



RENATA LIMITED

DIRECTORS' REPORT

Directors' Report

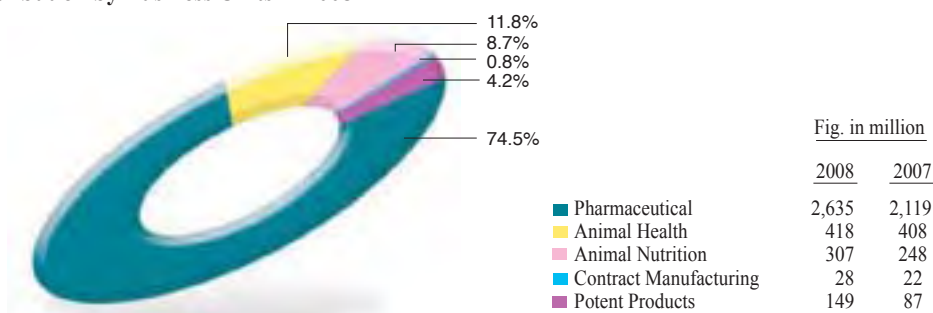
TO THE MEMBERS

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, 2008

BUSINESS ACTIVITIES

Turnover during 2008 was Taka 3,089.7 million registering a growth of 21.9% over last year's turnover of Taka 2,534.2 million. Profit after tax was Taka 433.1 million – a growth of 28.9%. Earnings per Share (EPS) stood at Taka.374.4 against Taka 290.4 of 2007.

Gross Sales Contribution by Business Units in 2008



The following products were introduced during the year 2008:

Pharmaceutical Products

| Trade name | Therapeutic Class |
|------------------------------------|------------------------|
| 1. Xanita 500 mg. F.C Tablet | Anti-Protozoal |
| 2. GABA 300 mg. Tablet | CNS |
| 3. Calciferol Injection 1 ML | Vitamin Supplement |
| 4. MEZ IV Injection 100 ML | Antibiotic |
| 5. Rapidol IM/IV Injection | Non Narcotic Analgesic |
| 6. KIDDI Syrup 200 ML | Vitamin |
| 7. Sperid 1 mg & 2 mg. Tablet | CNS |
| 8. Cabretol 200 mg. Tablet & Susp. | CNS |
| 9. Levoking 750 mg. Tablet | Antibiotic |
| 10. Gestrenol 5 mg. Tablet | Progesterone |
| 11. Rolac 60mg. Injection 2ML | NSAID |
| 12. Orcef 200mg. Capsule | Antibiotic |
| 13. Flontin 10mg. F.C Tablet | Antibiotic |
| 14. Fenadin Suspension 50ML | Antihistamine |
| 15. Tiramin 10 mg. F.C Tablet | Antihistamine |



FINANCIAL RESULTS

The Directors take pleasure in reporting the following financial results of the Company for the year 2008:

| | 2008 Taka | 2007 Taka |
|--|----------------------|--------------------|
| Profit before tax | 609,919,968 | 466,618,826 |
| Less: Provision for tax | 176,774,164 | 130,695,719 |
| Net Profit after tax | 433,145,804 | 335,923,107 |
| Add: Un-appropriated profit brought forward | 911,310,878 | 642,278,182 |
| Less : Tax holiday reserve | (6,000,000) | 588,839 |
| | <u>1,338,456,682</u> | <u>978,790,128</u> |
| APPROPRIATION RECOMMENDED: | | |
| Dividend proposed: | | |
| a) Cash dividend @ Taka 50/- per Share of Taka 100 each | 57,839,350 | 48,199,450 |
| b) Stock dividend (Bonus Share) in the ratio of one bonus share for every four (4:1B) Shares held | 28,919,700 | 19,279,800 |
| | 86,759,050 | 67,479,250 |
| Balance Un-appropriated profit carried forward | 1,251,697,632 | 911,310,878 |
| | <u>1,338,456,682</u> | <u>978,790,128</u> |

DIVIDEND

Renata continues have a very aggressive investment strategy. During 2008 investments made for upgrading the General Facility at Mirpur, and Cephalosporin and Penicillin Facilities at Rajendrapur amounted to Taka 549.5 million. The entire amount was financed through internal cash generation. Investments of this magnitude are to be expected every year for the foreseeable future. Hence the Directors deem it necessary to retain adequate funds for financing capital expenditures.

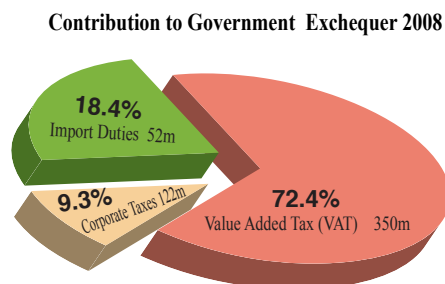
The Board of Directors is pleased to recommend a cash dividend of Taka 50 per ordinary share of Taka 100. This dividend will entail a payment of Taka 57,839,350. The Board of Directors also recommend for declaration of Stock Dividend (Bonus Shares) in the ratio of one Bonus Share for every four shares held (4:1B) for which an amount of Taka 28,919,700 will have to be transferred to Share Capital Account. The appropriation, if approved by the shareholders at the Annual General Meeting.

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, Mrs. Sajida Humayun Kabir and Mr. Manzoor Hasan will retire during the year. All of them being eligible, offer themselves for re-election.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review your Company paid Taka 617.6 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 sixth Annual General Meeting and being eligible offer themselves for reappointment as Auditors for the year 2009 with re-fixation of their remuneration.

CAPITAL EXPENDITURE

The following capital expenditure made by the Company during the year amounted to Tk.549.50 million.

| | <u>Taka in Millions</u> |
|---------------------------------------|-------------------------|
| Freehold Land | 16.49 |
| Factory Building | 67.30 |
| Plant and Machinery | 159.03 |
| Office Equipment, Furniture & Fixture | 8.70 |
| Automobile | 33.60 |
| Cephalosporin & Penicillin Facilities | 264.38 |
| | <u>549.50</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,

- The financial statements prepared by the management for the year 2008 give a true and fair view of the state of company about the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the company as required by applicable Laws, Rules and Standard.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that accounting estimates are based on reasonable and prudent judgement.
- In preparation of the financial statement, the International Accounting Standards, as applicable in Bangladesh has been followed and there has been no departure from the policies.
- The system of internal control and internal check are in effect and monitored properly.
- 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 significant 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. (Annexure-I)
- i) The Directors, have recommended a cash dividend of TK. 50 per share of TK. 100 each and Stock dividend (bonus share) in the ratio of one share for every four shares are held (4:1B).
- j) During the year four Board Meetings 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 | CEO & Managing Director | 4 times |
| 3. Mrs. Sajida Humayun Kabir | Director | 4 times |
| 4. Dr. Sarwar Ali | Director | 4 times |
| 5. Mr. Md. Ziaul Haque Khondker | Director | 4 times |
| 6. Mr. A. Hasanat Khan | Director | 4 times |
| 7. Mr. Manzoor Hasan | Independent Director | 4 times |

- k) The pattern of Shareholding

- (i) Parent/ Subsidiary / Associated companies:

The Shareholding information as on 31 December 2008 and other related information are set out in note- 12.

- (ii) Directors:

| | |
|---------------------------------|------------|
| 1. Mr. Syed Humayun Kabir | 507 Shares |
| 2. Mr. Syed S. Kaiser Kabir | 907 Shares |
| 3. Mrs. Sajida Humayun Kabir | 0 Share |
| 4. Dr. Sarwar Ali | 64 Shares |
| 5. Mr. Md. Ziaul Haque Khondker | 0 Share |
| 6. Mr. A. Hasanat Khan | 0 Share |
| 7. Mr. Manzoor Hasan | 0 Share |

Chief Financial Officer & Company Secretary

Mr. Md. Shafiul Alam 2,829 Shares

(iii) Head of Internal Audit 0 Share

- (iv) Executives:

| | |
|---------------------------|------------|
| 1. Mr. M. Alamgir Hossain | 26 Shares |
| 2. Dr. Manzur Aziz | 110 Shares |
| 3. Dr. Sayma Ali | 0 Share |
| 4. Mr. Khalil Musaddeq | 0 Share |
| 5. Dr. Md. Iqbal Hossain | 0 Share |

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

| | |
|--|----------------|
| 1. Sajida Foundation | 589,958 Shares |
| 2. Business Research International Corp.Inc. | 292,977 Shares |

STATUS OF COMPLIANCE :

Status of compliance as stated in SEC order dated 20th February 2006 annexed. (Annexure-II)

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. The year 2009 is expected to be challenging for the Company. By the grace of Almighty, we hope to successfully counter the difficulties that lie ahead.

On behalf of the Board of Directors



Syed S. Kaiser Kabir
Managing Director
April 28, 2009

Auditors' Report to the shareholders of Renata Limited

We have audited the accompanying balance sheet of Renata Limited as of 31 December 2008 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 audited the attached consolidated balance sheet, profit and loss account, cash flow statement, statement of changes in equity and notes to the financial statements 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 2008. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). 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. 218,533,700 and Tk 28,232,445 respectively as at 31 December 2008 and total revenue of Renata Agro Industries Limited of Tk 113,482,663 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 along with the notes thereon and the consolidated financial statements, drawn up on the consideration of the separate audit reports of the subsidiaries as of 31 December 2008, prepared in accordance with Bangladesh Accounting Standards (BAS), and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the company's affairs and of its subsidiaries, and of the results of their operations and cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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.

Without qualifying our opinion we draw attention to Note 27.2 to the financial statements. The company applied for tax holiday for Unit-4 (Potent Product Facility) for a period of four years from September 2006, which is under review by NBR.



Rahman Rahman Huq
Chartered Accountants

Dhaka, 28 April 2009

Renata Limited
Balance Sheet as at 31 December 2008

| Assets | | 2008 | 2007 |
|--|-------|---------------|---------------|
| Non-current assets | Notes | Taka | Taka |
| Property, plant and equipment | 4 | 1,014,435,834 | 796,846,754 |
| Capital work-in-progress | 5 | 570,277,998 | 305,983,441 |
| Investment in subsidiary | 6 | 63,070,376 | 63,070,376 |
| Other investment | 7 | 8,377,754 | 1,000,000 |
| Total non-current assets | | 1,656,161,962 | 1,166,900,571 |
| Current assets | | | |
| Inventories | 8 | 959,414,590 | 662,012,145 |
| Trade and other receivables | 9 | 344,226,933 | 194,727,875 |
| Advance, deposits and prepayments | 10 | 79,281,411 | 83,095,822 |
| Cash and cash equivalent | 11 | 123,148,038 | 48,256,978 |
| Total current assets | | 1,506,070,972 | 988,092,820 |
| Total assets | | 3,162,232,934 | 2,154,993,391 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the company | | | |
| Share capital | 12 | 115,678,700 | 96,398,900 |
| Revaluation surplus | 13 | 155,075,461 | 155,553,964 |
| Tax holiday reserve | | 52,862,514 | 46,862,514 |
| Retained earnings | 14 | 1,338,456,682 | 978,790,128 |
| Total equity attributable to equity holders of the company | | 1,662,073,357 | 1,277,605,506 |
| Non-current liabilities | | | |
| Deferred liability-staff gratuity | 15 | 105,224,160 | 88,948,500 |
| Deferred tax liability | 16 | 81,542,581 | 71,370,735 |
| Total non-current liabilities | | 186,766,741 | 160,319,235 |
| Current liabilities | | | |
| Bank overdraft | 17 | 823,163,615 | 361,475,015 |
| Creditors for goods | | 127,107,689 | 37,929,106 |
| Accrued expenses | | 133,013,604 | 98,063,196 |
| Other payables | 18 | 79,902,838 | 123,160,097 |
| Unclaimed dividend | | 3,173,467 | 2,485,448 |
| Provision for taxation | 19 | 147,031,623 | 93,955,788 |
| Total current liabilities | | 1,313,392,836 | 717,068,650 |
| Total liabilities | | 1,500,159,577 | 877,387,885 |
| Total equity and liabilities | | 3,162,232,934 | 2,154,993,391 |

The accompanying notes 1 to 34 form an integral part of these financial statements.



CEO & Managing Director

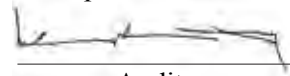


Director



Company Secretary

As per our annexed report of same date.



