FEROZSONS LABORATORIES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF FEROZSONS LABORATORIES LIMITED

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Ferozsons Laboratories Limited ("the Company") as at 30 June 2010 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 ended. We have also expressed separate opinions on the financial statements of Ferozsons Laboratories Limited and its subsidiary company except for Famacia which was audited by another firm of auditor, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company is based solely on the report of other auditor.

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

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

In our opinion, the consolidated financial statements present fairly the financial position of the Company as at 30 June 2010, and the result of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Islamabad
September 18, 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Riaz Pesnani

CONSOLIDATED BALANCE SHEET

	Note	2010 (Rupees)	2009 (Rupees)
SHARE CAPITAL AND RESERVES			
Share capital	5	208,328,786	173,607,322
Capital reserve	6	321,843	321,843
Unappropriated profit		1,007,224,346	795,036,930
		1,215,874,975	968,966,095
NON-CONTROLLING INTEREST		24,472,022	38,990,296
		1,240,346,997	1,007,956,391
SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax	7	242,020,812	247,474,526
NON CURRENT LIABILITIES			
Long term financing - secured	8	79,937,500	174,062,500
Liabilities against assets subject to finance lease	9	-	475,003
Deferred taxation - net	10	58,329,177	53,960,116
		138,266,677	228,497,619
DERIVATIVE LIABILITY-INTEREST RATE SWAP	11	140,174	-
CURRENT LIABILITIES			
Trade and other payables	12	226,805,532	166,505,160
Accrued markup on long term financing		3,306,950	6,983,134
Current portion of long term financing	8	94,125,000	94,125,000
Current portion of liabilities against assets subject to finance lease	9	475,003	983,653
Short term borrowings - secured	13	36,528,049	548,554
		361,240,534	269,145,501
		1,982,015,194	1,753,074,037
CONTINGENCIES AND COMMITMENTS	14	-	-

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

Rawalpindi
September 18, 2010

Director

AT JUNE 30, 2010

	Note	2010 (Rupees)	2009 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	1,294,926,904	1,273,098,467
Long term investments	16	33,085	33,085
Long term deposits		5,444,100	5,061,570
Derivative asset - interest rate swap		-	31,143
CURRENT ASSETS			
Stores, spares and loose tools	17	4,640,630	3,628,845
Stock in trade	18	389,994,805	280,924,884
Trade debts- secured, considered good		74,110,069	57,955,059
Loans and advances-considered good	19	27,822,383	7,964,738
Deposits and prepayments	20	11,612,557	7,293,812
Interest accrued		-	996,428
Advance income tax - net	21	97,011,481	4,598,809
Other receivables	22	211,716	1,768,991
Other financial assets	23	19,714,907	63,974,446
Cash and bank balances	24	56,492,557	45,743,760
		681,611,105	474,849,772
		1,982,015,194	1,753,074,037

Chairperson & CEO

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees)	2009 (Rupees)
Sales- net	25	1,536,682,971	1,189,256,968
Cost of sales	26	(837,141,095)	(584,146,610)
Gross profit		699,541,876	605,110,358
Other operating income	27	35,870,360	29,516,774
Administrative expenses	28	(93,446,110)	(82,717,534)
Selling and distribution cost	29	(318,252,691)	(271,025,184)
Finance cost	30	(33,460,839)	(3,778,988)
Other charges	31	(28,819,846)	(27,964,315)
Profit before taxation		261,432,750	249,141,111
Provision for taxation	32	(17,135,126)	(66,331,849)
Profit for the year		244,297,624	182,809,262
Attributable to:			
Shareholders of the Parent Company		258,815,898	182,613,101
Non-Controlling Interest		(14,518,274)	196,161
Profit for the year		244,297,624	182,809,262

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

Rawalpindi
September 18, 2010

Director

Chairperson & CEO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 (Rupees)	2009 (Rupees)
Profit after tax	**244,297,624**	182,809,262
Other comprehensive income		
Transfer from surplus on revaluation of fixed assets recognized directly in equity	**8,390,329**	6,979,826
Income tax on other comprehensive income	**(2,936,615)**	(2,442,939)
Other comprehensive income for the period net of tax	**5,453,714**	4,536,887
Total comprehensive income	**249,751,338**	187,346,149
Attributable to:		
Shareholders of the Parent Company	**264,269,612**	187,149,988
Non-Controlling Interest	**(14,518,274)**	196,161
	249,751,338	187,346,149

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

Rawalpindi
September 18, 2010

Director

Chairperson & CEO

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees)	2009 (Rupees)
Cash flow from operating activities			
Profit before taxation		261,432,750	249,141,111
Adjustments for:			
Depreciation		108,663,501	45,402,712
Gain on disposal of property, plant and equipment		(5,772,786)	(3,014,100)
Finance costs		32,809,358	2,591,349
Dividends, capital gains and income from investments and deposits		30,097,574	(26,441,366)
Loss on remeasurement of short term investments		1,628,060	5,251,345
Loss on fair value adjustment of interest rate swap		651,481	1,187,639
Provision for employee benefit		917,567	-
Provision for Workers' (Profit) Participation Fund		15,507,545	11,917,691
Provision for Workers' Welfare Fund		8,340,228	8,251,341
Provision for central research fund		3,344,013	2,543,939
		196,186,541	47,690,550
		457,619,291	296,831,661
Working capital changes			
Increase in stock in trade and stores, spare parts and loose tools		(110,081,706)	(88,765,980)
Decrease/(increase) in trade debts		(16,155,008)	(21,199,391)
Decrease/ (increase) in loans, advances, deposits, prepayments and other receivables		3,146,611	(9,407,536)
Increase in trade and other payables		58,874,014	32,435,934
		(64,216,089)	(86,936,973)
Cash generated from operations		393,403,202	209,894,688
Finance costs paid		(36,933,033)	(2,146,965)
Income taxes paid		(105,178,739)	(81,231,407)
Workers' (profit) participation fund paid		(12,891,516)	(14,588,403)
Workers' welfare fund paid		(4,914,476)	(4,832,582)
Central research fund paid		(10,011,722)	-
		(169,929,486)	(102,799,357)
Net cash generated from operating activities		223,473,716	107,095,331
Cash flows from investing activities			
Purchase of property, plant and equipment		(158,898,206)	(275,959,826)
Purchase of short term investments		(10,000,000)	(96,412,228)
Proceeds from encashment of short term investments		59,943,392	248,371,272
Dividends, capital gains and income from investments and deposits		(35,888,323)	25,694,600
Proceeds from disposal of property, plant and equipment		8,061,942	7,314,722
Net cash used in investing activities		(136,781,195)	(90,991,460)
Cash flows from financing activities			
Payment of finance lease liabilities		(983,653)	(2,397,802)
Payment of short term financing		35,979,495	(867,745)
Proceeds from long term financing		-	87,926,150
Repayment of long term financing		(94,125,000)	(94,125,000)
Payment of dividend		(16,814,566)	(41,938,309)
Net cash used in financing activities		(75,943,724)	(41,402,706)
Net increase/(decrease) in cash and cash equivalents during the year		10,748,797	(25,298,835)
Cash and cash equivalents at beginning of the year		45,743,760	71,042,595
Cash and cash equivalents at end of the year	24	56,492,557	45,743,760

