

ANNUAL REPORT 2006



**Report and Financial Statements
for the year ended 31 December 2006**

Directors' Report

TO THE MEMBERS

The Directors of the Company are pleased to present their Report together with the Audited Accounts of the Company for the year ended December 31, 2006.

BUSINESS ACTIVITIES

Turnover during 2006 was Taka 1,927.7 million registering a growth of 19.80% over last year's turnover of Taka 1,608.6 million. Profit after tax was Taka 242.1 million – a growth of 25.7%. Earnings per Share (EPS) stood at Taka.301.41 against Taka 239.71 of 2005.

The following products were introduced during the year 2006:

Pharmaceutical Products

| | |
|-------------------------------------|----------------------------|
| 1. Beconex ZI syrup | 10.Orcef Drops |
| 2. Becosule Gold Capsule | 11.Ovulet Capsule & Tablet |
| 3. Calcin-D Tablet | 12.Protonil Tablet |
| 4. Cefotax IM/IV Injection | 13.Pyra Plus Tablet |
| 5. Cefticlor Drop, Capsule & Tablet | 14.Relexid Tablet |
| 6. Emcon Tablet | 15.Thyrox Tablet |
| 7. Honycol Linctus | 16.Xenapro Tablet |
| 8. Meropen IV Injection | . |
| 9. Neurobest Tablet | . |

FINANCIAL RESULTS

The Directors take pleasure in reporting the following financial results of the Company for the year 2005:

| | 2006 Taka | 2005 Taka |
|---|--------------------|--------------------|
| Profit before tax | 347,221,767 | 279,387,690 |
| Less: Provision for tax | 105,090,130 | 86,819,430 |
| Net Profit after tax | 242,131,637 | 192,568,260 |
| Add: Un-appropriated profit brought forward | 456,968,084 | 313,458,030 |
| Profit available for appropriation | <u>699,099,721</u> | <u>506,026,290</u> |

APPROPRIATION RECOMMENDED:

| | | |
|--|--------------------|--------------------|
| Tax holiday reserve | 588,839 | 2,197,657 |
| Dividend proposed: | | |
| a) Cash dividend @ Taka 50/- per Share | 40,166,200 | 33,471,850 |
| b) Stock dividend (Bonus Share) in the ratio of bonus share for every (0:0) Shares held | 16,066,500 | 13,388,740 |
| | 56,232,700 | 46,860,590 |
| Balance Un-appropriated profit carried forward | <u>642,278,182</u> | <u>456,968,043</u> |
| | <u>699,099,721</u> | <u>506,026,290</u> |

DIVIDEND

While there is reasonable profit available for distribution, our investment activity is also very high. For example, the investments made in 2006, entailed cash outflow of Tk.224.8 million. In addition, the on going construction of Cephalosporin facility will require an expenditure of Tk.200.0 million. Hence the Directors deem it necessary to retain adequate funds to finance the capital expenditures for capacity building to sustain the growth of the company.

The Board of Directors is pleased to recommend a cash dividend of Taka 50 per ordinary share of Taka 100. This dividend will entail a payment of Taka 40,166,200. The Board of Directors also recommend for declaration of Stock Dividend (Bonus Shares) in the ratio of one Bonus Share for every five shares held (1:5) for which an amount of Taka 16,066,500 will have to be transferred to Share Capital Account. The appropriation, if approved by the shareholders at the Annual General Meeting of the Company, will absorb Taka 56,232,700.

DIRECTORS

The Directors retiring by rotation under Articles 109, 115 and 116 of the Articles of Association of the Company are Mr. A, Hasanat Khan and Mrs. Sajida Humayun Kabir. Moreover, Mr. Manzoor Hasan appointed as Independent Director by the Board during the year will also retire. All of them being eligible, offer themselves for re-election.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review your Company paid Taka 483 million to the National Exchequer in the form of Corporate Income Tax, Import Duties and Value Added Tax (VAT)

AUDITORS

The Company's Auditors Messrs Rahman Rahman Huq Chartered Accountants retire at the thirty third Annual General Meeting and being eligible offer themselves for reappointment as Auditors for the year 2007 with re-fixation of their remuneration.

CAPITAL EXPENDITURE

The following capital expenditure made by the Company during the year amounted to Tk.364.68 million.

| | <u>Taka in</u> <u>Millions</u> |
|--|-----------------------------------|
| Freehold Land | 27.61 |
| Factory Building | 81.65 |
| Plant and Machinery | 201.70 |
| Office Equipment, Furniture & Fixtures | 9.60 |
| Cefa Plant | <u>44.12</u> |
| | <u>364.68</u> |

The entire investment was made from internally generated funds.

CONSOLIDATION OF ACCOUNTS

The Company is consistently following the code of International Accounting Standard as adopted by the Institute of Chartered Accountants of Bangladesh. According to Bangladesh Accounting Standard-27, (BAS-27) the Company has presented all the relevant consolidated financial statements with those of its subsidiaries.

ADDITIONAL STATEMENT

The Directors are pleased to recount on the following additional statements in respect of Report prepared under section 184 of the companies Act 1994.

In our opinion,

- a) The financial statements prepared by the management for the year 2006 give a true and fair view of the state of company about the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts have been maintained by the company as required by applicable Laws, Rules and Standard.
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and that accounting estimates are based on reasonable and prudent judgments.
- d) In preparation of the financial statement, the International Accounting Standard, as applicable in Bangladesh have been followed and there has been no departure from the policies.
- e) The system of internal control and internal check are in effect and monitored properly.
- f) The company has sound and strong operational strengths and ability to continue as a going concern. As such, there is no doubt of its continuity.
- g) There is no deviation from last year in operating results.
- h) The key operating and financial data for preceding five years have been shown in the Financial Highlights.
- i) The Directors, have recommended a dividend of TK. 50 per share of TK. 100 each and Stock dividend (bonus share) in the ratio of one share for every five shares are held (1:5).
- j) During the year four Board Meeting were held and attendance by each Director are given below:

| | | |
|---------------------------------|-----------------------|---------|
| 1. Mr. Syed Humayan Kabir | Chairman of the Board | 4 times |
| 2. Mr. Syed S. Kaiser Kabir | Managing Director | 4 times |
| 3. Mr. Sajida Humayun Kabir | Director | 4 times |
| 4. Dr. Sarwar Ali | Director | 3 times |
| 5. Mr. Md. Ziaul Haque Khondker | Director | 4 times |
| 6. Mr. A. Hasnat Khan | Director | 3 times |
| 7. Mr. Manzoor Hasan | Independent Director | 1.time |

- k) The pattern of Shareholding

(i) Parent/ Subsidiary / Associated companies :

The Shareholding information as on 31st December 2006 and other related information are set out in note- 12.

(ii) Directors:

| | |
|---------------------------------|------------|
| 1. Mr. Syed Humayun Kabir | 354 Shares |
| 2. Mr. Syed S. Kaiser Kabir | 964 Shares |
| 3. Mr. Sajida Humayun Kabir | 0 |
| 4. Dr. Sarwar Ali | 45 Shares |
| 5. Mr. Md. Ziaul Haque Khondker | 0 |
| 6. Mr. A. Hasnat Khan | 0 |
| 7. Mr. Manzoor Hasan | 0 |

Chief Financial Officer & Company Secretary

| | |
|----------------------|--------------|
| Mr. Md. Shafiul Alam | 2,057 Shares |
|----------------------|--------------|

(iii) Head of Internal Audit

| | |
|------------------------|---|
| Mr. A.T.M Muniruzzaman | 0 |
|------------------------|---|

(iv) Executives:

| | |
|---------------------------|-----------|
| 1. Mr. M. Alamgir Hossain | 19 Shares |
| 2. Mr. Nurul Islam | 18 Shares |

(vi) Shareholders holding 10% or more voting interest :

| | |
|---|----------------|
| 1. Sajida Foundation | 409,694 Shares |
| 2. Business Research International Corp. | 203,457 Shares |
| 3. ICB Unit Fund & Investment Corporation of Bangladesh and First ICB Mutual Fund | 84,206 Shares |

STATUS OF COMPLIANCE :

Status of compliance as stated in SEC order dated 20th February 2006 annexed.

PERSONNEL

The Directors record their appreciation for the contribution made by the employees to the operation of the Company.

ACKNOWLEDGEMENT:

The Board wishes to thank the Shareholders, Officials of the Drug Administration and other Government officials, Doctors, Chemists, Medical Institutions, Bankers, the Securities and Exchange Commission, the Dhaka Stock Exchange Limited and all well-wishers for their continued support. By the grace of the Almighty, the Directors look forward to a bright future for the Company.

On behalf of the Board of Directors

Syed S. Kaiser Kabir
Managing Director
April 26, 2007

Annexure to Directors' Report to Shareholders

Status of compliance with the conditions imposed by the Commission's Order No. SEC/CMRRCD/2006-158/Admin/02-06 dated 09/01/2006, Condition No. 5 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under condition No. 5.00)

| Condition No. | Title | Compliance status (put <input checked="" type="checkbox"/> in the appropriate column) | | Explanation for non-compliance with the condition |
|---------------|---|---|--------------|---|
| | | Complied | Not complied | |
| 1.1 | Board's Size: (number of directors in the board minimum.5 and maximum. 20) | <input checked="" type="checkbox"/> | | |
| 1.2(i) | At least 1/10 th of the total number of directors should be independent directors. | <input checked="" type="checkbox"/> | | |
| 1.2(ii) | The independent director/(s) should be appointed by the elected directors. | <input checked="" type="checkbox"/> | | |
| 1.3 | Chairman of the Board and Chief Executive Officer should preferably be filled by different individual. | <input checked="" type="checkbox"/> | | |
| 1.4(a) | The financial statements prepared by the management present fairly its state of affairs the result of its operations, cash flows and changes in equity. | <input checked="" type="checkbox"/> | | |
| 1.4(b) | Proper books of account of the company have been maintained. | <input checked="" type="checkbox"/> | | |
| 1.4(c) | Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment. | <input checked="" type="checkbox"/> | | |
| 1.4(d) | International Accounting Standards as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there from has been adequately disclosed. | <input checked="" type="checkbox"/> | | |
| 1.4(e) | The system of internal control is sound in design and has been effectively implemented and monitored. | <input checked="" type="checkbox"/> | | |
| 1.4(f) | There are no significant doubts upon the Company's ability to continue as a going concern. | <input checked="" type="checkbox"/> | | |
| 1.4(g) | Significant deviations from the last year's operating result of the Company should be highlighted and reasons thereof should be explained. | <input checked="" type="checkbox"/> | | |
| 1.4(h) | Key operating and financial data of at least last preceding three years should be summarized. | <input checked="" type="checkbox"/> | | |
| 1.4(i) | Reason for not declaring Dividend. | <input checked="" type="checkbox"/> | | |
| 1.4(j) | The number of board meeting held during the year and attendance by each director should be disclosed. | <input checked="" type="checkbox"/> | | |
| 1.4(k) | Disclosure of pattern of shareholding share holding. | <input checked="" type="checkbox"/> | | |
| 2.1 | Appointment of a Chief Financial Officer, Head of Internal Audit and Company Secretary and define their respective rules, responsibilities and duties. | <input checked="" type="checkbox"/> | | |
| 2.2 | The CFO and the Company Secretary should attend meetings of the Board of Directors.. | <input checked="" type="checkbox"/> | | |
| 3.00 | The Company should have an Audit Committee as a sub-committee of the Board of Directors. | <input checked="" type="checkbox"/> | | |
| 3.1(i) | The Audit Committee should be composed of at least 3 members. | <input checked="" type="checkbox"/> | | |
| 3.1(ii) | The Board of Directors should appoint members of the Audit Committee from the members of the Board with at least one independent director. | <input checked="" type="checkbox"/> | | |
| 3.1(iii) | Filling up of vacancy caused in the Audit Committee. | <input checked="" type="checkbox"/> | | |
| 3.2(i) | The Board of Director should select 1 member of Audit Committee to be the Chairman of the Audit Committee. | <input checked="" type="checkbox"/> | | |
| 3.2(ii) | Qualification of the Chairman of the audit committee. | <input checked="" type="checkbox"/> | | |

| Condition No. | Title | Compliance status (put ✓ in the appropriate column) | | Explanation for non-compliance with the condition |
|---------------|--|--|--------------|---|
| | | Complied | Not complied | |
| 3.3.1(i) | Audit Committee should report on the activities to the Board of Directors. | ✓ | | Does not arise |
| 3.3.1(ii)(a) | Report on conflict of interest. | ✓ | | |
| 3.3.1(ii)(b) | Suspected or presumed fraud or irregularity or material defect in the internal control system. | ✓ | | |
| 3.3.1(ii)(c) | Suspected infringement of laws, including securities related laws, rules and regulations. | ✓ | | |
| 3.3.1(ii)(d) | Any other matters which should be disclosed to the Board of Directors immediately. | ✓ | | Does not arise |
| 3.3.2 | Reporting of any material impact on financial condition and result of operation, unreasonably ignored by the management should report such findings to the Commission. | ✓ | | |
| 3.4 | Reporting to the Shareholders through Annual Report the activities of the Audit Committee under the signature of the Chairman of the Audit Committee. | ✓ | | No such reporting issues |
| 4.00(i) | No appraisal or valuation services or fairness opinions done by external/statutory auditors. | ✓ | | |
| 4.00(ii) | No financial information system design and implementation done by the external/statutory auditors. | ✓ | | |
| 4.00(iii) | No Bookkeeping or other services related to the accounting records or financial statements done by external/statutory auditors. | ✓ | | |
| 4.00(iv) | No Broker dealer services done by the external/statutory auditors. | ✓ | | |
| 4.00(v) | No Actuarial services carried out by the external/statutory auditors. | ✓ | | |
| 4.00(vi) | No Internal audit services done by the external/statutory auditors. | ✓ | | |
| 4.00(vii) | No other service that the Audit Committee determines done by the external/statutory auditors. | ✓ | | |



Directors' Report

A new Company named Purnava in August 2004 to explore the prospects of entering into Fast Moving Consumer Goods (FMCG). However, since then we have decided to focus on our core business. Hence, Purnava at present has no commercial activities.