Auditors

Dhaka, 28 April 2009

Renata Limited
Profit and Loss Account for the year ended 31 December 2008

| | | 2008 | | | 2007 |
|---|-------|---|-------------------------------|-----------------|-----------------|
| | Notes | Non-tax holiday Unit 1 2 & 3 Taka | Tax holiday Unit 4 Taka | Total Taka | Total Taka |
| Turnover | 20 | 2,958,193,401 | 131,553,016 | 3,089,746,417 | 2,534,174,981 |
| Cost of sales | 21 | (1,484,654,507) | (41,860,178) | (1,526,514,685) | (1,298,911,334) |
| Gross profit | | 1,473,538,894 | 89,692,838 | 1,563,231,732 | 1,235,263,647 |
| Other income | 22 | 15,420,344 | - | 15,420,344 | 11,734,434 |
| | | 1,488,959,238 | 89,692,838 | 1,578,652,076 | 1,246,998,081 |
| Operating expenses: | | | | | |
| Administrative, selling and distribution expenses | 23 | (806,225,823) | (38,944,100) | (845,169,923) | (696,781,673) |
| Operating profit | | 682,733,415 | 50,748,738 | 733,482,153 | 550,216,408 |
| Gain on disposal of property, plant and equipment | 4.5 | 118,000 | - | 118,000 | 496,800 |
| Interest on over draft | | (83,554,917) | (3,715,748) | (87,270,665) | (57,480,494) |
| Other expenses | | (5,661,740) | (251,780) | (5,913,520) | (3,272,447) |
| Contribution to WPPF | | (28,268,320) | (2,227,680) | (30,496,000) | (23,341,441) |
| Profit before tax | | 565,366,438 | 44,553,530 | 609,919,968 | 466,618,826 |
| Tax expenses | | | | | |
| Current tax | 19 | (166,444,936) | - | (166,444,936) | (121,815,058) |
| Deferred tax | 16 | (10,329,228) | - | (10,329,228) | (8,880,661) |
| | | (176,774,164) | - | (176,774,164) | (130,695,719) |
| Net Profit after tax for the year | | 388,592,274 | 44,553,530 | 433,145,804 | 335,923,107 |
| Basic earnings per share (par value of Tk 100) | 24 | | | 374.44 | 290.39 |

The accompanying notes 1 to 34 form an integral part of these financial statements.



CEO & Managing Director



Director



Company Secretary

As per our annexed report of same date.



Auditors

Dhaka, 28 April 2009

Renata Limited

Statement of changes in equity for the year ended 31 December 2008

| | Share capital Taka | Revaluation surplus Taka | Tax holiday reserve Taka | Retained earnings Taka | Total Taka |
|--|--------------------------|--------------------------------|--------------------------------|------------------------------|----------------------|
| Balance at 31 December 2006 | 80,332,400 | 156,018,160 | 47,451,353 | 698,510,882 | 982,312,795 |
| Stock dividend issued | 16,066,500 | - | - | (16,066,500) | - |
| Cash dividend paid | - | - | - | (40,166,200) | (40,166,200) |
| Deferred tax on revaluation surplus | - | 171,689 | - | - | 171,689 |
| Depreciation adjustment on revaluation surplus | - | (635,885) | - | - | (635,885) |
| Net profit after tax for the year | - | - | - | 335,923,107 | 335,923,107 |
| Tax holiday reserve reversed | - | - | (588,839) | 588,839 | - |
| Balance at 31 December 2007 | 96,398,900 | 155,553,964 | 46,862,514 | 978,790,128 | 1,277,605,506 |
| Balance at 31 December 2007 | 96,398,900 | 155,553,964 | 46,862,514 | 978,790,128 | 1,277,605,506 |
| Stock dividend issued | 19,279,800 | - | - | (19,279,800) | - |
| Cash dividend paid | - | - | - | (48,199,450) | (48,199,450) |
| Deferred tax on revaluation surplus | - | 157,382 | - | - | 157,382 |
| Depreciation adjustment on revaluation surplus | - | (635,885) | - | - | (635,885) |
| Net profit after tax for the year | - | - | - | 433,145,804 | 433,145,804 |
| Tax holiday reserve | - | - | 6,000,000 | (6,000,000) | - |
| Balance at 31 December 2008 | 115,678,700 | 155,075,461 | 52,862,514 | 1,338,456,682 | 1,662,073,357 |

Renata Limited

Cash flow statement for the year ended 31 December 2008

| | 2008 <u>Taka</u> | 2007 <u>Taka</u> |
|---|---------------------|---------------------|
| A. Cash flow from operating activities: | | |
| Collection from customers and other income | 3,464,026,571 | 2,885,087,954 |
| Payment of VAT | (446,920,865) | (349,947,277) |
| Payment to suppliers and employees | (2,598,987,823) | (1,922,429,087) |
| <i>Cash generated from operation</i> | 418,117,883 | 612,711,590 |
| Financing cost | (87,270,665) | (57,480,494) |
| Payment of tax | (113,369,101) | (122,081,499) |
| <i>Net cash inflow from operating activities</i> | 217,478,117 | 433,149,597 |
| B. Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (549,504,472) | (417,615,371) |
| Investment in shares | (7,377,754) | - |
| Sale proceeds of property, plant and equipment | 118,000 | 534,000 |
| <i>Net cash inflow (outflow) from investing activities</i> | (556,764,226) | (417,081,371) |
| C. Cash flows from financing activities: | | |
| Medium term loan (repaid)/received (net) | 461,688,600 | (10,373,668) |
| Dividend paid | (47,511,431) | (39,472,951) |
| <i>Net cash inflow (outflow) from financing activities</i> | 414,177,169 | (49,846,619) |
| D. Net cash increase (decrease) for the year (A+B+C) | 74,891,060 | (33,778,393) |
| E. Opening cash and cash equivalent | 48,256,978 | 82,035,371 |
| F. Closing cash and cash equivalent (D+E) | 123,148,038 | 48,256,978 |

Renata Limited

Notes to the financial statements for the year ended 31 December 2008

1. The reporting entity and its nature of business

Renata Limited is a public limited company incorporated in Bangladesh under the Companies Act 1913 with an authorized capital of Tk 500,000,000 divided into 5,000,000 ordinary shares of Tk 100 each with a paid up capital of Tk 115,678,700 divided into 1,156,787 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 and other medical products in the local and some pharmaceutical products in foreign markets.

2. Basis of preparation of the financial statements

2.1 Statement of compliance

These financial statements have been prepared in accordance with applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), Companies Act 1994, the Securities & Exchange Rules 1987 and other laws and regulations applicable in Bangladesh.

2.2 Date of authorization for issue of the financial statements

On 28 April 2009, the Board of Directors reviewed the financial statements and authorized them for issue.

2.3 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.

2.4 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.

2.5 Use of estimates and judgements

The Preparation of financial statements requires management to make judgements, 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. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.6 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 accounts. The current credit facilities and resources of the company provide sufficient fund to meet the present requirements of its existing businesses and operations.

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 converted 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 comprising accounts and other receivables, cash and cash equivalent, loans and borrowings, and other payables are shown at transaction costs.

3.3 Property Plant and equipment

3.3.1 Recognition and measurement

Property, plant and equipments 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 expenditure 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 under construction/acquisition is accounted for as capital work-in-progress until construction/acquisition is complete and measured at 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 27.5% with applicable rebate on dividend declared. The applicable tax rate will be confirmed by the Finance Act/Ordinance 2009.

3.7 Employee benefits obligation**3.7.1 Defined contribution plan**

The Company operates a contributory provident fund scheme for its permanent employees. Provident fund is administered by a Board of Trustees and is funded by equal contributions both by the employees and the Company at a predetermined rate.

3.7.2 Defined benefit plan

The Company also operates an unfunded gratuity scheme. Employees are entitled to gratuity benefit after completion of minimum seven years of service with the Company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service upto ten years of service, one and half months basic pay for more than ten years of service. Provision for which has been made as per gratuity rules of the company.

3.7.3 Other employees benefit obligation

The Company operates a group insurance scheme for its permanent employees.

3.8 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.

3.9 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 have 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.

3.10 Consolidation of financial statements

The company prepared the consolidated financial statements for 2008 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 unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.11 Deferred tax

The company has adopted deferred tax accounting policy as per Bangladesh Accounting Standards 12. 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.

3.12 General

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

3.13 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 note-33 when material.

4. Property, plant and equipment

| Particulars | Cost/revaluations | | | | Depreciation | | | | | Written down value at 31 December 2008 |
|-----------------------|-------------------|---------------------------|--------------------------------------|---------------------|--------------|-------------------|------------------------|--------------------------------------|---------------------|--|
| | At 1 January 2008 | Additions during the year | Disposal/ adjustment during the year | At 31 December 2008 | Rate | At 1 January 2008 | Charge during the year | Disposal/ adjustment during the year | At 31 December 2008 | |
| | Taka | Taka | Taka | Taka | % | Taka | Taka | Taka | Taka | Taka |
| Freehold land: | | | | | | | | | | |
| At cost | 62,711,912 | 16,493,527 | - | 79,205,439 | | - | - | - | - | 79,205,439 |
| On revaluation | 179,132,078 | - | - | 179,132,078 | | - | - | - | - | 179,132,078 |
| | 241,843,990 | 16,493,527 | - | 258,337,517 | - | - | - | - | - | 258,337,517 |
| Building: | | | | | | | | | | |
| At cost | 124,674,465 | 67,303,050 | - | 191,977,515 | 1.33-4 | 18,344,278 | 5,652,658 | - | 23,996,936 | 167,980,579 |
| On revaluation | 41,291,251 | - | - | 41,291,251 | 1.33-4 | 7,335,708 | 635,885 | - | 7,971,593 | 33,319,658 |
| | 165,965,716 | 67,303,050 | - | 233,268,766 | | 25,679,986 | 6,288,543 | - | 31,968,529 | 201,300,237 |
| Plant and machinery | 553,047,651 | 159,028,765 | - | 712,076,416 | 5-20 | 206,832,450 | 42,983,496 | - | 249,815,946 | 462,260,470 |
| Automobile and trucks | 55,592,570 | 33,674,000 | 500,000 | 88,766,570 | 25 | 24,092,569 | 11,956,187 | 500,000 | 35,548,756 | 53,217,814 |
| Office equipments | 55,109,575 | 7,607,583 | 28,000 | 62,689,158 | 10-12.5 | 27,448,563 | 5,691,602 | 28,000 | 33,112,165 | 29,576,993 |
| Furniture and fixture | 15,671,651 | 1,102,989 | - | 16,774,640 | 5 | 6,330,831 | 701,006 | - | 7,031,837 | 9,742,803 |
| Total 2008 | 1,087,231,153 | 285,209,914 | 528,000 | 1,371,913,067 | | 290,384,399 | 67,620,834 | 528,000 | 357,477,233 | 1,014,435,834 |
| Total 2007 | 933,335,359 | 155,752,967 | 1,857,173 | 1,087,231,153 | | 244,268,890 | 47,935,482 | 1,819,973 | 290,384,399 | 796,846,754 |

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

| | |
|-----------------------|--------------------|
| | Cost |
| | Taka |
| Building | 3,555,587 |
| Plant and machinery | 114,733,104 |
| Automobile and trucks | 21,492,570 |
| Office equipments | 14,216,362 |
| Furniture and fixture | 2,326,305 |
| | 156,323,928 |

4.2 The freehold land of the company measuring 38.25 acres are located at:

| | |
|---------------------------------------|--------------------|
| Mirpur, Dhaka | 12.00 acres |
| Lakshimpur, Rajshahi City Corporation | 0.15 acres |
| Dogri Rajendrapur, Gazipur | 15.10 acres |
| Kashor Gore, Bhaluka, Mymensingh | 11.00 acres |
| Total | 38.25 acres |

Out of 12 acres of land at Mirpur, Dhaka, 4.75 acres 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 21.1) | 39,791,405 |
| Cost of goods sold - Tax holiday unit 4 (Note 21.1) | 10,912,030 |
| | 50,703,435 |
| Operating expenses (Note 23) | 16,281,514 |
| Revaluation surplus (Note 13) | 635,885 |
| | 67,620,834 |

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 in that year.

