



**ANNUAL
REPORT
2019**



30 YEARS
OF TRUST & DEVOTION

The logo features the number '30' in a stylized font. The '3' is light blue with a green cross symbol inside its lower loop. The '0' is orange with a smaller orange circle inside it. To the right of the '0' is the word 'YEARS' in bold black uppercase letters, with a small blue bird icon above the 'S'. Below this is the phrase 'OF TRUST & DEVOTION' in a smaller, black, all-caps sans-serif font.



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CORPORATE INFORMATION

Board of Directors

Mrs. Akhter Khalid Waheed
Mr. Osman Khalid Waheed
Mrs. Amna Piracha Khan
Ms. Munize Azhar Peracha
Mr. Nihal Cassim
Mr. Shahid Anwar
Mr. Arshad Saeed Husain

Chairperson
Chief Executive

Non-Executive Director
Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Independent Director

Audit Committee

Mr. Arshad Saeed Husain
Mrs. Amna Piracha Khan
Mr. Nihal Cassim
Mr. Shahid Anwar

Chairman
Member
Member
Member

Investment Committee

Mr. Nihal Cassim
Mr. Osman Khalid Waheed
Mr. Shahid Anwar

Chairman
Member
Member

HR & Remuneration Committee

Mr. Arshad Saeed Husain
Mr. Osman Khalid Waheed
Mr. Nihal Cassim
Mr. Shahid Anwar

Chairman
Member
Member
Member

Company Secretary

Syed Ghausuddin Saif

Legal Advisors

Khan & Piracha

Chief Financial Officer

Mr. Muhammad Farhan Rafiq

Share Registrar

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

Head of Internal Audit

Mr. Rizwan Hameed Butt

Factory

P.O. Ferozsons
Amangarh, Nowshera (KPK), Pakistan
Telephone: +92-923-614295, 610159
Fax: +92-923-611302

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Head Office

5.K.M - Sunder Raiwind Road
Lahore, Pakistan
Telephone: +92-42-36026700
Fax: +92-42-36026701

Internal Auditors

EY Ford Rhodes
Chartered Accountants

Bankers

Habib Bank Limited
Bank Al-Habib Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
MCB Bank Limited
Allied Bank Limited

Sales Office Lahore

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

Registered Office

Ferozsons Laboratories Limited
197-A, The Mall
Rawalpindi-46000, Pakistan
Telephone: +92-51-4252155-57
Fax: +92-51-4252153
Email: cs@ferozsons-labs.com

Sales Office Karachi

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

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

ABOUT US

The foundations of the Ferozsons business group were laid in 1894 by Maulvi Ferozuddin Khan, who founded the Ferozsons publishing house. From the onset, the group's corporate vision involved playing a meaningful role in the education and health of the underprivileged population of the sub-continent. Ferozsons Laboratories Limited was thus established in 1956 as one of the first Pharmaceutical manufacturing companies in Pakistan, and has now entered its sixth decade of serving the cause of health and well-being with a growing presence in a number of international markets.

In 1960, we became the first Pakistani pharmaceutical company to be listed on the Karachi Stock Exchange (KSE) Limited, and have a consistent record of financial performance. The company is a multiple time recipient of the KSE Top 25 Companies Award.

Through our range of branded generics and in-licensed products, the company has established a leading presence in the areas of cardiology, gastroenterology, hepatology, oncology, dermatology and anti-infective treatments, and is expanding in other key therapeutic areas where unmet needs exist such as pediatrics and women's health. In addition to representing Gilead Sciences Inc., one of the world's most innovative biotech companies in the viral hepatitis and HIV space, Ferozsons Laboratories Limited is the marketing and distribution partner in Pakistan for the Boston Scientific Corporation, USA for its range of interventional devices.

This partnership allows us to offer complete medical solutions in cardiology, oncology, urology and gastroenterology. In 2009, Ferozsons Laboratories Limited entered into a joint venture with the Bagó Group of Argentina to establish BF Biosciences Limited, Pakistan's first biotech pharmaceutical company. Our other international partners include BioGaia of Sweden and Performance Health of USA in pharma and OTC products respectively and MAVIG of Germany for medical equipment. Ferozsons Laboratories Limited has a fully current Good Manufacturing Practices (cGMP) compliant production facility in Nowshera, which is ISO 9001 certified and fully equipped with state-of-the-art manufacturing and testing equipment. Our production capabilities include the manufacturing of tablets, capsules, syrups, suspensions, creams and ointments. The Company has recently undertaken major expansion in its manufacturing, adding a new production wing for the production of solid dosage forms, and offers an excellent manufacturing, marketing and distribution platform to principals for launching their products in the Pakistan market.



PEOPLE TRUST US

OUR VISION , MISSION & VALUES

OUR VISION

We will strive to attain market leadership by putting patients first and seeing every day as a new opportunity to earn trust and credibility.

MISSION STATEMENT

We aim to improve the quality of life by providing innovative healthcare solutions, ensuring patient access to quality treatment and cure. In doing so we will;

- Enhance shareholder value
- Lead in employee development
- Collaborate for excellence
- Be ethical and transparent

OUR VALUES

• **Putting Patients First:**

Our purpose for existence and ultimate measure of success is our impact on the improvement of human lives

• **Trustworthiness:**

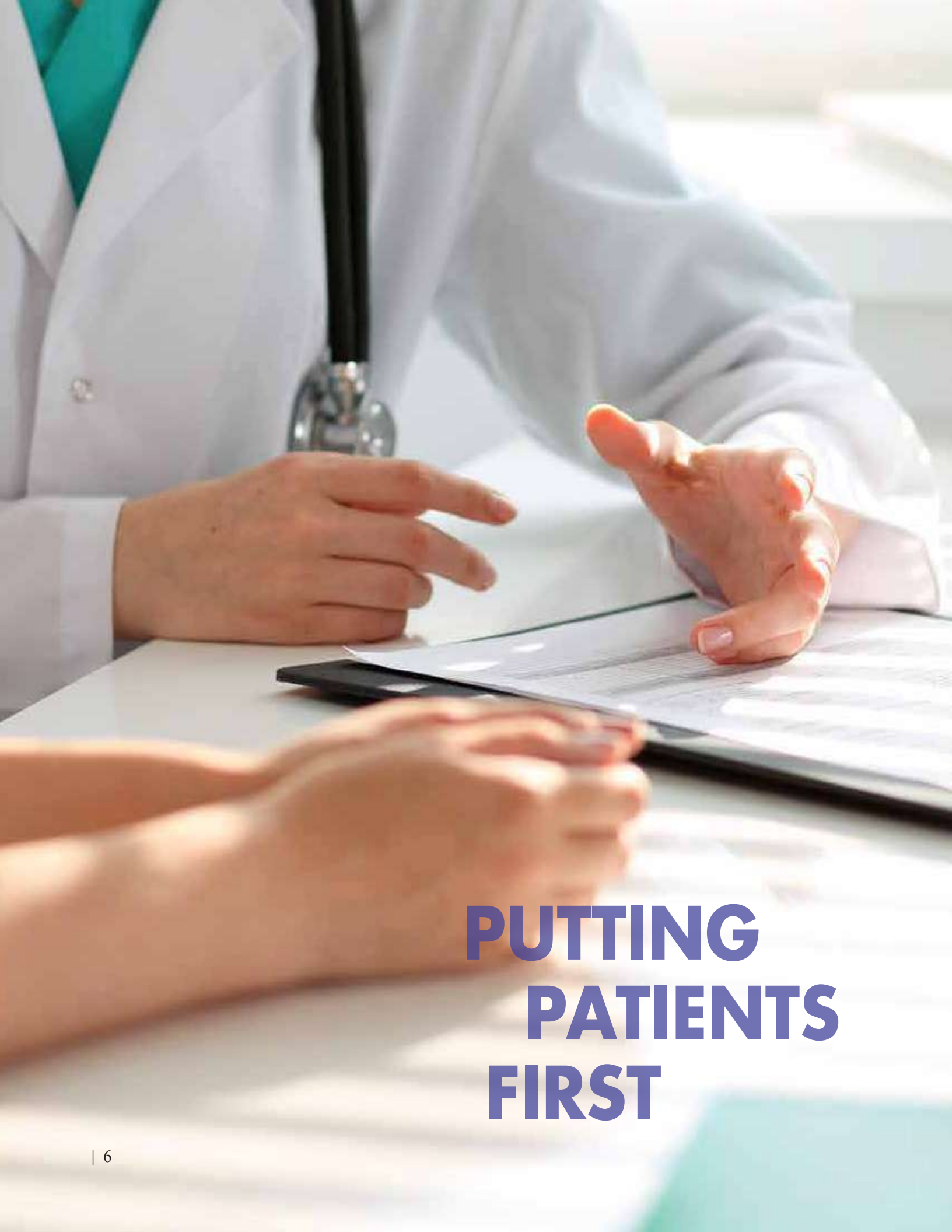
We work hard every day to earn the trust of patients, healthcare providers, employees, business partners and stakeholders

• **Collaboration:**

None of us is as smart as all of us. We come together, work together and win together

• **Excellence:**

We are committed to a culture of excellence and raising the bar every time



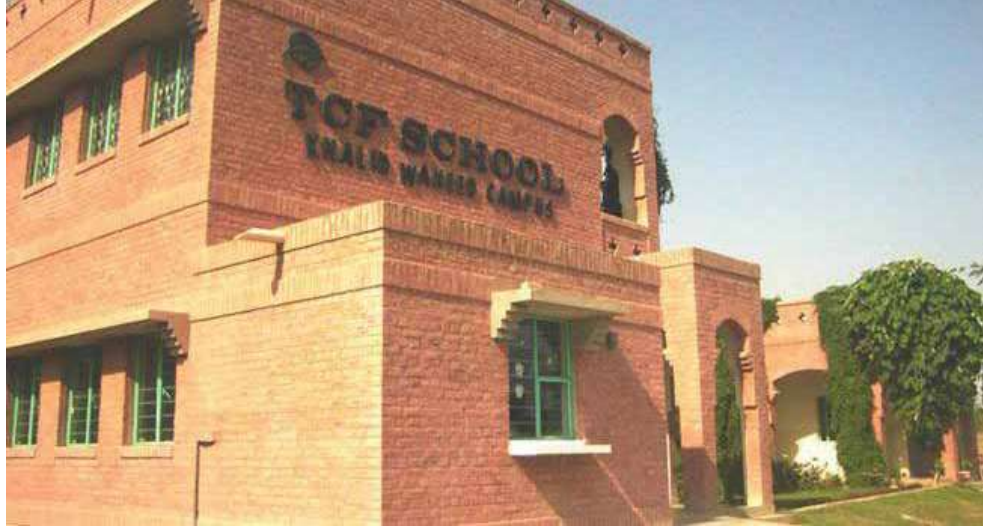
PUTTING PATIENTS FIRST

COMMUNITY CARE INITIATIVES

Our continued commitment to promoting a healthier and more productive society through support to the health and education sector results in a number of engagements each year. The projects that we fund regularly include contributions to The Citizens Foundation (TCF) schools for the underprivileged and scholarship support for deserving students at the Lahore University of Management Sciences (LUMS). Apart from these regular engagements, in FY 2019 we have funded various health sector organizations working for the benefit of patients in Pakistan.

In addition to this, our work in the Northern areas of Pakistan as well as in Lahore has enabled institutions to treat a larger number of patients than before. Ferozsons has also significantly invested in the hepatology education and awareness both for the physicians, patients and the community at large. A number of literary activities such as the Young Writers Workshop held at LUMS were also supported by Ferozsons this year, as well as several health awareness and education sessions held at public schools and community events. Following are some highlights of our corporate social investments:





NATIONAL OUTREACH PROGRAMME SCHOLARSHIPS, LUMS

Ferozsons annually supports the National Outreach Programme (NOP) of the Lahore University of Management Sciences (LUMS). Our scholarship endowment fund supports need-based scholarships for NOP students at the Syed Babar Ali School of Science & Engineering and the Mushtaq Gurmani School of Humanities & Social Sciences at LUMS. The NOP Scholarships Programme is designed to fully fund the educational expenses of the undergraduate programmes at LUMS for students with exceptional credentials.

TCF SPONSORSHIPS

Ferozsons regularly supports events organized by TCF for fundraising. In addition to this, we continue to support the TCF Khalid Waheed Campus in Muzaffargarh since 2006. Over 360 students are currently enrolled in the campus.

TCF is committed to supporting the education of the underprivileged across Pakistan by managing schools providing quality education at low costs. The Citizens Foundation (TCF) is a professionally managed, non-profit organization set up in 1995 by a group of citizens who wanted to bring about positive social change through education. 23 years later, TCF is now one of Pakistan's leading organizations in the field of education for the less privileged.

LUMS YOUNG WRITERS WORKSHOP



LUMS Young Writers Workshop is a unique initiative to develop creative talent in Pakistan. Every year we invite young writers from across Pakistan to submit their work through a nationally advertised writing contest. Writers of eight best stories are selected to participate in a one-of-a-kind fully funded residential creative writing workshop with internationally award winning author. The workshop is sponsored by Ferozsons Laboratories Limited through an annual grant.

OUR WORK IN HEPATOLOGY

For nearly a decade, our work in the field of hepatology has been pivotal in changing the treatment landscape, initially through the local production of interferons, which reduced treatment costs by half, and subsequently through the introduction of Directly Acting Antivirals (DAAs) under a special access program in partnership with Gilead Sciences.

This year as well, we have worked with healthcare providers and medical societies on a number of programs raising awareness, and delivering education, screening and treatment in the field, including arranging medical education events that bring together top Hepatologists from Pakistan and global experts in the field from around the world. We intend to take medical education for the treatment and diagnosis of Hepatitis to the General Physicians in the next phase.

In an attempt to reach the wider community, we designed awareness and educational outreach programmes around hepatitis awareness and prevention in partnership with local NGOs and educational institutions. We plan to roll these out to other areas as well as creating alliances with NGOs to take these programmes to the next level. Key highlights for the year are as follows:





HEPATITIS-FREE PAKISTAN

In order to raise disease awareness on Hepatitis, a dedicated Facebook page is being managed by Ferozsos acting as a tool to disseminate information curated through the assistance of medical experts. The initiative launched with the support of our partner Gilead Sciences features video messages by Liver disease experts and educational infographics on the disease. Through this platform, one of the key objectives is to establish Ferozsos as a leader in public awareness and education.

Launched last year on World Hepatitis Day, this social media page has already garnered over 19000 followers who subscribe to it for regular updates on the disease. Leading experts in Hepatology and Gastroenterology are engaged to provide patients with basic education and awareness. Apart from the video messaging by experts, animated videos and posts are used to spark conversations around the disease with the relevant target audience.



9TH ANNUAL LIVER SUMMIT

This year marked the 9th edition of our Annual Liver Summit. In line with our efforts to aid the advancement of Hepatology treatment in Pakistan and staying true to the commitment of presenting the latest medical advancements in the field of Hepatology the latest Liver Summit was organized in association with the International Association of the Study of Liver Diseases (IASL) and Gilead Sciences in Izmir, Turkey.



The 9th edition followed the theme of “Challenges and Opportunities in Hepatology in Emerging Economies” and served as a platform to exchange ideas and experiences on common prevailing hepatic illnesses between national and international experts, explore new opportunities for joint research and set better, improved standards in hepatic care.

The annual meeting has grown with each passing year, and aims to provide the latest scientific and evidence-based research results that will be applicable to everyday clinical practice.



Additionally, it also provides a forum to advance and disseminate the knowledge and best practices in Hepatology, and to help make liver health and quality patient care accessible and achievable.

Like every year, this edition also brought together some of the most renowned experts in the field of liver diseases from all over the world including USA, France, Middle East, Pakistan, India, Sri Lanka and East Asia.

CORPORATE COALITION FOR VIRAL HEPATITIS ELIMINATION

A Corporate Coalition for Viral Hepatitis Elimination in Pakistan (CCVHEP) has been established to support the Government of Pakistan's effort to eliminate viral hepatitis in Pakistan by 2030. Viral hepatitis is a disease of epidemic proportions in Pakistan, impacting more than 7% of the entire population. The Coalition is founded in a partnership between Gilead Sciences and Ferozsons Laboratories Limited, and its founding members including; Abacus Pakistan, Abbott Pakistan, Atlas Honda, Citibank Pakistan, Descon Oxychem Limited, InspecTest (Pvt) Limited, Jazz, Nestlé Pakistan, Packages Limited, PepsiCo Pakistan, Sapphire, Service Sales Corporation and Uber. The launch of CCVHEP, consisting of Pakistan's most respected private sector employers is a very encouraging development.



Having employed a large number of people, CCVHEP recognizes that there is a need for the private sector to play its role in supporting Pakistan's commitment to the sustainable development Goal of eliminating Viral Hepatitis as a public health threat by 2030. Moreover, this initiative is also in line with the World Health Assembly's declaration to eliminate the disease as a public threat. Considered to be the first of its kind, this coalition between companies is formed to adopt a two-pronged approach of preventing new infections and treating existing patients to prevent liver cirrhosis and cancer.

Undoubtedly, this step will play a pivotal role in making the disease approachable and fulfilling the eventual goal.



NEW BRAND LAUNCHES

In line with our commitment to give access to the latest treatment and cure to a large number of patients in Pakistan, we have grown our Hepatology portfolio significantly. As the official Pakistan partner for Gilead Sciences, Inc. we have launched global innovative brands under the Access Programme and have worked on technology transfer to introduce licensed generics of these innovative brands in the market. Apart from launching global innovative brands in partnerships, we have also launched a number of high quality generics in the market. Below are two of our launches in the field of Gastroenterology and Hepatology respectively :





DEXIVA

Continuing with our commitment to provide patients and physicians in Pakistan with the latest treatments in the field of Gastroenterology, Ferozsons launched the brand Dexiva (Dexlansoprazole) which is a novel proton pump inhibitor (PPI) with better efficacy because of the dual delayed release (DDR) Technology. This novel therapy has been launched in line with our founding motto of putting patients first as it will help physicians to better control the symptoms of GERD in the large number of patients which are affected.

Dexiva was launched in December 2018 across the country in the presence of leading gastroenterologists of Pakistan, many of whom were speakers at the launch events.



VIKTANA

Taking forward our mission of addressing unmet medical needs and ensuring the highest possible standards, Ferozsons received the registration for its Viktana Brand (Sofosbuvir and Velpatasvir) on August 31, 2018. Viktana is pan genotypic anti-viral drug that is indicated for the treatment of adult patients with chronic hepatitis C virus (HCV) without cirrhosis or with compensated cirrhosis or with decompensated cirrhosis in combination with Ribavirin. The product strengthened its footprint in the anti-viral market and is continuing to improve the treatment landscape of viral hepatitis in Pakistan.

Viktana was launched in December 2018 across the country in the presence of leading hepatologists of Pakistan, many of whom were speakers at the launch events.



OUR STATE OF THE ART MANUFACTURING FACILITY

Established in 1954, Ferozsons Laboratories Limited's pharmaceutical manufacturing plant in Nowshera Industrial Estate, KPK was one of the first manufacturing facilities to be set up in the country, with the aim of producing high-quality pharmaceutical products in Pakistan. Over the last 6 decades, the plant has undergone multiple expansions, and is today one of the most modern production facilities in the country.

Designed according to international principles of pharmaceutical production, the Ferozsons Laboratories Nowshera facility is fully cGMP (Current Good Manufacturing Practice) compliant, and has recently added additional manufacturing lines for gels, lotions, and creams as well as expanded its capacity in the manufacture of solid dosage forms.

Our facility is ISO 9001 : 2015 certified, and has a comprehensively equipped Quality Control Laboratory (QC) with the latest instrumentation including High Performance Liquid Chromatography (HPLC), Gas Chromatography (GC) and Fourier Transform Infrared Spectrometry (FT-IR). Air and Water handling systems are also second to none, and include an online Total Organic Carbon (TOC) analyzer, one of the few in the industry.

Every aspect of our planning, procurement, production and quality control process caters to addressing unmet medical needs and ensuring the highest possible standards, so that we never deviate from our principle of Putting Patients First, and live up to our founding motto: People Trust Us.

FEROZSONS IS ALSO AMONG THE FEW COMPANIES IN THE INDUSTRY TO UNDERTAKE BIO-EQUIVALENCE (BE) STUDIES AT DRAP-LICENSED BIO-EQUIVALENCE CENTERS, TO DEMONSTRATE THE EQUIVALENCE OF ITS PRODUCTS TO THE ORIGINATOR BRANDS.