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

Rawalpindi
September 18, 2010 Director Chairperson & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Share capital (Rupees)	Capital reserve (Rupees)	Revenue reserve Unappropriated profit (Rupees)	Total (Rupees)	Non-Controlling Interest (Rupees)	Total (Rupees)
Balance at July 01, 2008	**144,672,768**	**321,843**	**680,223,326**	**825,217,937**	**28,794,135**	**854,012,072**
Total comprehensive income for the year						
Profit for the year	-	-	182,613,101	**182,613,101**	196,161	**182,809,262**
Other comprehensive income						
Transfer from surplus on revaluation of fixed assets						
Net income recognized directly in equity	-	-	4,536,887	**4,536,887**	-	**4,536,887**
	-	-	4,536,887	**4,536,887**	-	**4,536,887**
Total comprehensive income for the year	-	-	187,149,988	**187,149,988**	196,161	**187,346,149**
Transactions with owners recorded directly in equity						
Non-Controlling Interest share capital contribution in the Subsidiary company, BF Biosciences Limited	-	-		**-**	10,000,000	**10,000,000**
Final dividend for the year ended June 30, 2008 Rs. 6.50 per share	-	-	(43,401,830)	(43,401,830)	-	(43,401,830)
Bonus shares issued at 20% for the year ended June 30, 2008	28,934,554	-	(28,934,554)	-	-	-
Balance at June 30, 2009	**173,607,322**	**321,843**	**795,036,930**	**968,966,095**	**38,990,296**	**1,007,956,391**
Balance at July 01, 2009	**173,607,322**	**321,843**	**795,036,930**	**968,966,095**	**38,990,296**	**1,007,956,391**
Total comprehensive income for the year						
Profit for the year	-	-	258,815,898	**258,815,898**	(14,518,274)	**244,297,624**
Other comprehensive income						
Transfer from surplus on revaluation of fixed assets						
Net income recognized directly in equity	-	-	5,453,714	**5,453,714**	-	**5,453,714**
	-	-	5,453,714	**5,453,714**	-	**5,453,714**
Total comprehensive income for the year	-	-	264,269,612	**264,269,612**	(14,518,274)	**249,751,338**
Transactions with owners recorded directly in equity						
Final dividend for the year ended June 30, 2009 Re. 1 per share	**-**	**-**	**(17,360,732)**	**(17,360,732)**	**-**	**(17,360,732)**
Bonus shares issued at 20% for the year ended June 30, 2009	**34,721,464**	**-**	**(34,721,464)**	**-**	**-**	**-**
Balance at June 30, 2010	**208,328,786**	**321,843**	**1,007,224,346**	**1,215,874,975**	**24,472,022**	**1,240,346,997**

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

Rawalpindi
September 18, 2010 Director Chairperson & CEO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. THE GROUP AND ITS OPERATIONS

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

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 Change in accounting policy

The Group applied revised IAS 1 “Presentation of Financial Statements”, which became effective from 01 January 2009. Accordingly all owners’ changes in equity are presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented in conformity with the revised standard. The change in accounting policy impacts presentation only without any impact on earnings per share.

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

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Group’s operations or are not expected to have significant impact on the Group’s financial statements;

IFRS 2 (amendments relating to group cash-settled share-based Payment transactions) - Share-based Payment (effective for annual periods beginning on or after 01 January 2010).

IFRS 5 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Non-Current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 01 January 2010).

IFRS 8 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Operating Segments (effective for annual periods on or after 01 January 2010).

IFRS 9 (Classification and Measurement) - Financial Instruments (effective for annual periods beginning on or after 01 January 2010).

IAS 1 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2010).

IAS 7 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Statement of Cash Flows (effective for annual periods beginning on or after 01 January 2010).

IAS 17 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Leases (effective for annual periods beginning on or after 01 January 2010).

IAS 24 (revised definition of related parties) - Related Party Disclosures (effective for annual periods beginning on or after 01 January 2011).

IAS 32 (amendments relating to classification of right issue) - Financial Instruments: Presentation (effective for annual periods beginning on or after 01 January 2010).

IAS 36 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Impairment of Assets (effective for annual periods beginning on or after 01 January 2010).

IAS 39 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 01 January 2010).

IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 01 January 2011.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010.

The International Accounting Standards Board made certain amendments to existing standards as part of its improvement project. The effective dates for these amendments vary by standard and will be applicable to the Group in ensuing years. These amendments are unlikely to have an impact on the Group's financial statements.

3.4 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.

3.5 Functional and presentation currency

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

3.6 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 an ongoing 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 and loose tools and stock in trade

The Group reviews the stores, spare and 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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as explained in note 2.2 which addresses change in accounting policy.

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 fulfill 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 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 & 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 & 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 subsidiary 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 15. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired.

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other operating income” in profit or loss account. When revalued asset is sold, the amount included in the surplus on revaluation of fixed assets 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.

4.3.2 Leased assets

Leased property, plant and equipment in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance charges and the reduction of outstanding liability. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods. The finance charge is allocated to each period using the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leased assets are depreciated on the useful life of the asset using the straight line method at the rate given in note 15. Depreciation on leased assets is charged to profit and loss account currently.

4.4 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.

4.5 Investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the 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.

4.5.1 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.

4.5.2 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.

4.5.3 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.

4.6 Stores, spares and loose tools

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

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

4.7 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.

4.8 Trade and other receivables

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

The allowance for doubtful accounts is based on the 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-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

4.9 Cash and cash equivalents

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

4.10 Mark-up bearing borrowings

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

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

4.11 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 shipped 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.

4.12 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.

4.13 Dividend

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

4.14 Borrowing costs

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

4.15 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.

4.16 Derivative financial instruments

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

4.17 Cash flow hedges

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

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

4.18 Provisions

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

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

4.19 Financial instruments

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

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

Financial liabilities are classified according to the substance of contractual agreements entered into, significant financial liabilities are long term and shot term financing, liability under lease finance, accrued mark up and trade and other payables.

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

4.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the 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.

4.21 Foreign currencies

PKR 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 PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year.

4.22 Impairment

Financial assets

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

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

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

Non financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit 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.

5. SHARE CAPITAL

	2010 (Rupees)	2009 (Rupees)
Authorized share capital:		
25,000,000 (2009: 25,000,000) ordinary shares of Rs. 10 each.	**250,000,000**	250,000,000
Issued, subscribed and paid up capital:		
1,441,952 (2009: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	**14,419,520**	14,419,520
119,600 (2009: 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
19,271,327 (2009: 15,799,180) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**192,713,266**	157,991,802
	208,328,786	173,607,322

6. CAPITAL RESERVE

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

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

	2010 (Rupees)	2009 (Rupees)
Surplus on revaluation of fixed assets at beginning of the year	**275,722,172**	282,701,998
Surplus transferred to equity in respect of incremental depreciation charged during the year:		
- Net of deferred tax	**(5,453,714)**	(4,536,887)
- Related deferred tax liability	**(2,936,615)**	(2,442,939)
	(8,390,329)	(6,979,826)
Surplus on revaluation of fixed assets as at 30 June	**267,331,843**	275,722,172
Related deferred tax liability:		
- Surplus on revaluation of fixed assets at beginning of the year	**(28,247,646)**	(30,690,585)
- Transferred to equity- incremental depreciation charged during the year	**2,936,615**	2,442,939
	(25,311,031)	(28,247,646)
	242,020,812	247,474,526

The free hold land, building and plant and machinery were revalued by independent valuers in years 1976, 1989, 2002 and 2006 respectively. These revaluations had resulted in a cumulative surplus of Rs. 324.75 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 fixed assets. The surplus is adjusted by surplus realized on disposal of revalued assets, if any and incremental depreciation arising due to revaluation, net of deferred tax.