On behalf of the Board of Directors

Syed S. Kaiser Kabir
Chairman

**Auditors' Report
to
the Shareholders
of
Renata Limited**

We have audited the accompanying balance sheet of Renata Limited as of 31 December 2006 and the related profit and loss account, cash flow statement, statement of changes in equity and notes to the financial statements for the year then ended. We have also reviewed the attached consolidated balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes to the accounts of Renata Limited and its subsidiaries viz Renata Agro Industries Limited and Purnava Limited, not audited by us, (collectively referred to as "Renata group") as of 31 December 2006. These financial statements are the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the company's subsidiaries-Renata Agro Industries Limited and Purnava Limited, reflect total assets of Tk 219,188,548 and Tk 2,500,000 respectively as at 31 December 2006 and total revenue of Renata Agro Industries Limited of Tk 237,883,078 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the company's subsidiaries, is based solely on the reports of the other auditors.

In our opinion, the financial statements of the company and the consolidated financial statements, drawn up on the consideration of the separate audit reports of the subsidiaries as at 31 December 2006, prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the company and of its subsidiaries, and the results of their operations and cash flows for the year then ended which 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 company's balance sheet and 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, 30 April 2007

Renata Limited
Balance Sheet as at 31 December 2006

| <u>Assets</u> | <u>Notes</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|--|--------------|----------------------------|----------------------------|
| Property, plant and equipment | 4 | 689,066,469 | 399,239,783 |
| Capital work-in-progress | 5 | 44,121,037 | 139,891,546 |
| Investment in subsidiary | 6 | 63,070,376 | 63,070,376 |
| Other investment | 7 | 1,000,000 | - |
| Total non-current assets | | <u>797,257,882</u> | <u>602,201,705</u> |
| Inventories | 8 | 638,784,952 | 388,384,007 |
| Trade and other receivables | 9 | 198,626,085 | 162,224,078 |
| Advance deposits and prepayments | 10 | 59,808,451 | 32,294,635 |
| Cash and cash equivalents | 11 | 82,035,371 | 89,452,557 |
| Total current assets | | <u>979,254,859</u> | <u>672,355,277</u> |
| Total assets | | <u>1,776,512,741</u> | <u>1,274,556,982</u> |
| <u>Equity</u> | | | |
| Share capital | 12 | 80,332,400 | 66,943,700 |
| Revaluation surplus | 13 | 156,018,160 | 156,482,355 |
| Tax holiday reserve | | 47,451,353 | 46,862,514 |
| Proposed stock dividend | | 16,066,500 | 13,388,700 |
| Proposed cash dividend | | 40,166,200 | 33,471,850 |
| Retained earnings | 14 | 642,278,182 | 456,968,084 |
| Total equity attributable to equity holders of the company | | <u>982,312,795</u> | <u>774,117,203</u> |
| <u>Liabilities</u> | | | |
| Deferred liability-staff gratuity | 15 | 72,656,492 | 60,324,000 |
| Deferred tax liability | 16 | 62,661,763 | 55,975,450 |
| Total non-current liabilities | | <u>135,318,255</u> | <u>116,299,450</u> |
| Bank overdraft | 17 | 371,848,683 | 192,425,445 |
| Creditors for goods | | 51,607,325 | 16,645,268 |
| Accrued expenses | | 71,050,788 | 65,951,508 |
| Other payables | 18 | 68,360,467 | 27,154,025 |
| Unclaimed dividend | | 1,792,199 | 1,480,753 |
| Provision for taxation | 19 | 94,222,229 | 80,483,330 |
| Total current liabilities | | <u>658,881,691</u> | <u>384,140,329</u> |
| Total liabilities | | <u>794,199,946</u> | <u>500,439,779</u> |
| Total equity and liabilities | | <u>1,776,512,741</u> | <u>1,274,556,982</u> |

The accompanying notes 1 to 36 form an integral part of these financial statements.

Managing Director

Director

Company Secretary

As per our annexed report of same date.

Auditors

Dhaka, 30 April 2007

Renata Limited

Profit and Loss Account for the year ended 31 December 2006

| | Notes | 2006 | | | 2005 |
|--|-------|-----------------|-------------|---------------|---------------|
| | | Non-tax holiday | | Tax holiday | Total Taka |
| | | Unit 1 2 & 3 | Unit 4 | Total | |
| | | Taka | Taka | Taka | |
| Turnover | 20 | 1,914,204,427 | 13,527,458 | 1,927,731,885 | 1,608,555,839 |
| Cost of sales | 21 | (969,853,368) | (8,536,841) | (978,390,209) | (829,197,436) |
| Gross profit | | 944,351,059 | 4,990,617 | 949,341,676 | 779,358,403 |
| Other income | 22 | 32,868,293 | - | 32,868,293 | 16,957,354 |
| | | 977,219,352 | 4,990,617 | 982,209,969 | 796,315,757 |
| Operating expenses: | | | | | |
| Administrative, selling and distribution expenses | 23 | (574,620,642) | (3,164,915) | (577,785,557) | (479,357,082) |
| Operating profit | | 402,598,710 | 1,825,702 | 404,424,412 | 316,958,675 |
| Gain on disposal of property, plant and equipment | 4.5 | 1,928,200 | - | 1,928,200 | 260,000 |
| Interest on over draft | | (39,485,188) | (280,000) | (39,765,188) | (23,002,949) |
| Other expenses | | (2,634,492) | - | (2,634,492) | (1,173,613) |
| Contribution to WPPF | | (16,657,560) | (73,605) | (16,731,165) | (13,654,423) |
| Profit before tax | | 345,749,670 | 1,472,097 | 347,221,767 | 279,387,690 |
| Tax expenses | | | | | |
| Current tax | 19 | (98,232,128) | - | (98,232,128) | (88,164,518) |
| Deferred tax | 16 | (6,858,002) | - | (6,858,002) | 1,345,089 |
| | | (105,090,130) | - | (105,090,130) | (86,819,429) |
| Profit available for appropriation | | 240,659,540 | 1,472,097 | 242,131,637 | 192,568,261 |
| Appropriation | | | | | |
| Tax holiday reserve | | | | 588,839 | 2,197,657 |
| Proposed stock dividend | | | | 16,066,500 | 13,388,700 |
| Proposed cash dividend | | | | 40,166,200 | 33,471,850 |
| Retained earnings | | | | 185,310,098 | 143,510,054 |
| Profit for the period | | | | 242,131,637 | 192,568,261 |
| Basic earnings per share (par value of Tk 100) [Note-24] | | | | 301.41 | 239.71 |

The accompanying notes 1 to 36 form an integral part of these financial statements.

Managing Director

Director

Company Secretary

As per our annexed report of same date.

Dhaka, 30 April 2007

Auditors

Renata Limited

Statement of changes in equity for the year ended 31 December 2006

| | <u>Share capital</u> <u>Taka</u> | <u>Proposed stock dividend</u> <u>Taka</u> | <u>Proposed cash dividend</u> <u>Taka</u> | <u>Revaluation surplus</u> <u>Taka</u> | <u>Tax holiday reserve</u> <u>Taka</u> | <u>Unappropriated profit</u> <u>Taka</u> | <u>Total</u> <u>Taka</u> |
|--|---|---|--|---|---|---|-----------------------------|
| Balance at 31 December 2004 | 55,786,400 | 11,157,300 | 27,893,200 | 156,774,863 | 44,664,857 | 313,458,030 | 609,734,650 |
| Stock dividend issued | 11,157,300 | (11,157,300) | | - | - | - | - |
| Cash dividend paid | - | - | (27,893,200) | - | - | - | (27,893,200) |
| Deferred tax on revaluation surplus | - | - | - | 343,377 | - | - | 343,377 |
| Depreciation adjustment on revaluation surplus | - | - | - | (635,885) | - | - | (635,885) |
| Net profit after tax for the year | - | - | - | - | - | 192,568,261 | 192,568,261 |
| Tax holiday reserve | - | - | - | - | 2,197,657 | (2,197,657) | - |
| Proposed stock dividend | - | 13,388,700 | - | - | - | (13,388,700) | - |
| Proposed cash dividend | - | - | 33,471,850 | - | - | (33,471,850) | - |
| Balance at 31 December 2005 | 66,943,700 | 13,388,700 | 33,471,850 | 156,482,355 | 46,862,514 | 456,968,084 | 774,117,203 |
| Balance at 31 December 2005 | 66,943,700 | 13,388,700 | 33,471,850 | 156,482,355 | 46,862,514 | 456,968,084 | 774,117,203 |
| Stock dividend issued | 13,388,700 | (13,388,700) | - | - | - | - | - |
| Cash dividend paid | - | - | (33,471,850) | - | - | - | (33,471,850) |
| Deferred tax on revaluation surplus | - | - | - | 171,690 | - | - | 171,690 |
| Depreciation adjustment on revaluation surplus | - | - | - | (635,885) | - | - | (635,885) |
| Net profit after tax for the year | - | - | - | - | - | 242,131,637 | 242,131,637 |
| Tax holiday reserve | - | - | - | - | 588,839 | (588,839) | - |
| Proposed stock dividend | - | 16,066,500 | - | - | - | (16,066,500) | - |
| Proposed cash dividend | - | - | 40,166,200 | - | - | (40,166,200) | - |
| Balance at 31 December 2006 | 80,332,400 | 16,066,500 | 40,166,200 | 156,018,160 | 47,451,353 | 642,278,182 | 982,312,795 |

Renata Limited

Cash flow statement for the year ended 31 December 2006

| | <u>2006</u> | <u>2005</u> |
|---|-----------------------------|-----------------------------|
| | <u>Taka</u> | <u>Taka</u> |
| A. Cash flows from operating activities: | | |
| Collection from customers and other income | 2,185,812,587 | 1,836,005,683 |
| Payment of VAT | (264,905,916) | (243,974,768) |
| Payment to suppliers and employees | <u>(1,727,456,964)</u> | <u>(1,292,169,955)</u> |
| <i>Cash generated from operation</i> | 193,449,707 | 299,860,960 |
| Financing cost | (39,765,188) | (23,916,562) |
| Payment of tax | <u>(84,493,229)</u> | <u>(64,488,538)</u> |
| <i>Net cash from operating activities</i> | <u>69,191,290</u> | <u>211,455,860</u> |
| B. Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (224,799,510) | (151,986,364) |
| Investment in shares | - | - |
| Sale proceeds of property, plant and equipment | <u>1,928,200</u> | <u>260,000</u> |
| <i>Net cash used in investing activities</i> | <u>(222,871,310)</u> | <u>(151,726,364)</u> |
| C. Cash flows from financing activities: | | |
| Medium term loan repaid | - | - |
| Dividend paid | <u>(33,160,404)</u> | <u>(27,398,386)</u> |
| <i>Net cash from financing activities</i> | <u>(33,160,404)</u> | <u>(27,398,386)</u> |
| D. Net cash outflows for the year (A+B+C) | (186,840,424) | 32,331,110 |
| E. Opening cash and cash equivalents | (102,972,888) | (135,303,998) |
| F. Closing cash and cash equivalents (D+E) [Note-25] | <u><u>(289,813,312)</u></u> | <u><u>(102,972,888)</u></u> |

Renata Limited

Notes to the financial statements for the year ended 31 December 2006

1. Reporting Entity

Renata Limited is a public limited company incorporated in Bangladesh under the Companies Act 1913 with an authorized capital of Tk 100,000,000 divided into 1,000,000 ordinary shares of Tk 100 each out of which paid up capital is Tk 80,332,400 divided into 803,324 ordinary shares of taka 100 each. The address of the registered office of the company is Road no # 31, House no # 450, Mohakhali DOHS, Dhaka. The shares of the company are publicly traded on the floor of Dhaka Stock Exchange Limited.

