



***Consolidated Financial Statements
for the Year Ended 30 June 2015***



KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

Telephone + 92 (42) 3579 0901-6
Fax + 92 (42) 3579 0907
Internet www.kpmg.com.pk

Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Ferozsons Laboratories Limited** ("the Holding Company") and its subsidiary companies as at 30 June 2015 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Ferozsons Laboratories Limited and its subsidiary companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Ferozsons Laboratories Limited and its subsidiary companies as at 30 June 2015 and the results of their operations for the year then ended.

Date: 29 August 2015

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chughtai)

CONSOLIDATED BALANCE SHEET AS

	<i>Note</i>	2015 Rupees	2014 Rupees
EQUITY AND LIABILITIES			
<i>Share capital and reserves</i>			
Authorized share capital 50,000,000 (2014: 50,000,000) ordinary shares of Rs. 10 each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up capital	4	301,868,410	301,868,410
Capital reserve	5	321,843	321,843
Accumulated profit		<u>2,811,333,056</u>	<u>2,289,472,502</u>
Equity attributable to owners of the Company		<u>3,113,523,309</u>	<u>2,591,662,755</u>
Non-controlling interests		<u>138,654,363</u>	<u>98,750,513</u>
		3,252,177,672	2,690,413,268
Surplus on revaluation of property, plant and equipment - net of tax	6	416,429,177	420,677,699
<i>Non current liabilities</i>			
Deferred taxation	7	100,559,565	121,832,192
<i>Current liabilities</i>			
Trade and other payables	8	1,432,772,579	519,557,301
Accrued mark-up		10,634	3,645,618
Provision for taxation - net		21,768,977	-
Short term borrowings - secured	9	1,875,013	495,829
		<u>1,456,427,203</u>	<u>523,698,748</u>
		<u>5,225,593,617</u>	<u>3,756,621,907</u>
Contingencies and commitments	10		

The annexed notes from 1 to 35 form an integral part of these consolidated financial statements.

Director

AT 30 JUNE 2015

	<i>Note</i>	2015 Rupees	2014 Rupees
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	<i>11</i>	1,742,245,896	1,633,330,817
Intangibles	<i>12</i>	1,489,071	939,398
Long term deposits		7,430,825	7,758,100
		<u>1,751,165,792</u>	<u>1,642,028,315</u>
<u>Current assets</u>			
Stores, spare parts and loose tools	<i>13</i>	41,505,418	33,225,587
Stock in trade	<i>14</i>	1,389,867,596	863,607,592
Trade debts	<i>15</i>	280,770,732	174,178,229
Loans and advances - considered good	<i>16</i>	41,485,927	25,848,100
Deposits and prepayments	<i>17</i>	78,201,585	46,460,968
Other receivables		2,629,658	3,925,022
Short term investments	<i>18</i>	857,925,094	748,688,343
Income tax - net		-	52,804,745
Cash and bank balances	<i>19</i>	782,041,815	165,855,006
		<u>3,474,427,825</u>	<u>2,114,593,592</u>
		<u><u>5,225,593,617</u></u>	<u><u>3,756,621,907</u></u>

Chairperson & Chief Executive

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2015**

	<i>Note</i>	2015 Rupees	2014 Rupees
Revenue - net	20	5,705,868,875	3,831,560,333
Cost of sales	21	(3,114,691,589)	(2,003,510,028)
Gross profit		2,591,177,286	1,828,050,305
Administrative expenses	22	(218,229,954)	(196,185,011)
Selling and distribution expenses	23	(966,052,071)	(852,798,246)
Finance costs	24	(16,043,156)	(18,781,869)
Other expenses	25	(105,267,862)	(64,082,168)
Other income	26	74,026,186	64,516,505
Profit before taxation		1,359,610,429	760,719,516
Taxation	27	(415,822,452)	(208,556,709)
Profit after taxation		943,787,977	552,162,807
 <i>Attributable to:</i>			
Owners of the Company		904,848,233	525,502,792
Non-controlling interests		38,939,744	26,660,015
Profit for the year		943,787,977	552,162,807

The annexed notes from 1 to 35 form an integral part of these consolidated financial statements.

Director

Chairperson & Chief Executive

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 Rupees	2014 Rupees
Profit after taxation	943,787,977	552,162,807
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u><u>943,787,977</u></u>	<u><u>552,162,807</u></u>
<i>Attributable to:</i>		
Owners of the Company	904,848,233	525,502,792
Non-controlling interests	38,939,744	26,660,015
	<u><u>943,787,977</u></u>	<u><u>552,162,807</u></u>

The annexed notes from 1 to 35 form an integral part of these consolidated financial statements.

Director

Chairperson & Chief Executive

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Rupees	2014 Rupees
<u>Cash flow from operating activities</u>			
Profit before taxation		1,359,610,429	760,719,516
<i>Adjustments for:</i>			
Depreciation		197,306,158	174,872,366
Amortisation		731,458	2,264,735
Gain on disposal of property, plant and equipment		(13,824,461)	(7,323,943)
Finance costs		16,043,156	18,781,869
Provision for doubtful debts		607,107	-
Un-realised gain on re-measurement of short term investments to fair value		(1,095,253)	(37,195,544)
Gain on sale of short term investments		(43,819,884)	(2,106,603)
Provision for Workers' Profit Participation Fund		72,876,300	40,506,542
Provision for Workers' Welfare Fund		17,669,077	15,392,486
Provision for Central Research Fund		14,722,485	8,183,140
		261,216,143	213,375,048
Cash generated from operations before working capital changes		1,620,826,572	974,094,564
<i>Effect on cash flow due to working capital changes</i>			
<i>(Increase) / decrease in current assets</i>			
Stores, spare parts and loose tools		(8,279,831)	(13,672,926)
Advances, deposits, prepayments and other receivables		(46,083,080)	(4,520,125)
Stock in trade		(526,260,004)	(16,701,507)
Trade debts - considered good		(107,199,610)	32,053,910
		(687,822,525)	(2,840,648)
<i>Increase in current liabilities</i>			
Trade and other payables		860,342,322	100,182,952
Cash generated from operations		1,793,346,369	1,071,436,868
Taxes paid		(356,364,518)	(157,285,671)
Workers' Profit Participation Fund paid		(43,420,315)	(26,729,838)
Workers' Welfare Fund paid		(15,392,486)	(9,499,692)
Central Research Fund paid		(8,183,140)	(5,244,372)
Long term deposits		327,275	(25,000)
Net cash generated from operating activities		1,370,313,185	872,652,295
<u>Cash flow from investing activities</u>			
Acquisition of property, plant and equipment		(311,252,163)	(226,924,593)
Acquisition of intangibles		(991,131)	-
Proceeds from sale of property, plant and equipment		18,565,387	15,465,849
Acquisition of short term investments - net		(64,321,614)	(295,887,277)
Net cash used in investing activities		(357,999,521)	(507,346,021)
<u>Cash flow from financing activities</u>			
Finance cost paid		(14,873,824)	(15,858,023)
Dividend paid		(382,632,215)	(289,882,689)
Net cash used in financing activities		(397,506,039)	(305,740,712)
Net increase in cash and cash equivalents		614,807,625	59,565,562
Cash and cash equivalents at beginning of the year		165,359,177	105,793,615
Cash and cash equivalents at end of the year		780,166,802	165,359,177
 Cash and cash equivalents comprise of the following:			
Cash and bank balances	19	782,041,815	165,855,006
Running finance		(1,875,013)	(495,829)
		780,166,802	165,359,177

The annexed notes from 1 to 35 form an integral part of these consolidated financial statements.

