

# **Auditors' Report To The Shareholders of BEXIMCO PHARMACEUTICALS LIMITED**

## **Introduction**

We have audited the accompanying financial statements of Beximco Pharmaceuticals Limited, which comprise of the Statement of Financial Position as at 31 December 2011, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) and Bangladesh Standards on Auditing (BSA). Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair preparation of the financial statements in order to design audit procedure that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) and Bangladesh Financial Reporting Standard (BFRSs), give a true and fair view of the state of the company's affairs as at 31 December 2011 and of the results of its operations and cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- (a) 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 and made due verification thereof ;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of these books ;
- (c) the Statement of Financial Position ( Balance Sheet) and Statement of Comprehensive Income (Profit and Loss Account) dealt with by the report are in agreement with the books of account ; and
- (d) The expenditure incurred was for the purposes of the company's business.

Dhaka  
28 April, 2012



**M. J. ABEDIN & CO.**  
Chartered Accountants

**BEXIMCO PHARMACEUTICALS LIMITED**  
**Statement of Financial Position**  
As at 31 December 2011

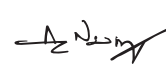
		Amount in Taka	
	Notes	2011	2010
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment- Carrying Value	4 (a)	15,745,492,625	15,123,306,298
Intangible Assets	3.3 & 5	135,933,879	51,126,854
Investment in Shares	6	3,451,276	6,298,526
		<b>15,884,877,780</b>	<b>15,180,731,678</b>
<b>Current Assets</b>			
Inventories	7	2,291,844,631	1,983,809,444
Spares & Supplies	8	325,881,244	276,520,188
Accounts Receivable	9	978,224,317	821,356,439
Loans, Advances and Deposits	10	840,320,705	779,129,620
Short Term Investment	11	2,193,423,560	859,403,704
Cash and Cash Equivalents	12	518,768,296	1,471,448,436
		<b>7,148,462,753</b>	<b>6,191,667,831</b>
<b>TOTAL ASSETS</b>		<b>23,033,340,533</b>	<b>21,372,399,509</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Issued Share Capital	13	2,517,678,100	2,098,065,090
Share Premium	14	5,269,474,690	5,269,474,690
Excess of Issue Price over Face Value of GDRs	15	1,689,636,958	1,689,636,958
Capital Reserve on Merger		294,950,950	294,950,950
Revaluation Surplus	4(b)	1,466,602,600	1,534,645,820
Retained Earnings		5,889,784,879	5,087,312,943
		<b>17,128,128,177</b>	<b>15,974,086,451</b>
<b>Non-Current Liabilities</b>			
Long Term Borrowings-Net off Current Maturity (Secured)	16	1,890,074,651	1,902,150,733
Liability for Gratuity & WPPF	17	403,598,795	335,885,792
Deferred Tax Liability	18	963,376,922	647,119,301
		<b>3,257,050,368</b>	<b>2,885,155,826</b>
<b>Current Liabilities and Provisions</b>			
Short Term Borrowings	19	1,642,216,008	1,639,961,052
Long Term Borrowings-Current Maturity	20	363,744,181	348,860,443
Creditors and Other Payables	21	523,798,136	432,315,660
Accrued Expenses	22	101,559,917	90,512,178
Dividend Payable		1,361,452	1,507,899
Income Tax Payable	23	15,482,294	-
		<b>2,648,161,988</b>	<b>2,513,157,232</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23,033,340,533</b>	<b>21,372,399,509</b>

The Notes are integral part of the Financial Statements.

Approved and authorised for issue by the board of directors on 28 April, 2012 and signed for and on behalf of the Board :

  
**Salman F Rahman**  
Vice Chairman

  
**Nazmul Hassan**  
Managing Director

  
**Ali Nawaz**  
Chief Financial Officer

Dhaka  
28 April, 2012

Per our report of even date.

  
**M. J. Abedin & Co.**  
Chartered Accountants

**BEXIMCO PHARMACEUTICALS LIMITED**  
**Statement of Comprehensive Income**  
For the year ended 31 December 2011

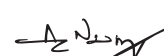
	Notes	Amount in Taka	
		2011	2010
<b>Net Sales Revenue</b>	<b>24</b>	<b>7,890,241,843</b>	<b>6,490,847,353</b>
Cost of Goods Sold	25	(4,103,709,021)	(3,317,640,254)
<b>Gross Profit</b>		<b>3,786,532,822</b>	<b>3,173,207,099</b>
<b>Operating Expenses :</b>		<b>(1,798,053,124)</b>	<b>(1,537,426,907)</b>
Administrative Expenses	28	(275,201,846)	(233,413,980)
Selling, Marketing and Distribution Expenses	29	(1,522,851,278)	(1,304,012,927)
<b>Profit from Operations</b>		<b>1,988,479,698</b>	<b>1,635,780,192</b>
Other Income	30	340,907,774	456,011,134
Finance Cost	31	(567,645,757)	(662,182,384)
<b>Profit Before Contribution to WPPF</b>		<b>1,761,741,715</b>	<b>1,429,608,942</b>
Contribution to Workers' Profit Participation/Welfare Funds	32	(83,892,463)	(68,076,616)
<b>Profit Before Tax</b>		<b>1,677,849,252</b>	<b>1,361,532,326</b>
<b>Income Tax Expense</b>	<b>33</b>	<b>(479,323,910)</b>	<b>(309,883,518)</b>
Current Tax		(207,549,905)	(71,085,835)
Deferred Tax Expense		(271,774,005)	(238,797,683)
<b>Profit After Tax for the Year</b>		<b>1,198,525,342</b>	<b>1,051,648,808</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the Year</b>		<b>1,198,525,342</b>	<b>1,051,648,808</b>
Earnings Per Share (EPS) / Adjusted EPS (2010)	34	4.76	4.18
Number of Shares used to compute EPS		251,767,810	251,767,810

The Notes are integral part of the Financial Statements.

Approved and authorised for issue by the board of directors on 28 April, 2012 and signed for and on behalf of the Board :

  
**Salman F Rahman**  
Vice Chairman

  
**Nazmul Hassan**  
Managing Director

  
**Ali Nawaz**  
Chief Financial Officer

Per our report of even date.

Dhaka  
28 April, 2012

  
**M. J. Abedin & Co.**  
Chartered Accountants

**BEXIMCO PHARMACEUTICALS LIMITED**  
**Statement of Changes in Equity**  
For the year ended 31 December 2011

Amount in Taka

	Share Capital	Share Premium	Excess of Issue Price over Face Value of GDRs	Capital Reserve on Merger	Revaluation Surplus	Retained Earnings	Total
Balance as on January 01, 2011	2,098,065,090	5,269,474,690	1,689,636,958	294,950,950	1,534,645,820	5,087,312,943	15,974,086,451
<b>Total Comprehensive Income for 2011:</b>							
Profit for the Year	-	-	-	-	-	1,198,525,342	1,198,525,342
Other Comprehensive Income	-	-	-	-	-	-	-
<b>Transaction with the Shareholders:</b>							
Stock Dividend for 2010	419,613,010	-	-	-	-	(419,613,010)	-
Adjustment for Depreciation on Revalued Assets	-	-	-	-	(23,559,604)	23,559,604	-
Adjustment for Deferred Tax on Revalued Assets	-	-	-	-	(44,483,616)	-	(44,483,616)
<b>Closing Balance</b>	<b>2,517,678,100</b>	<b>5,269,474,690</b>	<b>1,689,636,958</b>	<b>294,950,950</b>	<b>1,466,602,600</b>	<b>5,889,784,879</b>	<b>17,128,128,177</b>
Number of Shares							251,767,810
Net Asset Value (NAV) per Share							68.03

The Notes are integral part of the Financial Statements.

