KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements of **Ferozsons Laboratories Limited ("the Holding Company")** and its subsidiaries, BF Biosciences Limited and Farmacia, comprising consolidated balance sheet as at 30 June 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Ferozsons Laboratories Limited and its subsidiary company BF Biosciences Limited. The financial statements of subsidiary Farmacia were audited by another firm of chartered accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such subsidiary, is based solely on the report of other auditor.

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

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

In our opinion, the consolidated financial statements present fairly the consolidated financial position of the Ferozsons Laboratories Limited and its subsidiaries, BF Biosciences Limited and Farmacia, as at 30 June 2012 and the consolidated results of its operations, its consolidated cash flows statement and consolidated statement of changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

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

Lahore:
06 September 2012

CONSOLIDATED BALANCE SHEET

	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	5	287,493,720	249,994,540
Capital reserve	6	321,843	321,843
Accumulated profit		1,744,227,890	1,342,834,271
		2,032,043,453	1,593,150,654
Non-controlling interest		60,773,274	49,675,749
		2,092,816,727	1,642,826,403
Surplus on revaluation of property, plant and equipment - net of tax	7	384,205,990	389,692,056
Non current liabilities			
Long term financing - secured	8	-	-
Deferred taxation	9	103,348,521	121,695,416
		103,348,521	121,695,416
Current liabilities			
Trade and other payables	10	439,723,478	290,397,231
Short term borrowings - secured	11	-	37,805,811
Accrued markup on long term financing		-	1,898,089
Current portion of long term financing	8	-	79,937,500
		439,723,478	410,038,631
Contingencies and commitments	12		
		3,020,094,716	2,564,252,506

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

Rawalpindi
September 06, 2012

Director

AT JUNE 30, 2012

ASSETS	Note	2012 (Rupees)	2011 (Rupees)
Non-current assets			
Property, plant and equipment	13	1,479,534,613	1,465,485,976
Intangible assets	14	3,714,037	-
Long term deposits		7,543,600	7,465,500
		1,490,792,250	1,472,951,476
Current assets			
Stores, spare parts and loose tools	15	9,489,742	4,805,283
Stock in trade	16	583,051,961	592,723,356
Trade debts - considered good		325,691,298	158,262,572
Loans and advances - considered good	17	15,293,053	24,393,199
Deposits and prepayments	18	23,720,945	21,038,681
Advance income tax - net	19	119,205,063	110,196,797
Other receivables		9,985,159	786,813
Short term investments	20	345,247,322	23,673,368
Derivative asset - interest rate swap		-	26,758
Cash and bank balances	21	97,617,923	155,394,203
		1,529,302,466	1,091,301,030
		3,020,094,716	2,564,252,506

Chairperson & CEO

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

	Note	2012 (Rupees)	2011 (Rupees)
Revenue - net	22	2,766,373,225	2,202,757,204
Cost of sales	23	(1,457,074,704)	(1,073,340,283)
Gross profit		1,309,298,521	1,129,416,921
Other operating income	24	52,082,875	15,134,376
Administrative expenses	25	(153,164,594)	(117,440,687)
Selling and distribution cost	26	(658,190,990)	(457,033,374)
Finance cost	27	(12,537,845)	(20,109,389)
Other expenses	28	(44,967,789)	(42,428,364)
Profit before taxation		492,520,178	507,539,483
Taxation	29	(16,256,184)	(81,916,771)
Profit after taxation		476,263,994	425,622,712
Attributable to:			
Shareholders of the Parent Company		464,656,265	400,418,985
Non-controlling interest		11,607,729	25,203,727
Profit for the year		476,263,994	425,622,712
Earnings per share - basic and diluted	30	16.16	13.93

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

Rawalpindi
September 06, 2012

Director

Chairperson & CEO

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

	2012 (Rupees)	2011 (Rupees)
Profit after taxation	**476,263,994**	425,622,712
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**476,263,994**	425,622,712
Attributable to:		
Shareholders of the Parent Company	**464,656,265**	400,418,985
Non-controlling interest	**11,607,729**	25,203,727
	476,263,994	425,622,712

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

Rawalpindi
September 06, 2012

Director

Chairperson & CEO

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 (Rupees)	2011 (Rupees)
Cash flow from operating activities			
Profit before taxation		492,520,178	507,539,483
Adjustments for:			
Depreciation		137,803,723	131,311,863
Amortisation		1,829,319	-
(Gain) / loss on sale of property, plant and equipment		(13,236,999)	1,759,009
Finance costs		12,537,845	19,966,176
Provision for Workers' Profit Participation Fund		20,682,801	22,966,082
Provision for Workers' Welfare Fund		8,273,120	9,186,433
Provision for Central Research Fund		4,989,224	5,080,396
Gain on re-measurement of short term investments		(7,189,149)	(3,366,461)
Gain on sale of short term investments		(54,038)	-
Dividend income, profit on bank deposits and commissions		(31,602,689)	(4,228,209)
Long term investments written off		-	33,085
Fair value adjustment on interest rate swap		-	(310,724)
		134,033,157	182,397,650
Profit before working capital changes		626,553,335	689,937,133
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(4,684,459)	(164,653)
Loans, advances, deposits and prepayments		(2,753,706)	(6,572,037)
Stock in trade		9,671,395	(202,728,551)
Trade debts - considered good		(167,428,726)	(84,152,503)
		(165,195,496)	(293,617,744)
Increase in current liabilities			
Trade and other payables		151,619,520	51,036,095
Cash generated from operations		612,977,359	447,355,484
Finance cost paid		(13,767,750)	(20,888,568)
Taxes paid		(43,611,345)	(40,352,071)
Workers' Profit Participation Fund paid		(23,439,661)	(15,105,721)
Workers' Welfare Fund paid		(9,186,433)	(6,844,511)
Workers' Central Research Fund paid		(5,080,396)	(3,344,013)
		(95,085,585)	(86,534,884)
Net cash generated from operating activities		517,891,774	360,820,600
Cash flow from investing activities			
Fixed capital expenditure		(163,007,299)	(141,830,902)
Proceeds from sale of property, plant and equipment		18,848,582	2,594,250
Dividend income, profit on bank deposits and commissions		31,602,689	4,228,209
Acquisition of short term investments		(337,436,250)	(592,000)
Proceeds from encashment of short term investments		23,130,445	-
Long term deposits		(78,100)	(2,021,400)
Net cash used in investing activities		(426,939,933)	(137,621,843)
Cash flow from financing activities			
Repayment of long term financing		(79,937,500)	(94,125,000)
Payment of liabilities against assets subject to finance lease		-	(478,082)
(Payment) / proceeds of short term borrowings		(37,805,811)	1,277,762
Derivative interest rate swap		-	(103,350)
Payment to non-controlling interest		(510,204)	-
Dividend paid		(30,474,606)	(30,868,441)
Net cash used in financing activities		(148,728,121)	(124,297,111)
Net (decrease) / increase in cash and cash equivalents		(57,776,280)	98,901,646
Cash and cash equivalents at the beginning of the year		155,394,203	56,492,557
Cash and cash equivalents at the end of the year	21	97,617,923	155,394,203