Director

Chairperson & Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Attributable to Owners of the Company			Total	Non-controlling interest	Total
	Share capital	Capital reserve	Accumulated profit			
.....Rupees.....						
Balance as at 30 June 2013	301,868,410	321,843	2,061,029,564	2,363,219,817	72,090,498	2,435,310,315
Total comprehensive income for the year	-	-	525,502,792	525,502,792	26,660,015	552,162,807
Surplus / (deficit) transferred to accumulated profit:						
-on account of incremental depreciation charged during the year - net of tax	-	-	5,570,467	5,570,467	-	5,570,467
-on account of disposal of fixed assets during the year-net of tax	-	-	(761,911)	(761,911)	-	(761,911)
Transactions with owners of the Company:						
-Final dividend for the year ended 30 June 2013 at Rs. 7 per share	-	-	(211,307,887)	(211,307,887)	-	(211,307,887)
-Interim dividend for the year ended 30 June 2014 at Rs. 3 per share	-	-	(90,560,523)	(90,560,523)	-	(90,560,523)
	-	-	(301,868,410)	(301,868,410)	-	(301,868,410)
Balance as at 30 June 2014	301,868,410	321,843	2,289,472,502	2,591,662,755	98,750,513	2,690,413,268
Total comprehensive income for the year	-	-	904,848,233	904,848,233	38,939,744	943,787,977
Surplus / (deficit) transferred to accumulated profit:						
-on account of incremental depreciation charged during the year - net of tax	-	-	9,511,292	9,511,292	964,106	10,475,398
-on account of disposal of fixed assets during the year - net of tax	-	-	(70,038)	(70,038)	-	(70,038)
	-	-	9,441,254	9,441,254	964,106	10,405,360
Transactions with owners of the Company:						
-Final dividend for the year ended 30 June 2014 at Rs. 9 per share	-	-	(271,681,569)	(271,681,569)	-	(271,681,569)
-Interim dividend for the year ended 30 June 2015 at Rs. 4 per share	-	-	(120,747,364)	(120,747,364)	-	(120,747,364)
	-	-	(392,428,933)	(392,428,933)	-	(392,428,933)
Balance as at 30 June 2015	301,868,410	321,843	2,811,333,056	3,113,523,309	138,654,363	3,252,177,672

The annexed notes from 1 to 35 form an integral part of these consolidated financial statements.

Director

Chairperson & Chief Executive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1 Reporting entity

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

“The Group” consists of the following subsidiaries:

Company	Country of incorporation	Nature of business	Effective holding %	
			2015	2014
BF Biosciences Limited	Pakistan	Import, manufacturing and sale of pharmaceutical products.	80	80
Farmacia	Pakistan	Sale and distribution of medicines and other related products.	98	98

2 Basis of preparation

2.1 Consolidated financial statements

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2015 and the audited financial statements of the subsidiary companies for the year ended 30 June 2015.

2.2 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 Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case, requirements differ, the provisions or directives of the Companies Ordinance, 1984, shall prevail.

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

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

2.3.1 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards

will be effective for accounting periods beginning on or after 01 July 2015. The Group either does not expect to have any effect or any material / significant effect on its accounting policy due to their application when become effective other than increase in disclosures, if any.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Group’s financial statements.
- IFRS 10 ‘Consolidated Financial Statements’ – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 ‘Consolidated and Separate Financial Statements’. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called ‘Separate Financial Statements’ and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The management is currently considering the effect of the new standard.
- IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 ‘Interests in Joint Ventures’. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named ‘Investment in Associates and Joint Ventures’. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Group’s financial statements.
- IFRS 12 ‘Disclosure of Interests in Other Entities’ (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or consolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Group’s financial statements.
- IFRS 13 ‘Fair Value Measurement’ (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure

requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Group's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Group's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on the Group's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Group's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- o IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- o IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for

inclusion in condensed interim financial statements for all interim periods.

- o IAS 19 ‘Employee Benefits’. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- o IAS 34 ‘Interim Financial Reporting’. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

2.4 Basis of measurement

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

2.5 Functional and presentation currency

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

2.6 Use of estimates and judgements

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

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

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

2.6.1 Property, plant and equipment

The Group reviews the useful lives and residual value 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.

2.6.2 Intangibles

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

2.6.3 Stores, spare parts, loose tools and stock in trade

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

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

2.6.4 Provision against trade debts, advances and other receivables

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

2.6.5 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.

2.6.6 Impairment

The Group reviews carrying amounts of its assets including receivables and advances and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.6.7 Fair value of investments

The Group regularly reviews the fair value of investments, the estimate of fair values are directly linked to market value. Any change in estimate will effect the carrying value of investments with the corresponding impact on profit and loss account.

2.6.8 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.

3 Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiary companies. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Subsidiaries

Subsidiaries are those entities in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value of investment held by the Parent Company is eliminated against the Parent Company's share in paid up capital of the subsidiaries. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Holding Company's interest in a subsidiary that do not result in a loss of control are accounted for as a equity transactions.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

3.2 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:

3.2.1 **Staff provident fund**

The Holding Company and the subsidiary companies operate a recognized provident fund as a defined contribution plan for employees who fulfil conditions laid down in the trust deed. Provision is made in the consolidated 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.

3.2.2 Compensated absences

The Holding Company and the subsidiary companies provide for compensated absences for its employees on unavailed balance of leave in the period in which leave is earned.

3.3 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity respectively.

3.3.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

3.3.2 Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Group recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

3.4.1 Owned

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

Depreciation is provided on a straight line basis and charged to profit and loss account to write off the depreciable amount of each asset, except for freehold land, over its estimated useful life at the rates specified in note 11 to these financial statements. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired.

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

The cost of replacing part of an item of property, plant and equipment is recognized 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 recognized in profit or loss as incurred.

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

3.4.2 Capital work in progress

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

3.5 Intangibles

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets with finite useful life are amortised using the straight-line method over the estimated useful life of three years. Amortisation of intangible assets is commenced from the date an asset is capitalized.

3.6 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instruments. The Group de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. 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. Any gain or loss on the recognition or de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

Significant financial assets include long term deposits, short term investments, trade debts, loans and advances, other receivables, advance tax - net and cash and bank balances.

Significant financial liabilities are classified according to the substance of the contractual

agreements entered into. Significant financial liabilities include trade and other payables.

3.7 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.8 Investments

3.8.1 Investments at fair value through profit or loss

These include investments classified as held for trading or upon initial recognition are designated by the Group at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in income. Fair value of investments is their quoted bid price at the balance sheet date. Transaction costs are charged to income currently.

3.8.2 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition, these are measured at amortised cost using the effective interest rate method less impairment loss, if any.

3.8.2.1 Trade debts

Trade debts are stated initially at the fair value, subsequent to initial recognition. These are stated at their amortised cost as reduced by appropriate provision for impairment, known impaired receivables are written off, while receivables considered doubtful are fully provided for.

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

3.9 Settlement date accounting

Regular way purchases and sales of financial assets are recognized on trade dates.

3.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services received.

3.11 Offsetting of financial assets and financial liabilities

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

3.12 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.13 Foreign currency

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

3.14 Stores, spare parts and loose tools

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

3.15 Stocks in trade

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

- Raw material - at moving average cost
- Work in process - at weighted average cost of purchases and
- Finished goods - applicable manufacturing expenses - for those purchased for onward sale are carried at moving average cost

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

3.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances and short term running finance facilities.

3.17 Revenue recognition

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

3.18 Borrowing costs

Mark-up, 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 mark-up, interest and related charges are charged to the profit and loss account as finance cost.

3.19 Other income

Other 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 is recognized when the right to receive is established.

Gains and losses on sale of investments are accounted for on sale of security.

3.20 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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. 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 the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognized.

Non financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognized.

3.21 Operating segment

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Director of the Group that makes strategic decisions. The management has determined that the Group has a single reportable segment as the Board of Directors views the Group's operations as one reportable segment. However, the Group derives revenue from local and export sales.

3.22 Dividend distribution

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

	2015 Rupees	2014 Rupees
4 Issued, subscribed and paid up capital		
1,441,952 (2014: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (2014: 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
28,625,289 (2014: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares	<u>286,252,890</u>	286,252,890
	<u>301,868,410</u>	<u>301,868,410</u>

KFW Factors (Private) Limited, an associated company holds 8,286,942 (2014: 8,286,942) ordinary shares of Rs. 10 each of the Holding Company.

5 Capital reserve

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

	2015 Rupees	2014 Rupees
6 Surplus on revaluation of property, plant and equipment - net of tax		
Surplus on revaluation of property, plant and equipment as at 1 July	467,036,942	474,322,634
Surplus transferred to equity on account of incremental depreciation charged during the year net of deferred tax	(10,475,398)	(5,570,467)
Related deferred tax liability	(5,159,525)	(2,869,635)
	(15,634,923)	(8,440,102)
Deficit transferred to equity:		
- on account of disposal of assets during the year net of deferred tax	70,038	761,911
- Related deferred tax liability	34,497	392,499
	104,535	1,154,410
	451,506,554	467,036,942
Related deferred tax liability:		
- On revaluation as at 1 July	(46,359,243)	(48,836,379)
- Transferred		
-on account of incremental depreciation charged during the year	5,159,524	2,869,635
-on account of disposal of fixed assets during the year	(34,497)	(392,499)
- tax rate adjustment	6,156,839	3,597,410
	(35,077,377)	(46,359,243)
	<u>416,429,177</u>	<u>420,677,699</u>

Surplus net of tax at the year end includes Rs. 8.39 million (2014: Rs. 9.35 million) which relates to shareholders of the subsidiaries (Non-controlling interests). This amount has not been included in statement of changes in equity due to the requirements of 4th Schedule of the Companies Ordinance, 1984.