4.5 Sale of property, plant and equipment

| Particulars | Original cost <u>Taka</u> | Accumulated depreciation <u>Taka</u> | Net book value <u>Taka</u> | Sale proceeds <u>Taka</u> | Profit/ (loss) <u>Taka</u> | Mode of disposal | Purchaser |
|--|---------------------------------|--|----------------------------------|---------------------------------|----------------------------------|---------------------|----------------------------|
| Automobiles: | | | | | | | |
| Toyota Corolla DX 1300cc Model - 1989 | 500,000 | 500,000 | - | 100,000 | 100,000 | Company policy | Mr. Khalil Mosaddeque |
| Air Conditioner : | | | | | | | |
| 1 Hitachi Air Conditioner 1.5 Ton | 28,000 | 28,000 | - | 18,000 | 18,000 | Tender | Homeland Engineering Works |
| Total | Taka | 528,000 | 528,000 | - | 118,000 | 118,000 | |

5. Capital work in-progress

| | 2008 <u>Taka</u> | 2007 <u>Taka</u> |
|--|---------------------|---------------------|
| Opening Balance | 305,983,441 | 44,121,037 |
| Add: Addition during the year | 549,504,471 | 417,615,371 |
| | 855,487,912 | 461,736,408 |
| Less: Capitalised as property, plant and equipment | 285,209,914 | 155,752,967 |
| | <u>570,277,998</u> | <u>305,983,441</u> |

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

6. Investment in subsidiaries

This represents investments 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.

| | 2008 | | | 2007 |
|--------------------------------|--------------------|------------------|----------------------|----------------------|
| | Share holding % | No. of shares | Value <u>Taka</u> | Value <u>Taka</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 at cost

Detail of the above amount is given as under:

| | Market value 2008 Taka | Book value | |
|--|------------------------------|------------------|------------------|
| | | 2008 Taka | 2007 Taka |
| 1 Ordinary Share of Tk. 1,000,000/- in Central Depository Bangladesh Ltd. | 1,000,000 | 1,000,000 | 1,000,000 |
| 1,200 Ordinary Shares of Tk. 100/- Each in BRAC Bank Limited | 993,600 | 1,111,906 | - |
| 2,000 Ordinary Shares of Tk. 100/- each in Estland Insurance Company Ltd. | 2,029,000 | 2,340,103 | - |
| 1,170 Ordinary Shares of Tk. 100/-each in Social Investment Bank Ltd. | 251,257 | 348,689 | - |
| 3,600 Ordinary Shares of Tk. 100/-each in Al-Arafa Islamic Bank Ltd. | 1,599,300 | 1,397,568 | - |
| 2,500 Ordinary Shares of Tk. 100/- each in EXIM Bank Ltd. | 808,750 | 882,717 | - |
| 10,000 Ordinary Shares of Tk. 10/- each in Square Textile Ltd. | 1,173,000 | 1,296,771 | - |
| | 7,854,907 | 8,377,754 | 1,000,000 |

8. Inventories

| | 2008 Taka | 2007 Taka |
|--|--------------------|--------------------|
| Finished goods -Pharmaceutical (Unit-1) | 186,994,030 | 154,350,246 |
| -Premix (Unit-2) | 133,221,551 | 63,579,936 |
| -Contract Manufacturing (Unit-3) | 1,114,200 | 673,330 |
| -Potent Product Facility (Unit-4) | 9,085,198 | 4,096,189 |
| | 330,414,979 | 222,699,701 |
| Work-in-progress | 57,946,757 | 34,031,511 |
| Less: Provision | - | 6,060,756 |
| | 57,946,757 | 27,970,755 |
| Raw materials | 81,431,767 | 66,723,792 |
| Bulk materials | 120,689,523 | 96,933,551 |
| Packing materials | 74,911,011 | 64,556,585 |
| Raw and packaging materials-Premix (Unit-2) | 37,847,322 | 36,824,608 |
| Raw and packaging materials-Contract manufacturing (Unit-3) | 6,299,092 | 12,872,533 |
| Raw and packaging materials-Potent Product Facility (Unit-4) | 12,527,534 | 9,026,467 |
| Consumable stores and spares | 14,624,527 | 10,992,173 |
| Stock in transit | 222,722,078 | 113,411,980 |
| | 959,414,590 | 662,012,145 |

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

9. Trade and other receivables

| | 2008 Taka | 2007 Taka |
|--|--------------------|--------------------|
| Trade debtors-unsecured (Notes-9.1) | 227,769,104 | 139,708,049 |
| Less: Provision for doubtful debts | 7,468,662 | 7,655,877 |
| Trade debtors considered good | 220,300,442 | 132,052,172 |
| Sundry debtors - unsecured considered good | 68,691,213 | 15,998,224 |
| Value Added Tax (VAT) recoverable | 55,235,278 | 46,677,479 |
| | <u>344,226,933</u> | <u>194,727,875</u> |

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

9.1 Trade debtors

| | | |
|----------------------------|--------------------|--------------------|
| Debts due below six months | 88,997,255 | 72,588,000 |
| Debts due over six months | 138,771,849 | 67,120,049 |
| | <u>227,769,104</u> | <u>139,708,049</u> |

10. Advances, deposits and prepayments

| | | |
|---------------------------|-------------------|-------------------|
| Advances: | | |
| For inventories | 7,285,613 | 15,674,570 |
| To employees | 40,504,505 | 34,109,616 |
| | <u>47,790,118</u> | <u>49,784,186</u> |
| Deposits and prepayments: | | |
| Security deposits | 9,809,595 | 11,946,317 |
| Prepaid expenses | 21,681,698 | 21,365,319 |
| | <u>31,491,293</u> | <u>33,311,636</u> |
| | <u>79,281,411</u> | <u>83,095,822</u> |

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

| | | |
|----------------------|-------------------|-------------------|
| Advance to employees | 13,102,688 | 4,115,032 |
| Prepaid expenses | 4,238,125 | 6,783,419 |
| | <u>17,340,813</u> | <u>10,898,451</u> |

- a) Advance to employees and prepayments includes Tk 47,065,436 and Tk 28,227,354 due from the officers at 31 December 2008 and 2007 respectively.
- b) No amount was due by the Directors (including Managing Director) or associated undertakings.

11. Cash and cash equivalent

| | 2008 Taka | 2007 Taka |
|--------------|--------------------|-------------------|
| Cash on hand | 550,000 | 480,000 |
| Cash at bank | 122,598,038 | 47,776,978 |
| | <u>123,148,038</u> | <u>48,256,978</u> |

12. Share capital

| | 2008 Taka | 2007 Taka |
|---|--------------------|-------------------|
| Authorised: | | |
| 5,000,000 Ordinary shares of Taka 100 each | 500,000,000 | 500,000,000 |
| 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 |
| 854,912 Ordinary shares of Taka 100 each issued as fully paid bonus shares | 85,491,200 | 66,211,400 |
| <u>1,156,787</u> | <u>115,678,700</u> | <u>96,398,900</u> |

The shares are listed in the Dhaka Stock Exchange Limited and were quoted at Tk 7,789.25 per share on 31 December 2008.

At 31 December 2008 share holding position of the company was as follows:

| | Number of shares | Face value Taka | % of total holding |
|--|---------------------|--------------------|-----------------------|
| Sajida Foundation | 589,958 | 58,995,800 | 51.00 |
| Business Research International Corp. Inc. | 292,977 | 29,297,700 | 25.33 |
| ICB Unit Fund | 28,681 | 2,868,100 | 2.48 |
| Investment Corporation of Bangladesh | 56,325 | 5,632,500 | 4.87 |
| First ICB Mutual Fund | 21,097 | 2,109,700 | 1.82 |
| Shadharan Bima Corporation | 50,610 | 5,061,000 | 4.38 |
| Other local shareholders | 117,139 | 11,713,900 | 10.12 |
| | <u>1,156,787</u> | <u>115,678,700</u> | <u>100.00</u> |

Classification of shareholders by holdings:

| Holdings | 2008 | | | | |
|-----------------------------|--------------------------------|-------------------------------|----------------------------|--------------------------------|------------------------|
| | 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 | 508 | 1,094 | 1,602 | 51,212 | 4.43 |
| 501 to 5,000 shares | 26 | 19 | 45 | 54,742 | 4.73 |
| 5,001 to 10,000 shares | 2 | - | 2 | 16,156 | 1.40 |
| 10,001 to 20,000 shares | - | 2 | 2 | 24,373 | 2.10 |
| 20,001 to 30,000 shares | 1 | 2 | 3 | 76,759 | 6.63 |
| 30,001 to 40,000 shares | - | - | - | - | - |
| 40,001 to 50,000 shares | - | - | - | - | - |
| 50,001 to 100,000 shares | 1 | - | 1 | 50,610 | 4.38 |
| 100,001 to 1,000,000 shares | 2 | - | 2 | 882,935 | 76.33 |
| Over 1,000,000 shares | - | - | - | - | - |
| | 540 | 1,117 | 1,657 | 1,156,787 | 100.00 |

12.1 Share holding position in Renata Agro Industries Limited

| | 2008 | | | 2007 | |
|---|---------------------|--------------------|-----------------------|---------------------|-----------------------|
| | 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% |
| | 420,000 | 42,000,000 | 100.00% | 420,000 | 100.00% |

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% |
| | 25,000 | 2,500,000 | 100.000% | 25,000 | 100.000% |

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:

| | 2008 Taka | 2007 Taka |
|--|--------------------|--------------------|
| Land | 179,132,078 | 179,132,078 |
| Building | 33,955,543 | 34,591,428 |
| | <u>213,087,621</u> | <u>213,723,506</u> |
| LESS: Depreciation charged during the year on revaluation of building (Note 4) | (635,885) | (635,885) |
| | <u>212,451,736</u> | <u>213,087,621</u> |
| LESS: Adjustment of deferred tax thereon (Note 16) | 57,376,275 | 57,533,657 |
| | <u>155,075,461</u> | <u>155,553,964</u> |

14. Retained earnings

Details are as under:

| | | |
|-----------------------------------|----------------------|--------------------|
| Opening balance | 978,790,128 | 698,510,882 |
| Net Profit after tax for the year | 433,145,804 | 335,923,107 |
| Tax holiday reserve | (6,000,000) | 588,839 |
| Stock Dividend issued | (19,279,800) | (16,066,500) |
| Cash Dividend paid | (48,199,450) | (40,166,200) |
| Closing Balance | <u>1,338,456,682</u> | <u>978,790,128</u> |

Previous year's figures have been rearranged to conform to current year's presentation.

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 | 88,948,500 | 72,656,492 |
| Add: Provision made during the year | 26,545,000 | 23,803,786 |
| | <u>115,493,500</u> | <u>96,460,278</u> |
| Less: Paid during the year | 10,269,340 | 7,511,778 |
| Closing balance | <u>105,224,160</u> | <u>88,948,500</u> |

16. Deferred tax liability

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

| | 2008 Taka | 2007 Taka |
|--|-------------------|-------------------|
| Opening balance | 71,370,735 | 62,661,763 |
| Provision made during the year for deferred tax expense | 10,329,228 | 8,880,661 |
| | <u>81,699,963</u> | <u>71,542,424</u> |
| Reduction of deferred tax on revaluation surplus (Note 13) | (157,382) | (171,689) |
| Closing balance | <u>81,542,581</u> | <u>71,370,735</u> |

| | Carrying amount on balance sheet date Taka | Tax base Taka | Taxable/ (deductible) temporary difference Taka |
|---|--|--------------------|---|
| At 31 December 2008 | | | |
| Property, plant and equipment (excluding land): | | | |
| At cost less accumulated depreciation | 568,031,532 | 338,325,471 | 229,706,061 |
| Revaluation surplus | 212,451,736 | - | 212,451,736 |
| | <u>780,483,268</u> | <u>338,325,471</u> | <u>442,157,797</u> |
| Provision for staff gratuity (net of payment) | (105,224,160) | - | (105,224,160) |
| Provision for doubtful debts | (7,468,662) | - | (7,468,662) |
| Net temporary difference | | | <u>329,464,975</u> |
| Applicable tax rate | | | 24.75% |
| Deferred tax liability/(asset) | | | <u>81,542,581</u> |
| At 31 December 2007 | | | |
| Property, plant and equipment (excluding land): | | | |
| At cost less accumulated depreciation | 361,051,740 | 213,198,930 | 147,852,810 |
| Revaluation surplus | 213,087,621 | - | 213,087,621 |
| | <u>574,139,361</u> | <u>213,198,930</u> | <u>360,940,431</u> |
| Provision for staff gratuity (net of payment) | (88,948,500) | - | (88,948,500) |
| Provision for doubtful debts | (7,655,877) | - | (7,655,877) |
| Net temporary difference | | | <u>264,336,054</u> |
| Applicable tax rate | | | 27% |
| Deferred tax liability/(asset) | | | <u>71,370,735</u> |

17. Bank overdraft

| | <u>Limit Taka</u> | <u>2008 Taka</u> | <u>2007 Taka</u> |
|--|-----------------------|----------------------|----------------------|
| Overdraft accounts with: | | | |
| Eastern Bank Limited, Dhaka | 145,000,000 | 145,122,154 | 140,758,521 |
| The Hongkong and Shanghai Banking Corporation Ltd., Dhaka | 275,000,000 | 301,489,000 | 109,464,628 |
| Standard Chartered Bank, Dhaka | 445,000,000 | 205,473,714 | 111,074,814 |
| Citibank, N.A., Dhaka | 100,000,000 | 171,078,747 | 177,052 |
| | <u>965,000,000</u> | <u>823,163,615</u> | <u>361,475,015</u> |

Security

- i) First charge over all present and future stocks and book debts of Renata Limited jointly with Eastern Bank Limited, The Hongkong and 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 available Taka</u> | <u>Not availed of at balance sheet date Taka</u> |
|---|--|--|
| Letters of credit | <u>1,000,000,000</u> | <u>742,483,788</u> |
| (including 180 days revolving time loan for import finance) | | |

18. Other payables

| | <u>2008 Taka</u> | <u>2007 Taka</u> |
|------------------------------------|----------------------|----------------------|
| Workers' profit participation fund | 71,096,287 | 53,852,299 |
| Others | 8,806,551 | 69,307,798 |
| | <u>79,902,838</u> | <u>123,160,097</u> |

19. Provision for taxation

| | 2008 Taka | 2007 Taka |
|---------------------------------|--------------|--------------|
| Opening balance | 93,955,788 | 94,222,229 |
| Add: Provision for current year | 166,444,936 | 121,815,058 |
| | 260,400,724 | 216,037,287 |
| Less: Tax paid during the year | 113,369,101 | 122,081,499 |
| Closing balance | 147,031,623 | 93,955,788 |