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

Rawalpindi
September 06, 2012

Director

Chairperson & CEO

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

	Share capital	Capital reserve	Accumulated profit	Total	Non-controlling interest	Total
	---Rupees---					
Balance as at 30 June 2010	**208,328,786**	**321,843**	**1,007,224,346**	**1,215,874,975**	**24,472,022**	**1,240,346,997**
Total comprehensive income for the year	-	-	400,418,985	400,418,985	25,203,727	425,622,712
Surplus transferred to accumulated profit in respect of :						
-incremental depreciation charged during the year - net of tax	-	-	6,744,289	6,744,289	-	6,744,289
-disposal of property, plant and equipment during the year	-	-	1,361,536	1,361,536	-	1,361,536
	-	-	8,105,825	8,105,825	-	8,105,825
Interim dividend for the year ending 30 June 2011 at Rs. 1.25 per share	-	-	(31,249,131)	(31,249,131)	-	(31,249,131)
Bonus shares issued at 20% for the year ended 30 June 2010	41,665,754	-	(41,665,754)	-	-	-
Balance as at 30 June 2011	**249,994,540**	**321,843**	**1,342,834,271**	**1,593,150,654**	**49,675,749**	**1,642,826,403**
Total comprehensive income for the year	-	-	464,656,265	464,656,265	11,607,729	476,263,994
Surplus transferred to accumulated profit in respect of :						
-incremental depreciation charged during the year - net of tax	-	-	5,486,066	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)	-	(31,249,532)
Reduction in non-controlling interest	-	-	-	-	(510,204)	(510,204)
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**	**1,744,227,890**	**2,032,043,453**	**60,773,274**	**2,092,816,727**

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

Rawalpindi
September 06, 2012

Director

Chairperson & CEO

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

1 The Group and its operations

Ferozsons Laboratories Limited ("the Parent 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 Parent Company is listed on the Karachi, Lahore and Islamabad stock exchanges. The Parent Company is primarily engaged in the manufacture and sale of pharmaceuticals products and its registered office is situated at 197-A, The Mall, Rawalpindi and the factory is located at Amangarh, Nowshera, Khyber Pakhtoon Khwa.

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

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

2 Basis of consolidation

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

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

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

3 Basis of preparation

3.1 Statement of compliance

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

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

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

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

3.2.2 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 Group.

- 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 Group.

- 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 Group.

- 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 Group.

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

- 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 Group.

- 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 Group.

3.3 Basis of measurement

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

3.4 Functional and presentation currency

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

3.5 Use of estimates and judgments

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

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

Stores, spare parts, loose tools and stock in trade

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

Provision against trade debts, advances and other receivables

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

Provisions

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

Taxation

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

4 Significant accounting policies

4.1 Employee benefits

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

Staff provident fund

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

Compensated absences

The Parent Company and its subsidiary company - BF Biosciences Limited provides for compensated absences for its employees on unavailed balance of leave in the period in which leave is earned.

4.2 Taxation

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

Current

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

Deferred

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

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

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

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

Owned

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

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

Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs. Depreciation is provided on a straight line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 13. 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 property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to equity net of related deferred tax.

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

4.3.1 Capital work in progress

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

4.4 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.

4.5 Impairment

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

4.6 Investments

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

4.6.1 Investments available for sale

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

4.6.2 Investments held to maturity

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

4.6.3 Investments at fair value through profit or loss

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

4.7 Stores, spare parts and loose tools

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

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

4.8 Stock in trade

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

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

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

4.9 Trade and other receivables

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

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

4.10 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and banks.

4.11 Mark-up bearing borrowings

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

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

4.13 Trade and other payables

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

4.14 Dividend

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

4.15 Borrowing costs

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

4.16 Finance income

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

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

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

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

4.17 Provisions

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

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

4.18 Financial instruments

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

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

Financial liabilities are classified according to the substance of contractual agreements entered into, significant financial liabilities are long term and short term borrowing, accrued mark up and trade and other payables.