The revaluations had resulted in a cumulative surplus of Rs. 562 million, which has been included in the carrying values of free hold land, building and plant and machinery respectively and credited to the surplus on revaluation of property, plant and equipment. The surplus is adjusted on disposal of revalued assets, if any, and incremental depreciation, net of deferred tax.

7 Deferred taxation

	2015		
	Opening	During the year	Closing
	----- Rupees -----		
<u>Taxable temporary difference</u>			
Accelerated tax depreciation allowances	75,472,949	(9,990,761)	65,482,188
Surplus on revaluation of property, plant and equipment	46,359,243	(11,281,866)	35,077,377
	121,832,192	(21,272,627)	100,559,565
	<u>121,832,192</u>	<u>(21,272,627)</u>	<u>100,559,565</u>

	2014		
	Opening	During the year	Closing
	----- Rupees -----		
<u>Taxable temporary difference</u>			
Accelerated tax depreciation allowances	76,963,673	(1,490,724)	75,472,949
Surplus on revaluation of property, plant and equipment	48,836,378	(2,477,135)	46,359,243
	125,800,051	(3,967,859)	121,832,192
<u>Deductible temporary difference</u>			
Unused tax losses	(26,229,145)	26,229,145	-
Minimum tax recoverable against normal tax in future	(9,456,875)	9,456,875	-
	(35,686,020)	35,686,020	-
	<u>90,114,031</u>	<u>31,718,161</u>	<u>121,832,192</u>

	Note	2015 Rupees	2014 Rupees
8 Trade and other payables			
Creditors		1,099,346,483	335,171,181
Accrued liabilities		17,276,050	18,256,243
Advances from customers		104,218,612	26,412,230
Unclaimed dividend		45,185,439	35,388,721
Tax deducted at source		413,601	1,169,342
Provision for compensated absences		16,760,224	8,499,035
Workers' Profit Participation Fund	8.1	77,680,616	43,420,315
Central Research Fund	8.2	14,722,862	8,183,517
Workers' Welfare Fund		17,669,077	15,392,486
Advances from employees against purchase of vehicles		23,474,526	21,868,671
Due to related parties - unsecured		13,790,547	2,959,716
Other payables		2,234,542	2,835,844
		<u>1,432,772,579</u>	<u>519,557,301</u>
8.1 Workers' Profit Participation Fund			
Balance at the beginning of year		43,420,315	26,720,368
Interest on funds utilized		4,804,316	2,923,243
Provision for the year	25	72,876,300	40,506,542
		<u>121,100,931</u>	<u>70,150,153</u>
Payments made during the year		<u>(43,420,315)</u>	<u>(26,729,838)</u>
		<u>77,680,616</u>	<u>43,420,315</u>
<p>The fund balance has been utilized by the Holding Company and the subsidiary company, BF Biosciences Limited, for their own business and interest at the rate of 90% per annum (2014: 52.5% per annum) by Holding Company and 12.92% per annum (2014: 11.88% per annum) by subsidiary company, BF Biosciences have been credited to the funds respectively. Interest is calculated at higher of 75% of dividend rate or 2.5% plus bank rate, as required under Companies Profit (Workers' Participation) Act, 1968.</p>			
8.2 Central Research Fund			
Balance at the beginning of the year		8,183,517	5,244,749
Provision for the year	25	14,722,485	8,183,140
		<u>22,906,002</u>	<u>13,427,889</u>
Payments made during the year		<u>(8,183,140)</u>	<u>(5,244,372)</u>
		<u>14,722,862</u>	<u>8,183,517</u>
9 Short term borrowings - secured			
Running finance facility from:			
Habib Bank Limited		1,875,013	-
Allied Bank Limited		-	495,829
	9.1	<u>1,875,013</u>	<u>495,829</u>

- 9.1** The Group has short term borrowing facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 1,000 million (2014: Rs. 665 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0.1% to 1.5% per annum (2014: one to three months KIBOR plus 0.3% to 1.5% per annum) on the outstanding balances. Out of aggregate facilities, facilities amounting to Rs. 700 million (2014: Rs. 365 million) are secured by first pari passu charge over present and future assets of the respective companies in the Group and remaining facility amounting to Rs. 300 million (2014: Rs. 300 million) is secured by lien on the Holding Company's short term investments in TDR which should be 110% of the maximum limit allowed for utilization. Under this arrangement Rs. 330 million (2014: Rs. 330 million) is marked under lien. These facilities are renewable on annual basis latest by 30 November 2015.

10 Contingencies and commitments

10.1 Contingencies

10.1.1 Guarantees issued by banks

Out of the aggregate facility of Rs. 180 million (2014: Rs. 130 million) for letter of guarantees, the amount utilized by the Group at 30 June 2015 was Rs. 10.84 million (2014: Rs. 30.32 million).

- 10.1.2** The Holding Company has filed a suit before the Honorable High Court of Sindh challenging SRO related to pharmaceutical pricing issued by Drug Regulatory Authority being ultra vires the constitution. The issues relates to fixation of prices of certain products of the Holding Company and the SRO issued in this regard whereby the products of the Holding Company were notified as controlled drugs. The matter is subjudice. However, the management based on obtained legal opinion believes that the Holding Company has a strong case on merit and is likely to succeed in obtaining relief.

10.2 Commitments

10.2.1 Letter of credits

Out of the aggregate facility of Rs. 750 million (2014: Rs. 355 million) for opening letters of credit, the amount utilized by the Group at 30 June 2015 for capital expenditure was Rs. 188.75 million (2014: Rs. 38.3 million) and for other than capital expenditure was Rs. 63.17 million (2014: Rs. 118.62 million).

10.2.2 Guarantees issued on behalf of subsidiary company

The Holding Company has issued cross corporate guarantees of Rs. 218.8 million (2014: Rs. 125 million) to Habib Bank Limited, Rs.150 million (2014: Rs. 150 million) to Allied Bank Limited and Rs. 150 million (2014: Nil) to MCB Bank Limited respectively, on behalf of its subsidiary company, BF Biosciences Limited.

11 Property, plant and equipment

	Owned							Total
	Freehold land	Building on freehold land	Plant and machinery	Office equipment	Furniture and fittings	Computers	Vehicles	
Rupees								
30 June 2015								
Cost / revalued amount								
Balance as at 01 July 2014	410,000,000	572,852,926	902,005,783	51,979,013	20,946,419	20,322,281	233,960,835	99,553,557
Additions	-	-	1,690,972	10,695,487	4,033,961	3,797,848	70,593,088	220,438,807
Transfers / adjustments	-	25,418,599	110,614,776	180,133	-	697,116	10,511,500	(147,712,124)
Disposals / write off	-	-	(1,353,834)	(102,700)	-	(1,767,885)	(30,121,270)	-
Balance as at 30 June 2015	410,000,000	598,271,525	1,012,957,697	62,751,933	24,980,380	23,049,360	284,946,153	172,280,240
Depreciation								
Balance as at 01 July 2014	-	191,963,540	326,925,639	23,518,009	8,415,737	16,003,974	111,463,098	-
Charge for the year	-	57,409,886	85,599,247	5,292,179	2,300,466	3,296,095	43,408,285	-
On disposals	-	-	(477,916)	(83,858)	-	(1,764,964)	(26,278,025)	-
Balance as at 30 June 2015	-	249,373,426	412,046,970	28,726,330	10,716,203	17,535,105	128,593,358	-
Net book value as at 30 June 2015	410,000,000	348,898,099	600,910,727	34,025,603	14,264,177	5,514,255	156,352,795	172,280,240
30 June 2014								
Cost / revalued amount								
Balance as at 01 July 2013	410,000,000	558,648,317	858,099,929	61,067,443	27,353,543	27,873,676	196,860,852	19,785,727
Additions	-	9,299,901	40,809,933	5,729,256	1,832,090	2,512,279	68,583,132	98,158,002
Transfers / adjustments	-	4,904,708	11,843,151	111,919	-	139,979	71,000	(18,390,172)
Disposals / write off	-	-	(8,747,230)	(14,929,605)	(8,239,214)	(10,203,653)	(31,554,149)	-
Balance as at 30 June 2014	410,000,000	572,852,926	902,005,783	51,979,013	20,946,419	20,322,281	233,960,835	99,553,557
Depreciation								
Balance as at 01 July 2013	-	134,367,865	258,062,185	33,404,184	14,257,961	22,445,046	106,412,335	-
Charge for the year	-	57,595,675	71,461,533	4,686,595	2,174,301	3,762,271	35,191,991	-
On disposals	-	-	(2,598,079)	(14,572,770)	(8,016,525)	(10,203,343)	(30,141,228)	-
Balance as at 30 June 2014	-	191,963,540	326,925,639	23,518,009	8,415,737	16,003,974	111,463,098	-
Net book value as at 30 June 2014	410,000,000	380,889,386	575,080,144	28,461,004	12,530,682	4,318,307	122,497,737	99,553,557
Depreciation Rate %	-	10	10	10	10	33.33	20	20