		Note	2010 (Rupees)	2009 (Rupees)
8.	**LONG TERM FINANCING - SECURED**			
	from banking company			
	- Habib Bank Limited (HBL)	8.1	99,312,500	156,062,500
	- Allied Bank Limited (ABL)	8.2	74,750,000	112,125,000
			174,062,500	268,187,500
	Less : Current portion shown under current liabilities		(94,125,000)	(94,125,000)
			79,937,500	174,062,500

8.1 Habib Bank Limited (HBL)

	2010	2009
Principal outstanding at beginning of the year	156,062,500	212,812,500
Less: Principal paid during the year	(56,750,000)	(56,750,000)
Balance outstanding at end of the year	99,312,500	156,062,500
Current portion shown under current liabilities	(56,750,000)	(56,750,000)
	42,562,500	99,312,500

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 has availed the facility to the extent of Rs. 227 million only. This facility is repayable in sixteen equal quarterly instalments with a grace period of 1 year, commencing from 15th month after first draw down and carry mark-up at base rate (six months KIBOR) plus 1.5% per annum payable quarterly in arrear. The facility is secured by first pari passu charge by way of hypothecation over all present and future current and movable assets of the 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. 115.043 million only. This facility is repayable in ten quarterly installments commencing from the October 26, 2009 and carries mark-up at 8.0% per annum or as per SBP, payable quarterly in arrear. 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 (ABL)

	2010	2009
Principal outstanding at beginning of the year	112,125,000	66,573,850
Disbursement during the year	-	87,926,150
Less: Principal paid during the year	(37,375,000)	(37,375,000)
Balance outstanding at end of the year	74,750,000	112,125,000
Current portion shown under current liabilities	(37,375,000)	(37,375,000)
	37,375,000	74,750,000

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 Rs. 149.5 million which is repayable in 16 equal quarterly installments, starting from May 02, 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 October 26, 2009 and carry mark-up at 8.0% 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.

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2010 (Rupees)	2009 (Rupees)
Minimum lease payments due			
Not later than one year		478,300	1,090,320
Later than one year and not later than five years		-	478,300
Total future minimum lease payments		478,300	1,568,620
Less: Future financial costs		(3,297)	(109,964)
Present value of minimum lease payments	9.1	475,003	1,458,656
Less : Current maturity shown under current liabilities		(475,003)	(983,653)
		-	475,003

9.1 Breakup of present value of minimum lease payments

	2010 (Rupees)	2009 (Rupees)
Not later than one year	475,003	983,653
Later than one year and not later than five years	-	475,003
	475,003	1,458,656

This represents finance lease arrangements entered by the Parent Company with Bank Alfalah Limited for vehicles. Lease rentals are paid on monthly basis in advance and include finance charges. As per terms of agreement with bank Alfalah Limited the floating interest rates are used under the terms of agreement, equivalent to a base rate of 3 months KIBOR plus 1.95% (2009: 3 months KIBOR plus 1.95%).

10. DEFERRED TAXATION- Net

	2010 (Rupees)	2009 (Rupees)
The net balance of deferred tax is in respect of the following major temporary differences:		
Taxable temporary differences:		
Accelerated depreciation	33,048,836	26,246,318
Surplus on revaluation of fixed assets	25,311,031	28,247,645
Derivative liability-interest rate SWAP	135,561	-
	58,495,428	54,493,963
Deductible temporary differences:		
Derivative asset-interest rate SWAP	-	(23,317)
Obligations under finance lease	(166,251)	(510,530)
	(166,251)	(533,847)
	58,329,177	53,960,116

	Note	2010 (Rupees)	2009 (Rupees)
11. DERIVATIVE LIABILITY-INTEREST RATE SWAP			
Interest Rate Swap		387,316	-
Current portion	12	(247,142)	-
		140,174	-

	Note	2010 (Rupees)	2009 (Rupees)
12. TRADE AND OTHER PAYABLES			
Trade creditors		122,314,914	51,950,476
Accrued liabilities		19,479,112	16,338,758
Advances from customers		13,644,120	30,028,006
Unclaimed dividend		14,239,557	13,693,388
Tax deducted at source		1,433,047	1,147,677
Payable to employees' provident fund		4,433,074	-
Payable to central research fund	12.1	3,344,013	10,011,722
Provision for compensated absences	12.2	3,417,567	2,500,000
Workers' (profit) participation fund payable	12.3	15,086,440	12,266,420
Payable to workers' welfare fund	31	6,844,511	3,418,759
Advances from employees		12,399,595	13,465,360
Retention money payable		8,694,127	10,525,841
Due to a related party - unsecured		1,081,338	1,081,338
Current portion of interest rate swap	11	247,142	-
Others		146,975	77,415
		226,805,532	166,505,160

	Note	2010 (Rupees)	2009 (Rupees)
12.1 Payable to central research fund			
Balance at the beginning of the year		10,011,722	7,467,783
Charge for the year	31	3,344,013	2,543,939
		13,355,735	10,011,722
Payment made during the year		(10,011,722)	-
		3,344,013	10,011,722

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

	Note	2010 (Rupees)	2009 (Rupees)
12.3 Workers' (profit) participation fund payable			
Balance at the beginning of the year		12,266,421	14,610,203
Interest on funds utilized by the Company	30	203,990	326,930
Charge for the year	31	15,507,545	11,917,691
		27,977,956	26,854,824
Payment made during the year		(12,891,516)	(14,588,403)
		15,086,440	12,266,421

The fund balance has been utilized by the Parent company for its own business and an interest at the rate of 12.45% (2009: 22.5%) has been credited to the fund. Interest is calculated at higher of 75% of the cash dividend rate or one month KIBOR rate as at June 30, 2009, as required under Companies Profit (Workers' Participation) Rules 1971.

	Note	2010 (Rupees)	2009 (Rupees)
13. SHORT TERM BORROWINGS - SECURED			
Running finance facility from:			
Habib Bank Limited			
Parent Company	13.1	36,528,049	-
Subsidiary company, BF Biosciences Limited		-	548,554
		36,528,049	548,554
Bank Alflah Limited	13.2	-	-
Allied Bank Limited	13.3	-	-
		36,528,049	548,554

13.1 The Parent company has obtained a running finance facility of Rs. 120 million (2009: 85 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 + 1.50% per annum.

13.2 The Parent company at the year end has an unavailed cash finance facility of Rs. 60 million (2009: Rs. 60 million) from Bank Alfalah Limited at the year end. The facility is secured by first pari passu charge by way of hypothecation over all present and future current and movable assets of the Parent company and equitable mortgage over immovable property to the extent of Rs. 204 million. This facility carries mark up at the rate of six months KIBOR + 2.25% per annum.

13.3 The Subsidiary company, BF Biosciences Limited at the year end has as unavailed cash finance facility of Rs. 40 million (2009: Rs. 40 million) from Allied Bank Limited, which is due to expire on November 30, 2010. This facility renewable subject to agreement between both the parties. The facility carries mark-up at the rate of one month KIBOR plus 2.0%. (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.