20. Turnover

| | 2,008 | | 2,007 | |
|-----------------------------------|---------------------------|-------------------|---------------------------|------------------------|
| | Gross Turnover Taka | Less: VAT Taka | Turnover (net) Taka | Turno (net) Taka |
| Non-tax holiday (units-1, 2 & 3): | | | | |
| Pharmaceutical products | 2,635,243,913 | 361,972,622 | 2,273,271,291 | 1,847,657,270 |
| Animal health products | 417,727,873 | 63,861,677 | 353,866,196 | 347,906,018 |
| Animal nutritional products | 306,703,184 | - | 306,703,184 | 247,873,674 |
| Contact manufacturing | 28,513,692 | 4,160,962 | 24,352,730 | 18,115,128 |
| | 3,388,188,662 | 429,995,261 | 2,958,193,401 | 2,461,552,090 |
| Tax holiday (Unit 4): | | | | |
| Potent product facility | 148,478,620 | 16,925,604 | 131,553,016 | 72,622,891 |
| | 3,536,667,282 | 446,920,865 | 3,089,746,417 | 2,534,174,981 |

20.1 During the year sale of pharmaceutical products includes export sale of Tk 55,827,252 equivalent to US\$ 815,660.

20.2 Item-wise production/purchases and sale of 350 finished goods formulations consisting of pharmaceutical products, animal health products, premix feed supplement, protein products 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:

| Major product group | Unit | Opening stocks | Production/ purchases | Less: Sales | In '000 Closing stocks |
|----------------------------------|-------------------|-------------------|--------------------------|-------------|------------------------------|
| Sterile dry fill (injectable) | Vials | 335 | 4,140 | 4,023 | 452 |
| Sterile liquid fill (injectable) | Vials & Ampoules | 554 | 8,156 | 7,729 | 981 |
| Ointments and eye/ear drops | Tube | 41 | 1,055 | 970 | 126 |
| Capsules and tablets | Capsule & Tablet | 63,282 | 518,382 | 522,648 | 59,016 |
| Oral liquid and dry syrup | Bottle | 1,417 | 10,500 | 10,917 | 1,000 |
| Rabipur Vaccine | Vials | - | 149,826 | 133,741 | 16,085 |
| Potent products | Capsules & Tablet | 5,267 | 64,039 | 60,127 | 9,179 |
| Premix -Animal nutrition | Kg | 531 | 1,765 | 1,729 | 567 |
| Premix -Animal nutrition | Sachets | 315 | 1,878 | 1,877 | 316 |
| Oral saline | Sachets | 530 | 34,318 | 34,799 | 49 |
| | Taka '000 | 218,604 | 1,587,380 | 1,484,654 | 321,330 |

21. Cost of sales

| | 2008 | | | 2007 |
|--|---|-------------------------------|---------------|---------------|
| | Non-tax holiday Unit-1 , 2 & 3 Taka | Tax holiday Unit-4 Taka | Total Taka | Total Taka |
| Opening stock of finished goods | 218,603,512 | 4,096,189 | 222,699,701 | 259,092,719 |
| Add: Cost of goods manufactured (Note 21.1) | 1,532,553,876 | 46,849,187 | 1,579,403,063 | 1,143,909,340 |
| Cost of finished goods purchased | 54,826,900 | - | 54,826,900 | 118,608,976 |
| | 1,805,984,288 | 50,945,376 | 1,856,929,664 | 1,521,611,035 |
| Less: Closing stock of finished goods (Note 8) | 321,329,781 | 9,085,198 | 330,414,979 | 222,699,701 |
| | 1,484,654,507 | 41,860,178 | 1,526,514,685 | 1,298,911,334 |

21.1 Cost of goods manufactured

| | 2008 | | | 2007 |
|--|---|-------------------------------|---------------|---------------|
| | Non-tax holiday Unit-1 , 2 & 3 Taka | Tax holiday Unit-4 Taka | Total Taka | Total Taka |
| Cost of materials: | | | | |
| Opening work-in-process | 34,031,511 | - | 34,031,511 | 39,223,689 |
| Add: Cost of raw materials consumed (Note 21.2) | 1,313,991,042 | 28,064,025 | 1,342,055,067 | 919,313,553 |
| | 1,348,022,553 | 28,064,025 | 1,376,086,578 | 958,537,242 |
| Less: Closing work-in-process | 57,946,757 | - | 57,946,757 | 34,031,511 |
| Total cost of materials | 1,290,075,796 | 28,064,025 | 1,318,139,821 | 924,505,731 |
| Manufacturing overhead: | | | | |
| Salaries, wages and other benefits | 83,036,739 | 4,838,998 | 87,875,737 | 79,977,880 |
| Company's contribution to provident fund | 1,065,505 | 175,605 | 1,241,110 | 1,101,025 |
| Net periodic cost for gratuity | 12,476,880 | 388,120 | 12,865,000 | 10,830,000 |
| Electricity and fuel | 17,794,028 | 1,600,985 | 19,395,013 | 16,488,453 |
| Consumable stores, supplies and manufacturing expenses | 28,027,622 | 103,250 | 28,130,872 | 20,042,421 |
| Insurance | 2,224,225 | 81,000 | 2,305,225 | 2,585,120 |
| Land revenue and taxes | 417,700 | - | 417,700 | 386,844 |
| Rental and leases | 1,751,379 | - | 1,751,379 | 1,900,545 |
| Automobile expenses | 3,140,867 | 120,000 | 3,260,867 | 1,963,700 |
| Postage and telephone | 1,286,231 | 18,975 | 1,305,206 | 1,201,866 |
| Printing and stationery | 1,984,588 | 11,411 | 1,995,999 | 1,218,381 |
| Uniform to workers | 2,117,978 | 30,938 | 2,148,916 | 2,551,324 |
| Travelling, moving and entertainment | 11,643,460 | - | 11,643,460 | 7,848,650 |
| Repair and maintenance | 14,296,073 | 39,750 | 14,335,823 | 13,494,944 |
| Lunch, Snacks and Tea expenses | 20,080,261 | 464,100 | 20,544,361 | 16,030,777 |
| Depreciation | 39,791,405 | 10,912,030 | 50,703,435 | 41,458,597 |
| Other overhead expenses | 1,343,139 | - | 1,343,139 | 323,082 |
| | 242,478,080 | 18,785,162 | 261,263,242 | 219,403,609 |
| Total cost of goods manufactured | 1,532,553,876 | 46,849,187 | 1,579,403,063 | 1,143,909,340 |

21.2 Cost of raw materials consumed

| | | | | |
|---------------------------------|---------------|------------|---------------|---------------|
| Opening stock | 277,911,069 | 9,026,467 | 286,937,536 | 244,653,874 |
| Add: Purchase | 1,357,258,688 | 31,565,092 | 1,388,823,780 | 961,597,215 |
| | 1,635,169,757 | 40,591,559 | 1,675,761,316 | 1,206,251,089 |
| Less: Closing stock (Note 21.3) | 321,178,715 | 12,527,534 | 333,706,249 | 286,937,536 |
| | 1,313,991,042 | 28,064,025 | 1,342,055,067 | 919,313,553 |

21.3 Purchases, issues and stocks of raw materials

Purchases, issues and stocks of raw materials are of over 1750 items involving production of 365 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.

| Major material group | Opening stocks Taka | Purchases Taka | Consumption Taka | Closing stocks Taka |
|--------------------------------------|---------------------------|-------------------|---------------------|---------------------------|
| Active materials (Note 21.4) | 96,933,551 | 637,059,004 | 613,303,032 | 120,689,523 |
| Raw materials (Note 21.4) | 66,723,792 | 253,992,612 | 239,284,637 | 81,431,767 |
| Packaging materials (Note 21.4) | 64,556,585 | 229,481,737 | 219,127,311 | 74,911,011 |
| Premix - Raw and packaging materials | 36,824,608 | 197,214,363 | 196,191,649 | 37,847,322 |
| Contract manufacturing | 12,872,533 | 39,510,972 | 46,084,413 | 6,299,092 |
| | 277,911,069 | 1,357,258,688 | 1,313,991,042 | 321,178,715 |
| Potent Product (Tax holiday unit-4) | 9,026,467 | 31,565,092 | 28,064,025 | 12,527,534 |
| | 286,937,536 | 1,388,823,780 | 1,342,055,067 | 333,706,249 |
| Consumable stores | 9,493,680 | 3,608,896 | 540,000 | 12,562,576 |
| Maintenance stores and spares | 1,498,493 | 1,193,458 | 630,000 | 2,061,951 |
| | 10,992,173 | 4,802,354 | 1,170,000 | 14,624,527 |
| | 297,929,709 | 1,393,626,134 | 1,343,225,067 | 348,330,776 |

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:

| Major product group | Unit | Opening stocks | Purchases | Issues | Closing stocks |
|---------------------|-----------|-------------------|-------------|-------------|-------------------|
| Local | KG/KGA | 2,851 | 8,650 | 10,771 | 730 |
| Imported | KG/KGA/BU | 25,489 | 157,708 | 147,069 | 36,128 |
| | Taka | 96,933,551 | 637,059,004 | 613,303,032 | 120,689,523 |

Procurement of Active materials consist of 180 items of which 95.3% of the total value were imported during the year.

| Raw materials | | | | | |
|--------------------------------|------|-------------------|-------------|-------------|-------------------|
| Major product group | Unit | Opening stocks | Purchases | Issues | Closing stocks |
| Excepients | KG | 636,500 | 630,300 | 624,275 | 642,525 |
| Colour | KG | 499 | 943 | 717 | 725 |
| Empty gelatin capsules (000's) | PCS | 31,133 | 84,315 | 58,140 | 57,308 |
| Flavour | KG | 2,950 | 3,385 | 3,376 | 2,959 |
| Sugar | KG | 27,445 | 491,250 | 346,987 | 171,708 |
| Sorbitol | KG | 1,546 | 40,770 | 41,276 | 1,040 |
| Glucose | KG | 3,370 | 98,700 | 53,701 | 48,369 |
| Lactose | KG | 19,049 | 48,550 | 50,871 | 16,728 |
| | Taka | 66,723,792 | 253,992,612 | 239,284,637 | 81,431,767 |

Purchase of raw materials involve 325 items of which 93.3% in value were imported during the year.

| Packaging materials: | | | | | |
|-----------------------------|------|-------------------|--------------------|--------------------|-------------------|
| Major product group | Unit | Opening stocks | Purchases | Issues | Closing stocks |
| Cartons | PC | 6,084,639 | 20,238,857 | 18,921,824 | 7,401,672 |
| Labels | PC | 6,233,753 | 13,684,880 | 14,060,476 | 5,858,157 |
| Direction slips | PC | 6,832,812 | 18,071,850 | 17,200,986 | 7,703,676 |
| Catch covers | PC | 5,091,669 | 9,474,315 | 8,649,950 | 5,916,034 |
| Vials | PC | 4,141,874 | 7,280,855 | 7,512,629 | 3,910,100 |
| Bottles | PC | 614,698 | 4,201,462 | 930,624 | 3,885,536 |
| Ampoules | PC | 477,565 | 8,641,845 | 8,054,458 | 1,064,952 |
| Alluminium tubes | PC | 48,702 | 1,111,171 | 1,025,115 | 134,758 |
| Plastic spoons/droppers | PC | 1,731,000 | 9,933,410 | 10,220,430 | 1,443,980 |
| PP caps/Al seals | PC | 6,001,382 | 23,962,990 | 28,654,755 | 1,309,617 |
| Rubber plucks | PC | 1,410,938 | 8,943,000 | 6,029,806 | 4,324,132 |
| Alluminium foil | KG | 43,135 | 80,040 | 85,739 | 37,436 |
| PVC hard | KG | 45,878 | 76,625 | 71,188 | 51,315 |
| Taka | | <u>64,556,585</u> | <u>229,481,737</u> | <u>219,127,311</u> | <u>74,911,011</u> |

Packaging materials involve about 1250 items of which 47.2% in value were imported during the year.