- 11.1** The last revaluation was carried out on 30 June 2011. 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, carrying value of land, building and plant and machinery would have been as follows:

		Net book value Rupees
Freehold land		75,418,037
Building on freehold land		258,442,730
Plant and machinery		574,441,505
Balance as at 30 June 2015		908,302,272
Balance as at 30 June 2014		898,932,587

	<i>Note</i>	2015 Rupees	2014 Rupees
11.2 Capital work-in-progress - movement			
Opening balance		99,553,557	19,785,727
Additions during the year		220,438,807	98,158,002
Transfers during the year		(147,712,124)	(18,390,172)
Closing balance		172,280,240	99,553,557
11.3 Capital work-in-progress - breakup			
Building and civil works		120,910,316	47,634,312
Plant and machinery		3,475,377	30,818,442
Advances to suppliers		47,894,547	21,100,803
		172,280,240	99,553,557
11.4 Depreciation is allocated as under:			
Cost of sales	21	130,261,759	114,866,572
Administrative expenses	22	33,617,935	31,204,021
Selling and distribution expenses	23	33,426,464	28,801,773
		197,306,158	174,872,366

11.5 Disposal of property, plant and equipment

Particulars of assets	Cost	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer
Vehicles disposed of:						
Suzuki Cultus	985,500	410,625	731,052	320,427	Company Policy	Emanul Ghauri
Suzuki Cultus	923,500	169,308	750,000	580,692	Company Policy	Sheraz Khan
Suzuki Mehran	666,108	333,054	495,000	161,946	Company Policy	Usman Shahid
Suzuki Mehran	663,813	354,033	525,500	171,467	Negotiation	Khalid Rasheed
Suzuki Mehran	663,813	354,034	555,000	200,966	Negotiation	Abdul Waqas
Suzuki Mehran	632,000	400,268	635,000	234,732	Insurance Claim	EFU Insurance Company
Suzuki Mehran	605,000	221,833	525,000	303,167	Company Policy	Khalil Ahmad
Suzuki Mehran	567,000	132,300	100,000	(32,300)	Negotiation	Aman Ullah Khan
Suzuki Mehran	567,000	198,450	565,000	366,550	Insurance Claim	EFU Insurance Company
Suzuki Mehran	567,000	179,550	484,500	304,950	Negotiation	Khalid Rasheed
Suzuki Mehran	567,000	207,900	338,000	130,100	Company Policy	Shekeel Shakir
Suzuki Mehran	567,000	170,100	459,000	288,900	Negotiation	Usman Shahid
Suzuki Mehran	529,000	52,900	413,000	360,100	Negotiation	Islam Khan
Motor Cycle 70 CC	72,099	68,495	72,099	3,604	Insurance Claim	EFU General Insurance
Vehicles with individual book value not exceeding Rs. 50,000.	21,545,437	590,395	11,875,236	11,284,841	Company Policy	Various persons
	30,121,270	3,843,245	18,523,387	14,680,142		
Office equipment disposed of:						
Office equipment with individual book value not exceeding Rs. 50,000	102,700	18,842	42,000	23,158	Company Policy	Vendor
Assets written off:						
Plant and machinery	1,353,834	875,918	-	(875,918)	Obsolete items-written off	
Computers	1,767,885	2,921	-	(2,921)	Obsolete items-written off	
	3,121,719	878,839	-	(878,839)		
2015 Rupees						
	33,345,689	4,740,926	18,565,387	13,824,461		
2014 Rupees						
	73,673,851	8,141,906	15,465,849	7,323,943		

-----Rupees-----

12 Intangibles
Computer softwares and software licence fees
Cost

Balance at 01 July 2013	5,543,356
Transfers	1,319,415
Balance at 30 June 2014	<u>6,862,771</u>
Balance at 01 July 2014	6,862,771
Addition during the year	991,131
Transfers	290,000
Balance at 30 June 2015	<u>8,143,902</u>

Amortisation

Balance at 01 July 2013	3,658,638
Amortisation for the year	2,264,735
Balance at 30 June 2014	<u>5,923,373</u>
Balance at 01 July 2014	5,923,373
Amortisation for the year	731,458
Balance at 30 June 2015	<u>6,654,831</u>

Amortisation rate per annum (%) **33.33%**

Carrying amounts

At 30 June 2014	<u>939,398</u>
At 30 June 2015	<u>1,489,071</u>

2015
Rupees
2014
Rupees
13 Stores, spare parts and loose tools

Stores	34,244,067	28,904,873
Spare parts	7,048,932	4,136,133
Loose tools	212,419	184,581
	<u>41,505,418</u>	<u>33,225,587</u>

	Note	2015 Rupees	2014 Rupees
14 Stock in trade			
Raw material		365,200,196	337,052,623
Work in process		44,914,516	97,330,065
		<u>410,114,712</u>	<u>434,382,688</u>
Finished goods		956,803,313	424,946,380
Less: Provision for write down to net realisable value		-	(517,711)
		<u>956,803,313</u>	<u>424,428,669</u>
Stock in transit		22,949,571	4,796,235
		<u>1,389,867,596</u>	<u>863,607,592</u>
15 Trade debts - unsecured			
Considered good		280,770,732	174,178,229
Considered doubtful	22	607,107	-
Less: Provision for doubtful debts		(607,107)	-
		-	-
		<u>280,770,732</u>	<u>174,178,229</u>
16 Loans and advances - considered good			
Advances to employees - secured		19,452,827	15,257,527
Advances to suppliers - unsecured		18,542,038	9,598,879
Others		3,491,062	991,694
		<u>41,485,927</u>	<u>25,848,100</u>
16.1	Advances given to staff are in accordance with the Group's policy and terms of employment contract. These advances are secured against provident fund. Advances to staff includes amount due from executives of the Holding Company amounting to Rs. 7.10 million (2014: Rs 0.55 million).		
17 Deposits and prepayments		2015 Rupees	2014 Rupees
Deposits		76,048,067	45,312,094
Prepayments		2,153,518	1,148,874
		<u>78,201,585</u>	<u>46,460,968</u>

	<i>Note</i>	2015 Rupees	2014 Rupees
18 Short term investments			
<u>Loans and receivables</u>			
Term deposits with banks - local currency	18.1	841,000,000	-
<u>Investments at fair value through profit or loss - listed securities</u>			
Held for trading	18.2	<u>16,925,094</u>	<u>748,688,343</u>
		<u>857,925,094</u>	<u>748,688,343</u>

18.1 The local currency short-term deposits have a maximum maturity period of 30 days, carrying profit ranging from 5.92 % to 7.25 % (2014: Nil) per annum.