The company manufactures and sells various pharmaceutical, animal health, animal nutritional, oral saline, hormone products and other medical products in the local and foreign markets.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with applicable International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh and where relevant with presentational requirements of the law.

2.2 Basis of Measurement

The financial statements have been prepared under the historical cost convention as modified to include revaluation of certain property, plant and equipment.

2.3 Functional and presentational currency

These financial statements are prepared in Bangladesh Taka (Taka/Tk), which is the Company's functional currency. All financial information presented in Taka has been rounded off to the nearest taka.

2.4 Use of estimates and judgments

The Preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

2.5 Going concern

The company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the account. The current credit facilities and resources of the company provide sufficient fund to meet the present requirements of its existing business.

3. Significant accounting policies

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

3.1 Foreign currency

Transactions in foreign currencies are translated to Bangladesh Taka at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities are reconverted at the rates prevailing at the balance sheet date. Non-monetary assets and liabilities are reported using the exchange rate at the date of transaction. Differences arising on conversion are charged or credited to the profit and loss account.

3.2 Financial instrument

Non-derivative financial instrument comprise accounts and other receivables, cash and cash equivalents, loans and borrowings, and other payables are shown at transaction cost.

3.3 Property Plant and equipment

3.3.1 Recognition and measurement

Property, plant and equipment are stated at cost or revaluation less accumulated depreciation. Freehold land and buildings were revalued during the year ended 31 December 1995 by a firm of professional valuers.

Costs include expenditures that are directly attributable to the acquisition of the property, plant and equipment.

3.3.2 Subsequent costs

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

3.3.3 Depreciation

Depreciation is charged on all fixed assets on straight-line basis and over the following periods except freehold land:

| | |
|-------------------------|-------------|
| Building | 33.03 years |
| Machinery and equipment | 5-20 years |
| Automobiles and trucks | 04 years |
| Office equipment | 8-10 years |
| Furniture and fixtures | 20 years |

Gains and losses on disposal or retirement of assets are credited or charged to the results of operation.

3.3.4 Capital work-in-progress

Property, plant and equipment that is being under construction/acquisition is accounted for as capital work-in-progress until construction/acquisition is complete and measured cost.

3.4 Inventories

Stocks are valued at lower of cost and net realizable value except for goods in transit which are valued at cost.

Cost of active materials, raw materials and packing materials are valued by using FIFO formula.

Cost of work-in-progress and finished stocks are arrived at by using FIFO cost formula including allocation of manufacturing overheads related to bringing the inventories to their present condition. The company uses standard cost method for measurement of cost of finished goods.

3.5 Impairment

The carrying amount of the non-financial assets, other than inventories is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the property, plant and equipment recoverable amount is estimated. For tangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

3.6 Taxation

The company qualifies as a "Publicly Traded Company" and accordingly the rate of income tax applied for the year is 30% with applicable rebate on dividend declared. The applicable tax rate will be confirmed by the Finance Act 2007.

3.7 Tax holiday

The company has applied for tax holiday on unit-4 (Potent Product Facility) for a period of four years from September 2006 to August 2010, the approval is yet to be received.

3.8 Employee benefits

The company operates an unfunded gratuity scheme for its permanent employees, under which an employee is entitled to the benefits depending on length of service. Provision for which is made as per gratuity rules of the company.

3.9 Provisions

Provisions are made where an obligation exists for future liability in respect of past event and where the amount of the obligation can be reliably measured.

3.10 Revenue

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership has been transferred to the buyer, the company has no managerial involvement of ownership of the goods, the amount of revenue and the cost of the transaction can be measured reliably and it is probable that the economic benefit associated with the transactions will flow to the company.

3.11 Consolidation of financial statements

The company prepared consolidated financial statements for 2006 applying Bangladesh Accounting Standards 27. Figures used in the consolidated financial statements are based on the audited financial statements of Renata Agro Industries Ltd. and Purnava Limited audited by other auditors. Intra group balances and unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.12 Deferred tax

The company has adopted deferred tax accounting policy as per Bangladesh Accounting Standards. Accordingly deferred tax asset/ liability is accounted for all the temporary timing differences arising between the tax base of the assets and liabilities and their carrying value for financial reporting purposes.

3.13 General

The financial period of the company covers one year from 1 January to 31 December consistently.

3.14 Events after the balance sheet date

Events after balance sheet date that provide additional information about the company's positions at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material

4. Property, plant and equipment

| Particulars | Cost/revaluations | | | | Rate | Depreciation | | | | Written down value at 31 December 2006 |
|-----------------------|-------------------|---------------------------|--------------------------------------|---------------------|-----------|-------------------|------------------------|--------------------------------------|---------------------|--|
| | At 1 January 2006 | Additions during the year | Disposal/ adjustment during the year | At 31 December 2006 | | At 1 January 2006 | Charge during the year | Disposal/ adjustment during the year | At 31 December 2006 | |
| | Taka | Taka | Taka | Taka | % | Taka | Taka | Taka | Taka | Taka |
| Freehold land: | | | | | | | | | | |
| At cost | 24,115,622 | 27,614,563 | - | 51,730,185 | | - | - | - | - | 51,730,185 |
| On revaluation | 179,132,078 | - | - | 179,132,078 | | - | - | - | - | 179,132,078 |
| | 203,247,700 | 27,614,563 | - | 230,862,263 | - | - | - | - | - | 230,862,263 |
| Building: | | | | | | | | | | |
| At cost | 24,403,248 | 81,649,258 | - | 106,052,506 | 1.33 - 4 | 13,716,021 | 1,275,421 | - | 14,991,442 | 91,061,064 |
| On revaluation | 41,291,251 | - | - | 41,291,251 | 1.33 - 4 | 6,063,938 | 635,885 | - | 6,699,823 | 34,591,428 |
| | 65,694,499 | 81,649,258 | - | 147,343,757 | | 19,779,959 | 1,911,306 | - | 21,691,265 | 125,652,492 |
| Plant and machinery | 269,748,652 | 201,698,308 | - | 471,446,960 | 5 - 20 | 146,166,889 | 23,841,524 | - | 170,008,413 | 301,438,547 |
| Automobile and trucks | 30,231,070 | - | 6,463,500 | 23,767,570 | 25 | 29,442,577 | 788,492 | 6,463,500 | 23,767,569 | 1 |
| Office equipments | 37,003,038 | 8,130,360 | - | 45,133,398 | 10 - 12.5 | 19,515,117 | 3,604,368 | - | 23,119,485 | 22,013,913 |
| Furniture and fixture | 13,303,881 | 1,477,530 | - | 14,781,411 | 5 | 5,084,515 | 597,643 | - | 5,682,158 | 9,099,253 |
| Total 2006 | 619,228,840 | 320,570,019 | 6,463,500 | 933,335,359 | | 219,989,057 | 30,743,333 | 6,463,500 | 244,268,890 | 689,066,469 |
| Total 2005 | 597,325,841 | 22,777,999 | 875,000 | 619,228,840 | | 194,770,823 | 26,093,234 | 875,000 | 219,989,057 | 399,239,783 |

4.1 Value of fully depreciated assets included in property, plant and equipment are as follows:

| | Cost Taka |
|-----------------------|--------------------|
| Building | 3,547,076 |
| Plant and machinery | 93,523,901 |
| Automobile and trucks | 30,231,070 |
| Office equipments | 9,629,211 |
| Furniture and fixture | 2,176,944 |
| | <u>139,108,202</u> |

4.2 The land of the company measuring 12 acres of freehold land is located at Mirpur, Dhaka and 9 feet above highest flood level recorded in 1988. Out of 12 acres of land, 4.75 has been kept as registered mortgage against the short-term bank loans.

4.3 Depreciation for the year has been charged to:

| | Taka |
|--|-------------------|
| Cost of goods sold - Non-tax holiday units 1,2&3 (Note 20.1) | 23,194,721 |
| Cost of goods sold - Tax holiday unit 4 (Note 20.1) | 2,741,882 |
| | 25,936,603 |
| Operating expenses (Note 22) | 4,170,845 |
| Revaluation surplus (Note 5) | 635,885 |
| | <u>30,743,333</u> |

4.4 The freehold land and buildings were revalued by a firm of professional valuers in the year 1995 and the increase in net carrying amount as a result of revaluation were shown as additions/revaluations on that year.

4.5 Gain on disposal of property, plant and equipment

| <u>Particulars</u> | <u>Original cost</u> <u>Taka</u> | <u>Accumulated depreciation</u> <u>Taka</u> | <u>Net book value</u> <u>Taka</u> | <u>Sale proceeds</u> <u>Taka</u> | <u>Profit/ (loss)</u> <u>Taka</u> | <u>Mode of disposal</u> | <u>Purchaser</u> |
|---|-------------------------------------|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------|---------------------------------------|
| Automobiles: | | | | | | | |
| Toyota Hiace-Van 1300cc Model - 1994 | 490,000 | 490,000 | - | 305,100 | 305,100 | Tender | Al-Madina Ambulance service Sylhet |
| Toyota Hiace-Van 1300cc Model - 1990 | 490,000 | 490,000 | - | 210,100 | 210,100 | Tender | Bismillah Automobile, Rangpur |
| Toyota Hiace 1300cc Model - 1994 | 555,000 | 555,000 | - | 307,500 | 307,500 | Tender | Md. Mostafa, Mirpur, Dhaka |
| Toyota Hiace-Van 1300cc Model - 1994 | 988,000 | 988,000 | - | 227,000 | 227,000 | Tender | Al-Madina Rent a car, Bogra. |
| Subaru Delivery Van Model - 2002 | 970,000 | 970,000 | - | 110,500 | 110,500 | Tender | Md. Masud Mia, Dhaka. |
| Toyota Hiace-Van 1300cc Model - 1999 | 577,500 | 577,500 | - | 220,500 | 220,500 | Tender | Tutul Rent a car, Faridpur. |
| Toyota Hiace-Van 1300cc Model - 1998 | 988,000 | 988,000 | - | 247,500 | 247,500 | Tender | Korban Motors, Maijdee. |
| Toyota Hiace 1300cc Model - 1992 | 490,000 | 490,000 | - | 50,000 | 50,000 | Tender | Sajida Foundation, Dhaka. |
| Toyota Hiace 1300cc Model - 1993 | 440,000 | 440,000 | - | 50,000 | 50,000 | Tender | Sajida Foundation, Dhaka. |
| Toyota Hiace-Van 1300cc Model - 1994 | 475,000 | 475,000 | - | 200,000 | 200,000 | Tender | Auleek Services, Mirpur, Dhaka. |
| | <u>6,463,500</u> | <u>6,463,500</u> | <u>-</u> | <u>1,928,200</u> | <u>1,928,200</u> | | |

5. Capital work in-progress

| | <u>2005</u> | <u>2005</u> |
|--|--------------------|--------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Opening Balance | 139,891,546 | 10,683,181 |
| Add: Addition during the year | <u>224,799,510</u> | <u>151,986,364</u> |
| | 364,691,056 | 162,669,545 |
| Less: Capitalised as property, plant and equipment | <u>320,570,019</u> | <u>22,777,999</u> |
| | <u>44,121,037</u> | <u>139,891,546</u> |

This represents mainly construction of building for hormone plant, installation of plant and machinery, their components and other fixed assets procured from foreign and local vendors.

6. Investment in subsidiaries

This represents investment in share capital of Renata Agro Industries Limited and Purnava Limited. Renata Limited, being the group company, is the owner of 99.99% shares in both the companies.

| | <u>2006</u> | | <u>2005</u> | |
|--------------------------------|----------------|----------------|-------------------|-------------------|
| | <u>Share</u> | <u>No. of</u> | <u>Value</u> | <u>Value</u> |
| | <u>holding</u> | <u>shares</u> | <u>Taka</u> | <u>Taka</u> |
| | <u>%</u> | | | |
| Renata Agro Industries Limited | 99.99 | 419,949 | 60,570,476 | 60,570,476 |
| Purnava Limited | 99.99 | 24,999 | 2,499,900 | 2,499,900 |
| | | <u>444,948</u> | <u>63,070,376</u> | <u>63,070,376</u> |

7. Other investment

It includes Tk 1,000,000 invested in Central Depositing Bangladesh Limited (CDBL).