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

| | | | |
|-----------|-------------|---------|----------------|
| India | Japan | Italy | New Zealand |
| China | Thailand | Denmark | Indonesia |
| Hong Kong | South Korea | Spain | Argentina |
| Singapore | Germany | USA | Brazil |
| Malaysia | UK | Austria | Czech Republic |

22. Other income

| | 2008 Taka | 2007 Taka |
|---|-------------------|-------------------|
| Manufacturing charges received for manufacturing Eskayef products | 15,013,244 | 10,855,950 |
| Dividend income | - | - |
| Interest income | 407,100 | 878,484 |
| | <u>15,420,344</u> | <u>11,734,434</u> |

23. Administrative, selling and distribution expenses

| | 2008 | | | 2007 |
|---|---|-------------------------------|--------------------|--------------------|
| | Non-tax holiday Unit-1 , 2 & 3 Taka | Tax holiday Unit-4 Taka | Total Taka | Total Taka |
| Salaries, wages and allowances | 296,108,260 | 7,519,068 | 303,627,328 | 256,746,334 |
| Contribution to Provident Fund | 6,584,107 | 242,895 | 6,827,002 | 6,062,841 |
| Net Periodic cost for gratuity | 13,482,000 | 198,000 | 13,680,000 | 12,973,786 |
| Fuel and power | 12,388,270 | 1,004,112 | 13,392,382 | 11,285,269 |
| Rent, rates and taxes | 21,653,501 | 839,612 | 22,493,113 | 26,222,732 |
| Insurance | 8,532,951 | 325,090 | 8,858,041 | 4,000,196 |
| Travelling, moving and entertainment expenses | 136,216,081 | 13,019,557 | 149,235,638 | 115,377,436 |
| Repairs and maintenances | 9,153,684 | 250,058 | 9,403,742 | 9,602,896 |
| Legal and professional expense | 300,301 | - | 300,301 | 310,000 |
| Audit fee | 300,000 | - | 300,000 | 200,000 |
| Directors' fee | 270,000 | - | 270,000 | 138,000 |
| Membership fees and subscription | 4,319,637 | - | 4,319,637 | 3,009,519 |
| Meeting and corporate expenses | 20,564,200 | 783,459 | 21,347,659 | 19,204,010 |
| Advertising and sales promotion | 71,312,298 | 6,159,540 | 77,471,838 | 67,878,599 |
| Field expenses | 55,601,538 | 3,026,571 | 58,628,109 | 45,163,940 |
| Depreciation | 16,281,514 | - | 16,281,514 | 5,841,000 |
| Printing and stationery | 9,910,247 | 290,383 | 10,200,630 | 9,808,446 |
| Postage, telex, fax and telephone | 14,226,724 | 446,677 | 14,673,401 | 16,520,476 |
| Distribution freight | 72,887,744 | 3,262,000 | 76,149,744 | 61,119,007 |
| Lunch, Snacks, Tea and welfare expenses | 22,277,774 | 848,743 | 23,126,517 | 17,316,952 |
| Other overhead expense* | 13,854,992 | 728,335 | 14,583,327 | 8,000,234 |
| | <u>806,225,823</u> | <u>38,944,100</u> | <u>845,169,923</u> | <u>696,781,673</u> |

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

- 23.1** The company engaged 2,213 employees of which 1,877 permanent employees and 336 Casual and Temporary Workers as required. All employees receive total remuneration above Tk 36,000/- p.a.

24. Basic earnings per share (EPS)

| | 2008 Taka | 2007 Taka |
|--|---------------|---------------|
| The computation of EPS is given below: | | |
| Earnings attributable to the ordinary shareholders (net profit after tax) | 433,145,804 | 335,923,107 |
| Weighted average number of ordinary shares outstanding during the year (Note 24.1) | 1,156,787 | 1,156,787 |
| Basic Earning Per Share (EPS) | <u>374.44</u> | <u>290.39</u> |

24.1 Weighted average number of share outstanding during the year

| | |
|---------------------------------|------------------|
| Opening number of share | 963,989 |
| Bonus share issued in June 2008 | 192,798 |
| | <u>1,156,787</u> |

*Previous year's EPS has been adjusted as per the requirement of BAS-33.

25. Payments to directors and officers

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

| | Directors Taka | Officers Taka |
|------------------------------------|-------------------|--------------------|
| Remuneration | 2,176,875 | 86,848,407 |
| House rent | 1,510,500 | 103,898,624 |
| Bonus | 970,312 | 17,222,088 |
| Contribution to provident fund | 217,688 | 7,568,676 |
| Gratuity | 326,531 | 18,193,469 |
| Medical expenses | 382,310 | 10,755,809 |
| Conveyance allowance and transport | 241,000 | 59,602,651 |
| Other welfare expenses | 347,550 | 18,427,253 |
| | <u>6,172,766</u> | <u>322,516,977</u> |

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

26. 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:

| Major product group | Unit (In '000) | Capacity (In '000) | 2008 | | 2007 | |
|-------------------------------|-------------------|-----------------------|---------------------------|--------------------------|---------------------------|-------------|
| | | | Actual production % | Utilisation (In '000) | Actual production % | Utilisation |
| Sterile dry fill (injectable) | Vials | 9,000 | 4,140 | 46.00% | 3,715 | 41.28% |
| Sterile liquid (injectable) | Vials & ampoules | 8,000 | 8,156 | 101.95% | 6,389 | 79.86% |
| Ointments | Tubes | 1,440 | 1,055 | 73.26% | 1,007 | 69.93% |
| Capsules and tablets | Cap/Tab | 350,000 | 518,382 | 148.11% | 353,499 | 101.00% |
| Oral liquid & dry syrup | Bottles | 6,840 | 10,500 | 153.51% | 11,450 | 167.40% |
| Water for injection | Ampoules | 2,000 | 1,200 | 60.00% | 1,445 | 72.25% |
| Premix feed supplement | Kg | 2,000 | 1,765 | 88.25% | 3,806 | 190.30% |
| Premix feed supplement | Sachet | 1,200 | 1,878 | 156.50% | 1,488 | 124.00% |
| ORAL saline | Sachet | 24,400 | 34,318 | 140.65% | 46,463 | 190.42% |
| Potent Products | Tablets | 250,000 | 64,039 | 25.62% | 35,785 | 14.31% |

26.1 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 is planning to introduce other injectable to utilise the excess capacity.

27. Contingent liabilities

- 27.1** There are contingent liabilities on account of unresolved disputed corporate income tax assessments involving tax claims by the tax authority amounting to Tk 25,266,780, for which appeals are pending with the High Court. 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.
- 27.2** The company applied on 18 February 2007 to the National Board of Revenue (NBR), for tax holiday for its Unit-4 (Potent Product Facility) under section 46A of the Income Tax Ordinance (ITO) 1984. After statutory proceedings as per ITO 1984, the NBR rejected the tax holiday application on 27 March 2007 on certain grounds. The company filed appeal on 22 April 2007 to review the application but after statutory proceedings the NBR kept its previous order intact on 11 February 2009. The company again filed appeal on 23 March 2009 for fresh review of the application. The ultimate outcome of the matter cannot presently be determined. However, adequate provision for any tax liability that may arise due to the rejection has been made in the financial statements from September 2006 as the company has shown Unit-4 as tax holiday unit in the financial statements from the year 2006

- 27.3** Additional contingent liabilities exist in respect of the following:

| | 2008 Taka | 2007 Taka |
|--|--------------|--------------|
| Outstanding letters of credit (Note 27.4) | 257,516,212 | 285,178,481 |
| Outstanding guarantees issued by the banks | 13,400,524 | 2,857,364 |

- 27.4** Outstanding letters of credit

| | Limit Taka | 2008 Taka | 2007 Taka |
|--|----------------------|--------------------|--------------------|
| The Hongkong and Shanghai Banking Corporation Ltd. | 400,000,000 | 93,641,417 | 131,288,444 |
| Standard Chartered Bank | 400,000,000 | 28,359,814 | 124,917,904 |
| Eastern Bank Limited | 120,000,000 | 55,623,818 | 28,972,133 |
| Citibank, N.A | 80,000,000 | 79,891,163 | - |
| | <u>1,000,000,000</u> | <u>257,516,212</u> | <u>285,178,481</u> |

28. Capital expenditure commitment

There was no unprovided committed capital expenditure as at 31 December 2008.

29. Dividend paid to non-resident shareholders

Dividend paid to non-resident shareholder, Business Research International Corp. Inc. during the year 2008 was Tk 9,765,920 equivalent to US\$ 140,719.31 against their 244,148 shares.

30. Claims against the company not acknowledged as debt

None as at 31 December 2008

31. Payments/receipts in foreign currency

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

| | Foreign currency US\$ | Local currency Taka |
|-------------------------------------|-----------------------------|---------------------------|
| Active, raw and packaging materials | 14,695,842 | 1,021,361,019 |
| Machinery and spares | 3,569,750 | 248,097,625 |
| | <u>18,265,592</u> | <u>1,269,458,644</u> |

- 31.2** The following expenses were incurred during the year in foreign exchange on account of:

| | | |
|--|------|-----------|
| Professional consultation fee for ISO 9001 | US\$ | 1,760.00 |
| Export promotional expenses | US\$ | 92,659.83 |
| Subscription for IMS and Medical Journal | US\$ | 18,553.00 |
| Products registration | US\$ | 1,500.00 |
| Conference and Trade Show | US\$ | 14,082.11 |

- 31.3** Foreign exchange was earned in respect of the following:

| | | |
|------------------------|------|---------|
| Export of goods on FOB | US\$ | 815,660 |
|------------------------|------|---------|

32. 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 within normal business transaction. Name of those related parties, nature of those transactions and their total value has been shown in annexure-A in accordance with the provisions of BAS-24 "Related Party Disclosure".

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

The Board of Directors at the 154th Board Meeting held on 28 April 2009, recommended to the shareholders a cash dividend of Tk. 50 per share of Tk. 100 each (amounting Tk. 57,839,350) and a stock dividend (bonus shares) in the ratio of one bonus share for every four fully paid shares (4:1) of Tk. 100 each (amounting Tk. 28,919,700). This will be considered for approval by the shareholders at the 36th Annual General Meeting (AGM).

34. General

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

Annexure-A**Related Party Disclosure:**

| Name of the party | Relationship | Nature of transaction | Transaction | | | Closing balance |
|-----------------------------|--------------|-----------------------|-------------------|------------------|-------------------|------------------|
| | | | Opening balance | Addition | Adjustment | |
| | | | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Renata Agro Industries Ltd. | Subsidiary | Sale of goods | 1,557,581 | 6,746,902 | 6,129,341 | 2,175,142 |
| | | Dividend received | 12,598,470 | - | 12,598,470 | - |
| | | Advance payment | 17,095,134 | - | 17,095,134 | - |
| | | Total | 31,251,185 | 6,746,902 | 35,822,945 | 2,175,142 |
| Purnava Ltd. | Subsidiary | Advance payment | 15,674,570 | 35,840,490 | 25,782,615 | 25,732,445 |



Renata Agro Industries Limited

Report and Financial Statements

Board of Directors

| | |
|--------------------------|----------|
| Mr. Syed S. Kaiser Kabir | Chairman |
| Mr. Md. Shafiul Alam | Director |
| Dr. Manzur Aziz | Director |



Directors' Report

The poultry industry went through terrible times in 2008. Avian Influenza ravaged through commercial farms forcing closures and plummeting demand for day-old-chicks (DOCs). Although almost all the outbreaks were at commercial layer farms, broiler farms also suffered because of zoning policies as well as understandable risk aversion among farmers in placing new flocks during an AI epidemic.

Breeder farms were faced with hundreds of thousands of unsold DOCs each week that were invariably culled. The market-clearing price fell to Taka five per DOC on several occasions.

We were less affected compared to other breeder farms. Towards the end of 2007 a variety of factors created a window-of-opportunity to make parent stock placements in such a manner that DOC output varies inversely with the likelihood of AI outbreaks. Thus our output was low during the winter months when the risk of AI is highest, and conversely our output peaked during the summer months when the risk of AI is muted.

This strategy worked well during the first three quarters. However, we had very little flexibility in the last quarter when the fear of AI caused commercial broiler farmers to postpone their placements, resulting in falling prices. As a consequence most of the gains that we had made in the second and third quarters were wiped out.

It is now clear that the future of the poultry industry depends upon the effectiveness of AI containment programmes. To date government policy on AI management prohibits vaccination of flocks --- a key tool in the prevention of the disease. Despite major campaigns by all the poultry associations, the erstwhile caretaker government refused to budge from an unreasonable position. We hope this elected Government shall soon review and repeal the existing prohibition.

The farm restructuring plan outlined in the Directors' Report of 2007 has been completed. The central idea was reduce of the risk of AI by increasing the geographic distance between the breeder farms of the Company, as well reducing the number of parent stock per farm. Thus Renata Agro now has three farms in separate locations, each with floor-space of 64,000 SFT.

While we ended 2008 with a nominal profit, the uncertainty about the future of the poultry industry is far from resolved. Thus the Directors deem it necessary to build-up reserves in favour of declaring dividend.

On Behalf of the Board of Directors



Syed S. Kaiser Kabir
Chairman

**INDEPENDENT AUDITORS' REPORT
OF
RENATA AGRO INDUSTRIES LIMITED**

We have audited the accompanying balance sheet of **RENATA AGRO INDUSTRIES LIMITED** as of 31 December 2008, and the related profit and loss account and the cash flow statement for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

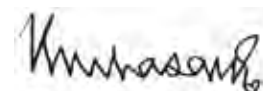
We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting 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.

In our opinion, the financial statements, prepared in accordance with BAS, give a true and fair view of the state of the company's affairs as of 31 December 2008 and of the results of its operation and its cash flow for the year then ended and comply with the Companies Act 1994 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 those 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.