	<i>Note</i>	2015 Rupees	2014 Rupees
18.2 These investments are 'held for trading'			
Carrying value at 01 July		748,688,343	711,492,799
Redemption during the year		(732,858,502)	-
Unrealized gain on re-measurement of investment - during the year		1,095,253	37,195,544
Carrying and fair value of short term investments at 30 June	18.3	<u>16,925,094</u>	<u>748,688,343</u>

Units		Fair value	
2015	2014	2015	2014
-----Number-----		-----Rupees-----	

18.3 Mutual fund wise detail is as follows:

Mutual Funds

HBL Money Market Fund	14,897	6,422,696	1,506,800	644,345,838
ABL Income Fund	70,123	-	703,042	-
Faysal Money Market Fund	145,638	135,083	14,715,252	13,620,453
HBL Income Fund	-	147,088	-	14,892,578
MCB DCF Units	-	751,071	-	75,107,050
ABL Cash Fund	-	72,064	-	722,424
			<u>16,925,094</u>	<u>748,688,343</u>

	<i>Note</i>	2015 Rupees	2014 Rupees
19 Cash and bank balances			
Cash in hand		7,948,206	4,793,603
Cash at banks:			
Current accounts			
- foreign currency		27,210,758	16,387,456
- local currency		376,743,033	126,469,644
		403,953,791	142,857,100
Deposit accounts - local currency	19.1	370,139,818	18,204,303
		782,041,815	165,855,006

19.1 These carry interest at the rates ranging from 4.5% to 6.85% per annum (2014: 6.1% to 7.3% per annum).

	<i>Note</i>	2015 Rupees	2014 Rupees
20 Revenue - net			
Gross sales			
Local	20.1	5,816,319,933	3,967,643,048
Export		275,796,533	203,742,045
		6,092,116,466	4,171,385,093
Less:			
Sales returns, discounts and commission		(379,562,761)	(335,455,532)
Sales tax		(6,684,830)	(4,369,228)
		(386,247,591)	(339,824,760)
		5,705,868,875	3,831,560,333

20.1 This includes own manufactured and imported products sales.

	<i>Note</i>	2015 Rupees	2014 Rupees
21 Cost of sales			
Raw materials consumed	21.1	845,503,266	847,792,039
Salaries, wages and other benefits	21.2	171,695,595	143,240,491
Fuel and power		79,640,894	115,474,605
Repairs and maintenance		15,238,209	10,428,925
Stores, spare parts and loose tools consumed		29,318,463	27,762,200
Packing charges		21,524,272	15,722,763
Rent, rates and taxes		606,891	1,084,541
Printing and stationery		2,130,360	1,216,992
Postage and telephone		3,026,315	2,428,989
Insurance		5,927,405	10,708,089
Travelling and conveyance		12,061,269	11,902,711
Canteen expenses		8,549,502	6,350,831
Security expenses		3,149,370	2,147,795
Depreciation	11.4	130,261,759	114,866,572
Laboratory and other expenses		25,736,530	22,528,036
		<u>1,354,370,100</u>	<u>1,333,655,579</u>
<i>Work in process:</i>			
Opening		97,330,065	94,418,678
Closing		(44,914,516)	(97,330,065)
		<u>52,415,549</u>	<u>(2,911,387)</u>
Cost of goods manufactured		<u>1,406,785,649</u>	<u>1,330,744,192</u>
<i>Finished stock:</i>			
Opening		424,428,669	425,048,851
Purchases made during the year		2,240,280,584	672,145,654
Closing		(956,803,313)	(424,428,669)
		<u>1,707,905,940</u>	<u>672,765,836</u>
		<u><u>3,114,691,589</u></u>	<u><u>2,003,510,028</u></u>
21.1 Raw materials consumed			
Opening		337,052,623	310,046,452
Purchases made during the year		873,650,839	874,798,210
		<u>1,210,703,462</u>	<u>1,184,844,662</u>
Closing		<u>(365,200,196)</u>	<u>(337,052,623)</u>
		<u><u>845,503,266</u></u>	<u><u>847,792,039</u></u>
21.2 Salaries, wages and other benefits include Rs. 7.01 million (2014: Rs. 5.83 million) charged on account of defined contribution plan.			

	<i>Note</i>	2015 Rupees	2014 Rupees
22 Administrative expenses			
Salaries and other benefits	22.1	116,048,313	103,936,649
Directors fees and expenses		1,155,848	1,614,955
Rent, rates and taxes		1,619,003	1,587,098
Postage and telephone		6,056,461	5,888,644
Printing, stationery and office supplies		2,808,262	2,852,097
Travelling and conveyance		7,928,180	7,239,174
Transportation		6,701,345	4,255,138
Legal and professional charges		3,169,200	4,807,214
Fuel and power		7,591,288	2,404,292
Auditors' remuneration	22.2	1,361,700	1,295,605
Repairs and maintenance		7,986,821	6,833,014
Fee and subscriptions		2,000,304	1,415,873
Donations	22.3	7,500,000	9,300,000
Insurance		3,638,178	3,348,794
Depreciation	11.4	33,617,935	31,204,021
Amortisation	12	731,458	2,264,735
Canteen expenses		5,739,834	4,371,385
Provision for doubtful debts	15	607,107	-
Other administrative expenses		1,968,717	1,566,323
		<u>218,229,954</u>	<u>196,185,011</u>

22.1 Salaries and other benefits include Rs. 5 million (2014: Rs. 3.90 million) charged on account of defined contribution plan.

	2015 Rupees	2014 Rupees
22.2 Auditor's remuneration		
Fee for annual audit	575,000	575,000
Audit of consolidated financial statements	57,500	57,500
Review of half yearly financial statements	86,250	86,250
Annual audit - BF Biosciences	172,500	172,500
Annual audit - Farmacia	30,000	30,000
Special certificates and others	322,500	232,500
Out-of-pocket expenses	117,950	141,855
	<u>1,361,700</u>	<u>1,295,605</u>

22.3 Donations were given to "The National Management Foundation", "The Citizen Foundation", "Cancer Research & Treatment Foundation", "The Garage School" and "Lahore Literary Festival". Donations include amount of Rs. 3.5 Million (2014: Rs. 4 million) paid to the National Management Foundation located at DHA Lahore Cantt., where Mr. Osman Khalid Waheed (Director) is one of the trustees and an amount of Rs. 1 million paid to The Garage School located at 96/7 Minerva Court, Clifton Karachi, where Mrs. Zubaida Farooq, wife of Mr. Farooq Mazhar (Non - Executive Director) is member of Executive Board.

	<i>Note</i>	2015 Rupees	2014 Rupees
23 Selling and distribution expenses			
Salaries and other benefits	23.1	393,649,486	309,646,850
Travelling and conveyance		155,211,676	145,606,042
Fuel and power		8,843,646	588,727
Rent, rates and taxes		3,789,494	3,640,484
Advertisement and publicity		124,437,731	116,980,242
Freight and forwarding		39,545,445	30,810,538
Printing and stationary		4,433,434	3,899,445
Postage and telephone		13,743,292	9,431,617
Royalty, fee and subscription		15,944,252	17,030,614
Insurance		13,683,716	9,984,992
Repairs and maintenance		4,971,635	4,213,433
Legal and professional charges		2,305,458	1,222,950
Conferences, seminars and training		96,655,126	93,851,244
Medical research and patient care		33,622,809	25,138,932
Depreciation	11.4	33,426,464	28,801,773
Service charges on sales		19,539,570	41,706,537
Other selling expenses		2,248,837	10,243,826
		<u>966,052,071</u>	<u>852,798,246</u>

23.1 Salaries other benefits include Rs. 11.57 million (2014: Rs. 9.54 million) charged on account of defined contribution plan.

		2015 Rupees	2014 Rupees
24 Finance cost			
Mark-up on bank financing		2,759,878	9,184,025
Bank charges		8,478,962	6,674,601
Interest on Workers' Profit Participation Fund		4,804,316	2,923,243
		<u>16,043,156</u>	<u>18,781,869</u>
25 Other expenses			
Workers' Profit Participation Fund	8.1	72,876,300	40,506,542
Workers' Welfare Fund		17,669,077	15,392,486
Central Research Fund	8.2	14,722,485	8,183,140
		<u>105,267,862</u>	<u>64,082,168</u>

	2015 Rupees	2014 Rupees
26 Other income		
<u>From financial assets</u>		
Profit on deposits with banks	8,222,933	1,280,800
Exchange gain	4,764,640	15,825,214
Unrealised gain on re-measurement of short term investments to fair value	1,095,253	37,195,544
Gain on sale of short term investments	43,819,884	2,106,603
	57,902,710	56,408,161
<u>From non - financial assets</u>		
Gain on sale of property, plant and equipment - net of write off	13,824,461	7,323,943
Commission income	2,299,015	784,401
	16,123,476	8,108,344
	74,026,186	64,516,505
27 Taxation		
Current		
- For the year	445,123,472	189,524,072
- Prior years	(14,185,232)	(12,685,524)
	430,938,240	176,838,548
Deferred	(15,115,788)	31,718,161
	415,822,452	208,556,709
27.1 Tax charge reconciliation		
Numerical reconciliation between tax expense and accounting profit		
Profit before taxation	1,359,610,429	760,719,516
Applicable tax rate as per Income Tax Ordinance, 2001	33%	34%
Tax on accounting profit	448,671,442	258,644,635
Effect of final tax regime	(31,386,523)	(21,043,553)
Effect of tax credit	(8,216,646)	(16,668,837)
Effect of prior year and permanent difference	(8,161,145)	(12,260,202)
Effect of minimum tax	-	2,020,086
Effect of super tax	29,329,198	-
Others (including effect of change in tax rate)	(14,413,874)	(2,135,420)
	(32,848,990)	(50,087,926)
	415,822,452	208,556,709

The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public (listed) company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute

dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public (listed) company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

As explained in note 34 to the consolidated financial statements, the Board of Directors of the Holding Company in their meeting held on 29 August 2015 has recommended a final cash dividend of Rs. 15 per ordinary share which is in addition to interim cash dividend of Rs. 4 per ordinary share for the year ended 30 June 2015 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these consolidated financial statements for the year ended 30 June 2015.

