IT infrastructure in current year as well. After successful implementation of company's new ERP system we are now looking forward to take onboard our subsidiaries companies as well, in order to implement the best market practices and strengthen our reporting framework.

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 international financial reporting standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

- The systems of internal controls are sound in design and have been effectively implemented by the management and monitored by the internal auditor as well as the as Board's Audit Committee. The Board reviews the effectiveness of established internal controls through the Audit Committee and suggests, whenever required, further improvement in the internal control system. The internal controls are also reviewed by the external auditors.

- There are no significant doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.

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

- All major Government levies in the normal course of business, payable as on June 30, 2012 have been cleared subsequent to the year end.

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

- During the year, the company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and listing requirements.

Employee Retirement Benefit

The values of investments of employees' provident fund based on latest audited accounts as of June 30, 2011 are Rs. 148.195 million.

Corporate Social Responsibility (CSR)

We have continued with our long tradition of playing our role in support of health and literacy efforts in the country. This year we supported LUMS School of Science & Engineeringin its National Outreach Programme (NOP) scholarships, and The Citizens Foundation(TCF) in doubling the capacity of its primary school (Khalid Waheed campus)in Muzaffargarh.

Meetings of the Board of Directors

The information regarding the meetings of the board of directors held during the year ended June 30, 2012 is annexed.

Share Capital and Pattern of Shareholding

The issued, subscribed and paid of capital of the company as at June 30, 2012 was Rs. 287.493million.

The statement indicating the number of shareholders as on June 30, 2012 and their categories forming the pattern of shareholding as required under the Code of Corporate Governance is annexed.

Subsidiaries

The net sales of BF Biosciences Limited were Rs. 921.073 million against a figure of Rs. 753.878 million last year, showing 22% growth over last year. The unit growth of its products, particularly in hepatology, has been much higher. The Company's product, Peg-INF, continues to make history as the #1 selling product in the new product (0-24)month category in the Pakistan Pharmaceutical market. However, owing to a substantial price reduction based on the competitive reasons, increase in raw material costs resulting from devaluation and the substantial increase in energy costs, the profitability has decreased to Rs. 72.677 Million form Rs. 122.632 Million last year.

Farmacia, the Company's retail venture has shown satisfactory result during the year. In the current year it has contributed Rs. 19.664 Million to the company's net income against Rs. 11.775 Million last year.

Auditors

The Auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment as Auditors. The Audit Committee in their meeting held on September 6, 2012 has recommended the re-appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants as auditors for the financial year ending June 30, 2013.

Affirmation

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

We wouldalso like to thank the shareholders, vendors, distributors, financial institutions and all our business partners and especially our most valued customers for their continued trust and support. We are making all efforts to broaden the range of our products and deviceswhile adhering to the highest standards of quality and to our motto "People Trust Us……"

On behalf of the Board

Rawalpindi
September 06, 2011

(Mrs. Akhter Khalid Waheed)
Chairperson & CEO

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company	Ferozsons Laboratories Limited
Year ending	June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	Mr. Shahid Anwar
Executive Directors	Mrs. Akhter Khalid Waheed
	Mr. Osman Khalid Waheed
	Mr. Omar Khalid Waheed
Non-Executive Directors	Mrs. Munize Azhar Peracha
	Mr. Farooq Mazhar
	Mr. Nihal Cassim
	Mr. M. M. Ispahani

The independent directors meets the criteria of independence under clause i (b) of the CCG.

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

3. All the resident directors of the Company are registered as Taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy has occurred on the Board of Directors during the year ended June 30, 2012.

5. The company has prepared a “Statement of Ethics and Business Practices” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a Vision/Mission Statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the board for this purpose 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. In house orientations for the Directors were conducted to apprise them of their duties and responsibilities and to brief them regarding amendments in the Companies Ordinance/Corporate Laws.

10. The board had approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

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

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

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

15. The board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the Chairman of the Committee.

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

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two members are non-executive directors and the Chairman of the Committee is an independent director.

18. The board has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

20. 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.

21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the Code have been complied with.

For and behalf of Board of Directors

Rawalpindi
September 06, 2012

(Mrs. Akhter Khalid Waheed)
Chairperson & CEO

DATES AND ATTENDANCE OF BOARD MEETINGS
HELD DURING THE YEAR ENDED JUNE 30, 2012

A total of Eight Board Meetings were held during the Financial Year 2011-2012 on the following dates:

July 9, 2011
July 9, 2011
August 27, 2011
September 29, 2011
October 29, 2011
January 31, 2012
April 26, 2012
June 30, 2012

The detail of attendance by Directors is as under:

Director	Number of meetings attended
Mrs. Akhter Khalid Waheed	5
Mr. Osman Khalid Waheed	7
Mrs. Munize Azhar Piracha	3
Mr. Omar Khalid Waheed	6
Mr. Farooq Mazhar	6
Mr. Nihal Cassim	7
Mr. M. M. Ispahani	0
Dr. Farid Khan	0
Mr. Shahid Anwar	7

Leaves of absence were granted in all cases to Directors.

For and behalf of the Board of Directors

Rawalpindi
September 06, 2012

(Mrs. Akhter Khalid Waheed)
Chairperson & CEO

KPMG Taseer Hadi & Co.
Chartered Accountants

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

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, sub-regulation (x) of listing Regulation No. 35 notified by The Karachi Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

Lahore:	**Chartered Accountants**
September 06, 2012	**(Kamran Iqbal Yousafi)**

Financial Statements for the Year Ended June 30, 2012

KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS
FEROZSONS LABORATORIES LIMITED

We have audited the annexed balance sheet of **Ferozsons Laboratories Limited ("the Company")** as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company, and deposited in the Central Zakat Fund established under section 7 of that ordinance.

Lahore:
September 06, 2012

Chartered Accountants
(Kamran Iqbal Yousafi)

FEROZSONS LABORATORIES LIMITED

BALANCE SHEET AS

	Note	2012 (Rupees)	2011 (Rupees)
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 50,000,000 (2011: 25,000,000) ordinary shares of Rs. 10 each		500,000,000	250,000,000
Issued, subscribed and paid up capital	4	287,493,720	249,994,540
Capital reserve	5	321,843	321,843
Accumulated profit		1,648,521,379	1,303,293,179
		1,936,336,942	1,553,609,562
Surplus on revaluation of property, plant and equipment - net of tax	6	384,205,990	389,692,056
Non current liabilities			
Long term financing - secured	7	-	-
Deferred taxation	8	84,382,188	88,104,529
		84,382,188	88,104,529
Current liabilities			
Trade and other payables	9	205,663,630	152,631,234
Accrued mark-up on long term financing		-	969,405
Current portion of long term financing	7	-	42,562,500
Short term borrowings - secured	10	-	37,805,811
		205,663,630	233,968,950
Contingencies and commitments	11		
		2,610,588,750	2,265,375,097

The annexed notes from 1 to 40 form an integral part of these financial statements.