KEY OPERATING AND FINANCIAL DATA

FOR THE LAST SIX YEARS

DESCRIPTION		FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
UNCONSOLIDATED							
Operating Results							
Revenue - net	(Rs. Million)	5,181	4,409	4,311	10,186	4,439	2,535
Gross Profit	(Rs. Million)	2,046	1,500	1,777	4,109	2,021	1,304
Profit Before Taxation	(Rs. Million)	419	207	602	2,654	1,083	567
Profit After Taxation	(Rs. Million)	251	95	394	2,104	749	418
Financial Position							
Share Capital	(Rs. Million)	302	302	302	302	302	302
Accumulated Profit	(Rs. Million)	3,880	3,735	3,733	3,766	2,401	2,039
Non Current Assets	(Rs. Million)	3,043	2,956	2,857	2,659	1,533	1,367
Non Current Liabilities	(Rs. Million)	179	166	167	149	40	46
Current Assets	(Rs. Million)	3,160	3,009	2,921	3,043	2,856	1,786
Current Liabilities	(Rs. Million)	1,086	972	767	652	1,275	392
Summary of Cashflow Statement							
Cash generated from Operations	(Rs. Million)	447	430	854	621	973	512
Net cash used in Investing activities	(Rs. Million)	(216)	(331)	(516)	(82)	(223)	(172)
Net cash used in Financing activities	(Rs. Million)	(147)	(132)	(454)	(743)	(400)	(303)
Key Financial Ratios							
Profitability Ratios							
Gross Profit ratio	(%)	39.5	34.0	41.2	40.3	45.5	51.4
Net Profit After Tax to Sales	(%)	4.8	2.2	9.1	20.7	16.9	16.5
Return on Equity	(%)	5.1	2.0	8.1	42.9	24.3	15.4
Return on Capital Employed	(%)	9.0	4.5	12.8	54.4	35.7	21.5
Liquidity Ratios							
Current Ratio	(Times)	2.9	3.1	3.8	4.7	2.2	4.6
Quick Ratio/Acid Test Ratio	(Times)	1.8	1.8	1.8	1.8	1.3	2.9
Turnover Ratios							
Debtor Turnover Period	(Days)	63	44	31	14	19	21
Inventory Turnover Period	(Days)	136	153	223	112	184	192
Creditors Turnover Period	(Days)	113	100	90	18	141	82
Working Capital Cycle	(Days)	86	97	164	108	62	131
Non-Current Asset Turnover Ratio	(Times)	1.7	1.5	1.5	3.8	2.9	1.9
Operating Cash Flow To Sales Ratio	(%)	8.6	9.7	19.8	6.1	21.9	20.2
Investment/Market Ratios							
Earnings per Share (Basic & Diluted)	(Rs.)	8.3	3.2	13.0	69.7	24.8	13.8
Cash Dividend per Share	(Rs.)	6.0	2.0	7.0	22.0	19.0	12.0
Price Earning Ratio	(Times)	13.4	61.6	29.6	14.8	25.8	16.7
Market Price per Share	(Rs.)	112	195	387	1,031	640	230
Cash Dividend Payout Ratio	(%)	72.1	63.3	53.7	31.6	76.6	86.8
Capital Structure Ratios							
Interest Cover	(Times)	18.9	19.8	38.0	239.0	78.5	34.2
CONSOLIDATED							
Operating Results							
Revenue - net	(Rs. Million)	5,803	5,003	5,002	11,335	5,711	3,832
Gross Profit	(Rs. Million)	2,041	1,519	1,911	4,594	2,597	1,828
Profit Before Taxation	(Rs. Million)	338	86	591	2,859	1,360	761
Profit / (Loss) After Taxation	(Rs. Million)	188	(17)	395	2,233	944	552
Financial Position							
Share Capital	(Rs. Million)	302	302	302	302	302	302
Accumulated Profit	(Rs. Million)	4,305	4,195	4,265	4,280	2,811	2,289
Non Current Assets	(Rs. Million)	3,117	3,168	3,096	3,025	1,751	1,642
Non Current Liabilities	(Rs. Million)	217	223	246	269	101	122
Current Assets	(Rs. Million)	3,987	3,801	3,745	3,838	3,474	2,115
Current Liabilities	(Rs. Million)	1,249	1,143	876	821	1,456	524



HORIZONTAL Analysis

	2019	2018	2017	2016	2015	2014
	<i>% Change from preceding year</i>					
FINANCIAL POSITION ANALYSIS						
Share Capital and Reserves	2.3	(0.3)	(1.2)	59.4	13.2	4.4
Non Current Liabilities	7.9	(0.8)	12.0	271.7	(12.4)	9.8
Current Liabilities	11.8	26.7	17.8	(48.9)	225.3	42.1
Total Equity and Liabilities	4.0	3.2	1.3	29.9	39.2	8.1
Non Current Assets	2.9	3.5	7.4	73.4	12.2	(14.0)
Current Assets	5.0	3.0	(4.0)	6.6	59.9	34.5
Total Assets	4.0	3.2	1.3	29.9	39.2	8.1
PROFIT OR LOSS ANALYSIS						
Revenue - net	17.5	2.3	(57.7)	129.5	75.1	30.0
Cost of sales	7.8	14.8	(58.3)	151.4	96.4	34.6
Gross Profit	36.4	(15.6)	(56.8)	103.3	55.0	25.9
Administrative expenses	16.5	4.8	4.7	43.2	20.2	14.4
Selling and distribution expenses	23.9	15.7	(11.5)	39.7	23.2	23.5
Other expenses	141.8	9.5	(82.2)	221.7	68.3	47.3
Other income	41.3	41.5	(27.9)	42.9	(0.9)	3.5
Operating Profit	102.5	(64.7)	(76.8)	143.1	87.7	26.3
Finance costs	112.1	(32.2)	46.1	(20.1)	(18.3)	45.4
Profit Before Taxation	102.0	(65.6)	(77.3)	145.2	90.9	25.8
Taxation	49.9	(46.4)	(62.0)	64.6	123.3	253.2
Profit After Taxation	163.1	(75.8)	(81.3)	181.1	79.3	2.2

VERTICAL Analysis

	2019	2018	2017	2016	2015	2014
	----- % -----					
FINANCIAL POSITION ANALYSIS						
Share Capital and Reserves	79.6	80.9	83.8	85.9	70.1	86.1
Non Current Liabilities	2.9	2.8	2.9	2.7	0.9	1.5
Current Liabilities	17.5	16.3	13.3	11.4	29.0	12.4
Total Equity and Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Non Current Assets	49.1	49.6	49.4	46.6	34.9	43.4
Current Assets	50.9	50.4	50.6	53.4	65.1	56.6
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0
PROFIT OR LOSS ANALYSIS						
Revenue - net	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	60.5	66.0	58.8	59.7	54.5	48.6
Gross Profit	39.5	34.0	41.2	40.3	45.5	51.4
Administrative expenses	6.8	6.9	6.7	2.7	4.3	6.3
Selling and distribution expenses	25.3	24.0	21.2	10.1	16.7	23.7
Other expenses	2.4	1.2	1.1	2.6	1.8	1.9
Other income	3.5	2.9	2.1	1.2	2.0	3.5
Operating Profit	8.5	4.8	14.3	26.1	24.7	23.0
Finance costs	0.5	0.3	0.4	0.1	0.3	0.7
Profit Before Taxation	8.0	4.5	13.9	26.0	24.4	22.3
Taxation	3.2	2.5	4.8	5.4	7.5	5.9
Profit After Taxation	4.8	2.0	9.1	20.6	16.9	16.4

Chairperson's Review

I am pleased to present our annual report and to welcome the shareholders of Ferozsons Laboratories Limited for the 63rd Annual General Meeting for the year ended 30 June 2019.

Putting patients first and ensuring access to the most needed treatments lies at the heart of the Ferozsons Excellence Framework. We are committed to exploring new areas of unmet need in medicine, providing innovative solutions and creating opportunities to add quality and longevity to the lives of patients whom we serve.

Review of Overall Performance and Effectiveness of the Board

During the year under review, the Board has carried out its roles and responsibilities diligently and contributed in the strategic leadership of the Company. The Board has reviewed the financial statements of the Company periodically, as well as governance matters such as the transparencies of disclosures, policies, corporate plans, budgets, and compliance of all regulatory requirements by the management.

During the proceedings of periodic meetings of the board, the management has given presentations on critical and strategic areas of business operations of the Company.

The composition of the Board of Directors reflects a mix of varied backgrounds to provide quality strategic direction to the management. The board has also formed sub committees, including the Human Resource & Remuneration Committee, the Audit Committee and the Investments Committee. These sub-committees are operating effectively and within the framework of the law.

The Board has approved a risk management framework with a vision to implement a strong system of internal controls and provide an effective control environment for compliance with the best practices of Corporate Governance. The Board has also stressed on high standards of honesty and integrity pivotal for the success of the business and reputation of the Company.

As required under the Listed Companies (Code of Corporate Governance Regulations, 2017), an annual evaluation of the Board of Directors and its sub committees has been carried out. The purpose of this evaluation is to ensure that the Board has the skills required to provide the strategic leadership of the Company. Improvement areas, if any, identified as part of evaluation process are addressed accordingly. On the basis of latest feedback received, the evaluation and performance of Board is considered satisfactory.

Acknowledgement

On behalf of the Board of Directors, I would like to extend my special gratitude towards all shareholders for their continued trust and support. I acknowledge with thanks the dedication and hard work of our employees at all levels and look forward for their continued support in next year. I would also like to appreciate the commendable efforts and dedication of our Board Members and CEO in providing strategic leadership to the Company.

Mrs. Akhter Khalid Waheed
Chairperson

Lahore
21 September 2019

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2019

We are pleased to present the 63rd Annual Report which includes the Audited Financial Statements of your Company for the financial year ended 30 June 2019 along with the Consolidated Financial Statements of its subsidiaries, BF Biosciences Limited and the Farmacia retail venture.

Your Company's Individual and Consolidated Financial Results

A summary of the financial and operating results for the year and appropriation of the divisible profits as compared to last year are given below:

	Individual		Consolidated	
	2019	2018	2019	2018
	(Rupees in thousands)			
Profit before tax	418,718	207,266	338,064	85,572
Taxation	(167,672)	(111,860)	(150,069)	(102,584)
Profit / (Loss) after tax	251,046	95,406	187,995	(17,012)
Profit available for appropriation	3,879,505	3,735,100	4,304,712	4,194,799
Appropriations				
Interim cash dividend for the FY 2019 @ Rs. 2/share (FY 2018: Nil)	(60,374)	-	(60,374)	-
Final cash dividend for the FY 2019 @ Rs. 4/share (FY 2018: @ Rs. 2/share)	(120,747)	(60,374)	(120,747)	(60,374)

During the year under review consolidated net sales of your Company closed at Rs. 5,803 million, an increase of 16% over the last year. On a stand-alone basis, net sales of your Company closed at Rs. 5,181 million against Rs 4,409 million last year, demonstrating an increase of 18%.

Apart from our imported line of products, our branded generic product portfolio sales in the private market grew by 25% over the last year, whereas sales to institutions declined by 33% over the last year, largely as a consequence of reduction in public sector health procurement. During the last year, institutional orders relating to Hepatitis C product were the main contributors.

Partly because of the lower contribution of institutional sales in the portfolio, the Gross Profit (GP) margin of your Company increased to 39.5% for the year under review, compared to a GP margin of 34% last year. In absolute terms, the GP grew by 36%. A prime reason for the improvement in GP was also the lesser

diminution in net realizable value of stock of Sovaldi® compared to last year.

The increase in selling and distribution expenses by 24% over the last year mainly represents field force and branding expenses incurred for enhancing market base, which is also reflective in top line growth of our branded generics during the current year under review.

Other expenses have increased by Rs. 72 million over the last year which mainly includes exchange loss due to devaluation of the Pakistani Rupee.

The net profit after tax of your Company closed at Rs. 251 million, against Rs. 95 million achieved last year. The effective tax rate for the year ended 30 June 2019 closed at 40% against 54% last year. The change in effective tax rate is primarily due to recording of certain provisions last year.

Sales of the subsidiary Company BF Biosciences Limited closed at Rs. 449 million with a decrease of 15% over the last year. Net loss after tax for the year stood at Rs. 45 million against net loss of Rs. 98 million last year. The decline in operating results of the subsidiary is primarily due to the expanded use of oral treatment regimens for HCV patients which are impacting the market for Interferons, and the inordinate delay on the part of the regulator in approving the company's new products in the biological segment.

Subsequent to the year-end, BF Biosciences applications for registration of Omeprazole and Esomeprazole Intravenous Injections have been approved by Drug Regulatory Authority of Pakistan. In addition to above products, our application for dose enhancement of Erythropoietin 10000 IU has been duly approved for both in vial and pre-filled syringe packing. We expect the production and launch to kick off during the financial year 2019-20.

Key Operating and Financial Data

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

Capital Expenditure

In order to keep pace with the latest technologies in pharmaceutical industry, during the year under review your Company has invested Rs. 211 million for balancing and modernization of its manufacturing facilities.

Subsequent Events

No material changes affecting financial position of the Company have occurred between the balance sheet date and the date of this report.

Earnings per Share

Based on the net profit for the year ended 30 June 2019 the earnings per share (EPS) stand at Rs. 8.32 per share, compared to prior year EPS of Rs. 3.16 per share on capital of Rs. 301.868 million. Consolidated EPS for the year under review closed at Rs. 6.65 per share against last year EPS of Rs. 0.23 per share.

Dividend Announcement

The Directors have recommended a final cash dividend of 40% i.e. Rs. 4 per 10 - Rupee share which is in addition to already paid interim cash dividend of 20% i.e. Rs. 2 per 10 – Rupee share. This amounts to a total payout of 60% for the year ended 30 June 2019.

These appropriations will be accounted for in the subsequent financial statements, in compliance with the Companies Act, 2017.

Statement of Compliance with the Code of Corporate Governance

The Company is fully complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017, a statement to this effect along with Auditors' report is annexed with our annual report.

Statement of Compliance with Corporate & Financial Reporting Framework

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

- The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- The systems of internal controls are sound in design and have been effectively implemented by the management and monitored by the internal auditors as well as Board of Directors and the Audit Committee. The Board reviews the effectiveness of established internal controls through the Audit Committee and suggest, whenever required, further improvement in the internal control system.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.
- Significant deviations from last year's operating results have been disclosed as appropriate in the Directors report/Chairperson's review and in the notes to the accounts, annexed to this report.

- The Company does not envisage corporate restructuring or discontinuation of its operations in the foreseeable future.
- All major Government levies in the normal course of business, payable as on 30 June 2019 have been cleared subsequent to the year end.
- The values of investments of employees' provident fund based on latest audited accounts as of 30 June 2018 are Rs. 480 million.

Contribution to National Exchequer

During the current financial year out of the total wealth generated, your Company contributed approximately Rs. 292 million to the national exchequer in lieu of various levies including Income Tax, Custom Duty, Federal and Provincial Sales Taxes WWF, WPPF and Central Research Fund.

Cash Flow Management

The Company's cash flow management system projects cash inflows and outflows on a regular basis and monitors the cash position on a daily basis.

Related Party Transactions

Transactions with related parties during the year ended 30 June 2019 were placed before the audit committee and the board for their review and approval. These transactions were approved by the Board in their meetings held during the year. Detail of related party transactions is given in note 32 to the financial statements.

Composition of Board of Directors, its Committees and Meetings

The information regarding the composition of Board of Directors, its Committees and Meetings held along with the details of persons who, at any time during the financial year 2018-19 were directors of the Company is annexed.

Pattern of Shareholding

The pattern of shareholding as at 30 June 2019 is annexed. All trades in the shares of the Company, if any, carried out by the directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children are also annexed.

Corporate Social Responsibility

In line with our Code of Business Conduct and Excellence Framework, we are committed to the protection of environment and investing in community's health and education initiatives.

Your Company contributed towards various CSR activities during the year under review, mainly with the following organizations:

- Cancer Research and Treatment Foundation
- The Citizens Foundation
- National Management Foundation (LUMS)

Risk Management

Our risk management approach is primarily based on understanding, identifying, assessing and then prioritizing risk areas in order to mitigate these risks through evolving operational strategies.

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

- **Economic and political risks:** The ever changing economic and political condition in our country has exposed our Company to this risk as well. In order to mitigate this risk, the management monitors the financial market conditions and political climate very closely and appropriate actions and strategies are discussed at the management level to counter unfavorable situations.
- **Competition risks:** Due to the weak regulatory controls over illegal and low quality products in the market, the pharmaceutical industry in Pakistan is exposed to unhealthy competition risks. In order to mitigate these risks your Company along with other members of the Pakistan Pharmaceutical Manufacturers Association, is in continuous lobbying for improved Government regulations and policies.
- **Supply chain risks:** The supply chain process plays a pivotal role in day-to-day operations of the Company. We are mitigating this risk through comprehensive production planning and integrating it with the sales forecasting and ordering systems.
- **Information technology risks:** The Company continues to invest in its IT infrastructure keeping in mind its future needs.
- **Financial risks:** These are the risks that are directly attributable to the financial viability of the Company. These have been elaborated in detail in note 37 of the financial statements.

Remuneration Policy of Non-Executive Directors

Non-executive directors including the independent director are entitled only for the fee for attending the meetings.

Auditors

The Auditors Messer KPMG Taseer Hadi & Co., Chartered Accountants retire and offer themselves for reappointment for the year 2019-20.

The Board Audit Committee has recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Company for the year 2019-20. Accordingly, the Board has recommended the same for the approval of the shareholders in the upcoming Annual General Meeting.

Industry Review and Future Outlook

Pakistan's pharmaceutical industry is valued at approximately Rs. 423 billion for the year ended 30 June 2019, with a growth of 13.2% over the last year. However, in the current economic environment, it is expected that the sector will experience a slow-down in its growth.

The country's economic progress has been undermined by challenges around maintaining stable exchange reserves and containing the twin deficits. As a consequence, our GDP growth projection has been revised downwards to 3.6%. While the new government has garnered bilateral sources for balance of payment support and entered into a belated bailout package with International Monetary Fund, the environment remains non-conducive for investment and economic growth.

The Pak rupee has lost more than 30% of its value during the financial year 2018-19. With the evolving macroeconomic situation, the central bank increased its policy rate to 12.25% from 6.50% to achieve stability during financial year 2018-19. Subsequent to the year end, central bank further increased policy rate by 100 bps, taking the policy rate to 13.25%.

The depreciation of Pak Rupee and increase in interest rates have imposed continued risks for the pharmaceutical industry, since the majority of raw materials and finished goods are directly exposed to these challenges. In order to provide relief to pharmaceutical industry, DRAP issued notification via SRO 34(I)/2019 dated 10th January, 2019 granting a much-needed increase in prices of pharmaceutical products between 9% and 15%. As the price increase was prospective in nature and allowed in 3rd quarter, the full impact shall be evident in upcoming financial year.

The stability measures taken by government have started to materialize. The external sector continued to show significant improvement with a sizeable reduction of around 32 percent (or 1.5 percent of GDP) in the current account deficit during FY19. However, this has also resulted in the economic-slowdown being experienced today.

Subsequent to year end, a further major supply chain risk occurred when Government of Pakistan immediately suspended trade of all items including import of pharmaceuticals raw materials from India. According to a rough estimate by PPMA, over 50% of medicines made in Pakistan use raw materials from India. Keeping in view the best interest of the public, an exemption was later granted by Government of Pakistan to therapeutic products regulated by the DRAP. However, imports have not yet fully resumed. The management of your Company is analyzing the available alternate sources of raw materials to reduce supply chain risks.

Your Company has introduced following new products during the year under review:

- Viktana (Sofosbuvir / Velpatasvir), an authorized generic of Eplusa ® has been launched in order to strengthen our commitment towards a Hepatitis-free Pakistan. This medication is a combination of Sofosbuvir and Velpatasvir and is used to treat chronic Hepatitis C of all genotypes. It may sometimes be used with combination of other antiviral medications (e.g. Ribavirin). Chronic hepatitis C infection can cause serious liver problems such as scarring (cirrhosis), or liver cancer.
- Dexiva (Dexlansoprazole) is used for or healing of all grades of erosive esophagitis (EE), maintenance

of healed EE, relief of heartburn and treatment of symptomatic non-erosive gastroesophageal reflux disease (GERD).

The management is committed to preserving and enhancing long-term shareholders' wealth. However, there are various obvious challenges associated with the external and regulatory environment. The pharmaceutical industry is a relatively inelastic segment of the economy, and we expect that the sector will continue to grow and give opportunities for further expansion in the long run.

Acknowledgements

We would like to acknowledge the considerable efforts and dedication of our employees towards achievement of the Company's objectives.

We would also like to thank our principals and business partners for their continuous support and confidence in our Company as well as our valued customers for their continued trust in our products.

For and on behalf of the Board

Mr. Osman Khalid Waheed
Chief Executive Officer

Mrs. Akhter Khalid Waheed
Chairperson

Lahore
21 September 2019

Dates and attendance of Board Meetings held during the year ended 30 June 2019

A total of Five Board Meetings were held during the Financial Year 2018-2019 on the following dates:

- 07 July 2018
- 25 September 2018
- 27 October 2018
- 23 February 2019
- 17 April 2019

Sr. No	Name of Directors	Attendance
1	Mrs. Akhter Khalid Waheed	5
2	Mr. Osman Khalid Waheed	5
3	Mrs. Amna Piracha Khan	5
4	Mrs. Munize Azhar Peracha	5
5	Mr. Nihal Cassim	2
7	Mr. Shahid Anwar	5
8	Mr. Arshad Saeed Husain	3
Audit Committee Meetings:		
1	Mr. Arshad Saeed Husain	2
2	Mrs. Amna Piracha Khan	4
3	Mr. Nihal Cassim	2
4	Mr. Shahid Anwar	4
HR&R Committee Meetings:		
1	Mr. Shahid Anwar	1
2	Mr. Osman Khalid Waheed	1
3	Mr. Nihal Cassim	0
4	Mr. Arshad Saeed Husain	1

On behalf of the Board

Lahore
21 September 2019

Mrs. Akhter Khalid Waheed
Chairperson



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Ferozsons Laboratories Limited

Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 prepared by the Board of Directors of Ferozsons Laboratories Limited ("the Company") for the year ended 30 June 2019 to comply with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:



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Paragraph

S. #	Reference	Description
1.	Para 18	The position of the Chief Financial Officer and Company Secretary were held by the same persons during the year. As per the amendments dated 5 December 2018 introduced vide SRO 1475 (I)/ 2018 in the 2017 Code, the position of Chief Financial Officer and Company Secretary shall not be held by the same individual .
2.	Para 9	Three Directors have claimed exemption from the training program based on their education and experience, however approval from SECP in this regard is not in place as at 30 June 2019. Accordingly 50% of the directors have not obtained training or exemption from SECP as at 30 June 2019 as required by Regulation 20 of the 2017 Code.

Lahore

Date: 30 September 2019

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of company: Ferozsons Laboratories Limited
 Year ended: 30 June 2019

The company has complied with the requirements of the Regulations in the following manner:

- The total number of directors are seven as per the following:

Gender	Number
Male	4
Female	3

- The composition of board is as follows:

Category	Names
Independent Director	Mr. Arshad Saeed Husain
Other Non-Executive Directors	Mrs. Akhter Khalid Waheed
	Mrs. Amna Piracha Khan
	Mrs. Munize Azhar Peracha
	Mr. Nihal Cassim
	Mr. Shahid Anwar
Executive Director	Mr. Osman Khalid Waheed

- The directors have confirmed that none of them is serving as a director on more than five listed Companies, including this Company (excluding the listed subsidiaries of listed holding Companies where applicable).
- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the board were presided over by the Chairperson and, in her absence, by a director

elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In terms of Regulation 20 of the 2017 Code, three directors of the Company have acquired certification under the directors’ training program while three of the directors fulfill the exemption criteria and one director will obtain certification in the year 2020.

