

Independent Auditors' Report

To The Shareholders of
Beximco Pharmaceuticals Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Beximco Pharmaceuticals Limited, which comprise the Statement of Financial Position as at 31 December 2014, the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our judgment, including the assessment of the risks 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 presentation 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 give a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1994 and the Securities and Exchange Rules 1987, we 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 Profit or Loss and Other 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
27 April, 2015


M.J. Abedin & Co.
Chartered Accountants

Beximco Pharmaceuticals Limited
Statement of Financial Position
As at 31 December 2014

Amount in Taka

| | Notes | 2014 | 2013 |
|---|---------|-----------------------|-----------------------|
| ASSETS | | | |
| Non-Current Assets | | 20,634,246,854 | 18,567,329,474 |
| Property, Plant and Equipment- Carrying Value | 4(a) | 20,393,278,737 | 18,364,313,070 |
| Intangible Assets | 3.3 & 5 | 235,208,190 | 198,223,509 |
| Investment in Shares | 6(a) | 5,759,927 | 4,792,895 |
| Current Assets | | 8,366,279,107 | 8,903,422,328 |
| Inventories | 7 | 2,493,657,338 | 2,411,881,986 |
| Spares & Supplies | 8 | 554,183,898 | 433,352,407 |
| Accounts Receivable | 9 | 1,397,498,648 | 1,249,434,697 |
| Loans, Advances and Deposits | 10 | 1,223,673,153 | 1,186,637,111 |
| Short Term Investment | 11 | 2,475,026,831 | 3,026,383,161 |
| Cash and Cash Equivalents | 12 | 222,239,239 | 595,732,966 |
| TOTAL ASSETS | | 29,000,525,961 | 27,470,751,802 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' Equity | | 20,920,185,325 | 19,775,552,465 |
| Issued Share Capital | 13 | 3,678,516,520 | 3,503,349,070 |
| Share Premium | | 5,269,474,690 | 5,269,474,690 |
| Excess of Issue Price over Face Value of GDRs | 14 | 1,689,636,958 | 1,689,636,958 |
| Capital Reserve on Merger | | 294,950,950 | 294,950,950 |
| Revaluation Surplus | 4(b) | 1,299,220,315 | 1,349,578,805 |
| Fair Value Gain on Investment | 6(c) | 2,308,651 | 1,341,619 |
| Retained Earnings | | 8,686,077,241 | 7,667,220,373 |
| Non-Current Liabilities | | 3,372,593,206 | 3,312,618,059 |
| Long Term Borrowings-Net off Current Maturity (Secured) | 15 | 901,709,327 | 1,151,400,702 |
| Liability for Gratuity and WPPF & Welfare Funds | 16 | 741,522,518 | 610,628,150 |
| Deferred Tax Liability | 17 | 1,729,361,361 | 1,550,589,207 |
| Current Liabilities and Provisions | | 4,707,747,430 | 4,382,581,278 |
| Short Term Borrowings (Secured) | 18 | 3,153,121,293 | 2,776,266,125 |
| Long Term Borrowings-Current Maturity (Secured) | 19 | 663,838,072 | 754,903,558 |
| Creditors and Other Payables | 20 | 357,710,839 | 383,170,553 |
| Accrued Expenses | 21 | 164,283,115 | 141,582,304 |
| Dividend Payable | | 454,720 | 973,367 |
| Income Tax Payable | 22 | 368,339,391 | 325,685,371 |
| TOTAL EQUITY AND LIABILITIES | | 29,000,525,961 | 27,470,751,802 |

The Notes are an integral part of the Financial Statements.

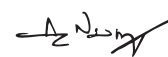
Approved and authorised for issue by the Board of Directors on 27 April, 2015 and signed for and on behalf of the Board :



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
27 April, 2015

Beximco Pharmaceuticals Limited
Statement of Profit or Loss and Other Comprehensive Income
For the Year ended 31 December 2014

| | | Amount in Taka | |
|--|-------|------------------------|------------------------|
| | Notes | 2014 | 2013 |
| Net Sales Revenue | 23 | 11,206,885,677 | 10,490,699,094 |
| Cost of Goods Sold | 24 | (6,102,694,323) | (5,651,898,878) |
| Gross Profit | | 5,104,191,354 | 4,838,800,216 |
| Operating Expenses | | (2,686,014,518) | (2,514,527,446) |
| Administrative Expenses | 27 | (398,762,237) | (375,565,912) |
| Selling, Marketing and Distribution Expenses | 28 | (2,287,252,281) | (2,138,961,534) |
| Profit from Operations | | 2,418,176,836 | 2,324,272,770 |
| Other Income | 29 | 521,171,647 | 510,588,200 |
| Finance Cost | 30 | (724,314,963) | (636,587,090) |
| Profit Before Contribution to WPPF & Welfare Funds | | 2,215,033,520 | 2,198,273,880 |
| Contribution to WPPF & Welfare Funds | 31 | (105,477,787) | (104,679,709) |
| Profit Before Tax | | 2,109,555,733 | 2,093,594,171 |
| Income Tax Expenses | 32 | (581,258,160) | (688,831,391) |
| Current Tax | | (436,782,844) | (324,415,546) |
| Deferred Tax | | (144,475,316) | (364,415,845) |
| Profit after Tax for the Year | | 1,528,297,573 | 1,404,762,780 |
| Other Comprehensive Income - Fair Value Gain on Investment in Listed Shares | 6(c) | 967,032 | 1,341,619 |
| Total Comprehensive Income for the Year | | 1,529,264,605 | 1,406,104,399 |
| Earnings Per Share (EPS) / Adjusted EPS (2013) | 33 | 4.15 | 3.82 |
| Number of Shares used to compute EPS | | 367,851,652 | 367,851,652 |

The Notes are an integral part of the Financial Statements.

