FEROZSONS LABORATORIES LIMITED

CORPORATE INFORMATION

Board of Directors

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

Audit Committee

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

Investment Committee

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

HR & Remuneration Committee

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

Senior Management

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

CFO & Company Secretary
Syed Ghausuddin Saif

Head of Internal Audit
Mr. Rizwan Hameed Butt

External Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants

Internal Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Bankers
Habib Bank Limited
Allied Bank Limited
Bank Alfalah Limited
HSBC Bank Middle East Limited
Barclays Bank PLC Pakistan

Legal Advisors
Khan & Piracha

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

Share Registrar
CorpTec Associates (Pvt.) Limited
503-E, Johar Town, Lahore
Telephone: +92-42-35170336-37
Fax: +92-42-35170338

Factory
P.O. Ferozsons
Amangarh-Nowshera Khyber Pakhtunkhwa
Telephone: +92-923-614295, 610159
Fax: +92-923-611302

Head Office
5.K.M - Sunder Raiwind Road
Opposite Ijtima Chowk, Raiwind
Telephone: +92-42-36026700
Fax: +92-42-36026701

Sales Office Lahore
43-Al Noor Building
Bank Square, The Mall, Lahore
Telephone: +92-42-37358194
Fax: +92-42-37313680

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

(The annual reports can be downloaded from Company's Website: www.ferozsons-labs.com)

FEROZSONS LABORATORIES LIMITED

SIX YEARS AT A GLANCE

(Rs. in million unless otherwise stated)

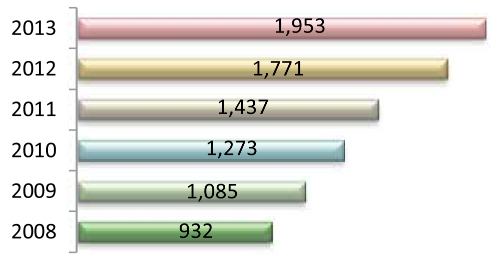
Ferozsons Laboratories Limited Individual

		2013	2012	2011	2010	2009	2008
Operating Results							
Net Sales		1,953	1,771	1,437	1,273	1,085	932
Gross Profit		1,051	909	730	633	584	541
Profit Before Tax		451	423	337	333	246	293
Profit After Tax		409	409	301	318	183	217
Financial Position							
Share Capital		302	287	250	208	174	145
Reserves		1,919	1,649	1,304	1,067	797	682
Property Plant & Equipment		1,084	993	925	742	736	611
Net Current Assets		1,052	850	494	228	321	313
Non Current Liabilities		42	84	88	101	154	207
Summary of Cashflow Statement							
Cash generated from operations		276	372	134	227	63	184
Net Cash (used in) / generated from investing activities		(147)	(223)	(42)	(196)	25	(230)
Net Cash (used in) / generated from financing activities		(121)	(111)	(87)	(38)	(101)	40
Key performance Indicators							
Gross Profit ratio	%	54	51	51	50	54	58
Profit after tax to Sales	%	21	23	21	25	17	23
Return on Equity	%	20	23	21	28	20	29
Return on Capital Employed	%	20	23	21	27	18	25
Earning per Share Basic & Diluted (Adjusted)	Rs.	14	14	10	13	11	15
Cash Dividend per share	Rs.	7.00	4.50	2.50	-	1.00	3.00
Bonus Share Issued	%	-	5	15	20	20	20
Price Earning ratio	%	8	6	7	7	15	21
Market Price per share	Rs.	111	81	90	100	157	309

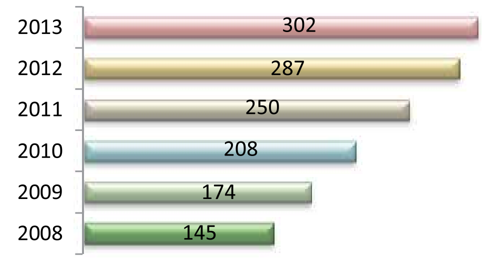
Consolidated

	2013	2012	2011	2010	2009	2008
Operating Results						
Net Sales	2,882	2,766	2,203	1,537	1,189	1,029
Gross Profit	1,398	1,309	1,129	700	605	564
Profit Before Tax	523	493	508	261	249	296
Profit After Tax	466	476	426	244	183	217
Financial Position						
Share Capital	302	287	250	208	174	145
Reserves	2,061	1,744	1,343	1,008	795	681
Property Plant & Equipment	1,519	1,480	1,465	1,295	1,273	1,047
Net Current Assets	1,351	1,090	681	320	206	297
Non Current Liabilities	65	103	122	138	228	241

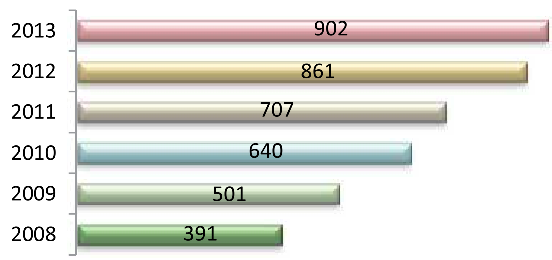
Net Sales (Rs. Millions)



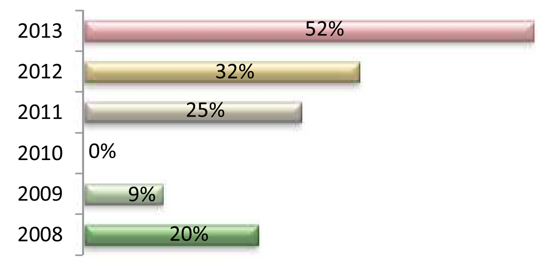
Paid up Capital (Rs. Millions)



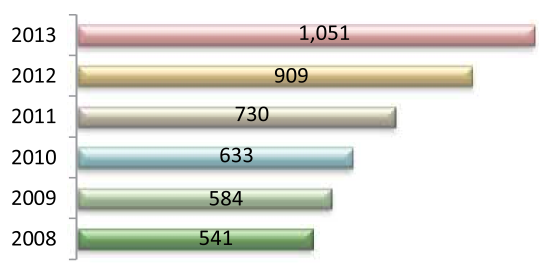
Cost of Sales (Rs. Millions)



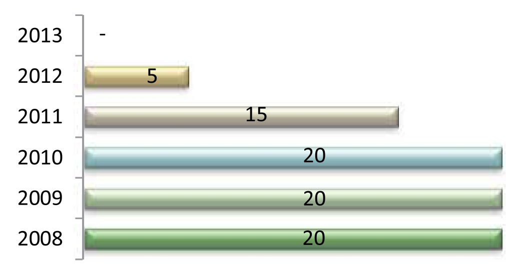
Cash Dividend Payout - %



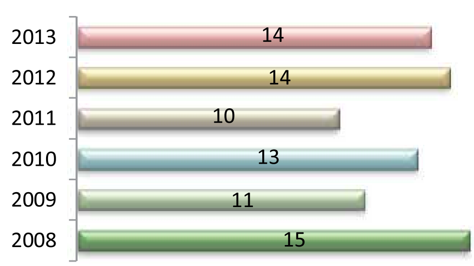
Gross Profit (Rs. Millions)



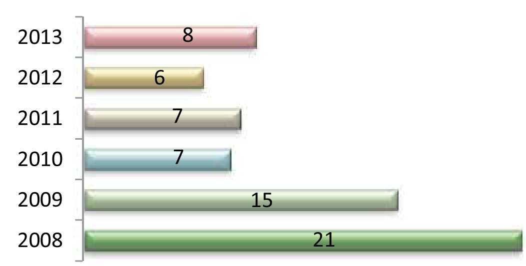
Bonus Shares - %



Earning per Share (Rs.)



Price Earning Ratio- %



Our Vision

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

Mission Statement

We aim to improve the Quality of Life
through the ethical promotion and sales of
world class medicines at locally relevant prices.
In doing so we will:

Strive to provide best-in-industry
returns to our shareholders.

Be the Second to None in Employee Training,
Reward and Motivation.

Maintain the Highest Levels of Ethics
while focusing on building our portfolio
of Prescription Brands.

FEROZSONS
LABORATORIES LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **57th** Annual General Meeting ("the Meeting") of **FEROZSONS LABORATORIES LIMITED** ("the Company") will be held at its Registered Office, 197-A, The Mall, Rawalpindi on Saturday, October 26, 2013 at 12:30 P.M. to transact the following business:

Ordinary Business:

1. To confirm the Minutes of the last Annual General Meeting held on October 23, 2012.

2. To receive, consider and adopt the audited Annual Financial Statements of the Company for the year ended June 30, 2013 together with the Directors' and Auditors' Reports thereon.