Subsequent to the year end, three directors of the Company have applied for exemption from Directors training program based on their education and experience, however approval from SECP in this regard is awaited. Company will ensure 75% of the directors complete the training or obtain exemption from SECP by 30 June 2020.

10. There was no new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year. The changes in remuneration including terms and conditions of employment of Chief Financial Officer, Company Secretary and Head of Internal Audit were approved by the Board and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

Committees	Composition/Names
Audit Committee	<p>Chairman Mr. Arshad Saeed Husain</p> <p>Members Mrs. Amna Piracha Khan Mr. Nihal Cassim Mr. Shahid Anwar</p>
HR & Remuneration Committee	<p>Chairman Mr. Arshad Saeed Husain</p> <p>Members Mr. Osman Khalid Waheed Mr. Nihal Cassim Mr. Shahid Anwar</p>

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

Meetings	Frequency
Audit Committee	Four quarterly meetings were held during the financial year ended 30 June 2019
HR & Remuneration Committee	One meeting was held during the financial year ended 30 June 2019

15. The board has outsourced the internal audit function to M/S EY Ford Rhodes, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. Pursuant of changes in the Listed Companies (Code of Corporate Governance) Regulations, 2017 (“the Regulations) in December 2018, the regulations now require that an individual shall not simultaneously hold the position of Company secretary and Chief Financial Officer in a listed company. The position of the Chief Financial Officer and Company Secretary were held by the same persons during the year. The said requirement was subsequently complied with pursuant to the appointment of new Chief Financial Officer of the Company. We confirm that all other requirements of the Regulations have been complied with.

Mrs. Akhter Khalid Waheed
 Chairperson

OUR FINANCIAL STATEMENTS





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INDEPENDENT AUDITOR'S REPORT

To the members of Ferozsons Laboratories Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Ferozsons Laboratories Limited** ("the Company"), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the Key audit matter(s):

S.No.	Key audit matter(s)	How the matter was addressed in our audit
1	<p>Sales</p> <p>Refer to notes 3.1.1, 3.15 and 22 to the unconsolidated financial statements</p> <p>The Company recognized revenue of Rs. 5,181 million from the sale of goods to domestic as well as export customers during the year ended 30 June 2019.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to a risk that revenue is recognized without transferring the control.</p>	<p>Our audit procedures to assess sales recognition, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls; • assessing the appropriateness of the Company's accounting policies for recording of sales and compliance of those policies with applicable accounting and reporting standards; • comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents; • comparing a sample of sale transactions recorded near the year end with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if sale was recorded in the appropriate accounting period; • inspecting on a sample basis, credit notes issued in June 2019 and July 2019 to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and • scanning for any manual journal entries relating to sale recorded during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.
2	<p>Valuation of Trade Debts</p> <p>Refer to notes 3.1.2, 3.6 and 16 to the unconsolidated financial statements.</p> <p>As at 30 June 2019, the Company's gross trade debts amount to Rs. 900.65 million. Pursuant to adoption of IFRS 9 'Financial Instruments' and using the modified retrospective approach, the Company has recognized expected credit loss ("ECL") of Rs. 18.43 million in opening retained earnings as at 01 July 2018 and reversal of Rs. 5.24 million for the year ended 30</p>	<p>Our audit procedures to assess valuation of trade debts, amongst others, included the following:</p> <ul style="list-style-type: none"> • review the methodology developed and applied by the management to estimate the ECL in relation to trade debts, evaluating the key assumptions used (historical and forward looking), the policies applied to assess ECL in respect of trade debts and testing the mathematical accuracy of the ECL model by re-performing calculations on test basis;

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S.No.	Key audit matter(s)	How the matter was addressed in our audit
	<p>June 2019.</p> <p>IFRS 9 requires the Company to make provision for financial assets (trade debts) using Expected Credit Loss (ECL) approach as against the Incurred Loss Model previously applied by the Company. The Company has applied the ECL model for determination of its trade debts other than due from Government institutions as explained in note 3.1.2. Recoverable amount of trade debts due from Government institutions have been estimated under IAS 39 due to exemption granted by the Securities and Exchange Commission of Pakistan vide SRO 985 (I)/2019.</p> <p>Determination of ECL provision for trade debts requires significant judgment and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information.</p> <p>We have considered this as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.</p>	<ul style="list-style-type: none"> • involving our specialists to assess the ECL model and significant estimates, assumptions and judgments applied in developing ECL; • In respect of trade debts due from Government institutions, assessing the assumptions and estimates made by the management for the allowances for doubtful debts with reference to our understanding of the debtors' financial condition, the ageing of overdue balances and historical and post year-end cash receipts from the debtors and by performing a retrospective review of the historical accuracy of these estimates; • assessing, on a sample basis, the accuracy of the data used for ECL computation and for assessing impairment of trade debts due from Government institutions; and • assessing the adequacy of disclosure made in the unconsolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.
3	<p>Valuation of Stock-in-trade</p> <p>Refer to notes 3.12 and 15 to the unconsolidated financial statements.</p> <p>As at 30 June 2019, the Company's gross carrying amount of stock in trade amounts to Rs. 1,251.94 million against which net realizable value adjustment of Rs. 81.01 million has been recorded.</p> <p>We identified valuation of stock in trade as a key audit matter as it involves significant management judgment in determining the carrying value of stock in trade.</p>	<p>Our audit procedures to assess valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of internal controls over valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness; • assessing the appropriateness of the Company's accounting policies for valuation of stock-in-trade and compliance of those policies with applicable accounting and reporting standards; • obtaining an understanding and assessing reasonableness of the management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales and their basis; and



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S.No.	Key audit matter(s)	How the matter was addressed in our audit
		<ul style="list-style-type: none">• comparing the NRV, on a sample basis, to the cost of stock in trade to assess whether any adjustments are required to the value of stock in trade in accordance with the accounting policy.

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended **30 June 2019**, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

KPMG



KPMG Taseer Hadi & Co.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG



KPMG Taseer Hadi & Co.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Bilal Ali.

Lahore

Date: 30 September 2019

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

Unconsolidated Statement of Financial Position

As at 30 June 2019

	<i>Note</i>	2019 Rupees	2018 Rupees
EQUITY AND LIABILITIES			
<u>Share capital and reserves</u>			
Authorized share capital 50,000,000 (2018: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid up capital	4	301,868,410	301,868,410
Capital reserve	5	321,843	321,843
Accumulated profits		3,879,504,557	3,735,100,328
Revaluation surplus on property, plant and equipment	6	755,732,295	789,650,185
		4,937,427,105	4,826,940,766
<u>Non current liabilities</u>			
Deferred taxation	7	178,928,506	165,760,483
<u>Current liabilities</u>			
Trade and other payables	8	1,006,902,101	792,675,804
Short term borrowings - secured	9	-	96,852,363
Unclaimed dividend		75,156,815	82,143,724
Accrued mark-up		4,432,350	533,713
		1,086,491,266	972,205,604
Contingencies and commitments	10		
		6,202,846,877	5,964,906,853

The annexed notes from 1 to 40 form an integral part of these unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

	<i>Note</i>	2019 Rupees	2018 Rupees
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	<i>11</i>	2,720,876,300	2,649,216,106
Intangibles	<i>12</i>	731,179	2,016,272
Long term investments - related parties	<i>13</i>	314,545,924	297,798,460
Long term deposits		7,086,325	7,066,325
		3,043,239,728	2,956,097,163
<u>Current assets</u>			
Stores, spare parts and loose tools	<i>14</i>	20,878,123	46,218,187
Stock in trade	<i>15</i>	1,170,925,851	1,219,853,920
Trade debts - considered good	<i>16</i>	887,452,305	536,412,764
Loans and advances - considered good	<i>17</i>	24,399,746	43,976,934
Deposits and prepayments	<i>18</i>	151,088,839	174,960,635
Other receivables	<i>19</i>	67,564,290	92,465,979
Income tax - net		202,002,562	170,398,448
Short term investments	<i>20</i>	451,847,651	527,343,533
Cash and bank balances	<i>21</i>	183,447,782	197,179,290
		3,159,607,149	3,008,809,690
		6,202,846,877	5,964,906,853

Director

Unconsolidated Statement of Profit or Loss

For the year ended 30 June 2019

	<i>Note</i>	2019 Rupees	2018 Rupees
Sales - net	22	5,180,803,582	4,409,137,684
Cost of sales	23	(3,134,954,617)	(2,908,895,564)
Gross profit		2,045,848,965	1,500,242,120
Administrative expenses	24	(353,172,864)	(303,096,037)
Selling and distribution expenses	25	(1,309,653,498)	(1,056,932,024)
Other expenses	26	(123,265,414)	(50,987,393)
Other income	27	182,390,571	129,086,882
Profit from operations		442,147,760	218,313,548
Finance cost	28	(23,429,965)	(11,048,102)
Profit before taxation		418,717,795	207,265,446
Taxation	29	(167,672,113)	(111,859,642)
Profit after taxation		251,045,682	95,405,804
Earnings per share - basic and diluted	30	8.32	3.16

The annexed notes from 1 to 40 form an integral part of these unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Unconsolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	2019	2018
	Rupees	Rupees
Profit after taxation	251,045,682	95,405,804
<i>Items that will not be reclassified to profit and loss account:</i>		
Other comprehensive income for the year	-	-
Total comprehensive income for the year	251,045,682	95,405,804

The annexed notes from 1 to 40 form an integral part of these unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Capital Reserve		Revenue Reserve		Total
	Share capital	Capital reserve	Revaluation surplus on Property, plant and equipment	Accumulated profit	
	-----Rupees-----				
Balance as at 01 July 2017	301,868,410	321,843	807,524,953	3,733,431,676	4,843,146,882
Total comprehensive income for the year	-	-	-	95,405,804	95,405,804
<u>Surplus transferred to accumulated profit:</u>					
- on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	-	-	(27,011,229)	27,011,229	-
- on account of disposal of fixed assets during the year - net of tax	-	-	1,017	(1,017)	-
	-	-	(27,010,212)	27,010,212	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	9,135,444	-	9,135,444
<u>Transactions with owners of the Company, recognized directly in equity - Distributions</u>					
- Final dividend for the year ended 30 June 2017 at Rs. 4 per share	-	-	-	(120,747,364)	(120,747,364)
Balance as at 30 June 2018 - as reported	301,868,410	321,843	789,650,185	3,735,100,328	4,826,940,766
<u>Adjustment on initial application of IFRS 9 - net of tax - note 3.1.2</u>	-	-	-	(13,267,754)	(13,267,754)
Adjusted balance as at 01 July 2018	301,868,410	321,843	789,650,185	3,721,832,574	4,813,673,012
Total comprehensive income for the year	-	-	-	251,045,682	251,045,682
<u>Surplus transferred to accumulated profit:</u>					
- on account of incremental depreciation on property, plant and equipment 'charged during the year - net of tax	-	-	(27,373,665)	27,373,665	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	(6,544,225)	-	(6,544,225)
<u>Transactions with owners of the Company, recognized directly in equity - Distributions</u>					
- Final dividend for the year ended 30 June 2018 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)
- Interim dividend for the year ended 30 June 2019 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)
	-	-	-	(120,747,364)	(120,747,364)
Balance as at 30 June 2019	301,868,410	321,843	755,732,295	3,879,504,557	4,937,427,105

The annexed notes from 1 to 40 form an integral part of these unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Unconsolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 Rupees	2018 Rupees
<u>Cash flow from operating activities</u>			
Profit before taxation		418,717,795	207,265,446
<i>Adjustments for non - cash and other items</i>			
Depreciation on property, plant and equipment	11.4	285,495,105	246,338,313
Amortisation of intangibles		1,285,093	2,044,342
Trade debts directly written off	25	38,876,781	-
Earnest money written off	25	-	7,430,890
Reversal of loss allowance against trade debts	27.1	(5,235,513)	-
Gain on disposal of property, plant and equipment	11.5	(30,806,125)	(17,231,877)
Finance costs		23,429,965	11,048,102
Gain on re-measurement of short term investments to fair value		11,014,902	(19,138,298)
Finance costs		1,376,020	(1,947,077)
Loss / (gain) on re-measurement of short term investments to fair value	20.1	(45,219,772)	-
Loss / (gain) on sale of short term investments		(1,873,744)	(1,286,407)
Dividend income	13.1	(16,747,464)	(16,849,410)
Profit on bank deposits		17,597,332	11,281,892
Share in profit of Farmacia		3,555,017	2,717,079
Workers' Profit Participation Fund		8,872,286	7,090,508
Central Research Fund		291,619,883	231,498,057
Workers' Welfare Fund		710,337,678	438,763,503
Cash generated from operations before working capital changes			
<u>Effect on cash flow due to working capital changes</u>			
<i>Decrease / (increase) in current assets</i>			
Stores, spare parts and loose tools		25,340,064	(23,463,850)
Stock in trade		48,928,069	326,183,148
Trade debts - considered good		(403,114,279)	(170,471,593)
Loans and advances - considered good		19,577,188	28,941,517
Deposits and prepayments		23,871,796	(30,969,527)
Other receivables		28,386,249	(74,481,371)
		(257,010,913)	55,738,324
<i>Increase in current liabilities</i>			
Trade and other payables		211,173,052	116,767,490
Cash generated from operations			
		664,499,817	611,269,317
Taxes paid		(187,486,714)	(146,491,843)
Workers' Profit Participation Fund paid	19.1	(21,081,892)	(18,670,972)
Workers' Welfare Fund paid		(7,090,508)	(10,028,086)
Central Research Fund paid	8.1	(2,283,549)	(6,482,366)
Long term deposits - net		(20,000)	-
Net cash generated from operating activities		446,537,154	429,596,050
<u>Cash flow from investing activities</u>			
Acquisition of property, plant and equipment		(373,025,565)	(337,417,193)
Acquisition of intangibles		-	(1,740,976)
Dividend income received - net		11,335,727	-
Proceeds from sale of property, plant and equipment	11.5	46,676,391	25,416,641
Profit on bank deposits received		1,873,744	1,286,407
Short term investments - net		96,989,005	(18,373,269)
Net cash used in investing activities		(216,150,698)	(330,828,390)
<u>Cash flow from financing activities</u>			
Finance cost paid		(19,531,328)	(12,161,240)
Dividend paid		(127,734,273)	(119,458,387)
Net cash used in financing activities		(147,265,601)	(131,619,627)
Net increase / (decrease) in cash and cash equivalents		83,120,855	(32,851,967)
Cash and cash equivalents at the beginning of the year		100,326,927	133,178,894
Cash and cash equivalents at the end of the year		183,447,782	100,326,927
<i>Cash and cash equivalents comprise of the following</i>			
Cash and bank balances	21	183,447,782	197,179,290
Running finance	9	-	(96,852,363)
		183,447,782	100,326,927

The annexed notes from 1 to 40 form an integral part of these unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2019

1 Reporting entity

Ferozsons Laboratories Limited (“the Company”) was incorporated as a private limited company on 28 January 1954 and was converted into a public limited company on 08 September 1960. The Company is listed on Pakistan Stock Exchange and is primarily engaged in the imports, manufacture and sale of pharmaceutical products and medical devices. Its registered office is situated at 197-A, The Mall, Rawalpindi and the manufacturing facility is located at Amangarh, Nowshera, Khyber Pakhtun Khwa.

2. Basis of preparation

2.1 Separate financial statements

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

The Company has following major investments:

Name of the company / firm	Shareholding
Subsidiaries	
- BF Biosciences Limited	80%
- Farmacia	98%

2.2 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.3 Standards, amendments and interpretations and forth coming requirements

2.3.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the unconsolidated financial statements of the Company.

2.3.2 New and revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company’s financial statements.
- IFRS 16 ‘Leases’ (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC-15 ‘Operating Leases- Incentives’ and SIC-27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard. However it is not likely to have a material impact on Company’s financial statements.
- Amendment to IFRS 9 ‘Financial Instruments’ – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortized cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are ‘solely payments of principal and interest’. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company’s financial

statements.

- Amendment to IAS 28 ‘Investments in Associates and Joint Ventures’ - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI’). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company’s financial statements.
- Amendments to IAS 19 ‘Employee Benefits’ - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company’s financial statements.
- Amendment to IFRS 3 ‘Business Combinations’ – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may

take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Company's financial statements.

2.4 Basis of measurement

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

2.5 Functional and presentation currency

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

2.6 Use of estimates and judgments

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

sources. Actual results may differ from these estimates.

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

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

2.6.1 Property, plant and equipment

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

2.6.2 Intangibles

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

2.6.3 Stores, spare parts, loose tools and stock in trade

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

2.6.4 Expected credit loss (ECL) / Loss allowance against trade debts, deposits, advances and other receivables

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Company has elected to measure loss allowances for trade debts other than due from 'Government of Pakistan' using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The financial assets due from Government of Pakistan continues to be measured under IAS-39 due to the exemption given by the Securities and Exchange Commission of Pakistan vide S.R.O. 985 (I)/2019 dated 02 September 2019 as explained in note 3.1.2. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for

forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The Company reviews the recoverability of its trade debts, deposits, advances and other receivables to assess amount of loss allowance required on an annual basis.

2.6.5 Provisions

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

2.6.6 Impairment

The management of the Company reviews carrying amounts of its assets including cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.6.7 Fair value of investments

The Company regularly reviews the fair value of investments, the estimate of fair values are directly linked to market value. Any change in estimate will effect the carrying value of investments with the corresponding impact on unconsolidated statement of profit or loss.

2.6.8 Taxation

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

3 Significant accounting policies

The significant accounting policies set out below have been consistently applied to all periods presented in these unconsolidated financial statements, except as disclosed in note 3.1.

3.1 Changes in accounting policy

The Company has adopted IFRS 15 ‘Revenue from Contracts with Customers’ and IFRS 9 ‘Financial Instruments’ which is effective from the annual periods beginning on or after 01 July 2018, respectively. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these unconsolidated financial statements has not been restated to reflect the requirements of the new standards. The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below:

3.1.1 IFRS 15 ‘Revenue from Contracts with Customers’

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement. The Company is engaged in the sale of pharmaceutical products and medical devices. The contracts with customers for the sale of goods generally includes single performance obligation. Management has concluded that revenue from sale of goods be recognized at the point in time when control of the asset is transferred to the customer. The above is generally consistent with the timing and amounts of revenue the Company recognized in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations at 01 July 2018, did not have a material impact on the amounts of revenue recognized in these unconsolidated financial statements except for reclassification of selling and distribution expense of Rs. 16.37 million (2018: Rs. 50.19 million) to sales comprising of service charges on sales. This reclassification has no impact on the reported Earning Per Share (EPS) of the corresponding year. Company’s accounting policy relating to revenue recognition is explained in note 3.15 of these unconsolidated financial statements.

Upon adoption of IFRS 15 amounts received for future sale of goods were reclassified to ‘contract liabilities’. Previously, these amounts were classified as “advances from customers”

Impact on financial statements

As at 01 July 2018, contract liabilities were increased by Rs. 85.87 million and advance from customers decreased by the same amount.

3.1.2 IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 ‘Financial Instruments: Recognition and Measurement’ that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 985 (I)/2019 dated 02 September 2019 has deferred the requirements of IFRS 9 with respect to application of ‘Expected

Credit Loss Method’ in respect of companies holding financial assets due from the Government of Pakistan till 30 June 2021. In this regard, the companies shall follow relevant requirements of IAS 39 ‘ Financial Instruments: Recognition and Measurement’ during the exemption period.

The details of new significant accounting policies adopted and the nature and the effect of the changes to the previous accounting policies are set out below:

3.1.2.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for the financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value either through Other Comprehensive Income (“FVOCI”) or through profit or loss (“FVTPL”); and
- Those to be measured at amortized cost.

The classification depends upon entity’s business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within the business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in the unconsolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the unconsolidated statement of profit or loss.

For assets measured at fair value, gains and losses will either be recorded in unconsolidated statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. Dividened income is recognized in the unconsolidated statement of profit or loss. The Company’s accounting policy relating to financial instruments is explained in note 3.6 of these unconsolidated financial statements.

3.1.2.2 Impact of change in classification and measurement of financial assets due to adoption of IFRS 9

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets at 01 July 2018:

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Short term investments	Fair value through profit or loss	Fair value through profit or loss	527,343,533	527,343,533
Cash and bank balances	Loans and receivable	Amortized cost	197,179,290	197,179,290
Deposits - Earnest money	Loans and receivable	Amortized cost	174,275,932	174,275,932
Long term deposits	Loans and receivable	Amortized cost	7,066,325	7,066,325
Other receivables	Loans and receivable	Amortized cost	69,534,001	69,534,001
Trade debts - unsecured, considered good	Loans and receivable	Amortized cost	536,412,764	523,145,010

3.1.2.3 Impairment

The adoption of IFRS 9 has changed the Company's impairment model by replacing the IAS 39 'incurred loss model' with a forward looking 'expected credit loss' (ECL) model when assessing the impairment of financial assets in the scope of IFRS 9 other than due from Government of Pakistan. As explained in note 3.1.2, the SECP has granted exemption with respect to application of ECL for companies holding financial assets due from the Government of Pakistan. Accordingly Company's receivables of Rs. 736.71 million (2018: Rs. 321.69 million) and earnest money deposits of Rs. 128.16 million (2018: Rs. 167.10 million) that are due from Government of Pakistan continues to be assessed for impairment under the requirements of IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 requires the Company to recognize ECLs for trade debts earlier than IAS 39. Cash and bank balances, deposits (other than from Government of Pakistan) and other receivables are subject to ECLs model but there is no or immaterial impairment for the current year.