28 Remuneration of Directors, Chief Executive and Executives

	2015			2014		
	Director	Chief Executive	Executives	Directors	Chief Executive	Executives
	Rupees			Rupees		
Managerial remuneration	12,486,501	11,048,664	142,593,394	19,389,000	10,074,000	116,952,950
Utilities	-	453,732	453,732	-	481,684	-
LFA	1,071,139	947,796	9,631,039	1,615,750	839,500	7,527,187
Bonus	2,846,250	2,518,500	21,140,968	3,934,000	2,044,000	13,888,093
Contribution to provident fund	805,584	761,976	8,793,697	1,237,307	687,212	7,054,688
	<u>17,209,474</u>	<u>15,730,668</u>	<u>182,612,830</u>	<u>26,176,057</u>	<u>14,126,396</u>	<u>145,422,918</u>
Numbers	<u>1</u>	<u>1</u>	<u>78</u>	<u>2</u>	<u>1</u>	<u>68</u>

In addition, the Chief Executive, one working director and certain executives of the Holding Company are allowed free use of the Company vehicles. The directors, chief executive officer and managing partner of the subsidiary companies are not paid any remuneration.

The Holding Company has 4 (2014: 3) non executive directors. Non executive directors are not paid any remuneration or benefits other than the meeting fee and reimbursement of expenses. All the members of Board of Directors were paid Rs. 310,000 (2014: Rs. 380,000) as meeting fee and Rs. 845,848 (2014: Rs. 1,234,955) as reimbursement of expenses for attending the Board of Directors' meetings.

29 Related party transactions

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

	2015 Rupees	2014 Rupees
<u>Pakistan Pharma Forum - associated company</u>		
Membership fee and annual dues	-	1,031,355
<u>Khan & Piracha - associated</u>		
Professional service charges	18,000	30,000
<u>Other related parties</u>		
Remuneration including benefits and perquisites of key management personnel	101,603,497	89,664,519
Contribution towards employees' provident fund	23,613,785	19,193,658
Dividend to KFW Factors (Private) Limited	107,730,246	82,869,420
Dividend to directors	49,902,623	42,984,510

30 Plant capacity and production

The production capacity of the Holding company and subsidiary companies' plants cannot be determined, as it is a multi-product production facility with varying manufacturing processes.

	2015	2014
31 Number of employees		
Total number of employees as at 30 June	<u>940</u>	<u>865</u>
Average number of employees during the year	<u>911</u>	<u>839</u>
	Un-audited 2015 Rupees	Audited 2014 Rupees

32 Disclosures relating to provident fund

Size of the fund / trust	<u>337,608,183</u>	<u>274,920,772</u>
Cost of investments made	<u>309,885,764</u>	<u>254,228,842</u>
Percentage of investments made %	<u>96%</u>	<u>97%</u>
Fair value of investment	<u>324,601,757</u>	<u>266,062,022</u>

Break up of investment

Special accounts in scheduled banks	7,548,093	4,577,808
Term deposit receipts	-	85,197,361
Government securities	148,182,372	99,358,220
Mutual funds	146,604,589	70,143,481
Shares of listed companies	22,266,703	6,785,152
	<u>324,601,757</u>	<u>266,062,022</u>

	<u>2015</u>	<u>2014</u>
	----- % age of size of fund -----	
Break up of investment		
Special accounts in scheduled banks	2%	2%
Term deposit receipts	0%	31%
Government Securities	44%	36%
Mutual funds	43%	26%
Shares of listed companies	7%	2%
	<u>96%</u>	<u>97%</u>

32.1 The provident fund trust is a common fund for employees of the Group. Entity wise break up of the fund as on 30 June is as follows:

	<u>(Un-audited) 30 June 2015</u>		<u>(Audited) 30 June 2014</u>	
	% of Total Fund	Rupees	% of Total Fund	Rupees
Ferozsons Laboratories Limited - Parent Company	88%	295,871,529	89%	244,074,215
BF Biosciences Limited	11%	37,098,884	10%	27,823,422
Farmacia - Partnership firm	1%	4,637,770	1%	3,023,135
	<u>100%</u>	<u>337,608,183</u>	<u>100%</u>	<u>274,920,772</u>

The figures for 2015 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and rules formulated for this purpose.

33 Financial risk management

The Group has exposure to the following risks arising from 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.

Risk management framework

The Group's Board of Directors has overall responsibility for 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 analyze 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. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

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

33.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk arises from long term deposits, trade debts, other receivables, loans and advances, short term deposits, short term investments and balances with banks. The Group has no significant concentration of credit risk as its exposure is spread over a large number of counter parties.

33.2 Exposure to credit risk

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

	2015 Rupees	2014 Rupees
Long term deposits	7,430,825	7,758,100
Trade debts - considered good	280,770,732	174,178,229
Short term deposits	76,048,067	45,312,094
Other receivables	2,629,658	3,925,022
Loans and advances - considered good	22,943,889	16,249,221
Short term investments	857,925,094	748,688,343
Bank balances	774,093,609	161,061,403
	<u>2,021,841,874</u>	<u>1,157,172,412</u>

33.3 Credit quality of financial assets

Bank balances & short term investments

The credit quality of Group's bank balances and short term investments can be assessed with reference to external credit rating agencies as follows:

Institutions	Rating		Rating Agency	2015	2014
	Short term	Long term		----- Rupees -----	
Bank balances					
Habib Bank Limited	A-1+	AAA	JCR-VIS	562,334,883	95,868,811
Bank Al-Habib Limited	A1+	AA+	PACRA	78,642,289	19
Bank Alfalah Limited	A1+	AA	PACRA	79,571,345	60,177,821
Habib Metropolitan Bank	A1+	AA+	PACRA	36,342,138	-
Meezan Bank Limited	A-1+	AA	JCR-VIS	726,242	-
MCB Bank Limited	A1+	AAA	PACRA	1,605,882	-
National Bank of Pakistan	A1+	AAA	PACRA	51,031	51,031
Allied Bank Limited	A1+	AA+	PACRA	14,808,367	4,952,047
Faysal Bank Limited	A1+	AA	PACRA	9,791	10,209
NIB Bank Limited	A1+	AA-	PACRA	1,641	1,465
Short term investments					
Habib Bank Limited - TDR	A-1+	AAA	JCR-VIS	341,000,000	-
Meezan Bank Limited - TDR	A-1+	AA	JCR-VIS	500,000,000	-
HBL Income Fund	-	A(f)	JCR-VIS	-	644,345,838
HBL Money Market Fund	-	AA(f)	JCR-VIS	1,506,800	14,892,578
MCB DCF Units	-	A+(f)	PACRA	-	75,107,050
ABL Cash Fund	-	AA(f)	JCR-VIS	-	722,424
ABL Income Fund	-	A+(f)	PACRA	703,042	-
Faysal Money Market Fund	-	AA+(f)	PACRA	14,715,252	13,620,453
				1,632,018,703	909,749,746

Trade debts

The aging of trade debts at the reporting date was:

	2015 Rupees	2014 Rupees
Past due 0 - 30 days	112,931,592	68,550,269
Past due 31 - 120 days	108,367,277	54,845,133
Past due 121 - 365 days	49,303,214	36,291,297
More than 365 days	10,168,649	14,491,530
	280,770,732	174,178,229

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

Loans, deposits and other receivables are mostly due from related parties, employees and Government Institutions. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets. There are reasonable grounds to believe that these amounts will be recovered in short course of time.

33.4 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

33.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Group is not materially exposed to liquidity risk as substantially all obligations / commitments of the Group are short term in nature and are restricted to the extent of available liquidity.