3. To approve the payment of final cash dividend of Rs. 7.00 per share (70%) for the year ended June 30, 2013 as recommended by the Board of Directors.

4. To appoint external auditors for the financial year ending June 30, 2014 and fix their remuneration. The present auditors Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

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

By the order of the board

Rawalpindi
September 24, 2013

Syed Ghausuddin Saif
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from October 21, 2013 to October 30, 2013 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore at the close of business on October 20, 2013 will be treated in time for the purpose of payment of the final cash dividend, if approved by the shareholders.

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

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

A) For attending the meeting:

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

ii. In case of corporate entities, the Board of Directors' Resolution / Power of Attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

B) For appointing proxies:

i. In case of individuals, the account holder or sub-account holder whose registration details are uploaded as per regulations shall submit the Proxy Form as per the above requirements.

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

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

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

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

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

FEROZSONS LABORATORIES LIMITED

DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE YEAR ENDED JUNE 30, 2013

We are pleased to present the 57th Annual Report and the Audited Financial Statements of your Company for the financial year ended June 30, 2013 along with the Consolidated Financial Statements of its subsidiaries, BF Biosciences Limited and Farmacia.

Your Company's Individual and Consolidated Financial Results

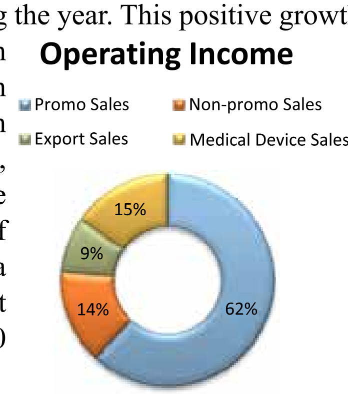
A summary of the operating results for the year and appropriation of the divisible profits as compared to 2012 year is given below:

	Individual		Consolidated	
	2013	2012	2013	2012
	(Rupees in thousands)			
Profit before tax	450,918	422,474	523,028	492,520
Taxation	(42,337)	(13,984)	(56,649)	(16,256)
Profit after tax	408,581	408,491	466,380	476,264
Profit available for appropriation	1,918,842	1,648,521	2,061,030	1,744,228
Appropriations				
Final cash dividend for FY 2013 @ Rs. 7 /share (FY 2012: @ Rs. 4.5/share)	(211,308)	(129,372)	(211,308)	(129,372)
Bonus shares for the FY 2013 Nil (FY 2012: 5%)	-	(14,375)	-	(14,375)

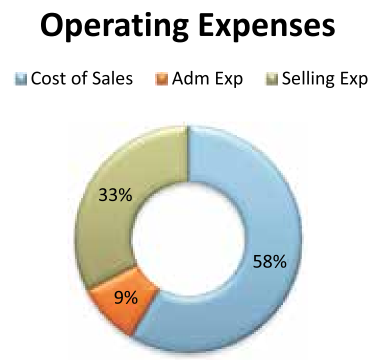
Despite the difficult business conditions prevailing in our country for past few years, we are pleased to announce that the Net Sales of the Company have increased to Rs. 1,953 Million, a growth of 10% over last year. While the sales of our portfolio of promoted products grew by a healthier 14%, this growth was diluted by poorer sales in the medical devices business, which was hampered by substantial reductions in the purchase budgets of public sector hospitals during the second half of the year leading up to elections.

Government-related sales of our subsidiary BF Biosciences Limited also suffered in the same period. Consolidated Net Sales, including the company's joint venture subsidiary, BF Biosciences Limited and our Farmacia Venture, thus grew by 4% to Rs. 2,882 Million for the year under review.

Gross Profit of the company increased by 15.6% to Rs. 1,051 Million during the year. This positive growth is the result of the Company's strategy of focusing on the products with higher margins, coupled with measures to control material and production costs. The cost of sales thus grew by a modest 4.7% against a 10.3% growth in revenues. Similarly, Profit from Operations stood at Rs. 397.296 Million, an improvement of 21% over the previous year. However, the bulk of the increased profitability was consumed by increased taxes, as the tax relief provided by the Government to terrorist-hit areas in the Khyber Pakhtunkhwa expired last year. The Net Profit After Tax (NPAT) of the Company closed at Rs. 408.581 Million, only nominally higher than the figure of Rs. 408.490 Million achieved last year.



Cash and cash equivalent of your Company increased by Rs. 8.9 Million (2012: Rs. 38.2 Million) during the year. Cash flows generated from operating activities at Rs. 276.5 Million were 26% lower from last year mainly due increase in stock levels to meet sale projections.



Key Operating and Financial Data

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

Earnings Per Share

Based on the net profit for the year ended June 30, 2013 the earnings per share (EPS) stand at Rs. 13.54 per share, compared to prior year adjusted EPS of Rs. 13.53 on the expanded capital of Rs. 301.868 Million after issuance of bonus shares during the year.

Future Outlook:

The pharmaceutical sector has been identified as a sunrise sector for Pakistan, holding immense potential for bringing in exports, reversal of brain-drain through increased employment opportunities for skilled labour, and prosperity through the increased production and availability of quality medicines at competitive prices. Unfortunately, its potential is subject to an arbitrary and unjust regulatory policy that is subject to ad-hoc and whimsical decision-making. Pakistan's pharma regulations are the most draconian and inefficient in the entire region.

Yet it was Pakistan that took the lead in deregulating the pharmaceutical sector in 1993. Pakistan's policies were replicated by India in 1995, but while India consistently applied the principles of deregulation in this sector and allowed it to grow to become a global player, with $14 Billion in domestic sales and $20 Billion in exports today, Pakistan immediately reversed its deregulation policy, and as a consequence, it's industry in the same period has grown to $ 2 Billion in domestic sales and under $200 Million in exports. With a new government in place, which won the elections on the promise of transparent governance and a pro-business approach, it is high time to provide a rational regulatory environment to this crucial sector and allow it to reach its potential.

Dividend Announcement

The Directors have recommended a final cash dividend of 70% i.e. Rs. 7 per share.

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

Corporate Governance

The Board of Directors of your Company is committed to the principal of good corporate management practices. The Management of Company is continuing to comply with the provisions of best practice set out in the Code of Corporate Governance.

As per the requirements of the Code of Corporate Governance, following specific statements are being given hereunder:

- The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate Accounting Policies have been consistently applied in preparation of the company's financial statements and accounting estimates, wherever required, are based on reasonable and prudent judgment.
- The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- The systems of internal controls are sound in design and have been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.
- The Company does not envisage corporate restructuring or discontinuation of its operations in the foreseeable future.
- All major Government levies in the normal course of business, payable as on June 30, 2013 have been cleared subsequent to the year end.
- During the year, the company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and listing requirements.
- The values of investments of employees' provident fund based on latest audited accounts as of June 30, 2012 are Rs. 178.52 million.

Corporate Social Responsibility (CSR)

We at Ferozons always endeavor to be a responsible corporate entity which is aware of its social obligation towards society. In order to meet our CSR objectives we have kept investing in the future of our society hence this year too our donation were focused to facilitate the education of deserving as we believe that education is the right of every child. With 10% of the world's population of children deprived of primary education residing in Pakistan, education is our number one challenge. We are privileged to support The Citizen Foundation (TCF) in taking on this challenge by continuously donating to meet the operational needs of TCF Khalid Waheed Campus, Muzaffargarh.

We continued the same initiative at higher level education by partnering with The National Management Foundation of LUMS School of Science & Engineering in its National Outreach Programme (NOP) scholarships meant for talented students all over Pakistan. Under this program LUMS identifies bright students with exceptional Matriculation and FA/FSc results and inducts them into their Undergraduate Programs. Full financial assistance is provided to such inductions through NOP.

Human Resource Development

We are a firm believer that our employees are our most valued assets, hence our primary focus during our selection processes and development of employee policies is the retention of most competent and qualified personnel.

We are making utmost effort, day by day, to improve our compensation structure in order to improve the quality of working life of our employees at all levels. We acknowledge high achievers in order to develop a healthy competition and our salaries, benefits as well as incentives are reviewed and revised periodically.

We arrange for external as well as in-house training of our employees. While selecting these training courses we not only think of improving their knowledge and skill levels but self-development is considered equally important.

We have also initiated a process of reengineering our existing Human Resource Management System (HRMS). We believe that after this reengineering of HRMS we would have HR policies that are aligned with our business objectives, unbiased performance measurement system, better training and development tools and a well sort out succession planning philosophy. Such an improved system will play a pivotal role in our growth.