Dated, Dhaka
20 April 2009



K.M. HASAN & CO.
Chartered Accountants

Renata Agro Industries Limited
Balance Sheet
As at 31 December 2008

SOURCES OF FUNDS

| | Notes | Amount in Taka | |
|-----------------------|-------|--------------------|--------------------|
| | | 2008 | 2007 |
| Shareholders' Funds: | | | |
| Share capital | 05 | 42,000,000 | 42,000,000 |
| Tax holiday reserve | | 17,316,066 | 16,763,993 |
| Unappropriated profit | | 126,945,282 | 121,976,623 |
| | | 186,261,348 | 180,740,616 |
| Loan Funds: | | | |
| Medium term loan | | 10,546,251 | 22,446,371 |
| Total | | 196,807,599 | 203,186,987 |

APPLICATION OF FUNDS

| | | | |
|--------------------------------|----|-------------|-------------|
| Property, Plant & Equipment : | 06 | | |
| At cost | | 191,649,594 | 189,814,924 |
| Less: Accumulated depreciation | | 70,185,988 | 58,832,927 |
| Net block | | 121,463,606 | 130,981,997 |
| Work-in-progress | | 31,518,840 | 2,072,926 |
| Investment at cost | | 14,364,200 | 14,662,200 |

CURRENT ASSETS

| | | | |
|------------------------------------|--|------------|------------|
| Inventories | | 27,061,177 | 31,387,941 |
| Accounts receivable | | 6,175,836 | 5,757,088 |
| Advances, deposits and prepayments | | 4,734,239 | 4,054,634 |
| Cash and bank balances | | 13,215,802 | 43,002,373 |
| | | 51,187,054 | 84,202,036 |

LESS: CURRENT LIABILITIES:

| | | | |
|------------------|--|------------|------------|
| Other finance | | 12,329,875 | 16,191,912 |
| Accounts payable | | 2,350,711 | 4,226,878 |
| Accrued expenses | | 7,045,515 | 8,313,382 |
| | | 21,726,101 | 28,732,172 |
| | | 29,460,953 | 55,469,864 |

NET WORKING CAPITAL

| | | | |
|--------------|--|--------------------|--------------------|
| Total | | 196,807,599 | 203,186,987 |
|--------------|--|--------------------|--------------------|

(Annexed notes form an integral part of these accounts)

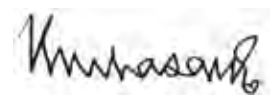

 Director


 Manager


 Chairman

Signed in terms of our report of even date annexed.

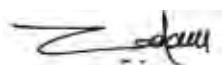
Dated, Dhaka
 20 April 2009


 K.M. HASAN & CO.
 Chartered Accountants

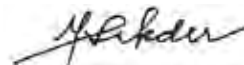
Renata Agro Industries Limited
Profit And Loss Account
For the year ended 31 December 2008

| | Notes | Amount in Taka | |
|--|-------|--------------------|--------------------|
| | | 2008 | 2007 |
| Turnover | | 113,482,663 | 195,742,490 |
| Cost of goods sold | | (94,993,286) | (157,206,620) |
| Gross Profit | | 18,489,377 | 38,535,870 |
| Other Income | | 3,896,167 | 6,495,382 |
| | | 22,385,544 | 45,031,252 |
| Operating Expenses: | | | |
| Administrative expenses | | (5,447,138) | (5,912,228) |
| Marketing expenses | | (3,864,821) | (4,420,905) |
| Distribution expenses | | (5,582,336) | (8,031,061) |
| | | (14,894,295) | (18,364,194) |
| Operating Profit | | 7,491,249 | 26,667,058 |
| Financial expenses | | (1,694,480) | (3,469,868) |
| | | 5,796,769 | 23,197,190 |
| Contribution to WPPF | | (276,037) | (1,104,628) |
| Net Profit for the year | | 5,520,732 | 22,092,562 |
| Unappropriated profit brought forward | | 121,976,623 | 102,093,317 |
| Profit available for appropriation | | 127,497,355 | 124,185,879 |
| Appropriation: | | | |
| Transfer to tax holiday reserve | | 552,073 | 2,209,256 |
| Proposed dividend | | - | - |
| | | (552,073) | (2,209,256) |
| Unappropriated Profit carried forward | | 126,945,282 | 121,976,623 |
| Basic earnings per share (Par value Tk. 100) | | 13.14 | 52.60 |

(Annexed notes form an integral part of these accounts)



Director



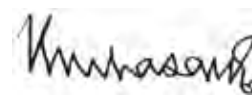
Manager



Chairman

Signed in terms of our report of even date annexed.

Dated, Dhaka
20 April 2009



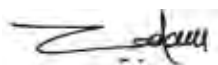
K.M. HASAN & CO.
Chartered Accountants

Renata Agro Industries Limited
Statement of Changes in Equity
for the year ended 31 December 2008


| Particulars | Share Capital Taka | Tax holiday Reserve Taka | Unappropriated Profit Taka | Total Taka |
|-------------------------------------|-----------------------------------|---|---|-----------------------|
| Balance at 31 December 2006 | 42,000,000 | 14,554,737 | 102,093,317 | 158,648,054 |
| Net Profit/(Loss) for the year 2007 | - | - | 22,092,562 | 22,092,562 |
| Tax holiday reserve | - | 2,209,256 | (2,209,256) | - |
| Balance at 31 December 2007 | 42,000,000 | 16,763,993 | 121,976,623 | 180,740,616 |
| Net Profit/(Loss) for the year 2008 | - | - | 5,520,732 | 5,520,732 |
| Tax holiday reserve | - | 552,073 | (552,073) | - |
| Balance at 31 December 2008 | 42,000,000 | 17,316,066 | 126,945,282 | 186,261,348 |

Renata Agro Industries Limited
Cash Flow Statement
For the year ended 31 December 2008

| | Amount in Taka | |
|--|--------------------------|--------------------------|
| | 2008 | 2007 |
| A. CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Collections from customers and other income | 113,053,619 | 212,147,166 |
| Payment to suppliers and employees | (98,263,006) | (158,258,428) |
| Cash generated from operation | <u>14,790,613</u> | <u>53,888,738</u> |
| Financing cost | (1,694,480) | (3,469,868) |
| Net cash from operating activities | <u>13,096,133</u> | <u>50,418,870</u> |
| B. CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (31,280,584) | (8,429,785) |
| Investment in share | 298,000 | (9,192,200) |
| Net cash used in investing activities | <u>(30,982,584)</u> | <u>(17,621,985)</u> |
| C. CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Medium term loan received / (Repaid) | (11,900,120) | (11,387,557) |
| Dividend paid | - | (12,600,000) |
| Net cash from financing activities | <u>(11,900,120)</u> | <u>(23,987,557)</u> |
| D. Net cash inflows/(outflows) for the year (A+B+C) | <u>(29,786,571)</u> | <u>8,809,328</u> |
| Add: Opening cash and cash equivalents | 43,002,373 | 34,193,045 |
| Closing cash and cash equivalents | <u>13,215,802</u> | <u>43,002,373</u> |
| * CLOSING CASH AND CASH EQUIVALENTS : | | |
| Cash in hand | 805,840 | 1,300,406 |
| Cash at banks | 12,409,962 | 41,701,967 |
| Closing cash and cash equivalents | <u>13,215,802</u> | <u>43,002,373</u> |



Director



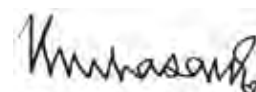
Manager



Chairman

Signed in terms of our report of even date annexed.

Dated, Dhaka
20 April 2009



K.M. HASAN & CO.
Chartered Accountants

Renata Agro Industries Limited
Notes to the Accounts
For the Year Ended 31 December 2008

1. STRUCTURE OF THE COMPANY:

1.1 Renata Agro Industries Limited is a private company limited by shares incorporated on 7 September 1997 in Bangladesh under the Companies Act, 1994. The shares of the company shall be under the control of the Directors of the company.

2. NATURE OF BUSINESS ACTIVITIES:

The principal activities of the company are to carry on business for producing and sale of various agro based products, and poultry breeding & hatching and sale of poultry products. The company commenced its commercial operation from October 1998.

3. PRINCIPAL ACCOUNTING POLICIES:**3.1 Basis of Accounting:**

The financial statements are prepared under historical cost convention in accordance with generally accepted accounting principles (GAAP).

4. GENERAL:

4.1 Figures have been rounded off to the nearest taka.

4.2 Previous year's figures have been re-arranged to conform to current year's presentation.

5. SHARE CAPITAL : Tk. 42, 000,000**Authorised Capital:**

1,500,000 ordinary share of Tk. 100 each

| Amount in Taka | |
|----------------|-------------|
| 2008 | 2007 |
| 150,000,000 | 150,000,000 |

Issued and paid-up Capital:

420,000 ordinary shares of Tk. 100 each

| | |
|------------|------------|
| 42,000,000 | 42,000,000 |
|------------|------------|

At 31 December, 2008 share holding position of the company was as follows:

| Shareholders | No of share | Face Value | % of total holdings |
|--------------------------|-------------|------------|---------------------|
| Renata Limited | 419,949 | 41,994,900 | 99.988% |
| Mr. Syed S. Kaiser Kabir | 51 | 5,100 | 0.012% |
| Total | 420,000 | 42,000,000 | 100.00% |

Renata Agro Industries Limited

Fixed Assets as at 31 December 2008

6

Property, plant and equipment : Taka 121,463,606

Amount in Taka

| Particulars | Cost | | | Rate (%) | Depreciation | | | | Written down value as on 31.12.08 |
|---|------------------------------|--------------------------------|-------------------------|------------------------------|------------------------------|------------------------------|-------------------------|------------------------------|--|
| | Balance as on 01.01.08 | Addition during the year | Disposal/ adjustment | Balance as on 31.12.08 | Balance as on 01.01.08 | Charge during the year | Disposal/ adjustment | Balance as on 31.12.08 | |
| Freehold Land & Land development : - At cost | 10,039,290 | 11,000 | - | 10,050,290 | - | - | - | - | 10,050,290 |
| Buildings at cost : | | | | | | | | | |
| Building on freehold land | 65,820,996 | - | - | 65,820,996 | 18,206,653 | 4,015,268 | - | 22,221,921 | 43,599,075 |
| Semi pucca building on freehold land | 1,741,817 | - | - | 1,741,817 | 671,084 | 217,728 | - | 888,812 | 853,005 |
| | 67,562,813 | - | - | 67,562,813 | 18,877,737 | 4,232,996 | - | 23,110,733 | 44,452,080 |
| Plant and Machinery | 100,867,281 | 9,400 | - | 100,876,681 | 35,638,469 | 5,043,836 | - | 40,682,305 | 60,194,376 |
| Office Equipments | 1,360,200 | 270,270 | - | 1,630,470 | 288,203 | 1,784,342 | - | 2,072,545 | (442,075) |
| Automobiles and Trucks | 7,930,719 | 1,544,000 | - | 9,474,719 | 3,292,212 | 189,155 | - | 3,481,367 | 5,993,352 |
| Furniture and Fixture | 2,054,621 | - | - | 2,054,621 | 736,306 | 102,732 | - | 839,038 | 1,215,583 |
| Total | 189,814,924 | 1,834,670 | - | 191,649,594 | 58,832,927 | 11,353,061 | - | 70,185,988 | 121,463,606 |



PURNAVA

Directors' Report

A new Company named Purnava Limited was incorporated in August 2004 to explore the prospects of entering into Fast Moving Consumer Goods (FMCG). There has been no development in the FMCG area; however, the Company imported certain animal health and nutrition products during the latter part of 2008.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'Syed S. Kaiser Kabir'.

Syed S. Kaiser Kabir
Chairman

Independent Auditors' Report of Purnava Limited

We have audited the accompanying balance sheet of PURNAVA LIMITED as at 31 December 2008 and the related cash flow statement for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

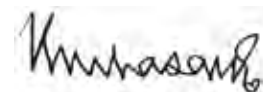
We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence 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.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the company's affairs as at 31 December 2008 and its cash flow statement for the year then ended and comply with the Companies Act 1994 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 those books; and
- (c) the company's balance sheet and the cash flow statement dealt with by the report are in agreement with the books of account.

Dated, Dhaka
20 April 2009



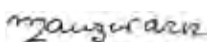
K.M. HASAN & CO.
Chartered Accountants

Purnava Limited
Balance Sheet
As at 31 December 2008

| | <u>Notes</u> | <u>2008 Taka</u> | <u>2007 Taka</u> |
|-----------------------------------|--------------|----------------------|----------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Fund: | | | |
| Share capital | 3 | 2,500,000 | 2,500,000 |
| Total | | 2,500,000 | 2,500,000 |
| APPLICATION OF FUNDS | | | |
| Current Assets: | | | |
| Stocks and stores | | 21,806,568 | 13,642,429 |
| Cash and bank balance | | 6,425,877 | 4,532,141 |
| | | 28,232,445 | 18,174,570 |
| Less: Current Liabilities: | | | |
| Other finance (Renata Limited) | | 25,732,445 | 15,674,570 |
| Total | | 2,500,000 | 2,500,000 |

(The annexed notes form an integral part of these accounts.)

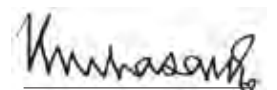

 Director


 Director


 Chairman

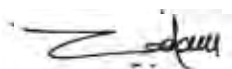
(Signed in terms of our report of even date annexed.)