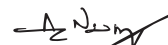
Approved and authorised for issue by the board of directors on 28 April, 2012 and signed for and on behalf of the Board :



**Salman F Rahman**  
Vice Chairman



**Nazmul Hassan**  
Managing Director



**Ali Nawaz**  
Chief Financial Officer

Per our report of even date.



**M. J. Abedin & Co.**  
Chartered Accountants

Dhaka  
28 April, 2012

**BEXIMCO PHARMACEUTICALS LIMITED**  
**Statement of Cash Flows**  
For the year ended 31 December 2011

	Amount in Taka	
	2011	2010
<b>Cash Flows from Operating Activities :</b>		
Cash Receipts from Customers and Others	7,741,749,367	6,442,514,780
Cash Paid to Suppliers and Employees	(5,773,745,087)	(4,770,465,029)
<b>Cash Generated from Operations</b>	<b>1,968,004,280</b>	<b>1,672,049,751</b>
Interest Paid	(567,645,757)	(508,432,384)
Interest Received	330,494,566	367,995,851
Income Tax Paid	(154,331,358)	(179,406,569)
<b>Net Cash Generated from Operating Activities</b>	<b>1,576,521,731</b>	<b>1,352,206,649</b>
<b>Cash Flows from Investing Activities :</b>		
Acquisition of Property, Plant and Equipment	(1,112,175,207)	(2,595,098,749)
Intangible Assets	(95,949,037)	(46,545,634)
Investment in Shares	2,847,250	(3,416,700)
Disposal of Property, Plant and Equipment	5,178,814	13,350,073
Short Term Investment	(1,334,019,856)	1,640,596,296
<b>Net Cash Used in Investing Activities</b>	<b>(2,534,118,036)</b>	<b>(991,114,714)</b>
<b>Cash Flows from Financing Activities :</b>		
Net Increase / (Decrease) in Long Term Borrowings	2,807,656	17,258,054
Net Increase / (Decrease) in Short Term Borrowings	2,254,956	188,634,698
Preference Share Dividend	-	(153,750,000)
Ordinary Share Dividend	(146,447)	(219,825)
<b>Net Cash Generated from Financing Activities</b>	<b>4,916,165</b>	<b>51,922,927</b>
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(952,680,140)</b>	<b>413,014,862</b>
Cash and Cash Equivalents at Beginning of Year	1,471,448,436	1,058,433,574
<b>Cash and Cash Equivalents at End of Year</b>	<b>518,768,296</b>	<b>1,471,448,436</b>
<b>Net Operating Cash Flow Per Share</b>	<b>6.26</b>	<b>6.65</b>

The Notes are integral part of the Financial Statements.

Approved and authorised for issue by the board of directors on 28 April, 2012 and signed for and on behalf of the Board :

  
**Salman F Rahman**  
Vice Chairman

  
**Nazmul Hassan**  
Managing Director

  
**Ali Nawaz**  
Chief Financial Officer

Per our report of even date.

  
**M. J. Abedin & Co.**  
Chartered Accountants

Dhaka  
28 April, 2012

# **BEXIMCO PHARMACEUTICALS LIMITED**

## **Notes to the Financial Statements**

### **As at and for the year ended 31 December 2011**

#### **1. Reporting entity**

##### **1.1 About the company**

Beximco Pharmaceuticals Limited (BPL/ the Company) was incorporated as a public limited company in Bangladesh in 1976. It commenced its manufacturing operation in 1980. The company was listed with Dhaka Stock Exchange in 1985 and with Chittagong Stock Exchange on its debut in 1995. In 2005, BPL took over Beximco Infusions Ltd., a listed company of the Beximco Group engaged in manufacturing and marketing of intravenous fluids and got enlisted with the Alternative Investment Market (AIM) of the London Stock Exchange through issuance of Global Depository Receipts (GDRs). Shares of the Company are traded in Dhaka and Chittagong Stock Exchanges of Bangladesh and its GDRs in AIM of the London Stock Exchange.

The registered office of the company is located at House No. 17, Road No. 2, Dhanmondi R/A, Dhaka. The industrial units are located at Tongi and Kaliakoir of Gazipur district – vicinities close to the capital city Dhaka.

##### **1.2 Nature of Business**

The company is engaged in manufacturing and marketing of generic pharmaceuticals formulation products including life saving intravenous fluids and Active Pharmaceutical Ingredients (APIs). Products of the company are sold in domestic and international markets. The company also provides contract manufacturing services.

#### **2. Basis of Preparation of Financial Statements**

##### **2.1 Basis of Measurement**

The financial statements have been prepared on the Historical Cost basis except land, building and plant & machinery revalued as on 31 December 2008 and disclosed through Note: 4 b. The financial statements therefore, do not take into consideration the effect of inflation.

##### **2.2 Statement of Compliance**

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1994, the Securities & Exchange Rules 1987, the Listing Regulations of Dhaka and Chittagong Stock Exchanges and other relevant local laws as applicable and in accordance with the International Financial Reporting Standards (IFRSs), and Bangladesh Financial Reporting Standards (BFRSs).

##### **2.3 Presentation of Financial Statements**

The presentation of these financial statements are in accordance with the guidelines provided by IAS 1 : Presentation of Financial Statements.

The financial statements comprises of :

- (a) a Statement of Financial Position as at the end of the year 2011 ;
- (b) a Statement of Comprehensive Income for the year 2011 ;
- (c) a Statement of Changes in Equity for the year 2011 ;
- (d) a Statement of Cash Flows for the year 2011 ; and
- (e) notes, comprising summary of significant accounting policies and explanatory information.

## **2.4 Reporting Period**

The financial statements cover one calendar year from January 01, 2011 to December 31, 2011.

## **2.5 Authorisation for issue**

The financial statements have been authorised for issue by the Board of Directors on April 28, 2012.

## **2.6 Functional and Presentation Currency**

The financial statements are prepared and presented in Bangladesh Currency (Taka), which is the company's functional currency. All financial information presented has been rounded off to the nearest Taka except where indicated otherwise.

## **2.7 Comparative Information**

Comparative information has been disclosed in respect of the year 2010 for all numerical information in the financial statements and also the narrative and descriptive information where it is relevant for understanding of the current year's financial statements.

Figures for the year 2010 have been re-arranged wherever considered necessary to ensure better comparability with the current year.

## **2.8 Use of Estimates and Judgments**

The preparation of financial statements in conformity with the IFRSs including IASs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and for contingent assets and liabilities that require disclosure, during and at the date of the financial statements.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision of accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, the key areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include depreciation, inventory valuation, accrued expenses, other payable and deferred liability for gratuity.