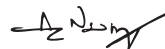
Approved and authorised for issue by the Board of Directors on 27 April, 2015 and signed for and on behalf of the Board :



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
27 April, 2015

Beximco Pharmaceuticals Limited
Statement of Changes in Equity
For the Year ended 31 December 2014

Amount in Taka

| | Share Capital | Share Premium | Excess of Issue Price over Face Value of GDRs | Capital Reserve on Merger | Revaluation Surplus | Fair Value Gain on Investment | Retained Earnings | Total |
|--|----------------------|----------------------|---|---------------------------|----------------------|-------------------------------|----------------------|-----------------------|
| Balance as on January 01, 2014 | 3,503,349,070 | 5,269,474,690 | 1,689,636,958 | 294,950,950 | 1,349,578,805 | 1,341,619 | 7,667,220,373 | 19,775,552,465 |
| Total Comprehensive Income for 2014: | | | | | | | | |
| Profit for the year | — | — | — | — | — | — | 1,528,297,573 | 1,528,297,573 |
| Other Comprehensive Income | — | — | — | — | — | 967,032 | — | 967,032 |
| Transactions with the Shareholders: | | | | | | | | |
| Cash Dividend for 2013 | — | — | — | — | — | — | (350,334,907) | (350,334,907) |
| Stock Dividend for 2013 | 175,167,450 | — | — | — | — | — | (175,167,450) | — |
| Adjustment for Depreciation on Revalued Assets | — | — | — | — | (16,061,652) | — | 16,061,652 | — |
| Adjustment for Deferred Tax on Revalued Assets | — | — | — | — | (34,296,838) | — | — | (34,296,838) |
| Balance as on December 31, 2014 | 3,678,516,520 | 5,269,474,690 | 1,689,636,958 | 294,950,950 | 1,299,220,315 | 2,308,651 | 8,686,077,241 | 20,920,185,325 |
| Number of Shares | | | | | | | | 367,851,652 |
| Net Asset Value (NAV) Per Share | | | | | | | | 56.87 |

For the Year ended 31 December 2013

| | | | | | | | | |
|--|----------------------|----------------------|----------------------|--------------------|----------------------|------------------|----------------------|-----------------------|
| Balance as on January 01, 2013 | 3,046,390,500 | 5,269,474,690 | 1,689,636,958 | 294,950,950 | 1,406,527,880 | — | 6,701,180,881 | 18,408,161,859 |
| Total Comprehensive Income for 2013: | | | | | | | | |
| Profit for the year | — | — | — | — | — | — | 1,404,762,780 | 1,404,762,780 |
| Other Comprehensive Income | — | — | — | — | — | 1,341,619 | — | 1,341,619 |
| Transactions with the Shareholders: | | | | | | | | |
| Stock Dividend for 2012 | 456,958,570 | — | — | — | — | — | (456,958,570) | — |
| Adjustment for Depreciation on Revalued Assets | — | — | — | — | (18,235,282) | — | 18,235,282 | — |
| Adjustment for Deferred Tax on Revalued Assets | — | — | — | — | (38,713,793) | — | — | (38,713,793) |
| Balance as on December 31, 2013 | 3,503,349,070 | 5,269,474,690 | 1,689,636,958 | 294,950,950 | 1,349,578,805 | 1,341,619 | 7,667,220,373 | 19,775,552,465 |
| Number of Shares | | | | | | | | 350,334,907 |
| Net Asset Value (NAV) Per Share | | | | | | | | 56.45 |

The Notes are an integral part of the Financial Statements.

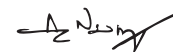
Approved and authorised for issue by the Board of Directors on 27 April, 2015 and signed for and on behalf of the Board :



Salman F Rahman
Vice Chairman

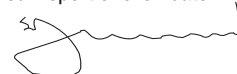


Nazmul Hassan
Managing Director



Ali Nawaz
Chief Financial Officer

Per our report of even date.



M. J. Abedin & Co.
Chartered Accountants

Dhaka
27 April, 2015

Beximco Pharmaceuticals Limited
Statement of Cash Flows
For the Year ended 31 December 2014

Amount in Taka


| | 2014 | 2013 |
|--|------------------------|------------------------|
| Cash Flows from Operating Activities : | | |
| Receipts from Customers and Others | 11,086,465,849 | 10,407,897,987 |
| Payments to Suppliers and Employees | (8,240,584,352) | (7,880,610,113) |
| Cash Generated from Operations | 2,845,881,497 | 2,527,287,874 |
| Interest Paid | (724,314,963) | (636,587,090) |
| Interest Received | 489,970,647 | 512,424,678 |
| Income Tax Paid | (394,128,824) | (272,794,704) |
| Net Cash Generated from Operating Activities | 2,217,408,357 | 2,130,330,758 |
| Cash Flows from Investing Activities : | | |
| Acquisition of Property, Plant and Equipment | (2,778,797,453) | (2,739,061,076) |
| Intangible Assets | (56,321,506) | (25,370,921) |
| Disposal of Property, Plant and Equipment | 7,615,792 | 5,401,817 |
| Decrease/(Increase) in Short Term Investment | 551,356,330 | (339,784,835) |
| Net Cash Used in Investing Activities | (2,276,146,837) | (3,098,815,015) |
| Cash Flows from Financing Activities : | | |
| Net Decrease in Long Term Borrowings | (340,756,861) | (228,030,079) |
| Net Increase in Short Term Borrowings | 376,855,168 | 1,239,316,207 |
| Dividend Paid | (350,853,554) | (47,581) |
| Net Cash Generated from Financing Activities | (314,755,247) | 1,011,238,547 |
| Increase/(Decrease) in Cash and Cash Equivalents | (373,493,727) | 42,754,290 |
| Cash and Cash Equivalents at Beginning of Year | 595,732,966 | 552,978,676 |
| Cash and Cash Equivalents at End of Year | 222,239,239 | 595,732,966 |
| Net Operating Cash Flow Per Share | 6.03 | 6.08 |
| Number of Shares used to compute Net Operating Cash Flow Per Share | 367,851,652 | 350,334,907 |

The Notes are an integral part of the Financial Statements.

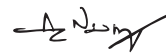
Approved and authorised for issue by the Board of Directors on 27 April, 2015 and signed for and on behalf of the Board :



Salman F Rahman
Vice Chairman



Nazmul Hassan
Managing Director



Ali Nawaz
Chief Financial Officer

Per our report of even date.

Dhaka
27 April, 2015



M. J. Abedin & Co.
Chartered Accountants

Beximco Pharmaceuticals Limited
Notes to the Financial Statements
As at and for the year ended 31 December 2014

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 Historical Cost Basis except land, building and plant & machinery being revalued on 31 December 2008, investment in shares of listed company being valued at year end quoted price and the cash flow statement being prepared on cash basis.

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 is 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 2014 ;
- (b) a Statement of Profit or Loss and Other Comprehensive Income for the year 2014;
- (c) a Statement of Changes in Equity for the year 2014;
- (d) a Statement of Cash Flows for the year 2014 ; 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, 2014 to December 31, 2014.

2.5 Authorisation for issue

The financial statements have been authorised for issue by the Board of Directors on 27 April, 2015.

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 2013 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 2013 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 are definite to yield benefit to the company are capitalized.