Rawalpindi
September 06, 2012

Director

AT JUNE 30, 2012

	Note	2012 (Rupees)	2011 (Rupees)
ASSETS			
Non-current assets			
Property, plant and equipment	12	993,746,191	924,715,697
Intangible assets	13	3,714,037	-
Long term investments	14	229,220,514	234,555,914
Long term loan	15	325,000,000	375,000,000
Long term deposits		3,596,600	3,518,500
		1,555,277,342	1,537,790,111
Current assets			
Stores, spare parts and loose tools	16	6,243,122	2,223,238
Stock in trade	17	415,453,467	409,005,347
Trade debts - considered good		106,334,607	102,924,380
Current portion of long term loan	15	50,000,000	50,000,000
Loans and advances - considered good	18	11,780,777	17,689,563
Deposits and prepayments	19	15,592,306	10,813,518
Mark-up accrued		12,640,290	16,078,740
Advance income tax - net	20	91,753,952	84,196,501
Other receivables	21	13,303,396	1,530,320
Short term investments	22	273,864,527	13,081,368
Cash and bank balances	23	58,344,964	20,015,253
Derivative asset-interest rate swap		-	26,758
		1,055,311,408	727,584,986
		2,610,588,750	2,265,375,097

Chairperson & CEO

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	**2012 (Rupees)**	2011 (Rupees)
Revenue - net	24	**1,770,590,334**	1,436,713,281
Cost of sales	25	**(861,491,018)**	(706,369,916)
Gross profit		**909,099,316**	730,343,365
Other operating income	26	**103,687,142**	72,582,445
Administrative expenses	27	**(134,226,734)**	(114,700,505)
Selling and distribution cost	28	**(439,167,708)**	(325,511,125)
Finance cost	29	**(7,892,337)**	(11,136,437)
Other expenses	30	**(28,689,871)**	(26,838,834)
Share in profit of Farmacia - 98% owned partnership firm		**19,664,600**	11,775,163
Profit before taxation		**422,474,408**	336,514,072
Taxation	31	**(13,983,562)**	(35,526,262)
Profit after taxation		**408,490,846**	300,987,810
Earnings per share - basic and diluted	32	**14.21**	10.47

The annexed notes from 1 to 40 form an integral part of these financial statements.

Rawalpindi
September 06, 2012 | Director | Chairperson & CEO

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	2012 (Rupees)	2011 (Rupees)
Profit after taxation	**408,490,846**	300,987,810
Other comprehensive income	-	-
Total comprehensive income for the year	**408,490,846**	300,987,810

The annexed notes from 1 to 40 form an integral part of these financial statements.

Rawalpindi
September 06, 2012

Director

Chairperson & CEO

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 (Rupees)	2011 (Rupees)
Cash flow from operating activities			
Profit before taxation		422,474,408	336,514,072
Adjustments for:			
Depreciation		69,593,013	67,030,967
Amortisation		1,829,319	-
(Gain)/loss on sale of property, plant and equipment		(13,186,857)	1,503,509
Finance costs		7,892,337	10,993,224
Provision for Workers' Profit Participation Fund		16,390,627	13,949,765
Provision for Workers' Welfare Fund		6,556,251	5,579,906
Provision for Central Research Fund		4,267,418	3,399,132
Gain on re-measurement of short term investments		(6,912,654)	(3,366,461)
Gain on sale of short term investments		(54,038)	-
Dividend income, profit on bank deposits and commissions		(29,367,569)	(2,518,214)
Interest income		(54,166,024)	(61,581,918)
Long term investments written off		-	33,085
Fair value adjustment on interest rate swap		-	143,213
Share in profit of Farmacia - 98% owned subsidiary firm		(19,664,600)	(11,775,163)
		(16,822,777)	23,391,045
Cash generated from operations before working capital changes		405,651,631	359,905,117
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(4,019,884)	2,417,392
Advances, deposits, prepayments and other receivables		(10,643,078)	(4,074,286)
Stock in trade		(6,448,120)	(112,602,707)
Trade debts - considered good		(3,383,469)	(57,708,942)
		(24,494,551)	(171,968,543)
Increase in current liabilities			
Trade and other payables		49,570,945	442,152
Cash generated from operations		430,728,025	188,378,726
Finance cost paid		(9,987,132)	(11,967,092)
Taxes paid		(25,263,354)	(17,473,026)
Workers' Profit Participation Fund paid		(14,423,344)	(15,105,721)
Workers' Welfare Fund paid		(5,579,906)	(6,844,511)
Central Research Fund paid		(3,399,132)	(3,344,013)
		(58,652,868)	(54,734,363)
Net cash generated from operating activities		372,075,157	133,644,363
Cash Flow From Investing Activities			
Fixed capital expenditure		(149,444,164)	(88,845,686)
Proceeds from sale of property, plant and equipment		18,464,158	2,269,250
Markup on long term loan received		57,604,476	45,503,178
Dividend income, profit on bank deposits and commissions		29,367,569	2,018,214
Decrease in long term investments		25,000,000	-
Decrease in long term loan		50,000,000	-
Acquisition of short term investments		(266,354,912)	-
Proceeds from encashment of short term investments		12,538,444	-
Long term deposits		(78,100)	(2,465,100)
Net cash used in investing activities		(222,902,529)	(41,520,144)
Cash Flow From Financing Activities			
Repayment of long term financing		(42,562,500)	(56,750,000)
Payment of liabilities against assets subject to finance lease		-	(478,082)
Payment of short term borrowings		(37,805,811)	1,277,762
Derivative interest rate swap		-	(557,287)
Dividend paid		(30,474,606)	(30,868,441)
Net cash used in financing activities		(110,842,917)	(87,376,048)
Net increase in cash and cash equivalents		38,329,711	4,748,171
Cash and cash equivalents at the beginning of the year		20,015,253	15,267,082
Cash and cash equivalents at the end of the year	23	58,344,964	20,015,253

The annexed notes from 1 to 40 form an integral part of these financial statements.