## **3. Significant Accounting Policies**

The accounting principles and policies in respect of material items of financial statements set out below have been applied consistently to all periods presented in these financial statements.

### **3.1 Revenue Recognition**

In compliance with the requirements of IAS 18 : Revenue, revenue receipts from customers against sales is recognized when products are dispatched to customers, that is, when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Revenue from sales is exclusive of VAT.

Cash dividend income on investment in shares is recognized on approval of said dividend in the annual general meeting. Stock dividend income (Bonus Shares) is not considered as revenue.

### **3.2 Property, Plant and Equipment**

#### **3.2.1 Recognition and Measurement**

This has been stated at cost or revalued amount less accumulated depreciation in compliance with the requirements of IAS 16: Property, Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

### 3.2.2 Maintenance Activities

The company incurs maintenance costs for all its major items of property, plant and equipment. Repair and maintenance costs are charged as expenses when incurred.

### 3.2.3 Depreciation

Depreciation is provided to amortise the cost of the assets after commissioning, over the period of their expected useful lives, in accordance with the provisions of IAS 16: Property, Plant and Equipment. Depreciation is provided at the following rates on reducing balance basis:

Building and Other Construction	2% - 10%
Plant and Machinery	5% - 15%
Furniture & Fixtures	10%
Transport & Vehicle	20%
Office Equipment	10% - 15%

### 3.2.4 Retirements and Disposals

On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sales proceeds.

### 3.3 Intangible Assets

Intangible assets are stated at cost less provisions for amortization and impairments. Licenses, patents, know-how and marketing rights acquired are amortized over their estimated useful lives, using the straight line basis, from the time they are available for use. The cost of acquiring and developing computer software for internal use and internet sites for external use are capitalized as intangible fixed assets where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset. Also, the research and development expenditures that is definite to yield benefit to the company are capitalised.

### 3.4 Leased Assets

In compliance with the IAS 17 : Leases, cost of assets acquired under finance lease along with related obligation has been accounted for as assets and liabilities respectively of the company, and the interest element has been charged as expenses. Lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability.

### 3.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 3.5.1 Financial assets

Financial assets of the company include cash and cash equivalents, accounts receivable and other receivables. The company initially recognizes receivable on the date they are originated. All others financial assets are recognized initially on the date at which the company becomes a party to the contractual provisions of the transaction. The company derecognizes a financial asset when, and only when the contractual rights or probabilities of receiving the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred.

##### 3.5.1(a) Accounts Receivable

Accounts receivable are created at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account aging, previous experience and general economic conditions. When an accounts receivable is determined to be uncollected it is written off, firstly against any provision available and then to the profit and loss account. Subsequent recoveries of amounts previously provided for are credited to the profit and loss account.

##### 3.5.1(b) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, in transit and with banks on current and deposit accounts which are held and available for use by the company without any restriction. There is insignificant risk of change in value of the same.



### **3.5.1(c) Investment in Shares**

Investment in shares of listed company is valued at lower of cost and stock exchange quoted value of year end. Investment in other shares is valued at lower of cost and net book value.

### **3.5.2 Financial Liabilities**

Financial liabilities are recognized initially on the transaction date at which the company becomes a party to the contractual provisions of the liability. The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Finance liabilities include payable for expenses, liability for capital expenditure and other current liabilities.

## **3.6 Impairment**

### **(a) Financial Assets**

Accounts receivable and other receivables are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effects on the estimated future cash flows of that asset, that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy etc.

### **(b) Non-Financial Assets**

An asset is impaired when its carrying amount exceeds its recoverable amount. The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Carrying amount of the assets is reduced to its recoverable amount by recognizing an impairment loss if, and only if, the recoverable amount of the asset is less than its carrying amount. Impairment loss is recognized immediately in profit or loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease.

## **3.7 Inventories**

Inventories are carried at the lower of cost and net realizable value as prescribed by IAS 2: Inventories. Cost is determined on weighted average cost basis. The cost of inventories comprises of expenditure incurred in the normal course of business in bringing the inventories to their present location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred to make the sale.

## **3.8 Provisions**

A provision is recognized in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the date of statement of financial position. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditures expected to be required to settle the obligation.

## **3.9 Income Tax Expense**

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the Statement of Comprehensive Income and accounted for in accordance with the requirements of IAS 12 : Income Tax.

### **Current Tax**

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years. The company qualifies as a "Publicly Traded Company", hence the applicable Tax Rate is 27.50%.

### **Deferred Tax**

The company has recognized deferred tax using balance sheet method in compliance with the provisions of IAS 12 : Income Taxes. The company's policy of recognition of deferred tax assets/ liabilities is based on temporary differences (Taxable or deductible) between the carrying amount (Book value) of assets and liabilities for financial reporting purpose and its tax base, and accordingly, deferred tax income/expenses has been considered to determine net profit after tax and earnings per shares (EPS).

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available, against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **3.10 Interest Income**

Interest income is recognized on accrual basis.

### **3.11 Borrowing Costs**

Borrowing costs are recognized as expenses in the period in which they are incurred unless capitalization of such is allowed under IAS 23 : Borrowing Costs.

### **3.12 Employee Benefits**

The company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds.

The company has accounted for and disclosed employee benefits in compliance with the provisions of IAS 19: Employee Benefits.

The cost of employee benefits is charged off as revenue expenditure in the period to which the contributions relate.

The company's employee benefits include the following:

#### **(a) Defined Contribution Plan (Provident Fund )**

The company has a registered provident fund scheme (Defined Contribution Plan) for employees of the company eligible to be members of the fund in accordance with the rules of the provident fund constituted under an irrevocable trust. All permanent employees contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

The company recognizes contribution to defined contribution plan as an expense when an employee has rendered services in exchange for such contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

#### **(b) Defined Benefit Plan (Gratuity)**

This represents unfunded gratuity scheme for its permanent employees. Employees are entitled to gratuity benefit after completion of minimum five years of service in the company. The gratuity is calculated on the latest applicable basic pay and is payable at the rate of one month basic pay for every completed year of service.

Though no valuation was done to quantify actuarial liabilities as per the IAS 19 : Employee Benefits, such valuation is not likely to yield a result significantly different from the current provision.

#### **(c) Short-term employee benefits**

Short-term employee benefits include salaries, bonuses, leave encashment, etc. Obligations for such benefits are measured on an undiscounted basis and are expensed as the related service is provided.

#### **(d) Contribution to Workers' Profit Participation/ Welfare Funds**

This represents 5% of net profit before tax contributed by the company as per provisions of the Bangladesh Labor Law, 2006 and is payable to workers as defined in the said law.

#### **(e) Insurance Scheme**

Employees of the company are covered under insurance schemes.

### **3.13 Share Premium**

The Share Premium shall be utilized in accordance with the provisions of the Companies Act, 1994 and as per direction of the Securities and Exchange Commission in this respect.