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 transfer 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 a price quoted in the stock exchange at year end. Investment in other shares is valued at cost.

3.5.2 Financial Liability

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. Financial assets are 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 Profit or Loss and other 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 Cost

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.

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 and Welfare Funds

This represents 5% of net profit before tax contributed by the company as per provisions of the Bangladesh Labor (amendment) Act 2013 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 in accordance with the requirements 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 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 by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

Current Year (2014)

The Bonus Shares issued during the year 2014 were treated as if they always had been in issue. Hence, in computing the Basic EPS of 2014, the total number of shares including the said bonus shares has been considered as the Weighted Average Number of Shares outstanding during the year 2014.

Earlier Year (2013)

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 (2013), and accordingly, in calculating the adjusted EPS of 2013, the total number of shares including the subsequent bonus issued in 2014 has been considered as the Weighted Average number of Shares outstanding during the year 2013.

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. Exchange differences are charged off as revenue expenditure 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

As on December 31, 2014

Amount in Taka

| Particulars | Land | Building and Other Constructions | Plant and Machinery | Furniture and Fixtures | Transport and Vehicle | Office Equipment | Total |
|--|----------------------|----------------------------------|-----------------------|------------------------|-----------------------|--------------------|-----------------------|
| Cost | | | | | | | |
| At January 01, 2014 | 3,302,882,482 | 6,370,758,420 | 10,034,644,242 | 173,333,992 | 548,077,240 | 358,363,316 | 20,788,059,692 |
| Additions during the year | 40,858,960 | 39,331,900 | 111,420,014 | 24,240,377 | 59,392,132 | 31,650,351 | 306,893,734 |
| Transferred & Capitalized | — | — | 427,051,445 | — | — | — | 427,051,445 |
| Disposal during the year | — | — | — | (573,000) | (10,623,868) | — | (11,196,868) |
| Cost at December 31, 2014 | 3,343,741,442 | 6,410,090,320 | 10,573,115,701 | 197,001,369 | 596,845,504 | 390,013,667 | 21,510,808,003 |
| Accumulated Depreciation | | | | | | | |
| At January 01, 2014 | — | 1,052,546,636 | 3,090,128,096 | 69,430,902 | 237,436,147 | 237,273,060 | 4,686,814,841 |
| Depreciation during the Year | — | 163,516,467 | 492,388,770 | 10,375,309 | 61,346,435 | 18,145,890 | 745,772,871 |
| Adjustment for Assets disposed off | — | — | — | (423,000) | (6,714,953) | — | (7,137,953) |
| Accumulated Depreciation at December 31, 2014 | — | 1,216,063,103 | 3,582,516,866 | 79,383,211 | 292,067,629 | 255,418,950 | 5,425,449,759 |
| Net Book Value December 31, 2014 | 3,343,741,442 | 5,194,027,217 | 6,990,598,835 | 117,618,158 | 304,777,875 | 134,594,717 | 16,085,358,244 |
| Capital Work in Progress | | | | | | | 4,307,920,493 |
| Carrying Value as on December 31, 2014 | | | | | | | 20,393,278,737 |

Assets include lease hold assets of Tk. 1,118,197,222 at cost and Tk.1,024,142,612 at carrying value.

As on December 31, 2013

| Particulars | Land | Building and Other Constructions | Plant and Machinery | Furniture and Fixtures | Transport and Vehicle | Office Equipment | Total |
|--|----------------------|----------------------------------|-----------------------|------------------------|-----------------------|--------------------|-----------------------|
| Cost | | | | | | | |
| At January 01, 2013 | 3,302,101,973 | 6,333,171,363 | 7,393,575,590 | 157,600,585 | 458,376,716 | 329,522,045 | 17,974,348,272 |
| Additions during the year | 780,509 | 13,549,431 | 309,357,824 | 15,883,407 | 92,035,614 | 28,841,271 | 460,448,056 |
| Transferred & Capitalized | — | 24,037,626 | 2,333,797,946 | — | — | — | 2,357,835,572 |
| Disposal during the year | — | — | (2,087,118) | (150,000) | (2,335,090) | — | (4,572,208) |
| Cost at December 31, 2013 | 3,302,882,482 | 6,370,758,420 | 10,034,644,242 | 173,333,992 | 548,077,240 | 358,363,316 | 20,788,059,692 |
| Accumulated Depreciation | | | | | | | |
| At January 01, 2013 | — | 883,415,433 | 2,765,654,219 | 59,740,937 | 184,696,202 | 221,274,036 | 4,114,780,827 |
| Depreciation during the year | — | 169,131,203 | 326,077,583 | 9,779,965 | 54,651,369 | 15,999,024 | 575,639,144 |
| Adjustment for assets disposed off | — | — | (1,603,706) | (90,000) | (1,911,424) | — | (3,605,130) |
| Accumulated Depreciation at December 31, 2013 | — | 1,052,546,636 | 3,090,128,096 | 69,430,902 | 237,436,147 | 237,273,060 | 4,686,814,841 |
| Net Book Value December 31, 2013 | 3,302,882,482 | 5,318,211,784 | 6,944,516,146 | 103,903,090 | 310,641,093 | 121,090,256 | 16,101,244,851 |
| Capital Work in Progress | | | | | | | 2,263,068,219 |
| Carrying Value as on December 31, 2013 | | | | | | | 18,364,313,070 |

Capital Work in Progress is arrived at as follows :

| | Amount in Taka | |
|--------------------------------------|-----------------------------|-----------------------------|
| | 2014 | 2013 |
| Balance as on January 01 | 2,263,068,219 | 2,342,290,771 |
| Addition during the year | 2,471,903,719 | 2,278,613,020 |
| | 4,734,971,938 | 4,620,903,791 |
| Transferred & Capitalized | (427,051,445) | (2,357,835,572) |
| Building and Other Constructions | - | (24,037,626) |
| Plant & Machinery | (427,051,445) | (2,333,797,946) |
| Balance as on December 31 | <u>4,307,920,493</u> | <u>2,263,068,219</u> |

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 | 1,349,578,805 | 1,406,527,880 |
| Adjustment for depreciation on revalued assets | (16,061,652) | (18,235,282) |
| Adjustment for Deferred Tax on revalued assets | (34,296,838) | (38,713,793) |
| | <u>1,299,220,315</u> | <u>1,349,578,805</u> |