Rawalpindi
September 06, 2012 Director Chairperson & CEO

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Share capital (Rupees)	Capital reserve (Rupees)	Revenue reserve Unappropriated profit (Rupees)	Total (Rupees)
Balance as at 30 June 2010	**208,328,786**	**321,843**	**1,067,114,429**	**1,275,765,058**
Total comprehensive income for the year	-	-	300,987,810	300,987,810
Surplus transferred to accumulated profit in respect of:				
-incremental depreciation charged during the year - net of tax	-	-	6,744,289	6,744,289
-disposal of property, plant and equipment during the year	1,361,536	1,361,536	8,105,825	8,105,825
Interim dividend for the year ended 30 June 2011 at Rs. 1.25 per share	-	-	(31,249,131)	(31,249,131)
Bonus shares issued at 20% for the year ended 30 June 2010	41,665,754	-	(41,665,754)	-
Balance as at 30 June 2011	**249,994,540**	**321,843**	**1,303,293,179**	**1,553,609,562**
Total comprehensive income for the year	-	-	408,490,846	408,490,846
Surplus transferred to unappropriated profit in respect of:				
-incremental depreciation charged during the year - net of tax	-	-	5,486,066	5,486,066
-disposal of property, plant and equipment during the year	-	-	-	-
	-	-	5,486,066	5,486,066
Final dividend for the year ending 30 June 2011 at Rs. 1.25 per share	-	-	(31,249,532)	(31,249,532)
Bonus shares issued at 15% for the year ended 30 June 2011	37,499,180	-	(37,499,180)	-
Balance as at 30 June 2012	**287,493,720**	**321,843**	**1,648,521,379**	**1,936,336,942**

The annexed notes from 1 to 40 form an integral part of these financial statements.

Rawalpindi
September 06, 2012 — Director — Chairperson & CEO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1 Legal status and nature of business

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

2 Basis of preparation

2.1 Statement of compliance

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

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

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

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

2.2.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

    • IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The amendments have no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

2.3 Basis of measurement

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

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

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future periods affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

Property, plant and equipment

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

Intangible asset

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

Stores, spare parts, loose tools and stock in trade

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

Provision against trade debts, advances and other receivables

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

Provisions

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

Taxation

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

3 Significant accounting policies

3.1 Employee benefits

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

Staff provident fund

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

Compensated absences

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

3.2 Taxation

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

3.2.1 Current

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

3.2.2 Deferred

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

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

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

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

3.3.1 Owned

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

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

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

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

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

3.3.2 Capital work in progress

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

3.4 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight-line method at the rate of 33%.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which that asset is disposed off.

3.5 Investments

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

3.5.1 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.

3.5.2 Investments available for sale

These are initially recognized at cost and at subsequent reporting dates, it is 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.

3.5.3 Investments held to maturity

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

3.5.4 Investments at fair value through profit or loss

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

3.6 Stores, spare parts and loose tools

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

3.7 Stocks in trade

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

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

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

3.8 Trade and other receivables

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

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

3.9 Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalents mainly comprise cash and bank balances which are stated in the balance sheet at cost.

3.10 Mark-up bearing borrowings

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

3.11 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.

3.12 Revenue recognition

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

3.13 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.

3.14 Finance income

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

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

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

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

3.15 Dividend

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

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 long term loans, liability under lease finance, accrued mark up and trade and other payables.

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

3.18 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 Foreign currencies

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

3.20 Impairment

Financial assets

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

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

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

Non financial assets

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

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

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

	2012 (Rupees)	2011 (Rupees)
4 Issued, subscribed and paid up capital		
1,441,952 (2011: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (2011: 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
27,187,820 (2011: 23,437,902) ordinary shares of Rs. 10 each issued as fully paid bonus shares	271,878,200	234,379,020
	287,493,720	249,994,540

5 Capital reserve

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

6 Surplus on revaluation of property, plant and equipment - net of tax

	2012 (Rupees)	2011 (Rupees)
Surplus on revaluation of property, plant and equipment as at 1 July	419,254,636	267,331,843
Surplus transferred to accumulated profit in respect of incremental depreciation charged during the year:		
- Net of deferred tax	(5,486,066)	(6,744,289)
- Related deferred tax liability	(2,954,036)	(3,631,540)
	(8,440,102)	(10,375,829)
Surplus transferred to accumulated profit in respect of sale of property, plant and equipment during the year:		
- Net of deferred tax	-	(1,361,536)
- Related deferred tax liability	-	(733,135)
	-	(2,094,671)
Surplus on revaluation of property, plant and equipment recognized during the year:		
- Net of deferred tax	-	155,777,069
- Related deferred tax liability	-	8,616,224
	-	164,393,293
	410,814,534	419,254,636
Related deferred tax liability:		
- On revaluation as at 1 July	(29,562,580)	(25,311,031)
- On revaluation surplus of property, plant and equipment recognized during the year	-	(8,616,224)
- Transferred to accumulated profit on:		
disposal of property , plant and equipment during the year	-	733,135
incremental depreciation charged during the year	2,954,036	3,631,540
	(26,608,544)	(29,562,580)
Surplus on revaluation of property, plant and equipment as at 30 June	384,205,990	389,692,056

The free hold land, building and plant and machinery were revalued by independent valuers in years 1976, 1989, 2002, 2006 and 2011 respectively. These revaluations had resulted in a cumulative surplus of Rs. 448.14 million, which has been included in the carrying values of free hold land, building and plant and machinery respectively and credited to the surplus on revaluation of fixed assets. The surplus is adjusted by surplus realized on disposal of revalued assets, if any, and incremental depreciation arising due to revaluation, net of deferred tax.

		Note	2012 (Rupees)	2011 (Rupees)
7	**Long term financing - secured**			
	Habib Bank Limited	7.1	42,562,500	99,312,500
	Less : Repayment of loan during the year		(42,562,500)	(56,750,000)
			-	42,562,500
	Less : Current portion shown under current liabilities		-	(42,562,500)
			-	-

7.1 The Company had 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 had availed the facility to the extent of Rs. 227 million only. This facility was repayable in sixteen equal quarterly instalments with a grace period of 1 year, commencing from 15th month after first draw down and carried mark-up at base rate (six months KIBOR) plus 1.5% per annum payable quarterly in arrears. The facility was secured by first pari passu charge by way of hypothecation over all present and future current and movable assets of the Company and equitable mortgage over immovable property to the extent of Rs. 370 million.

The above facility was later converted into a Long Term Financing Facility ("LTFF") for export oriented projects by a scheme introduced by the State Bank of Pakistan ("SBP") up to the extent of Rs. 115.04 million only. This facility was repayable in ten quarterly instalments commencing from 26 October 2009 and carried mark-up at 8 % per annum or as per SBP circular, payable quarterly in arrears. The facility was secured by first charge on all present and future moveable assets of the Company (25% margin) ranking pari passu with the existing first charge holders to the extent of Rs. 370 million and first, equitable mortgage charge over land and building of the Company's Nowshera plant ranking pari passu with existing first charge holders to the extent of Rs. 370 million.