### **3.14 Proposed Dividend**

The amount of proposed dividend has not been accounted for but disclosed in the notes to the accounts along with dividend per share in accordance with the requirements of the Para 125 of International Accounting Standard (IAS) 1: Presentation of Financial Statements. Also, the proposed dividend has not been considered as "Liability" in accordance with the requirements of the Para 12 & 13 of International Accounting Standard (IAS) 10: Events After The Reporting Period, because no obligation exists at the time of approval of accounts and recommendation of dividend by the Board of Directors.

### **3.15 Earnings Per Share (EPS)**

This has been calculated in compliance with the requirements of IAS 33: Earnings Per Share - dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

Basic earnings represent the earnings for the year attributable to ordinary shareholders.

#### **Current Year (2011)**

The Bonus Shares issued during the year 2011 were treated as if they always had been in issue. Hence, in computing the Basic EPS of 2011, the total number of shares including the said bonus shares has been considered as the Weighted Average Number of Shares outstanding during the year 2011.

#### **Earlier Year (2010)**

The number of shares outstanding before the bonus issue has been adjusted for the proportionate change in the number of shares outstanding as if the bonus issue had occurred at the beginning of the earliest period reported (2010), and accordingly, in calculating the adjusted EPS of 2010, the total number of shares including the subsequent bonus issue in 2011 has been considered as the Weighted Average Number of Shares outstanding during the year 2010.

The basis of computation of number of shares as stated above is in line with the provisions of IAS 33 : Earning Per Share. The logic behind this basis, as stated in the said IAS is that the bonus Shares are issued to the existing shareholders without any consideration, and therefore, the number of shares outstanding is increased without an increase in resources.

#### **Diluted Earnings Per Share**

No diluted EPS is required to be calculated for the year as there was no scope for dilution during the year under review.

### **3.16 Foreign Currency Transactions**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction date.

The monetary assets and liabilities, if any, denominated in foreign currencies at the financial position date are translated at the applicable rates of exchanges ruling at that date. Any gain or loss due to exchange differences are recognized as revenue income/expense in compliance with the provisions of IAS 21 : The Effects of Changes in Foreign Exchange Rates.

### **3.17 Statement of Cash Flows**

The Statement of Cash Flow has been prepared in accordance with the requirements of IAS 7: Statement of Cash Flows. The cash generated from operating activities has been reported using the Direct Method as prescribed by the Securities and Exchange Rules, 1987 and as the benchmark treatment of IAS 7, whereby major classes of gross cash receipts and gross cash payments from operating activities are disclosed.

### **3.18 Events after Reporting Period**

Events after the reporting period that provide additional information about the company's position at the date of Statement of Financial Position or those that indicate that the going concern assumption is not appropriate are reflected in the financial statements. Events after reporting period that are not adjusting events are disclosed in the notes when material.

#### 4 (a). Property, Plant and Equipment

Amount in Taka

Particulars	Land	Building and Other Constructions	Plant and Machinery	Furniture and Fixtures	Transport and Vehicle	Office Equipment	Total
<b>Cost</b>							
At January 01, 2011	3,277,506,000	5,532,326,770	5,982,434,942	114,007,328	310,840,465	297,160,579	15,514,276,084
Additions during the year	22,771,064	54,330,111	337,049,736	19,413,093	79,686,097	16,636,459	529,886,560
Transferred & Capitalized	-	690,853,922	709,159,431	6,079,065	-	-	1,406,092,418
Disposal during the year	-	-	(8,699,295)	(70,000)	(6,017,440)	-	(14,786,735)
<b>Cost at 31 December, 2011</b>	<b>3,300,277,064</b>	<b>6,277,510,803</b>	<b>7,019,944,814</b>	<b>139,429,486</b>	<b>384,509,122</b>	<b>313,797,038</b>	<b>17,435,468,327</b>
<b>Accumulated Depreciation</b>							
At January 01, 2011	-	565,793,628	2,166,047,990	43,983,781	103,448,241	189,376,258	3,068,649,898
Depreciation during the year	-	143,417,227	279,562,405	6,999,643	40,989,546	15,879,052	486,847,873
Adjustment for assets disposed off	-	-	(8,029,900)	(42,881)	(3,572,947)	-	(11,645,728)
<b>Accumulated Depreciation at December 31, 2011</b>	<b>-</b>	<b>709,210,855</b>	<b>2,437,580,495</b>	<b>50,940,543</b>	<b>140,864,840</b>	<b>205,255,310</b>	<b>3,543,852,043</b>
<b>Net Book Value December 31, 2011</b>	<b>3,300,277,064</b>	<b>5,568,299,948</b>	<b>4,582,364,319</b>	<b>88,488,943</b>	<b>243,644,282</b>	<b>108,541,728</b>	<b>13,891,616,284</b>
<b>Capital Work in Progress</b>							<b>1,853,876,341</b>
<b>Carrying Value as on 31 December, 2011</b>							<b>15,745,492,625</b>

Assets include lease hold assets of Tk. 895,091,938 at cost and Tk.763,492,392 at carrying value.

#### Capital Work in Progress is arrived at as follows :

Balance as on January 01  
Addition during the year

#### Transferred & Capitalized

Building and Other Constructions  
Plant & Machinery  
Furniture & Fixtures

Amount in Taka

	2011	2010
	2,677,680,112	1,348,945,269
	582,288,647	2,079,614,699
	<b>3,259,968,759</b>	<b>3,428,559,968</b>
	<b>(1,406,092,418)</b>	<b>(750,879,856)</b>
	(690,853,922)	-
	(709,159,431)	(750,879,856)
	(6,079,065)	-
	<b>1,853,876,341</b>	<b>2,677,680,112</b>

#### 4 (b). Revaluation Surplus

S.F. Ahmed & Co, Chartered Accountants and Valuers revalued the land, building and plant & machinery of the Company as of 31 December 2008, following "Current cost method". Such revaluation resulted into a revaluation surplus aggregating Tk. 1,711,174,747. Current balance is arrived at as follows:

Balance as on January 01  
Adjustment for depreciation on revalued assets  
Adjustment for Deferred Tax on revalued assets

1,534,645,820	1,617,361,714
(23,559,604)	(26,810,763)
(44,483,616)	(55,905,131)
<b>1,466,602,600</b>	<b>1,534,645,820</b>

Amount in Taka

2011	2010
------	------

## 5. Intangible Assets

This is arrived at as follows :

Balance as on January 01  
Add during the year  
**Total**  
Less amortised during the year  
**Closing Balance**

51,126,854	5,726,525
95,949,037	46,545,634
<b>147,075,891</b>	<b>52,272,159</b>
(11,142,012)	(1,145,305)
<b>135,933,879</b>	<b>51,126,854</b>

## 6. Investment in Shares

This consists of as follows :

(a) Bangladesh Export Import Co. Ltd. (former Bextex Ltd.)  
(b) Central Depository Bangladesh Ltd. (CDBL)

1,881,826	1,881,826
1,569,450	4,416,700
<b>3,451,276</b>	<b>6,298,526</b>

Share details:

	No. of Share	Amount in Taka
<b>(a) Former Bextex Ltd.</b>		
Balance as on January 01, 2011	302,783	1,881,826
Stock Dividend for 2010	45,417	-
<b>Total number of Bextex's shares</b>	<b>348,200</b>	<b>1,881,826</b>
<b>Conversion in to Bangladesh Export Import Co. Ltd's share @ 5:1 basis</b>	<b>69,640</b>	<b>1,881,826</b>
<b>(b) Central Depository Bangladesh Ltd. (CDBL)</b>		
Balance as on January 01, 2011	256,945	4,416,700
Refund of Share premium against Right issue in 2010	-	(2,847,250)
<b>256,945</b>	<b>1,569,450</b>	<b>1,569,450</b>

The shares of Bangladesh Export Import Co. Ltd. are listed with Dhaka and Chittagong Stock Exchanges. The market value of each share of Bangladesh Export Import Co. Ltd. on 29 December, 2011 was Tk. 113.00 in Dhaka Stock Exchange Ltd. and Tk. 113.40 in Chittagong Stock Exchange Ltd.