Meetings of the Board of Directors

The information regarding the meetings of the board of directors held during the year ended June 30, 2013 is annexed.

Share Capital and Pattern of Shareholding

The issued, subscribed and paid up capital of the Company as at June 30, 2013 was Rs. 301.87 million. The statement indicating the number of shareholders as on June 30, 2013 and their categories forming the pattern of shareholding as required under the Code of Corporate Governance is annexed.

Risk Management

Like any corporate entity our Company is susceptible to various business risks. Our risk management approach is primarily based on understanding, identifying, assessing and then prioritizing risk areas in order to mitigate these risks through evolving operational strategies.

The following are some of the primary risks being faced by our Company:

- **Economic and political risks:** The ever changing economic and political condition in our country has exposed our Company to this risk as well. In order to mitigate this risk the management monitors the financial market conditions and political climate very closely and appropriate actions and strategies are discussed at strategic management level to counter unfavorable situations.

- **Competition risks:** Due to the weak regulatory controls over illegal and low quality imports, the Company is exposed to higher competition risks. In order to mitigate these risks your Company is in continuous lobbying for improved Government regulations and policies while internally develops plans for an optimum product mix.

- **Supply chain risks:** The whole supply chain process plays a pivotal role in day to day operations of the Company. We are trying to mitigate this risk through comprehensive production planning and integrating it with the sales forecasting and ordering system.

- **Information technology risks:** The IT in current era has always been a backbone of a Company and we are well aware that any IT failure, short or long term, could adversely affect the operations of the Company. The Company is not only improving its IT infrastructure, but is in process of establishing a sound IT function that would cater the future needs of Company as well.

- **Financial risks:** These are the risks that are directly attributable to the financial viability of the Company. These have been elaborated in detail in note 38 of the financial statements.

Auditors

The Auditors Messer KPMG Taseer Hadi & Co., Chartered Accountants retire and offer themselves for reappointment for the financial year ending June 30, 2014.

Affirmation

In the end We would like to acknowledge the relentless efforts end dedicated contributions of Company's management and staff at all levels. Without their efforts, the financial and operational results reflected in this report would not have been possible.

We would also like to thank the shareholders and all our business partners and especially our most valued customers for their continued trust and support.

On behalf of the Board

Lahore
September 24, 2013

(Mrs. Akhter Khalid Waheed)
Chairperson & CEO

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

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

Category	Names
Independent Director	Mr. Shahid Anwar
	Dr. Farid Khan
Executive Directors	Mrs. Akhter Khalid Waheed
	Mr. Osman Khalid Waheed
	Mr. Omar Khalid Waheed
Non-Executive Directors	Ms. Munize Azhar Piracha
	Mr. Farooq Mazhar
	Mr. Nihal Cassim

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

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

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

4. A casual vacancy occurring on the board on September 06, 2012 was filled up by the directors within 47 days.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO,

other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The directors were apprised about the changes in the CCG, applicable laws and their duties and responsibilities to effectively manage the affairs of the Company for and on behalf of the shareholders.

   The directors of the Company having 15 years of experience on the board of a listed company are exempted from the requirement of directors' training program. All the board members except one director qualify for exemption under this provision of the CCG. The Company will, however, arrange training programs for said director as provided under the CCG.

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

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

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

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

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

15. The board has formed an Audit Committee. It comprises of four members, all of them are non-executive directors and the Chairman of the Committee is an independent director.

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

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

18. The Board has setup an effective internal audit function. The function has been outsourced to Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. They are in direct liaison with the Head of Internal Audit and the Audit Committee of the Board.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating

under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

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

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

For and behalf of Board of Directors

Lahore
September 24, 2013

(Mrs. Akhter Khalid Waheed)
Chairperson & CEO

DATES AND ATTENDANCE OF BOARD MEETINGS HELD DURING THE YEAR ENDED JUNE 30, 2013

A total of Five Board Meetings were held during the Financial Year 2012-2013 on the following dates:

September 06, 2012
October 23, 2012
February 08, 2013
April 29, 2013
June 27, 2013

The detail of attendance by Directors is as under:

Director	Number of meetings attended
Mrs. Akhter Khalid Waheed	4
Mr. Osman Khalid Waheed	5
Mrs. Munize Azhar Piracha	5
Mr. Omar Khalid Waheed	2
Mr. Farooq Mazhar	5
Mr. Nihal Cassim	2
Mr. M. M. Ispahani	0
Mr. Shahid Anwar	5
Dr. Farid Khan	3

Leaves of absence were granted in all cases to Directors.

On behalf of the Board

Lahore
September 24, 2013

(Mrs. Akhter Khalid Waheed)
Chairperson and CEO

KPMG Taseer Hadi & Co.
Chartered Accountants

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2013 prepared by the Board of Directors of **Ferozsons Laboratories Limited (“the Company”)** to comply with the Listing Regulation No. 35 of Karachi, Lahore and Islamabad Stock Exchanges, where the company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

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

Lahore:
24 September 2013

Financial Statements for the Year Ended June 30, 2013

KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Ferozsons Laboratories Limited ("the Company")** as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profit, its comprehensive income, its cash flows and its changes in equity for the year then ended; and

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

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

Lahore:
24 Septembe 2013

BALANCE SHEET AS

	Note	2013 (Rupees)	2012 (Rupees)
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 50,000,000 (2012: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid up capital	4	301,868,410	287,493,720
Capital reserve	5	321,843	321,843
Accumulated profit		1,918,841,956	1,648,521,379
		2,221,032,209	1,936,336,942
Surplus on revaluation of property, plant and equipment - net of tax	6	378,719,924	384,205,990
Non current liabilities			
Deferred taxation	7	41,714,772	84,382,188
Current liabilities			
Trade and other payables	8	274,987,658	205,663,630
Short term borrowings - secured	9	695,869	-
		275,683,527	205,663,630
Contingencies and commitments	10		
		2,917,150,432	2,610,588,750

The annexed notes from 1 to 41 form an integral part of these financial statements.

Lahore
September 24, 2013

Director

AT JUNE 30, 2013

	Note	2013 (Rupees)	2012 (Rupees)
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,083,988,968	993,746,191
Intangible assets	12	1,884,709	3,714,037
Long term investments	13	224,732,076	229,220,514
Long term loan - unsecured	14	275,000,000	325,000,000
Long term deposits		3,786,100	3,596,600
		1,589,391,853	1,555,277,342
Current assets			
Stores, spare parts and loose tools	15	8,689,264	6,243,122
Stock in trade	16	566,590,600	415,453,467
Trade debts - considered good	17	139,090,930	106,334,607
Current portion of long term loan	14	50,000,000	50,000,000
Loans and advances - considered good	18	14,914,151	11,780,777
Deposits and prepayments	19	22,944,037	15,592,306
Mark-up accrued		8,765,865	12,640,290
Income tax - net	20	33,755,110	91,753,952
Other receivables	21	16,911,522	13,303,396
Short term investments	22	398,852,989	273,864,527
Cash and bank balances	23	67,244,111	58,344,964
		1,327,758,579	1,055,311,408
		2,917,150,432	2,610,588,750

Chairperson & CEO

FEROZSONS LABORATORIES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees)	2012 (Rupees)
Revenue - net	24	1,953,192,682	1,770,590,334
Cost of sales	25	(902,067,319)	(861,491,018)
Gross profit		1,051,125,363	909,099,316
Other income	26	90,822,495	103,687,142
Administrative expenses	27	(140,304,385)	(133,911,734)
Selling and distribution cost	28	(501,773,098)	(439,482,708)
Finance cost	29	(11,751,809)	(7,892,337)
Other expenses	30	(32,712,047)	(28,689,871)
Share in (loss)/profit of Farmacia - 98% owned partnership firm	13.1	(4,488,438)	19,664,600
Profit before taxation		450,918,081	422,474,408
Taxation	31	(42,336,706)	(13,983,562)
Profit after taxation		408,581,375	408,490,846
Earnings per share - basic and diluted	32	13.54	13.53

The annexed notes from 1 to 41 form an integral part of these financial statements.

Lahore
September 24, 2013 Director Chairperson & CEO

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees)	2012 (Rupees)
Profit after taxation	**408,581,375**	408,490,846
Other comprehensive income for the year - net of tax	-	-
Total comprehensive income for the year	**408,581,375**	408,490,846

The annexed notes from 1 to 41 form an integral part of these financial statements.