		2012 (Rupees)	2011 (Rupees)
8	**Deferred taxation**		
	The net balance of deferred tax is in respect of the following major temporary differences:		
	Taxable temporary differences:		
	Accelerated tax depreciation	57,773,644	58,236,361
	Surplus on revaluation of property, plant and equipment	26,608,544	29,562,580
	Exchange losses	-	296,160
	Derivative liability - interest rate swap	-	9,428
		84,382,188	88,104,529

		Note	2012 (Rupees)	2011 (Rupees)
9	**Trade and other payables**			
	Creditors		105,532,255	77,284,867
	Accrued liabilities		23,894,872	5,843,413
	Advances from customers		10,523,879	10,731,997
	Unclaimed dividend		15,395,173	14,620,247
	Tax deducted at source		3,572,492	2,997,724
	Provision for compensated absences	9.1	4,685,762	4,114,299
	Workers' Profit Participation Fund	9.2	16,694,327	14,413,874
	Central Research Fund	9.3	4,267,418	3,399,132
	Workers' Welfare Fund	30	6,556,251	5,579,906
	Advances from employees against purchase of vehicles		11,005,529	12,806,269
	Due to subsidiary - Farmacia		3,084,091	-
	Others		451,581	839,506
			205,663,630	152,631,234

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

		2012 (Rupees)	2011 (Rupees)
9.2	**Workers' Profit Participation Fund**		
	Balance at the beginning of the year	14,413,874	15,086,440
	Interest on funds utilized by the Company	313,170	483,390
	Provision for the year	16,390,627	13,949,765
		31,117,671	29,519,595
	Payments made during the year	(14,423,344)	(15,105,721)
		16,694,327	14,413,874

The fund balance has been utilized by the Company for its own business and an interest at the rate of 17.53% (2011: 13.12%) has been credited to the fund. Interest is calculated at higher of 75% of the cash dividends paid rate or 2.5% plus bank rate as at 30 June 2012, as required under Companies Profits (Workers' Participation) Act, 1968.

		2012 (Rupees)	2011 (Rupees)
9.3	**Central Research Fund**		
	Balance at beginning of the year	3,399,132	3,344,013
	Provision for the year	4,267,418	3,399,132
		7,666,550	6,743,145
	Payments made during the year	(3,399,132)	(3,344,013)
		4,267,418	3,399,132

	Note	2012 (Rupees)	2011 (Rupees)
10 Short term borrowings - secured			
Running finance facility from:			
Habib Bank Limited	10.1	-	37,805,811
		-	37,805,811

10.1 The Company has obtained a running finance facility of Rs. 120 million (2011: Rs.120 million) from Habib Bank Limited. The facility is secured by first charge on all present and future moveable assets of the Company, with a 25% margin, and by a first equitable mortgage charge over land and building of Company's Nowshera plant, ranking pari passu with the existing first charge holders to the extent of Rs. 370 million. This facility carries mark up at the rate of three months KIBOR + 1% per annum.

10.2 The Company has unavailed cash finance facility of Rs. 60 million (2011: Rs. 60 million) from Bank Alfalah Limited. The facility is secured by first pari passu charge by way of hypothecation over all present and future current and movable assets of the Company and equitable mortgage over immovable property to the extent of Rs. 80 million. This facility carries mark up at the rate of six months KIBOR + 2.25% per annum.

10.3 The Company has unavailed running finance facility of Rs. 25 million (2011: Nil) from HSBC. The facility is secured by first pari passu charge over all present and future current assets of Rs. 94 million held (inclusive 25% margin). This facility carries mark-up at the rate of one month KIBOR + 2% per annum.

	2012 (Rupees)	2011 (Rupees)
11 Contingencies and commitments		
Contingencies		
Guarantees issued by banks on behalf of the Company	**640,500**	3,170,540
Commitments		
Letter of credits other than for capital expenditure	**59,557,300**	103,726,437

12 Property, plant and equipment

	Note	Reassessed value/original cost						Rate	Depreciation						Net book value
		As at 01 July 2011	Additions	Transfers/ Adjustments	Deletions	Surplus on revaluation	As at 30 June 2012	%	As at 01 July 2011	For the year	On deletions	Transfers/ adjustments	Release on revaluation	As at 30 June 2012	As at 30 June 2012
		Rupees							Rupees						
OWNED															
Freehold land	12.1	410,000,000	-	-	-	-	410,000,000	-	-	-	-	-	-	-	410,000,000
Building on freehold land		253,920,000	4,656,986	7,196,015	-	-	265,773,001	10	-	26,235,596	-	-	-	26,235,596	239,537,405
Plant and machinery		143,200,000	9,503,326	1,610,000	-	-	154,313,326	10	-	14,892,284	-	-	-	14,892,284	139,421,042
Office equipments		49,254,472	1,836,708	600,000	(218,500)	-	51,472,680	10	24,081,760	3,921,296	(203,936)	-	-	27,799,120	23,673,560
Furniture and fittings		19,443,895	1,067,067	-	-	-	20,510,962	10	9,012,876	1,647,837	-	-	-	10,660,713	9,850,249
Computers		19,051,517	2,508,491	782,388	(52,725)	-	22,289,671	33	14,728,797	2,676,110	(52,725)	-	-	17,352,182	4,937,489
Vehicles		132,709,707	7,597,500	20,564,800	(28,658,567)	-	132,213,440	20	83,398,382	20,219,890	(23,395,830)	-	-	80,222,442	51,990,998
Capital work-in-progress	12.3	28,357,921	122,274,086	(36,296,559)	-	-	114,335,448	-	-	-	-	-	-	-	114,335,448
2012		1,055,937,512	149,444,164	(5,543,356)	(28,929,792)	-	1,170,908,528		131,221,815	69,593,013	(23,652,491)	-	-	177,162,337	993,746,191