## 7. Inventories

This consists of as follows :

Finished Goods  
Work in Process  
Raw Materials  
Packing Materials  
Laboratory Chemicals  
Physician Samples  
Raw & Packing Materials in Transit

639,241,751	565,049,644
169,345,787	195,111,787
842,081,846	769,883,557
473,502,950	327,253,736
1,026,434	4,076,834
52,126,812	41,239,901
114,519,051	81,193,985
<b>2,291,844,631</b>	<b>1,983,809,444</b>

## 8. Spares & Supplies

This consists of as follows :

Spares & Accessories  
Stock of Stationery  
Literature & Promotional Materials

Amount in Taka	
2011	2010
228,521,952	198,512,867
2,161,257	876,990
95,198,035	77,130,331
<b>325,881,244</b>	<b>276,520,188</b>

## 9. Accounts Receivable

This includes receivable of Tk. 67,778,102 equivalent to US\$ 841,964 (on 31-12-2010 Tk. 68,268,464 equivalent to US \$ 976,659) against export sales.

This also includes Tk. 768,912,524 ( on 31-12-2010 Tk.589,633,177) due from I & I Services Ltd., who provides delivery support to the Company and a "Related Party". The maximum amount due from that company during the year was Tk. 802,568,012 on 30 November, 2011 (on 30.09.2010 Tk. 618,177,584).

No amount was due from the directors, managing agent, managers and other officers of the company and any of them severally or jointly with any other person.

## 10. Loans, Advances and Deposits

This is unsecured, considered good and consists of as follows :

Clearing & Forwarding  
VAT  
Claims Receivable  
Security Deposit & Earnest Money  
Lease Deposit  
Capital Expenditure/ Project  
Expenses  
Bank Guarantee Margin  
Advance against Salary  
Rent Advance  
Motor Cycle  
Raw & Packing Material  
Advance Income Tax  
Prepaid Expenses  
Others

19,954,936	23,017,468
229,819,634	209,985,542
17,726,489	32,870,917
15,232,730	29,060,383
15,262,058	13,376,677
14,725,188	14,893,328
40,745,505	35,508,812
221,546	1,331,546
56,643,777	49,633,854
4,505,333	3,666,626
110,196,782	139,475,754
282,346,315	161,055,013
-	37,736,253
1,949,153	-
30,991,259	27,517,447
<b>840,320,705</b>	<b>779,129,620</b>

(a) The maximum amount due from the employees during the year was Tk.58,154,026 on 30.11.2011.

(b) No amount was due from the directors, managing agent, managers and other officers of the company and any of them severally or jointly with any other person, except as stated above.

(c) No amount was due from any related party.

(d) Advance income tax is after netting off the income tax liability.

## 11. Short Term Investment

This represents the Company's temporary investment with Bangladesh Export Import Company Limited (Beximco Ltd.), carrying interest 1% above bank interest rate. This investment is returnable as and when required by the Company.

## 12. Cash and Cash Equivalents

This consists of as follows :

(a) Cash in Hand, Current & FC Account  
(b) Imprest Cash  
(c) FDR Account

107,782,912	59,991,354
1,116,149	1,789,149
409,869,235	1,409,667,933
<b>518,768,296</b>	<b>1,471,448,436</b>

Amount in Taka

### 13. Issued Share Capital

This represents :

#### A. Authorized :

500,000,000 ( 2010: 500,000,000) Ordinary Shares of Tk. 10/- each  
 41,000,000 (2010: 41,000,000) Fully Convertible, 5% Dividend, Preference Shares of Tk. 100/- each

2011	2010
------	------

5,000,000,000	5,000,000,000
4,100,000,000	4,100,000,000
<b>9,100,000,000</b>	<b>9,100,000,000</b>

#### B. Issued, Subscribed and Paid-up :

51,775,750 shares (2010: 51,775,750) of Tk. 10/- each fully paid-up in cash  
 162,749,663 Bonus Shares (2010: 120,788,362) of Tk. 10/- each  
 5,951,250 Shares of Tk. 10/- each issued in Exchange of Shares of Beximco Infusions Ltd.  
 31,291,147 Shares issued on conversion of Preference Shares

517,757,500	517,757,500
1,627,496,630	1,207,883,620
59,512,500	59,512,500
312,911,470	312,911,470
<b>2,517,678,100</b>	<b>2,098,065,090</b>

The movement of Ordinary Shares during the year 2011 is as follows :

#### Number of Shares Amount in Taka

Balance as on January 01, 2011	209,806,509	2,098,065,090
Stock Dividend for 2010	41,961,301	419,613,010
<b>Balance as on December 31, 2011</b>	<b>251,767,810</b>	<b>2,517,678,100</b>

#### C. Composition of Shareholding of Ordinary Shares:

Sponsors:

1. A S F Rahman
2. Salman F Rahman

Associates

Foreign Investors

ICB including ICB Investors Account

General Public &amp; Institutions

2011		2010	
Number of Shares	%	Number of Shares	%
3,312,476	1.32	2,760,397	1.32
2,454,444	0.97	2,020,370	0.96
23,461,592	9.32	22,437,204	10.69
59,970,526	23.82	48,303,437	23.02
29,135,058	11.57	23,511,271	11.21
133,433,714	53.00	110,773,830	52.80
<b>251,767,810</b>	<b>100.00</b>	<b>209,806,509</b>	<b>100.00</b>

#### D. Distribution Schedule of Ordinary Shares:

Range of Holdings In number of shares	No. of Shareholders		% of Shareholders		Number of Shares		% of Share Capital	
	2011	2010	2011	2010	2011	2010	2011	2010
1 to 499	69,988	75,349	78.91%	80.70%	8,603,693	8,744,514	3.42%	4.17%
500 to 5,000	16,816	16,420	18.96%	17.58%	22,653,112	21,358,898	9.00%	10.18%
5,001 to 10,000	943	815	1.06%	0.87%	6,614,186	5,856,413	2.63%	2.79%
10,001 to 20,000	441	362	0.50%	0.39%	6,029,631	5,108,823	2.39%	2.44%
20,001 to 30,000	142	102	0.16%	0.11%	3,484,617	2,493,069	1.38%	1.19%
30,001 to 40,000	67	52	0.07%	0.06%	2,312,160	1,812,896	0.92%	0.86%
40,001 to 50,000	33	38	0.04%	0.04%	1,487,163	1,763,174	0.59%	0.84%
50,001 to 100,000	95	82	0.11%	0.09%	6,670,278	6,047,905	2.65%	2.88%
100,001 to 1,000,000	136	122	0.15%	0.13%	39,226,466	36,446,752	15.58%	17.37%
Over 1,000,000	36	29	0.04%	0.03%	154,686,504	120,174,065	61.44%	57.28%
<b>Total</b>	<b>88,697</b>	<b>93,371</b>	<b>100.00%</b>	<b>100.00%</b>	<b>251,767,810</b>	<b>209,806,509</b>	<b>100.00%</b>	<b>100.00%</b>

#### E. Market Price of Ordinary Shares:

The shares are listed with Dhaka, Chittagong and London Stock Exchanges. On the last working day of the year, each share was quoted at Tk. 93.60 (in 2010Tk. 135.10) in the Dhaka Stock Exchange Ltd., Tk. 93.60 (in 2010 Tk. 135.70) in the Chittagong Stock Exchange Ltd., and GBP 0.257 in London Stock Exchange (in 2010 GBP 0.47).