	2010 (Rupees)	2009 (Rupees)
14. CONTINGENCIES AND COMMITMENTS		
Contingencies:		
Guarantees issued by banks on behalf of the Parent Company	455,640	5,455,640
Guarantees issued by banks on behalf of the Subsidiary company, BF Biosciences Limited	8,300,000	8,300,000
	8,755,640	13,755,640
Commitments:		
Capital expenditure of the Parent company	13,989,329	31,415,419
Capital expenditure of the Subsidiary company	15,288,311	16,299,372
Letter of credits other than for capital expenditure	28,073,300	23,370,273
	57,350,940	71,085,064

15. PROPERTY, PLANT AND EQUIPMENT

	Note	Reassessed Value/Original Cost					Rate %	Depreciation				Net Book Value
		As At July 01, 2009	Additions	Transfers/ Adjustments	(Deletions)	As At June 30, 2010		As At July 01, 2009	For the Year	On Deletions	As At June 30, 2010	As At June 30, 2010
OWNED:												
Freehold land	15.1	268,131,000	2,000,000	-	-	270,131,000	-	-	-	-	-	270,131,000
Building on freehold land		105,268,092	47,034,286	237,399,941	-	389,702,319	5-10	18,102,444	30,625,074	-	48,727,518	340,974,801
Leasehold improvements		936,470	-	-	-	936,470	10	-	-	-	-	936,470
Plant and machinery		165,068,509	32,916,366	337,636,579	-	535,621,454	10	48,031,446	52,151,598	-	100,183,044	435,438,410
Office equipments		40,249,544	4,857,513	1,036,323	-	46,143,380	10	18,046,129	3,430,704	-	21,476,833	24,666,547
Furniture and fittings		18,131,198	722,218	2,228,666	-	21,082,082	10	6,414,464	1,867,982	-	8,282,446	12,799,636
Computers		16,222,107	1,757,248	608,618	(71,650)	18,516,323	33.33	12,860,107	1,862,298	(71,650)	14,650,755	3,865,568
Vehicles		112,409,301	23,527,932	-	(12,271,006)	123,666,227	20	58,223,234	18,213,305	(10,237,149)	66,199,390	57,466,837
Capital work in progress	15.3	706,481,730	46,082,643	(578,910,127)	(26,117,114)	147,537,132		-	-	-	-	147,537,132
		1,432,897,951	158,898,206	-	(38,459,770)	1,553,336,387		161,677,824	108,150,961	(10,308,799)	259,519,986	1,293,816,401
LEASED:												
Vehicles		2,965,800	-	-	(403,100)	2,562,700	20	1,087,460	512,540	(147,803)	1,452,197	1,110,503
		2,965,800	-	-	(403,100)	2,562,700		1,087,460	512,540	(147,803)	1,452,197	1,110,503
Total 2010		1,435,863,751	158,898,206	-	(38,862,870)	1,555,899,087		162,765,284	108,663,501	(10,456,602)	260,972,183	1,294,926,904

15.1 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.

15 A PROPERTY, PLANT & EQUIPMENT

	Note	Reassessed Value/Original Cost					Rate %	Depreciation					Net Book Value
		As At July 01, 2008	Additions	Transfers/ Adjustments	(Deletions)	**As At June 30, 2009**		As At July 01, 2008	For the Year	On Deletions	Transfers/ Adjustments	**As At June 30, 2009**	**As At June 30, 2009**
OWNED:													
Freehold land		266,131,000	2,000,000	-	-	268,131,000	-	-	-	-	-	-	268,131,000
Building on freehold land		83,216,894	9,165,940	12,885,258	-	105,268,092	5-10	11,407,379	6,695,065	-	-	18,102,444	87,165,648
Leasehold improvements		936,470	-	-	-	936,470	10	-	-	-	-	-	936,470
Plant and machinery		158,571,535	6,389,289	107,685	-	165,068,509	10	31,999,964	16,031,482	-	-	48,031,446	117,037,063
Office equipments		8,570,711	15,984,697	15,694,136	-	40,249,544	10	4,615,569	2,424,620	-	11,005,940	18,046,129	22,203,415
Furniture and fittings		24,863,716	173,760	(6,906,278)	-	18,131,198	10	16,673,198	747,206	-	(11,005,940)	6,414,464	11,716,734
Computers		13,750,032	2,685,725	-	(213,650)	16,222,107	33.33	11,325,844	1,747,913	(213,650)	-	12,860,107	3,362,000
Vehicles		69,931,841	44,283,400	9,033,000	(10,838,940)	112,409,301	20	42,799,397	17,150,229	(6,851,025)	5,124,633	58,223,234	54,186,067
Capital work in progress	15.3	532,985,516	195,277,015	(21,780,801)	-	706,481,730		-	-	-	-	-	706,481,730
		1,158,957,715	275,959,826	9,033,000	(11,052,590)	1,432,897,951		118,821,351	44,796,515	(7,064,675)	5,124,633	161,677,824	1,271,220,127
LEASED:													
Vehicles		12,787,800	-	(9,033,000)	(789,000)	2,965,800	20	6,082,189	606,197	(476,293)	(5,124,633)	1,087,460	1,878,340
		12,787,800	-	(9,033,000)	(789,000)	2,965,800		6,082,189	606,197	(476,293)	(5,124,633)	1,087,460	1,878,340
Total 2009		1,171,745,515	275,959,826	-	(11,841,590)	1,435,863,751		124,903,540	45,402,712	(7,540,968)	-	162,765,284	1,273,098,467

15.2 Land and building of the Parent Company were first revalued on March 31, 1976, resulting in surplus of Rs. 13.661 million. The second revaluation was carried out on June 30, 1989 and resulted in a surplus of Rs. 40.067 million. The third revaluation was carried out on June 30, 2002 and resulted in a surplus of Rs. 30.433 million. The last revaluation that also included the plant and machinery was carried out on June 30, 2006 and resulted in a surplus of Rs. 240.593 million. Freehold land and building revaluations were carried out under the market value basis whereas plant and machinery were revalued on net replacement cost basis. All the revaluations were carried out by independent valuers.