Dated, Dhaka
 20 April 2009

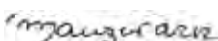

 K.M. HASAN & CO.
 Chartered Accountants

Purnava Limited
Cash Flow Statement
For the year ended 31 December 2008

| | <u>Amount in Taka</u> | |
|--|-----------------------|------------------|
| | 2008 | 2007 |
| A. CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Collections from customers and other income | - | 2,499,900 |
| Payment of VAT (Value Added Tax) | - | - |
| Payment to suppliers and employees | (8,164,139) | (13,642,429) |
| Cash generated from operation | (8,164,139) | (11,142,529) |
| Financing cost | - | - |
| Payment of tax | - | - |
| Net cash from operating activities | (8,164,139) | (11,142,529) |
| B. CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | - | - |
| Investment in shares | - | - |
| Sale proceeds of property, plant and equipment | - | - |
| Net cash used in investing activities | - | - |
| C. CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Medium term loan received / (Repaid) | | |
| Loan received | 10,057,875 | 15,674,570 |
| Dividend paid | - | - |
| Net cash from financing activities | 10,057,875 | 15,674,570 |
| D. Net cash inflows/(outflows) for the year (A+B+C) | | |
| Add: Opening cash and cash equivalents | 1,893,736 | 4,532,041 |
| Closing cash and cash equivalents | 4,532,141 | 100 |
| | 6,425,877 | 4,532,141 |
| * CLOSING CASH AND CASH EQUIVALENTS : | | |
| Cash in hand | 100 | 100 |
| Cash at banks | 6,425,777 | 4,532,041 |
| Closing cash and cash equivalents | 6,425,877 | 4,532,141 |



Director



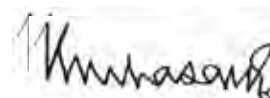
Director



Chairman

Signed in terms of our report of even date annexed.

Dated, Dhaka
20 April 2009



K.M. HASAN & CO.
Chartered Accountants



Purnava Limited
Notes to the Accounts
for the year ended 31 December 2008

1 ORGANISATION AND ITS ACTIVITIES:

1.1 Company Profile:

PURNAVA LIMITED is a private limited company incorporated in Bangladesh on 17 August 2004 under the companies Act 1994. The company has started commercial operation during the period.

1.2 Principal Activities:

The principal activities of the company are to carry on the business of manufacturing, marketing and distribution of all kinds of consumer goods, consumer durables, food items, sugar confectioneries, edible oils, beverages etc, raw materials, semi-finished items, producers, goods and various other products of local or foreign origin and to engage in the business as traders, importers, exporters, commission agents of all kinds of goods and services including Pharmaceutical drugs and medicines.

2. SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation of Accounts:

The accounts of the company have been prepared under historical cost convention in accordance with the generally accepted accounting principles.

2.2 Reporting Period:

The accounts have been prepared for the period from 1 January 2008 to 31 December 2008.

2.3 General:

Previous year's figures and phrases have been rearranged where necessary to conform to the current year's presentation.

Figures have been rounded off to the nearest taka.

3 SHARE CAPITAL: TAKA 2,500,000

Amount in Taka
31-Dec-08

Authorised Capital:

2,000,000 ordinary shares of Tk.100 each

200,000,000

Issued, Subscribed, Called up & Paid up Capital

25,000 ordinary shares of Tk.100 each

2,500,000

The paid up capital of the company has been contributed by the following persons:

Name of the shareholders

**No.of
shares**

**Face
value**

Renata Limited

24,999

100

2,499,900

Mr. Syed S. Kaiser Kabir

1

100

100

25,000

2,500,000

Renata Limited and its subsidiaries

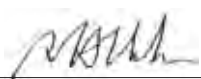
Consolidated Balance Sheet as at 31 December 2008

| ASSETS | Notes | 2008 Taka | 2007 Taka |
|---|-------|----------------------|----------------------|
| Non-current assets | | | |
| Property, plant and equipment | 4.a | 1,135,899,440 | 927,828,751 |
| Capital work-in-progress | 5.a | 601,796,838 | 308,056,367 |
| Investment | 7.a | 22,741,954 | 15,662,200 |
| Total non-current assets | | 1,760,438,232 | 1,251,547,318 |
| Current assets | | | |
| Inventories | 8.a | 1,008,282,335 | 707,042,515 |
| Trade and other receivables | 9.a | 322,495,182 | 200,484,963 |
| Advance, deposits and prepayments | 10.a | 84,015,650 | 71,475,886 |
| Cash and cash equivalent | 11.a | 142,789,717 | 95,791,492 |
| Total current assets | | 1,557,582,884 | 1,074,794,856 |
| Total assets | | 3,318,021,116 | 2,326,342,174 |
| EQUITY & LIABILITIES | | | |
| Equity attributable to equity holders of the group company | | | |
| Share capital | 12 | 115,678,700 | 96,398,900 |
| Revaluation surplus | 13 | 155,075,461 | 155,553,964 |
| Capital reserve | | 535,560 | 535,560 |
| Tax holiday reserve | | 70,178,076 | 63,626,003 |
| Retained earnings | | 1,446,273,815 | 1,081,639,272 |
| Total equity attributable to equity holders of the group company | | 1,787,741,612 | 1,397,753,699 |
| Minority interest | | 22,717 | 22,047 |
| Total equity | | 1,787,764,329 | 1,397,775,746 |
| Non-current liabilities | | | |
| Loans and borrowings | | 10,546,251 | 22,446,371 |
| Deferred liability-staff gratuity | 15 | 105,224,160 | 88,948,500 |
| Deferred tax liability | 16.a | 81,542,581 | 71,370,735 |
| Total non-current liabilities | | 197,312,992 | 182,765,606 |
| Current liabilities | | | |
| Bank overdraft | 17.a | 823,163,615 | 361,475,015 |
| Creditors for goods | | 127,283,258 | 42,155,984 |
| Accrued expenses | | 140,059,119 | 106,376,578 |
| Other payables | 18.a | 92,232,713 | 139,352,009 |
| Unclaimed dividend | | 3,173,467 | 2,485,448 |
| Provision for taxation | 19.a | 147,031,623 | 93,955,788 |
| Total current liabilities | | 1,332,943,795 | 745,800,822 |
| Total liabilities | | 1,530,256,787 | 928,566,428 |
| Total equity and liabilities | | 3,318,021,116 | 2,326,342,174 |

The accompanying notes 1 to 34 form an integral part of these financial statements.



CEO & Managing Director

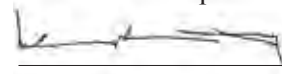


Director



Company Secretary

As per our annexed report of same date.



Auditors

Dhaka, 28 April 2009

Renata Limited and its subsidiaries

Consolidated Profit and Loss Account for the year ended 31 December 2008

| | Notes | 2008 Taka | 2007 Taka |
|---|-------|-----------------|-----------------|
| Turnover | 20.a | 3,203,229,080 | 2,729,917,471 |
| Cost of sales | 21.a | (1,621,507,971) | (1,456,117,954) |
| Gross profit | | 1,581,721,109 | 1,273,799,517 |
| Other income | | 19,316,511 | 18,229,816 |
| | | 1,601,037,620 | 1,292,029,333 |
| Operating expenses: | | | |
| Administrative, selling and distribution expenses | 23.a | (860,064,218) | (715,145,867) |
| Operating profit | | 740,973,402 | 576,883,466 |
| Gain on disposal of property, plant and equipment | 4.5 | 118,000 | 496,800 |
| Interest on overdraft | | (88,965,145) | (60,950,362) |
| Other expenses | | (5,913,520) | (3,272,447) |
| Contribution to WPPF | | (30,772,037) | (24,446,069) |
| Profit before tax | | 615,440,700 | 488,711,388 |
| Tax expenses | | | |
| Current tax | 19 | (166,444,936) | (121,815,058) |
| Deferred tax | 16 | (10,329,228) | (8,880,661) |
| | | (176,774,164) | (130,695,719) |
| Net profit after tax for the year | | 438,666,536 | 358,015,669 |
| Basic earnings per share (par value of Tk 100) | 24.a | 379.21 | 309.49 |

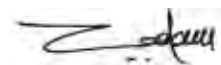
The accompanying notes 1 to 34 form an integral part of these financial statements.



CEO & Managing Director

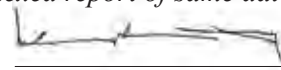


Director



Company Secretary

As per our annexed report of same date.



Auditors

Dhaka, 28 April 2009

Renata Limited and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2008

| Particulars | Equity attributable to group company shareholders | | | | | | Minority interest Taka | Total Taka |
|-------------------------------------|---|-----------------------------|-----------------------------|-------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | Share capital Taka | Revaluation surplus Taka | Tax holiday reserve Taka | Capital reserve Taka | Retained earnings Taka | Total Taka | | |
| Balance at 31 December 2006 | 80,332,400 | 156,018,160 | 62,005,586 | 535,560 | 781,479,403 | 1,080,371,109 | 19,364 | 1,080,390,473 |
| Stock dividend issued | 16,066,500 | - | - | - | (16,066,500) | - | - | - |
| Cash dividend paid | - | - | - | - | (40,166,200) | (40,166,200) | - | (40,166,200) |
| Deferred tax on revaluation surplus | - | 171,689 | - | - | - | 171,689 | - | 171,689 |
| Depreciation adjustment | - | (635,885) | - | - | - | (635,885) | - | (635,885) |
| Net profit after tax for the year | - | - | - | - | 358,012,986 | 358,012,986 | 2,683 | 358,015,669 |
| Transferred to tax holiday reserve | - | - | 2,209,256 | - | (2,209,256) | - | - | - |
| Tax holiday reserve reversed | - | - | (588,839) | - | 588,839 | - | - | - |
| Balance at 31 December 2007 | 96,398,900 | 155,553,964 | 63,626,003 | 535,560 | 1,081,639,272 | 1,397,753,699 | 22,047 | 1,397,775,746 |
| Stock dividend issued | 19,279,800 | - | - | - | (19,279,800) | - | - | - |
| Cash dividend paid | - | - | - | - | (48,199,450) | (48,199,450) | - | (48,199,450) |
| Deferred tax on revaluation surplus | - | 157,382 | - | - | - | 157,382 | - | 157,382 |
| Depreciation adjustment | - | (635,885) | - | - | - | (635,885) | - | (635,885) |
| Net profit after tax for the year | - | - | - | - | 438,665,866 | 438,665,866 | 670 | 438,666,536 |
| Transferred to tax holiday reserve | - | - | 6,552,073 | - | (6,552,073) | - | - | - |
| Tax holiday reserve | - | - | - | - | - | - | - | - |
| Balance at 31 December 2008 | 115,678,700 | 155,075,461 | 70,178,076 | 535,560 | 1,446,273,815 | 1,787,741,612 | 22,717 | 1,787,764,329 |

Renata Limited and its subsidiaries

Consolidated cash flow statement for the year ended 31 December 2008

| | 2008 <u>Taka</u> | 2007 <u>Taka</u> |
|---|---------------------------|--------------------------|
| A. Cash flow from operating activities: | | |
| Collection from customers and other income | 3,577,080,190 | 3,099,735,020 |
| Payment of VAT | (446,920,865) | (349,947,277) |
| Payment to suppliers and employees | (2,705,414,968) | (2,094,329,944) |
| Cash generated from operation | <u>424,744,357</u> | <u>655,457,799</u> |
| Financing cost | (88,965,145) | (60,950,362) |
| Payment of tax | (113,369,101) | (122,081,499) |
| Net cash inflow from operating activities | <u>222,410,111</u> | <u>472,425,938</u> |
| B. Cash flow from investing activities: | | |
| Purchase of property, plant and equipment | (580,785,056) | (426,045,156) |
| Investment in shares | (7,079,754) | (9,192,200) |
| Sale proceeds of property, plant and equipment | 118,000 | 534,000 |
| Net cash inflow (outflow) from investing activities | <u>(587,746,810)</u> | <u>(434,703,356)</u> |
| C. Cash flow from financing activities: | | |
| Medium term loan (repaid)/ received (net) | 459,846,355 | (6,086,655) |
| Dividend paid | (47,511,431) | (52,072,951) |
| Net cash inflow (outflow) | <u>412,334,924</u> | <u>(58,159,606)</u> |
| D. Net cash increase (decrease) for the year (A+B+C) | 46,998,225 | (20,437,024) |
| E. Opening cash and cash equivalent | 95,791,492 | 116,228,516 |
| F. Closing cash and cash equivalent (D+E) | <u><u>142,789,717</u></u> | <u><u>95,791,492</u></u> |

4.a Consolidated property, plant and equipment

| Particulars | Cost/revaluation | | | | Depreciation | | | | | Written down value at 31 December 2008 Taka |
|---------------------------|------------------------|--------------------------------|---|--------------------------|--------------|------------------------|------------------------------|---|--------------------------|---|
| | At 1 January 2008 Taka | Additions during the year Taka | Disposal/ adjustment during the year Taka | At 31 December 2008 Taka | Rate % | At 1 January 2008 Taka | Charged during the year Taka | Disposal/ adjustment during the year Taka | At 31 December 2008 Taka | |
| Freehold land: | | | | | | | | | | |
| At cost | 72,751,202 | 16,504,527 | - | 89,255,729 | | - | - | - | - | 89,255,729 |
| On revaluation | 179,132,078 | - | - | 179,132,078 | | - | - | - | - | 179,132,078 |
| | 251,883,280 | 16,504,527 | - | 268,387,807 | - | - | - | - | - | 268,387,807 |
| Building: | | | | | | | | | | |
| At cost on freehold land | 192,237,278 | 67,303,050 | - | 259,540,328 | 1.33-4 | 36,372,945 | 9,885,654 | - | 46,258,599 | 213,281,729 |
| At cost on leasehold land | - | - | - | - | 33.33 | - | - | - | - | - |
| On revaluation | 41,291,251 | - | - | 41,291,251 | 1.33-4 | 8,184,778 | 635,885 | - | 8,820,663 | 32,470,588 |
| | 233,528,529 | 67,303,050 | - | 300,831,579 | | 44,557,723 | 10,521,539 | - | 55,079,262 | 245,752,317 |
| Plant and machinery | 653,914,932 | 159,038,165 | - | 812,953,097 | 5-20 | 242,470,919 | 48,027,332 | - | 290,498,251 | 522,454,846 |
| Automobiles and trucks | 60,928,079 | 35,218,000 | 500,000 | 95,646,079 | 25-20 | 26,583,766 | 12,145,342 | 500,000 | 38,229,108 | 57,416,971 |
| Office equipments | 59,064,985 | 7,877,853 | 28,000 | 66,914,838 | 10-12.5 | 28,537,781 | 7,475,944 | 28,000 | 35,985,725 | 30,929,113 |
| Furniture and fixtures | 17,726,272 | 1,102,989 | - | 18,829,261 | 5 | 7,067,137 | 803,738 | - | 7,870,875 | 10,958,386 |
| Total 2008 | 1,277,046,077 | 287,044,584 | 528,000 | 1,563,562,661 | | 349,217,326 | 78,973,895 | 528,000 | 427,663,221 | 1,135,899,440 |
| Total 2007 | 1,116,756,612 | 162,146,638 | 1,857,173 | 1,277,046,077 | | 292,359,350 | 58,677,949 | 1,819,973 | 349,217,326 | 927,828,751 |