8. Inventories

| | <u>2006</u> | <u>2005</u> |
|---|--------------------|--------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Finished goods - Pharmaceutical (Unit-1) | 180,172,597 | 101,704,293 |
| - Premix (Unit-2) | 75,632,500 | 45,599,357 |
| - ORS (Unit-3) | 723,941 | 368,503 |
| - Potent products (Unit-4) | 2,563,681 | - |
| | 259,092,719 | 147,672,153 |
| Work-in-progress | 39,223,689 | 30,969,925 |
| Raw materials | 65,889,302 | 43,854,358 |
| Bulk materials | 82,114,623 | 57,374,479 |
| Packing materials | 64,065,236 | 36,050,187 |
| Raw and packaging materials-Premix (Unit-2) | 20,951,961 | 20,504,506 |
| Raw and packaging materials-ORS (Unit-3) | 11,632,752 | 3,535,233 |
| Consumable stores and spares | 6,927,654 | 4,811,398 |
| Stock in transit | <u>88,887,016</u> | <u>43,611,768</u> |
| | <u>638,784,952</u> | <u>388,384,007</u> |

All stocks, present and future, are kept as security against short term bank loans (Note-17).

9. Trade and other receivables

| | | |
|--|--------------------|--------------------|
| Trade debtors-unsecured (Notes-9.1) | 128,939,311 | 101,844,274 |
| Less: Provision for doubtful debts | <u>7,655,877</u> | <u>7,655,877</u> |
| Trade debtors considered good | 121,283,434 | 94,188,397 |
| Sundry debtors - unsecured considered good | 33,084,642 | 46,704,475 |
| Value Added Tax (VAT) recoverable | <u>44,258,009</u> | <u>21,331,206</u> |
| | <u>198,626,085</u> | <u>162,224,078</u> |

All present and future debtors are kept as security against short term bank loans (Note-17).

9.1 Trade debtors

| | <u>2006</u> | <u>2005</u> |
|----------------------------|--------------------|--------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Debts due below six months | 51,065,000 | 65,394,079 |
| Debts due over six months | <u>77,874,311</u> | <u>36,450,195</u> |
| | <u>128,939,311</u> | <u>101,844,274</u> |

10. Advances, deposits and prepayments

| | | |
|---------------------------|-------------------|-------------------|
| Advances: | | |
| For inventories | <u>3,048,328</u> | <u>1,667,295</u> |
| To employees | <u>27,372,873</u> | <u>13,793,746</u> |
| | 30,421,201 | 15,461,041 |
| Deposits and prepayments: | | |
| Security deposits | <u>7,777,038</u> | <u>4,697,271</u> |
| Prepaid expenses | <u>21,610,212</u> | <u>12,136,323</u> |
| | <u>29,387,250</u> | <u>16,833,594</u> |
| | <u>59,808,451</u> | <u>32,294,635</u> |

The following amount included in advances and pre-payments are due for repayment after twelve months from the date of balance sheet.

| | <u>2006</u> | <u>2005</u> |
|----------------------|------------------|------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Advance to employees | 3,404,897 | 2,547,066 |
| Prepaid expenses | <u>6,058,870</u> | <u>2,802,981</u> |
| | <u>9,463,767</u> | <u>5,350,047</u> |

- a) Advance to employees includes Tk 23,775,063 and Tk 11,271,321 due from the officers at 31 December 2006 and 2005 respectively.
- b) No amount was due by the Directors (including Managing Director) or associated undertakings.

11. Cash and cash equivalents

| | | |
|--------------|-------------------|-------------------|
| Cash on hand | 460,000 | 440,000 |
| Cash at bank | 81,575,371 | 89,012,557 |
| | <u>82,035,371</u> | <u>89,452,557</u> |

12. Share capital

| | | <u>2006</u> | <u>2005</u> |
|------------------|--|--------------------|--------------------|
| | | <u>Taka</u> | <u>Taka</u> |
| | Authorised: | | |
| <u>1,000,000</u> | Ordinary shares of Taka 100 each | <u>100,000,000</u> | <u>100,000,000</u> |
| | Issued, subscribed and paid up: | | |
| 129,426 | Ordinary shares of Taka 100 each issued for cash | 12,942,600 | 12,942,600 |
| 172,449 | Ordinary shares of Taka 100 each issued for consideration other than cash | 17,244,900 | 17,244,900 |
| 501,449 | Ordinary shares (2004: 255,989) of Taka 100 each issued as fully paid bonus shares | <u>50,144,900</u> | <u>36,756,200</u> |
| <u>803,324</u> | | <u>80,332,400</u> | <u>66,943,700</u> |

The shares are listed in the Dhaka Stock Exchange Limited and quoted at Tk 3,099.25 per share at 31 December 2006.

At 31 December 2006 share holding position of the company was as follows:

| | Number of <u>shares</u> | <u>Face value</u> <u>Taka</u> | % of total <u>holding</u> |
|--|----------------------------|----------------------------------|------------------------------|
| Sajida Foundation | 409,694 | 40,969,400 | 51.00 |
| Business Research International Corp. Inc. | 203,457 | 20,345,700 | 25.33 |
| ICB Unit Fund | 37,408 | 3,740,800 | 4.66 |
| Investment Corporation of Bangladesh | 31,900 | 3,190,000 | 3.97 |
| First ICB Mutual Fund | 14,653 | 1,465,300 | 1.82 |
| Shadharan Bima Corporation | 35,146 | 3,514,600 | 4.38 |
| Other local shareholders | 71,066 | 7,106,600 | 8.85 |
| | <u>803,324</u> | <u>80,332,400</u> | <u>100.00</u> |

Classification of shareholders by holdings:

| Holdings | 2006 | | | | |
|-----------------------------|--------------------------------|-------------------------------|----------------------------|--------------------------------|------------------------|
| | No. of holders as per folio | No. of holders as per BOID | Number of total holders | No. of total share holdings | % of total holdings |
| Less than 500 shares | 691 | 513 | 1,204 | 41,873 | 5.21 |
| 501 to 5,000 shares | 23 | 11 | 34 | 33,988 | 4.23 |
| 5,001 to 10,000 shares | - | - | - | - | - |
| 10,001 to 20,000 shares | 2 | - | 2 | 28,199 | 3.51 |
| 20,001 to 30,000 shares | 1 | 1 | 2 | 50,967 | 6.34 |
| 30,001 to 40,000 shares | 1 | - | 1 | 35,146 | 4.38 |
| 40,001 to 50,000 shares | - | - | - | - | - |
| 50,001 to 100,000 shares | - | - | - | - | - |
| 100,001 to 1,000,000 shares | 2 | - | 2 | 613,151 | 76.33 |
| Over 1,000,000 shares | - | - | - | - | - |
| | <u>720</u> | <u>525</u> | <u>1,245</u> | <u>803,324</u> | <u>100.00</u> |

12.1 Share holding position in Renata Agro Industries Limited

| | 2006 | | | 2005 | |
|---------------------------------|---------------------|--------------------|-----------------------|---------------------|-----------------------|
| | Number of shares | Face value Taka | % of total holding | Number of shares | % of total holding |
| Group company: | | | | | |
| Renata Limited | 419,949 | 41,994,900 | 99.99% | 419,949 | 99.99% |
| Minority/outside group company: | | | | | |
| Mr. Syed S. Kaiser Kabir | 51 | 5,100 | 0.01% | 51 | 0.01% |
| | <u>420,000</u> | <u>42,000,000</u> | <u>100.00%</u> | <u>420,000</u> | <u>100.00%</u> |

12.2 Share holding position in Purnava Limited

| | | | | | |
|---------------------------------|---------------|------------------|-----------------|---------------|----------------|
| Group company: | | | | | |
| Renata Limited | 24,999 | 2,499,900 | 99.996% | 24,999 | 99.996% |
| Minority/outside group company: | | | | | |
| Mr. Syed S. Kaiser Kabir | 1 | 100 | 0.004% | 1 | 0.004% |
| | <u>25,000</u> | <u>2,500,000</u> | <u>100.000%</u> | <u>25,000</u> | <u>100.00%</u> |

13. Revaluation surplus

The freehold land and buildings have been revalued from an effective date of 31 December 1995 by professional valuers and resulting increase in value of Tk 220,423,329 has been shown as revaluation surplus. The breakup of revaluation is as follows:

| | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|--|----------------------------|----------------------------|
| Land | 179,132,078 | 179,132,078 |
| Building | 35,227,313 | 35,863,198 |
| | <u>214,359,391</u> | <u>214,995,276</u> |
| Less: Depreciation charged during the year on revaluation of building (Note 9) | (635,885) | (635,885) |
| | 213,723,506 | 214,359,391 |
| Less: Adjustment of deferred tax thereon (Note 8) | 57,705,346 | 57,877,036 |
| | <u>156,018,160</u> | <u>156,482,355</u> |

14. Retained earnings

Details are as under:

| | | |
|-----------------------------------|--------------------|--------------------|
| Opening balance | 456,968,084 | 313,458,030 |
| Profit after tax | 242,131,637 | 192,568,261 |
| Profit available for distribution | 699,099,721 | 506,026,291 |
| Appropriation: | | |
| Tax holiday reserve | (588,839) | (2,197,657) |
| Proposed bonus share | (16,066,500) | (13,388,700) |
| Proposed cash dividend | (40,166,200) | (33,471,850) |
| Closing balance | <u>642,278,182</u> | <u>456,968,084</u> |

The retained earnings includes 90% of accumulated pre-tax profit on sale of property, plant and equipment upto 1992 amounting to Taka 2,033,135 which is considered to be not distributable to the shareholders as per directive of Banglade Bank (central bank). Since 1993, the requirement to create such reserve on profit from sale of property, plant and equipment has been withdrawn.

15. Deferred liability-staff gratuity

The company operates an unfunded gratuity scheme for its employees. Provision for gratuity is charged to profits annually to cover obligations under the scheme on the basis of estimate made by the management of the company to maintain full provision at the balance sheet date. The break-up of accumulated provision for gratuity is as follows:

| | | |
|-------------------------------------|-------------------|-------------------|
| Opening balance | 60,324,000 | 52,822,000 |
| Add: Provision made during the year | 17,437,744 | 15,211,973 |
| | <u>77,761,744</u> | <u>68,033,973</u> |
| Less: Paid during the year | 5,105,252 | 7,709,973 |
| Closing balance | <u>72,656,492</u> | <u>60,324,000</u> |

16. Deferred tax liability

Deferred tax liability recognized in accordance with the provision of BAS-12, is arrived as follows:

| | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|---|----------------------------|----------------------------|
| Opening balance | 55,975,450 | 57,663,916 |
| Provision made during the year for deferred tax expense | <u>6,858,002</u> | <u>(1,345,089)</u> |
| | 62,833,452 | 56,318,827 |
| Deferred tax on revaluation surplus | <u>(171,689)</u> | <u>(343,377)</u> |
| Closing balance | <u><u>62,661,763</u></u> | <u><u>55,975,450</u></u> |

| | Carrying amount on balance sheet <u>date</u> <u>Taka</u> | <u>Tax base</u> <u>Taka</u> | Taxable/ (deductible) temporary <u>difference</u> <u>Taka</u> |
|---|--|--------------------------------|---|
| <u>At 31 December 2006</u> | | | |
| Property, plant and equipment (excluding land): | | | |
| At cost less accumulated depreciation | 300,285,190 | 201,615,726 | 98,669,464 |
| Revaluation surplus | 213,723,506 | - | 213,723,506 |
| | 514,008,696 | 201,615,726 | 312,392,970 |
| Provision for staff gratuity (net of payment) | (72,656,491) | - | (72,656,491) |
| Provision for doubtful debts | (7,655,877) | - | (7,655,877) |
| Net temporary difference | | | 232,080,602 |
| Applicable tax rate | | | 27% |
| Deferred tax liability/(asset) | | | <u><u>62,661,763</u></u> |

At 31 December 2005

| | | | |
|---|--------------|------------|--------------------------|
| Property, plant and equipment (excluding land): | | | |
| At cost less accumulated depreciation | 160,764,770 | 99,827,807 | 60,936,963 |
| Revaluation surplus | 214,359,391 | - | 214,359,391 |
| | 375,124,161 | 99,827,807 | 275,296,354 |
| Provision for staff gratuity (net of payment) | (60,324,000) | - | (60,324,000) |
| Provision for doubtful debts | (7,655,877) | - | (7,655,877) |
| Net temporary difference | | | 207,316,477 |
| Applicable tax rate | | | 27% |
| Deferred tax liability/(asset) | | | <u><u>55,975,450</u></u> |

17. Bank overdraft

| | <u>Limit</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|---|-----------------------------|----------------------------|----------------------------|
| Overdraft accounts with: | | | |
| Eastern Bank Limited, Dhaka | 145,000,000 | 92,313,582 | 22,232,370 |
| The Hongkong Shanghai Corporation Ltd., Dhaka | 220,000,000 | 118,876,217 | 70,427,568 |
| Standard Chartered Bank, Dhaka | 260,000,000 | 131,716,154 | 89,588,131 |
| Citibank N.A | 100,000,000 | 28,942,730 | 10,177,376 |
| | <u>725,000,000</u> | <u>371,848,683</u> | <u>192,425,445</u> |

Security

- i) First charge over all present and future stocks and book debts of Renata Limited jointly with Eastern Bank Limited, The Hongkong Shanghai Banking Corporation Limited, Citibank N.A and Standard Chartered Bank under pari-passu security sharing agreement.
- ii) First charge over all present and future plant and machinery of Renata Limited jointly as above.
- iii) Equitable mortgage over land and building thereon, of the factory premises of Renata Limited at Mirpur measuring 4.75 acres approximately as above.