Under IFRS 9, the losses allowances are measured on either of the following bases:

- 12 months ECLs, these are the ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs, these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables other than due from Government of Pakistan. Trade and other receivables are written off when there is no reasonable expectation of recovery.

Loss allowance on bank balances and other receivables is measured at 12 months expected credit losses. Since they are short term in nature and there is no adverse change in credit rating of the banks where the balances are maintained, therefore no credit loss is expected on these balances.

Impact of ECL

The Company has applied IFRS 9 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 9 is recognized in retained earnings at the date of initial application. Considering the quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information, the Company has recognized loss allowance amounting to Rs. 18.43 million against trade debts upon transition to IFRS 9 as of 01 July 2018 with a corresponding effect in opening retained earnings and deferred taxation amounting to Rs. 13.27 million and Rs. 5.16 million respectively.

3.2 Employee benefits

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

3.2.1 Staff provident fund (Retirement benefit)

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

3.2.2 Compensated absences

The Company provides for compensated absences for its employees on unavailed balance of leave in the period in which leave is earned and the charge is recognized in the unconsolidated statement of profit or loss.

3.3 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the unconsolidated statement of profit or loss, except to the extent that it relates to items recognized

directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity respectively.

3.3.1 Current taxation

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

The amount of unpaid income tax in respect of the current and prior periods is recognized as liability. Any excess amount paid over what is due in respect of the current or prior periods is recognized as an asset.

3.3.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.4 Property, plant and equipment

3.4.1 Owned

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

Depreciation is provided on a straight line basis and charged to unconsolidated statement of profit or loss to write off the depreciable amount of each asset, except for freehold land, over its estimated useful life at the rates specified in note 11 of these unconsolidated financial statements. Depreciation

on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired. Any accumulated depreciation at the date of revaluation is eliminated, against the gross carrying amount of the asset and the net amount is restated to the revalued amount.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to unconsolidated statement of profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the unconsolidated statement of profit or loss, and depreciation based on the asset's original cost is transferred to 'retained earnings net of related deferred tax'. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred income tax.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other repairs and maintenance costs are charged to unconsolidated statement of profit or loss as and when incurred.

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

3.4.2 Capital work in progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. It consists of all expenditures and advances connected with specific assets incurred and made during installations and construction period. These are transferred to relevant property, plant and equipment as and when assets are available for use.

3.5 Intangibles

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

3.6 Financial instruments

3.6.1 Recognition and initial measurement

All financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) or

financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.6.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI), fair value through profit or loss (FVTPL) and in case of an equity instrument it is classified as FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in unconsolidated statement of profit or loss. Any gain or loss on derecognition is recognized in unconsolidated statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, trade debts and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in unconsolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to unconsolidated statement of profit or loss. However, the Company has no such instrument at the reporting date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in unconsolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and these investments are never reclassified to profit or loss. However, the Company has no such instrument at the reporting date.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in unconsolidated statement of profit or loss. The Company has classified its investments in mutual funds as at FVTPL.

Financial assets – Business model assessment

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in unconsolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, while the interest expense and foreign exchange gains and losses are recognized in unconsolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in unconsolidated statement of profit or loss.

The Company's financial liabilities comprise trade and other payables, short term borrowings, accrued markup and dividend payable.

3.6.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its unconsolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in unconsolidated statement of profit or loss.

3.6.4 Trade debts - due from Government of Pakistan

Trade debts are stated initially at the fair value, subsequent to initial recognition. These are stated at their amortized cost as reduced by appropriate provision for impairment, known impaired receivables are written off, while receivables considered doubtful are fully provided for.

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

3.6.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the unconsolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

3.6.6 Impairment

Financial assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, bank balances and other receivables for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non - Financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in unconsolidated statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.7 Investments in subsidiaries

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

3.8 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services received.

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Account payables are classified as current liabilities if amount is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.9 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.10 Foreign currency

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are recognized in the unconsolidated statement of profit or loss.

3.11 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at weighted average cost except for items in transits which are stated at cost incurred up to the reporting date less impairment, if any. For items which are slow moving and/or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores, spares parts and loose tools on a regular basis and provision is made for obsolescence.

3.12 Stocks in trade

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

Raw and Packing materials	-	at moving average cost;
Work in process	-	at weighted average cost;
Finished goods	-	at moving average cost; and
Finished goods for resale	-	at weighted average cost of purchase.

Cost of finished goods purchased for resale and raw and packing materials comprises of purchase price and other costs incurred in bringing the material to its present location and condition. Cost of work in progress comprises of cost of raw and packing materials. Cost of manufactured finished goods comprises of raw and packing materials and applicable overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessarily to be incurred in order to make a sale.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in unconsolidated statement of financial position at cost. For the purpose of unconsolidated statement of cash flow, cash and cash equivalents comprise of cash in hand, cash at banks and outstanding balance of short term borrowing facilities.

3.14 Borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the unconsolidated statement of profit or loss over the period of the borrowings on an effective interest basis.

Finance cost are accounted for on accrual basis and are reported under accrued markup to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3.15 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of products, net of sales tax, sales returns and related discounts and commission. Revenue is recognized when or as performance obligation is satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or point in time.

3.16 Other income

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

Dividend income and entitlement of bonus shares are recognized when the right to receive is established.

Gains and losses on sale of investments are accounted for on disposal of investments.

3.17 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements.

3.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in unconsolidated statement of profit or loss as incurred.

3.19 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

3.20 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in these unconsolidated financial statements in the period in which it is approved.

3.21 Operating lease

Lease where a significant portion of the risks and rewards of ownership are retained by the lessor is classified as operating lease. Payments made under operating lease are charged to unconsolidated statement of profit or loss on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the Company's benefit.

3.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and accessing performance of the operating segments, has been identified as the chief executive officer of the Company that make strategic decisions. These unconsolidated financial statements are prepared on the basis of single reportable segment as the chief executive officer views the Company's operations as one reportable segment.

4 Issued, subscribed and paid up capital	2019	2018
	Rupees	Rupees
1,441,952 (2018: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (2018: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged	1,196,000	1,196,000
28,625,289 (2018: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares	286,252,890	286,252,890
	<u>301,868,410</u>	<u>301,868,410</u>

KFW Factors (Private) Limited, an associated company holds 8,286,942 (2018: 8,286,942) ordinary shares of Rs. 10 each of the Company, representing 27.45% (2018: 27.45%) of the equity held.

5 Capital reserve

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

6 Surplus on revaluation of property, plant and equipment - net of tax	2019 Rupees	2018 Rupees
Revaluation surplus as at 01 July	856,971,311	895,001,308
Surplus transferred to accumulated profit on account of incremental depreciation charged during the year net of deferred tax	(27,373,665)	(27,011,229)
Related deferred tax liability	(10,657,764)	(11,020,200)
	(38,031,429)	(38,031,429)
Surplus transferred to accumulated profit:		
- on account of disposal during the year net of deferred tax	-	1,017
- Related deferred tax liability	-	415
	-	1,432
Revaluation surplus as at 30 June	818,939,882	856,971,311
Less: Related deferred tax liability:		
- On revaluation surplus as at 01 July	(67,321,126)	(87,476,355)
- Transferred / recognized		
- on disposals during the year	-	(415)
- on account of incremental depreciation charged during the year	10,657,764	11,020,200
- tax rate adjustment	(6,544,225)	9,135,444
	(63,207,587)	(67,321,126)
Revaluation surplus as at 30 June	755,732,295	789,650,185

The freehold land, building and plant and machinery were revalued by independent valuers in years 1976, 1989, 2002, 2006, 2011 and 2016. These revaluations had resulted in a cumulative surplus of Rs. 1,054 million, which has been included in the carrying values of free hold land, building on free hold land and plant and machinery respectively and credited to the surplus on revaluation of property plant and equipment. The surplus is adjusted on disposal of revalued assets, if any, and through incremental depreciation, net of deferred tax charged to retained earnings.

	2019			2018					
	Opening	Profit or loss	Equity	Closing	Opening	Profit or loss	Equity	Closing	
	(Reversal from) / charge to			(Reversal from) / charge to					
	Rupees			Rupees			Rupees		
7 Deferred taxation									
<u>Taxable temporary difference</u>									
Accelerated tax depreciation allowances	93,654,783	22,255,344	-	115,910,127	79,570,276	14,084,507	-	93,654,783	
Surplus on revaluation of property, plant and equipment	67,321,126	(10,657,764)	6,544,225	63,207,587	87,476,355	(11,019,785)	(9,135,444)	67,321,126	
Unrealized gain on short term investments - mutual funds	4,784,574	(1,275,244)	-	3,509,330	-	4,784,574	-	4,784,574	
	165,760,483	10,322,336	6,544,225	182,627,044	167,046,631	7,849,296	(9,135,444)	165,760,483	
<u>Deductible temporary difference</u>									
Loss allowance against trade debts - note 16.1	-	1,467,178	(5,165,716)	(3,698,538)	-	-	-	-	
	165,760,483	11,789,514	1,378,509	178,928,506	167,046,631	7,849,296	(9,135,444)	165,760,483	

8 Trade and other payables	<i>Note</i>	2019 Rupees	2018 Rupees
Trade creditors		727,805,937	543,862,953
Accrued liabilities		153,156,877	81,890,246
Contract liabilities		30,175,066	-
Advances from customers		-	85,868,075
Provision for compensated absences		26,145,098	22,652,323
Central Research Fund	<i>8.1</i>	3,555,017	2,283,549
Workers' Welfare Fund	<i>26</i>	8,872,286	7,090,508
Advances from employees against purchase of vehicles		49,267,061	41,971,602
Other payables		7,924,759	7,056,548
		<u>1,006,902,101</u>	<u>792,675,804</u>
8.1 Central Research Fund			
Balance as at 01 July		2,283,549	6,048,836
Provision for the year	<i>26</i>	3,555,017	2,717,079
		<u>5,838,566</u>	<u>8,765,915</u>
Payments made during the year		(2,283,549)	(6,482,366)
Balance as at 30 June		<u>3,555,017</u>	<u>2,283,549</u>
9 Short term borrowings			
Short term running finance - secured		-	<u>96,852,363</u>
9.1 Particulars of borrowings			
Interest / markup based financing	<i>9.2</i>	-	60,508,717
Islamic mode of financing	<i>9.3</i>	-	36,343,646
		-	<u>96,852,363</u>
9.2 Under Mark up arrangements			

The Company has short term running finance and import finance facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 775 million (2018: Rs. 750 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0.1% to 1% (2018: three months KIBOR plus 0.3% to 0.9%) per annum on the outstanding balances. Running finance facilities amounting to Rs. 450 million can interchangeably be utilized as non-funded facilities. Out of the aggregate facilities, Rs. 450 million (2018: Rs. 450 million) are secured by joint pari passu charge (2018: first pari passu charge) over all present and future current assets of the Company, import finance is secured against lien on dollar account and remaining Rs. 300 million (2018: Rs. 300 million) facility is secured by lien on Company's short term investments (money market/cash fund) which should be 110% of the maximum limit allowed for utilization. Under this arrangement, short term investment of Rs. 333.33 million (2018: Rs. 333.33 million) in HBL funds as mentioned in note 20.1.1 is marked under lien. These facilities are renewable on annual basis latest by 31 December 2019 and 31 January 2020.

9.3 Under Shariah compliant arrangements

The Company has short term borrowing facility i.e. Running Musharakah available from Islamic bank under profit arrangements having sanctioned limit of Rs. 200 million (2018: Rs. 200 million). This facility carries mark-up at the rates ranging from one to three months KIBOR plus 0.25% to 0.3% (2018: three months KIBOR plus 0.3%) per annum on the outstanding balance. This facility can interchangeably be utilized as non-funded. This facility is secured by joint pari passu charge (2018: first pari passu charge) over present and future current assets of the Company. This facility is renewable on annual basis latest by 31 October 2019.

10 Contingencies and commitments

10.1 Contingencies

There are no contingencies as of the reporting date.

10.2 Commitments

10.2.1 Letter of credits

10.2.1.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 700 million (2018: Rs. 600 million) for opening letters of credit, the amount utilized as at 30 June 2019 for capital expenditure was Rs. 131.27 million (2018: Rs. 192.52 million) and for other than capital expenditure was Rs. 77.38 million (2018: Rs. 151.99 million). Out of these facilities, Rs. 300 million can interchangeably be utilized as running finance. These facilities are secured by joint pari passu charge (2018: first pari passu charge) over all present and future current assets of the Company.

10.2.1.2 Under Shariah compliant arrangements

The Company has facility i.e. letters of credit of Rs. 275 million (2018: Rs. 275 million) including interchangeable limit of running musharakah of Rs. 200 million (2018: Rs. 200 million) available from Islamic bank. The amount utilized as at 30 June 2019 for capital expenditure was Rs. 2.82 million (2018: Rs. 1.64 million) and for other than capital expenditure was Rs. 100.52 million (2018: Rs. 54.87 million). Lien is also marked over import documents.

10.2.2 Guarantees issued by banks on behalf of the Company

10.2.2.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 500 million (2018: Rs. 325 million) for letter of guarantees (which is the sublimit of running finance and letter of credits), the amount utilized as at 30 June 2019 was Rs. 51.40 million (2018: Rs. 62.39 million).

10.2.2.2 Under Shariah compliant arrangements

The Company has facility i.e. letter of guarantee of Rs. 25 million (2018: Rs. 25 million) available from Islamic bank, the amount utilized at 30 June 2019 was Rs. 6.45 million (2018: Rs. 1.96 million).

11 Property, plant and equipment

	<i>Note</i>	2019 Rupees	2018 Rupees
Operating fixed assets			
Capital work in progress	11.1	2,716,578,574	2,546,322,823
	11.6	4,297,726	102,893,283
		<u>2,720,876,300</u>	<u>2,649,216,106</u>

11.1 Operating fixed assets

	Owned							Total
	Freehold land	Buildings on freehold land	Plant and machinery	Office equipment	Furniture and fittings	Computers	Vehicles	
----- Rupees -----								
30 June 2019								
Cost / revalued amount								
Balance as at 01 July 2018	710,000,000	785,869,102	1,036,144,843	95,907,033	83,579,527	37,998,069	380,906,356	3,130,404,930
Additions / transfers	-	49,560,877	296,884,351	2,517,266	14,392,497	7,547,933	100,718,198	471,621,122
Disposals / write off	-	-	-	(52,500)	-	(1,969,793)	(71,916,270)	(73,938,563)
Balance as at 30 June 2019	710,000,000	835,429,979	1,333,029,194	98,371,799	97,972,024	43,576,219	409,708,284	3,528,087,489
Depreciation								
Balance as at 01 July 2018	-	133,415,574	161,284,016	45,477,834	22,762,368	29,081,025	192,061,290	584,082,107
Charge for the year	-	79,218,276	106,989,726	8,033,106	9,079,634	7,199,737	74,974,626	285,495,105
On disposals	-	-	-	(10,501)	-	(1,956,219)	(56,101,577)	(58,068,297)
Balance as at 30 June 2019	-	212,633,850	268,273,742	53,500,439	31,842,002	34,324,543	210,934,339	811,508,915
Net book value as at 30 June 2019	710,000,000	622,796,129	1,064,755,452	44,871,360	66,130,022	9,251,666	198,773,945	2,716,578,574
30 June 2018								
Cost / revalued amount								
Balance as at 01 July 2017	666,500,000	669,752,530	852,888,052	88,362,524	74,914,362	35,398,328	332,185,247	2,720,001,043
Additions / transfers	43,500,000	116,116,572	183,500,881	7,712,709	8,665,165	3,577,010	88,713,742	451,786,079
Disposals / write off	-	-	(244,090)	(168,200)	-	(977,269)	(39,992,633)	(41,382,192)
Balance as at 30 June 2018	710,000,000	785,869,102	1,036,144,843	95,907,033	83,579,527	37,998,069	380,906,356	3,130,404,930
Depreciation								
Balance as at 01 July 2017	-	64,565,160	70,941,993	37,010,182	14,868,439	22,336,975	161,218,473	370,941,222
Charge for the year	-	68,850,414	90,370,499	8,616,233	7,893,929	7,713,252	62,893,986	246,338,313
On disposals	-	-	(28,476)	(148,581)	-	(969,202)	(32,051,169)	(33,197,428)
Balance as at 30 June 2018	-	133,415,574	161,284,016	45,477,834	22,762,368	29,081,025	192,061,290	584,082,107
Net book value as at 30 June 2018	710,000,000	652,453,528	874,860,827	50,429,199	60,817,159	8,917,044	188,845,066	2,546,322,823
Depreciation Rate %	-	10	10	10	10	33.33	20	

11.1.1 These include fully depreciated assets amounting to Rs. 97.30 million (2018: Rs. 74.57 million).

11.1.2 Had there been no revaluation, carrying value of freehold land, building on free hold land and plant and machinery would have been as follows:

	<i>Note</i>	2019 Rupees	2018 Rupees
Freehold land		116,611,635	116,611,635
Building on freehold land		459,246,237	463,617,811
Plant and machinery		1,002,753,827	800,113,598
		<u>1,578,611,699</u>	<u>1,380,343,044</u>

11.2 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location	Usage of immovable property	Total area (acres)	Covered Area (square feet)
Main G.T Road, Amanghar, District Nowshera, KPK	Manufacturing facility	29.81	336,222
5-K.M - Sunder Raiwind Road, Raiwind Lahore	Head office	23.59	26,852
197-A, The Mall, Rawalpindi Cantt, Rawalpindi	Registered office	0.66	28,749
Shop no. 2, Ground Floor, Ramzan Medical Centre, Lahore	Vacant shop	0.01	351
Phase II Extension Defence House Authority, Islamabad	Vacant plot	1.03	N/A
House No. 167, Khanuspur Ayubia, KPK	Guest house	0.33	5,000

11.3 The latest revaluation was carried on at 30 June 2016. As per the revaluation report, forced sale value of freehold land, buildings on free hold land and plant and machinery was Rs. 597.75 million, Rs. 526.28 million and Rs. 307 million respectively.

11.4 Depreciation is allocated as under:

Cost of sales	23	184,601,843	160,548,574
Administrative expenses	24	48,550,451	45,442,289
Selling and distribution expenses	25	52,342,811	40,347,450
		<u>285,495,105</u>	<u>246,338,313</u>

11.5 Disposal of property, plant and equipment

Particulars of assets	Particulars of purchaser	Relationship with Company	Cost / revalued amount	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
-----Rupees-----							
Vehicles							
Toyota Fortuner	Mr. Akbar Shahzad	Third party sale	5,159,000	2,923,434	4,361,000	1,437,566	Tender
Toyota Corolla Altis	Syed Ghausuddin Saif	Employee	2,245,060	1,796,047	2,200,000	403,953	Negotiation
Suzuki Cultus	Mr. Khuram Ayub	Third party sale	1,124,000	618,201	1,077,786	459,585	Negotiation
Suzuki Cultus	Malik Adnan Waheed	Third party sale	1,124,000	618,201	1,044,700	426,499	Negotiation
Suzuki Mehran	EFU Insurance	Third party sale	751,295	613,557	732,000	118,443	Insurance Claim
Toyota Corolla	Mr. Rizwan Hafeez	Employee	1,845,500	584,409	1,291,850	707,441	Company Policy
Various assets having net book value up to Rs. 500,000 each			59,667,414	8,660,822	35,899,055	27,238,233	

Particulars of assets	Particulars of purchaser	Relationship with Company	Cost / revalued amount	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
-----Rupees-----							
Computers							
Various assets having net book value up to Rs. 500,000 each			247,162	13,596	60,000	46,404	
Office equipments							
Photocopier Machine			52,500	42,000	10,000	(32,000)	
<u>Assets written off:</u>							
Computers			1,722,632	-	-	-	Written - off
2019 Rupees			73,938,563	15,870,266	46,676,391	30,806,125	
2018 Rupees			41,382,192	8,184,764	25,416,641	17,231,877	

	<i>Note</i>	2019 Rupees	2018 Rupees
11.6 Capital work-in-progress			

The movement in capital work in progress is as follows:

Balance as at 01 July		102,893,283	217,262,169
Additions during the year		261,324,271	242,787,699
Transfers during the year		(359,919,828)	(357,156,585)
Balance as at 30 June	<i>11.6.1</i>	4,297,726	102,893,283

11.6.1 Capital work-in-progress comprises of:

Building and civil works		-	3,192,751
Plant and machinery	<i>11.6.1.1</i>	-	63,068,421
Advances to suppliers	<i>11.6.1.2</i>	4,297,726	36,632,111
		4,297,726	102,893,283

11.6.1.1 These represents plant and machinery and equipment in the course of development and installation.

11.6.1.2 These are interest free in the normal course of business for vehicles, buildings and equipment.

12	Intangibles	Note	2019 Rupees	2019 Rupees
	12.1 Computer softwares and software license fees			
	<u>Cost</u>		12,850,789	11,109,813
	Balance as at 01 July		-	1,740,976
	Addition during the year	12.1.1	<u>12,850,789</u>	<u>12,850,789</u>
	Balance as at 30 June			
	<u>Amortisation</u>		10,834,517	8,790,175
	Balance as at 01 July	24	<u>1,285,093</u>	<u>2,044,342</u>
	Amortisation for the year		<u>12,119,610</u>	<u>10,834,517</u>
	Balance as at 30 June			
	Net book value		<u><u>731,179</u></u>	<u><u>2,016,272</u></u>

12.1.1 These include fully amortized assets amounting to Rs. 11.11 million (2018: Rs. 6.82 million). Intangibles are amortised at 33% (2018: 33%) on straight line basis.

13 Long term investments - related parties

Related parties - at cost

Farmacia (Partnership firm):

Capital held: 98% (2018: 98%) Managing Partner - Osman Khalid Waheed	13.1	162,545,964	145,798,500
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BF Biosciences Limited (unlisted subsidiary):

15,199,996 (2018: 15,199,996) fully paid ordinary shares of Rs. 10 each Equity held: 80% (2018: 80%) Chief Executive Officer - Mrs. Akhter Khalid Waheed	13.2	151,999,960	151,999,960
		<u>314,545,924</u>	<u>297,798,460</u>

13.1 This represents Company's 98% share in "Farmacia", a subsidiary partnership duly registered under the Partnership Act, 1932 and engaged in operating retail pharmacy. Share of profit, if any, for the year not withdrawn is reinvested in capital account of partnership. The head office of the Firm is situated at Fatima Memorial Hospital, Shadman, Lahore.