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

		Cost	Accumulated Depreciation	Written down value
		(Rupees)	(Rupees)	(Rupees)
Freehold land		69,209,876	-	69,209,876
Buildings		41,221,990	27,951,100	13,270,890
Plant & Machinery		156,044,260	109,250,930	46,793,330
	2010	**266,476,126**	**137,202,030**	**129,274,096**
	2009	266,476,126	126,852,958	139,623,168

15.2 Land and building of the Parent Company were first revalued on March 31, 1976, resulting in surplus of Rs. 13.661 million. The second revaluation was carried out on June 30, 1989 and resulted in a surplus of Rs. 40.067 million. The third revaluation was carried out on June 30, 2002 and resulted in a surplus of Rs. 30.433 million. The last revaluation that also included the plant and machinery was carried out on June 30, 2006 and resulted in a surplus of Rs. 240.593 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:

	Note	2010 (Rupees)	2009 (Rupees)
15.3 Capital work in progress			
Building and civil works		**111,053,217**	285,430,562
Plant and machinery		**5,197,675**	286,840,470
Furniture and fittings		**-**	2,228,666
Office equipment		**-**	1,644,941
Consultancy services		**6,213,718**	9,476,926
Interest on long term loan		**-**	72,845,221
Directly attributable expenses		**-**	14,481,882
Advances to contractors		**25,072,522**	33,533,062
		147,537,132	706,481,730
15.4 Depreciation for the year has been allocated as follows:			
Cost of sales	26	**84,720,982**	26,760,859
Administrative expenses	28	**7,657,007**	7,260,760
Selling and distribution cost	29	**16,285,512**	11,381,093
		108,663,501	45,402,712

16 LONG TERM INVESTMENTS

Investments available for sale

Number of shares 2010	Number of shares 2009	Name of Companies - Unlisted	2010 (Rupees)	2009 (Rupees)
218	218	National General Insurance Company Limited Ordinary shares of Rs. 10 each Equity held 0.01%	2,985	2,985
301	301	Mercantile Co-operative Finance Corporation Limited 'A' class shares of Rs. 100 each The entity is under liquidation	30,100	30,100
			33,085	33,085

17. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2010 (Rupees)	2009 (Rupees)
Stores		3,941,587	3,096,802
Spare parts		546,996	422,735
Loose tools		152,047	109,308
		4,640,630	3,628,845

18. STOCK IN TRADE

	Note	2010 (Rupees)	2009 (Rupees)
Raw material		164,529,561	134,222,613
Work in process		9,069,289	7,791,792
Finished goods	18.1	202,738,436	131,451,425
		376,337,286	273,465,830
Stock in transit		13,657,519	7,459,054
		389,994,805	280,924,884

18.1 These includes finished goods of Parent company amounting to Rs. 1,893,153 (2009: Rs. 2,188,118) which are carried at net realizable value.

19. LOANS AND ADVANCES - Considered good

	Note	2010 (Rupees)	2009 (Rupees)
Advances to employees	19.1	3,481,774	3,322,567
Advances to suppliers		23,051,026	4,051,710
Others		1,289,583	590,461
		27,822,383	7,964,738

19.1 There is no interest free advance against salary to chief executive and executives on June 30, 2010 (2009: Rs. Nil).

20. DEPOSITS AND PREPAYMENTS

	Note	2010 (Rupees)	2009 (Rupees)
Deposits			
Earnest money		8,335,302	4,437,186
Lease key money		296,580	296,580
Margin deposits		2,560,612	2,384,212
		11,192,494	7,117,978
Prepayments		420,063	175,834
		11,612,557	7,293,812

	Note	2010 (Rupees)	2009 (Rupees)
21. ADVANCE INCOME TAX- NET			
Advance income tax/ income tax payable at beginning of the year		4,598,809	(22,104,012)
Income tax paid during the year		105,178,739	88,765,980
Provision for current taxation	32	(12,766,067)	(62,063,159)
Advance income tax at end of the year		97,011,481	4,598,809
22. OTHER RECEIVABLES			
Current portion of interest rate swap		-	35,478
Others		211,716	1,733,513
		211,716	1,768,991
23. OTHER FINANCIAL ASSETS			
Held to maturity investments - Term Deposit Receipts		10,000,000	28,905,079
Investments at fair value through profit and loss - listed securities	23.1	9,714,907	35,069,367
		19,714,907	63,974,446

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

Number of shares/ units		Name of Companies	2010 (Rupees)		2009 (Rupees)	
2010	2009		Carrying value	Fair value	Carrying value	Fair value
25,000	25,000	Pakistan National Shipping Corporation Ordinary shares of Rs. 10 each	1,154,000	997,250	1,788,750	1,154,000
155,755	155,755	Bank Alfalah Ltd Ordinary shares of Rs. 10 each	1,643,215	1,473,442	1,643,869	1,643,215
415,000	290,000	PICIC-Growth Fund Ordinary shares of Rs. 10 each	4,069,526	3,842,900	2,852,317	2,436,000
7,000	20,000	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	1,658,604	1,511,300	3,235,471	2,918,000
500,004	-	PICIC-IF Ordinary Shares of Rs.10 each	2,817,622	1,890,015	-	-
-	118,800	Pakistan Petroleum Ltd Ordinary shares of Rs. 10 each	-	-	26,566,920	22,517,352
-	50,000	Pakistan Telecommunication Co. Ltd. Ordinary shares of Rs. 10 each	-	-	727,943	862,000
-	45,000	Oil & Gas Development Company Ltd. Ordinary Shares of Rs.10 each	-	-	3,505,442	3,538,800
			11,342,967	9,714,907	40,320,712	35,069,367
		Unrealized gain on account of remeasurement to fair value	(1,628,060)	-	(5,251,345)	-
			9,714,907	9,714,907	35,069,367	35,069,367

24. CASH AND BANK BALANCES

	Note	2010 (Rupees)	2009 (Rupees)
Cash at bank:			
Deposit accounts- Local currency	24.1	**28,504,647**	39,919,844
Current accounts			
Foreign currency		**6,850,069**	1,457,662
Local currency		**19,615,412**	2,965,583
		26,465,481	4,423,245
Cash in hand		**1,522,429**	1,400,671
		56,492,557	45,743,760

24.1 These carry interest rate of 5 - 8.5% per annum (2009: 2.5-8% per annum)

25. SALES- NET

	Note	2010 (Rupees)	2009 (Rupees)
Gross sales		**1,701,919,714**	1,313,306,932
Less: Discount		**(165,236,743)**	(124,049,964)
		1,536,682,971	1,189,256,968

26. COST OF SALES

	Note	2010 (Rupees)	2009 (Rupees)
Work in process:			
Balance at beginning of the year		**7,791,792**	5,206,081
Less: Closing balance at end of the year		**(9,069,289)**	(7,791,792)
		(1,277,497)	(2,585,711)
Raw materials consumed	26.1	**695,196,726**	517,151,720
Salaries, wages and benefits	26.2	**62,820,646**	46,050,772
Fuel and power		**25,642,193**	6,840,309
Repairs and maintenance		**11,146,004**	2,871,215
Stores and spares consumed		**5,172,149**	5,840,356
Packing charges		**7,199,185**	5,582,784
Postage and telephone		**1,046,344**	868,945
Insurance		**2,217,394**	1,902,739
Travelling and conveyance		**1,775,093**	747,482
Transport		**1,575,242**	1,498,706
Canteen expenses		**2,822,469**	2,035,544
Security expenses		**1,086,676**	1,062,848
Product registration expenses		**1,298,340**	350,992
Laboratory and other expenses		**5,986,160**	632,532
Depreciation	15.4	**84,720,982**	26,760,859
Cost of goods manufactured		**908,428,106**	617,612,092
Finished goods:			
Stock at beginning of the year		**131,451,425**	97,969,249
Less: Closing stock at end of the year		**(202,738,436)**	(131,451,425)
		(71,287,011)	(33,482,176)
		837,141,095	584,146,610

26.1 Raw materials consumed

	Note	2010 (Rupees)	2009 (Rupees)
Stock at beginning of the year		**134,222,613**	86,298,725
Add: Purchases during the year		**725,503,674**	565,075,608
		859,726,287	651,374,333
Less: Closing stock at end of the year		**(164,529,561)**	(134,222,613)
		695,196,726	517,151,720

26.2 Salaries, wages and benefits include Rs. 2.304 million (2009: Rs. 1.537 million) charged on account of defined contribution plan of the Parent Company and subsidiary company BF Biosciences Limited.