Others:

| | <u>Total facilities</u> <u>available</u> <u>Taka</u> | <u>Not availed of</u> <u>at balance</u> <u>sheet date</u> <u>Taka</u> |
|--|--|--|
| Letters of credit (including 180 days revolving time loan for import finance) | <u>450,000,000</u> | <u>240,957,242</u> |

18. Other payables

| | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|------------------------------------|----------------------------|----------------------------|
| Workers' profit participation fund | 40,011,984 | 23,359,428 |
| Others* | 28,348,483 | 3,794,597 |
| | <u>68,360,467</u> | <u>27,154,025</u> |

*It includes Tk 2,499,900 which is due to Purnava Limited for its acquisition of Purnava Limited.

19. Provision for taxation

| | | |
|---------------------------------|--------------------------|--------------------------|
| Opening balance | 80,483,330 | 56,807,350 |
| Add: Provision for current year | <u>98,232,128</u> | <u>88,164,518</u> |
| | 178,715,458 | 144,971,868 |
| Less: Tax paid during the year | <u>84,493,229</u> | <u>64,488,538</u> |
| Closing balance | <u><u>94,222,229</u></u> | <u><u>80,483,330</u></u> |

20. Turnover

| | 2,006 | | 2,005 | |
|-----------------------------------|----------------------|--------------------|----------------------|----------------------|
| | Gross | | Turnover | Turnover |
| | <u>Turnover</u> | <u>Less: VAT</u> | <u>(net)</u> | <u>(net)</u> |
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Non-tax holiday (unit 1, 2 & 3) : | | | | |
| Pharmaceutical products | 1,621,548,850 | 211,717,593 | 1,409,831,257 | 1,168,131,510 |
| Animal health products | 328,141,775 | 45,456,933 | 282,684,842 | 225,525,333 |
| Animal nutritional products | 200,452,328 | - | 200,452,328 | 142,328,900 |
| ORS | 26,230,200 | 4,994,200 | 21,236,000 | 72,570,096 |
| | <u>2,176,373,153</u> | <u>262,168,726</u> | <u>1,914,204,427</u> | <u>1,608,555,839</u> |
| Tax holiday (Unit 4) : | | | | |
| Hormone product | 16,264,648 | 2,737,190 | 13,527,458 | - |
| Potent product facility | | | | |
| | <u>2,192,637,801</u> | <u>264,905,916</u> | <u>1,927,731,885</u> | <u>1,608,555,839</u> |

20.1 During the year sale of pharmaceutical products includes export sale of Tk 39,470,692 equivalent to US\$ 579,915.30

20.2 Item-wise production/purchases and sale of 350 finished goods formulations consisting of pharmaceutical products, animal health products, premix feed supplement and other medical products in various forms viz capsules, tablets, vials, ampoules, dry and liquid syrup, ointments, sachets, etc. are stated below by major product group and their total value:

| | | In '000 | | | | |
|----------------------------------|------------------|-----------------------|------------------------------|--------------------|-----------------------|----------------|
| <u>Major product group</u> | <u>Unit</u> | <u>Opening stocks</u> | <u>Production/ purchases</u> | <u>Less: Sales</u> | <u>Closing stocks</u> | |
| Sterile dry fill (injectable) | Vials | 1,067 | 5,490 | 5,245 | 1,312 | |
| Sterile liquid fill (injectable) | Vials & Ampoules | 940 | 5,451 | 5,677 | 714 | |
| Ointments and eye/ear drops | Tube | 132 | 1,044 | 1,071 | 105 | |
| Capsules and tablets | Capsule & Tablet | 57,660 | 342,168 | 315,538 | 84,290 | |
| Oral liquid and dry syrup | Bottle | 1,581 | 8,971 | 9,097 | 1,455 | |
| Rabipur Vaccine | Vials | 15,941 | 349,527 | 365,468 | - | |
| Premix -Animal nutrition | Kg | 165 | 4,918 | 4,588 | 495 | |
| -Animal nutrition | Sachets | 170 | 907 | 850 | 227 | |
| Oral saline | Sachets | 273 | 15,814 | 15,533 | 554 | |
| | | <u>Taka '000</u> | <u>147,672</u> | <u>1,078,710</u> | <u>969,853</u> | <u>256,529</u> |

21. Cost of sales

| | 2006 | | | 2005 |
|---|-----------------|-------------|---------------|-------------|
| | Non-tax holiday | Tax holiday | Total | Total |
| | Unit-1, 2 & 3 | Unit-4 | | |
| | Taka | Taka | Taka | Taka |
| Opening stock of finished goods | 147,672,153 | - | 147,672,153 | 123,413,855 |
| Add: Cost of goods manufactured (Note-20.1) | 947,149,429 | 11,100,522 | 958,249,951 | 750,657,095 |
| Cost of finished goods purchased | 131,560,824 | - | 131,560,824 | 102,798,639 |
| | 1,226,382,406 | 11,100,522 | 1,237,482,928 | 976,869,589 |
| Less: Closing stock of finished goods (Note-20.2) | 256,529,038 | 2,563,681 | 259,092,719 | 147,672,153 |
| | 969,853,368 | 8,536,841 | 978,390,209 | 829,197,436 |

21.1 Cost of goods manufactured

| | 2006 | | | 2005 |
|---|-----------------|-------------|-------------|-------------|
| | Non-tax holiday | Tax holiday | Total | Total |
| | Unit-1, 2 & 3 | Unit-4 | | |
| | Taka | Taka | Taka | Taka |
| Cost of materials: | | | | |
| Opening work-in-process | 30,969,925 | - | 30,969,925 | 41,357,063 |
| Add: Cost of raw materials consumed (Note 20.2) | 786,047,070 | 3,593,405 | 789,640,475 | 590,075,510 |
| | 817,016,995 | 3,593,405 | 820,610,400 | 631,432,573 |
| Less: Closing work-in-process | 39,223,689 | - | 39,223,689 | 30,969,925 |
| Total cost of materials | 777,793,306 | 3,593,405 | 781,386,711 | 600,462,648 |

Manufacturing overhead:

| | | | | |
|--|-------------|------------|-------------|-------------|
| Salaries, wages and other benefits | 67,872,769 | 3,506,520 | 71,379,289 | 69,401,333 |
| Company's contribution to provident fund | 842,034 | 98,210 | 940,244 | 800,067 |
| Net periodic cost for gratuity | 8,176,790 | 98,210 | 8,275,000 | 3,777,530 |
| Electricity and fuel | 11,660,590 | 889,436 | 12,550,026 | 11,646,669 |
| Consumable stores, supplies and manufacturing expenses | 17,507,888 | 29,500 | 17,537,388 | 11,750,953 |
| Insurance | 1,372,645 | 45,000 | 1,417,645 | 1,282,146 |
| Land revenue and taxes | 1,157,942 | - | 1,157,942 | 548,733 |
| Rental and leases | 1,134,210 | - | 1,134,210 | 377,015 |
| Automobile expenses | 1,938,871 | - | 1,938,871 | 1,777,083 |
| Postage and telephone | 1,017,243 | 15,000 | 1,032,243 | 685,541 |
| Printing and stationery | 1,253,958 | 9,450 | 1,263,408 | 953,062 |
| Uniform to workers | 2,163,004 | 22,500 | 2,185,504 | 1,627,392 |
| Travelling, moving and entertainment | 6,056,115 | - | 6,056,115 | 5,055,128 |
| Repair and maintenance | 9,692,908 | 26,500 | 9,719,408 | 8,311,373 |
| Lunch, snacks and tea expenses | 13,754,431 | 60,480 | 13,814,911 | 10,857,318 |
| Depreciation | 23,194,721 | 2,741,882 | 25,936,603 | 20,657,870 |
| Other overhead expenses | 524,433 | - | 524,433 | 685,234 |
| | 169,320,552 | 7,542,688 | 176,863,240 | 150,194,447 |
| Total cost of goods manufactured | 947,113,858 | 11,136,093 | 958,249,951 | 750,657,095 |

21.2 Cost of raw materials consumed

| | | | | |
|---------------------------------|---------------|-----------|---------------|-------------|
| Opening stock | 161,318,763 | - | 161,318,763 | 159,279,466 |
| Add: Purchase | 863,100,097 | 9,875,489 | 872,975,586 | 592,114,807 |
| | 1,024,418,860 | 9,875,489 | 1,034,294,349 | 751,394,273 |
| Less: Closing stock (Note 20.3) | 238,371,790 | 6,282,084 | 244,653,874 | 161,318,763 |
| | 786,047,070 | 3,593,405 | 789,640,475 | 590,075,510 |

21.3 Purchases, issues and stocks of raw materials

Purchases, issues and stocks of raw materials are of over 750 items involving production of 220 finished goods formulation. The measurement are expressed in different units viz kilogram, activity, liter, pieces etc. In view of different units in use, the following table has been presented in value only.

| <u>Major material group</u> | <u>Opening stocks Taka</u> | <u>Purchases Taka</u> | <u>Consumtion Taka</u> | <u>Closing stocks Taka</u> |
|--------------------------------------|------------------------------------|---------------------------|----------------------------|------------------------------------|
| Active materials | 57,374,479 | 431,209,206 | 406,469,062 | 82,114,623 |
| Raw materials | 43,854,358 | 130,148,942 | 114,396,082 | 59,607,218 |
| Packaging materials | 36,050,187 | 157,867,642 | 129,852,593 | 64,065,236 |
| Premix - Raw and packaging materials | 20,504,506 | 112,572,790 | 112,125,335 | 20,951,961 |
| ORS | 3,535,233 | 31,301,517 | 23,203,998 | 11,632,752 |
| | 161,318,763 | 863,100,097 | 786,047,070 | 238,371,790 |
| Potent product (Tax holiday unit-4) | - | 9,875,489 | 3,593,405 | 6,282,084 |
| | 161,318,763 | 872,975,586 | 786,082,579 | 244,653,874 |
| Consumable stores | 3,613,137 | 2,922,838 | 830,000 | 5,705,975 |
| Maintenance stores and spares | 1,198,261 | 753,418 | 730,000 | 1,221,679 |
| | 4,811,398 | 3,676,256 | 1,560,000 | 6,927,654 |
| | 166,130,161 | 876,651,842 | 791,200,475 | 251,581,528 |

21.4 Summarised quantity of purchases, issues and stocks of raw materials

Summarised quantity of purchases, issues and stocks of raw materials are stated below by their major product group and their total value.

| Active materials: | | | | | |
|----------------------------|-------------|---------------------------|------------------|---------------|---------------------------|
| <u>Major product group</u> | <u>Unit</u> | <u>Opening stocks</u> | <u>Purchases</u> | <u>Issues</u> | <u>Closing stocks</u> |
| Local | KG/KGA | 2,458 | 30,745 | 31,520 | 1,683 |
| Imported | KG/KGA/BU | 153,073 | 122,485 | 116,255 | 159,303 |
| | Taka | 57,374,479 | 431,209,206 | 406,469,062 | 82,114,623 |

Procurement of Active materials consist of 140 items of which 93.8% of the total value are imported during the year.