#### F. Option on unissued Ordinary shares :

There was no option on unissued shares as on 31.12.2011.

### 14. Share Premium

This is arrived at as follows :

Balance as on January 01  
Premium on Conversion of Preference share  
Preference Share Issue Expense

Amount in Taka	
2011	2010
5,269,474,690	1,489,750,000
-	3,787,088,530
-	(7,363,840)
<b>5,269,474,690</b>	<b>5,269,474,690</b>

### 15. Excess of Issue Price over Face Value of GDRs

This represents the issue price of 28,175,750 GDRs at Tk. 2,244,080,670 net off face value of underlying shares against GDRs and GDR issue expenses as per IAS 32: Financial Instruments - Presentation.

### 16. Long Term Borrowings - Net off Current Maturity (Secured)

This arrived at as follows :

- (a) Project Loan
- (b) Interest and PAD Block
- (c) Obligation Under Finance Leases

1,696,629,049	1,733,509,289
9,205,000	41,526,100
184,240,602	127,115,344
<b>1,890,074,651</b>	<b>1,902,150,733</b>

#### (a) Project Loan

This loan was sanctioned under the consortium arrangement of Janata Bank Ltd., Sonali Bank Ltd., Agrani Bank Ltd., Rupali Bank Ltd. and United Commercial Bank Ltd. for the US FDA standard oral solid dosage facility of the company. Janata Bank is the lead bank to the consortium.

This Loan is secured against :

- (i) First (registered mortgage) charge on pari passu basis with the participating banks on 1,113 decimals of land at Kathaldia, Aushpara, Tongi of Gazipur along with the building and other constructions thereon ; and
- (ii) First pari passu charge by way of hypothecation on all assets of the company both present and future.
- (iii) This Loan, carrying interest at 13% to 15% per annum, is repayable in quarterly installments ending by 2017.

#### (b) Interest and PAD Block

This represents blocked PAD of Janata Bank Ltd. to be paid in quarterly installments ending latest by 2013.



Amount in Taka

2011	2010
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## 17. Liability for Gratuity & WPPF

This consists of payable to the permanent employees at the time of separation from the company and Loan from Workers' Profit Participation/Welfare Funds as detailed below :

### (a) Gratuity Payable

Balance as on January 01  
Provisions during the year

Paid during the year

156,355,610	129,226,456
38,123,003	33,970,920
<b>194,478,613</b>	<b>163,197,376</b>
(6,977,537)	(6,841,766)
<b>187,501,076</b>	<b>156,355,610</b>
<b>216,097,719</b>	<b>179,530,182</b>
<b>403,598,795</b>	<b>335,885,792</b>

### (b) Loan from Workers' Profit Participation/Welfare Funds

## 18. Deferred Tax Liability

This is arrived at as follows :

Balance as on January 01  
Deferred Tax Expense for the year (Note : 33)  
Deferred Tax on revalued assets

647,119,301	352,416,487
271,774,005	238,797,683
44,483,616	55,905,131
<b>963,376,922</b>	<b>647,119,301</b>

## 19. Short Term Borrowings

This represents :

Janata Bank Ltd.: Cash Credit-Hypothecation

1,642,216,008	1,639,961,052
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## 20. Long Term Borrowings-Current Maturity

This consists of as follows and is payable within next twelve months from the Balance Sheet date :

Project Loan  
Interest & PAD Block  
Obligation under Finance Leases

250,000,000	250,000,000
30,000,000	47,391,326
83,744,181	51,469,117
<b>363,744,181</b>	<b>348,860,443</b>

## 21. Creditors and Other Payables

This consists of :

Goods & Services  
Provident Fund  
Advance Against Export  
Others

206,960,545	161,570,971
309,454,709	263,783,942
1,424,747	222,069
5,958,135	6,738,678
<b>523,798,136</b>	<b>432,315,660</b>

## 22. Accrued Expenses

This is unsecured, falling due within one year and consists of as follows :

For Expenses  
Workers' Profit Participation/ Welfare Funds - current year's provision (Note : 32)

17,667,454	22,435,562
83,892,463	68,076,616
<b>101,559,917</b>	<b>90,512,178</b>

## 23. Income Tax Payable

This is arrived at as follows :

Balance as on January 01  
Provision for the year  
Short Provision for previous period  
Paid during the year

Adjustment with Advance Income Tax

## 24. Net Sales Revenue

This represents net sales and consists of as follows :

Local Sales  
Export Sales US \$ 5,255,965 (in 2010 US \$ 4,817,829)

Sales represent :

Product Category	Unit	Quantity	
		2011	2010
Tablet, Capsule, Suppository & DPI	Million Pcs	2,789.6	2,379.1
Liquid, Cream and Ointment, Suspension, IV Fluid, Amino Acid, Ophthalmic, Nebulizer Solution, injectable & Inhaler	Million Pcs	59.2	56.9
Active Pharmaceutical Ingredients	Kg.	146,626	108,573
Liquid Nitrogen	Liter	102,985	611,731

## 25. Cost of Goods Sold

This is made-up as follows :

Work-in-Process (Opening)  
Materials Consumed (Note : 26)  
Factory Overhead (Note : 27)  
**Total Manufacturing Cost**  
Work-in-Process (Closing)  
**Cost of Goods Manufactured**  
Finished Goods (Opening)  
**Finished Goods available**  
Cost of Physician Sample transferred to Sample Stock  
Finished Goods (Closing)

Amount in Taka	
2011	2010
-	70,584,481
166,380,262	71,085,835
41,169,643	-
(7,518,596)	(66,000,000)
<b>200,031,309</b>	<b>75,670,316</b>
(184,549,015)	(75,670,316)
<b>15,482,294</b>	-

7,499,926,523	6,160,306,406
390,315,320	330,540,947
<b>7,890,241,843</b>	<b>6,490,847,353</b>

195,111,787	189,396,879
3,195,829,494	2,537,648,743
1,066,936,836	894,097,750
<b>4,457,878,117</b>	<b>3,621,143,372</b>
(169,345,787)	(195,111,787)
<b>4,288,532,330</b>	<b>3,426,031,585</b>
565,049,644	554,393,259
<b>4,853,581,974</b>	<b>3,980,424,844</b>
(110,631,202)	(97,734,946)
(639,241,751)	(565,049,644)
<b>4,103,709,021</b>	<b>3,317,640,254</b>