Lahore
September 24, 2013 Director Chairperson & CEO

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees)	2012 (Rupees)
Cash Flow From Operating Activities			
Profit before taxation		450,918,081	422,474,408
Adjustments for:			
Depreciation		76,170,298	69,593,013
Amortisation		1,829,328	1,829,319
Gain on disposal of property, plant and equipment		(4,398,187)	(13,186,857)
Finance costs		11,751,809	7,892,337
Provision for Workers' Profit Participation Fund		19,864,804	16,390,627
Provision for Workers' Welfare Fund		7,945,921	6,556,251
Provision for Central Research Fund		4,554,728	4,267,418
Gain on re-measurement of short term investments to fair value		(29,380,080)	(6,912,654)
Gain on sale of short term investments		-	(54,038)
Dividend income, profit on bank deposits, commissions and lease rental income		(18,524,953)	(29,367,569)
Interest income		(38,519,275)	(54,166,024)
Share in loss/(profit) of Farmacia - 98% owned subsidiary firm		4,488,438	(19,664,600)
		35,782,831	(16,822,777)
Cash generated from operations before working capital changes		486,700,912	405,651,631
Effect on cash flow due to working capital changes			
Increase in current assets			
Stores, spare parts and loose tools		(2,446,142)	(4,019,884)
Advances, deposits, prepayments and other receivables		(14,093,231)	(10,643,078)
Stock in trade		(151,137,133)	(6,448,120)
Trade debts - considered good		(32,756,323)	(3,383,469)
		(200,432,829)	(24,494,551)
Increase in current liabilities			
Trade and other payables		52,077,255	49,570,945
Cash generated from operations		338,345,338	430,728,025
Finance cost paid		(7,350,848)	(9,987,132)
Taxes paid		(27,005,283)	(25,263,354)
Workers' Profit Participation Fund paid		(16,703,797)	(14,423,344)
Workers' Welfare Fund paid		(6,556,251)	(5,579,906)
Central Research Fund paid		(4,267,418)	(3,399,132)
		(61,883,597)	(58,652,868)
Net cash generated from operating activities		276,461,741	372,075,157
Cash Flow From Investing Activities			
Expenditures for property, plant and equipment		(168,296,751)	(149,444,164)
Proceeds from sale of property, plant and equipment		6,281,863	18,464,158
Markup on long term loan received		42,393,700	57,604,476
Dividend income, profit on bank deposits and commissions		18,524,953	29,367,569
Decrease in long term investments		-	25,000,000
Decrease in long term loan		50,000,000	50,000,000
Acquisition of short term investments		(95,608,381)	(266,354,912)
Proceeds from encashment of short term investments		-	12,538,444
Increase in long term deposits		(189,500)	(78,100)
Net cash used in investing activities		(146,894,116)	(222,902,529)
Cash Flow From Financing Activities			
Repayment of long term loans to banking companies - secured		-	(42,562,500)
Receipt / (repayment) of short term borrowings		695,869	(37,805,811)
Dividend paid		(121,364,347)	(30,474,606)
Net cash used in financing activities		(120,668,478)	(110,842,917)
Net increase in cash and cash equivalents		8,899,147	38,329,711
Cash and cash equivalents at the beginning of the year		58,344,964	20,015,253
Cash and cash equivalents at the end of the year	23	67,244,111	58,344,964

The annexed notes from 1 to 41 form an integral part of these financial statements.

Lahore
September 24, 2013 — Director — Chairperson & CEO

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share capital (Rupees)	Capital reserve (Rupees)	Accumulated profit (Rupees)	Total (Rupees)
Balance as at 30 June 2011	**249,994,540**	**321,843**	**1,303,293,179**	**1,553,609,562**
Total comprehensive income for the year	-	-	408,490,846	408,490,846
Surplus transferred to accumulated profit in respect of:				
-incremental depreciation charged during the year - net of tax	-	-	5,486,066	5,486,066
Transactions with owners:				
-Final dividend for the year ended 30 June 2011 at Rs. 1.25 per share	-	-	(31,249,532)	(31,249,532)
-Bonus shares issued at 15% for the year ended 30 June 2011	37,499,180	-	(37,499,180)	-
	37,499,180		(68,748,712)	(31,249,532)
Balance as at 30 June 2012	**287,493,720**	**321,843**	**1,648,521,379**	**1,936,336,942**
Total comprehensive income for the year	**-**	**-**	**408,581,375**	**408,581,375**
Surplus transferred to unappropriated profit in respect of:				
-incremental depreciation charged during the year - net of tax	**-**	**-**	**5,486,066**	**5,486,066**
Transactions with owners:				
-Final dividend for the year ending 30 June 2012 at Rs. 4.50 per share	**-**	**-**	**(129,372,174)**	**(129,372,174)**
-Bonus shares issued at 5% for the year ended 30 June 2012	**14,374,690**	**-**	**(14,374,690)**	**-**
	14,374,690		**(143,746,864)**	**(129,372,174)**
Balance as at 30 June 2013	**301,868,410**	**321,843**	**1,918,841,956**	**2,221,032,209**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Lahore
September 24, 2013

Director

Chairperson & CEO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1 Legal status and nature of business

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

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Standards, interpretations and amendments to published approved accounting standards

2.2.1 Standards and interpretations to existing standards that are effective and applicable to the Company

During the current period, the Company has adopted the following amendments to IFRS which became effective for the current period:

- Presentations of items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

- Amendments to IAS 12 - deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2012 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

The adoption of the above amendments did not have any effect on these financial statements.

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

2.2.3 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 interpretation did not have any material effect on the financial statements of the Company.

2.2.4 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013

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

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

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

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

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

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013).

The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

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

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

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

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

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

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

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

2.3 Basis of measurement

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

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

2.4 Functional and presentation currency

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

2.5 Accounting estimates and judgement

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

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

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

Property, plant and equipment

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

Intangible asset

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

Stores, spare parts, loose tools and stock in trade

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

Provision against trade debts, advances and other receivables

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

Provisions

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

Taxation

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

3 Significant accounting policies

3.1 Employee benefits

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

Staff provident fund

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

Compensated absences

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

3.2 Taxation

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

3.2.1 Current

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

3.2.2 Deferred

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

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

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

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

3.3.1 Owned

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

Depreciation is provided on a straight line basis and charged to profit and loss account to write off the depreciable amount of each asset, 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 recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

3.3.2 Operating fixed assets

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

3.4 Intangible asset

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

3.5 Investments

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

3.5.1 Investment in subsidiary

Investments in subsidiaries are initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

3.5.2 Investments at fair value through profit or loss

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

3.6 Stores, spare parts and loose tools

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

3.7 Stocks in trade

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

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

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

3.8 Trade debts and other receivables

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

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

Exchange gains and losses arising on translation in respect of receivables in foreign currency are added to the carrying amount of the respective receivables.

3.9 Cash and cash equivalents

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

3.10 Mark-up bearing borrowings

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

3.11 Trade and other payables

Trade and other payables are stated at cost which is fair value of the consideration to be paid in future for goods and services received. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

3.12 Revenue recognition

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

3.13 Borrowing costs

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

3.14 Finance income

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

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

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

3.15 Dividend

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

3.16 Provisions

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

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

3.17 Financial instruments

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

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

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

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

3.18 Offsetting of financial assets and financial liabilities

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

3.19 Foreign currencies

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

3.20 Impairment

Financial assets

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

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

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

Non financial assets

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

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

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

		2013 (Rupees)	2012 (Rupees)
4	**Issued, subscribed and paid up capital**		
	1,441,952 (2012: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	**14,419,520**	14,419,520
	119,600 (2012: 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 (2012: 27,187,820) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**286,252,890**	271,878,200
		301,868,410	287,493,720

5 Capital reserve

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

		2013 (Rupees)	2012 (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	**410,814,534**	419,254,636
	Surplus transferred to accumulated profit in respect of incremental depreciation charged during the year:		
	- Net of deferred tax	**(5,486,066)**	(5,486,066)
	- Related deferred tax liability	**(2,954,036)**	(2,954,036)
		(8,440,102)	(8,440,102)
	Related deferred tax liability:		
	- On revaluation as at 1 July	**(26,608,544)**	(29,562,580)
	- Transferred to accumulated profit on: incremental depreciation charged during the year	**2,954,036**	2,954,036
		(23,654,508)	(26,608,544)
	Surplus on revaluation of property, plant and equipment as at 30 June	**378,719,924**	384,205,990

The freehold land, building and plant and machinery were revalued by independent valuers in years 1976, 1989, 2002, 2006 and 2011 respectively. These revaluations had resulted in a cumulative surplus of Rs. 490.19 million, which has been included in the carrying values of free hold land, building and plant and machinery respectively and credited to the surplus on revaluation of fixed assets. The surplus is adjusted by surplus realized on disposal of revalued assets, if any, and incremental depreciation arising due to revaluation, net of deferred tax.