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

4.19 Offsetting of financial assets and financial liabilities

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

4.20 Foreign currencies

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

4.21 Impairment

Financial assets

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

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

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

Non financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost 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)
5 Share capital		
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

6 Capital reserve

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

7 Surplus on revaluation of 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	-	(733,134)
	-	(2,094,670)
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	419,254,637
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:		
Sale of property, plant and equipment during the year	-	733,134
Incremental depreciation charged during the year	2,954,036	3,631,540
	(26,608,544)	(29,562,581)
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. 448.75 million, which has been included in the carrying values of free hold land, building and plant and machinery respectively and credited to the surplus on revaluation of property, plant and equipment. The surplus is adjusted by surplus realized on sale of revalued assets, if any, and incremental depreciation arising due to revaluation, net of deferred tax.

	Note	2012 (Rupees)	2011 (Rupees)
8 Long term financing - secured			
- Habib Bank Limited	8.1	-	42,562,500
- Allied Bank Limited	8.2	-	37,375,000
		-	79,937,500
Less : Current portion shown under current liabilities		-	(79,937,500)
		-	-

8.1 Habib Bank Limited

	2012	2011
Outstanding balance at beginning of the year	**42,562,500**	99,312,500
Less : Repayments made during the year	**(42,562,500)**	(56,750,000)
	-	42,562,500
Less : Current portion shown under current liabilities	-	(42,562,500)
	-	-

8.1.1 The Parent Company has obtained a long term finance facility of Rs. 277 million from Habib Bank Limited to finance its 80% owned subsidiary, BF Biosciences Limited, however, the Parent Company had availed the facility to the extent of Rs. 227 million only. This facility is repayable in sixteen equal quarterly installments with a grace period of 1 year, commencing from 15th month after first draw down and 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 Parent Company and equitable mortgage over immovable property to the extent of Rs. 370 million.

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

8.2 Allied Bank Limited	2012 (Rupees)	2011 (Rupees)
Outstanding balance at beginning of the year	**37,375,000**	74,750,000
Less : Repayments made during the year	**(37,375,000)**	(37,375,000)
	-	37,375,000
Less : Current portion shown under current liabilities	-	(37,375,000)
	-	-

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

The above facility was later converted into a Long Term Financing Facility (LTFF) for export oriented projects by a scheme introduced by the SBP up to the extent of Rs. 2.3 million only. This facility is repayable in ten quarterly installments commencing from the 26 October 2009 and carries mark-up at 8% per annum or as per SBP, payable quarterly in arrear. The facility is secured by creating a first charge of Rs. 334 million on all present and future fixed and current assets, except for land and building of the subsidiary company.

		Note	2012 (Rupees)	2011 (Rupees)
9	**Deferred taxation**			
	The net balance of deferred tax is in respect of the following major temporary differences:			
	Taxable temporary differences:			
	Accelerated tax depreciation		139,819,965	147,760,291
	Surplus on revaluation of fixed assets		26,608,544	29,562,580
	Exchange losses		-	296,160
	Derivative liability - interest rate swap		-	9,428
			166,428,509	177,628,459
	Deductible temporary differences:			
	Unused tax losses		(54,643,272)	(55,933,043)
	Minimum tax recoverable against normal tax in future		(8,436,716)	-
			103,348,521	121,695,416
10	**Trade and other payables**			
	Creditors		279,550,141	189,593,788
	Accrued liabilities		52,790,314	7,807,887
	Advances from customers		26,559,226	15,599,173
	Unclaimed dividend		15,395,173	14,620,247
	Tax deducted at source		4,463,982	3,041,042
	Provision for compensated absences	10.1	5,978,697	5,049,417
	Workers' Profit Participation Fund	10.2	21,341,515	23,430,191
	Central Research Fund	10.3	4,989,224	5,080,396
	Workers' Welfare Fund		8,273,120	9,186,433
	Advances from employees against purchase of vehicles		11,511,999	15,038,841
	Due to related parties - unsecured		6,709,018	1,081,338
	Others		2,161,069	868,478
			439,723,478	290,397,231

10.1 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.

	Note	2012 (Rupees)	2011 (Rupees)
10.2 Workers' Profit Participation Fund			
Balance at the beginning of the year		**23,430,191**	15,086,440
Interest on funds utilized		**668,184**	483,390
Provision for the year		**20,682,801**	22,966,082
		44,781,176	38,535,912
Payments made during the year		**(23,439,661)**	(15,105,721)
		21,341,515	23,430,191

The fund balance has been utilized by the Parent Company and the subsidiary company, BF Biociences Limited, for their 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 Profit (Workers' Participation) Act, 1968.

	Note	2012 (Rupees)	2011 (Rupees)
10.3 Central Research Fund			
Balance at the beginning of the year		**5,080,396**	3,344,013
Provision for the year		**4,989,224**	5,080,396
		10,069,620	8,424,409
Payments made during the year		**(5,080,396)**	(3,344,013)
		4,989,224	5,080,396

11 Short term borrowings - secured

	Note	2012 (Rupees)	2011 (Rupees)
Running finance facility from:			
Habib Bank Limited	11.1	**-**	37,805,811
		-	37,805,811

11.1 The Parent 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 Parent Company, with a 25% margin, and by a first equitable mortgage charge over land and building of Parent Company's Nowshehra plant, ranking pari passu with the existing first charge holders to the extent of Rs. 370 million. This facility carries mark up at the rate of three months KIBOR + 1.5% per annum.

11.2 The Parent 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 Parent 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.

11.3 The Parent 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.

11.4 The subsidiary company, BF Biosciences Limited has unavailed cash finance facility of Rs. 50 million (2011: Rs. 50 million) from Allied Bank Limited. The facility carries mark-up at the rate of one month KIBOR plus 1.5% (base rate to be reset every month). The facility is secured by a first charge of Rs. 334 million on all present and future fixed and current assets of the subsidiary company.