Item wise quantity and value of Finished Goods Stock are as follows :

Stock as January 01, 2011	Unit	Quantity	Value (Tk.)
Tablet, Capsule, Suppository & DPI	Million Pcs	477.8	355,479,444
Liquid, Cream and Ointment, Suspension, IV Fluid, Amino Acid, Ophthalmic, Nebulizer Solution, injectable & Inhaler	Million Pcs	7.4	178,727,151
Active Pharmaceutical Ingredients	Kg	11,920	30,843,049
			<b>565,049,644</b>
Stock as December 31, 2011			
Tablet, Capsule, Suppository & DPI	Million Pcs	499.8	374,175,104
Liquid, Cream and Ointment, Suspension, IV Fluid, Amino Acid, Ophthalmic, Nebulizer Solution, injectable & Inhaler	Million Pcs	8.2	241,774,083
Active Pharmaceutical Ingredients	Kg	8,084	23,292,564
			<b>639,241,751</b>

Amount in Taka

2011

2010

## 26. Materials Consumed

This is made-up as follows :

Opening Stock	1,101,214,127	887,971,933
Purchase	3,411,226,597	2,750,890,937
Closing Stock	(1,316,611,230)	(1,101,214,127)
	<b>3,195,829,494</b>	<b>2,537,648,743</b>

## 27. Factory Overhead

This consists of as follows :

Salary & Allowances	326,562,556	270,910,357
Repairs and Maintenance	79,042,533	66,680,578
Insurance Premium	18,130,033	10,762,989
Municipal Tax & Land Revenue	1,857,310	1,237,290
Advertisement & Subscription	24,771	96,769
Registration & Renewal	7,010,239	715,777
Travelling & Conveyance	2,523,694	2,250,371
Entertainment	783,929	721,850
Research and Development	17,795,956	6,815,379
Printing & Stationery	7,815,198	5,765,044
Telephone, Internet & Postage	2,189,723	2,228,125
Toll Charge/ (Income) - Net	76,878,595	76,281,942
Electricity, Gas & Water	55,852,069	40,587,162
Training & Conference	3,387,122	609,919
Plant Certification and Regulatory Approvals	22,902,482	12,753,618
Depreciation	440,597,325	392,890,096
Other Expenses	3,583,301	2,790,484
	<b>1,066,936,836</b>	<b>894,097,750</b>

(a) Salary and allowances include Company's Contribution to provident fund of Tk.6,482,519 (in 2010 Tk. 5,739,527).

(b) The value of imported stores and spares consumed is Tk. 39,843,777 (in 2010 Tk. 20,664,179) is included in repairs & maintenance. This also includes maintenance of office, premises, Vehicles, building, machinery, equipment and other infrastructures.

(c) Other expenses does not include any item exceeding 1% of total revenue.

## 28. Administrative Expenses

This consists of as follows :

Salary & Allowances	132,468,375	120,635,185
Rent Expenses	9,676,551	9,615,930
Repairs and Maintenance	18,364,907	11,903,815
Registration & Renewals	1,624,597	535,967
Travelling & Conveyance	15,167,565	12,792,422
Entertainment	3,948,638	3,546,181
Printing & Stationery	2,371,399	1,948,640
Audit Fee	850,000	862,500
Telephone, Internet & Postage	3,790,301	4,011,859
Electricity, Gas & Water	7,393,412	7,479,958
Legal & Consultancy Fee	3,099,655	2,920,722
AGM, Company Secretarial Expenses and Regulatory Fees	45,430,058	29,326,959
Training & Conference	3,300,188	2,808,265
Depreciation	17,039,676	15,194,645
Other Expenses	10,676,524	9,830,932
	<b>275,201,846</b>	<b>233,413,980</b>

(a) Salary and allowances include provident fund contribution of Tk. 3,345,556 (in 2010 Tk. 3,318,203).

(b) Repairs & maintenance includes maintenance of office, premises, Vehicles, building, equipment and other infrastructures.

Amount in Taka

2011

2010

## 29. Selling, Marketing and Distribution Expenses

This consists of as follows :

Salary & Allowances	498,833,494	394,172,411
Rent Expenses	16,033,956	14,018,539
Repairs and Maintenance	2,148,084	9,884,277
Travelling & Conveyance	215,921,654	205,017,107
Entertainment	13,649,841	12,487,400
Printing & Stationery	17,635,053	15,300,027
Telephone, Internet & Postage	7,559,384	7,497,939
Electricity, Gas & Water	4,166,628	3,378,686
Market Research & New Products	21,380,415	16,256,229
Training & Conference	36,943,909	28,902,890
Insurance Premium	7,225,282	4,235,200
Sample Expenses	104,526,024	94,019,074
Promotional Expenses	219,155,686	188,563,588
Literature/News Letter	72,206,847	63,977,381
Registration & Renewals	6,132,572	2,372,417
Export Insurance, Freight and C&F Expenses	31,015,418	35,827,506
Delivery Expense	199,262,811	169,065,853
Depreciation and Amortization	40,352,884	27,193,267
Other Expenses	8,701,336	11,843,136
	<b>1,522,851,278</b>	<b>1,304,012,927</b>

(a) Salary and allowances include provident fund contribution of Tk. 12,445,850 (in 2010 Tk. 11,378,454).

(b) Delivery expense includes delivery support fee @ 2% of local sales of Formulation and IV Fluids paid to I & I Services Ltd., a " Related Party".

(c) Repairs & maintenance includes maintenance of office, premises, Vehicles, building, equipment and other infrastructures.

## 30. Other Income

This is arrived at as follows :

Interest on FDR & Short term Investment	330,494,566	367,995,851
Income from HFA Technology Adoption and Transfer	-	78,812,136
Dividend Income	200,000	100,000
Royalty	2,997,369	-
Exchange Rate Fluctuation Gain	5,178,032	-
Profit on Sale of Fixed Assets (Note 36)	2,037,807	9,103,147
	<b>340,907,774</b>	<b>456,011,134</b>

## 31. Finance Cost

This is arrived at as follows :

Interest on Cash Credit, Lease Finance and other Charges	504,933,292	463,200,224
Interest on Loan from PF and WPP & Welfare Fund	62,712,465	45,232,160
Dividend on Preference Shares	-	153,750,000
	<b>567,645,757</b>	<b>662,182,384</b>

## 32. Contribution To Workers' Profit Participation / Welfare Funds

This represents 5% of net profit before tax after charging the contribution as per provisions of the Bangladesh Labor law 2006.