13.2 BF Biosciences Limited has been set up for establishing a Biotech Pharmaceutical Plant to manufacture mainly Cancer and Hepatitis related medicines. The Company owns holds 80% (2018: 80%) of equity of the subsidiary and the remaining 20% is held by Grupo

Empresarial Bagó S.A., Spain. The registered office of the Company is situated at 197-A, The Mall, Rawalpindi and the production facility is located at 5 KM- Sunder Raiwind Road Lahore. The net assets of the Subsidiary company as at 30 June 2019 were of Rs. 735.26 million (2018: Rs. 779.76 million).

	<i>Note</i>	2019 Rupees	2019 Rupees
14			
Stores, spare parts and loose tools			
Stores		9,774,650	10,511,016
Spare parts		10,936,504	16,685,492
Loose tools		166,969	218,862
Stores in transit		-	18,802,817
		20,878,123	46,218,187
15			
Stock in trade			
Raw and packing materials		370,003,918	338,718,490
Work in process		58,928,282	50,818,086
Finished goods	<i>15.1</i>	587,932,285	730,289,493
Stock in transit	<i>15.2</i>	154,061,366	100,027,851
		1,170,925,851	1,219,853,920
15.1			
The amount charged to unconsolidated statement of profit or loss on account of write down of finished goods to net realizable value amounts to Rs. 81.01 million (2018: Rs. 191.77 million).			
15.2			
It includes raw and packing material in transit amounting to Rs. 49.45 million (2018: Rs. 20.44 million) and finished goods in transit amounting to Rs. 104.61 million (2018: Rs. 79.59 million).			
16			
Trade debts - considered good			
Exports - secured, considered good		12,367,064	7,909,650
<i>Unsecured - Considered good</i>			
- Exports		28,391,576	64,740,522
- Others		859,891,622	463,762,592
		888,283,198	528,503,114
Loss allowance against trade debts	<i>16.1</i>	(13,197,957)	-
		887,452,305	536,412,764
16.1			
Loss allowance against trade debts			
Loss allowance as at 01 July		-	-
Effect of initial application of IFRS 9	<i>3.1.2</i>	18,433,470	-
Reversal of loss allowance during the year	<i>27.1</i>	(5,235,513)	-
Loss allowance as at 30 June		13,197,957	-

17	Loans and advances - considered good	<i>Note</i>	2019 Rupees	2018 Rupees
	Advances to employees - secured	<i>17.1</i>	19,962,155	19,646,918
	Advances to suppliers - unsecured	<i>17.2</i>	4,168,886	23,954,345
	Others		268,705	375,671
			24,399,746	43,976,934
17.1	Advances given to staff are in accordance with the Company's policy and terms of employment contract. These advances are secured against provident fund. Advances to staff include amount due from executives of the Company of Rs. 2.72 million (2018: Rs. 2.13 million).			
17.2	These are interest free in the ordinary course of business.			
18	Deposits and prepayments		2019 Rupees	2018 Rupees
	Deposits - considered good			
	Earnest Money	<i>18.1</i>	128,158,890	167,098,030
	Security Margins		22,110,467	7,177,902
			150,269,357	174,275,932
	Prepayments		819,482	684,703
			151,088,839	174,960,635
18.1	These are interest free and given in ordinary course of business for acquiring government tenders.			
19	Other receivables	<i>Note</i>	2019 Rupees	2018 Rupees
	Sales tax refundable - net		10,858,662	8,760,977
	Worker's profit participation fund	<i>19.1</i>	12,402,668	8,918,108
	Export rebate		6,253,321	5,252,893
	Others		38,049,639	69,534,001
			67,564,290	92,465,979
19.1	Workers' Profit Participation Fund			
	Balance receivable as at 01 July		8,918,108	1,529,028
	Provision for the year		(17,597,332)	(11,281,892)
			(8,679,224)	(9,752,864)
	Payments made during the year		21,081,892	18,670,972
	Balance as at 30 June		12,402,668	8,918,108

20	Short term investments	<i>Note</i>	2019 Rupees	2018 Rupees
	<u>Investments at fair value through profit or loss</u>			
	Mutual fund	<i>20.1</i>	<u>451,847,651</u>	<u>527,343,533</u>
20.1	These investments are measured at ‘fair value through Profit or Loss’			
	Fair value at 01 July		527,343,533	487,884,889
	Acquisition during the year		134,983,875	175,000,000
	Redemption during the year		(198,088,835)	(156,626,731)
	Realized (loss) / gain on sale of investments during the year		(1,376,020)	1,947,077
	Unrealized (loss) / gain on re-measurement of investment during the year		(11,014,902)	19,138,298
	Fair value of investments at 30 June	<i>20.1.1</i>	<u>451,847,651</u>	<u>527,343,533</u>

20.1.1 Mutual fund wise detail is as follows:

	Units		Fair value	
	2019	2018	2019	2018
Number.....	Rupees.....	
HBL Money Market Fund	2,278,754	2,041,354	232,709,773	218,732,153
MCB Cash Management Optimizer Fund	10,939	1,664,517	1,099,828	176,329,065
HBL Cash Fund	2,163,177	1,248,377	218,038,050	132,282,315
			<u>451,847,651</u>	<u>527,343,533</u>

20.2 Realized loss of Rs. 1.38 million (2018: Realized gain of Rs. 1.95 million) on sale of mutual funds has been recorded in “Other expenses” (2018: Other income) while a dividend of Rs. 45.22 million (2018: Nil) is recorded in “Other income”. These investments and related loss is from non shariah compliant arrangement. These are marked under lien as mentioned in note 9.

21	Cash and bank balances	<i>Note</i>	2019 Rupees	2018 Rupees
	Cash in hand		6,993,384	3,880,948
	Cash at bank:			
	Current accounts			
	- foreign currency		13,281,893	5,912,890
	- local currency	<i>21.1</i>	110,549,622	183,335,764
			123,831,515	189,248,654
	Deposit accounts - local currency	<i>21.2</i>	52,622,883	4,049,688
			<u>183,447,782</u>	<u>197,179,290</u>

21.1 These include bank accounts of Rs. 0.003 million (2018: Rs. 0.67 million) maintained under Shariah compliant arrangements.

21.2 These include deposit accounts of Rs. 52.62 million (2018: Rs. 4.05 million) under mark up arrangements, which carry interest rates ranging from 4.5% - 10.25% (2018: 3.5% - 4.25%) per annum.

These also include deposit account of Rs. 0.000073 million (2018: Rs. 0.001 million) under Shariah compliant arrangements, which carries profit rate from 2.40% - 6.26% (2018: 2.40%) per annum.

22 Sales - net	2019	2018
	Rupees	Rupees
Gross sales:		
Local	5,340,931,686	4,635,493,115
Export	164,585,921	145,351,460
	5,505,517,607	4,780,844,575
Less:		
Sales returns	(63,362,175)	(60,300,351)
Discounts and commission	(239,647,838)	(234,849,356)
Service charges on sales	(16,374,584)	(50,185,544)
Sales tax	(5,329,428)	(26,371,640)
	(324,714,025)	(371,706,891)
	5,180,803,582	4,409,137,684

22.1 This includes sale of both own manufactured and purchased products.

23	Cost of sales	Note	2019 Rupees	2018 Rupees
	Raw and packing materials consumed	23.1	1,036,405,023	876,308,967
	Salaries, wages and other benefits	23.2	264,073,528	226,366,588
	Fuel and power		30,244,432	25,700,771
	Repair and maintenance		11,229,014	10,856,874
	Stores, spare parts and loose tools consumed		79,864,829	42,999,232
	Freight and forwarding		34,648,523	19,227,089
	Packing charges		17,094,700	14,570,053
	Rent, rates and taxes		4,847,632	137,012
	Printing and stationery		3,945,307	2,330,816
	Postage and telephone		4,793,318	4,073,891
	Insurance		10,948,438	9,671,774
	Travelling and conveyance		7,841,054	6,756,071
	Canteen expenses		12,362,134	11,625,069
	Depreciation on property, plant and equipment	11.4	184,601,843	160,548,574
	Laboratory and other expenses		22,185,873	13,126,072
			<u>1,725,085,648</u>	<u>1,424,298,853</u>
	<i>Work in process:</i>			
	Opening		50,818,086	33,156,171
	Closing		(58,928,282)	(50,818,086)
			<u>(8,110,196)</u>	<u>(17,661,915)</u>
	Cost of goods manufactured		<u>1,716,975,452</u>	<u>1,406,636,938</u>
	<i>Finished stock:</i>			
	Opening		730,289,493	1,079,226,890
	Purchases made during the year		1,275,621,957	1,153,321,229
	Closing		(587,932,285)	(730,289,493)
			<u>1,417,979,165</u>	<u>1,502,258,626</u>
			<u>3,134,954,617</u>	<u>2,908,895,564</u>
23.1	Raw and packing materials consumed			
	Opening		338,718,490	378,989,330
	Purchases made during the year		1,067,690,451	836,038,127
			<u>1,406,408,941</u>	<u>1,215,027,457</u>
	Closing		(370,003,918)	(338,718,490)
			<u>1,036,405,023</u>	<u>876,308,967</u>

23.2 Salaries, wages and other benefits include Rs. 9.10 million (2018: Rs. 7.95 million) which represents employer's contribution towards provident fund.

24	Administrative expenses	<i>Note</i>	2019	2018
			Rupees	Rupees
	Salaries and other benefits	24.1	204,209,828	168,990,448
	Directors fees and expenses		1,213,423	1,428,736
	Rent, rates and taxes		861,470	880,708
	Postage and telephone		8,615,730	7,038,278
	Printing, stationery and office supplies		3,565,392	4,208,797
	Travelling and conveyance		22,949,239	14,252,215
	Transportation		9,554,338	8,768,139
	Legal and professional charges		6,242,543	6,480,137
	Fuel and power		4,882,548	4,605,442
	Auditors' remuneration	24.2	1,403,066	1,289,061
	Repair and maintenance		12,881,668	12,225,678
	Fee and subscriptions		6,556,678	4,008,785
	Donations	24.3 & 24.4	5,480,369	8,012,070
	Insurance		5,724,430	4,131,175
	Depreciation on property, plant and equipment	11.4	48,550,451	45,442,289
	Amortisation of intangibles		1,285,093	2,044,342
	Canteen expenses		6,955,082	7,010,884
	Training expenses		637,653	205,794
	Other expenses		1,603,863	2,073,059
			353,172,864	303,096,037

24.1 Salaries and other benefits include Rs. 8.03 million (2018: Rs. 7.53 million) which represents employer's contribution towards provident fund.

24.2	Auditors' remuneration	2019	2018
		Rupees	Rupees
	Fee for annual audit	866,250	784,900
	Audit of consolidated financial statements	78,500	78,500
	Review of half yearly financial statements	117,750	117,750
	Special certificates and others	206,700	117,750
	Out-of-pocket expenses	133,866	190,161
		1,403,066	1,289,061

24.3 Donations include the payment to following institution in which the director is interested:

Name of director	Nature of interest in donee	Name of donee	2019	2018
			Rupees	Rupees
Mr. Osman Khalid Waheed (Director)	Trustee	National Management Foundation (LUMS)	3,428,034	3,000,000

		2019	2018
24.4	Donations to following organizations exceeds <i>Note</i> Rs. 1 million:	Rupees	Rupees
	- Cancer Care Hospital and Research Center Foundation	1,500,000	1,000,000
	- Pakistan Center for Philanthropy	-	1,000,000
25	Selling and distribution expenses		
	Salaries and other benefits	<i>25.1</i> 580,067,437	451,696,775
	Travelling and conveyance	261,905,641	176,642,148
	Trade debts directly written off	38,876,781	-
	Earnest money written off	-	7,430,890
	Fuel and power	6,096,866	5,759,696
	Rent, rates and taxes	7,783,589	9,461,430
	Sales promotion and advertisement	140,401,554	134,051,050
	Printing and stationary	4,856,911	4,549,210
	Postage and telephone	17,317,589	14,426,746
	Fee and subscription	26,848,193	15,264,356
	Insurance	23,527,082	20,506,859
	Repairs and maintenance	15,413,801	12,949,955
	Conferences, seminars and training	125,509,646	120,883,617
	Medical research and patient care	8,313,833	41,197,682
	Depreciation on property, plant and equipment	<i>11.4</i> 52,342,811	40,347,450
	Other expenses	391,764	1,764,160
		<u>1,309,653,498</u>	<u>1,056,932,024</u>

25.1 Salaries and other benefits include Rs. 18.75 million (2018: Rs. 14.38 million) which represents employer's contribution towards provident fund.

26	Other expenses	<i>Note</i>	2019	2018
			Rupees	Rupees
	Exchange loss - net	<i>26.1</i>	80,849,857	29,897,914
	Workers' Profit Participation Fund	<i>19.1</i>	17,597,332	11,281,892
	Workers' Welfare Fund	<i>8</i>	8,872,286	7,090,508
	Central Research Fund	<i>8.1</i>	3,555,017	2,717,079
	Unrealized loss on re-measurement of short term investments to fair value	<i>20.1</i>	11,014,902	-
	Realized loss on sale of short term investments	<i>20.1</i>	1,376,020	-
			<u>123,265,414</u>	<u>50,987,393</u>

26.1 Loss incurred during the year was due to currency fluctuation.

27	Other income	<i>Note</i>	2019 Rupees	2018 Rupees
	From financial assets	27.1	52,329,029	22,371,782
	From non financial assets	27.2	130,061,542	106,715,100
			<u>182,390,571</u>	<u>129,086,882</u>
27.1	From financial assets			
	Profit on deposits with banks	27.1.1	1,873,744	1,286,407
	Dividend income	20.2	45,219,772	-
	Unrealized gain on re-measurement of short term investments to fair value		-	19,138,298
	Realized gain on sale of short term investments		-	1,947,077
	Reversal of loss allowance against trade debts		5,235,513	-
			<u>52,329,029</u>	<u>22,371,782</u>
27.1.1	These include profit of Rs. 0.02 million (2018: Rs. 0.02 million) earned on deposit account maintained under Shariah compliant arrangements.			
27.2	From non financial assets		2019 Rupees	2018 Rupees
		<i>Note</i>		
	<u>From related party</u>			
	Share in profit of Farmacia - 98% owned partnership firm		16,747,464	16,849,410
	<u>Others</u>			
	Gain on sale of property, plant and equipment - net of write off	11.5	30,806,125	17,231,877
	Export rebate		1,619,087	7,029,886
	Commission income		80,888,866	65,603,927
			<u>130,061,542</u>	<u>106,715,100</u>
28	Finance cost			
	Mark-up on short term borrowings	28.1	18,431,078	5,530,864
	Bank charges		4,998,887	5,517,238
			<u>23,429,965</u>	<u>11,048,102</u>
28.1	This includes markup paid under Shariah compliant arrangements amounting to Rs. 5.46 million (2018: Rs. 1.59 million) against facilities of short term borrowings.			

29	Taxation	<i>Note</i>	2019 Rupees	2018 Rupees
	<i>Current</i>			
	- For the year		146,192,481	101,991,249
	- For prior years		9,690,119	2,019,097
	<i>Deferred</i>			
	- For the year		10,238,666	7,849,296
	- For prior years		1,550,847	-
			167,672,113	111,859,642

29.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

	2019 Rupees	2018 Rupees
Profit before taxation	418,717,795	207,265,446
	----- (Percentage) -----	
Applicable tax rate as per Income Tax Ordinance, 2001	29%	30%
	2019 Rupees	2018 Rupees
Tax on accounting profit	121,428,161	62,179,634
Effect of final tax regime	23,778,314	69,322,526
Effect of tax credit	(14,844,218)	(23,015,088)
Not adjustable for tax purposes	14,281,486	9,622,490
Effect of super tax	11,787,403	-
Effect of proration and tax rate adjustment	1,550,847	(8,269,017)
Prior year tax adjustment	9,690,120	2,019,097
	46,243,952	49,680,008
	167,672,113	111,859,642

29.2 The provision for current taxation represent tax under the normal tax regime at the rate of 29% of taxable income (2018: 30%) and final taxes paid under final tax regime as adjusted by tax credits available under Income Tax Ordinance, 2001.

30	Earnings per share - basic and diluted		2019	2018
	Profit after taxation for distribution to ordinary shareholders			
		<i>Rupees</i>	251,045,682	95,405,804
	Weighted average number of ordinary shares	<i>Numbers</i>	30,186,841	30,186,841
	Basic and diluted earnings per share	<i>Rupees</i>	8.32	3.16

30.1 There is no dilutive effect on the basic earnings per share as the Company has no commitment for potentially issuable shares.

31 Remuneration of Chief Executive, Executive Director and Executives

	2019		
	Chief Executive	Executive Director	Executives
-----Rupees-----			
Managerial remuneration	16,773,059	-	182,054,438
LFA	1,374,314	-	13,647,958
Bonus	2,545,026	-	26,710,370
Contribution to provident fund	1,044,281	-	9,832,380
	21,736,680	-	232,245,146
Numbers	1	-	40
	2018		
	Chief Executive	Executive Director	Executives
-----Rupees-----			
Managerial remuneration	15,759,021	-	156,574,039
LFA	1,272,513	-	8,065,428
Bonus	2,356,506	-	20,091,464
Contribution to provident fund	966,927	-	8,590,556
	20,354,967	-	193,321,487
Numbers	1	-	36

In addition, the Chief Executive and certain executives of the Company are allowed free use of the Company's vehicles.

The Company has 6 (2018: 6) non executive directors. Non executive directors are not paid any remuneration or benefits other than the meeting fee and reimbursement of expenses. All the members of the Board of Directors were paid Rs. 400,000 (2018: Rs. 426,908) as meeting fee and Rs. 813,423 (2018: Rs. 1,001,828) as reimbursement of expenses for attending the Board of Directors' meetings.

32 Related party transactions

The Company's related parties include subsidiaries, associated company, entities over which directors are able to exercise influence, staff retirement fund, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Balances with the related parties are shown in respective notes in the unconsolidated financial statements. Other significant transactions with related parties are as follows:

	2019 Rupees	2018 Rupees
<u>Farmacia - 98% owned subsidiary partnership firm</u>		
Sale of medicines	36,431,821	41,757,660
Payment received from Farmacia against sale of medicine	36,431,821	41,757,660
Rentals paid	4,051,379	3,683,077
Share of profit reinvested	16,747,464	16,849,410
<u>BF Biosciences Limited - 80% owned subsidiary company</u>		
Sale of finished goods	28,999,254	121,812,937
Payment received	28,999,254	121,812,937
Purchase of goods	-	6,934,592
Payment made	-	6,934,592
Sales return of medicines	501,162	-
Receipts against return of medicine	501,162	-
Purchase of vehicles - note 32.1	14,349,314	-
Payment against purchase of vehicles	14,349,314	-
Marketing fee	-	3,248,350
Expenses incurred - net	11,397,079	4,593,657
Payment made against expenses re-imburement and marketing fee	11,397,079	7,842,007
Other related parties		
Contribution towards employees' provident fund	35,881,169	29,861,021
Remuneration including benefits and perquisites of key management personnel	137,572,339	124,477,674
Dividend to M/s KFW Factors (Private) Limited - associated company	33,147,768	33,147,768
Dividend to Directors	12,899,804	11,141,136
Fee paid to M/s Khan and Piracha	240,500	-
Rent paid to Director against office	4,290,000	-

32.1 During the year, the Company has purchased vehicles from its Subsidiary Company having a net book value of Rs. 14.35 million. These vehicles relate to employees that have been transferred to the Company on transfer of Hepatology Department as part of the group arrangement to attain synergies.

33 Plant capacity and production

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

34 Number of employees

	Total employees	
	2019	2018
Total number of employees as at 30 June	1056	945
Average number of employees during the year	1001	911

35 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2019		
	Liabilities		Total
	Unclaimed dividend	Accrued finance cost	
	-----Rupees-----		
Balance as at 01 July 2018	82,143,724	533,713	82,677,437
<u>Changes from financing cash flows</u>			
Finance cost paid	-		
Dividends paid	(127,734,273)	(19,531,328)	(19,531,328)
		-	(127,734,273)
Total changes from financing cash flows	(127,734,273)	(19,531,328)	(147,265,601)
<u>Non-cash changes</u>			
Dividend approved	120,747,364	-	120,747,364
Interest / markup expense	-	23,429,965	23,429,965
Total non-cash changes	120,747,364	23,429,965	144,177,329
Closing as at 30 June 2019	75,156,815	4,432,350	79,589,165

	2018		Total
	Liabilities		
	Unclaimed dividend	Accrued finance cost	
	-----Rupees-----		
Balance as at 01 July 2017	80,854,747	1,646,851	82,501,598
<u>Changes from financing cash flows</u>			
Finance cost paid	-	(12,161,240)	(12,161,240)
Dividends paid	(119,458,387)	-	(119,458,387)
Total changes from financing cash flows	(119,458,387)	(12,161,240)	(131,619,627)
<u>Non-cash changes</u>			
Dividend approved	120,747,364	-	120,747,364
Interest / markup expense	-	11,048,102	11,048,102
Total non-cash changes	120,747,364	11,048,102	131,795,466
Closing as at 30 June 2018	82,143,724	533,713	82,677,437

36 Disclosures relating to provident fund

The provident fund trust is a common fund for employees of the Group. Entity wise break up of the fund as on 30 June is as follows:

	Un-Audited 2019		Audited 2018	
	% of size of fund	Rupees	% of size of fund	Rupees
Ferozsons Laboratories Limited - Parent Company	81%	431,966,294	79%	391,358,275
BF Biosciences Limited - Subsidiary	17%	90,659,592	19%	94,839,371
Farmacia - Partnership firm	2%	10,665,834	2%	8,902,639
	100%	533,291,720	100%	495,100,285

Investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated there under.