11.5 The subsidiary company, BF Biosciences Limited, has obtained running finance facility of Rs. 75 million from Habib Bank Limited. The facility carries mark-up at the rate of three month KIBOR plus 1% (base rate to be reset at every quarter). The facility is secured by a first pari passu hypothecation charge of Rs. 134 million on all present and future fixed and current assets of the subsidiary company.

12 Contingencies and commitments

	2012 (Rupees)	2011 (Rupees)
Contingencies		
Guarantees issued by banks on behalf of the Parent Company	**640,500**	3,170,540
Guarantees issued by banks on behalf of the subsidiary company (BF Biosciences Limited)	**33,839,434**	11,514,700
	34,479,934	14,685,240
Commitments		
Letter of credits other than capital expenditure	**79,959,976**	111,255,343
	79,959,976	111,255,343

13 Property, plant and equipment

	Note	Reassessed value/original cost: As at 01 July 2011	Additions	Transfers/ adjustments	Deletions	Surplus on revaluation	As at 30 June 2012	Rate %	Depreciation: As at 01 July 2011	For the year	On deletions	Transfers/ adjustments	Release on revaluation	As at 30 June 2012	Net book value as at 30 June 2012
		-----Rupees-----							-----Rupees-----						
OWNED:															
Freehold land	13.1	410,000,000	-	-	-	-	410,000,000	-	-	-	-	-	-	-	410,000,000
Building		498,074,161	4,706,986	7,196,016	-	-	509,977,163	10	46,392,706	50,008,340	-	-	-	96,401,046	413,576,117
Plant and machinery		528,908,172	12,897,114	13,426,011	-	-	555,231,297	10	73,189,960	54,597,172	-	-	-	127,787,132	427,444,165
Office equipments		55,026,936	2,547,563	599,999	(218,500)	-	57,955,998	10	25,516,500	4,483,219	(203,937)	-	-	29,795,782	28,160,216
Furniture and fittings		24,666,347	2,331,247	-	-	-	26,997,594	10	10,121,437	2,118,819	-	-	-	12,240,256	14,757,338
Computers		22,899,139	3,152,836	782,388	(52,725)	-	26,781,638	33	17,196,478	3,425,713	(52,725)	-	-	20,569,466	6,212,172
Vehicles		143,308,707	8,912,500	26,068,800	(29,305,567)	-	148,984,440	20	85,080,870	23,170,460	(23,708,547)	-	-	84,542,783	64,441,657
Capital work-in-progress	13.2	40,100,465	128,459,053	(53,616,570)	-	-	114,942,948		-	-	-	-	-	-	114,942,948
2012		1,722,983,927	163,007,299	(5,543,356)	(29,576,792)	-	1,850,871,078		257,497,951	137,803,723	(23,965,209)	-	-	371,336,465	1,479,534,613

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

13 A Property, plant & equipment

	Note	Reassessed value/original cost: As at 01 July 2010	Additions	Transfers/ adjustments	Deletions	Surplus on revaluation	As at 30 June 2011	Rate %	Depreciation: As at 01 July 2010	For the year	On deletions	Transfers/ adjustments	Release on revaluation	As at 30 June 2011	Net book value: As at 30 June 2011
		Rupees							Rupees						
OWNED:															
Freehold land	13 A.1	270,131,000	-	-	-	139,869,000	410,000,000	-	-	-	-	-	-	-	410,000,000
Building		390,638,789	14,215,367	153,736,029	(4,138,695)	(56,377,329)	498,074,161	10	48,727,518	48,279,956	(1,896,902)	-	(48,717,866)	46,392,706	451,681,455
Plant and machinery		535,621,454	28,225,974	15,594,762	-	(50,534,018)	528,908,172	10	100,183,044	55,658,269	-	66,421	(82,717,774)	73,189,960	455,718,212
Office equipments		46,143,380	4,541,962	4,341,594	-	-	55,026,936	10	21,476,833	4,107,631	-	(67,964)	-	25,516,500	29,510,436
Furniture and fittings		21,082,082	2,344,123	1,240,142	-	-	24,666,347	10	8,282,446	1,838,991	-	-	-	10,121,437	14,544,910
Computers		18,516,323	4,269,132	113,684	-	-	22,899,139	33	14,650,755	2,544,180	-	1,543	-	17,196,478	5,702,661
Vehicles		123,666,227	20,644,800	2,562,700	(3,565,020)	-	143,308,707	20	66,199,390	18,669,278	(1,453,553)	1,665,755	-	85,080,870	58,227,837
Capital work-in-progress	13.2	147,537,132	67,589,544	(175,026,211)	-	-	40,100,465		-	-	-	-	-	-	40,100,465
		1,553,336,387	141,830,902	2,562,700	(7,703,715)	32,957,653	1,722,983,927		259,519,986	131,098,305	(3,350,455)	1,665,755	(131,435,640)	257,497,951	1,465,485,976
LEASED:															
Vehicles		2,562,700	-	(2,562,700)	-	-	-	20	1,452,197	213,558	-	(1,665,755)	-	-	-
		2,562,700	-	(2,562,700)	-	-	-		1,452,197	213,558	-	(1,665,755)	-	-	-
2011		1,555,899,087	141,830,902	-	(7,703,715)	32,957,653	1,722,983,927		260,972,183	131,311,863	(3,350,455)	-	(131,435,640)	257,497,951	1,465,485,976

13 A.1 The Parent Company has capitalized certain piece of land based on the allotment letters issued by Defence Housing Authority, Islamabad in the name of the Company.