| Raw materials | | | | | |
|--------------------------------|-------------|---------------------------|------------------|---------------|---------------------------|
| <u>Major product group</u> | <u>Unit</u> | <u>Opening stocks</u> | <u>Purchases</u> | <u>Issues</u> | <u>Closing stocks</u> |
| Excepients | KG | 82,076 | 67,890 | 119,109 | 30,857 |
| Colour | KG | 382 | 684 | 455 | 611 |
| Empty gelatin capsules (000's) | PCS | 718,619 | 117,922 | 792,047 | 44,494 |
| Flavor | KG | 2,423 | 2,268 | 2,677 | 2,014 |
| Sugar | KG | 85,159 | 376,229 | 429,048 | 32,340 |
| Sorbitol | KG | 5,119 | 64,800 | 69,579 | 340 |
| Glucose | KG | 4,985 | 126,000 | 130,810 | 175 |
| Lactose | KG | 8,022 | 39,880 | 47,872 | 30 |
| | Taka | 43,854,358 | 130,148,942 | 114,396,082 | 59,607,218 |

Purchase of raw materials involving 180 items of which 91.5% in value are imported during the year.

| Packaging materials: | | | | | |
|-----------------------------|-------------|-----------------------|--------------------|--------------------|-----------------------|
| <u>Major product group</u> | <u>Unit</u> | <u>Opening stocks</u> | <u>Purchases</u> | <u>Issues</u> | <u>Closing stocks</u> |
| Carton | PC | 6,073,383 | 17,866,314 | 15,482,636 | 8,457,061 |
| Label | PC | 8,767,876 | 15,305,692 | 15,864,262 | 8,209,306 |
| Direction slip | PC | 8,008,344 | 14,373,200 | 13,234,388 | 9,147,156 |
| Catch cover | PC | 2,940,445 | 8,861,589 | 7,086,020 | 4,716,014 |
| Vials | PC | 1,865,943 | 10,565,189 | 9,653,953 | 2,777,179 |
| Bottles | PC | 912,736 | 2,630,760 | 3,008,725 | 534,771 |
| Ampoules | PC | 211,046 | 5,915,937 | 5,827,119 | 299,864 |
| Alluminium tubes | PC | 208,138 | 1,275,088 | 1,245,041 | 238,185 |
| Plastic spoon/dropper | PC | 1,465,890 | 10,535,110 | 11,560,895 | 440,105 |
| PP cap/Al seals | PC | 4,720,590 | 21,316,450 | 17,691,567 | 8,345,473 |
| Rubber pluck | PC | 1,814,000 | 11,995,000 | 9,809,805 | 3,999,195 |
| Alluminium foil | KG | 23,067 | 97,462 | 74,234 | 46,295 |
| PVC hard | KG | 16,759 | 84,852 | 63,266 | 38,345 |
| | Taka | <u>36,050,187</u> | <u>157,867,642</u> | <u>127,017,899</u> | <u>66,899,930</u> |

Packaging materials involving about 540 items of which 48.9% in value are imported during the year.

Materials available locally were procured from their local manufacturers. Moreover, materials were imported from the following countries either directly from the manufacturers or suppliers approved by the Drug Administration:

| | | | |
|-----------|-------------|---------|-----------------|
| India | Japan | Italy | Denmark |
| China | Thailand | UK | The Netherlands |
| Hong Kong | South Korea | Spain | New Zealand |
| Singapore | Germany | Belgium | USA |
| Malaysia | France | Austria | Indonesia |

22. Other income

| | | |
|--|-------------------|-------------------|
| Manufacturing charges received for manufacturing SK+F products | 20,269,823 | 10,658,119 |
| Dividend income | 12,598,470 | 6,299,235 |
| | <u>32,868,293</u> | <u>16,957,354</u> |

23. Administrative, selling and distribution expenses

| | 2006 | | | 2005 |
|---|--------------------|------------------|--------------------|--------------------|
| | Non-tax holiday | Tax holiday | Total | Total |
| | Unit-1, 2 & 3 | Unit-4 | | |
| | Taka | Taka | Taka | Taka |
| Salaries, wages and allowances | 221,542,081 | 1,460,400 | 223,002,481 | 175,328,475 |
| Contribution to Provident Fund | 3,626,940 | 48,600 | 3,675,540 | 2,679,148 |
| Net periodic cost for gratuity | 9,114,144 | 48,600 | 9,162,744 | 11,434,443 |
| Fuel and power | 9,009,053 | - | 9,009,053 | 8,945,768 |
| Rent, rates and taxes | 5,080,724 | - | 5,080,724 | 2,294,355 |
| Rental and leases | 12,883,280 | - | 12,883,280 | 11,391,713 |
| Insurance | 3,933,183 | - | 3,933,183 | 3,190,814 |
| Travelling, moving and entertainment exp. | 91,191,788 | - | 91,191,788 | 81,860,627 |
| Repairs and maintenance | 6,143,348 | - | 6,143,348 | 5,174,576 |
| Legal and professional expense | 433,350 | - | 433,350 | 246,770 |
| Audit fee | 200,000 | - | 200,000 | 180,000 |
| Directors' fee | 28,500 | - | 28,500 | 27,000 |
| Membership fees and subscription | 2,245,722 | - | 2,245,722 | 2,576,485 |
| Meeting and corporate expense | 10,996,974 | - | 10,996,974 | 12,392,451 |
| Advertising and sales promotion | 58,228,739 | - | 58,228,739 | 47,858,213 |
| Field expenses | 35,661,452 | 1,501,197 | 37,162,649 | 32,265,296 |
| Depreciation | 4,170,845 | - | 4,170,845 | 4,799,479 |
| Printing and stationery | 8,616,016 | - | 8,616,016 | 6,029,649 |
| Postage, telex, fax and telephone | 14,065,108 | - | 14,065,108 | 12,952,189 |
| Distribution freight | 52,295,104 | 106,118 | 52,401,222 | 38,231,956 |
| Lunch, snacks, tea and welfare expenses | 13,560,158 | - | 13,560,158 | 11,337,752 |
| Other overhead expense* | 11,594,133 | - | 11,594,133 | 8,159,923 |
| | <u>574,620,642</u> | <u>3,164,915</u> | <u>577,785,557</u> | <u>479,357,082</u> |

*Other overhead expense does not include 1% of total revenue.

23.1 The company engaged 1,516 employees for the whole year of which 1,352 employees have received a total remuneration above Tk 36,000 and remaining 164 employees below Tk 36,000.

24. Basic earnings per share (EPS)

The computation of EPS is given below:

| | | |
|--|----------------|----------------|
| Earnings attributable to the ordinary shareholders (net profit after tax) | 242,131,637 | 192,568,261 |
| Weighted average number of ordinary shares outstanding during the year (note-24.1) | <u>736,381</u> | <u>736,381</u> |
| Basic Earning Per Share (EPS) | <u>328.81</u> | <u>261.51</u> |

24.1 Weighted average number of share outstanding during the year

| | |
|--|----------------|
| Opening number of share | 669,437 |
| Bonus share capitalised on 27 June 2006 (133,887*6/12) | 66,944 |
| | <u>736,381</u> |

*Last year EPS has been adjusted as per the requirement of BAS-33.

25. Cash and cash equivalents

| | | |
|------------------------|----------------------|----------------------|
| Cash and bank balances | | |
| Cash on hand | 460,000 | 440,000 |
| Cash at bank | 81,575,371 | 89,012,557 |
| | <u>82,035,371</u> | <u>89,452,557</u> |
| Bank overdraft | (371,848,683) | (192,425,445) |
| | <u>(289,813,312)</u> | <u>(102,972,888)</u> |

26. Payments to directors and officers

The aggregate amount paid during the year in respect of directors and officers of the Company are disclosed below as required by the Securities and Exchange Rules 1987.

| | <u>Directors</u> | <u>Officers</u> |
|------------------------------------|------------------|-----------------|
| | <u>Taka</u> | <u>Taka</u> |
| Remuneration | 1,500,000 | 52,125,243 |
| House rent | 1,140,000 | 71,369,654 |
| Bonus | 625,000 | 13,552,486 |
| Contribution to provident fund | 150,000 | 4,154,627 |
| Gratuity | 187,500 | 10,402,228 |
| Medical expenses | 390,838 | 7,058,210 |
| Conveyance allowance and transport | 216,000 | 24,058,466 |
| Other welfare expenses | 561,310 | 17,641,706 |

26.1 During the year no payment has been made to any non-executive Directors for any special services rendered.

27. Capacity utilisation - single shift basis

The company operates multi-products plant. As a result plant utilisation are not comparable with capacity due to variation of product mix. However, actual production and utilisation for major products group are as follows:

| <u>Major product group</u> | <u>Unit</u> | <u>Capacity</u> | <u>2006</u> | | <u>2005</u> | |
|-------------------------------|------------------|------------------|-------------------|--------------------|-------------------|--------------------|
| | | | <u>Actual</u> | <u>Utilisation</u> | <u>Actual</u> | <u>Utilisation</u> |
| | | <u>(In '000)</u> | <u>production</u> | % | <u>production</u> | % |
| | | | <u>(In '000)</u> | | <u>(In '000)</u> | |
| Sterile dry fill (injectable) | Vials | 18,000 | 5,490 | 30.50% | 5,190 | 28.83% |
| Sterile liquid (injectable) | Vials & ampoules | 8,000 | 5,451 | 68.14% | 4,891 | 61.14% |
| Ointments | Tubes | 1,440 | 1,044 | 72.50% | 1,264 | 87.78% |
| Capsules and tablets | Cap/Tab | 242,000 | 342,168 | 141.39% | 384,234 | 158.77% |
| Oral liquid & dry syrup | Bottles | 6,840 | 8,971 | 131.15% | 6,840 | 100% |
| Water for injection | Ampoules | 2,000 | 1,750 | 87.50% | 1,521 | 76.05% |
| Premix feed supplement | Kg | 2,000 | 4,918 | 245.90% | 4,989 | 249.45% |
| Premix feed supplement | Sachet | 1,200 | 907 | 75.58% | 549 | 45.75% |
| ORAL saline | Sachet | 24,400 | 15,814 | 64.81% | 43,733 | 179.23% |

27.1 Capacity for Sterile dry fill (injectable) was built on the basis of high volume of Pronapen injection. The demand for Pronapen is declining. The company has been introducing other injectables to utilise the excess capacity.

28. **Contingent liabilities**

28.1 There are contingent liabilities on account of unresolved disputed corporate income tax assessments involving tax claims by the tax authority amounting to Tk 30,537,896 which has been referred to the High Court and appeals have been pending with Taxes Appellate Tribunal. However, tax paid and provided for the relevant years are adequate to meet the demanded tax, in the event the High Court maintains the decision of the Appellate Tribunal and the Tribunal upholds the order of the Commissioner of Taxes (Appeal).

28.2 Additional contingent liabilities exist in respect of the following:

| | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|---|----------------------------|----------------------------|
| Outstanding letters of credit (Note 28.2.1) | 209,042,758 | 158,978,226 |
| Outstanding guarantees issued by the banks | 24,285,915 | 1,600,415 |

28.2.1 **Outstanding letters of credit**

| | <u>Limit</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|--|-----------------------------|----------------------------|----------------------------|
| The Hongkong and Shanghai Banking Corporation Ltd. | 150,000,000 | 51,925,534 | 13,100,633 |
| Standard Chartered Bank | 150,000,000 | 100,123,328 | 105,137,051 |
| Eastern Bank Limited | 70,000,000 | 27,281,910 | 1,608,215 |
| City Bank N.A | 80,000,000 | 29,711,986 | 39,132,327 |
| | <u>450,000,000</u> | <u>209,042,758</u> | <u>158,978,226</u> |

29. Capital expenditure commitment

There was no unprovided committed capital expenditure as at 31 December 2006.

30. Dividend paid to non-resident shareholders

Dividend paid to non-resident shareholder, Business Research International Corp. Inc. during the year 2006 was Tk 7,205,790 equivalent to US\$ 103,234.81 for their 169,548 shares.

31. Claims against the company not acknowledged as debt

None as at 31 December 2006

32. Payments/received in foreign currency

32.1 During the year the following payments were made in foreign currency for imports calculated on CIF basis of:

| | <u>Foreign currency</u> US\$ | <u>Local currency</u> Taka |
|-------------------------------------|-------------------------------------|-----------------------------------|
| Active, raw and packaging materials | 11,284,000 | 789,880,000 |
| Machinery and spares | 1,318,000 | 92,239,000 |
| | <u>12,602,000</u> | <u>882,119,000</u> |

32.2 The following expenses were incurred during the year in foreign exchange on account of:

| | |
|--|----------------|
| Professional consultation fee for ISO 9001 | US\$ 15,639.60 |
| Export promotional expenses | US\$ 9,002.25 |
| Subscription for IMS and Medical Journal | US\$ 20,011.16 |
| Training | US\$ 7,200.00 |

32.3 Foreign exchange was earned in respect of the following:

| | |
|------------------------|-------------------|
| Export of goods on FOB | US\$ \$579,915.30 |
|------------------------|-------------------|

33. Related party disclosure:

During the year the company carried out a number of transactions with related parties in the normal course of business on an arm's length basis except selling of two cars to Sajida Foundation which were not in normal business transaction. Name of those related parties, nature of those transactions and their total transaction has been shown in annexure -A in accordance with the provisions of BAS-24- "Related Party Disclosure".