37 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Company's Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

37.1 Credit risk

Credit risk represents the risk of financial loss if a customer or counter party to a financial instrument fails to discharge its contractual obligations. The Company's credit risk arises from long term deposits, trade debts, other receivables, loans and advances, deposits, short term investments and balances with banks. The Company has no significant concentration of credit risk as its exposure is spread over a large number of counter parties.

37.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019 Rupees	2018 Rupees
<u>Financial assets at amortized cost</u>		
Long term deposits	7,086,325	7,066,325
Trade debts - considered good	887,452,305	536,412,764
Loans and advances - considered good	268,705	375,671
Short term deposits	150,269,357	174,275,932
Other receivables	38,049,639	69,534,001
Bank balances	176,454,398	193,298,342
<u>Financial assets at fair value through profit or loss</u>		
Short term investments	451,847,651	527,343,533
	<u>1,711,428,380</u>	<u>1,508,306,568</u>

37.1.2 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers and utility Companies, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

Counter parties with external credit ratings - Bank balances and short term investments

These include banking companies and financial institutions, which are counterparties to bank balances and investments. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Institutions	Rating		Rating Agency	2019	2018
	Short term	Long term		-----Rupees-----	
Bank balances					
Habib Bank Limited	A1+	AAA	JCR-VIS	42,680,719	119,428,056
Bank Al-Habib Limited	A1+	AA+	PACRA	69,135,323	47,343,460
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	51,468,155	22,518,002
Bank Alfalah Limited	A1+	AA+	PACRA	5,363,646	2,738,069
Meezan Bank Limited	A1+	AA+	JCR-VIS	4,810,760	673,754
MCB Bank Limited	A1+	AAA	PACRA	2,987,167	578,821
Faysal Bank Limited	A1+	AA	PACRA	-	9,552
Allied Bank Limited	A1+	AAA	PACRA	8,628	8,628
				176,454,398	193,298,342
Short term investments					
HBL Money Market Fund	N/A	AA(f)	JCR-VIS	232,709,773	218,732,153
MCB Cash Management Optimizer Fund	N/A	AA+(f)	PACRA	1,099,828	176,329,065
HBL Cash Fund	N/A	AA(f)	JCR-VIS	218,038,050	132,282,315
				451,847,651	527,343,533
Margin against bank guarantee					
Habib Bank Limited	A1+	AAA	JCR-VIS	783,934	783,934
Meezan Bank Limited	A1+	AA+	JCR-VIS	196,168	196,168
				980,102	980,102
Margin against letter of credit					
MCB Bank Limited	A1+	AAA	PACRA	12,755,060	-
Meezan Bank Limited	A1+	AA+	JCR-VIS	8,245,306	6,117,800
				21,000,366	6,117,800
				650,282,517	727,739,777

Counter parties without external credit ratings - Trade debts

These mainly include customers which are counter parties to local and foreign trade debts. As explained in note 3.1.2 and 3.6, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables other than due from Government departments / hospitals. Trade receivables are written off when there is no reasonable expectation of recovery. On adoption of IFRS 9, management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Company has used three years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro-economic factors. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2019 (on adoption of IFRS 9) was determined as follows:

The aging of trade debts at the reporting date was:

	Others	
	2019	2018
	-----Rupees-----	
Not past due yet	435,633,235	270,343,474
Past due 61 - 90 days	54,196,466	40,129,041
Past due 91 - 180 days	146,970,683	130,169,494
Past due 181 - 365 days	216,880,636	30,164,685
More than 365 days	46,969,243	65,606,070
Less: Loss allowance on trade debts	(13,197,957)	-
	887,452,305	536,412,764

Export sales are majorly secured through letter of credit while majority of the local sales are made to Government departments / hospitals. Trade debts are essentially due from government departments / projects and the Company is actively pursuing for recovery of debts and the Company does not expect these companies to fail to meet their obligations. During the year, the Company has written off Rs. 27.31 million and Rs. 0.49 million on account of export customers namely Gomal Trading and Investment Company and State Pharmaceuticals Corporation respectively.

Deposits and other receivables are mostly due from Government Institutions, utility companies and major supplier. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets. There are reasonable grounds to believe that these amounts will be recovered in short course of time.

37.1.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

37.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity.

The following are the contractual maturities of financial liabilities:

	2019			
	Carrying amount	Less than one year	One to five years	More than 5 years
-----Rupees-----				
<i>Financial liabilities</i>				
Trade and other payables	915,032,671	915,032,671	-	-
Unclaimed dividend	75,156,815	75,156,815	-	-
Accrued mark-up	4,432,350	4,432,350	-	-
	994,621,836	994,621,836	-	-
-----Rupees-----				
	2018			
	Carrying amount	Less than one year	One to five years	More than 5 years
<i>Financial liabilities</i>				
Trade and other payables	655,462,070	655,462,070	-	-
Unclaimed dividend	82,143,724	82,143,724	-	-
Short term borrowings - secured	96,852,363	96,852,363	-	-
Accrued mark-up	533,713	533,713	-	-
	834,991,870	834,991,870	-	-

37.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rates and equity price that will effect the Company's income or the value of its holdings of financial instruments.

Market risk comprises of three types of risks:

- currency risk.
- interest rate risk
- other price risk

37.3.1 Currency risk

Pakistani Rupee is the functional currency of the Company and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company's potential currency exposure comprises of:

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

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2019				
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling
Cash and bank balances	17,014,664	86,873	15,709	4,145	325
Trade and other payables	(682,533,504)	(4,248,166)	(692)	(57,112)	-
Trade receivables	40,758,653	254,662	-	-	-
Other receivables	36,782,051	229,816	-	-	-
Gross financial position exposure	<u>(587,978,136)</u>	<u>(3,676,815)</u>	<u>15,017</u>	<u>(52,967)</u>	<u>325</u>
	2018				
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling
Cash and cash equivalents	8,519,849	46,057	17,609	3,800	1,930
Trade and other payables	(484,115,347)	(3,949,163)	(30,343)	-	-
Trade receivables	72,650,172	373,157	-	825,623	-
Other receivables	67,205,052	553,128	-	-	-
Gross financial position exposure	<u>(335,740,274)</u>	<u>(2,976,821)</u>	<u>(12,734)</u>	<u>829,423</u>	<u>1,930</u>

The following significant exchange rates were applied during the year:

	Reporting date rate		Average rate	
	2019	2018	2019	2018
US Dollars	160.05	121.50	140.89	113.14
Euro	182.32	141.45	160.89	134.84
UAE Dirham	43.57	33.08	38.34	30.80
Pound Sterling	203.01	159.28	181.27	152.78

Sensitivity analysis

A 10% strengthening of the Pakistani Rupee against foreign currencies at the reporting date would have (increased) / decreased profit by the amounts shown below, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis as for the previous year.

	Profit and loss	
	2019	2018
	Rupees	
Statement of profit or loss	(58,797,814)	(33,574,027)

37.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Interest range / Effective rate		Carrying amount	
	2019	2018	2019	2018
Variable rate instruments	(in Percentage)		(Rupees)	

Financial assets

Cash at bank - deposit accounts	5.85	3.14	52,622,883	4,049,688
Net Exposure			52,622,883	4,049,688

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / decreased for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	Profit or loss	
	100 bps Increase	100 bps Decrease
	Rupees	
<i>As at 30 June 2019</i>		
Cash flow sensitivity - Variable rate financial assets	526,229	(526,229)
<i>As at 30 June 2018</i>		
Cash flow sensitivity - Variable rate financial assets	40,497	(40,497)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect unconsolidated statement of profit or loss.

37.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee. The Company is exposed to price risk arising from its investment in mutual funds that are classified as fair value through profit or loss. The Company has no investments in equity instruments traded in the market at the reporting date. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

Sensitivity analysis

The table below summarizes the Company's equity price risk as of 30 June 2019 and 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Company's equity investment portfolio.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in profit / (loss) before tax
-----Rupees-----				
2019				
<u>Short term investments</u>				
Investments at fair value through profit or loss	451,847,651	10% increase	497,032,416	45,184,765
		10% decrease	406,662,886	(45,184,765)

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in profit / (loss) before tax
-----Rupees-----				
2018				
<u>Short term investments</u>				
Investments at fair value through profit or loss	527,343,533	10% increase	580,077,886	52,734,353
		10% decrease	474,609,180	(52,734,353)

37.4 Fair value of financial instruments

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying value of all financial assets and liabilities on the balance sheet approximate to their fair value.

37.4.1 Fair values versus carrying amounts

The carrying amounts of financial assets and financial liabilities are reasonable approximation of their fair value.

37.4.2 Valuation of financial instruments

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

Level 1: Quoted market price (unadjusted) in an active market.

Level 2: Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

37.4.3 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying Amount		Fair Value				
	Fair value through profit or loss	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- Rupees -----							
30 June 2019							
Financial assets measured at fair value:	451,847,651	-	-	451,847,651	451,847,651	-	-
<i>Financial assets not measured at fair value</i>							
Long term deposits and prepayments	-	7,086,325	-	7,086,325	-	-	-
Trade debts - considered good	-	887,452,305	-	887,452,305	-	-	-
Loans and advances - considered good	-	20,230,860	-	20,230,860	-	-	-
Short term deposits and prepayments	-	150,269,357	-	150,269,357	-	-	-
Other receivables	-	38,049,639	-	38,049,639	-	-	-
Cash and bank balances	-	183,447,782	-	183,447,782	-	-	-
	-	1,286,536,268	-	1,286,536,268	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-
<i>Financial liabilities not measured at fair value</i>							
Trade and other payables	-	-	915,032,671	915,032,671	-	-	-
Unclaimed dividend	-	-	75,156,815	75,156,815	-	-	-
Short term borrowings - secured	-	-	-	-	-	-	-
Accrued mark-up	-	-	4,432,350	4,432,350	-	-	-
	-	-	994,621,836	994,621,836	-	-	-

	Carrying Amount		Fair Value				
	Fair Value through profit or loss	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
	----- Rupees -----						
	527,343,533	-	-	527,343,533	527,343,533	-	-
<i>Financial assets not measured at fair value</i>							
Long term deposits and prepayments	-	7,066,325	-	7,066,325	-	-	-
Trade debts - considered good	-	536,412,764	-	536,412,764	-	-	-
Loans and advances - considered good	-	20,022,589	-	20,022,589	-	-	-
Short term deposits and prepayments	-	174,275,932	-	174,275,932	-	-	-
Other receivables	-	69,534,001	-	69,534,001	-	-	-
Cash and bank balances	-	197,179,290	-	197,179,290	-	-	-
	-	1,004,490,901	-	1,004,490,901	-	-	-
	-	-	-	-	-	-	-
Financial liabilities measured at fair value:							
<i>Financial liabilities not measured at fair value</i>							
Trade and other payables	-	-	655,462,070	655,462,070	-	-	-
Unclaimed dividend	-	-	82,143,724	82,143,724	-	-	-
Short term borrowings - secured	-	-	96,852,363	96,852,363	-	-	-
Accrued mark-up	-	-	533,713	533,713	-	-	-
	-	-	834,991,870	834,991,870	-	-	-

30 June 2018

Financial assets measured at fair value:

Financial assets not measured at fair value

Long term deposits and prepayments
Trade debts - considered good
Loans and advances - considered good
Short term deposits and prepayments
Other receivables
Cash and bank balances

Financial liabilities measured at fair value:

Financial liabilities not measured at fair value

Trade and other payables
Unclaimed dividend
Short term borrowings - secured
Accrued mark-up

37.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

38 Non adjusting events after the balance sheet date

The Board of Directors of the Company in its meeting held on 21 September 2019 has proposed a final cash dividend of Rs. 4 (2018: Rs. 2) per share, amounting to Rs. 120.75 million (2018: Rs. 60.37 million) for approval of the members in the Annual General Meeting to be held on 25 October 2019.

39 Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison and better presentation as per reporting framework.

40 Date of authorization for issue

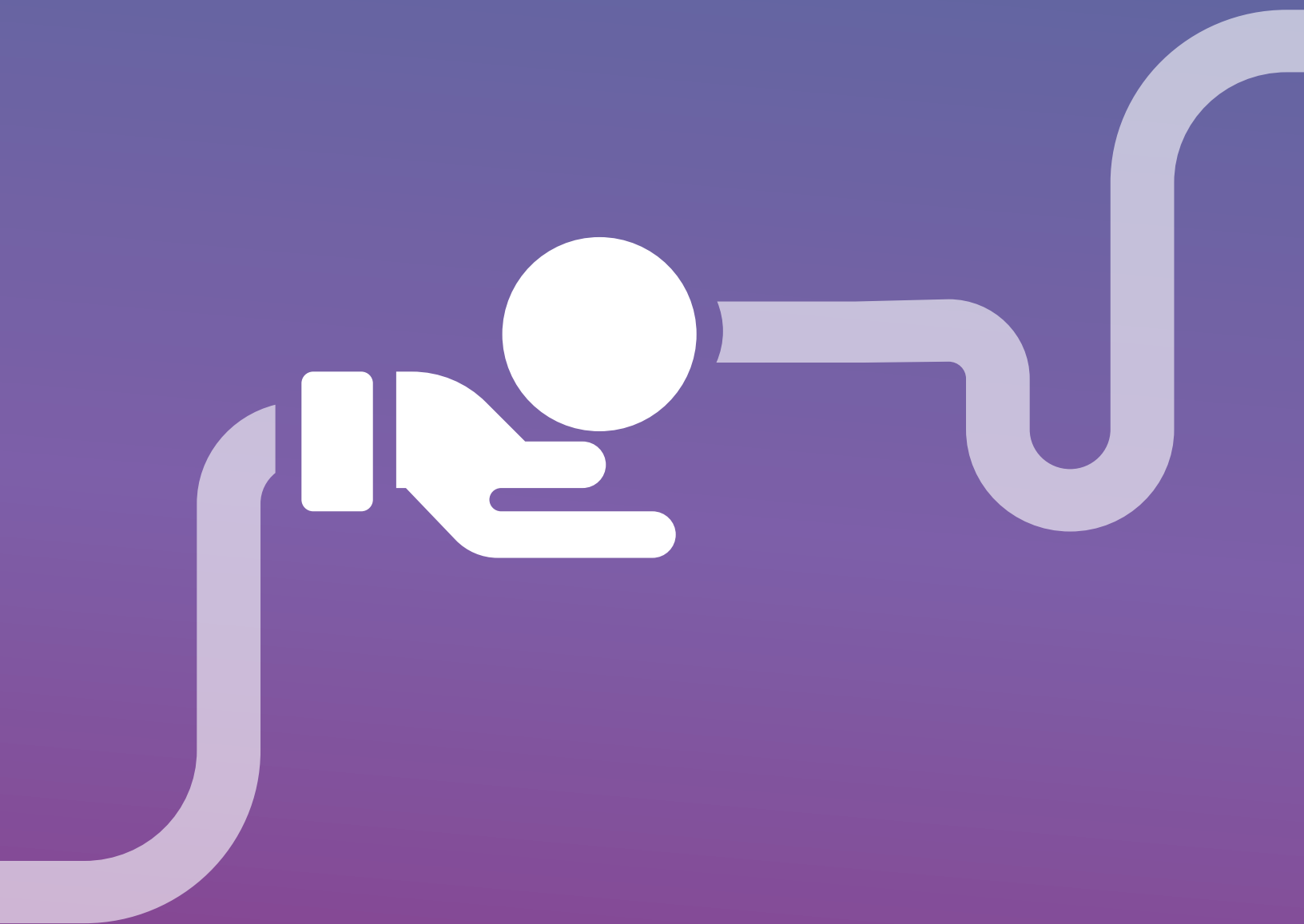
These unconsolidated financial statements have been authorized for issue by the Board of Directors of the Company on 21 September 2019.

Chief Executive Officer

Chief Financial Officer

Director

CONSOLIDATED FINANCIAL STATEMENTS





30 YEARS
OF TRUST & DEVOTION

The logo features the number '30' in a stylized font. The '3' is light blue with a green cross symbol inside its lower loop. The '0' is orange with a white outline. To the right of the '0' is the word 'YEARS' in bold black uppercase letters, with a small blue bird icon above the 'S'. Below this, the words 'OF TRUST & DEVOTION' are written in a smaller, black, sans-serif font.



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INDEPENDENT AUDITOR'S REPORT

To the members of Ferozsons Laboratories Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed Consolidated financial statements of **Ferozsons Laboratories Limited** ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the Key audit matter(s):

S.No.	Key audit matter(s)	How the matter was addressed in our audit
1	<p>Sales</p> <p>Refer to notes 3.1.1, 3.16 and 22 to the consolidated financial statements</p> <p>The Group recognized revenue of Rs. 5,803 million from the sale of goods to domestic as well as export customers during the year ended 30 June 2019.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and gives rise to a risk that revenue is recognized without transferring the control.</p>	<p>Our audit procedures to assess sales recognition, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls; • assessing the appropriateness of the Group's accounting policies for recording of sales and compliance of those policies with applicable accounting and reporting standards; • comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents; • comparing a sample of sale transactions recorded near the year end with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if sale was recorded in the appropriate accounting period; • inspecting on a sample basis, credit notes issued in June 2019 and July 2019 to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and • scanning for any manual journal entries relating to sale recorded during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.
2	<p>Valuation of Trade Debts</p> <p>Refer to notes 3.1.2, 3.8 and 16 to the consolidated financial statements.</p> <p>As at 30 June 2019, the Group's gross trade debts amount to Rs. 964.69 million. Pursuant to adoption of IFRS 9 'Financial Instruments' and using the modified retrospective approach, the Group has recognized expected credit loss ("ECL") of Rs. 19.02 million in opening retained earnings as at 01 July 2018 and reversal of Rs. 5.12 million for the year ended 30 June 2019.</p>	<p>Our audit procedures to assess valuation of trade debts, amongst others, included the following:</p> <ul style="list-style-type: none"> • review the methodology developed and applied by the management to estimate the ECL in relation to trade debts, evaluating the key assumptions used (historical and forward looking), the policies applied to assess ECL in respect of trade debts and testing the mathematical accuracy of the ECL model by re-performing calculations on test basis;

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S.No.	Key audit matter(s)	How the matter was addressed in our audit
	<p>IFRS 9 requires the Group to make provision for financial assets (trade debts) using Expected Credit Loss (ECL) approach as against the Incurred Loss Model previously applied by the Group. The Group has applied the ECL model for determination of its trade debts other than due from Government institutions as explained in note 3.1.2. Recoverable amount of trade debts due from Government institutions have been estimated under IAS 39 due to exemption granted by the Securities and Exchange Commission of Pakistan vide SRO 985 (I)/2019.</p> <p>Determination of ECL provision for trade debts requires significant judgment and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information.</p> <p>We have considered this as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.</p>	<ul style="list-style-type: none"> • involving our specialists to assess the ECL model and significant estimates, assumptions and judgments applied in developing ECL; • In respect of trade debts due from Government institutions, assessing the assumptions and estimates made by the management for the allowances for doubtful debts with reference to our understanding of the debtors' financial condition, the ageing of overdue balances and historical and post year-end cash receipts from the debtors and by performing a retrospective review of the historical accuracy of these estimates; • assessing, on a sample basis, the accuracy of the data used for ECL computation and for assessing impairment of trade debts due from Government institutions; and • assessing the adequacy of disclosure made in the consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.
3	<p>Valuation of Stock-in-trade</p> <p>Refer to notes 3.13 and 15 to the consolidated financial statements.</p> <p>As at 30 June 2019, the Group's gross carrying amount of stock in trade amounts to Rs. 1,418.39 million against which net realizable value adjustment of Rs. 88.98 million has been recorded.</p> <p>We identified valuation of stock in trade as a key audit matter as it involves significant management judgment in determining the carrying value of stock in trade.</p>	<p>Our audit procedures to assess valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of internal controls over valuation of stock in trade and testing on a sample basis, their design, implementation and operating effectiveness; • assessing the appropriateness of the Group's accounting policies for valuation of stock-in-trade and compliance of those policies with applicable accounting and reporting standards; • obtaining an understanding and assessing reasonableness of the management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales and their basis; and • comparing the NRV, on a sample basis, to the cost of stock in trade to assess whether any adjustments are required to the value of stock in trade in accordance with applicable accounting policy.



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Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended **30 June 2019**, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bilal Ali.