13.1 Land and building of the Holding Company were first revalued on 31 March 1976, resulting in surplus of Rs. 13.66 million. The second revaluation was carried out on 30 June 1989 and resulted in a surplus of Rs. 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	Net book value
		-----------------------------	Rupees	-----------------------------
Freehold land		75,209,876	-	75,209,876
Buildings		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)
13.2 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		**607,500**	34,282,500
		114,942,948	40,100,465
13.3 Depreciation for the year has been allocated as follows:			
Cost of sales	23	**87,517,003**	92,916,833
Administrative expenses	25	**26,532,525**	21,128,743
Selling and distribution cost	26	**23,754,195**	17,266,287
		137,803,723	131,311,863

13.4 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	Suzuki Alto	647,000	334,283	384,424	50,141	Company policy	Atif Majeed
32	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	**29,576,792**	**5,611,583**	**18,848,582**	**13,249,999**		
	2011 Rupees	7,703,715	4,353,259	2,594,250	(1,759,009)		

	Note	2012 (Rupees)	2011 (Rupees)
14 Intangible assets			
Cost		5,543,356	-
Accumulated amortization		(1,829,319)	-
	14.1	3,714,037	-

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

	Note	2012 (Rupees)	2011 (Rupees)
15 Stores, spare parts and loose tools			
Stores		4,631,196	1,586,650
Spare parts		754,599	174,681
Loose tools		4,103,947	3,043,952
		9,489,742	4,805,283
16 Stock in trade			
Raw material		255,682,554	261,125,156
Work in process		57,088,668	31,773,388
Finished goods		263,156,413	263,368,791
		575,927,635	556,267,335
Stock in transit		7,124,326	36,456,021
		583,051,961	592,723,356
17 Loans and advances - considered good			
Advances to employees		9,404,109	6,249,872
Advances to suppliers		5,174,639	17,530,042
Others		714,305	613,285
		15,293,053	24,393,199
18 Deposits and prepayments			
Deposits			
Earnest money		23,099,347	14,576,444
Margin deposits		-	3,220,024
		23,099,347	17,796,468
Prepayments		621,598	3,242,213
		23,720,945	21,038,681
19 Advance income tax - net			
Balance at beginning of the year		110,196,797	97,011,481
Income tax paid during the year		43,611,345	40,352,071
Provision for current taxation		(34,603,079)	(27,166,755)
Balance at end of the year		119,205,063	110,196,797
20 Short term investments			
Held to maturity investments - local currency		-	10,592,000
Investments at fair value through profit and loss - listed securities	20.1	345,247,322	13,081,368
		345,247,322	23,673,368

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

Number of shares 2012	Number of shares 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
3,097,504	-	Investment in HBL Money Market	336,354,912	344,141,022	-	-
110,415	-	Investment in ABL Cash Fund	1,081,338	1,106,300	-	-
			337,436,250	345,247,322	9,714,907	13,081,368
		Unrealized gain on account of re-measurement to fair value	7,811,072	-	3,366,461	-
			345,247,322	345,247,322	13,081,368	13,081,368

	Note	2012 (Rupees)	2011 (Rupees)
21 Cash and bank balances			
Cash in hand		3,621,367	3,710,164
Cash at banks:			
Current accounts			
Foreign currency		12,072,426	8,154,897
Local currency		34,532,414	71,089,032
		46,604,840	79,243,929
Deposit accounts - local currency	21.1	47,391,716	72,440,110
		97,617,923	155,394,203

21.1 These carry interest rate of 6.15% - 9.5% per annum (2011: 5.5% - 7.5%)

22 Revenue - net

	2012	2011
Gross Revenue	3,142,366,320	2,432,156,049
Less: Discount	(375,993,095)	(229,398,845)
	2,766,373,225	2,202,757,204

	Note	2012 (Rupees)	2011 (Rupees)
23 Cost of sales			
Work in process:			
Opening		31,773,388	9,069,289
Closing		(57,088,668)	(31,773,388)
		(25,315,280)	(22,704,099)
Raw materials consumed	23.1	844,973,893	758,107,865
Salaries, wages and benefits	23.2	98,707,402	79,638,559
Fuel and power		60,601,542	42,868,666
Repairs and maintenance		19,815,692	13,498,349
Stores, spare parts and loose tools		19,848,811	16,634,807
Packing charges		9,998,035	10,605,420
Excise duty		205,372	80,000
Postage and telephone		1,810,680	1,577,378
Insurance		7,479,715	4,110,737
Travelling and conveyance		4,404,093	3,038,177
Transportation		2,358,377	2,896,112
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		8,223,778	13,662,654
Depreciation	13.3	87,517,003	92,916,833
Cost of goods manufactured		1,144,717,599	1,021,249,945
Finished stock:			
Opening		263,368,791	202,738,436
Add: Purchases		312,144,727	112,720,693
Less: Closing		(263,156,413)	(263,368,791)
		312,357,105	52,090,338
		1,457,074,704	1,073,340,283

23.1 Raw materials consumed

	2012 (Rupees)	2011 (Rupees)
Opening stock	261,125,156	164,529,561
Add: Purchases	839,531,291	854,703,460
	1,100,656,447	1,019,233,021
Less: Closing stock	(255,682,554)	(261,125,156)
	844,973,893	758,107,865

23.2 Salaries, wages and benefits include Rs.3.58 million (2011: Rs. 2.20 million) charged on account of defined contribution plan of the Parent and subsidiary companies.