	2013 (Rupees)	2012 (Rupees)
7 Deferred taxation		
The net balance of deferred tax is in respect of the following major temporary differences:		
Taxable temporary differences:		
Accelerated tax depreciation	18,060,264	57,773,644
Surplus on revaluation of property, plant and equipment	23,654,508	26,608,544
	41,714,772	84,382,188

	Note	2013 (Rupees)	2012 (Rupees)
8 Trade and other payables			
Creditors		183,571,031	105,532,255
Accrued liabilities		7,040,595	23,894,872
Advances from customers		3,089,915	10,523,879
Unclaimed dividend		23,403,000	15,395,173
Tax deducted at source		4,800	3,572,492
Provision for compensated absences	8.1	5,540,876	4,685,762
Workers' Profit Participation Fund	8.2	22,600,594	16,694,327
Central Research Fund	8.3	4,554,728	4,267,418
Workers' Welfare Fund	30	7,945,921	6,556,251
Advances from employees against purchase of vehicles		15,616,572	11,005,529
Due to subsidiary - Farmacia		1,605,107	3,084,091
Other payables		14,519	451,581
		274,987,658	205,663,630

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

	2013 (Rupees)	2012 (Rupees)
8.2 Workers' Profit Participation Fund		
Balance at the beginning of the year	16,694,327	14,413,874
Interest on funds utilized by the Company	2,745,260	313,170
Provision for the year	19,864,804	16,390,627
	39,304,391	31,117,671
Payments made during the year	(16,703,797)	(14,423,344)
	22,600,594	16,694,327

The fund balance has been utilized by the Company for its own business and interest at the rate of 33.75% (2012: 17.53%) has been credited to the fund. Interest is calculated at higher of 75% of the cash dividends paid rate or 2.5% plus bank rate, as required under Companies Profits (Workers' Participation) Act, 1968.

	Note	2013 (Rupees)	2012 (Rupees)
8.3 Central Research Fund			
Balance at beginning of the year		4,267,418	3,399,132
Provision for the year		4,554,728	4,267,418
		8,822,146	7,666,550
Payments made during the year		(4,267,418)	(3,399,132)
		4,554,728	4,267,418

9 Short term borrowings - secured

	Note	2013 (Rupees)	2012 (Rupees)
Running finance facility from:			
HSBC Bank Middle East Limited	9.1	695,869	-

9.1 The Company has short term borrowing facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 435 million (2012: Rs. 205 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0.3% to 2% per annum (2012: one to six months KIBOR plus 1% to 2.25% per annum) on the outstanding balances. Out of the aggregate facilities, Rs. 135 million are secured by first pari passu charge over current and future assets of the Company and remaining Rs. 300 million (2012: Nil) facility is secured by lien on Company's short term investments in mutual funds which should be 110% of the maximum limit allowed for utilization. Under this arrangement, Rs. 139.6 million (2012: Nil) is marked under lien as at 30 June 2013. These facilities are renewable on annual basis latest by 31 October 2013.

10 Contingencies and commitments

Contingencies

Guarantees issued by banks on behalf of the Company

Out of the aggregate facility of Rs. 27 million (2012: Rs. 17 million) for letter of guarantees, the amount utilized at 30 June 2013 was Rs. 0.80 million (2012: Rs. 0.64 million).

Commitments

Letter of credits other than for capital expenditure

Out of the aggregate facility of Rs. 315 million (2012: Rs. 345 million) for opening letters of credit, the amount utilized at 30 June 2013 was Rs. 46.81 million (2012: Rs. 59.56 million).

Guarantees issued on behalf of the subsidiary company

Company has issued cross corporate guarantee to various commercial banks favouring its subsidiary company BF Biosciences Limited amounting to Rs. 275 million (2012: Rs. 263 million)

FEROZSONS LABORATORIES LIMITED

11 Property, plant and equipment

	Note	Reassessed value/original cost: As at 01 July 2012	Additions	Transfers/ Adjustments	Deletions	As at 30 June 2013	Rate %	Depreciation: As at 01 July 2012	For the year	On deletions	Transfers/ adjustments	As at 30 June 2013	Net book value: As at 30 June 2013
		----Rupees----						----Rupees----					
OWNED													
Freehold land	*11.1*	410,000,000	-	-	-	410,000,000	-	-	-	-	-	-	410,000,000
Building on freehold land		265,773,001	-	75,158,217	-	340,931,218	10	26,235,596	27,348,132	-	-	53,583,728	287,347,490
Plant and machinery		154,313,326	-	144,782,542	-	299,095,868	10	14,892,284	17,749,062	-	-	32,641,346	266,454,522
Office equipments		51,472,680	2,150,411	-	-	53,623,091	10	27,799,120	3,682,881	-	-	31,482,001	22,141,090
Furniture and fittings		20,510,962	149,889	-	-	20,660,851	10	10,660,713	1,629,346	-	-	12,290,059	8,370,792
Computers		22,289,671	2,351,043	-	-	24,640,714	33.33	17,352,182	2,830,199	-	-	20,182,381	4,458,333
Vehicles		132,213,440	36,118,786	3,455,000	(9,032,180)	162,755,046	20	80,222,442	22,930,678	(7,148,504)	-	96,004,616	66,750,430
Capital work-in-progress	*11.4*	114,335,448	127,526,622	(223,395,759)	-	18,466,311	-	-	-	-	-	-	18,466,311
2013		1,170,908,528	168,296,751	-	(9,032,180)	1,330,173,099		177,162,337	76,170,298	(7,148,504)	-	246,184,131	1,083,988,968

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

Property, plant and equipment

	Note	Reassessed value/original cost: As at 01 July 2011	Additions	Transfers/ Adjustments	Deletions	As at 30 June 2012	Rate %	Depreciation: As at 01 July 2011	For the year	On deletions	Transfers/ adjustments	As at 30 June 2012	Net book value: As at 30 June 2012
		----Rupees----						----Rupees----					
OWNED													
Freehold land	*11A.1*	410,000,000	-	-	-	410,000,000	-	-	-	-	-	-	410,000,000
Building on freehold land		253,920,000	4,656,986	7,196,015	-	265,773,001	10	-	26,235,596	-	-	26,235,596	239,537,405
Plant and machinery		143,200,000	9,503,326	1,610,000	-	154,313,326	10	-	14,892,284	-	-	14,892,284	139,421,042
Office equipments		49,254,472	1,836,708	600,000	(218,500)	51,472,680	10	24,081,760	3,921,296	(203,936)	-	27,799,120	23,673,560
Furniture and fittings		19,443,895	1,067,067	-	-	20,510,962	10	9,012,876	1,647,837	-	-	10,660,713	9,850,249
Computers		19,051,517	2,508,491	782,388	(52,725)	22,289,671	33.33	14,728,797	2,676,110	(52,725)	-	17,352,182	4,937,489
Vehicles		132,709,707	7,597,500	20,564,800	(28,658,567)	132,213,440	20	83,398,382	20,219,890	(23,395,830)	-	80,222,442	51,990,998
Capital work-in-progress	*11A.3*	28,357,921	122,274,086	(36,296,559)	-	114,335,448	-	-	-	-	-	-	114,335,448
2012		1,055,937,512	149,444,164	(5,543,356)	(28,929,792)	1,170,908,528		131,221,815	69,593,013	(23,652,491)	-	177,162,337	993,746,191

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

11.2 Land and building of the Company were first revalued on 31 March 1976, resulting in surplus of Rs. 13.66 million. The second revaluation was carried out on 30 June 1989 and resulted in a surplus of Rs. 41.51 million. The third revaluation was carried out on 30 June 2002 and resulted in a surplus of Rs. 30.43 million. The fourth revaluation, that also included the plant and machinery, was carried out on 30 June 2006 and resulted in a surplus of Rs. 240.59 million. The last revaluation was carried out on 30 June 2011 and resulted in a surplus of Rs.164.39 million. Freehold land and building revaluations were carried out under the market value basis whereas plant and machinery were revalued on net replacement cost basis. All the revaluations were carried out by independent valuers.