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

12A Property, plant and equipment

	Note	Reassessed value/original cost						Rate	Depreciation						Net book value
		As at 01 July 2010	Additions	Transfers/ adjustments	Deletions	Surplus on revaluation	As at 30 June 2011	%	As at 01 July 2010	For the year	On deletions	Transfers/ adjustments	Release on revaluation	As at 30 June 2011	As at 30 June 2011
		----Rupees----							----Rupees----						
OWNED															
Freehold land	*12 A.1*	270,131,000	-	-	-	139,869,000	410,000,000	-	-	-	-	-	-	-	410,000,000
Building on freehold land		156,719,142	12,131,187	145,585,695	(4,138,695)	(56,377,329)	253,920,000	10	26,184,358	24,430,410	(1,896,902)	-	(48,717,866)	-	253,920,000
Plant and machinery		174,798,769	13,862,729	5,072,520	-	(50,534,018)	143,200,000	10	64,576,830	18,074,522	-	66,422	(82,717,774)	-	143,200,000
Office equipments		42,034,921	2,877,957	4,341,594	-	-	49,254,472	10	20,542,877	3,606,847	-	(67,964)	-	24,081,760	25,172,712
Furniture and fittings		17,145,240	1,058,513	1,240,142	-	-	19,443,895	10	7,516,752	1,496,124	-	-	-	9,012,876	10,431,019
Computers		15,506,232	3,431,601	113,684	-	-	19,051,517	33	12,682,672	2,044,583	-	1,542	-	14,728,797	4,322,720
Vehicles		120,298,727	12,603,300	2,562,700	(2,755,020)	-	132,709,707	20	65,791,757	17,164,923	(1,224,053)	1,665,755	-	83,398,382	49,311,325
Capital work-in-progress	*12.3*	141,831,157	42,880,399	(156,353,635)	-	-	28,357,921	-	-	-	-	-	-	-	28,357,921
		938,465,188	88,845,686	2,562,700	(6,893,715)	32,957,653	1,055,937,512		197,295,246	66,817,409	(3,120,955)	1,665,755	(131,435,640)	131,221,815	924,715,697
LEASED															
Vehicles		2,562,700	-	(2,562,700)	-	-	-	20	1,452,196	213,558	-	(1,665,755)	-	-	-
		2,562,700	-	(2,562,700)	-	-	-		1,452,196	213,558	-	(1,665,755)	-	-	-
2011		941,027,888	88,845,686	-	(6,893,715)	32,957,653	1,055,937,512		198,747,442	67,030,967	(3,120,955)	-	(131,435,640)	131,221,815	924,715,697

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

12.2 Land and building of the Company were first revalued on 31 March 1976, resulting in surplus of Rs. 13.66 million. The second revaluation was carried out on 30 June 1989 and resulted in a surplus of Rs. 40.07 million. The third revaluation was carried out on 30 June 2002 and resulted in a surplus of Rs. 30.43 million. The fourth revaluation, that also included the plant and machinery, was carried out on 30 June 2006 and resulted in a surplus of Rs. 240.59 million. The last revaluation was carried out on 30 June 2011 and resulted in a surplus of Rs.164 million. Freehold land and building revaluations were carried out under the market value basis whereas plant and machinery were revalued on net replacement cost basis. All the revaluations were carried out by independent valuers.

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

		Cost	Accumulated Depreciation	Written Down Value
		(Rupees)	(Rupees)	(Rupees)
Freehold land		75,209,876	-	75,209,876
Building on freehold land		281,860,642	79,756,347	202,104,295
Plant and machinery		234,763,071	186,832,667	47,930,404
	2012	**591,833,589**	**266,589,015**	**325,244,574**
	2011	568,867,262	231,775,139	337,092,123

	Note	2012 (Rupees)	2011 (Rupees)
12.3 Capital work-in-progress			
Building and civil works		**21,585,429**	1,044,750
Plant and machinery		**84,089,129**	2,178,515
Advances to suppliers		**8,660,890**	2,594,700
Advances to contractors		**-**	22,539,956
		114,335,448	28,357,921
12.4 Depreciation is allocated as under:			
Cost of sales	25	**25,494,497**	33,646,247
Administrative expenses	27	**26,011,906**	20,991,700
Selling and distribution cost	28	**18,086,610**	12,393,020
		69,593,013	67,030,967

12.5 Gain/(loss) on disposal of property, plant and equipment

	Vehicles	Cost	Net book value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
		----------Rupees----------					
1	Suzuki Mehran	403,100	67,188	380,000	312,812	Company policy	Imran Karim
2	Suzuki Cultus	682,000	204,595	550,000	345,405	Company policy	Syeda Samia Ali
3	Suzuki Mehran	499,000	191,279	380,000	188,721	Company policy	Mushtaq Safi
4	Honda City	931,500	108,674	500,000	391,326	Company policy	Huma Faheem
5	Suzuki Mehran	469,000	164,145	120,000	(44,145)	Company policy	Mohammad Ali
6	Suzuki Mehran	474,000	150,100	330,000	179,900	Company policy	Arif Mehmood
7	Suzuki Mehran	408,866	74,965	325,000	250,035	Company policy	Luqman Aslam
8	Suzuki Mehran	380,251	50,694	320,000	269,306	Company policy	Waseem Ahmed
9	Honda City	704,000	152,538	490,000	337,462	Company policy	Javed Iqbal
10	Suzuki Mehran	474,000	142,200	312,050	169,850	Company policy	Asad Idrees Khan
11	Suzuki Mehran	474,000	126,400	295,740	169,340	Company policy	Atiq-ur-Rehman
12	Suzuki Mehran	474,000	134,300	201,500	67,200	Company policy	Fakhar-e-Alam
13	Suzuki Mehran	504,000	151,200	244,400	93,200	Company policy	Muhammad Yasir
14	Suzuki Mehran	469,000	148,512	214,500	65,988	Company policy	Mushahir Mirza
15	Suzuki Mehran	474,000	173,800	426,600	252,800	Insurance Claim	EFU Insurance Company
16	Suzuki Mehran	504,000	184,800	453,600	268,800	Insurance Claim	EFU Insurance Company
17	Suzuki Mehran	499,000	199,596	449,100	249,504	Insurance Claim	EFU Insurance Company
18	Suzuki Mehran	504,000	201,600	453,600	252,000	Insurance Claim	EFU Insurance Company
19	Suzuki Mehran	474,000	158,000	460,000	302,000	Insurance Claim	EFU Insurance Company
20	Suzuki Mehran	509,000	288,436	458,100	169,664	Insurance Claim	EFU Insurance Company
21	Suzuki Mehran	529,000	343,849	484,785	140,936	Insurance Claim	EFU Insurance Company
22	Suzuki Mehran	529,000	343,849	484,785	140,936	Insurance Claim	EFU Insurance Company
23	Suzuki Mehran	509,000	288,436	500,000	211,564	Insurance Claim	EFU Insurance Company
24	Suzuki Mehran	504,000	252,000	453,600	201,600	Insurance Claim	EFU Insurance Company
25	Honda CD 70	64,500	53,750	58,050	4,300	Insurance Claim	EFU Insurance Company
26	Honda CD 70	64,500	53,750	58,050	4,300	Insurance Claim	EFU Insurance Company
27	Honda CD 70	64,500	53,750	58,050	4,300	Insurance Claim	EFU Insurance Company
28	Honda CD 70	64,500	53,750	58,050	4,300	Insurance Claim	EFU Insurance Company
29	Honda CD 70	65,900	58,212	59,310	1,098	Insurance Claim	EFU Insurance Company
30	Honda CD 70	65,900	58,212	59,310	1,098	Insurance Claim	EFU Insurance Company
31	Items of property, plant and equipment with individual book value not exceeding Rs. 50,000	16,158,275	644,721	8,825,978	8,194,257	Company policy	
	2012 Rupees	**28,929,792**	**5,277,301**	**18,464,158**	**13,199,857**		
	2011 Rupees	6,893,715	3,772,759	2,269,250	(1,503,509)		