	Note	2012 (Rupees)	2011 (Rupees)
24 Other operating income			
From financial assets			
Dividend income		1,990,524	1,373,755
Gain on sale of short term investments		54,038	-
Profit on bank deposits		2,893,172	2,854,454
Gain on re-measurement of short term investments		7,189,149	3,366,461
Exchange gain		160,008	-
Commission		26,558,985	1,444,917
Income from services		-	5,640,852
Gain on fair value adjustment of interest rate SWAP		-	453,937
		38,845,876	15,134,376
From non financial assets			
Gain on sale of property, plant and equipment		13,236,999	-
		52,082,875	15,134,376

	Note	2012 (Rupees)	2011 (Rupees)
25 Administrative expenses			
Salaries and benefits	25.1	76,358,180	61,128,898
Directors fees and expenses		1,452,820	1,185,025
Rent, rates and taxes		1,810,302	658,615
Postage and telephone		5,067,093	2,995,948
Printing and stationary		3,651,948	2,275,176
Travelling and conveyance		6,106,715	3,111,355
Transportation		3,417,178	2,517,649
Legal and professional charges		2,649,870	3,125,517
Fuel and power		2,264,852	920,446
Auditors' remuneration	25.2	1,034,660	1,098,392
Repairs and maintenance		4,337,559	6,539,932
Subscriptions		2,532,605	1,155,716
Donation	25.3	3,054,500	2,610,000
Insurance		2,018,558	1,755,030
Depreciation	13.3	26,532,525	21,128,743
Amortisation		1,829,319	-
Canteen expenses		6,812,998	3,323,361
Other administrative expenses		2,232,912	1,910,884
		153,164,594	117,440,687

25.1 Salaries, wages and benefits include Rs.2.92 million (2011: Rs. 2.24 million) charged on account of defined contribution plan of the Parent and subsidiary companies.

	2012 (Rupees)	2011 (Rupees)
25.2 Auditors' remuneration		
Fee for annual audit	650,000	650,000
Fee for audit of consolidated accounts	50,000	50,000
Review of half yearly accounts	75,000	75,000
Audit fee - BF Biosciences	-	-
Other certifications	165,000	165,000
Out of pocket expenses	69,160	131,892
	1,009,160	1,071,892
Audit fee - Farmacia	25,500	26,500
	1,034,660	1,098,392

25.3 Donations were given to Lahore University of Management Sciences' School of Science & Engineering, National College of Arts Lahore 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.

	Note	2012 (Rupees)	2011 (Rupees)
26 Selling and distribution cost			
Salaries and benefits	26.1	195,821,170	147,489,357
Product registration		29,178,950	-
Travelling and conveyance		92,214,486	69,666,610
Transportation		584,343	4,424,036
Rent, rates and taxes		839,281	941,099
Advertisement and publicity		232,526,801	169,392,064
Freight and forwarding		14,649,182	9,387,889
Printing and stationary		1,972,299	2,273,326
Postage and telephone		7,198,292	4,676,332
Electricity and gas		701,636	944,473
Royalty, subscriptions and fees		13,827,544	9,412,706
Insurance		7,031,621	5,609,113
Repairs and maintenance		1,425,864	1,262,849
Legal and professional charges		1,390,000	44,626
Entertainment		941,701	1,439,636
Training		2,068,610	1,653,992
Depreciation	13.3	23,754,195	17,266,287
Other selling expenses		32,065,015	11,148,979
		658,190,990	457,033,374

26.1 Salaries, wages and benefits include Rs. 6.17 million (2011: Rs. 4.16 million) charged on account of defined contribution plan of the Parent and subsidiary companies.

	2012 (Rupees)	2011 (Rupees)
27 Finance cost		
Finance charge on leased assets	-	3,079
Mark-up on bank financing	8,245,711	17,848,733
Bank charges	3,623,950	1,630,974
Interest on Workers' Profit Participation Fund	668,184	483,390
Transfer of fair value swap to subsidiary	-	143,213
	12,537,845	20,109,389
28 Other expenses		
Long term investments written off	-	33,085
Loss on sale of property, plant and equipment	-	1,759,009
Zakat expense	7,543	-
Exchange loss	11,015,101	3,403,359
Workers' Profit Participation Fund	20,682,801	22,966,082
Workers' Welfare Fund	8,273,120	9,186,433
Central Research Fund	4,989,224	5,080,396
	44,967,789	42,428,364
29 Taxation		
Current		
- For the year	31,312,800	27,166,755
- For prior years	3,290,279	-
Deferred		
- For the year	(18,346,895)	54,750,016
	16,256,184	81,916,771

29.1 Taxation of Parent Company

Pursuant to the insertion of clause 126F in Part-I of the Second Schedule of Income Tax Ordinance 2001 (the Ordinance) through the Finance Act 2010, the income of the Parent Company is exempt from tax for three years commencing from the tax year 2010. Accordingly, the Parent 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 consolidated financial statements.

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

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

29.2 Taxation of subsidiary companies

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

		Note	2012 (Rupees)	2011 (Rupees)
30 Earnings per share - basic and diluted				
Profit after taxation for distribution to ordinary shareholders	Rupees		**464,656,265**	400,418,985
Weighted average number of ordinary shares	Numbers	30.1	**28,749,372**	28,749,372
Basic and diluted earnings per share	Rupees		**16.16**	13.93

30.1 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.

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

31 Remuneration of Directors, Chief Executive and Executives

	2012			2011		
	Director	Chief Executive	Executives	Director	Chief Executive	Executives
		Rupees			Rupees	
Managerial remuneration	15,240,000	7,980,000	70,028,215	13,200,000	6,900,000	41,784,910
Bonus	2,475,000	1,293,750	7,240,726	3,300,000	1,725,000	3,147,000
Utilities	-	163,713	-	-	159,885	-
Provident fund	983,223	550,344	4,407,086	851,616	475,860	2,580,094
	18,698,223	9,987,807	81,676,027	17,351,616	9,260,745	47,512,004
Numbers	2	1	39	2	1	24

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

The members of the Board of Directors were paid Rs. 3,800 (2011: Rs. 3,200) as meeting fee and Rs.1,449,020 (2011: Rs. 1,181,825) as reimbursement expenses for attending the Board of Directors' meetings.