27. OTHER OPERATING INCOME

	Note	2010 (Rupees)	2009 (Rupees)
From financial assets			
Dividend income		1,864,549	2,594,500
Profit on Term Deposit Receipts		-	4,248,434
Capital gain on sale of shares		6,787,178	2,202,955
Capital gain realized on investments in mutual funds		-	5,556,102
Profit on deposits with banks		1,345,123	1,895,634
Gain on reameasurement of short term investments		-	902,078
Exchange gain- net		98,235	443,330
Commission income		20,002,489	5,814,274
Mark up on long term loan to subsidiary		-	2,845,367
		30,097,574	26,502,674
From non financial assets			
Gain on disposal of property, plant and equipment	27.1	5,772,786	3,014,100
		35,870,360	29,516,774

27.1 GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	Cost	Carying amount	Sale proceeds	Gain/ (loss) on disposal
	(Rupees)			
Mr. Arshad Nadeem	789,000	184,100	332,695	148,595
Mr. Amir Yaqoob Mir	595,000	168,583	205,275	36,692
Mr. Saqib Naseem	474,000	237,000	350,000	113,000
Mr. Aftab Saleem	390,000	143,000	325,000	182,000
EFU Insurance Company	530,000	468,166	509,000	40,834
Mr. Tariq Mehmood	1,195,500	119,550	250,000	130,450
Mr. Manzoor Hussain	390,000	117,000	183,121	66,121
Mr. Zaheer Ud Den	408,866	252,134	244,285	(7,849)
EFU Insurance Company	62,900	50,320	59,000	8,680
EFU Insurance Company	403,100	255,297	390,000	134,703
	5,238,366	**1,995,150**	**2,848,376**	**853,226**
Aggregate of other items of property, plant and equipment with individual book value not exceeding Rs. 50,000, sold through public auction or as per Company's policy				
	7,507,390	**294,006**	**5,213,566**	**4,919,560**
2010	**12,745,756**	**2,289,156**	**8,061,942**	**5,772,786**
2009	11,841,590	4,300,622	7,314,722	3,014,100

28. ADMINISTRATIVE EXPENSES

	Note	2010 (Rupees)	2009 (Rupees)
Salaries, wages and benefits	28.1	49,257,984	48,449,236
Directors' fees and expenses		1,081,870	1,212,940
Rent, rates and taxes		1,775,113	1,514,856
Postage and telephone		2,086,465	1,585,020
Printing and stationery		1,858,127	1,326,965
Travelling and conveyance		2,942,572	2,829,404
Transport		2,158,432	3,343,006
Legal and professional charges		3,798,685	666,100
Utilities		2,559,971	2,828,288
Auditors' remuneration	28.2	1,024,304	579,600
Repairs and maintenance		6,063,000	2,825,107
Subscriptions		815,004	767,726
Donations	28.3	1,343,800	2,260,803
Insurance		1,278,854	773,811
Depreciation	15.4	7,657,007	7,260,760
Canteen expense		2,033,208	1,957,237
Other administrative expenses		5,711,714	2,536,675
		93,446,110	82,717,534

28.1 Salaries, wages and benefits include Rs. 2.092 million (2009: Rs. 1.850 million) charged on account of defined contribution plan of the Parent Company.

28.2 Auditors' remuneration

	2010 (Rupees)	2009 (Rupees)
Fee for annual audit of the Parent company	500,000	225,000
Fee for audit of consolidated financial statements	50,000	50,000
Review of half yearly accounts	75,000	75,000
Fee for annual audit of the Subsidiary company, BF Biosciences Limited	75,000	40,000
Fee for annual audit of the Subsidiary company, Farmacia	64,000	85,900
Fee for other statutory certifications	90,000	87,000
Fee for special reporting of subsidiary company	75,000	-
Out of pocket expenses	95,304	16,700
	1,024,304	579,600

28.3 Donations were given to LUMS School of Science and Engineering and Rising Sun Education and Welfare Society. Donations did not include any amount paid to any person or organization in which a director or his spouse had any interest.

29. SELLING AND DISTRIBUTION EXPENSES

	Note	2010 (Rupees)	2009 (Rupees)
Salaries, wages and benefits	29.1	**115,044,717**	93,088,467
Travelling and conveyance		**62,022,056**	55,638,342
Transport		**2,776,120**	3,408,373
Rent, rates and taxes		**1,783,088**	2,537,346
Advertisement and publicity		**92,344,506**	74,295,895
Freight and forwarding		**10,284,013**	7,806,283
Printing and stationery		**1,690,513**	1,248,492
Postage and telephone		**3,301,537**	3,455,858
Electricity and gas		**1,004,130**	893,141
Subscription and fees		**3,510,273**	6,473,661
Insurance		**4,844,264**	3,503,752
Repairs		**1,057,569**	481,824
Legal and professional charges		**154,100**	613,400
Entertainment		**669,051**	696,248
Training		**1,075,736**	4,100,901
Depreciation	15.4	**16,285,512**	11,381,093
Other selling expenses		**405,506**	1,402,108
		318,252,691	271,025,184

29.1 Salaries, wages and benefits include Rs.3.281 million (2009: Rs. 3.259 million) charged on account of defined contribution plan of the Parent Company.

30. FINANCE COSTS

	Note	2010 (Rupees)	2009 (Rupees)
Finance charge on leased assets		**105,577**	315,287
Mark-up on short term borrowing		**31,048,123**	1,161,321
Bank charges		**1,451,668**	787,811
Interest on Workers' (Profit) Participation Fund	12.3	**203,990**	326,930
Fair value swap		**651,481**	1,187,639
		33,460,839	3,778,988

31. OTHER CHARGES

	Note	2010 (Rupees)	2009 (Rupees)
Loss on fair value measurement of short term investments		**1,628,060**	5,251,345
Workers' (Profit) Participation Fund	12.3	**15,507,545**	11,917,691
Workers' Welfare Fund			
For prior year		**1,495,717**	4,832,582
Current year	12	**6,844,511**	3,418,759
		8,340,228	8,251,341
Central Research Fund	12.1	**3,344,013**	2,543,939
		28,819,846	27,964,315

32. TAXATION	Note	2010 (Rupees)	2009 (Rupees)
Current - for the year	32.1	12,766,067	62,063,159
Deferred		4,369,059	4,268,690
		17,135,126	66,331,849

32.1 Reconciliation of tax charge for the year :

	2010 (Rupees)	2009 (Rupees)
Profit before taxation	261,432,750	249,141,111
Tax rate	35%	35%
Tax on accounting profit	91,501,463	87,199,389
Tax effect of expenses that are admissible in determining taxable profit	-	3,672,980
Tax effect of permanent difference	(66,721,295)	-
Effect of reduced tax rate on certain income of the Group	(18,672,526)	(26,709,956)
Minimum tax	11,027,484	-
	17,135,126	64,162,413

32.2 Taxation of Parent company

Pursuant to the newly inserted 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 Income Tax Ordinance has been provided for in these consolidated financial statements, furthermore the Tax assessments of the parent company have been finalized up to tax year 2009.