34. Subsequent events (disclosures under BAS 10 "Events after the balance sheet date")

There is no significant events subsequent to balance sheet date.

35. General

35.1 All the figures in the Financial Statements represent Bangladeshi Taka currency (BDT) rounded off to the nearest BDT

**Renata Limited
and its subsidiaries**

Consolidated Balance Sheet as at 31 December 2006

| <u>Assets</u> | <u>Notes</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|--|--------------|----------------------------|----------------------------|
| Property, plant and equipment | 4.a | 824,397,262 | 532,967,163 |
| Capital work-in-progress | 5.a | 44,157,849 | 139,891,546 |
| Investment | 6.a | <u>6,470,000</u> | <u>4,147,000</u> |
| Total non-current assets | | <u>875,025,111</u> | <u>677,005,709</u> |
| Inventories | 8.a | 677,308,874 | 421,550,952 |
| Trade and other receivables | 9.a | 187,387,140 | 142,013,933 |
| Advance, deposits and prepayments | 10.a | 62,525,322 | 35,446,873 |
| Cash and cash equivalents | 11.a | <u>116,228,516</u> | <u>99,169,926</u> |
| Total current assets | | <u>1,043,449,852</u> | <u>698,181,684</u> |
| Total assets | | <u>1,918,474,963</u> | <u>1,375,187,393</u> |
| <u>Equity</u> | | | |
| Share capital | 12 | 80,332,400 | 66,943,700 |
| Revaluation surplus | 13 | 156,018,160 | 156,482,355 |
| Capital reserve | | 535,560 | 535,560 |
| Tax holiday reserve | | 62,005,586 | 63,031,510 |
| Proposed stock dividend | | 16,066,500 | 13,388,700 |
| Proposed cash dividend | | 40,166,200 | 33,471,850 |
| Retained earnings | | <u>725,246,703</u> | <u>460,083,974</u> |
| Total equity attributable to equity holders of the company | | 1,080,371,109 | 793,937,649 |
| Minority interest | | <u>19,364</u> | <u>9,863</u> |
| Total equity | | <u>1,080,390,473</u> | <u>793,947,512</u> |
| <u>Liabilities</u> | | | |
| Loans and borrowings | | 33,833,928 | 65,888,889 |
| Deferred liability-staff gratuity | 15.a | 72,656,492 | 60,324,000 |
| Deferred tax liability | 16.a | <u>62,661,763</u> | <u>55,975,450</u> |
| Total non-current liabilities | | <u>169,152,183</u> | <u>182,188,339</u> |
| Bank overdraft | 17 | 371,848,683 | 192,425,445 |
| Creditors for goods | | 53,611,565 | 27,839,795 |
| Accrued expenses | | 76,682,252 | 69,959,290 |
| Other payables | 17.a | 70,773,849 | 26,862,164 |
| Unclaimed dividend | | 1,793,729 | 1,481,518 |
| Provision for taxation | 19 | <u>94,222,229</u> | <u>80,483,330</u> |
| Total current liabilities | | <u>668,932,307</u> | <u>399,051,542</u> |
| Total liabilities | | <u>838,084,490</u> | <u>581,239,881</u> |
| Total equity and liabilities | | <u>1,918,474,963</u> | <u>1,375,187,393</u> |

The accompanying notes 1 to 36 form an integral part of these financial statements.

Managing Director

Director

Company Secretary

As per our annexed report of same date.

Dhaka, 30 April 2007

Auditors

**Renata Limited
and its subsidiaries**

Consolidated Profit and Loss Account for the year ended 31 December 2006

| | <u>Notes</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|--|--------------|----------------------------|----------------------------|
| Turnover | 20.a | 2,165,614,963 | 1,784,917,383 |
| Cost of sales | 21.a | <u>(1,102,698,100)</u> | <u>(949,216,872)</u> |
| Gross profit | | 1,062,916,863 | 835,700,511 |
| Other income | | <u>21,491,421</u> | <u>11,107,847</u> |
| | | 1,084,408,284 | 846,808,358 |
| Operating expenses: | | | |
| Administrative, selling and distribution expenses | 23.a | <u>(592,920,697)</u> | <u>(492,289,604)</u> |
| Operating profit | | 491,487,587 | 354,518,754 |
| Gain on disposal of property, plant and equipment | 4.5 | 1,928,200 | 260,000 |
| Interest on overdraft | | (43,955,980) | (35,185,882) |
| Other expenses | | (2,715,608) | (1,290,931) |
| Contribution to WPPF | | <u>(21,273,533)</u> | <u>(15,157,236)</u> |
| Profit before tax | | <u>425,470,666</u> | <u>303,144,705</u> |
| Tax expenses | | | |
| Current tax | 19 | (98,232,128) | (88,164,518) |
| Deferred tax | 16 | (6,858,002) | 1,345,089 |
| | | <u>(105,090,130)</u> | <u>(86,819,429)</u> |
| Profit available for appropriation | | <u>320,380,536</u> | <u>216,325,276</u> |
| Appropriation | | | |
| Minority interest | | 11,031 | 3,650 |
| Tax holiday reserve | | 1,025,924 | 14,220,157 |
| Proposed stock dividend | | 16,066,500 | 13,388,700 |
| Proposed cash dividend | | 40,166,200 | 33,471,850 |
| Retained earnings | | <u>263,110,881</u> | <u>155,240,919</u> |
| Profit for the period | | <u>320,380,536</u> | <u>216,325,276</u> |
| Basic earnings per share (par value of Tk 100) [Note-24.a] | | <u>398.82</u> | <u>269.29</u> |

The accompanying notes 1 to 36 form an integral part of these financial statements.

Managing Director

Director

Company Secretary

As per our annexed report of same date.

Dhaka, 30 April 2007

Auditors

Renata Limited
and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2006

| Particulars | Equity attributable to group company shareholders | | | | | | | | Minority interest | Total |
|-------------------------------------|---|-------------------------|------------------------|---------------------|---------------------|-----------------|-----------------------|----------------------|-------------------|----------------------|
| | Share capital | Proposed stock dividend | Proposed cash dividend | Revaluation surplus | Tax holiday reserve | Capital reserve | Unappropriated profit | Total | | |
| | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka |
| Balance at 31 December 2004 | 55,786,400 | 11,157,300 | 27,893,200 | 156,774,863 | 48,811,353 | 535,560 | 304,843,055 | 605,801,731 | 6,978 | 605,808,709 |
| Stock dividend issued | 11,157,300 | (11,157,300) | - | - | - | - | - | - | - | - |
| Cash dividend paid | - | - | (27,893,200) | - | - | - | - | (27,893,200) | - | (27,893,200) |
| Deferred tax on revaluation surplus | - | - | - | 343,377 | - | - | - | 343,377 | - | 343,377 |
| Depreciation adjustment | - | - | - | (635,885) | - | - | - | (635,885) | - | (635,885) |
| Net profit after tax for the year | - | - | - | - | - | - | 216,321,626 | 216,321,626 | 3,650 | 216,325,276 |
| Transferred to tax holiday reserve | - | - | - | - | 14,220,157 | - | (14,220,157) | - | - | - |
| Proposed stock dividend | - | 13,388,700 | - | - | - | - | (13,388,700) | - | - | - |
| Proposed cash dividend | - | - | 33,471,850 | - | - | - | (33,471,850) | - | - | - |
| Proposed dividend to minority | - | - | - | - | - | - | - | - | (765) | (765) |
| Balance at 31 December 2005 | 66,943,700 | 13,388,700 | 33,471,850 | 156,482,355 | 63,031,510 | 535,560 | 460,083,974 | 793,937,649 | 9,863 | 793,947,512 |
| Stock dividend issued | 13,388,700 | (13,388,700) | - | - | - | - | - | - | - | - |
| Cash dividend paid | - | - | (33,471,850) | - | - | - | - | (33,471,850) | - | (33,471,850) |
| Deferred tax on revaluation surplus | - | - | - | 171,690 | - | - | - | 171,690 | - | 171,690 |
| Depreciation adjustment | - | - | - | (635,885) | - | - | - | (635,885) | - | (635,885) |
| Net profit after tax for the year | - | - | - | - | - | - | 320,369,505 | 320,369,505 | 11,031 | 320,380,536 |
| Transferred to tax holiday reserve | - | - | - | - | (1,025,924) | - | 1,025,924 | - | - | - |
| Proposed stock dividend | - | 16,066,500 | - | - | - | - | (16,066,500) | - | - | - |
| Proposed cash dividend | - | - | 40,166,200 | - | - | - | (40,166,200) | - | - | - |
| Proposed dividend to minority | - | - | - | - | - | - | - | - | (1,530) | (1,530) |
| Balance at 31 December 2006 | 80,332,400 | 16,066,500 | 40,166,200 | 156,018,160 | 62,005,586 | 535,560 | 725,246,703 | 1,080,371,109 | 19,364 | 1,080,390,473 |

Renata Limited
and its subsidiaries

Consolidated cash flow statement for the year ended 31 December 2006

| | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|
| | <u>Taka</u> | <u>Taka</u> |
| A. Cash flows from operating activities: | | |
| Collection from customers and other income | 2,418,026,067 | 2,017,370,599 |
| Payment of VAT | (264,905,916) | (243,974,768) |
| Payment to suppliers and employees | (1,862,655,947) | (1,404,112,025) |
| <i>Cash generated from operation</i> | <u>290,464,204</u> | <u>369,283,806</u> |
| Financing cost | (44,037,096) | (36,216,813) |
| Payment of tax | (84,493,229) | (64,488,538) |
| <i>Net cash from operating activities</i> | <u>161,933,879</u> | <u>268,578,455</u> |
| B. Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (236,388,462) | (153,444,968) |
| Investment in shares | (1,323,000) | - |
| Sale proceeds of property, plant and equipment | 1,928,200 | 260,000 |
| <i>Net cash used in investing activities</i> | <u>(235,783,262)</u> | <u>(153,184,968)</u> |
| C. Cash flows from financing activities: | | |
| Medium term loan received (net) | (49,054,961) | (12,892,835) |
| Dividend paid | (39,460,404) | (27,398,386) |
| <i>Net cash from financing activities</i> | <u>(88,515,365)</u> | <u>(40,291,221)</u> |
| D. Net cash (outflows for the year (A+B+C)) | (162,364,748) | 75,102,266 |
| E. Opening cash and cash equivalents | (93,255,419) | (168,357,685) |
| F. Closing cash and cash equivalents (D+E) [Note-25.a] | <u>(255,620,167)</u> | <u>(93,255,419)</u> |

4.a Consolidated property, plant and equipment

| Particulars | Cost/revaluation | | | | Rate | Depreciation | | | | Written down value at 31 December 2006 |
|---------------------------|--------------------|---------------------------|--------------------------------------|----------------------|---------|--------------------|------------------------|--------------------------------------|---------------------|--|
| | At 1 January 2006 | Additions during the year | Disposal/ adjustment during the year | At 31 December 2006 | | At 1 January 2006 | Charge during the year | Disposal/ adjustment during the year | At 31 December 2006 | |
| | Taka | Taka | Taka | Taka | % | Taka | Taka | Taka | Taka | Taka |
| Freehold land: | | | | | | | | | | |
| At cost | 33,203,205 | 28,081,488 | - | 61,284,693 | | - | - | - | - | 61,284,693 |
| On revaluation | 179,132,078 | - | - | 179,132,078 | | - | - | - | - | 179,132,078 |
| | 212,335,283 | 28,081,488 | - | 240,416,771 | - | - | - | - | - | 240,416,771 |
| Building: | | | | | | | | | | |
| At cost on freehold land | 87,416,683 | 85,528,098 | - | 172,944,781 | 1.33-4 | 23,484,273 | 5,304,729 | - | 28,789,002 | 144,155,779 |
| At cost on leasehold land | - | - | - | - | 33.33 | - | - | - | - | - |
| On revaluation | 41,291,251 | - | - | 41,291,251 | 1.33-4 | 6,913,008 | 635,885 | - | 7,548,893 | 33,742,358 |
| | 128,707,934 | 85,528,098 | - | 214,236,032 | | 30,397,281 | 5,940,614 | - | 36,337,895 | 177,898,137 |
| Plant and machinery | 364,690,514 | 205,656,828 | - | 570,347,342 | 5-20 | 171,896,846 | 28,713,992 | - | 200,610,838 | 369,736,504 |
| Automobile and trucks | 32,825,022 | 277,900 | 6,463,500 | 26,639,422 | 25-20 | 30,624,912 | 861,977 | 6,463,500 | 25,023,389 | 1,616,033 |
| Office equipments | 37,331,388 | 11,003,470 | - | 48,334,858 | 10-12.5 | 19,592,077 | 4,478,868 | - | 24,070,945 | 24,263,913 |
| Furniture and fixtures | 15,207,812 | 1,574,375 | - | 16,782,187 | 5 | 5,619,675 | 696,608 | - | 6,316,283 | 10,465,904 |
| Total 2006 | 791,097,953 | 332,122,159 | 6,463,500 | 1,116,756,612 | | 258,130,791 | 40,692,059 | 6,463,500 | 292,359,350 | 824,397,262 |
| Total 2005 | 770,433,813 | 24,236,603 | 3,572,463 | 791,097,953 | | 225,847,402 | 35,833,351 | 3,549,963 | 258,130,790 | 532,967,163 |