## 33. Income Tax Expenses

This consists of as follows :

(i) Short provision earlier year	41,169,643	-
(ii) Current Tax for the year under review (Note 3.9)	166,380,262	71,085,835
(iii) Deferred Tax Expense (Note 3.9)	271,774,005	238,797,683
	<b>479,323,910</b>	<b>309,883,518</b>

### 34. Earnings Per Share (EPS) :

	2011	2010
(a) Earnings attributable to the Ordinary Shareholders	Tk. 1,198,525,342	1,051,648,808
(b) Weighted average number of Ordinary Shares outstanding during the year	Nos. 251,767,810	251,767,810
<b>Earnings Per Share (EPS)/ Adjusted EPS (2010)</b>	<b>4.76</b>	<b>4.18</b>

### 35. Related Party Disclosures :

The Company carried out a number of transactions with related parties in the normal course of business and on arms length basis. The nature of transactions and their total value is shown below :

Name of Related Parties	Nature of Transactions	Value of Transaction in 2011	Balance at year end
(a) I & I Services Ltd.	Local Delivery	8,199,575,911	768,912,524
	Delivery Support Fee	140,204,673	-
(b) Bangladesh Export Import Co. Ltd	Short Term Investment	1,334,019,856	2,193,423,560
	Interest on Short Term Investment	240,314,856	-

#### Nature of Relationship :

The Companies are subject to common control from same source i.e., Beximco Group.

### 36. Particulars of Disposal of Property, Plant and Equipment :

The following assets were disposed off during the year ended 31 December 2011:

Particulars of Assets	Cost	Accumulated Depreciation	Written Down Value	Sales Price	Profit / (Loss)	Mode of Disposal	Name of Parties
Furniture	70,000	42,881	27,119	27,119	-	Negotiation	Various Individuals
Transport & Vehicle	6,017,440	3,572,947	2,444,493	4,482,300	2,037,807	Negotiation	Various Individuals
Plant & Machinery	8,699,295	8,029,900	669,395	669,395	-	Negotiation	Various Individuals
<b>Tk.</b>	<b>14,786,735</b>	<b>11,645,728</b>	<b>3,141,007</b>	<b>5,178,814</b>	<b>2,037,807</b>		

### 37. Payment / Perquisites to Managers and above :

Amount in Taka

(a) The aggregate amounts paid to/ provided for the Managers and above of the company is disclosed below :

	2011	2010
Remuneration	100,027,020	86,381,088
Gratuity	3,839,150	3,326,065
Contribution to Provident Fund	4,606,980	3,957,684
Bonus	7,678,300	6,652,130
Medical	3,188,195	3,170,595
Others	27,630,916	24,451,244
<b>Total</b>	<b>146,970,561</b>	<b>127,938,806</b>

(b) No compensation was allowed by the company to the Directors of the company.

(c) No amount of money was expended by the company for compensating any member of the board for special services rendered.

(d) No board meeting attendance fee was paid to the directors of the company.

### 38. Production Capacity and Actual Production :

Item	Unit	Production Capacity		Actual Production		Capacity Utilization	
		2011	2010	2011	2010	2011	2010
Tablet, Capsule, Suppository & DPI	Million Pcs	3,891	2,308	2,956	2,490	76%	108%
Liquid, Cream and Ointment, Suspension, IV Fluid, Amino Acid, Ophthalmic, Nebulizer Solution, injectable & Inhaler	Million Pcs	82	78	61	55	74%	71%

### 39. Capital Expenditure Commitment

There was no capital expenditure contracted but not incurred or provided for at 31 December 2011.

### 40. Finance Lease Commitment

At 31 December, 2011, the company had annual commitment under finance leases as set out below :

Leases expiring within 1 year	83,744,181
Leases expiring within 2-5 years (inclusive)	184,240,602
	<b>Tk. 267,984,783</b>

### 41. Claim not Acknowledged as Debt

There was no claim against the company not acknowledged as debt as on 31 December, 2011.

### 42. Un-availed Credit Facilities

There is no credit facilities available to the company under any contract, other than trade credit available in the ordinary course of business and not availed of as on 31 December, 2011.

### 43. Payments Made in Foreign Currency :

	Foreign Currency (Equivalent US\$)	Taka
Import of Machinery, Equipments & Spares	6,716,693	483,601,908
Import of Raw & Packing Material	32,631,729	2,420,621,680
Regulatory Fees & Other Expenses	3,247,196	236,538,558

No other expenses including royalty, technical expert and professional advisory fee, interest, etc. was incurred or paid in foreign currencies except as stated above.

### 44. Foreign Exchange Earned :

- (a) Collection from Export Sales of US\$ 5,461,913 (in 2010 US\$ 4,817,829).
- (b) Royalty received US\$ 6,620

### 45. Commission / Brokerage to selling agent :

No commission was incurred or paid to any sales agent nor any brokerage or discount other than conventional trade discount was incurred or paid against sales.

### 46. Contingent Liability

The company has a contingent liability aggregating Tk. 122,934,264 against disputed income tax claims for the year 1999, 2007 and 2008. The company has filed writ petitions against the claims for the years 1999 and 2007 and an appeal with the Appellate Tribunal against the claim of 2008. There is also a disputed VAT claim aggregating Tk. 144,113,691 against the company. The company has recently won the verdict of the appellate tribunal in its favour. The concerned authority may now appeal to the honourable High Court against this verdict. Additionally, there are claims of custom duty aggregating Tk. 22,507,358 against the indemnity bond issued by the company in connection with import of certain plant and machinery. The company has filed writ petitions against this claims. If any liability arises on disposal of the cases, the company shall provide for such liability in the year of final disposal.

### 47. Events After the Reporting Period

The directors recommended 21% Stock dividend (i.e. 21 shares for every 100 shares held) for the year 2011. The dividend proposal is subject to shareholders' approval at the forthcoming annual general meeting. Excepting to that, no circumstances have arisen since the date of Statement of Financial Position which would require adjustment to, or disclosure in, the financial statements or notes thereto.

## 48. Financial Risk Management

The management of company has overall responsibility for the establishment and oversight of the company's risk management framework. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company has exposure to the following risk for its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

### 48.01 Credit Risk

Credit risk is the risk of a financial loss to the company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. As at 31 December 2011 substantial part of the receivables are those from its related company and subject to insignificant credit risk. Risk exposures from other financial assets i.e. Cash at bank and other external receivables are nominal.

### 48.02 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity ( cash and cash equivalents) is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the company's reputation. Typically, the company ensures that it has sufficient cash and cash equivalent to meet expected operational expenses including financial obligations through preparation of the cash flow forecast with due consideration of time line of payment of the financial obligations and accordingly arrange for sufficient fund to make the expected payments within due date. In extreme stressed conditions the company may get support from the related company in the form of short term financing.

### 48.03 Market Risk

Market risk is the risk that any change in market prices such as foreign exchange rates and interest will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

#### (a) Currency risk

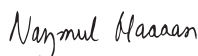
The company is exposed to currency risk on certain revenues and purchases such as revenue from foreign customers and import of raw material, machineries and equipment. Majority of the company's foreign currency transactions are denominated in USD and relate to procurement of raw materials, machineries and equipment from abroad.

#### (b) Interest rate risk

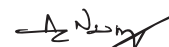
Interest rate risk is the risk that arises due to changes in interest rates on borrowing. There was no foreign currency loan which is subject to floating rates of interest. Local loans are, however, not significantly affected by fluctuations in interest rates. The company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.



**Salman F Rahman**  
Vice Chairman



**Nazmul Hassan**  
Managing Director



**Ali Nawaz**  
Chief Financial Officer