		Note	2012 (Rupees)	2011 (Rupees)
13	**Intangible assets**			
	Cost		5,543,356	-
	Accumulated amortization		(1,829,319)	-
			3,714,037	-

13.1 This includes computer software - license fee and ERP. The computer software is transferred from capital work-in-progress to intangible assets, during the year.

14 Long term investments

	Note	2012 (Rupees)	2011 (Rupees)
Related parties - at cost			
Farmacia (Partnership firm, unlisted subsidiary)	14.1	77,220,554	82,555,954
BF Biosciences Limited (unlisted subsidiary)	14.2	151,999,960	151,999,960
		229,220,514	234,555,914

14.1 Farmacia (Partnership firm, unlisted subsidiary)

	Note	2012 (Rupees)	2011 (Rupees)
Opening balance		82,555,954	70,780,791
Disinvestment		(25,000,000)	
Company's share in profit of subsidiary	14.1.1	19,664,600	11,775,163
		77,220,554	82,555,954

14.1.1 This represents 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 M/s Laboratories Bagó S.A., Argentina. The Company has commenced its commercial operations effective July 2009.

		Note	2012 (Rupees)	2011 (Rupees)
15	**Long term loan - unsecured**			
	Related party - considered good			
	BF Biosciences Limited	15.1	425,000,000	425,000,000
	Less : Receipts during the year		(50,000,000)	-
			375,000,000	425,000,000
	Less : Amount due within twelve months, shown under current assets		(50,000,000)	(50,000,000)
			325,000,000	375,000,000

15.1 This represent the restructuring in form of further investment by converting the overall outstanding term loan, overdue markup and trade receivables of Subsidiary Company, BF Biosciences Limited, into a Term Loan. The restructuring was carried out under the authority of a special resolution passed by the Shareholders in the Extraordinary General Meeting held in 14 June 2010, in accordance with the provisions of Section 208 of the Companies Ordinance, 1984. The loan is recoverable within a period of five years or earlier as and when required by the Company with the grace period of one year starting from 01 July 2010. Markup charged on the loan will not be less then the borrowing cost of the Company. The maximum amount of long term loan at the end of any month during the year was Rs. 375 million (2011: Rs. 425 million).

		2012 (Rupees)	2011 (Rupees)
16	**Stores, spare parts and loose tools**		
	Stores	4,631,196	1,586,650
	Spare parts	754,599	174,681
	Loose tools	857,327	461,907
		6,243,122	2,223,238
17	**Stock in trade**		
	Raw material	215,118,157	224,016,595
	Work in process	23,928,962	11,929,149
		239,047,119	235,945,744
	Finished goods	174,348,469	169,991,024
	Less: provision for writing down to net realisable value	(783,764)	-
		173,564,705	169,991,024
	Stock in transit	2,841,643	3,068,579
		415,453,467	409,005,347
18	**Loans and advances - considered good**		
	Advances to employees	7,779,737	5,321,729
	Advances to suppliers	3,299,050	11,825,186
	Others	701,990	542,648
		11,780,777	17,689,563

	Note	2012 (Rupees)	2011 (Rupees)
19 Deposits and prepayments			
Deposits			
Earnest money		15,503,304	6,856,599
Margin deposits		-	3,220,024
		15,503,304	10,076,623
Prepayments		89,002	736,895
		15,592,306	10,813,518
20 Advance income tax - net			
Advance income tax at beginning of the year		84,196,501	81,090,608
Income tax paid during the year		25,263,354	17,473,026
Provision for current taxation		(17,705,903)	(14,367,133)
Advance income tax at the end of the year		91,753,952	84,196,501
21 Other receivables			
Due from Subsidiary:			
BF Biosciences Limited		3,318,239	743,507
Others		9,985,157	786,813
		13,303,396	1,530,320
22 Short term investments			
Investments at fair value through profit and loss - listed securities	22.1	273,864,527	13,081,368

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

Number of shares/units 2012	Number of shares/units 2011	Name of companies	2012 Carrying value Rupees	2012 Fair value Rupees	2011 Carrying value Rupees	2011 Fair value Rupees
-	25,000	Pakistan National Shipping Corporation Ordinary shares of Rs. 10 each	-	-	997,250	600,000
-	155,755	Bank Alfalah Limited Ordinary shares of Rs. 10 each	-	-	1,473,442	1,490,575
-	415,000	PICIC - Growth Fund Ordinary shares of Rs. 10 each	-	-	3,842,900	5,552,700
-	7,000	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	-	-	1,511,300	2,513,070
-	500,004	PICIC - IF Ordinary shares of Rs. 10 each	-	-	1,890,015	2,925,023
1,137,210	-	HBL Money Market Fund	110,354,912	116,976,197	-	-
1,277,085	-	HBL Income Fund	156,000,000	156,888,330	-	-
			266,354,912	273,864,527	9,714,907	13,081,368
		Unrealized gain on account of re-measurement to fair value	7,509,615	-	3,366,461	-
			273,864,527	273,864,527	13,081,368	13,081,368

	Note	2012 (Rupees)	2011 (Rupees)
23 Cash and bank balances			
Cash in hand		2,496,289	2,098,369
Cash at bank:			
Current accounts			
- foreign currency		11,871,574	8,154,897
- local currency		4,002,727	6,387,236
		15,874,301	14,542,133
Deposit accounts - local currency	23.1	39,974,374	3,374,751
		58,344,964	20,015,253