Lahore

Date: 30 September 2019

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Statement of Financial Position

As at 30 June 2019

	<i>Note</i>	2019 Rupees	2018 Rupees
EQUITY AND LIABILITIES			
<u>Share capital and reserves</u>			
Authorized share capital 50,000,000 (2018: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid up capital	4	301,868,410	301,868,410
Accumulated profits		4,304,712,411	4,194,798,630
Capital reserve	5	321,843	321,843
Revaluation surplus on property, plant and equipment	6	862,636,602	921,179,842
Equity attributable to owners of the Company		5,469,539,266	5,418,168,725
Non-controlling interests		169,499,718	184,360,696
		5,639,038,984	5,602,529,421
<u>Non current liabilities</u>			
Deferred taxation	7	216,668,090	222,502,168
<u>Current liabilities</u>			
Trade and other payables	8	1,148,858,565	960,178,380
Short term borrowings - secured	9	20,190,922	100,525,853
Unclaimed dividend		75,156,815	82,143,724
Accrued mark-up		4,461,193	539,624
		1,248,667,495	1,143,387,581
Contingencies and commitments	10	7,104,374,569	6,968,419,170

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

Chief Executive Officer

Chief Financial Officer

	<i>Note</i>	2019 Rupees	2018 Rupees
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	<i>11</i>	3,025,689,113	3,075,164,414
Investment property	<i>12</i>	79,371,992	78,545,641
Intangibles	<i>13</i>	731,188	2,357,632
Long term deposits		11,633,325	11,613,325
		3,117,425,618	3,167,681,012
<u>Current assets</u>			
Stores, spare parts and loose tools	<i>14</i>	49,262,538	71,802,216
Stock in trade	<i>15</i>	1,328,150,326	1,346,996,263
Trade debts - considered good	<i>16</i>	950,788,444	604,467,682
Loans and advances - considered good	<i>17</i>	27,608,454	48,225,856
Deposits and prepayments	<i>18</i>	166,564,200	191,428,941
Other receivables	<i>19</i>	67,402,845	92,304,228
Income tax - net		264,373,526	212,899,309
Short term investments	<i>20</i>	864,945,037	941,746,224
Cash and bank balances	<i>21</i>	267,853,581	290,867,439
		3,986,948,951	3,800,738,158
		7,104,374,569	6,968,419,170

Director

Consolidated Statement of Profit or Loss

For the year ended 30 June 2019

	Note	2019 Rupees	2018 Rupees
Sales - net	22	5,802,855,865	5,002,680,003
Cost of sales	23	(3,761,902,459)	(3,483,750,342)
Gross profit		2,040,953,406	1,518,929,661
Administrative expenses	24	(393,604,529)	(346,745,044)
Selling and distribution expenses	25	(1,353,585,894)	(1,161,081,590)
Other expenses	26	(142,957,501)	(53,114,850)
Other income	27	212,019,398	139,585,855
Profit from operations		362,824,880	97,574,032
Finance cost	28	(24,760,408)	(12,001,704)
Profit before taxation		338,064,472	85,572,328
Taxation	29	(150,069,156)	(102,583,964)
Profit / (loss) after taxation		187,995,316	(17,011,636)
<i>Attributable to:</i>			
Owners of the Group		200,775,867	7,076,033
Non-controlling interests		(12,780,551)	(24,087,669)
Profit / (loss) after taxation		187,995,316	(17,011,636)
Earnings per share - basic and diluted	30	6.65	0.23

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

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	2019 Rupees	2018 Rupees
Profit / (loss) after taxation	187,995,316	(17,011,636)
<i>Items that will not be reclassified to profit or loss:</i>		
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	187,995,316	(17,011,636)
<i>Attributable to:</i>		
Owners of the Group	200,775,867	7,076,033
Non-controlling interests	(12,780,551)	(24,087,669)
	187,995,316	(17,011,636)

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

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Statement of Change in Equity

For the year ended 30 June 2019

	Attributable to Owners of the Group						Non-controlling interest	Total
	Share capital	Capital reserve		Revenue reserve	Accumulated profit	Total		
		Capital reserve	Revaluation surplus on Property, plant and equipment					
-----Rupees-----								
Balance as at 01 July 2017	301,868,410	321,843	944,836,904	4,265,339,789	5,512,366,946	205,863,948	5,718,230,894	
Total comprehensive income for the year	-	-	-	7,076,033	7,076,033	(24,087,669)	(17,011,636)	
<u>Surplus transferred to accumulated profit:</u>								
- on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	-	-	(43,131,189)	43,131,189	-	-	-	
- on account of disposal of fixed assets during the year - net of tax	-	-	1,017	(1,017)	-	-	-	
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	(43,130,172)	43,130,172	-	-	-	
			19,473,110	-	19,473,110	2,584,417	22,057,527	
<u>Transactions with owners of the Company, recognized directly in equity - Distributions</u>								
Final dividend for the year ended 30 June 2017 at Rs. 4 per share	-	-	-	(120,747,364)	(120,747,364)	-	(120,747,364)	
Balance as at 30 June 2018	301,868,410	321,843	921,179,842	4,194,798,630	5,418,168,725	184,360,696	5,602,529,421	
<u>Adjustment on initial application of IFRS 9 - net of tax</u>								
	-	-	-	(13,838,632)	(13,838,632)	(11,651)	(13,850,283)	
Adjusted balance as at 01 July 2018	301,868,410	321,843	921,179,842	4,180,959,998	5,404,330,093	184,349,045	5,588,679,138	
Total comprehensive income for the year	-	-	-	200,775,867	200,775,867	(12,780,551)	187,995,316	
<u>Surplus transferred to accumulated profit:</u>								
- on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	-	-	(43,723,910)	43,723,910	-	-	-	
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	(14,819,330)	-	(14,819,330)	(2,068,776)	(16,888,106)	
<u>Transactions with owners of the Company, recognized directly in equity - Distributions</u>								
- Final dividend for the year ended 30 June 2018 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)	-	(60,373,682)	
- Interim dividend for the year ended 30 June 2019 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)	-	(60,373,682)	
	-	-	-	(120,747,364)	(120,747,364)	-	(120,747,364)	
Balance as at 30 June 2019	301,868,410	321,843	862,636,602	4,304,712,411	5,469,539,266	169,499,718	5,639,038,984	

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

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

Note	2019 Rupees	2018 Rupees
<u>Cash flow from operating activities</u>		
	338,064,472	85,572,328
	Profit before taxation	
	Adjustments for non - cash and other items	
	Depreciation on property, plant and equipment	
11.4	394,892,304	360,840,669
	Amortisation of intangibles	
25	1,626,444	2,555,842
25	39,920,925	-
	Trade debts directly written off	
25	-	7,430,890
	Earnest money written off	
27.1	(5,121,922)	-
	Reversal of loss allowance against trade debts	
11.5	(33,836,612)	(25,670,407)
	Gain on disposal of property, plant and equipment	
	Finance costs	
	Loss / (gain) on re-measurement of short term investments to fair value	
26	24,760,408	12,001,704
	Loss / (gain) on sale of short term investments	
26	14,284,164	(31,061,670)
	Amortized gain on Government Securities	
	Dividend income	
20.1	8,603,276	(6,158,532)
	Workers' Profit Participation Fund	
	Central Research Fund	
	Workers' Welfare Fund	
	17,597,332	11,281,892
	3,555,017	2,717,079
	8,872,286	7,090,508
	417,285,736	341,027,975
	755,350,208	426,600,303
Cash generated from operations before working capital changes		
Effect on cash flow due to working capital changes		
<i>Decrease / (increase) in current assets</i>		
	22,539,678	(24,393,078)
	Stores, spare parts and loose tools	
	18,845,937	417,906,259
	Stock in trade	
	(400,135,764)	(174,694,099)
	Trade debts - considered good	
	20,617,402	28,926,562
	Loans and advances - considered good	
	24,864,741	(28,767,786)
	Deposits and prepayments	
	28,415,741	(74,502,292)
	Other receivables	
	(284,852,265)	144,475,566
<i>Increase in current liabilities</i>		
	185,626,939	199,653,534
	Trade and other payables	
	656,124,882	770,729,403
Cash generated from operations		
	(219,099,841)	(171,379,406)
	Taxes paid	
	(21,111,690)	(20,080,016)
	Workers' Profit Participation Fund paid	
	(7,090,508)	(11,601,068)
	Workers' Welfare Fund paid	
	(2,283,549)	(6,724,395)
	Central Research Fund paid	
8.1	(20,000)	(560,000)
	Long term deposits - net	
	406,519,294	560,384,518
Net cash generated from operating activities		
<u>Cash flow from investing activities</u>		
	(361,511,055)	(362,962,476)
	(826,351)	(78,545,641)
	-	(1,740,976)
	14,995,830	-
	49,930,664	34,878,180
	470,900,536	(48,582,601)
11.5	173,489,624	(456,953,514)
	173,489,624	(456,953,514)
Net cash used in investing activities		
<u>Cash flow from financing activities</u>		
	(20,838,839)	(13,108,931)
	(127,734,273)	(119,458,387)
	(148,573,112)	(132,567,318)
	431,435,806	(29,136,314)
	190,341,586	219,477,900
	621,777,392	190,341,586
Net cash used in financing activities		
Net increase / (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year		
Cash and cash equivalents at the end of the year		
Cash and cash equivalents comprise of the following:		
	267,853,581	290,867,439
21	267,853,581	290,867,439
	(20,190,922)	(100,525,853)
9	(20,190,922)	(100,525,853)
	374,114,733	-
20.3	374,114,733	-
	Government securities - Market Treasury Bills ("MTBs")	
	621,777,392	190,341,586

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

Chief Executive Officer

Chief Financial Officer

Director

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1 Reporting entity

Ferozsons Laboratories Limited (“the Holding Company”) was incorporated as a private limited company on 28 January 1954 and was converted into a public limited company on 08 September 1960. The Holding Company is listed on the Pakistan Stock Exchange Limited and is primarily engaged in the imports, manufacture and sale of pharmaceuticals products and medical devices. Its registered office is situated at 197-A, The Mall, Rawalpindi and the manufacturing facility is located at Amangarh, Nowshera, Khyber Pakhtoon Khwa.

“The Group” consists of the following subsidiaries:

Company / Entity	Country of incorporation	Nature of business	Effective holding %	
			2019	2018
BF Biosciences Limited	Pakistan	Import, manufacturing and sale of pharmaceutical products.	80	80
Farmacia	Pakistan	Sale and distribution of medicines and other related products.	98	98

The registered office of the BF Biosciences Limited is situated at 197-A, The Mall, Rawalpindi and the production facility is located at 5 KM- Sunder Raiwind Road Lahore.

The head office of the Farmacia is situated at 76-B, Shah Jamal, Lahore.

2 Basis of preparation

2.1 Separate financial statements

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2019 and the audited financial statements of the subsidiaries for the year ended 30 June 2019.

2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International

Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.3 Standards, amendments and interpretations and forth coming requirements

2.3.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the consolidated financial statements of the Group.

2.3.2 New and revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group’s financial statements.
- IFRS 16 ‘Leases’ (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC-15 ‘Operating Leases- Incentives’ and SIC-27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard. However it is not likely to have a material impact on Group’s financial statements.
- Amendment to IFRS 9 ‘Financial Instruments’ – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019). For a debt instrument to be eligible for measurement at amortized cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are ‘solely payments

of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Group's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's financial statements.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Group's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements

of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Group’s financial statements.

2.4 Basis of measurement

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

2.5 Functional and presentation currency

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

2.6 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are

believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

2.6.1 Property, plant and equipment

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

2.6.2 Intangibles

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

2.6.3 Stores, spare parts, loose tools and stock in trade

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

2.6.4 Expected credit loss (ECL) / Loss allowance against trade debts, deposits, advances and other receivables

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade debts other than due from 'Government of Pakistan' using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The financial assets due from Government of Pakistan continues to be measured under IAS-39 due to the exemption given by the Securities and Exchange Commission of Pakistan vide S.R.O.

985 (I)/2019 dated 02 September 2019 as explained in note 3.1.2. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The Group reviews the recoverability of its trade debts, deposits, advances and other receivables to assess amount of loss allowance required on an annual basis.

2.6.5 Provisions

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

2.6.6 Impairment

The Group reviews carrying amounts of its assets including cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.6.7 Fair value of investments

The Group regularly reviews the fair value of investments, the estimate of fair values are directly linked to market value. Any change in estimate will effect the carrying value of investments with the corresponding impact on consolidated statement of profit or loss.

2.6.8 Taxation

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

3 Significant accounting policies

The significant accounting policies set out below have been consistently applied to all to all periods presented in these consolidated financial statements, except as disclosed in note 3.1.

3.1 Changes in accounting policies

The Group has adopted IFRS 15 ‘Revenue from Contracts with Customers’ and IFRS 9 ‘Financial Instruments’ which is effective from the annual periods beginning on or after 01 July 2018, respectively. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards. The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below:

3.1.1 IFRS 15 ‘Revenue from Contracts with Customers’

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement. The Group is engaged in the sale of pharmaceutical products and medical devices. The contracts with customers for the sale of goods generally includes single performance obligation. Management has concluded that revenue from sale of goods be recognized at the point in time when control of the asset is transferred to the customer. The above is generally consistent with the timing and amounts of revenue the Group recognized in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations at 01 July 2018 did not have a material impact on the amounts of revenue recognized in these consolidated financial statements except for reclassification of Selling and distribution expense of Rs. 30.56 million (2018: Rs. 54.44 million) to sales comprising of service charges on sales. This reclassification has no impact on the reported Earning Per Share (EPS) of the corresponding year. Group’s accounting policy relating to revenue recognition is explained in note 3.17 of these consolidated financial statements.

Upon adoption of IFRS 15 amounts received for future sale of goods were reclassified to ‘contract liabilities’. Previously, these amounts were classified as “advances from customers”

Impact on financial statements

As at 01 July 2018, contract liabilities were increased by Rs. 185.02 million and advance from customers decreased by the same amount.

3.1.2 IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 ‘Financial Instruments: Recognition and Measurement’ that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 985 (I)/2019 dated 02 September 2019 has deferred the requirements of IFRS 9 with respect to application of ‘Expected

Credit Loss Method' in respect of companies holding financial assets due from the Government of Pakistan till 30 June 2021. In this regard, the companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' during the exemption period.

The details of new significant accounting policies adopted and the nature and the effect of the changes to the previous accounting policies are set out below:

3.1.2.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for the financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value either through Other Comprehensive Income ("FVOCI") or through profit or loss ("FVTPL"); and
- Those to be measured at amortized cost.

The classification depends upon entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within the business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

For assets measured at fair value, gains and losses will either be recorded in consolidated statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. Dividened income is recognized in the consolidated statement of profit or loss. Group's accounting policy relating to financial instruments is explained in note 3.8 of these consolidated financial statements.

3.1.2.2 *Impact of change in classification and measurement of financial assets due to adoption of IFRS 9*

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets at 01 July 2018:

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Short term investments	Fair value through profit or loss	Fair value through profit or loss	941,746,224	941,746,224
Cash and bank balances	Loans and receivable	Amortized cost	290,867,439	290,867,439
Deposits	Loans and receivable	Amortized cost	190,727,754	190,727,754
Long term deposits	Loans and receivable	Amortized cost	11,613,325	11,613,325
Other receivables	Loans and receivable	Amortized cost	69,534,001	69,534,001
Trade debts - unsecured, considered good	Loans and receivable	Amortized cost	604,467,682	590,629,050

3.1.2.3 *Impairment*

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 'incurred loss model' with a forward looking 'expected credit loss' (ECL) model when assessing the impairment of financial assets in the scope of IFRS 9 other than due from Government of Pakistan. As explained in note 3.1.2, the SECP has granted exemption with respect to application of ECL for companies holding financial assets due from the Government of Pakistan. Accordingly Group's receivables of Rs. 779.79 million (2018: Rs. 364.75 million) and earnest money deposits of Rs. 143.40 million (2018: Rs. 181.56 million) that are due from Government of Pakistan continues to be assessed for impairment under the requirements of IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 requires the Group to recognize ECLs for trade debts earlier than IAS 39. Cash and bank balances, deposits (other than from Government of Pakistan) and other receivables are subject to ECLs model but there is no or immaterial impairment for the current year.

Under IFRS 9, the losses allowances are measured on either of the following bases:

- 12 months ECLs, these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs, these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables other than due from Government of Pakistan. Trade and other receivables are written off when there is no reasonable expectation of recovery.

Loss allowance on bank balances and other receivables is measured at 12 months expected credit losses. Since they are short term in nature and there is no adverse change in credit rating of the banks where the balances are maintained, therefore no credit loss is expected on these balances.

Impact of ECL

The Group has applied IFRS 9 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 9 is recognized in retained earnings at the date of initial application. Considering the quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information, the Group has recognized loss allowance amounting to Rs. 19.01 million against trade debts upon transition to IFRS 9 as of 01 July 2018 with a corresponding effect in opening retained earnings and deferred taxation amounting to Rs. 13.85 million and Rs. 5.16 million respectively.

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies.

3.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Holding Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary companies have been consolidated on a line-by-line basis and the carrying values of the investments held by the Holding Company have been eliminated against the shareholders' equity in the subsidiary companies. The financial statements of the subsidiaries are prepared for the same reporting year as of the Holding Company, using consistent accounting policies except where specified otherwise.

3.2.2 Non-controlling interests

Non-controlling interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the Holding Company either directly or indirectly. Non-controlling interest is presented as a separate item in the consolidated financial statements.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Holding Company's interest in a subsidiary that do not result in a loss of control are accounted for as a equity transactions.

3.2.3 Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in consolidated profit or loss. In addition, any amount previously recognized in other comprehensive income in respect of that subsidiary are reclassified to the consolidated profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee, joint venture or as an available for sale financial asset depending on the level of influence retained.

3.2.4 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions are eliminated.

3.3 Employee benefits

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

3.3.1 Staff provident fund (Retirement benefit)

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

3.3.2 Compensated absences

The Group provides for compensated absences for its employees on unavailed balance of leave in the period in which leave is earned and the charge is recognized in the consolidated statement of profit or loss.

3.4 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity respectively.

3.4.1 Current taxation

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

The amount of unpaid income tax in respect of the current and prior periods is recognized as liability. Any excess amount paid over what is due in respect of the current or prior periods is recognized as an asset.

3.4.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.5 Property, plant and equipment

3.5.1 Owned

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

Depreciation is provided on a straight line basis and charged to consolidated statement of profit or loss to write off the depreciable amount of each asset, except for freehold land, over its estimated useful life at the rates specified in note 11 to these financial statements. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired. Any accumulated depreciation at the date of revaluation is eliminated, against the gross carrying amount of the asset and the net amount is restated to the revalued amount.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to consolidated statement of profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated statement of profit or loss, and depreciation based on the asset's original cost is transferred to 'retained earnings net of related deferred tax'. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred income tax.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and cost of the item can be measured reliably. All other repairs and maintenance costs are charged to consolidated statement of profit or loss as and when incurred.

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

3.5.2 Capital work in progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. It consists of all expenditures and advances connected with specific assets incurred and made during installations and construction period. These are transferred to relevant property, plant and equipment as and when assets are available for use.

3.6 Investment property

Property, comprising land, held to earn rentals or for capital appreciation or both are classified as investment property. These are not held for use in the production or supply of goods or services or for administrative purposes. The Company's business model i.e. the Company's intentions regarding the use of property is the primary criterion for classification as an investment property.

The investment property of the Group comprises of Land and is valued using the cost method. Investment property is initially measured at cost, being the fair value of the consideration given (including the transaction costs). Subsequent to initial recognition, these are stated at cost less any accumulated impairment loss.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

3.7 Intangibles

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets with finite useful life are

amortized using the straight-line method over the estimated useful life of three years. Amortization of intangible assets is commenced from the date an asset is capitalized.

3.8 Financial instruments

3.8.1 Recognition and initial measurement

All financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.8.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI), fair value through profit or loss (FVTPL) and in case of an equity instrument it is classified as FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, trade debts and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated statement of profit or loss. However, the Group has no such instrument at the reporting date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and these investments are never reclassified to profit or loss. However, the Group has no such instrument at the reporting date.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of profit or loss. The Group has classified its investments in mutual funds as at FVTPL.

Financial assets – Business model assessment

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the

credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, while the interest expense and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in consolidated statement of profit or loss.

The Group's financial liabilities comprise trade and other payables, short term borrowings, accrued markup and dividend payable.

3.8.3 Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group might enter into transactions whereby it transfers assets recognized in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in consolidated statement of profit or loss.

3.8.4 Trade debts - due from Government of Pakistan

Trade debts are stated initially at the fair value, subsequent to initial recognition. These are stated at their amortized cost as reduced by appropriate provision for impairment, known impaired receivables are written off, while receivables considered doubtful are fully provided for.

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

3.8.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only when the Group has a legally enforceable right to set off the recognized amounts and intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

3.8.6 Impairment

Financial assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, bank balances and other receivables for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non - Financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to

that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.9 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services received.

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Account payables are classified as current liabilities if amount is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.10 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.11 Foreign currency

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the consolidated statement of profit or loss.

3.12 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at weighted average cost except for items in transits which are stated at cost incurred up to the reporting date less impairment, if any. For items which are slow moving and/or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Group reviews the carrying amount of stores, spares parts and loose tools on a regular basis and provision is made for obsolescence.

3.13 Stocks in trade

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

Raw and Packing materials	-	at moving average cost;
Work in process	-	at moving average cost;
Finished goods	-	at moving average cost; and
Finished goods for resale	-	at moving average cost of purchase.

Cost of finished goods purchased for resale and raw and packing materials comprises of purchase price and other costs incurred in bringing the material to its present location and condition. Cost of manufactured work in progress and finished goods comprises of raw and packing materials and applicable overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessarily to be incurred in order to make a sale.

3.14 Cash and cash equivalents

Cash and cash equivalents are carried in consolidated statement of financial position at cost. For the purpose of consolidated statement of cash flow, cash and cash equivalents comprise of cash in hand, cash at banks and outstanding balance of short term borrowing facilities.

3.15 Borrowings

Loans and borrowings are classified as ‘financial liabilities at amortized cost’. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the consolidated profit or loss over the period of the borrowings on an effective interest basis.

Finance cost are accounted for on accrual basis and are reported under accrued markup to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Group has as unconditional right to defer settlement of the liability for atleast twelve months after the reporting date.

3.16 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of products, net of sales tax, sales returns and related discounts and commission. Revenue is recognized when or as performance obligation is satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or point in time.

3.17 Other income

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

Dividend income and entitlement of bonus shares are recognized when the right to receive is established.

Gains and losses on sale of investments are accounted for on disposal of investments.

3.18 Contract liabilities

A contract liability is the obligation of the Group to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Group on account of contractual delays in delivery of performance obligations and incentive on target achievements.

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in consolidated statement of profit or loss as incurred.

3.20 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in these consolidated financial statements in the period in which it is approved.

3.21 Operating lease

Lease where a significant portion of the risks and rewards of ownership are retained by the lessor is classified as operating lease. Payments made under operating lease are charged to consolidated statement of profit or loss on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the Group's benefit.

3.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and accessing performance of the operating segments, has been identified as the Chief executive officer of the Group that make strategic decisions. These consolidated financial statements are prepared on the basis of single reportable segment as the Chief executive officer views the Group's operations as one reportable segment. All non-current assets of the Group are

located in Pakistan and 100% of the revenue is derived from sale of pharmaceuticals products and medical devices.