5. Intangible Assets

This consists of as follows:

| | Balance 01-01-2014 | Addition 2014 | Amortized in 2014 | Balance 31-12-2014 |
|---|--------------------|-------------------|---------------------|--------------------|
| Product development, Licensing and Marketing Rights | 189,856,528 | 51,836,992 | (11,142,012) | 230,551,508 |
| Software | 8,366,981 | 4,484,514 | (8,194,813) | 4,656,682 |
| | 198,223,509 | 56,321,506 | (19,336,825) | 235,208,190 |

6. Investment in Shares

(a) Investment Details:

| | | |
|--|-------------------------|-------------------------|
| (i) Bangladesh Export Import Co. Ltd. | 4,190,477 | 3,223,445 |
| (ii) Central Depository Bangladesh Ltd. (CDBL) | 1,569,450 | 1,569,450 |
| | <u>5,759,927</u> | <u>4,792,895</u> |

This is arrived at as follows:

| | Bangladesh Export Import Co. Ltd. | Central Depository Bangladesh Ltd. |
|---|--------------------------------------|---------------------------------------|
| Investment as on January 01, 2014 | 3,223,445 | 1,569,450 |
| Fair value gain on investment | 967,032 | - |
| Investment as on December 31, 2014 | Tk. <u>4,190,477</u> | <u>1,569,450</u> |
| (b) Number of Shares: | | |
| As on January 01, 2014 | 100,107 | 571,182 |
| Stock Dividend for 2013 | 15,016 | - |
| As on December 31, 2014 | <u>115,123</u> | <u>571,182</u> |

(c) Fair value gain on investment Amount in Taka

| | |
|--|-------------------------|
| Fair market value of 115,123 shares (including 15,016 shares received as stock dividend for the year 2013) of Bangladesh Export Import Co. Ltd at Tk.36.40 per share | 4,190,477 |
| Less Investment at beginning of the year | <u>3,223,445</u> |
| Fair Value Gain | 967,032 |
| Balance as on January 01, 2014 | <u>1,341,619</u> |
| Balance as on December 31, 2014 | <u>2,308,651</u> |

(d) The shares of Bangladesh Export Import Co. Ltd. are listed in Dhaka and Chittagong Stock Exchanges. The market value of each share of Bangladesh Export Import Co. Ltd. on last working day of the year was Tk.36.40 in Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Shares of CDBL are not traded.

7. Inventories

This consists of as follows :

| | 2014 | 2013 |
|----------------------|-----------------------------|-----------------------------|
| Finished Goods | 633,692,189 | 644,005,694 |
| Work in Process | 171,815,679 | 204,755,943 |
| Raw Materials | 637,080,994 | 787,194,854 |
| Packing Materials | 424,461,374 | 440,279,801 |
| Laboratory Chemicals | 550,984 | 800,984 |
| Physician Samples | 149,875,483 | 92,234,008 |
| Materials in Transit | <u>476,180,635</u> | <u>242,610,702</u> |
| | <u>2,493,657,338</u> | <u>2,411,881,986</u> |

8. Spares & Supplies

This consists of as follows :

| | | |
|------------------------------------|---------------------------|---------------------------|
| Spares & Accessories | 399,537,644 | 318,538,085 |
| Stock of Stationery | 11,284,736 | 9,829,034 |
| Literature & Promotional Materials | <u>143,361,518</u> | <u>104,985,288</u> |
| | <u>554,183,898</u> | <u>433,352,407</u> |

9. Accounts Receivable

This includes receivable of Tk. 136,834,694 equivalent to US\$ 1,763,334 (on 31-12-2013 Tk. 158,658,136 equivalent to US \$ 2,049,754) against export sales.

This also includes Tk. 1,118,478,352 due from I & I Services Ltd., who provides distribution service to the Company and a "Related Party". The maximum amount due from that company during the year was Tk. 1,171,257,041 on 30-11-2014.

The receivables on account of Export sales are fully secured against Letter of Credit while the others are unsecured but considered good.

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 :

Amount in Taka

| | 2014 | 2013 |
|---------------------------------------|----------------------|----------------------|
| Clearing & Forwarding | 54,354,123 | 43,788,956 |
| VAT | 217,516,529 | 224,271,781 |
| Claims Receivable | 14,620,213 | 12,824,382 |
| Security Deposit & Earnest Money | 27,652,694 | 21,814,251 |
| Lease Deposit | 21,812,942 | 18,238,318 |
| Capital Expenditure/ Project Expenses | 50,029,753 | 39,234,247 |
| Bank Guarantee Margin | 132,711,063 | 85,456,445 |
| Advance against Salary | 1,257,096 | 39,939,537 |
| Rent Advance | 55,699,183 | 51,306,101 |
| Motor Cycle | 9,716,674 | 9,692,064 |
| Raw & Packing Material | 124,010,046 | 156,328,603 |
| Prepaid Expenses | 422,209,729 | 409,577,706 |
| Overseas Liaison Office | 21,116,922 | 28,932,441 |
| Others | 15,032,617 | 9,968,983 |
| | 55,933,569 | 35,263,296 |
| | 1,223,673,153 | 1,186,637,111 |

- (a) The maximum amount due from the employees during the year was Tk. 56,071,933 on 31 October, 2014.
- (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.

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 (including Imprest Cash) | 3,218,618 | 3,474,616 |
| (b) Cash at Bank : | | |
| (i) Current & FC Account | 190,573,819 | 85,680,218 |
| (ii) FDR Account | 28,446,802 | 506,578,132 |
| | 222,239,239 | 595,732,966 |

13. Issued Share Capital

This represents :

A. Authorized :

| | | |
|--|----------------------|----------------------|
| 500,000,000 Ordinary Shares of Tk. 10/- each | 5,000,000,000 | 5,000,000,000 |
| 41,000,000 Fully Convertible, 5% Dividend, Preference Shares of Tk. 100/- each | 4,100,000,000 | 4,100,000,000 |
| | 9,100,000,000 | 9,100,000,000 |

B. Issued, Subscribed and Paid-up :

| | | |
|--|----------------------|----------------------|
| 51,775,750 shares of Tk. 10/- each fully paid-up in cash | 517,757,500 | 517,757,500 |
| 278,833,505 Bonus Shares (2013: 261,316,760) of Tk. 10/- each | 2,788,335,050 | 2,613,167,600 |
| 5,951,250 Shares of Tk. 10/- each issued in Exchange of Shares of Beximco Infusions Ltd. | 59,512,500 | 59,512,500 |
| 31,291,147 Shares issued on conversion of Preference Shares | 312,911,470 | 312,911,470 |
| | 3,678,516,520 | 3,503,349,070 |