23.1 These carry interest rate ranging from 6.15% - 9.5% per annum (2011: 5% - 7.5% per annum)

	Note	2012 (Rupees)	2011 (Rupees)
24 Revenue - net			
Gross sales		1,933,942,762	1,553,841,473
Less: Discount		(163,352,428)	(117,128,192)
		1,770,590,334	1,436,713,281
25 Cost of sales			
Work in process:			
Opening		11,929,149	9,069,289
Closing		(23,928,962)	(11,929,149)
		(11,999,813)	(2,859,860)
Raw materials consumed	25.1	724,036,720	601,561,435
Salaries, wages and benefits	25.2	67,257,574	60,645,691
Fuel and power		13,116,638	8,190,433
Repair and maintenance		15,971,345	7,545,846
Stores and spares consumed		7,041,277	6,842,682
Packing charges		9,423,009	9,275,848
Excise duty		205,372	80,000
Postage and telephone		1,547,239	1,400,229
Insurance		3,823,609	1,693,360
Travelling and conveyance		2,522,233	1,448,327
Transportation		1,278,595	2,366,695
Canteen expenses		2,609,651	3,026,076
Security expenses		1,424,195	1,268,611
Product registration		54,640	23,800
Laboratory and other expenses		1,257,918	2,148,957
Depreciation	12.4	25,494,497	33,646,247
Cost of goods manufactured		865,064,699	738,304,377
Finished stock:			
Opening		169,991,024	138,056,563
Closing		(173,564,705)	(169,991,024)
		(3,573,681)	(31,934,461)
		861,491,018	706,369,916

	Note	2012 (Rupees)	2011 (Rupees)
25.1 Raw materials consumed			
Opening stock		224,016,595	138,107,999
Add: Purchases		715,138,282	687,470,031
		939,154,877	825,578,030
Less: Closing stock		(215,118,157)	(224,016,595)
		724,036,720	601,561,435

25.2 Salaries, wages and benefits include Rs. 2.32 million (2011: Rs. 2.20 million) charged on account of defined contribution plan.

26 Other operating income

	Note	2012 (Rupees)	2011 (Rupees)
From financial assets:			
Dividend income		1,990,524	1,373,755
Gain on sale of short term investments		54,038	-
Profit on deposits with banks		618,060	644,459
Gain on re-measurement of short term investments		6,912,654	3,366,461
Lease rentals from subsidiary company		200,000	500,000
Commission		26,558,985	5,115,852
		36,334,261	11,000,527
From related party			
Mark-up on long term loan to subsidiary		54,166,024	61,581,918
From non - financial assets			
Gain on sale of property, plant and equipment		13,186,857	-
		103,687,142	72,582,445

27 Administrative expenses

	Note	2012 (Rupees)	2011 (Rupees)
Salaries, wages and benefits	27.1	64,252,247	61,128,898
Directors fees and expenses		1,452,820	1,185,025
Rent, rates and taxes		1,016,103	658,615
Postage and telephone		4,104,277	2,932,969
Printing and stationary		3,284,595	1,932,804
Travelling and conveyance		4,930,223	2,983,803
Transportation		3,349,807	2,444,198
Legal and professional charges		2,558,370	2,362,697
Fuel and power		1,482,817	920,446
Auditors' remuneration	27.2	756,120	824,392
Repairs and maintenance		3,379,059	6,180,225
Subscriptions		2,382,363	901,488
Donations	27.3	2,954,500	2,600,000
Insurance		1,850,927	1,678,694
Depreciation	12.4	26,011,906	20,991,700
Amortisation		1,829,319	-
Canteen expenses		6,812,998	3,323,361
Other administrative expenses		1,818,283	1,651,190
		134,226,734	114,700,505

27.1 Salaries, wages and benefits include Rs. 2.81 million (2011: Rs. 2.24 million) charged on account of defined contribution plan.

	Note	2012 (Rupees)	2011 (Rupees)
27.2 Auditors' remuneration			
Fee for annual audit		500,000	500,000
Fee for audit of consolidated accounts		50,000	50,000
Review of half yearly accounts		75,000	75,000
Other certifications		90,000	90,000
Out of pocket expenses		41,120	109,392
		756,120	824,392

27.3 Donations were given to Lahore University of Management Sciences' School of Science & Engineering and The Citizen Foundation. Donations did not include any amount paid to any person or organization in which a director or his spouse had any interest.

28 Selling and distribution cost

	Note	2012 (Rupees)	2011 (Rupees)
Salaries, wages and benefits	28.1	155,754,487	109,587,555
Product registration		25,780,770	6,065,504
Travelling and conveyance		77,900,629	59,795,070
Transportation		525,413	4,009,011
Rent, rates and taxes		2,623,639	2,043,596
Advertisement and publicity		115,316,341	96,427,411
Freight and forwarding		9,259,958	6,567,210
Printing and stationary		1,689,821	1,619,715
Postage and telephone		5,871,469	3,423,719
Electricity and gas		701,636	41,856
Subscriptions and fees		7,071,926	9,391,096
Insurance		6,319,004	4,880,093
Repairs and maintenance		1,000,192	572,176
Legal and professional charges		1,390,000	19,626
Entertainment expenses		279,240	1,081,454
Training expenses		1,029,060	1,371,141
Depreciation	12.4	18,086,610	12,393,020
Other selling expenses		8,567,513	6,221,872
		439,167,708	325,511,125

28.1 Salaries, wages and benefits include Rs. 5.04 million (2011: Rs. 4.16 million) charged on account of defined contribution plan.

29 Finance cost

	2012 (Rupees)	2011 (Rupees)
Finance charge on leased assets	-	3,079
Mark-up on bank financing	5,084,111	9,386,549
Bank charges	2,495,056	1,120,206
Interest on Workers' Profit Participation Fund	313,170	483,390
Interest rate swap expense	-	143,213
	7,892,337	11,136,437
	7,892,337	11,136,437

		Note	2012 (Rupees)	2011 (Rupees)
30	**Other expenses**			
	Exchange loss		**1,475,575**	2,373,437
	Loss on sale of property, plant and equipment		**-**	1,503,509
	Write-off of long term investment		**-**	33,085
	Workers' Profit Participation Fund		**16,390,627**	13,949,765
	Workers' Welfare Fund		**6,556,251**	5,579,906
	Central Research Fund		**4,267,418**	3,399,132
			28,689,871	26,838,834
31	**Taxation**			
	Current		**17,705,903**	14,367,133
	Deferred		**(3,722,341)**	21,159,129
			13,983,562	35,526,262

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

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

32 Earnings per share - basic and diluted

		Note	2012	2011
Profit after taxation for distribution to ordinary shareholders	Rupees		**408,490,846**	300,987,810
Weighted average number of ordinary shares	Numbers	32.1	**28,749,372**	28,749,372
Basic and diluted earnings per share	Rupees		**14.21**	10.47

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

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

33 Remuneration of Directors, Chief Executive and Executives

	2012			2011		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	----------Rupees----------			----------Rupees----------		
Managerial remuneration	15,240,000	7,980,000	52,430,107	13,200,000	6,900,000	41,784,910
Bonus	2,475,000	1,293,750	5,018,438	3,300,000	1,725,000	3,147,000
Utilities	-	163,713	-	-	159,885	-
Provident fund	983,223	550,344	3,292,096	851,616	475,860	2,580,094
	18,698,223	9,987,807	60,740,641	17,351,616	9,260,745	47,512,004
Numbers	2	1	30	2	1	24

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 (2011: Rs. 3,200) as meeting fee and Rs. 1,449,020 (2011: Rs. 1,181,825) as reimbursement of expenses for attending the Board of Directors' meetings.