32 Related party transactions

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

	2012 (Rupees)	2011 (Rupees)
Employees provident fund		
Advances given to members	**4,257,350**	4,281,941
Mark up recovered	-	177,941
Payments made on behalf of the fund to the retiring employees	**13,314,322**	20,210,810
Remuneration including benefits and perquisites of key management personnel	**51,638,591**	40,020,000

33 Capacity and production

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

34 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

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

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

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

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit 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.

34.1 Credit risk

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

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

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

Receivables counterparties

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

Trade debts

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

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

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

Investments

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

Bank balances

The Group limits its exposure to credit risk by maintaining bank accounts only with counterparties that have sound credit ratings. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of financial assets of the Group represents the maximum credit exposure. The Group does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics and the maximum financial exposure due to credit risk on the groups financial assets as at 30 June was:

	2012 (Rupees)	**2011 (Rupees)**
Long term deposits	**7,543,600**	7,465,500
Trade debts	**325,691,298**	158,262,572
Deposits and prepayments	**23,099,347**	14,576,444
Loan and advances	**-**	46,341
Other receivables	**9,985,159**	692,031
Short term investments	**345,247,322**	23,673,368
Cash and bank balances	**93,996,556**	151,684,039
	805,563,282	356,400,295

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

	2012 (Rupees)	2011 (Rupees)
Institutional customers	265,234,495	70,212,230
Retail customers	39,209,224	71,641,640
Distributors	21,247,579	16,408,702
Banks	93,996,556	162,276,039
Listed companies and mutual funds	273,864,527	13,081,369
Others	112,010,901	22,780,316
	805,563,282	356,400,295

The aging of trade debts at the reporting date was:

Not past due	-	-
Past due 0 - 30 days	239,460,882	86,683,034
Past due 31 - 120 days	48,885,776	42,261,750
Past due 121 - 365 days	17,082,945	23,250,634
More than one year	20,261,695	6,067,154
	325,691,298	158,262,572

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

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

34.2 Liquidity risk

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

The maturity profile of the Group's financial liabilities based on the contractual amounts is as follow

	2012						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	-----	-----	-----	Rupees	-----	-----	-----
Long term financing from banking company	-	-	-	-	-	-	-
Trade and other payables	439,723,478	439,723,478	439,723,478	-	-	-	-
Accrued mark-up on long term financing	-	-	-	-	-	-	-
Short term borrowings	-	-	-	-	-	-	-
	439,723,478	439,723,478	439,723,478	-	-	-	-

	2011						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	-----	-----	-----	Rupees	-----	-----	-----
Long term financing from banking company	79,937,500	84,155,059	64,894,074	19,260,985		-	-
Trade and other payables	290,397,231	290,397,231	290,397,231	-	-	-	-
Accrued mark-up on long term financing	1,898,089	1,898,089	1,898,089	-	-	-	-
Short term borrowing	37,805,811	37,805,811	37,805,811	-	-	-	-
	410,038,631	414,256,190	394,995,205	19,260,985	-	-	-

Market Risk

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

Interest rate risk

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

Profile

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

	2012 %	2011 %	2012 (Rupees)	2011 (Rupees)
Variable rate instruments				
Financial assets	6.15 to 15.28	5 to 7.5	47,391,716	72,440,110
Financial liabilities	-	7.5 to 15.18	-	(117,743,311)
			47,391,716	(45,303,201)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit and loss	
	2012	2011
	(Rupees)	(Rupees)
Variable rate instruments	**473,917**	(453,032)

A 100 basis points decrease in interest rates at the reporting date would have had an equal but opposite effect on the equity and profit and loss to the amounts shown above, on the basis that all other variables remain constant.

34.3 Exposure to currency risk

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

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

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Group are periodically restated to 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 Group in currency other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Group. These currency risks are managed as a part of overall risk management strategy. The Group does not enter into forward exchange contracts.

Exposure to foreign currency risk

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

	2012			
	Rupees	**US Dollars**	**Rupees**	**Euro**
Cash and bank balances	**10,646,773**	**113,023**	**3,404,169**	**28,727**
Trade and other payables	**(234,187,284)**	**(2,486,065)**	**-**	**-**
Trade debts	**8,134,399**	**86,352**	**2,838,866**	**23,957**
Gross balance sheet exposure	**(215,406,112)**	**(2,286,690)**	**6,243,035**	**52,684**

	2011			
	Rupees	US Dollars	Rupees	Euro
Cash and bank balances	8,154,897	94,880	-	-
Trade and other payables	(150,040,398)	(1,745,671)	-	-
Trade debts	9,851,609	114,620	-	-
	-	-	-	-
Gross balance sheet exposure	(132,033,892)	(1,536,171)	-	-

	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.

	Profit and loss	
	2012 **Rupees**	2011 Rupees
Profit and loss account	**(20,916,308)**	13,203,389

A 10 percent weakening of the Pakistani Rupee against the 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.

34.4 Other market price risk

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

Sensitivity analysis of price risk

A change of 5% in the value of investments at fair value through profit and loss would have increased or decreased profit or loss by Rs.17.26 million (2011: Rs. 0.65 million) on the basis that all other variables remain constant.

34.5 Fair value of financial assets and liabilities

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

35 Capital management

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

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

36 Corresponding figures

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

37 Non Adjusting events after the balance sheet date

The Board of Directors of the Parent 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. one bonus share for every twenty shares held, for the year ended 30 June 2012.

38 Date of authorization

These consolidated financial statements have been authorized for issue by the Board of Directors of the Parent Company on September 06, 2012.