The movement of Ordinary Shares during the year 2014 is as follows :

| | Number of Shares | Amount in Taka |
|---|--------------------|----------------------|
| Balance as on January 01, 2014 | 350,334,907 | 3,503,349,070 |
| Bonus Shares issued during the year 2014 (for 2013) | 17,516,745 | 175,167,450 |
| Balance as on December 31, 2014 | 367,851,652 | 3,678,516,520 |

C. Composition of Shareholding of Ordinary Shares:

| | 2014 | | 2013 | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
| | No. of shares | % of Share Capital | No. of shares | % of Share Capital |
| Sponsors: | | | | |
| A S F Rahman | 7,469,709 | 2.03 | 7,114,009 | 2.03 |
| Salman F Rahman | 7,487,196 | 2.04 | 7,130,663 | 2.04 |
| Associates and Other Directors | 33,414,339 | 9.08 | 34,020,550 | 9.71 |
| Foreign Investors | 93,038,941 | 25.29 | 85,094,612 | 24.29 |
| ICB & Other Investors Account | 55,940,961 | 15.21 | 41,994,537 | 11.98 |
| General Public & Institutions | 170,500,506 | 46.35 | 174,980,536 | 49.95 |
| | 367,851,652 | 100 | 350,334,907 | 100 |

D. Distribution Schedule of Ordinary Shares:

| Range of Holdings In number of shares | No. of Shareholders | | % of Shareholders | | Number of Shares | | % of Share Capital | |
|--|---------------------|---------------|-------------------|-------------|--------------------|--------------------|--------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| 1 to 499 | 65,544 | 68,939 | 72.90% | 74.26% | 8,240,906 | 8,836,043 | 2.24% | 2.52% |
| 500 to 5,000 | 20,786 | 21,066 | 23.12% | 22.69% | 30,918,582 | 29,757,275 | 8.41% | 8.49% |
| 5,001 to 10,000 | 1,753 | 1,509 | 1.95% | 1.63% | 12,555,227 | 10,448,670 | 3.41% | 2.98% |
| 10,001 to 20,000 | 930 | 674 | 1.03% | 0.73% | 13,111,006 | 9,334,640 | 3.56% | 2.67% |
| 20,001 to 30,000 | 281 | 187 | 0.31% | 0.20% | 6,909,593 | 4,535,749 | 1.88% | 1.29% |
| 30,001 to 40,000 | 128 | 101 | 0.14% | 0.11% | 4,498,146 | 3,520,388 | 1.22% | 1.01% |
| 40,001 to 50,000 | 102 | 55 | 0.11% | 0.06% | 4,660,402 | 2,457,436 | 1.27% | 0.70% |
| 50,001 to 100,000 | 165 | 94 | 0.19% | 0.10% | 12,172,549 | 6,548,929 | 3.31% | 1.87% |
| 100,001 to 1,000,000 | 191 | 166 | 0.21% | 0.18% | 50,601,331 | 49,278,664 | 13.76% | 14.07% |
| Over 1,000,000 | 33 | 40 | 0.04% | 0.04% | 224,183,910 | 225,617,113 | 60.94% | 64.40% |
| Total | 89,913 | 92,831 | 100% | 100% | 367,851,652 | 350,334,907 | 100% | 100% |

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. 58.70 (in 2013 Tk.47.20) in Dhaka Stock Exchange Ltd., Tk.59.10 (in 2013 Tk. 47.00) in Chittagong Stock Exchange Ltd., and GBP 0.1800 in London Stock Exchange (in 2013 GBP 0.1375).

F. Option on unissued Ordinary shares :

There was no option on unissued shares as on 31-12-2014.

14. 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.

15. Long Term Borrowing - Net off Current Maturity (Secured)

This is arrived at as follows :

| | Amount in Taka | |
|-------------------------------------|--------------------|----------------------|
| | 2014 | 2013 |
| (a) Project Loan | 608,901,223 | 1,001,325,040 |
| (b) Obligation Under Finance Leases | 292,808,104 | 150,075,662 |
| | <u>901,709,327</u> | <u>1,151,400,702</u> |

(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 :

- First (registered mortgage) charge on paripassu 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
- First paripassu charge by way of hypothecation on all assets of the company both present and future.
- This Loan, carrying interest at 13.00% to 15.50% per annum, is repayable in quarterly installments ending by 2017.

(b) Obligation Under Finance Leases

Gross Finance Lease - minimum lease Liability:

| | | |
|--|---------------------------|---------------------------|
| Within one year | 186,760,624 | 152,206,085 |
| After one year | 429,486,607 | 220,923,094 |
| Total | 616,247,231 | 373,129,179 |
| Less future finance charges on finance lease liability | (195,948,111) | (120,839,679) |
| Present Value of Finance Lease liability | <u>420,299,120</u> | <u>252,289,500</u> |

This consists of as follows:

| | | |
|---|---------------------------|---------------------------|
| Within one year | 127,491,016 | 102,213,838 |
| Within two to five years | 292,808,104 | 150,075,662 |
| Total Present Value of Finance Lease liability | <u>420,299,120</u> | <u>252,289,500</u> |

16. Liability for Gratuity and WPPF & Welfare Funds

Liability for gratuity is the amount payable to the permanent employees at the time of separation from the company. The liability for WPPF refers to the undistributed portion of Workers Profit Participation and Welfare Fund lying with the company.

(a) Gratuity Payable

| | | |
|----------------------------|---------------------------|---------------------------|
| Balance as on January 01 | 284,163,669 | 223,962,507 |
| Provisions during the year | 66,915,861 | 68,652,000 |
| | 351,079,530 | 292,614,507 |
| Paid during the year | (13,426,744) | (8,450,838) |
| | <u>337,652,786</u> | <u>284,163,669</u> |

(b) Workers Profit Participation and Welfare Funds

| | |
|---------------------------|---------------------------|
| 403,869,732 | 326,464,481 |
| <u>741,522,518</u> | <u>610,628,150</u> |

17. Deferred Tax Liability

This is arrived at as follows : Amount in Taka

| | 2014 | 2013 |
|---|-----------------------------|-----------------------------|
| Balance as on January 01 | 1,550,589,207 | 1,147,459,569 |
| Addition during the year: | | |
| Deferred Tax on Assets (cost basis)-Note : 32 | 144,475,316 | 364,415,845 |
| Deferred Tax on revalued amount | 34,296,838 | 38,713,793 |
| | <u>1,729,361,361</u> | <u>1,550,589,207</u> |