34 Related party transactions

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

	2012 (Rupees)	2011 (Rupees)
Farmacia - 98% owned subsidiary partnership firm		
Sale of medicines	4,163,504	5,102,010
Payment received from Farmacia against sale of medicine	(3,982,067)	(2,697,124)
Share of profit reinvested	19,664,600	11,775,163
Withdrawal of investment	25,000,000	-
Other expenses directly paid by the Company	-	8,400
BF Biosciences Limited - 80% owned subsidiary		
Interest on long term loan	54,166,024	61,581,918
Sales of finished goods	80,072,965	89,605,545
Purchase of goods	14,319,422	39,824,835
Lease rentals accrued	200,000	500,000
Expenses incurred	36,928,812	5,814,096
Payment received	(99,210,761)	(144,398,602)
Payment made	15,428,051	21,917,349

	2012 (Rupees)	2011 (Rupees)
Other related parties		
Employees provident fund		
Advances given to members	4,191,000	4,281,941
Mark up recovered	-	177,941
Payments made on behalf of the fund to the retiring employees	12,067,681	20,210,810
Company share in employees provident fund	10,172,693	8,602,263
Remuneration including benefits and perquisites of key management personnel	45,060,000	40,020,000

35 Capacity and production

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

36 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

36.1 Credit risk

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

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

Counterparties

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

Long term loan and trade debts

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

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

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

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

Bank balances and investments

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

Exposure to credit risk

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

	2012 (Rupees)	2011 (Rupees)
Long term loan	375,000,000	425,000,000
Long term deposits	3,596,600	3,518,500
Trade debts	106,334,607	102,924,380
Deposits	15,592,306	10,375,099
Other receivables	13,303,396	1,435,538
Other financial assets	273,864,527	13,081,369
Bank balances	55,848,675	17,916,884
	843,540,111	574,251,770

Geographically there is no concentration of credit risk.

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

	2012	2011
Institutional customers	69,323,614	41,307,283
Retail customers	24,055,272	60,801,857
Distributors	12,955,721	815,240
Subsidiary company	375,000,000	425,000,000
Bank balances	55,848,675	17,916,884
Listed companies and mutual funds	273,864,527	13,081,369
Others	28,895,702	11,810,637
	839,943,511	570,733,270

The aging of trade debts at the reporting date was:		
Past due 0 - 30 days	58,469,372	45,530,724
Past due 31 - 120 days	24,193,220	32,185,619
Past due 121 - 365 days	3,410,320	19,361,407
More than 365 days	20,261,695	5,846,630
	106,334,607	102,924,380

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

36.2 Liquidity risk

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

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

	2012						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	--Rupees--						
Secured bank loan				-	-	-	-
Trade and other payables	205,663,630	205,663,630	205,663,630	-	-	-	-
Accrued mark-up on long term financing	-	-	-	-	-	-	-
Short term borrowing	-	-	-	-	-	-	-
	205,663,630	205,663,630	205,663,630	-	-	-	-

	2011						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	--Rupees--						
Secured bank loan	42,562,500	44,256,725	44,256,725	-	-	-	-
Finance lease liabilities					-	-	-
Trade and other payables	152,631,234	152,631,234	152,631,234	-	-	-	-
Accrued mark-up on long term financing	969,405	969,405	969,405	-	-	-	-
Short term borrowing	37,805,811	37,805,811	37,805,811	-	-	-	-
	233,968,950	235,663,175	235,663,175	-	-	-	-

Market risk

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

Interest rate risk

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

Profile

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

	2012 %	2011 %	2012 (Rupees)	2011 (Rupees)
Variable rate instruments				
Financial assets	6.15% to 15.28%	5 to 15.12	364,974,374	378,374,751
Financial liabilities	-	7.5 to 15.2	-	(80,368,311)
			364,974,374	298,006,440

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	
	2012 (Rupees)	2011 (Rupees)
Variable rate instruments	3,649,744	2,980,064

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.

36.3 Foreign currency risk management

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

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

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2012			
	Rupees	**US Dollars**	**Rupees**	**Euro**
Cash and cash equivalents	**10,361,870**	**109,999**	**3,256,044**	**27,477**
Trade and other payables	**(78,525,923)**	**(833,609)**	**-**	**-**
Trade receivables	**3,899,899**	**41,400**	**2,838,866**	**23,957**
Gross balance sheet exposure	**(64,264,154)**	**(682,210)**	**6,094,910**	**51,434**

	2011			
	Rupees	US Dollars	Rupees	Euro
Cash and cash equivalents	8,154,897	94,880	-	-
Trade and other payables	(52,980,010)	(616,405)	-	-
Trade receivables	8,433,434	98,120	-	-
Gross balance sheet exposure	(36,391,679)	(423,405)	-	-

The following significant exchange rates were applied during the year:

	Balance Sheet date rate		Average rate	
	2012	2011	**2012**	2011
US Dollars	**94.20**	85.95	**89.64**	85.73
Euro	**118.50**	124.89	**120.15**	117.72

Sensitivity analysis

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

	Profit and loss	
	2012 Rupees	2011 Rupees
Profit and loss account	**5,816,924**	3,639,168

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

36.4 Other market price risk

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

36.5 Sensitivity analysis of price risk

A change of 5% in the value of investments at fair value through profit and loss would have increased or decreased profit or loss by Rs. 13.69 million (2011: Rs. 0.65 million) provided all other variables remain constant.

36.6 Fair value of financial assets and liabilities

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

37 Capital management

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

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

38 Corresponding figures

Previous year's figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison.

39 Non Adjusting events after the balance sheet date

The Board of Directors of the Company in their meeting held on September 06, 2012 have proposed final cash dividend of Rs. 4.5 per share and stock dividend @ 5% i.e. 1 bonus shares for every 20 shares held, for the year ended 30 June 2012.

40 The financial statements have been authorized for issue by the Board of Directors of the Company on September 06, 2012.

Rawalpindi
September 06, 2012 | Director | Chairperson & CEO

Consolidated Financial Statements for the Year Ended June 30, 2012