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

| | Cost Taka |
|------------------------|--------------------|
| Building | 3,555,587 |
| Plant and machinery | 114,733,104 |
| Automobiles and trucks | 21,492,570 |
| Office equipments | 14,216,362 |
| Furniture and fixture | 2,326,305 |
| | <u>156,323,928</u> |

4.a.2 The land of the company measuring 12 acres freehold is located at Mirpur, Dhaka and 9 feet above highest flood level recorded in 1988. Out of 12 acres of land, 4.75 acres has been kept as security against short-term bank loans by registered mortgage.**4.a.3** Depreciation for the year has been charged to:

| | Taka |
|--|-------------------|
| Cost of sales - Non-tax holiday units 1, 2 & 3 (Note 21.1) | 39,919,257 |
| Cost of sales - Tax holiday unit 4 (Note 21.1) | 10,784,178 |
| | 50,703,435 |
| Renata Agro Industries Limited | 11,353,061 |
| Operating expenses (Note 23) | 16,281,514 |
| Revaluation surplus (Note 13) | 635,885 |
| | <u>78,973,895</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.

5.a Consolidated capital work in-progress

| | 2008 Taka | 2007 Taka |
|--|--------------------|--------------------|
| Opening Balance | 308,056,367 | 44,157,849 |
| Add: Addition during the year | 580,785,055 | 426,045,156 |
| | 888,841,422 | 470,203,005 |
| Less: Capitalised as property, plant and equipment | 287,044,584 | 162,146,638 |
| | <u>601,796,838</u> | <u>308,056,367</u> |

7.a Consolidated Investment -at cost

Detail of the above amount is given as under:

| | Market value 2008 Taka | Book value | |
|--|------------------------------|-------------------|-------------------|
| | | 2008 Taka | 2007 Taka |
| 1 Ordinary Share of Tk. 1,000,000/- in Central Depository Bangladesh Ltd. | 1,000,000 | 1,000,000 | 1,000,000 |
| 1,200 Ordinary Shares of Tk. 100/- Each in BRAC Bank Limited | 993,600 | 1,111,906 | - |
| 2,000 Ordinary Shares of Tk. 100/- each in Estland Insurance Company Ltd. | 2,029,000 | 2,340,103 | - |
| 1,170 Ordinary Shares of Tk. 100/-each in Social Investment Bank Ltd. | 251,257 | 348,689 | - |
| 3,600 Ordinary Shares of Tk. 100/-each in Al-Arafa Islamic Bank Ltd. | 1,599,300 | 1,397,568 | - |
| 2,500 Ordinary Shares of Tk. 100/- each in EXIM Bank Ltd. | 808,750 | 882,717 | - |
| 10,000 Ordinary Shares of Tk. 10/- each in Square Textile Ltd. | 1,173,000 | 1,296,771 | - |
| 1,100 Ordinary Shares of Tk. 100/- each in United Leasing Company Ltd. | 831,600 | 578,923 | 578,923 |
| 2,000 Ordinary Shares of Tk. 10/- each in Bata Shoe Company Bangladesh Ltd. | 641,400 | 264,500 | 264,500 |
| 2,666 Ordinary Shares of Tk. 10/- each in Atlas Bangladesh Ltd. | 793,402 | 396,529 | 396,529 |
| 9,490 Ordinary Shares of Tk. 100/- each in Square Pharmaceuticals Ltd. | 29,905,363 | 10,917,248 | 10,917,248 |
| 4,350 Ordinary Shares of Tk. 100/- each in Lafarge Surma Cement Ltd. | 2,231,550 | 2,207,000 | 2,505,000 |
| | <u>42,258,222</u> | <u>22,741,954</u> | <u>15,662,200</u> |

8.a Consolidated inventories

| | 2008 Taka | 2007 Taka |
|---|---------------|--------------|
| Finished goods -Pharmaceutical (Unit-1) | 186,994,030 | 154,350,246 |
| -Premix (Unit-2) | 133,221,551 | 63,579,936 |
| -Contract Manufacturing (Unit-3) | 1,114,200 | 673,330 |
| -Potent Product Facility (Unit-4) | 9,085,198 | 4,096,189 |
| | 330,414,979 | 222,699,701 |
| Work-in-progress | 57,946,757 | 34,031,511 |
| Less: Provision | - | 6,060,756 |
| | 57,946,757 | 27,970,755 |
| Raw materials | 81,431,767 | 66,723,792 |
| Bulk materials | 120,689,523 | 96,933,551 |
| Packing materials | 74,911,011 | 64,556,585 |
| Raw and packaging materials-Premix (Unit-2) | 37,847,322 | 36,824,608 |
| Raw and packaging materials-Contract-manufacturing (Unit-3) | 6,299,092 | 12,872,533 |
| Raw and packaging materials-Potent products (Unit-4) | 12,527,534 | 9,026,467 |
| Consumable stores and spares | 14,624,527 | 10,992,173 |
| Stock-in transit | 222,722,078 | 113,411,980 |
| Stock-in transit - Purnava Limited | 21,806,568 | 13,642,429 |
| Raw materials - Renata Agro Industries Limited | 27,061,177 | 31,387,941 |
| | 1,008,282,335 | 707,042,515 |

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

9.a Consolidated trade and other receivables

| | 2008 Taka | 2007 Taka |
|------------------------------------|--------------|--------------|
| Trade debtors (Notes-9.a.1) | 234,544,940 | 145,465,137 |
| Less: Provision for doubtful debts | 8,068,662 | 7,655,877 |
| Trade debtors considered good | 226,476,278 | 137,809,260 |
| Sundry debtors - considered good | 40,783,626 | 15,998,224 |
| Value Added Tax (VAT) recoverable | 55,235,278 | 46,677,479 |
| | 322,495,182 | 200,484,963 |

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 | 91,300,090 | 74,890,835 |
| Debts due over six months | 143,244,850 | 70,574,302 |
| | 234,544,940 | 145,465,137 |

a) Sundry debtors includes Tk. 2,175,142 due from Renata Agro Industries Limited.

b) Sundry debtors includes Tk. 25,732,445 due from Purnava Limited for advance payment.

Details are given in annexure-A “Related Party Disclosure”

10.a Consolidated advances, deposits and prepayments

| | 2,008 Taka | 2,007 Taka |
|---------------------------|-------------------|-------------------|
| Advances: | | |
| For inventories | 7,285,613 | - |
| To employees | 41,133,369 | 34,944,763 |
| | 48,418,982 | 34,944,763 |
| Deposits and prepayments: | | |
| Security deposits | 9,809,595 | 11,946,317 |
| Prepaid expenses | 22,098,682 | 21,794,576 |
| Other advances | 3,688,391 | 2,790,230 |
| | 35,596,668 | 36,531,123 |
| | <u>84,015,650</u> | <u>71,475,886</u> |

11.a Consolidated cash and cash equivalent

| | 2,008 Taka | 2,007 Taka |
|--------------|--------------------|-------------------|
| Cash on hand | 1,355,840 | 1,780,406 |
| Cash at bank | 141,433,877 | 89,478,945 |
| | <u>142,789,717</u> | <u>91,259,351</u> |

16.a Consolidated deferred tax liability

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

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

17.a Consolidated short term bank loans

| | Limit Taka | 2008 Taka | 2007 Taka |
|--|--------------------|--------------------|--------------------|
| Overdraft accounts with: | | | |
| Eastern Bank Limited, Dhaka | 145,000,000 | 145,122,154 | 140,758,521 |
| The Hongkong and Shanghai Banking Corporation Ltd., Dhaka | 275,000,000 | 301,489,000 | 109,464,628 |
| Standard Chartered Bank, Dhaka | 445,000,000 | 205,473,714 | 111,074,814 |
| Citibank, N.A., Dhaka | 100,000,000 | 171,078,747 | 177,052 |
| | <u>965,000,000</u> | <u>823,163,615</u> | <u>361,475,015</u> |

18.a Consolidated other payables

| | 2,008 Taka | 2,007 Taka |
|------------------------------------|-------------------|--------------------|
| Workers' profit participation fund | 73,983,348 | 57,294,934 |
| Others | 18,249,365 | 82,057,075 |
| | <u>92,232,713</u> | <u>139,352,009</u> |

19.a Consolidated Provision for taxation

Renata Agro Industries Limited, a subsidiary of Renata Limited, is enjoying tax exemption 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 commercial operation.

20.a Consolidated turnover

| | 2,008 <u>Taka</u> | 2,007 <u>Taka</u> |
|--|----------------------|----------------------|
| Non-tax holiday (unit 1, 2 & 3): | | |
| Pharmaceutical products | 2,273,271,291 | 1,847,657,270 |
| Animal health products | 353,866,196 | 347,906,018 |
| Animal nutritional products (Premix) | 306,703,184 | 247,873,674 |
| Contact manufacturing | 24,352,730 | 18,115,128 |
| | 2,958,193,401 | 2,461,552,090 |
| Tax holiday (Unit-4) : Potent product facility | 131,553,016 | 72,622,891 |
| | 3,089,746,417 | 2,534,174,981 |
| Renata Agro Industries Ltd.-Products | 113,482,663 | 195,742,490 |
| | 3,203,229,080 | 2,729,917,471 |

21.a Consolidated cost of goods sold

| | 2008 <u>Taka</u> | 2007 <u>Taka</u> |
|---------------------------------------|----------------------|----------------------|
| Opening stock of finished goods | 222,699,701 | 259,092,719 |
| Add: Cost of goods manufactured | 1,674,396,349 | 1,301,115,960 |
| Cost of finished goods purchased | 54,826,900 | 118,608,976 |
| | 1,951,922,950 | 1,678,817,655 |
| Less: Closing stock of finished goods | 330,414,979 | 222,699,701 |
| | 1,621,507,971 | 1,456,117,954 |

23.a Consolidated administrative, selling and distribution expenses

| | 2008 Taka | 2007 Taka |
|---|--------------------|--------------------|
| Salaries, wages and allowances | 309,137,629 | 262,707,083 |
| Contribution to Provident Fund | 6,827,002 | 6,062,841 |
| Gratuity | 13,680,000 | 12,973,786 |
| Fuel and power | 14,514,843 | 12,745,711 |
| Rent, rates and taxes | 22,786,777 | 26,598,896 |
| Insurance | 8,880,847 | 4,021,364 |
| Travelling, moving and entertainment expenses | 150,494,890 | 117,182,484 |
| Repairs and maintenances | 10,361,902 | 10,529,536 |
| Legal and professional expenses | 321,743 | 364,865 |
| Audit fee | 330,000 | 245,000 |
| Provision for bad debt | - | 1,572,250 |
| Directors' fee | 870,000 | 138,000 |
| Membership fees and subscription | 4,870,107 | 3,080,983 |
| Meeting and corporate expenses | 21,524,659 | 19,630,184 |
| Advertising and sales promotion | 77,757,338 | 67,878,599 |
| Field expenses | 58,628,109 | 45,163,940 |
| Depreciation | 18,136,075 | 7,132,637 |
| Printing and stationery | 10,289,978 | 9,955,220 |
| Postage, telex, fax and telephone | 15,018,557 | 16,957,643 |
| Distribution freight | 77,815,719 | 64,571,257 |
| Lunch, Snacks, Tea and Welfare expenses | 23,128,217 | 17,320,167 |
| Other overhead expenses | 14,689,826 | 8,313,421 |
| | <u>860,064,218</u> | <u>715,145,867</u> |

24.a Consolidated basic earnings per share (EPS)

| | 2008 Taka | 2007 Taka |
|--|------------------|------------------|
| The computation of EPS is given below: | | |
| Earnings attributable to the ordinary shareholders (Group profit for the year) | 438,666,536 | 358,015,669 |
| Weighted average number of ordinary shares outstanding during the year | <u>1,156,787</u> | <u>1,156,787</u> |
| Basic Earning Per Share (EPS) | <u>379.21</u> | <u>309.49</u> |