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

		Cost	Accumulated Depreciation	Net Book Value
		(Rupees)	(Rupees)	(Rupees)
Freehold land		65,547,532	-	65,547,532
Building on freehold land		351,055,757	88,502,485	262,553,272
Plant and machinery		379,545,613	173,910,742	205,634,871
	2013	**796,148,902**	**262,413,227**	**533,735,675**
	2012	576,208,144	219,178,759	357,029,384

	Note	2013 (Rupees)	2012 (Rupees)
11.3 Capital work-in-progress - at cost			
Opening balance		**114,335,448**	28,357,921
Additions during the year		**127,526,622**	122,274,086
Transfers during the year		**(223,395,759)**	(36,296,559)
Closing balance		**18,466,311**	114,335,448
11.4 Capital work-in-progress			
Building and civil works		**4,280,664**	21,585,429
Plant and machinery		**12,095,048**	84,089,129
Advances to suppliers		**2,090,599**	8,660,890
		18,466,311	114,335,448
11.5 Depreciation is allocated as under:			
Cost of sales	25	**29,549,871**	25,494,497
Administrative expenses	27	**26,804,209**	26,011,906
Selling and distribution cost	28	**19,816,218**	18,086,610
		76,170,298	69,593,013

11.6 Disposal of property, plant and equipment

	Vehicles	Cost	Net book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of buyer
		------Rupees------					
1	Honda CG 125	76,490	5,097	76,490	71,393	Company Policy	Ghulam Hassan
2	Honda CD 70	50,490	6,726	50,490	43,764	Company Policy	Nadeem Akhtar
3	Honda CG 125	83,400	34,750	41,700	6,950	Company Policy	Hasnul Wahab
4	Suzuki Mehran	474,000	102,700	297,000	194,300	Company Policy	Muhammad Sohail Mughal
5	Suzuki Mehran	474,000	79,000	311,950	232,950	Company Policy	Emanual Ghauri
6	Suzuki Cultus	754,000	125,662	300,000	174,338	Company Policy	Rana Muhammad Saleem
7	Suzuki Cultus	809,000	107,871	444,950	337,079	Company Policy	Syed Faisal Saleem
8	Suzuki Cultus	834,000	180,700	486,500	305,800	Company Policy	Muhammad Akif Butt
9	Suzuki Cultus	845,000	337,999	605,583	267,584	Company Policy	Muhammad Nadeem Rana
10	Suzuki Cultus	704,000	35,204	625,000	589,796	Company Policy	Zahid Ali Khan
11	Honda CD 70	62,900	24,113	62,900	38,787	Insurance Claim	EFU Insurance Company
12	Suzuki Mehran	560,000	326,667	560,000	233,333	Insurance Claim	EFU Insurance Company
13	Suzuki Mehran	560,000	326,667	560,000	233,333	Insurance Claim	EFU Insurance Company
14	Honda CD 70	65,900	41,737	65,900	24,163	Insurance Claim	EFU Insurance Company
15	Honda CD 70	47,500	39,583	47,500	7,917	Insurance Claim	EFU Insurance Company
16	Suzuki Mehran	504,000	109,200	375,000	265,800	Insurance Claim	EFU Insurance Company
17	Items of property, plant and equipment with individual book value not exceeding Rs. 5,000	2,127,500	-	1,370,900	1,370,900	Company policy	Various persons
	2013 Rupees	**9,032,180**	**1,883,676**	**6,281,863**	**4,398,187**		
	2012 Rupees	28,929,792	5,277,301	18,464,158	13,199,857		

	Note	2013 (Rupees)	2012 (Rupees)

12 Intangible assets

	Note	2013 (Rupees)	2012 (Rupees)
Opening net book value		3,714,037	-
Additions during the year		-	5,543,356
Amortisation during the year		(1,829,328)	(1,829,319)
	12.1	1,884,709	3,714,037
Gross carrying value as at the end of the year:			
Cost		5,543,356	5,543,356
Accumulated amortisation		(3,658,647)	(1,829,319)
Net book value		1,884,709	3,714,037

12.1 This includes computer softwares and software license fees.

13 Long term investments

	Note	2013 (Rupees)	2012 (Rupees)
Related parties - at cost			
Farmacia (Partnership firm)	13.1	72,732,116	77,220,554
BF Biosciences Limited (unlisted subsidiary)	13.2	151,999,960	151,999,960
		224,732,076	229,220,514

13.1 Farmacia (Partnership firm)

	Note	2013 (Rupees)	2012 (Rupees)
Opening balance		77,220,554	82,555,954
Disinvestment		-	(25,000,000)
Company's share in (loss) / profit of subsidiary	13.1.1	(4,488,438)	19,664,600
		72,732,116	77,220,554

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

13.2 BF Biosciences Limited (unlisted subsidiary)

This represents investment made in 15,199,996 ordinary shares of Rs. 10 each, in BF Biosciences Limited.

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

	Note	2013 (Rupees)	2012 (Rupees)
14 Long term loan - unsecured			
Related party - considered good			
BF Biosciences Limited	14.1	375,000,000	425,000,000
Less : Receipts during the year		(50,000,000)	(50,000,000)
		325,000,000	375,000,000
Less : Amount due within twelve months, shown under current assets		(50,000,000)	(50,000,000)
		275,000,000	325,000,000

14.1 This represents the converting of overdue mark up and trade receivables from subsidiary company, BF Biosciences Limited into a term loan and rescheduling the payment of overall outstanding term loan including mark up and trade receivables in five years with one year grace period starting from 01 July 2010. The conversion was carried out under the authority of a special resolution passed by the Shareholders in the Extraordinary General Meeting held on 14 June 2010, in accordance with the provisions of Section 208 of the Companies Ordinance, 1984. Markup charged on the loan is not less than the borrowing cost of the Company. The maximum amount of long term loan at the end of any month during the year was Rs. 375 million (2012: Rs. 375 million).

	2013 (Rupees)	2012 (Rupees)
15 Stores, spare parts and loose tools		
Stores	6,546,822	4,631,196
Spare parts	1,282,087	754,599
Loose tools	860,355	857,327
	8,689,264	6,243,122
16 Stock in trade		
Raw material	254,880,083	215,118,157
Work in process	23,733,370	23,928,962
	278,613,453	239,047,119
Finished goods	273,277,361	174,348,469
Less: provision for write down to net realisable value	(165,394)	(783,764)
	273,111,967	173,564,705
Stock in transit	14,865,180	2,841,643
	566,590,600	415,453,467

17 Trade debts - considered good

Company has trade debts due from its related parties Farmacia amount Rs. 0.31 million (2012: Rs. 0.32 million) and BF Biosciences Limited Rs. 7.10 million (2012: Rs. 15.43 million).

Maximum outstanding balance due from related parties Farmacia during the year was Rs.1.17 million (2012: Rs. 1.1 million) and from BF Biosciences Limited was Rs. 56.7 million (2012: Rs.45.9 million).

	Note	2013 (Rupees)	2012 (Rupees)

18 Loans and advances - considered good

		2013	2012
Advances to employees - secured		11,058,038	7,779,737
Advances to suppliers - unsecured		3,175,799	3,299,050
Others		680,314	701,990
		14,914,151	11,780,777

19 Deposits and prepayments

		2013	2012
Deposits		22,857,578	15,503,304
Prepayments		86,459	89,002
		22,944,037	15,592,306

20 Income tax - net

		2013	2012
Balance at the beginning of year		91,753,952	84,196,501
Add: Tax deducted at source		27,005,283	25,263,354
Less: Income tax adjustment		(85,004,125)	(17,705,903)
Balance at the end of year		33,755,110	91,753,952

21 Other receivables

		2013	2012
Due from Subsidiary:			
BF Biosciences Limited		9,885,510	3,318,239
Others		7,026,012	9,985,157
		16,911,522	13,303,396

22 Short term investments

	Note	2013	2012
Investments at fair value through profit or loss - listed securities	22.1	398,852,989	273,864,527

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

Number of units 2013	Number of units 2012	Name of companies	2013 Carrying value Rupees	2013 Fair value Rupees	2012 Carrying value Rupees	2012 Fair value Rupees
1,263,586	1,137,210	HBL Money Market Fund	116,976,197	127,931,025	110,354,912	116,976,197
2,634,203	1,277,085	HBL Income Fund	252,496,712	270,921,964	156,000,000	156,888,330
			369,472,909	398,852,989	266,354,912	273,864,527
		Unrealized gain on account of re-measurement to fair value	29,380,080	-	7,509,615	-
			398,852,989	398,852,989	273,864,527	273,864,527

	Note	2013 (Rupees)	2012 (Rupees)
23 Cash and bank balances			
Cash in hand		2,538,403	2,496,289
Cash at bank:			
Current accounts			
- foreign currency		15,086,096	11,871,574
- local currency		43,428,868	4,002,727
		58,514,964	15,874,301
Deposit accounts - local currency	23.1	6,190,744	39,974,374
		67,244,111	58,344,964