18. Short Term Borrowings (Secured)

This consists of :

| | | |
|--|-----------------------------|-----------------------------|
| Janata Bank Ltd. - Cash Credit-Hypothecation Loan | 1,487,792,991 | 1,219,126,718 |
| AB Bank, Principal Branch - OD & LAC | 1,665,328,302 | 775,639,407 |
| Noor Islamic Bank, Dubai - Commodity Murabaha Facility | - | 781,500,000 |
| | <u>3,153,121,293</u> | <u>2,776,266,125</u> |

19. Long Term Borrowings-Current Maturity (Secured)

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

| | | |
|---------------------------------|---------------------------|---------------------------|
| Project Loan | 536,347,056 | 652,689,720 |
| Obligation under Finance Leases | 127,491,016 | 102,213,838 |
| | <u>663,838,072</u> | <u>754,903,558</u> |

20. Creditors and Other Payables

This consists of :

| | | |
|------------------------|---------------------------|---------------------------|
| Goods & Services | 202,020,182 | 123,397,754 |
| Provident Fund | 124,323,489 | 254,356,090 |
| Advance Against Export | 3,618,784 | 915,874 |
| Others | 27,748,384 | 4,500,835 |
| | <u>357,710,839</u> | <u>383,170,553</u> |

21. Accrued Expenses

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

| | | |
|--|---------------------------|---------------------------|
| For Expenses | 60,155,328 | 38,282,595 |
| Workers' Profit Participation and Welfare Funds - current year's expense (net off interim payments). | 104,127,787 | 103,299,709 |
| | <u>164,283,115</u> | <u>141,582,304</u> |

22. Income Tax Payable

This is arrived at as follows :

| | | |
|---|---------------------------|---------------------------|
| Balance on January 01 | 325,685,371 | 274,064,529 |
| Provision for the year | 421,487,672 | 305,845,595 |
| Short Provision for earlier years | 15,295,172 | 18,569,951 |
| | <u>762,468,215</u> | <u>598,480,075</u> |
| AIT & Treasury deposits during the year | (394,128,824) | (272,794,704) |
| | <u>368,339,391</u> | <u>325,685,371</u> |

23. Net Sales Revenue

This consists of as follows :

| | Amount in Taka | |
|---|------------------------------|------------------------------|
| | 2014 | 2013 |
| Local Sales | 10,706,417,075 | 9,819,409,651 |
| Export Sales equivalent US \$ 6,473,721 (in 2013 US \$ 8,614,393) | 500,468,602 | 671,289,443 |
| | <u>11,206,885,677</u> | <u>10,490,699,094</u> |

Sales represents:

| Product Category | Unit | Quantity | |
|--|--------------|----------|----------|
| | | 2014 | 2013 |
| Tablet, Capsule, Suppository & DPI | Million pcs. | 2,998.47 | 3,173.13 |
| Liquid, Cream and Ointment, Suspension, IV Fluid, Amino Acid, Ophthalmic, Nebulizer Solution, Injectable and Inhaler | Million pcs. | 70.72 | 66.75 |
| Active Pharmaceutical Ingredients | Kg | 177,354 | 170,516 |
| Liquid Nitrogen | Liter | 475,012 | 387,153 |

24. Cost of Goods Sold

This is made-up as follows :

| | | |
|--|-----------------------------|-----------------------------|
| Work-in-Process (Opening) | 204,755,943 | 246,214,085 |
| Materials Consumed (Note: 25) | 4,498,531,078 | 4,257,643,464 |
| Factory Overhead (Note: 26) | 1,735,116,121 | 1,493,080,956 |
| Total Manufacturing Cost | 6,438,403,142 | 5,996,938,505 |
| Work-in-Process (Closing) | (171,815,679) | (204,755,943) |
| Cost of Goods Manufactured | 6,266,587,463 | 5,792,182,562 |
| Finished Goods (Opening) | 644,005,694 | 629,828,725 |
| Finished Goods available | 6,910,593,157 | 6,422,011,287 |
| Cost of Physician Sample transferred to Sample Stock | (174,206,645) | (126,106,715) |
| Finished Goods (Closing) | (633,692,189) | (644,005,694) |
| | <u>6,102,694,323</u> | <u>5,651,898,878</u> |

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

| Stock as January 01, 2014 | Unit | Quantity | Value (Tk.) |
|--|--------------|----------|---------------------------|
| Tablet, Capsule, Suppository & DPI | Million pcs. | 518.83 | 394,979,619 |
| Liquid, Cream and Ointment, Suspension, IV Fluid, Amino Acid, Ophthalmic, Nebulizer Solution, Injectable and Inhaler | Million pcs. | 6.69 | 243,292,676 |
| Active Pharmaceutical Ingredients | Kg | 1,867 | 5,733,399 |
| | | | <u>644,005,694</u> |
| Stock as December 31, 2014 | | | |
| Tablet, Capsule, Suppository & DPI | Million pcs. | 426.64 | 389,211,055 |
| Liquid, Cream and Ointment, Suspension, IV Fluid, Amino Acid, Ophthalmic, Nebulizer Solution, Injectable and Inhaler | Million pcs. | 6.78 | 236,895,019 |
| Active Pharmaceutical Ingredients | Kg | 2,450 | 7,586,115 |
| | | | <u>633,692,189</u> |

25. Materials Consumed

This is made-up as follows :

Amount in Taka

| | 2014 | 2013 |
|---------------|----------------------|----------------------|
| Opening Stock | 1,228,275,639 | 1,289,156,749 |
| Purchase | 4,332,348,791 | 4,196,762,354 |
| Closing Stock | (1,062,093,352) | (1,228,275,639) |
| | <u>4,498,531,078</u> | <u>4,257,643,464</u> |

26. Factory Overhead

This consists of as follows :

| | | |
|--|----------------------|----------------------|
| Salary & Allowances | 500,724,043 | 451,123,633 |
| Repairs and Maintenance | 104,500,367 | 91,719,472 |
| Insurance Premium | 12,514,466 | 15,542,159 |
| Municipal Tax & Land Revenue | 2,021,257 | 1,582,778 |
| Advertisement | 60,222 | 23,570 |
| Registration & Renewal | 10,631,435 | 10,397,369 |
| Travelling & Conveyance | 5,242,079 | 4,627,240 |
| Entertainment | 1,231,794 | 937,973 |
| Research and Development | 146,720,695 | 136,216,539 |
| Printing & Stationery | 13,914,877 | 12,171,521 |
| Telephone, Internet & Postage | 5,787,905 | 4,736,650 |
| Toll Expense | 121,321,879 | 127,098,536 |
| Electricity, Gas & Water | 75,773,777 | 65,589,318 |
| Training & Conference | 5,046,880 | 4,940,526 |
| Plant Certification and Regulatory Approvals | 46,683,540 | 38,338,641 |
| Depreciation | 674,924,448 | 520,953,425 |
| Other Expenses | 8,016,457 | 7,081,606 |
| | <u>1,735,116,121</u> | <u>1,493,080,956</u> |

- a) Salary and allowances include Company's Contribution to provident fund of Tk. 9,619,537 (in 2013 Tk. 8,531,034)
- b) The value of imported stores and spares consumed is Tk. 67,012,977 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.