4.a.1 Value of fully depreciated assets included in property, plant and equipment are as follows:

| | <u>Cost</u> <u>Taka</u> |
|-----------------------|----------------------------|
| Building | 3,547,076 |
| Plant and machinery | 93,554,401 |
| Automobile and trucks | 30,782,070 |
| Office equipments | 9,629,211 |
| Furniture and fixture | 2,176,944 |
| | <u>139,689,702</u> |

4.a.2 The land of the company measuring 12 acres of freehold land is located at Mirpur, Dhaka and 9 feet above highest flood level recorded in 1988. Out of 12 acres of land, 4.75 has been kept as security against short-term bank loans by registered mortgage.

4.a.3 Depreciation for the year has been charged to:

| | <u>Taka</u> |
|---|-------------------|
| Cost of goods sold - Non-tax holiday units 1, 2 & 3 (Note 20.1) | |
| Cost of goods sold - Tax holiday unit 4 (Note 20.1) | 23,194,721 |
| | <u>2,741,882</u> |
| Renata Agro Industries Limited | 25,936,603 |
| Operating expenses (Note 22) | 9,948,726 |
| Revaluation surplus (Note 5) | 4,170,845 |
| | 635,885 |
| | <u>40,692,059</u> |

4.a.4 The freehold land and buildings have been revalued by a firm of professional valuers and the increase in net carrying amount as a result of revaluation has been shown as additions/revaluations in the year 1995.

6.a Consolidated investment - at cost

Detail of the above amount is given as under:

| | | |
|---|------------------|------------------|
| Protirokka Sanchaya Patra | 2,447,000 | 2,447,000 |
| Investment Development Bonds | - | 1,700,000 |
| 1 Ordinary Share of Tk.1,000,000/- in Cental Depository Bangladesh Ltd. | 1,000,000 | - |
| 1,000 Ordinary Shares of Tk. 100/- each in United Leasing Company Ltd. | 578,923 | - |
| 2,000 Ordinary Shares of Tk. 10/- each in Bata Shoe Company Bangladesh Ltd | 264,500 | - |
| 2,000 Ordinary Shares of Tk. 10/- each in Atlas Bangladesh Ltd | 396,529 | - |
| 773 Ordinary Shares of Tk. 100/- each in Square Pharmaceuticals Ltd. | 1,783,048 | - |
| | <u>6,470,000</u> | <u>4,147,000</u> |

8.a Consolidated inventories

| | | |
|--|--------------------|--------------------|
| Finished goods - Pharmaceutical (Unit-1) | 180,172,597 | 101,704,293 |
| - Premix (Unit-2) | 75,632,500 | 45,599,357 |
| - ORS (Unit-3) | 723,941 | 368,503 |
| - Potent Product Facility (Unit-4) | 2,563,681 | - |
| | 259,092,719 | 147,672,153 |
| Work-in-progress | 39,223,689 | 30,969,925 |
| Raw materials | 65,889,302 | 43,854,358 |
| Bulk materials | 82,114,623 | 57,374,479 |
| Packing materials | 64,065,236 | 36,050,187 |
| Raw and packaging materials-Premix (Unit-2) | 20,951,961 | 20,504,506 |
| Raw and packaging materials-ORS (Unit-3) | 11,632,752 | 3,535,233 |
| Consumable stores and spares | 6,927,654 | 4,811,398 |
| Stock-in transit | 88,887,016 | 43,611,768 |
| Raw materials - Renata Agro Industries Limited | 38,523,922 | 33,166,945 |
| | <u>677,308,874</u> | <u>421,550,952</u> |

All present and future stocks of Renata Limited are kept as security against short term bank loan (Note-16).

9.a Consolidated trade and other receivables

| | | |
|------------------------------------|--------------------|--------------------|
| Trade debtors (Note-9.a.1) | 132,921,354 | 111,810,880 |
| Less: Provision for doubtful debts | 8,720,815 | 10,255,877 |
| Trade debtors considered good | 124,200,539 | 101,555,003 |
| Sundry debtors - considered good | 18,928,592 | 19,127,724 |
| Value Added Tax (VAT) recoverable | 44,258,009 | 21,331,206 |
| | <u>187,387,140</u> | <u>142,013,933</u> |

All present and future debtors of Renata Limited are kept as security against short term bank loan (Note 17).

9.a.1 Trade debtors

| | | |
|----------------------------|--------------------|--------------------|
| Debts due below six months | 55,047,043 | 71,864,489 |
| Debts due over six months | 77,874,311 | 39,946,391 |
| | <u>132,921,354</u> | <u>111,810,880</u> |

- a) Trade debtors includes Tk 1,557,581 which is due from Renata Agro Industries Limited.
- b) Sundry debtors includes Tk 12,598,470 and 23,534 which is due from Renata Agro Industries Limited for Dividend and advance payment respectively.

Details are given in annexure-A "Related Party Disclosure"

10.a Consolidated advances, deposits and prepayments

| | | |
|---------------------------|-------------------|-------------------|
| Advances: | | |
| For inventories | 3,048,328 | 1,667,295 |
| To employees | 27,556,473 | 13,897,244 |
| | 30,604,801 | 15,564,539 |
| Deposits and prepayments: | | |
| Security deposits | 7,777,038 | 4,697,271 |
| Prepaid expenses | 23,654,305 | 14,190,568 |
| Other advances | 489,178 | 994,495 |
| | <u>31,920,521</u> | <u>19,882,334</u> |
| | <u>62,525,322</u> | <u>35,446,873</u> |

11.a Consolidated cash and cash equivalents

| | | |
|--------------|--------------------|-------------------|
| Cash on hand | 1,594,397 | 1,262,162 |
| Cash at bank | 114,634,019 | 97,907,764 |
| | <u>116,228,416</u> | <u>99,169,926</u> |

16.a Consolidated deferred tax liability

Renata Agro Industries Limited, subsidiary of Renata limited is enjoying tax holiday as such no deferred tax adjustments have been considered.

As another subsidiary, Purnava Limited yet to start commercial operation, no deferred tax adjustment has been considered.

17.a Consolidated short term bank loans

| | <u>Limit</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|---|-----------------------------|----------------------------|----------------------------|
| Overdraft accounts with: | | | |
| Eastern Bank Limited, Dhaka | 145,000,000 | 92,313,582 | 22,232,370 |
| The Hongkong and Shanghai Banking Corporation Ltd., Dhaka | 220,000,000 | 118,876,217 | 70,427,568 |
| Standard Chartered Bank, Dhaka | 260,000,000 | 131,716,154 | 89,588,131 |
| Citibank N. A | 100,000,000 | 28,942,730 | 10,177,376 |
| | <u>725,000,000</u> | <u>371,848,683</u> | <u>192,425,445</u> |

18.a Consolidated other payables

| | | |
|------------------------------------|-------------------|-------------------|
| Workers' profit participation fund | 44,925,266 | 17,046,683 |
| Others | 25,848,483 | 767,475 |
| | <u>70,773,749</u> | <u>17,814,158</u> |

19.a Consolidated provision for taxation

Renata Agro Industries Limited, a subsidiary of Renata Limited, is enjoying tax holiday hence no tax provision has been made on its profit.

No provision has been made for Purnava Limited as the company has not yet started any commercial operation.

20.a Consolidated turnover

| | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Non-tax holiday (Unit-1): | | |
| Pharmaceutical products | 1,409,831,257 | 1,168,131,510 |
| Animal health products | 282,684,842 | 225,525,333 |
| Premix (Unit-2) | 200,452,328 | 142,328,900 |
| ORS (Unit-3) | 21,236,000 | 38,572,472 |
| | <u>1,914,204,427</u> | <u>1,574,558,215</u> |
| Tax holiday (Unit-3) - ORS | - | 33,997,624 |
| Tax holiday (Unit-4)- Potent product facility | 13,527,458 | - |
| | <u>1,927,731,885</u> | <u>1,608,555,839</u> |
| Renata Agro Industries Ltd. - Products | 237,883,078 | 176,361,544 |
| | <u>2,165,614,963</u> | <u>1,784,917,383</u> |

21.a Consolidated cost of goods sold

| | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Opening stock of finished goods | 147,672,153 | 123,416,855 |
| Add: Cost of goods manufactured | 1,082,557,842 | 870,676,531 |
| Cost of finished goods purchased | 131,560,824 | 102,798,639 |
| | <u>1,361,790,819</u> | <u>1,096,892,025</u> |
| Less: Less: Closing stock of finished goods | 259,092,719 | 147,672,153 |
| | <u>1,102,698,100</u> | <u>949,219,872</u> |

23.a Consolidated administrative, selling and distribution expenses

| | <u>2006</u> | <u>2005</u> |
|---|--------------------|--------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Salaries, wages and allowances | 226,994,654 | 180,997,007 |
| Contribution to Provident Fund | 3,675,540 | 2,679,148 |
| Net periodic cost for gratuity | 9,162,744 | 10,020,176 |
| Fuel and power | 9,078,235 | 9,036,334 |
| Rent, rates and taxes | 5,098,424 | 2,447,855 |
| Rental and leases | 13,111,280 | 11,619,713 |
| Insurance | 3,952,443 | 3,200,474 |
| Travelling, moving and entertainment exp. | 92,292,926 | 82,776,337 |
| Repairs and maintenance | 6,269,130 | 5,417,950 |
| Legal and professional expense | 487,140 | 400,570 |
| Audit fee | 240,000 | 225,000 |
| Provision for bad debt | 800,000 | 600,000 |
| Directors' fee | 28,500 | 27,000 |
| Membership fees and subscription | 2,518,530 | 2,711,272 |
| Meeting and corporate expense | 11,647,727 | 12,601,157 |
| Advertising and sales promotion | 58,231,764 | 47,875,713 |
| Field expenses | 37,162,649 | 32,265,296 |
| Depreciation | 4,351,206 | 4,860,102 |
| Printing and stationery | 8,737,240 | 6,093,139 |
| Postage, telex, fax and telephone | 14,436,990 | 13,404,219 |
| Distribution freight | 59,198,153 | 43,461,842 |
| Lunch, snacks, tea and welfare exp. | 13,560,158 | 11,337,752 |
| Other overhead expense | 11,885,264 | 8,231,548 |
| | <u>592,920,697</u> | <u>492,289,604</u> |

24.a Consolidated basic earnings per share (EPS)

The computation of EPS is given below:

| | <u>2005</u> | <u>2004</u> |
|--|---------------|---------------|
| | <u>Taka</u> | <u>Taka</u> |
| Earnings attributable to the ordinary shareholders (group profit for the year) | 320,380,536 | 216,325,276 |
| Weighted average number of ordinary shares outstanding during the year | 803,324 | 803,324 |
| Basic Earning Per Share (EPS) | <u>398.82</u> | <u>269.29</u> |

25.a Consolidated cash and cash equivalents

| | | |
|------------------------|----------------------|----------------------|
| Cash and bank balances | | |
| Cash on hand | 1,594,497 | 1,262,162 |
| Cash at bank | 114,634,019 | 97,907,764 |
| | <u>116,228,516</u> | <u>99,169,926</u> |
| Bank overdraft | <u>(371,848,683)</u> | <u>(192,425,445)</u> |
| | <u>(255,620,167)</u> | <u>(93,255,519)</u> |