23.1 These carry interest rate ranging from 6% - 7% per annum on day end balances (2012: 6.15% - 9.5% per annum).

	Note	2013 (Rupees)	2012 (Rupees)
24 Revenue - net			
Gross sales		2,148,080,855	1,933,942,762
Less: Discount		(194,888,173)	(163,352,428)
		1,953,192,682	1,770,590,334
25 Cost of sales			
Work in process:			
Opening		23,928,962	11,929,149
Closing		(23,733,370)	(23,928,962)
		195,592	(11,999,813)
Raw materials consumed	25.1	819,435,093	724,036,720
Salaries, wages and other benefits	25.2	82,937,596	67,257,574
Fuel and power		15,096,675	13,116,638
Repair and maintenance		4,774,341	5,569,117
Stores, spare parts and loose tools consumed		14,862,963	17,443,505
Packing charges		12,659,478	9,423,009
Excise duty		263,147	205,372
Printing and Stationary		2,010,773	605,829
Postage and telephone		1,479,334	1,547,239
Insurance		4,715,958	3,823,609
Travelling and conveyance		4,738,719	3,800,828
Canteen expenses		4,981,387	2,609,651
Security expenses		2,109,706	1,424,195
Product registration		610,000	54,640
Laboratory and other expenses		1,193,948	652,089
Depreciation	11.5	29,549,871	25,494,497
Cost of goods manufactured		1,001,614,581	865,064,699
Finished stock:			
Opening		173,564,705	169,991,024
Closing		(273,111,967)	(173,564,705)
		(99,547,262)	(3,573,681)
		902,067,319	861,491,018

	2013 (Rupees)	2012 (Rupees)
25.1 Raw materials consumed		
Balance at the beginning of year	215,118,157	224,016,595
Add: purchases made during the year	859,197,019	715,138,282
	1,074,315,176	939,154,877
Less: balance at the end of year	(254,880,083)	(215,118,157)
	819,435,093	724,036,720

25.2 Salaries, wages and other benefits include Rs. 3.08 million (2012: Rs. 2.32 million) charged on account of defined contribution plan.

26 Other income

	Note	2013 (Rupees)	2012 (Rupees)
From financial assets:			
Dividend income		-	1,990,524
Gain on sale of short term investments		-	54,038
Profit on deposits with banks		326,615	618,060
Unrealized gain on re-measurement of short term investments to fair value		29,380,080	6,912,654
Lease rentals from subsidiary company		200,000	200,000
Commission income		17,998,338	26,558,985
		47,905,033	36,334,261
From related party			
Mark-up on long term loan to subsidiary		38,519,275	54,166,024
From non - financial assets			
Gain on sale of property, plant and equipment		4,398,187	13,186,857
		90,822,495	103,687,142

27 Administrative expenses

	Note	2013 (Rupees)	2012 (Rupees)
Salaries and other benefits	27.1	68,266,870	64,252,247
Directors fees and expenses		1,705,250	1,452,820
Rent, rates and taxes		719,291	701,103
Postage and telephone		3,280,797	4,104,277
Printing, stationery and office supplies		1,837,464	3,284,595
Travelling and conveyance		5,533,024	4,930,223
Transportation		3,479,961	3,349,807
Legal and professional charges		4,266,700	2,558,370
Fuel and power		1,576,338	1,482,817
Auditor's remuneration	27.2	770,000	756,120
Repair and maintenance		5,212,840	3,379,059
Subscriptions		1,360,761	2,382,363
Donations	27.3	5,604,500	2,954,500
Insurance		2,097,694	1,850,927
Depreciation	11.5	26,804,209	26,011,906
Amortisation		1,829,328	1,829,319
Canteen expenses		4,863,055	6,812,998
Other administrative expenses		1,096,303	1,818,283
		140,304,385	133,911,734

27.1 Salaries and other benefits include Rs. 2.82 million (2012: Rs. 2.81 million) charged on account of defined contribution plan.

	2013 (Rupees)	2012 (Rupees)
27.2 Auditor's remuneration		
Fee for annual audit	500,000	500,000
Fee for audit of consolidated accounts	50,000	50,000
Review of half yearly accounts	75,000	75,000
Other certifications	75,000	90,000
Out of pocket expenses	70,000	41,120
	770,000	756,120

27.3 Donations were given to "The National Management Foundation" and "The Citizen Foundation". Donations did not include any amount paid to any person or organization in which a director or his spouse had any interest.

28 Selling and distribution cost

	Note	2013 (Rupees)	2012 (Rupees)
Salaries and other benefits	28.1	198,574,562	157,298,266
Product registration		12,684,619	25,780,770
Travelling and conveyance		96,699,324	88,487,675
Transportation		1,195,099	525,413
Rent, rates and taxes		3,469,419	2,938,639
Advertisement and publicity		110,341,803	103,464,756
Freight and forwarding		20,686,952	9,259,958
Printing and stationary		2,029,373	1,689,821
Postage and telephone		7,834,407	5,871,469
Electricity and gas		660,771	701,636
Subscriptions and fees		7,368,906	7,071,926
Insurance		7,830,351	6,319,004
Repairs and maintenance		2,948,139	1,000,192
Legal and professional charges		1,509,000	1,390,000
Training expenses		2,023,680	1,029,060
Depreciation	11.5	19,816,218	18,086,610
Other selling expenses		6,100,475	8,567,513
		501,773,098	439,482,708

28.1 Salaries and other benefits include Rs. 6.1 million (2012: Rs. 5.04 million) charged on account of defined contribution plan.

	2013 (Rupees)	2012 (Rupees)
29 Finance cost		
Mark-up on bank financing	5,388,734	5,084,111
Bank charges	3,617,815	2,495,056
Interest on Workers' Profit Participation Fund	2,745,260	313,170
	11,751,809	7,892,337
30 Other expenses		
Exchange loss	346,594	1,475,575
Workers' Profit Participation Fund	19,864,804	16,390,627
Workers' Welfare Fund	7,945,921	6,556,251
Central Research Fund	4,554,728	4,267,418
	32,712,047	28,689,871
31 Taxation		
Current	85,004,125	17,705,903
Deferred	(42,667,419)	(3,722,341)
	42,336,706	13,983,562

31.1 For tax year 2013, Company has provided tax laibility on its taxable income under normal tax regime. However, the Company has provided minimum tax under section 113 of the Ordinance on its taxable income from tax year 2010 to tax year 2012 due to the exemption provided under clause 126F in Part-I of the Second Schedule of Income Tax Ordinance 2001.

	2013 (Rupees)	2012 (Rupees)
31.2 Tax charge reconciliation		
Numerical reconciliation between tax expense and accounting profit		
Profit before taxation	450,918,081	-
Applicable tax rate as per Income Tax Ordinance, 2001	35%	-
Tax on accounting profit	157,821,328	-
Effect of final tax regime	(12,691,239)	-
Effect of tax credit	(15,781,666)	-
Effect of permanent difference	(10,283,028)	-
Others (including the impact arising as a consequence of reversal of deferred tax liability)	(76,728,689)	-
	(115,484,622)	
	42,336,706	-

31.3 The Company only provided minimum tax under section 113 during the last year, hence no numeric tax reconciliation is provided in comparatives.

	Note	2013 (Rupees)	2012 (Rupees)

32 Earnings per share - basic and diluted

	Note		2013	2012
Profit after taxation for distribution to ordinary shareholders		*Rupees*	**408,581,375**	408,490,846
Weighted average number of ordinary shares	32.1	*Numbers*	**30,186,841**	30,186,841
Basic and diluted earnings per share			**13.54**	13.53

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

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

33 Remuneration of Directors, Chief Executive and Executives

	2013			2012		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	-Rupees-			-Rupees-		
Managerial remuneration	**16,860,000**	**8,760,000**	**64,954,422**	15,240,000	7,980,000	52,430,107
Bonus	**3,810,000**	**1,995,000**	**8,074,137**	2,475,000	1,293,750	5,018,438
Utilities	**-**	**367,371**	**-**	-	163,713	-
Contribution to provident fund	**1,087,739**	**604,139**	**3,961,306**	983,223	550,344	3,292,096
	21,757,739	**11,726,510**	**76,989,865**	18,698,223	9,987,807	60,740,641
Numbers	**2**	**1**	**37**	2	1	30

In addition, the Chief Executive, two working directors and certain executives of the Company are allowed free use of Company vehicles.

The members of the Board of Directors were paid Rs. 231,000 (2012: Rs. 3,800) as meeting fee and Rs. 1,329,200 (2012: Rs. 1,449,020) as reimbursement of expenses for attending the Board of Directors' meetings.