Rawalpindi		
September 06, 2012	Director	Chairperson & CEO

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2012

Number of Shareholders	Shareholding					Total Shares held
1,031	From	1	to	100	Shares	18,328
482	From	101	to	500	Shares	126,337
268	From	501	to	1,000	Shares	191,404
349	From	1,001	to	5,000	Shares	780,164
97	From	5,001	to	10,000	Shares	700,041
22	From	10,001	to	15,000	Shares	265,114
17	From	15,001	to	20,000	Shares	297,246
20	From	20,001	to	25,000	Shares	439,820
16	From	25,001	to	30,000	Shares	430,351
8	From	30,001	to	35,000	Shares	259,169
1	From	35,001	to	40,000	Shares	37,618
7	From	40,001	to	45,000	Shares	295,536
2	From	50,001	to	55,000	Shares	106,464
5	From	55,001	to	60,000	Shares	287,509
2	From	70,001	to	75,000	Shares	140,944
1	From	80,001	to	85,000	Shares	84,576
1	From	90,001	to	95,000	Shares	91,535
1	From	100,001	to	105,000	Shares	101,975
1	From	140,001	to	145,000	Shares	140,718
2	From	155,001	to	160,000	Shares	311,726
1	From	160,001	to	165,000	Shares	163,006
2	From	170,001	to	175,000	Shares	346,585
2	From	190,001	to	195,000	Shares	381,238
1	From	260,001	to	265,000	Shares	261,616
2	From	285,001	to	290,000	Shares	573,291
2	From	315,001	to	320,000	Shares	635,188
1	From	335,001	to	340,000	Shares	335,011
1	From	340,001	to	345,000	Shares	342,016
1	From	345,001	to	350,000	Shares	345,061
1	From	350,001	to	355,000	Shares	351,935
1	From	365,001	to	370,000	Shares	366,624
1	From	390,001	to	395,000	Shares	391,409
2	From	410,001	to	415,000	Shares	828,347
1	From	415,001	to	420,000	Shares	416,587
1	From	620,001	to	625,000	Shares	620,331
1	From	630,001	to	635,000	Shares	634,800
1	From	670,001	to	675,000	Shares	672,041
1	From	735,001	to	740,000	Shares	740,000
1	From	915,001	to	920,000	Shares	918,516
1	From	1,425,001	to	1,430,000	Shares	1,429,315
1	From	1,635,001	to	1,640,000	Shares	1,636,977
1	From	1,710,001	to	1,715,000	Shares	1,713,707
1	From	1,725,001	to	1,730,000	Shares	1,728,445
1	From	7,810,001	to	7,815,000	Shares	7,810,751
2,362	**Total:**					**28,749,372**

Categories of Shareholders	Physical	CDC	Total	Percentage
Directors, Chief Executive Officer, and their spouse and minor childrens.	**3,132,197**	**1,014,076**	**4,146,273**	**14.42**
Chief Executive Officer				
Mrs. Akhter Khalid Waheed	1,728,445	-	1,728,445	6.01
Directors				
Mr. Osman Khalid Waheed	414,117	620,331	1,034,448	3.60
Mrs. Munize Azhar Peracha	317,594	-	317,594	1.10
Mr. Omar Khalid Waheed	672,041	191,223	863,264	3.00
Mr. Farooq Mazhar	-	140,718	140,718	0.49
Mr. Nihal Cassim	-	9,298	9,298	0.03
Mr. M. M. Ispahani	-	52,506	52,506	0.18
Executives	**2,103**	**-**	**2,103**	**0.01**
Associated Companies, undertakings and related parties.	**55,411**	**7,836,916**	**7,892,327**	**27.45**
M/s. KFW Factors (Pvt) Limited	55,411	7,836,916	7,892,327	27.45
Mutual Funds	**-**	**1,636,977**	**1,636,977**	**5.69**
NBP - Trustee Department NI(U)T Fund	-	1,636,977	1,636,977	5.69
Banks, DFI's, NBFI's, Insurance Co., Takaful, Modarabas & Pension Funds	**158,716**	**4,775,816**	**4,934,532**	**17.16**
Banks, DFIs, NBFIs	2,521	2,135,956	2,138,477	7.44
Insurance Companies	156,195	2,632,261	2,788,456	9.70
Modarabas and Pensions Funds	-	7,599	7,599	0.03
Public Sector Companies & Corporations	**28,648**	**755,923**	**784,571**	**2.73**
General Public	**5,636,374**	**3,716,215**	**9,352,589**	**32.53**
Grand Total	**9,013,449**	**19,735,923**	**28,749,372**	**100.00**

Shareholders holding 5% or more		
M/s. KFW Factors (Pvt) Limited	7,810,751	27.45
Mrs. Akhter Khalid Waheed	1,728,445	6.01
State Life Insurance Corp. of Pakistan	1,713,707	5.96
NBP - Trustee Department NI(U)T Fund	1,636,977	5.69

FEROZSONS
LABORATORIES LIMITED

FORM OF PROXY

I/We, ____ of ____________________

being a member of **Ferozsons Laboratories Limited,** and holder of ______________ Ordinary Shares as per Share Register Folio No.____________ and/or CDC Participant I.D. No.______________ and Sub Account No.__________________ hereby appoint Mr./Mrs. ____ of _________________ another member of the Company Folio No. ____________________or failing him/her Mr./Mrs. ____ of __________________ _________ who is also a member of the Company Folio No. ____________________ as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday, October 23, 2012 at 1:00 p.m. and at any adjournment thereof.

Affix Revenue Stamp of Rs. 5

Signature of Member

As witness given under my/our hand _______________________ day of _______________________ 2012

1. Witness:

Signature : ____________________________

Name: ____________________________

CNIC No. ____________________________

Address ____________________________

____

2. Witness:

Signature : ____________________________

Name: ____________________________

CNIC No. ____________________________

Address ____________________________

____

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