The following are the contractual maturities of financial liabilities:

	2015			
	Carrying amount	Less than one year	One to five years	More than 5 years
-----Rupees-----				
<i>Financial liabilities</i>				
Trade and other payables	1,132,647,622	1,132,647,622	-	-
Accrued mark-up	10,634	10,634	-	-
Short term borrowings	1,875,013	1,875,013	-	-
	<u>1,134,533,269</u>	<u>1,134,533,269</u>	<u>-</u>	<u>-</u>

	2014			
	Carrying amount	Less than one year	One to five years	More than 5 years
-----Rupees-----				
<i>Financial liabilities</i>				
Trade and other payables	359,222,984	359,222,984	-	-
Accrued mark-up	3,645,618	3,645,618	-	-
Short term borrowings	495,829	495,829	-	-
	<u>359,718,813</u>	<u>359,718,813</u>	<u>-</u>	<u>-</u>

33.6 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Groups's income or the value of its holdings of financial instruments.

Market risk comprises of three types of risks:

- currency risk.
- interest rate risk
- other price risk

33.6.1 Currency risk

Pakistani Rupee is the functional currency of the Group and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cashflow volatility. The 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 rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2015						
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling	JPY	Aus Dollars
Cash and cash equivalents	29,954,437	217,563	61,160	98	4,355	146,000	1,000
Trade and other payables	(1,045,244,970)	(10,287,844)	-	-	-	-	-
Trade receivables	65,697,845	440,365	54,054	386,760	-	-	-
Gross balance sheet exposure	(949,592,688)	(9,629,916)	115,214	386,858	4,355	146,000	1,000
	2014						
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling	JPY	Aus Dollars
Cash and cash equivalents	18,702,071	24,840	115,242	1,198	2,815	146,000	1,000
Trade and other payables	(276,344,723)	(2,801,264)	-	-	-	-	-
Trade receivables	43,310,445	334,191	76,839	-	-	-	-
Gross balance sheet exposure	(214,332,207)	(2,442,233)	192,081	1,198	2,815	146,000	1,000

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	2015	2014	2015	2014
US Dollars	101.60	98.65	101.41	102.80
Euro	113.68	134.60	120.98	139.80
UAE Dirham	27.67	26.86	27.61	27.99
Pound Sterling	159.75	167.96	159.66	168.01
JPY	0.83	0.97	0.88	1.01
Aus Dollars	77.84	92.88	84.20	94.07

Sensitivity analysis

A 10% strengthening of the Pakistani Rupee against foreign currencies at the reporting date would have increased / (decreased) profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis as for the previous year.

	Profit and loss	
	2015 Rupees	2014 Rupees
Profit and loss account	<u>94,959,269</u>	<u>21,433,221</u>

A 10% weakening of the Pakistani Rupee against foreign currencies at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

33.6.2 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to equity price risk because of investments held by the Group and classified on the Balance Sheet at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee.

Sensitivity analysis

The table below summarizes the Group's equity price risk as of 30 June 2015 and 2014 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Group's equity investment portfolio.

	Fair value	“Hypothetical price change”	Estimated fair value after hypothetical change in prices”	“Hypothetical increase (decrease) in profit / (loss) before tax”
2015				
Rupees				
<u>Short term investments</u>				
Investments at fair value through profit or loss	16,925,094	10% increase	18,617,603	1,692,509
		10% decrease	15,232,585	(1,692,509)
	<u>16,925,094</u>			
	Fair value	“Hypothetical price change”	Estimated fair value after hypothetical change in prices”	“Hypothetical increase (decrease) in profit / (loss) before tax”
2014				
<u>Short term investments</u>				
Investments at fair value through profit or loss	748,688,343	10% increase	823,557,177	74,868,834
		10% decrease	673,819,509	(74,868,834)
	<u>748,688,343</u>			

33.6.3 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The carrying value of all financial assets and liabilities on the balance sheet approximate to their fair value.

a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Rupees				
<i>Financial assets</i>				
Long term deposits	7,430,825	7,430,825	7,758,100	7,758,100
Trade debts	280,770,732	280,770,732	174,178,229	174,178,229
Short term deposits	76,048,067	76,048,067	45,312,094	45,312,094
Other receivables	2,629,658	2,629,658	3,925,022	3,925,022
Loans and advances - considered good	22,943,889	22,943,889	16,249,221	3,925,022
Short term investments	857,925,094	857,925,094	748,688,343	748,688,343
Bank balances	774,093,609	774,093,609	161,061,403	161,061,403
	<u>2,021,841,874</u>	<u>2,021,841,874</u>	<u>1,157,172,412</u>	<u>1,144,848,213</u>
<i>Financial liabilities</i>				
Trade and other payables	1,132,647,622	1,132,647,622	523,202,919	523,202,919
Accrued mark-up	10,634	10,634	3,645,618	3,645,618
Short term borrowing	1,875,013	1,875,013	495,829	495,829
	<u>1,134,533,269</u>	<u>1,134,533,269</u>	<u>527,344,366</u>	<u>527,344,366</u>

b) Valuation of financial instruments

In case of equity instruments, the Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market.

Level 2: Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques used by the Group include discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses equity instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
30 June 2015				
Financial assets at fair value through profit or loss	16,925,094	-	-	16,925,094
30 June 2014				
Financial assets at fair value through profit or loss	748,688,343	-	-	748,688,343

33.6.4 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Group's significant interest bearing financial instruments was as follows:

	2015	2014	2015	2014
	Interest range / Effective rate (in Percentage)		Carrying amount (Rupees)	
a) Fixed rate instruments				
<u>Financial assets</u>				
Short term investments	5.92 to 7.25	-	841,000,000	-
<u>Financial liabilities</u>			-	-
Net Exposure			<u>841,000,000</u>	<u>-</u>
b) Variable rate instruments				
<u>Financial assets</u>				
Cash at bank - deposit accounts	5.65	7.1	370,139,818	18,204,303
<u>Financial liabilities</u>				
Short term borrowings secured	11.05	11.10	<u>(1,875,013)</u>	<u>(495,829)</u>
Net Exposure			<u>368,264,805</u>	<u>17,708,474</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / decreased for the year 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 for 2014.

	Profit or loss	
	100 bps Increase	100 bps Decrease
	----- Rupees -----	
As at 30 June 2015		
Cash flow sensitivity - Variable rate financial liabilities	<u>3,682,648</u>	<u>(3,682,648)</u>
As at 30 June 2014		
Cash flow sensitivity - Variable rate financial liabilities	<u>177,085</u>	<u>(177,085)</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

33.6.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

34 Non Adjusting events after the balance sheet date

The Board of Directors of the Holding Company in its meeting held on 29 August 2015 has proposed a final cash dividend of Rs. 15 per share, for the year ended 30 June 2015, for approval of the members in the Annual General Meeting to be held on 19 October 2015.

35 Date of authorization for issue

These consolidated financial statements have been authorized for issue by the Board of Directors of the Holding Company on 29 August 2015.

Director

Chairperson & Chief Executive

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2015

Number of Shareholders	Shareholding				Total Shares held	
1,182	From	1	to	Shares	100	29,960
615	From	101	to	Shares	500	174,933
322	From	501	to	Shares	1,000	246,937
375	From	1,001	to	Shares	5,000	881,133
117	From	5,001	to	Shares	10,000	864,910
23	From	10,001	to	Shares	15,000	278,621
19	From	15,001	to	Shares	20,000	342,058
15	From	20,001	to	Shares	25,000	345,800
18	From	25,001	to	Shares	30,000	500,269
9	From	30,001	to	Shares	35,000	303,353
2	From	35,001	to	Shares	40,000	71,004
7	From	40,001	to	Shares	45,000	299,976
4	From	45,001	to	Shares	50,000	192,247
2	From	50,001	to	Shares	55,000	105,400
3	From	55,001	to	Shares	60,000	174,012
2	From	60,001	to	Shares	65,000	122,548
2	From	70,001	to	Shares	75,000	146,050
2	From	95,001	to	Shares	100,000	191,352
1	From	100,001	to	Shares	105,000	104,750
1	From	110,001	to	Shares	115,000	114,420
1	From	145,001	to	Shares	150,000	147,753
2	From	150,001	to	Shares	155,000	302,906
2	From	155,001	to	Shares	160,000	312,892
1	From	160,001	to	Shares	165,000	163,692
1	From	175,001	to	Shares	180,000	179,503
1	From	180,001	to	Shares	185,000	180,235
1	From	210,001	to	Shares	215,000	211,200
1	From	220,001	to	Shares	225,000	225,000
1	From	270,001	to	Shares	275,000	274,696
1	From	280,001	to	Shares	285,000	282,500
1	From	295,001	to	Shares	300,000	300,000
1	From	300,001	to	Shares	305,000	300,463
2	From	330,001	to	Shares	335,000	666,946
2	From	335,001	to	Shares	340,000	674,500
1	From	350,001	to	Shares	355,000	351,761
1	From	355,001	to	Shares	360,000	359,116
1	From	360,001	to	Shares	365,000	362,314
1	From	365,001	to	Shares	370,000	369,531
1	From	380,001	to	Shares	385,000	384,955
1	From	385,001	to	Shares	390,000	387,150
1	From	410,001	to	Shares	415,000	410,979
2	From	430,001	to	Shares	435,000	869,763
1	From	435,001	to	Shares	440,000	437,416
1	From	485,001	to	Shares	490,000	485,250
1	From	650,001	to	Shares	655,000	651,347
1	From	905,001	to	Shares	910,000	906,427
1	From	960,001	to	Shares	965,000	964,441
1	From	1,715,001	to	Shares	1,720,000	1,718,825
1	From	1,795,001	to	Shares	1,800,000	1,799,392
1	From	1,810,001	to	Shares	1,815,000	1,814,867
1	From	8,200,001	to	Shares	8,205,000	8,201,288
2,757						30,186,841