34 Related party transactions

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

FEROZSONS LABORATORIES LIMITED

	2013 (Rupees)	2012 (Rupees)
Farmacia - 98% owned subsidiary partnership firm		
Sale of medicines	3,234,626	4,163,504
Payment received from Farmacia against sale of medicine	3,234,878	(3,982,067)
Share of (loss) / profit reinvested	(4,488,438)	19,664,600
Withdrawal of investment	-	25,000,000
BF Biosciences Limited - 80% owned subsidiary		
Recovery of long term loan & mark-up	92,400,819	107,604,474
Interest on long term loan-charged during the year	38,519,275	54,166,024
Sales of finished goods	110,161,096	80,072,965
Purchase of goods	4,508,518	14,319,422
Lease rentals accrued	200,000	200,000
Marketing fee	2,474,140	10,957,310
Expenses incurred	17,344,768	36,928,812
Payment received	131,747,148	99,210,761
Payment made	4,503,703	15,428,051
Other related parties		
Employees provident fund		
Company share in employees provident fund	12,216,335	10,172,693
Remuneration including benefits and perquisites of key management personnel	64,191,638	45,060,000

35 Plant capacity and production

The production capacity of the Company's plant cannot be detemined, as it is a multi-product production facility with varying manufacturing processes.

36 Number of employees

	2013	2012
Total number of employees as at 30 June	461	438
Average number of employees during the year	449	429

	2013 (Rupees) (unaudited)	2012 (Rupees)
37 Disclosures relating to provident fund		
Size of the fund / trust	223,759,277	190,034,437
Cost of investment made	199,221,472	166,373,086
Percentage of investment made %	89%	88%
Fair value of investment	215,409,675	178,522,314
Break up of investment		
Term deposit receipts	65,469,506	10,600,000
Mutual funds	144,227,065	164,280,816
Shares of listed companies	5,713,104	3,641,498

	2013	2012
	(% age of size of fund)	
Break up of investment		
Term deposit receipts	29%	6%
Mutual funds	64%	86%
Shares of listed companies	3%	2%

Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance. Whereas; total investment in mutual funds as on 30 June 2013 exceed the limit prescribed in rules for this purpose. However; subsequent to the balance sheet date, the ratio has changed as follows, which is in accordance with the rules:

Term deposit receipts	55%
Mutual fund	40%
Shares of listed companies	2%

38 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rates risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

38.1 Credit risk

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

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

Counterparties

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

Long term loan and trade debts

Long term loan is due from the subsidiary company, namely BF Biosciences Limited which is a 80% owned subsidiary of the Company and the amount has been granted under the authority of a special resolution in accordance with the provisions of Section 208 of the Companies Ordinance, 1984.

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

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

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

Bank balances and short term investments

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

Exposure to credit risk

The carrying amount of financial assets of the Company represents the maximum credit exposure. The Company carries a significant credit exposure to one single counter party in form of a long term loan to subsidiary company BF Biosciences Limited, however this risk is mitigated as the operations of the subsidiary company have grown considerably, thus resulting in positive cash flows out of which the subsidiary company has been duly paying its principal and markup to the Holding company.

	2013 (Rupees)	2012 (Rupees)
Maximum credit risk exposure		
Long term loan	325,000,000	375,000,000
Long term deposits	3,786,100	3,596,600
Trade debts	139,090,930	106,334,607
Deposits	22,944,037	15,592,306
Other receivables	16,911,522	13,303,396
Other financial assets	398,852,989	273,864,527
Bank balances	64,705,708	55,848,675
	971,291,286	843,540,111

Credit quality of balances with banks

The credit quality of balances with banks can be assessed with reference to external credit rating as follows:

Institutions	Rating Long term	Rating Short term	Rating Agency	2013 (Rupees)	2012 (Rupees)
Habib Bank Limited	A1+	AAA	JCR-VIS	59,312,503	50,409,416
National Bank of Pakistan	A1+	AAA	JCR-VIS	51,030	51,031
Allied Bank Limited	A1+	AA+	PACRA	265,070	17,318
Bank Alfalah Limited	A1+	AA	PACRA	5,065,431	4,018,887
Faysal Bank Limited	A1+	AA	PACRA	10,209	9,884
National Investment Bank	A1+	AA	JCR-VIS	1,465	1,269
HSBC	P1	A2	Moodys	-	216,632
Barclays Bank	P1	A2	Moodys	-	1,124,236
				64,705,708	55,848,674

Geographically there is no concentration of credit risk.

The aging of trade debts at the reporting date was:

	Related party 2013 (Rupees)	Related party 2012 (Rupees)	Other than 2013 (Rupees)	Other than 2012 (Rupees)
Past due 0 - 30 days	7,419,997	15,754,666	57,953,107	42,742,183
Past due 31 - 120 days	-	-	45,419,559	24,193,220
Past due 121 - 365 days	-	-	21,244,742	3,411,815
More than 365 days	-	-	7,053,525	20,232,723
	7,419,997	15,754,666	131,670,933	90,579,941

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

38.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages its liquidity risk by ensuring that the Company always has sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. Beyond effective net working capital and cash management, the Company mitigates liquidity risk by arranging short term financing from highly rated financial institutions.

The table below analyzes the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2013			
	Carrying amount	Less than one year	One to five years	More than 5 years
	---Rupees---			
Trade and other payables	274,987,658	274,987,658	-	-
Short term borrowing	695,869	695,869	-	-
	275,683,527	275,683,527	-	-

	2012			
	Carrying amount	Less than one year	One to five years	More than 5 years
	---Rupees---			
Trade and other payables	205,663,630	205,663,630	-	-
Short term borrowing	-	-	-	-
	205,663,630	205,663,630	-	-

38.3 Market risk

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

(i) Currency risk

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

The Company's potential currency exposure comprises of:

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

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

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2013			
	Rupees	**US Dollars**	**Rupees**	**Euro**
Cash and cash equivalents	**7,933,802**	**80,383**	**8,503,396**	**65,928**
Trade and other payables	**(148,335,108)**	**(1,502,889)**	**-**	**-**
Advances to suppliers	**876,752**	**8,883**	**-**	**-**
Trade receivables	**12,887,416**	**130,572**	**13,666,721**	**105,960**
Gross balance sheet exposure	**(126,637,138)**	**(1,283,051)**	**22,170,117**	**171,888**

-

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

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	2013	2012	**2013**	2012
US Dollars	**98.70**	94.20	**96.80**	89.64
Euro	**128.98**	118.50	**125.60**	120.15

Sensitivity analysis

A ten percent strengthening of the Pakistani Rupee against the US Dollar & Euro at the reporting date would have increased 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.

	2013 (Rupees)	**2012 (Rupees)**
Profit and loss account	**10,446,702**	5,816,924

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

(ii) Price risk

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

Sensitivity analysis

A five percent change in market price at the reporting date would have increased profit by the amounts shown below.

	2013 (Rupees)	**2012 (Rupees)**
Profit and loss account	**19,942,649**	13,693,226

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the balance sheet date, the interest rate profile of the company's significant interest bearing financial instruments is as follows :

	2013 (Rupees)	2012 (Rupees)
Variable rate instruments		
Financial assets		
Long term loans	325,000,000	375,000,000
Short term investments	398,852,989	273,864,527
Cash at bank - deposit accounts	6,190,744	39,974,374
	730,043,733	688,838,901
Financial liabilities		
Short term borrowing-secured	(695,869)	-
Net exposure	729,347,864	688,838,901

Cash flow sensitivity analysis for variable rate instruments

A one percent increase in interest rate at the reporting date would have increased profit by the amounts shown below.

	2013 (Rupees)	2012 (Rupees)
Profit and loss account	7,293,479	6,888,389

38.4 Fair value estimation

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

38.5 Capital management

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

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

39 Corresponding figures

Reclassification from component	Reclassification to component	Note	(Rupees)
Repair and maintenance	Stores and spares consumed	25	10,402,228
Laboratory and other expenses	Printing and Stationary	25	605,829
Transportation	Travelling and coveyance	25	1,278,595
Rent, rates and taxes	Rent, rates and taxes	28-29	315,000
Advertisement and publicity	Salaries and other benefits	28	1,543,779
Advertisement and publicity	Travelling and coveyance	28	10,307,806
Entertainment expenses	Travelling and coveyance	28	279,240

40 Non Adjusting events after the balance sheet date

The Board of Directors of the Company in their meeting held on 24 September 2013 have proposed final cash dividend of Rs. 7 per share, for the year ended 30 June 2013.

41 Date of authorization for issue

The financial statements have been authorized for issue by the Board of Directors of the Company on 24 September 2013.

Lahore
September 24, 2013 Director Chairperson & CEO