27. Administrative Expenses

This consists of as follows :

| | | |
|---|--------------------|--------------------|
| Salary & Allowances | 193,314,218 | 177,266,156 |
| Rent | 10,066,000 | 9,879,000 |
| Repairs and Maintenance | 30,338,920 | 28,111,235 |
| Registration & Renewals | 3,061,050 | 7,262,546 |
| Travelling & Conveyance | 19,583,051 | 18,280,955 |
| Entertainment | 4,063,944 | 3,749,384 |
| Printing & Stationery | 3,443,447 | 2,926,769 |
| Audit Fee | 1,300,000 | 1,200,000 |
| Telephone, Internet & Postage | 4,889,150 | 4,682,370 |
| Electricity, Gas & Water | 10,576,720 | 10,715,700 |
| Legal & Consultancy | 5,181,653 | 13,779,574 |
| AGM, Company Secretarial and Regulatory Expense | 39,532,229 | 41,284,006 |
| Advertisement | 58,138 | 19,126 |
| Training & Conference | 7,467,133 | 6,590,078 |
| Depreciation | 26,102,050 | 20,147,370 |
| Remuneration to Independent Directors | 140,000 | 140,000 |
| Other Expenses | 39,644,534 | 29,531,643 |
| | <u>398,762,237</u> | <u>375,565,912</u> |

- (a) Salary and allowances include provident fund contribution of Tk. 5,059,756 (in 2013 Tk. 4,899,089).
- (b) Repairs and maintenance includes maintenance of office, premises, vehicles, building, equipment and other infrastructures
- (C) Remuneration is paid to the Independent Directors for attending Board, Audit Committee and Other Meetings.

28. Selling, Marketing and Distribution Expenses

| | Amount in Taka | |
|--|-----------------------------|-----------------------------|
| This consists of as follows : | 2014 | 2013 |
| Salary & Allowances | 748,845,866 | 699,256,429 |
| Rent | 32,948,068 | 22,457,790 |
| Repairs and Maintenance | 5,719,886 | 5,559,593 |
| Travelling & Conveyance | 315,983,949 | 293,119,372 |
| Entertainment | 24,724,155 | 21,939,089 |
| Printing & Stationery | 27,433,905 | 26,237,688 |
| Telephone, Internet & Postage | 10,021,432 | 8,985,010 |
| Electricity, Gas & Water | 6,900,564 | 6,191,556 |
| Market Research & New Products | 31,046,918 | 27,872,397 |
| Training & Conference | 54,556,296 | 53,463,511 |
| Insurance Premium | 14,527,141 | 17,460,874 |
| Sample Expense | 150,637,854 | 144,655,691 |
| Promotional Expenses | 322,661,819 | 303,056,182 |
| Literature/News Letter | 93,314,746 | 84,480,104 |
| Registration & Renewals | 33,079,698 | 32,613,811 |
| Export Insurance, Freight and C&F Expenses | 38,333,120 | 60,743,782 |
| Delivery Expense | 296,368,010 | 266,173,800 |
| Depreciation & Amortization | 64,083,198 | 48,764,908 |
| Other Expenses | 16,065,656 | 15,929,947 |
| | <u>2,287,252,281</u> | <u>2,138,961,534</u> |

- (a) Salary and allowances include provident fund contribution of Tk. 17,870,356 (in 2013 Tk. 15,749,142).
- (b) Delivery expense includes distribution commission on local sales of Formulation and IV Fluid products paid to I & I Services Ltd., a " Related Party".
- (c) Repairs and maintenance includes maintenance of office, premises, vehicles, building, equipment and other infrastructures.
- (d) Sample expense includes VAT on sample and related dispatch expense.

29. Other Income

This is arrived at as follows :

| | | |
|--|---------------------------|---------------------------|
| Interest on FDR & Short term Investment | 489,970,647 | 512,424,678 |
| Dividend Income | 1,427,955 | 3,141,501 |
| Royalty | 24,763,177 | 7,785,736 |
| Exchange Rate Fluctuation Gain / (Loss) | 1,452,991 | (17,198,454) |
| Profit on Sale of Fixed Assets (Note 35) | 3,556,877 | 4,434,739 |
| | <u>521,171,647</u> | <u>510,588,200</u> |

30. Finance Cost

This is arrived at as follows :

| | | |
|---|---------------------------|---------------------------|
| Interest on Working Capital Loan | 391,510,508 | 256,763,094 |
| Interest on Project / Consortium Loan | 175,227,715 | 219,205,840 |
| Interest on Lease Finance | 64,812,955 | 51,362,542 |
| Interest on Loan from PF, WPPF & Welfare Fund | 71,225,739 | 81,687,639 |
| Other Bank Charges | 21,538,046 | 27,567,975 |
| | <u>724,314,963</u> | <u>636,587,090</u> |

31. Contribution To WPPF & Welfare Funds

This represents statutory contribution by the company as per Bangladesh Labour Act (amendment) 2013. The amount is computed @ 5% of net profit before tax (but after charging such contribution).