32.3 Taxation of Subsidiary company, BF Biosciences Limited

The Subsidiary company has available tax losses, accordingly minimum tax under section 113 of the Income Tax Ordinance, 2001 (the Ordinance) has been provided for in these consolidated financial statements.

Tax returns filed by the Subsidiary company upto tax year 2009 stand 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.

33. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	2010			2009		
	(Rupees)			(Rupees)		
	Directors	Chief Executive	Executives	Director	Chief Executive	Executives
Managerial remuneration	11,310,000	6,450,000	38,531,879	6,650,000	7,000,000	35,771,902
Bonus	785,000	500,000	1,812,000	-	-	-
Utilities	-	142,919	-	-	253,763	-
Provident fund	729,680	444,828	2,414,467	367,740	413,796	1,717,316
	12,824,680	7,537,747	42,758,346	7,017,740	7,667,559	37,489,218
Numbers	2	1	25	1	1	21

In addition, the Chief Executive, a working director and certain executives of the Group are provided with the Group maintained vehicles.

The members of the Board of Directors were paid Rs. 3,700 (2009: Rs. 3,800) as meeting fee and Rs.1,078,170(2008: Rs. 1,209,140) as meeting expenses for attending the Board of Directors meetings.

34. TRANSACTIONS WITH RELATED PARTIES

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

	2010 (Rupees)	2009 (Rupees)
Employees' provident fund		
Advances given to members	2,047,646	1,400,413
Mark up recovered	200,492	350,720
Payments made on behlaf of the fund to the retiring employees	9,645,550	12,658,334
Contribution to employee provident fund	-	6,646,335
Key management personnel	63,120,773	52,174,517

35. CAPACITY AND PRODUCTION

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

36. 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 Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

36.1 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:

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 counterparty or any group of counterparties having similar characteristics and the maximum financial exposure due to credit risk on the Group's financial assets as at 30 June was;

	2010 (Rupees)	2009 (Rupees)
Long term investment-available for sale	33,085	33,085
Long term deposits	13,779,402	9,498,756
Derivative asset - Interest rate swap	-	66,621
Trade debts	74,110,067	57,955,059
Loan and advances	4,771,357	3,913,028
Other receivables	211,716	1,768,991
Short term deposits	10,895,914	7,117,978
Held to maturity investments - local currency	10,000,000	28,905,079
Financial asset at fair value through profit and loss	9,714,907	35,069,367
Bank balances	54,970,128	44,343,089
	178,486,576	188,671,053

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

	2010	2009
Institutional customers	62,643,145	33,549,598
Retail customers	451,820	4,968,508
Distributors	11,015,103	19,436,953
Listed companies and mutual funds	9,714,907	35,069,367
Banks	64,970,128	73,248,168
Others	29,691,473	5,682,019
	178,486,576	171,954,613

The aging of trade debts at the reporting date was:

	2010		2009	
	Gross debts	Impaired	Gross debts	Impaired
	(Rupees)		(Rupees)	
Not past due	-	-	-	-
Past due 0-30 days	31,600,501	-	25,060,176	-
Past due 31- 120 days	23,974,226	-	24,846,818	-
Past due 121-365 days	15,133,496	-	7,807,008	-
More than one year	3,401,844	-	5,923,076	-
	74,110,067	-	63,637,078	-

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.

36.2 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 follows:

	2010 (Rupees)						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	174,062,500	221,177,429	65,658,758	61,124,332	94,394,339	-	-
Finance lease liabilities	475,003	478,300	478,300	-	-	-	-
Trade and other payables	189,553,305	189,553,305	189,553,305	-	-	-	-
Accrued mark-up on long term financing	3,306,950	3,306,950	3,306,950	-	-	-	-
Short term borrowing	36,528,049	36,528,049	36,528,049	-	-	-	-
	478,675,807	451,044,033	295,525,362	61,124,332	94,394,339	-	-

	2009 (Rupees)						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loan-FLL	156,062,500	(206,430,263)	(44,428,837)	(41,311,667)	(73,539,255)	(47,150,504)	-
Secured bank loan-ABL	112,125,000	(141,731,506)	(27,347,260)	(25,896,575)	(47,243,835)	(41,243,836)	-
Finance lease liabilities	1,458,656	(1,568,620)	(545,160)	(545,160)	(478,300)	-	-
Trade and other payables	111,338,276	(111,338,276)	(52,990,900)	(40,914)	-	-	-
Accrued mark-up on long term financing	6,983,134	(6,983,134)	(6,983,134)	-	-	-	-
Short term borrowing	548,554	(548,554)	(548,554)	-	-	-	-
	388,516,120	(468,600,353)	(132,843,845)	(67,794,316)	(121,261,390)	(88,394,340)	-

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 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 rate pricing 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:

	2010 %	2009 %	**2010 (Rupees)**	2009 (Rupees)
Variable rate instruments				
Financial assets	**5.0 to 14.84**	5.0 to 16.11	**26,465,481**	4,489,866
Financial liabilities	**13.84 to 14.75**	11.87 to 17.45	**(174,537,503)**	(269,646,156)
			(148,072,022)	(265,156,290)

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	
	2010 (Rupees)	2009 (Rupees)
Variable rate instruments	**(1,745,375)**	(2,696,462)

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

36.3 Exposure to currency risk

PKR is the functional currency of the Group and exposure arises from transactions and balances in currencies other than PKR as foreign exchange rate fluctuations may create unwanted and unperdicticable 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 PKR 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.

36.4 Exposure to foreign currency risk

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

	2010 (Rupees)		2009 (Rupees)	
	Rupees	US Dollars	Rupees	US Dollars
Cash and cash equivalents	6,952,518	81,221	1,476,321	18,150
Trade and other payables	(88,108,166)	(1,029,301)	(31,028,444)	(381,466)
Gross balance sheet exposure	(81,155,648)	(948,080)	(29,552,123)	(363,316)

The significant exchange rates applied during the year were:

	Balance sheet date rate		Average rate	
	June 30, 2010	June 30, 2009	2010	2009
US Dollars	85.60	81.00	84.07	79.00

Sensitivity analysis

A 10 percent weakening of the PKR against the USD at 30 June would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit and loss	
	2010 (Rupees)	2009 (Rupees)
Profit and loss account	629,459	(2,642,085)

A 10 percent strengthening of the PKR against the USD at 30 June would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

36.5 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.0.5 million (2009: Rs. 1.75 million) on the basis that all other variables remain constant.

36.6 Fair value of financial assets and liabilities

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

37. CAPITAL MANAGEMENT

The 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.

38. COMPARATIVES

Previous year figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements. For better presentation reclassifications made in the note 26 to these consolidated financial statements were as follows:

Reclassification from Component	Reclassification to Component	Amount (Rupees)
Salaries, wages and benefits	Canteen expenses	**1,878,576**
Other administrative expenses	Canteen expenses	**1,957,237**
Laboratory and other expenses	Entertainment expenses	**140,274**
Laboratory and other expenses	Security expenses	**1,062,848**
Laboratory and other expenses	Product registration expenses	**350,992**

39. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Director's of the Parent company in the meeting held on September 18, 2010 have proposed final cash dividend of Rs. Nil per share and stock dividend @ 20% i.e. 2 bonus shares for every 10 shares held, for the year ended June 30, 2010.

40. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company in their meeting held on September 18, 2010.