Categories of Shareholder	Physical	CDC	Total	Percentage
Directors, Chief Executive Officer, Their Spouses and Minor Children				
Chief Executive				
Mrs. Akhter Khalid Waheed	1,814,867	-	1,814,867	6.01
Directors				
Mr. Osman Khalid Waheed	434,822	651,347	1,086,169	3.60
Mrs. Amna Piracha Khan	437,416	8,531	445,947	1.48
Mrs. Munize Azhar Peracha	333,473	-	333,473	1.10
Mr. Farooq Mazhar	-	147,753	147,753	0.49
Mr. Nihal F. Cassim	-	9,762	9,762	0.03
Spouses and Minor Children				
Mst. Sadia Amin spouse of Mr. Osman Khalid Waheed	-	3,000	3,000	0.01
	3,020,578	820,393	3,840,971	12.72
Executives				
	906,427	1,008	907,435	3.01
Associated Companies, Undertakings & Related Parties				
KFW Factors (Pvt) Limited	58,181	8,228,761	8,286,942	27.45
	58,181	8,228,761	8,286,942	27.45
NIT & ICP (Name Wise Detail)				
CDC - Trustee National Investment (Unit) Trust	-	1,718,825	1,718,825	5.69
	-	1,718,825	1,718,825	5.69
Mutual Funds (Name Wise Detail)				
CDC - Trustee Pak. Int. Element Islamic Asset Allocation Fund	-	12,300	12,300	0.04
CDC - Trustee Al Meezan Mutual Fund	-	25,150	25,150	0.08
CDC - Trustee Meezan Islamic Fund	-	387,150	387,150	1.28
CDC - Trustee UBL Stock Advantage Fund	-	338,300	338,300	1.12
CDC - Trustee Al-Ameen Islamic Ret. Sav. Fund-Equity Sub Fund	-	73,450	73,450	0.24
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	-	104,750	104,750	0.35
CDC - Trustee NAFA Islamic Principal Protected Fund - II	-	20,250	20,250	0.07
CDC - Trustee Al-Ameen Islamic Asset Allocation Fund	-	41,550	41,550	0.14
CDC - Trustee Al-Ameen Shariah Stock Fund	-	485,250	485,250	1.61
CDC - Trustee NAFA Stock Fund	-	29,000	29,000	0.10
CDC - Trustee NAFA Islamic Asset Allocation Fund	-	8,600	8,600	0.03
CDC - Trustee NAFA Islamic Principal Protected Fund - I	-	10,000	10,000	0.03
CDC - Trustee Faysal Balanced Growth Fund	-	9,500	9,500	0.03
CDC - Trustee Faysal Asset Allocation Fund	-	19,000	19,000	0.06
CDC - Trustee NAFA Islamic Stock Fund	-	15,500	15,500	0.05
	-	1,579,750	1,579,750	5.23
Banks, NBFCs, DFIs, Takaful, Pension Funds				
	3,223	762,175	765,398	2.54
Modarabas				
	-	21,200	21,200	0.07
Insurance Companies				
	163,892	3,021,838	3,185,730	10.55
Other Companies, Corporate Bodies, Trust etc.				
	7,408	749,125	756,533	2.51
General Public				
A. Local	5,006,420	3,405,983	8,412,403	27.87
B. Foreign	-	711,654	711,654	2.36
	5,006,420	4,117,637	9,124,057	30.23
Grand Total	9,166,129	21,020,712	30,186,841	100.00
Shareholders More Than 5.00%				
KFW Factors (Pvt) Limited			8,286,942	27.45
Akhter Khalid Waheed			1,814,867	6.01
State Life Insurance Corp. of Pakistan			1,799,392	5.96
CDC - Trustee National Investment (Unit) Trust			1,718,825	5.69

Trade in shares of the Company by Directors, executives and their spouses and minor children

Name	Category	Nature of Transaction	No. of Shares
Mst. Sadia Amin	Director's Spouse	Purchase	3,000
Syed Ghausuddin Saif	Executive	Sale	2,200
Mr. Sohail Manzoor	Executive	Purchase	1,000

FORM OF PROXY

59th Annual General Meeting

I/We, _____ of _____ being a member of **Ferozsons Laboratories Limited** and holder of _____ ordinary Shares as per share register Folio No. _____ hereby appoint Mr./Mrs. _____ of _____ another member of the Company Folio No. _____ or failing him/her Mr./Mrs. _____ of _____ who is also a member of the Company.

Folio No. _____

For beneficial owners as per CDC List

CDC Participant I.D. No. _____ Sub-Account No. _____

CNIC No. or Passport No. _____

hereby appoint Mr./Mrs. _____ of _____ who is also a member of the Company, Folio No. _____ of failing him/her _____ of _____

who is also a member of the Company, Folio No. _____ as my/our proxy to vote and act for me/our behalf at FIFTY NINTH Annual General Meeting of the Company to be held on Monday, October 19, 2015 at 12:30 p.m. tor at any adjournment thereof.



Signature of Member
(The signature should agree with the specimen registered with the Company)

Dated this _____ day of _____ 2015

Signature of Proxy _____

1. Witness:
Signature : _____
Name: _____
Address _____

2. Witness:
Signature : _____
Name: _____
Address _____

CNIC No.

CNIC No.

Note: Proxies, in order to be effective, must be received with the secretary of the company at the company’s registered office 197-A, The Mall, Rawalpindi at least 48 hours before the time of the Meeting.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.

INCOME TAX RETURN FILING STATUS FORM

Confirmation for filing status of income tax return for application of revised rates pursuant to the provisions of Finance Act, 2015

The Company Secretary
Ferozsons Laboratories Limited
197-A, The Mall
Rawalpindi

I, Mr./Mrs./Ms _____

S/O,/D/O,W/O _____

hereby confirm that I am registered as National Tax Payer, My relevant detail is given below:

Folio/CDS ID/AC #	Name	National Tax#	CNIC # (in case of individuals)**	Income Tax return for the year 2014 filed (Yes or No)***

It is stated that the above-mentioned information is correct.

Signature of Shareholder

The Shareholders having their accounts with Central Depository Company (CDC) have also to communicate confirmation of tax payment status information to relevant Member Stock Exchange in addition to the Company Secretary.

**Please attach attested photocopy of the CNIC.

***Please attach attested photocopy of receipt of income tax return.

DIVIDEND MANDATE FORM

To:

I, Mr./Mrs./Ms _____

S/O, /D/O, W/O _____

hereby authorize Ferozsons Laboratories Limited to directly credit cash dividend declared by it, if any, in the below mentioned bank account.

(i) Shareholder's Detail	
Name of the Shareholder	
Folio No./CDC Participants ID A/C No.	
CNIC No. **	
Passport No. (in case of foreign Shareholder)***	
Land Line Phone Number	
Cell Number	

(ii) Shareholder's Bank Detail	
Title of Bank Account	
Bank Account Number	
Bank 's Name	
Branch Name and Address	

It is stated that the above-mentioned information is correct and that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

Signature of the Shareholder

*The Shareholders having physical shares have to address the Company Secretary FLL on the address given below:

The Company Secretary
Ferozsons Laboratories Limited
197-A, The Mall
Rawalpindi

and Shareholders having their accounts with Central Depository Company (CDC) have to communicate mandate information to relevant Member Stock Exchange.

**Please attach attested photocopy of the CNIC.
***Please attach attested photocopy of the Passport.