32. Income Tax Expenses

This consists of as follows :

Amount in Taka

| | 2014 | 2013 |
|---|--------------------|--------------------|
| (a) Current Tax | | |
| (i) Tax provision for current year (Note 3.9) | 421,487,672 | 305,845,595 |
| (ii) Short provision for earlier year | 15,295,172 | 18,569,951 |
| | <u>436,782,844</u> | <u>324,415,546</u> |
| (b) Deferred Tax Expense (Note 3.9) | <u>144,475,316</u> | <u>364,415,845</u> |
| | <u>581,258,160</u> | <u>688,831,391</u> |

33. Earnings Per Share (EPS)

| | | | |
|--|------------|---------------|---------------|
| (a) Earnings attributable to the Ordinary Shareholders | Tk. | 1,528,297,573 | 1,404,762,780 |
| (b) Weighted average number of Ordinary Shares outstanding during the year (Note 3.15) | Nos. | 367,851,652 | 367,851,652 |
| Earnings Per Share (EPS) / Adjusted EPS (2013) | Tk. | <u>4.15</u> | <u>3.82</u> |

34. Related Party Disclosures

Following transactions were carried out with related parties in the normal course of business on arms length basis:

| Name of Related Parties | Nature of Transactions | Value of Transaction in 2014 | Balance at year end |
|--------------------------------------|---|-------------------------------|---------------------|
| (a) I & I Services Ltd. | Local Delivery Distribution Commission | 11,749,988,365 180,454,668 | 1,118,478,352 - |
| (b) Bangladesh Export Import Co. Ltd | Short Term Investment & Interest there on | 487,367,615 | 2,475,026,831 |

The Companies are subject to common control from same source.

35. Particulars of Disposal of Property, Plant and Equipment

The following assets were disposed off during the year ended 31 December 2014:

| Particulars of Assets | Cost | Accumulated Depreciation | Written Down Value | Sales Price | Profit | Mode of Disposal | Name of Parties |
|-----------------------|-------------------|--------------------------|--------------------|------------------|------------------|------------------|---------------------|
| Furniture | 573,000 | 423,000 | 150,000 | 150,000 | - | Negotiation | Various Individuals |
| Transport & Vehicle | 10,623,868 | 6,714,953 | 3,908,915 | 7,465,792 | 3,556,877 | Negotiation | Various Individuals |
| Tk. | 11,196,868 | 7,137,953 | 4,058,915 | 7,615,792 | 3,556,877 | | |

36. Payment / Perquisites to Managers and Directors

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

| | Amount in Taka | |
|--------------------------------|---------------------------|---------------------------|
| | 2014 | 2013 |
| Remuneration | 143,248,563 | 129,950,600 |
| Gratuity | 5,773,000 | 5,088,500 |
| Contribution to Provident Fund | 6,834,370 | 6,106,200 |
| Bonus | 11,503,600 | 10,177,000 |
| Medical | 4,761,860 | 3,303,706 |
| Others | 30,078,994 | 29,345,360 |
| Total | <u>202,200,387</u> | <u>183,971,366</u> |

(b) The above includes salary, allowances, and perquisites amounting Tk. 14,357,819 paid to the Managing Director.

(c) This also includes Tk. 140,000 paid to Independent Directors for attending Board, Audit Committee and other meetings.

(d) Excepting as stated above (c) no board meeting fee was paid to any directors.

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

37. Production Capacity and Utilization

| Item | Unit | Production Capacity | | Actual Production | | Capacity Utilization | |
|--|-------------|---------------------|----------|-------------------|----------|----------------------|--------|
| | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Tablet, Capsule, Suppository & DPI | Million Pcs | 4,052.70 | 3,973.90 | 3,265.76 | 3,287.61 | 80.58% | 82.73% |
| Liquid, Cream and Ointment, Suspension, IV Fluid, Amino Acid, Ophthalmic, Nebulizer Solution, Injectable and Inhaler | Million Pcs | 94.03 | 87.62 | 72.30 | 68.88 | 76.96% | 78.61% |

Production does not include goods manufactured under contract manufacturing arrangement from third party's' manufacturing sites.

38. Capital Expenditure Commitment

There was no capital expenditure contracted but not incurred or provided for at 31 December 2014.

39. Finance Lease Commitment

At 31 December, 2014, the company had annual commitment under finance leases as set out below :

| | |
|--|---------------------------|
| Leases expiring within 1 year | 127,491,016 |
| Leases expiring within 2-5 years (inclusive) | <u>292,808,104</u> |
| Tk. | <u>420,299,120</u> |

40. Claim not Acknowledged as Debt

There was no claim against the company not acknowledged as debt as on 31 December 2014.

41. Un-availed Credit Facilities

There is no credit facilities available to the company under any contract, not availed of as on 31 December 2014 other than trade credit available in the ordinary course of business.

42. Payments Made in Foreign Currency :

| | <u>Foreign Currency (Equivalent US\$)</u> | <u>Taka</u> |
|--|---|---------------|
| Import of Machinery, Equipments & Spares | 19,632,001 | 1,535,222,423 |
| Import of Raw & Packing Material | 32,616,240 | 2,559,722,504 |
| Regulatory Fees & Other Expenses | 3,931,702 | 304,597,508 |

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

43. Foreign Exchange Earned / Received :

- (a) Collection from Export Sales equivalent US\$ 6,760,141
- (b) Royalty US\$ 175,624

44. 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.

45. Contingent Liability

The company has a contingent liability aggregating Tk. 149,032,289 against disputed income tax claims for the year 1999, 2007, 2008, 2010 and 2013. The company has filed Income Tax Reference cases with the High Court Division of the supreme court against this claims.

There is also a disputed VAT claim aggregating Tk. 144,113,691 against the company. The Company own the verdict of the Appellate Tribunal in it's favour. The concerned authority filed appeal to the honorable 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 these claims.

If any liability arises on disposal of the cases, the company shall provide for such liability in the year of final disposal.

The company also has a contingent liability to the extent of Tk. 148,347,357 for third party corporate gurantee favoring Standard Bank Ltd. Dhanmondi Branch for Beximco Engineering Limited.

46. Events after The Reporting Period

- (a) The directors recommended 10% cash (i.e. Tk. 1 per share) and 5% Stock dividend (i.e. 5 shares for every 100 shares held) for the year 2014. The dividend proposal is subject to shareholders' approval at the forthcoming annual general meeting.
- (b) The Company has entered into a loan agreement with BHF-Bank Aktiengesellahaft, Frankfurt, Germany to borrow up to US\$ 51.559 million to partially finance the purchase of new plant & machinery to expand its production facilities.

Excepting above, 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.

47. 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 risks for its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

47.01 Credit Risk

Credit risk is the risk of a financial loss to the company if a customer or counterparty 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 2014 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.

47.02 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 obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. In extreme stressed conditions the company may get support from the related company in the form of short term financing.

47.03 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 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. The company have received foreign currency loan which shall be repaid in foreign currency.

(b) Interest rate risk

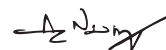
Interest rate risk is the risk that arises due to changes in interest rates on borrowing. The foreign currency loan is subject to floating rates of interest. Local loans are, however, not significantly affected by fluctuations in interest rates. The company has not entered into any type of derivative 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

Dhaka
27 April 2015