Rawalpindi
September 18, 2009 | Director | Chairperson & CEO

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2010

Number of Shareholders	Shareholding					Total Shares held
1,076	From	1	to	100	Shares	21,267
540	From	101	to	500	Shares	145,240
204	From	501	to	1,000	Shares	146,835
312	From	1,001	to	5,000	Shares	705,894
70	From	5,001	to	10,000	Shares	464,793
23	From	10,001	to	15,000	Shares	270,540
28	From	15,001	to	20,000	Shares	479,087
11	From	20,001	to	25,000	Shares	246,349
4	From	25,001	to	30,000	Shares	115,047
9	From	30,001	to	35,000	Shares	286,919
2	From	35,001	to	40,000	Shares	77,149
3	From	40,001	to	45,000	Shares	124,730
2	From	50,001	to	55,000	Shares	102,134
1	From	55,001	to	60,000	Shares	59,082
2	From	60,001	to	65,000	Shares	124,771
2	From	65,001	to	70,000	Shares	134,137
1	From	85,001	to	90,000	Shares	88,645
1	From	100,001	to	105,000	Shares	101,970
1	From	110,001	to	115,000	Shares	112,970
1	From	115,001	to	120,000	Shares	116,121
1	From	120,001	to	125,000	Shares	124,387
1	From	125,001	to	130,000	Shares	126,763
1	From	135,001	to	140,000	Shares	138,568
1	From	180,001	to	185,000	Shares	182,239
1	From	185,001	to	190,000	Shares	189,578
1	From	190,001	to	195,000	Shares	192,951
1	From	205,001	to	210,000	Shares	207,360
2	From	230,001	to	235,000	Shares	460,282
1	From	240,001	to	245,000	Shares	242,762
1	From	245,001	to	250,000	Shares	247,839
1	From	250,001	to	255,000	Shares	253,826
1	From	255,001	to	260,000	Shares	255,026
1	From	265,001	to	270,000	Shares	265,670
1	From	280,001	to	285,000	Shares	283,630
3	From	300,001	to	305,000	Shares	902,127
1	From	420,001	to	425,000	Shares	423,000
1	From	445,001	to	450,000	Shares	449,516
1	From	485,001	to	490,000	Shares	486,987
1	From	665,001	to	670,000	Shares	665,592
1	From	715,001	to	720,000	Shares	717,412
1	From	750,001	to	755,000	Shares	753,189
1	From	1,185,001	to	1,190,000	Shares	1,186,216
1	From	1,240,001	to	1,245,000	Shares	1,241,817
1	From	1,250,001	to	1,255,000	Shares	1,252,497
1	From	5,655,001	to	5,660,000	Shares	5,659,965
2,321	**Total:**					**20,832,879**

Categories of shareholders	Number	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor childrens	**7**	**3,004,552**	**14.42**
Directors			
Mrs. Akhter Khalid Waheed		1,252,497	6.01
Mr. Osman Khalid Waheed		749,601	3.60
Mrs. Munize Azhar Peracha		230,141	1.10
Mr. Omar Khalid Waheed		625,555	3.00
Mr. Farooq Mazhar		101,970	0.49
Mr. Nihal Cassim		6,739	0.03
Mr. M. M. Ispahani		38,049	0.18
Associated Companies, undertakings and related parties	**2**	**5,719,917**	**27.46**
Associated Company			
M/s. KFW Factors (Pvt) Limited		5,719,080	27.45
Executives			
Syed Ghausuddin Saif		837	0.00
NIT and ICP	**4**	**1,221,662**	**5.86**
Investment Corporation of Pakistan		550	0.00
IDBP (ICP UNIT)		4,350	0.02
NBP - Trustee Department NI(U)T Fund		1,186,216	5.69
National Investment Trust Limited		30,546	0.15
Banks, Development Financial Institutions, Non Banking Financial Institutions.	**6**	**1,192,686**	**5.73**
Mercantile Co-Op Finance Corp Ltd.		820	0.00
United Bank Limited		1,008	0.00
Faysal Bank Limited		192,951	0.93
The Bank of Khyber		26,669	0.13
The Bank of Punjab		253,826	1.22
National Bank of Pakistan		717,412	3.44
Insurance Companies	5	2,020,623	9.70
Adamjee Insurance Company Ltd.		100	0.00
Co-Op Insurance Society of Pak.Ltd.		112,970	0.54
United Insurance Company of Pak Ltd.		144	0.00
State Life Insurance Corp. of Pakistan		1,241,817	5.96
EFU General Insurance Limited		665,592	3.19
Modarabas & Mutual Funds	**1**	**51**	**0.00**
First Elite Capital Modaraba		51	0.00
General Public	**2,269**	**7,551,186**	**36.25**
Others	**27**	**122,202**	**0.59**
Manzoor Ilahi & Sons		36	0.00
Karim Bakhsh & Sons		9	0.00
Maqbool Shah Trust		4,884	0.02
United Executors & Trustees Co. Ltd.		55	0.00
Securities & Exchange Commission of Pak.		1	0.00
Custodian of Enemy Property for Pakistan		134	0.00
Dy. Administrator (APO)		15,246	0.07
United Executors & Trustees Co Ltd		94	0.00
Y.S. Securities & Services (Pvt.) Ltd.		195	0.00
Trustees Saeeda Amin Wakf		21,463	0.10
Trustees Mohamad Amin Wakf Estate		30,484	0.15
Amin Agencies (Pvt.) Ltd		5,184	0.02
Trustees Packages Ltd.Mgt.Staff Pen.Fund		2,695	0.01
NH Securities (Pvt.) Ltd.		529	0.00
Excel Securities (Pvt.) Ltd.		2	0.00
Oriental Securities (Pvt.) Ltd.		39	0.00
Capital Vision Securities (Pvt.) Ltd.		1,300	0.01
Stock Master Securities (Pvt.) Ltd.		940	0.00
Darson Securities (Pvt.) Ltd.		1	0.00
AWJ Securities (SMC-Pvt) Ltd.		1,095	0.01
M.R. Securities (SMC-Pvt) Ltd.		31,854	0.15
Ismail Abdul Shakoor Securities (Pvt.) Ltd.		68	0.00
Msmaniar Financials (Pvt.) Ltd.		112	0.00
Trustee PIPF Equity Sub – Fund		5,507	0.03
Seven Star Securities (Pvt.) Ltd.		17	0.00
Moosa Noor Mohammad Shahzada & Co. Pvt. Ltd. - MNS Smart Stocks		200	0.00
Durvesh Securities (Pvt.) Ltd.		58	0.00
Shareholders holding 10% or more			
KFW Factors (Pvt) Limited		5,719,080	27.45
Grnad Total	**2,321**	**20,832,879**	**100.00**

FEROZSONS LABORATORIES LIMITED

Please Quote Folio Number

FORM OF PROXY

I, ...

of ....

being a member of **Ferozsons Laboratories Limited,** holding ....

ordinary shares, hereby appoint ....

of ....

or failing him ....

of ....

as my proxy in my absence to attend and vote for me, and on my behalf at the Annual General Meeting of the Company to be held on October 21, 2010 and at any adjournment thereof.

As witness my hand this .... day of...2010

Signed ______________________

Folio No. ____________________

CDC A/C No. ________________

Rs. 5
Revenue Stamp

Important: The Form of Proxy duly completed, must be deposited 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.