4 Issued, subscribed and paid up capital	2019 Rupees	2018 Rupees
1,441,952 (2018: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (2018: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged	1,196,000	1,196,000
28,625,289 (2018: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares	286,252,890	286,252,890
	<u>301,868,410</u>	<u>301,868,410</u>

KFW Factors (Private) Limited, an associated company holds 8,286,942 (2018: 8,286,942) ordinary shares of Rs. 10 each of the Holding Company.

5 Capital reserve

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

6	Surplus on revaluation of property, plant and equipment - net of tax	<i>Note</i>	2019 Rupees	2018 Rupees
	Revaluation surplus as at 01 July		1,071,431,315	1,138,246,955
	Surplus transferred to accumulated profit on account of incremental depreciation charged during the year - net of deferred tax	6.1	(47,811,471)	(47,161,179)
	Related deferred tax liability		(19,005,601)	(19,655,893)
			(66,817,072)	(66,817,072)
	Surplus transferred to accumulated profit:			
	- on account of disposal during the year net of deferred tax		-	1,017
	- Related deferred tax liability		-	415
			-	1,432
			1,004,614,243	1,071,431,315
	Revaluation surplus as at 30 June			
	Less: Related deferred tax liability:		(117,369,059)	(159,082,064)
	- On revaluation as at 01 July			
	- Transferred / recognized		-	(415)
	- on disposals during the year			
	- on account of incremental depreciation charged during the year		19,005,601	19,655,893
	- tax rate adjustment - Group		(14,819,330)	19,473,110
	- tax rate adjustment - non controlling interest		(2,068,776)	2,584,417
			(115,251,564)	(117,369,059)
	Revaluation surplus as at 30 June	6.2	889,362,679	954,062,256
6.1	Charge of incremental depreciation for the year net of tax attributable to:			
	Owners of the Group		(43,723,910)	(43,131,189)
	Non-controlling interests		(4,087,561)	(4,029,990)
			(47,811,471)	(47,161,179)
6.2	Balance as at 30 June attributable to:			
	Owners of the Group		862,636,602	921,179,842
	Non-controlling interests		26,726,077	32,882,414
			889,362,679	954,062,256

The revaluations had resulted in a cumulative surplus of Rs. 1,340 million to date, which has been included in the carrying values of free hold land, building on freehold land and plant and machinery respectively and credited to the surplus on revaluation of property, plant and equipment. The surplus is adjusted on disposal of revalued assets, if any, and through incremental depreciation, net of deferred tax charged to retained earnings.

	2019			
	(Reversal from) / charge to			
	Opening	Profit or loss	Equity	Closing
	------(Rupees)-----			
7 Deferred taxation				
<u>Taxable temporary difference</u>				
Accelerated tax depreciation allowances	98,693,544	4,094,079	-	102,787,623
Surplus on revaluation of property, plant and equipment	117,369,059	(19,005,601)	16,888,106	115,251,564
Unrealized gain on short term investments - mutual funds	7,765,417	(5,073,402)	-	2,692,015
<u>Deductible temporary differences</u>				
Provisions	(1,325,852)	961,279	-	(364,573)
Loss allowance against trade debts - note 16.1	-	1,467,177	(5,165,716)	(3,698,539)
	<u>222,502,168</u>	<u>(17,556,468)</u>	<u>11,722,390</u>	<u>216,668,090</u>

	2018			
	(Reversal from) / charge to			
	Opening	Profit or loss	Equity	Closing
	------(Rupees)-----			
<u>Taxable temporary difference</u>				
Accelerated tax depreciation allowances	95,024,392	3,669,152	-	98,693,544
Surplus on revaluation of property, plant and equipment	159,082,064	(19,655,478)	(22,057,527)	117,369,059
Unrealized gain on short term investments - mutual funds	-	7,765,417	-	7,765,417
<u>Deductible temporary differences</u>				
Provisions	(7,615,919)	6,290,067	-	(1,325,852)
	<u>246,490,537</u>	<u>(1,930,842)</u>	<u>(22,057,527)</u>	<u>222,502,168</u>

The Group has not recognized deferred tax asset on tax losses amounting to Rs. 134.47 million (2018: Rs. 93.65 million) and tax credit on account of minimum tax paid available for carry forward under section 113 of the Income Tax Ordinance, 2001 amounting to Rs. 11.01 million (2018: Rs. 5.94 million) related to a subsidiary company as sufficient taxable profits may not be available to the subsidiary to set these off in the foreseeable future. Minimum tax aggregating to Rs. 11.01 million will not be available for carry forward against future tax liabilities subsequent to years 2019 to 2025.

8 Trade and other payables	<i>Note</i>	2019 Rupees	2018 Rupees
Trade creditors		793,410,817	590,013,029
Accrued liabilities		154,493,381	82,960,712
Contract liabilities		73,313,766	-
Advances from customers		-	185,015,657
Tax deducted at source		380,912	319,200
Provision for compensated absences		28,382,413	25,540,225
Central Research Fund	8.1	3,555,017	2,283,549
Workers' Welfare Fund	26	8,872,286	7,090,508
Advances from employees against purchase of vehicles		51,501,073	48,120,016
Due to related parties - unsecured	8.2	25,856,720	10,869,542
Other payables		9,092,180	7,965,942
		<u>1,148,858,565</u>	<u>960,178,380</u>
8.1 Central Research Fund			
Balance as at 01 July		2,283,549	6,290,866
Provision for the year	26	3,555,017	2,717,079
		<u>5,838,566</u>	<u>9,007,945</u>
Payments made during the year		(2,283,549)	(6,724,396)
Balance as at 30 June		<u>3,555,017</u>	<u>2,283,549</u>
8.2 Due to related parties - unsecured			
<i>Name of related party:</i>			
Grupo Empresarial Bagó S.A		14,884,493	8,139,437
Bagó Laboratories Pte Ltd		10,972,227	2,730,105
		<u>25,856,720</u>	<u>10,869,542</u>
9 Short term borrowings			
Short term running finance - secured		<u>20,190,922</u>	<u>100,525,853</u>
9.1 Particulars of borrowings			
Interest / markup based financing	9.2	20,190,922	64,182,207
Islamic mode of financing	9.3	-	36,343,646
		<u>20,190,922</u>	<u>100,525,853</u>
9.2 Under Mark up arrangements			

The Group has short term running finance and import finance facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 900 million (2018: Rs. 1,000 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0.1% to 1% (2018: three months KIBOR plus 0.3% to 1.0%) per

annum on the outstanding balances. Running finance facilities amounting to Rs. 540 million can interchangeably be utilized as non-funded facilities. Out of the aggregate facilities, Rs. 450 million (2018: Rs. 450 million) are secured by joint pari passu charge (2018: first pari passu charge), Rs. 125 million (2018: Rs. 250 million) are secured by first pari passu charge, over all present and future current assets of the Group, import finance of Rs. 25 million (2018: Rs. 25 million) is secured against lien on dollar account and remaining Rs. 300 million (2018: Rs. 300 million) facility is secured by lien on Company's short term investments (money market/cash fund) which should be 110% of the maximum limit allowed for utilization. Under this arrangement, short term investment of Rs. 333.33 million (2018: Rs. 333.33 million) in HBL funds as mentioned in note 20.1.1 is marked under lien. These facilities are renewable on annual basis latest by 30 November 2019, 31 December 2019 and 31 January 2020.

9.3 Under Shariah compliant arrangements

The Holding Company has short term borrowing facility i.e. Running Musharakah available from Islamic bank under profit arrangements having sanctioned limit of Rs. 200 million (2018: Rs. 200 million). This facility carries mark-up at the rates ranging from one to three months KIBOR plus 0.25% to 0.3% (2018: three months KIBOR plus 0.3%) per annum on the outstanding balance. This facility can interchangeably be utilized as non-funded. This facility is secured by joint pari passu charge (2018: first pari passu charge) over present and future current assets of the Holding Company. This facility is renewable on annual basis latest by 31 October 2019.

9.4 As per the financing arrangements, the subsidiary company is required to comply with certain financial covenants and other conditions as imposed by the providers of finance.

10 Contingencies and commitments

10.1 Contingencies

There are no contingencies as of the reporting date.

10.2 Commitments

10.2.1 Letter of credits

10.2.1.1 Interest/ markup based arrangements

Out of the aggregate facility of Rs. 775 million (2018: Rs. 675 million) for opening letters of credit, the amount utilized by the Group as at 30 June 2019 for capital expenditure was Rs. 131.27 million (2018: Rs. 192.52 million) and for other than capital expenditure was Rs. 77.38 million (2018: Rs. 151.99 million). Out of these facilities, Rs. 300 million can interchangeably be utilized as running finance. The facilities of Rs. 700 million (2018: Rs. 600 million) are secured by joint pari passu charge (2018: first pari passu charge) over all present and future current assets of the Holding Company and the remaining are secured by lien over import documents.

10.2.1.2 Under Shariah compliant arrangements

The Holding Company has facility i.e. letters of credit of Rs. 275 million (2018: Rs. 275 million) including interchangeable limit of running musharakah of Rs. 200 million (2018: Rs. 200 million) available from Islamic bank. The amount utilized as at 30 June 2019 for capital expenditure was Rs. 2.82 million (2018: Rs. 1.64 million) and for other than capital expenditure was Rs. 100.52 million (2018: Rs. 54.87 million). Lien is also marked over import documents.

10.2.2 Guarantees issued by banks on behalf of the Group

10.2.2.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 590 million (2018: Rs. 480 million) for letter of guarantees of which Rs. 500 million (2018: Rs. 325 million) is the sublimit of running finance and letter of credits of the respective Companies in the Group, the amount utilized by the Group as at 30 June 2019 was Rs. 60.07 million (2018: Rs. 71.06 million).

10.2.2.2 Under Shariah compliant arrangements

The Holding Company has facility i.e. letter of guarantee of Rs. 25 million (2018: Rs. 25 million) available from Islamic bank, the amount utilized at 30 June 2019 was Rs. 6.45 million (2018: Rs. 1.96 million).

11	Property, plant and equipment	<i>Note</i>	2019 Rupees	2018 Rupees
	Operating assets	<i>11.1</i>	3,021,391,386	2,970,028,177
	Capital work in progress	<i>11.6</i>	4,297,727	105,136,237
			<u>3,025,689,113</u>	<u>3,075,164,414</u>

11.1 Operating assets

	Owned							Total
	Freehold land	Buildings on freehold land	Plant and machinery	Office equipment	Furniture and fittings	Computers	Vehicles	
30 June 2019								
Cost / revalued amount								
Balance as at 01 July 2018	721,576,127	931,223,818	1,489,540,077	107,300,031	91,162,825	43,051,881	441,616,420	3,825,479,179
Additions / transfers	-	49,560,877	297,656,172	2,517,266	14,392,497	7,805,899	90,416,854	462,349,565
Disposals / write off	-	-	-	(52,500)	-	(2,143,265)	(78,221,696)	(80,417,461)
Balance as at 30 June 2019	721,576,127	980,792,695	1,787,196,249	109,764,797	105,555,322	48,714,515	453,811,578	4,207,411,283
Depreciation								
Balance as at 01 July 2018	-	208,300,756	311,977,067	52,156,599	28,291,764	33,126,020	221,598,796	855,451,002
Charge for the year	-	105,408,804	182,637,059	9,164,288	9,783,860	7,760,489	80,137,804	394,892,304
On disposals	-	-	-	(10,501)	-	(2,123,376)	(62,189,552)	(64,323,409)
Balance as at 30 June 2019	-	313,709,560	494,614,126	61,310,386	38,075,624	38,763,133	239,547,068	1,186,019,897
Net book value as at 30 June 2019	721,576,127	667,083,135	1,292,582,123	48,454,411	67,479,698	9,951,382	214,264,510	3,021,391,386
30 June 2018								
Cost / revalued amount								
Balance as at 01 July 2018	678,076,127	814,724,992	1,303,597,331	99,678,607	82,481,170	39,543,653	389,426,786	3,407,528,666
Additions / transfers	43,500,000	116,506,826	186,186,836	7,789,624	8,681,655	4,485,497	110,155,817	477,306,255
Disposals / write off	-	-	(244,090)	(168,200)	-	(977,269)	(57,966,183)	(59,355,742)
Balance as at 30 June 2018	721,576,127	931,231,818	1,489,540,077	107,300,031	91,162,825	43,051,881	441,616,420	3,825,479,179
Depreciation								
Balance as at 01 July 2017	-	113,105,869	146,121,960	42,556,631	19,665,021	25,884,872	197,423,949	544,758,302
Charge for the year	-	95,194,887	165,883,583	9,748,549	8,626,743	8,210,350	73,176,557	360,840,669
On disposals	-	-	(28,476)	(148,581)	-	(969,202)	(49,001,710)	(50,147,969)
Balance as at 30 June 2018	-	208,300,756	311,977,067	52,156,599	28,291,764	33,126,020	221,598,796	855,451,002
Net book value as at 30 June 2018	721,576,127	722,931,062	1,177,563,010	55,143,432	62,871,061	9,951,382	220,017,624	2,970,028,177
Depreciation Rate %	-	10	10	10	10	33.33	20	

11.1.1 These include fully depreciated assets amounting to Rs. 666.90 million (2018: Rs. 82.17 million).

11.1.2 Had there been no revaluation, carrying value of freehold land, building on free hold land and plant and machinery would have been as follows:

	<i>Note</i>	2019 Rupees	2018 Rupees
Freehold land		129,623,262	129,623,262
Building on freehold land		477,189,128	504,298,273
Plant and machinery		1,069,814,751	916,717,349
		<u>1,676,627,141</u>	<u>1,550,638,884</u>

11.2 Particulars of immovable property (i.e. land and building) in the name of Holding Company and its subsidiaries are as follows:

Location	Usage of immovable property	Total area (acres)	Covered Area (square feet)
Main G.T Road, Amanghar, District Nowshera, KPK	Manufacturing facility	29.81	336,222
5-K.M - Sunder Raiwind Road, Raiwind Lahore	Head office & biotech plant	25.65	88,101
197-A, The Mall, Rawalpindi Cantt, Rawalpindi	Registered office	0.66	28,749
Shop no. 2, Ground Floor, Ramzan Medical Centre, Lahore	Vacant shop	0.01	351
Phase II Extension Defence House Authority, Islamabad	Vacant plots	1.03	N/A
House No. 167, Khanuspur Ayubia, KPK	Guest house	0.33	5,000
Shahra-e-Faysal, Karachi	Sale office	0.08	2,668

11.3 The latest revaluation was carried on at 30 June 2016. As per the revaluation report, forced sale value of freehold land, buildings on freehold land and plant and machinery was Rs. 618.08 million, Rs. 615.63 million and Rs. 685.51 million respectively.

11.4 Depreciation is allocated as under:	<i>Note</i>	2019 Rupees	2018 Rupees
Cost of sales	23	289,711,761	265,395,929
Administrative expenses	24	51,003,815	48,366,394
Selling and distribution expenses	25	54,176,728	47,078,346
		<u>394,892,304</u>	<u>360,840,669</u>

11.5 Disposal of property, plant and equipment

Particulars of assets	Particulars of purchaser	Relationship with Company	Cost / revalued amount	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
-----Rupees-----							
Vehicles							
Toyota Fortuner	Mr. Akbar Shahzad	Third party sale	5,159,000	2,923,434	4,361,000	1,437,566	Tender
Toyota Corolla Altis	Syed Ghausuddin Saif	Employee	2,245,060	1,796,047	2,200,000	403,953	Negotiation
Suzuki Cultus	Mr. Khuram Ayub	Third party sale	1,124,000	618,201	1,077,786	459,585	Negotiation
Suzuki Cultus	Malik Adnan Waheed	Third party sale	1,124,000	618,201	1,044,700	426,499	Negotiation
Suzuki Mehran	EFU Insurance	Third party sale	751,295	613,557	732,000	118,443	Insurance Claim
Toyota Corolla	Mr. Rizwan Hafeez	Employee	1,845,500	584,409	1,291,850	707,441	Company Policy
Various assets having net book value up to Rs. 500,000 each			65,972,840	8,878,316	39,107,328	30,229,012	

Particulars of assets	Particulars of purchaser	Relationship with Company	Cost / revalued amount	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
Computers							
Various assets having net book value up to Rs. 500,000 each			420,634	19,889	106,000	86,111	
Office equipments							
Photocopier Machine			52,500	42,000	10,000	(32,000)	
<u>Assets written off:</u>							
Computers	Not Applicable	Not Applicable	1,722,632	-	-	-	Written - off
2019 Rupees			80,417,461	16,094,052	49,930,664	33,836,612	
2018 Rupees			59,355,742	9,207,773	34,878,180	25,670,407	

11.6 Capital work-in-progress *Note* **2019 Rupees** 2018 Rupees

The movement in capital work in progress is as follows:

Balance as at 01 July		105,136,237	219,480,016
Additions during the year		261,324,271	267,331,090
Transfers during the year		(362,162,781)	(381,674,869)
Balance as at 30 June	<i>11.6.1</i>	4,297,727	105,136,237

11.6.1 Capital work-in-progress comprises of:

Building and civil works		-	3,192,752
Plant and machinery	<i>11.6.1.1</i>	-	63,068,421
Advances to suppliers	<i>11.6.1.2</i>	4,297,727	38,875,064
		4,297,727	105,136,237

11.6.1.1 These represents plant and machinery and equipment in the course of development and installation.

11.6.1.2 The are interest free in the normal course of business for machinery, equipment and vehicles.

12 Investment property	<i>Note</i>	2019 Rupees	2018 Rupees
Opening balance		78,545,641	-
Additions during the year		826,351	78,545,641
Closing balance	<i>12.1</i>	79,371,992	78,545,641

12.1 It represents following pieces of land:

- Plot number 69 measuring 177.77 square yards situated at Civic Centre, Gulberg Greens, Islamabad.

- Plot number 70 measuring 200 square yards situated at Civic Centre, Gulberg Greens, Islamabad.

The value of these peices of land was determined by approved external, independent valuers i.e. M/S Ali and Ali Engineers and Valuers (Pakistan Banks Association approved valuer). The most significant input into this valuation is market value. The valuation is considered to be level 3 in the fair value heirarchy due to non-observable inputs used in valuation. The different levels have been mentioned in note 37.3.5 (b).

	<i>Note</i>	2019	2018
		Rupees	Rupees
13 Intangibles			
13.1 Computer softwares and software license fees			
<u>Cost</u>			
Balance as at 01 July		15,705,104	13,964,128
Addition during the year		-	1,740,976
Balance as at 30 June	<i>13.1.1</i>	<u>15,705,104</u>	<u>15,705,104</u>
<u>Amortisation</u>			
Balance as at 01 July		13,347,472	10,791,630
Amortisation for the year	<i>24</i>	<u>1,626,444</u>	<u>2,555,842</u>
Balance as at 30 June		<u>14,973,916</u>	<u>13,347,472</u>
Net book value		<u>731,188</u>	<u>2,357,632</u>
13.1.1 These include fully amortized assets amounting to Rs. 13.96 million (2018: Rs. 8.12 million). Intangibles are amortised at 33% (2018: 33%) on straight line basis.			
		2019	2018
		Rupees	Rupees
14 Stores, spare parts and loose tools			
Stores		16,454,605	16,997,016
Spare parts		23,907,437	27,359,521
Loose tools		8,900,496	8,642,862
Stores in transit		-	18,802,817
		<u>49,262,538</u>	<u>71,802,216</u>
15 Stock in trade			
Raw and packing materials		428,049,043	392,398,201
Work in process		94,961,552	71,287,001
Finished goods	<i>15.1</i>	644,180,004	773,414,598
Stock in transit	<i>15.2</i>	162,216,874	109,896,463
Provision for slow moving stock in trade - raw and packing materials		(1,257,147)	-
		<u>1,328,150,326</u>	<u>1,346,996,263</u>

15.1	The amount charged to consolidated statement of profit and loss on account of write down of finished goods to net realizable value amounts to Rs. 88.98 million (2018: Rs. 232.75 million).			
15.2	It includes raw and packing material in transit amounting to Rs. 49.45 million (2018: Rs. 29.72 million) and finished goods in transit amounting to Rs. 112.77 million (2018: Rs. 80.18 million).			
16	Trade debts - considered good	<i>Note</i>	2019 Rupees	2018 Rupees
	<i>Secured - Considered good</i>			
	- Exports		12,367,064	7,909,650
	<i>Unsecured - Considered good</i>			
	- Exports		30,972,382	73,875,402
	- Others		921,343,075	522,682,630
			952,315,457	596,558,032
	Loss allowance against trade debts	<i>16.1</i>	(13,894,077)	-
			950,788,444	604,467,682
	16.1 Loss allowance against trade debts			
	Loss allowance as at 01 July		-	-
	Effect of initial application of IFRS 9	<i>3.1.2</i>	19,015,999	-
	Reversal of loss allowance during the year	<i>27.1</i>	(5,121,922)	-
	Loss allowance as at 30 June		13,894,077	-
17	Loans and advances - considered good			
	Advances to employees - secured	<i>17.1</i>	21,054,122	21,492,726
	Advances to suppliers - unsecured	<i>17.2</i>	6,285,627	26,319,171
	Others		268,705	413,959
			27,608,454	48,225,856
17.1	Advances given to staff are in accordance with the Group's policy and terms of employment contract. These advances are secured against provident fund. Advances to staff include amount due from executives of the Holding Company of Rs. 2.13 million (2018: Rs. 2.13 million).			
17.2	These are interest free in the ordinary course of business.			

	<i>Note</i>	2019 Rupees	2018 Rupees
18 Deposits and prepayments			
Deposits - considered good		143,397,751	181,561,652
Earnest Money		22,346,967	9,166,102
Security Margins		165,744,718	190,727,754
		819,482	701,187
Prepayments		166,564,200	191,428,941
18.1	These are interest free and given in ordinary course of business.		
19 Other receivables		2019 Rupees	2018 Rupees
Sales tax refundable - net		10,697,217	8,629,024
Worker's profit participation fund	<i>19.1</i>	12,402,668	8,888,310
Export rebate		6,253,321	5,252,893
Others		38,049,639	69,534,001
		67,402,845	92,304,228
19.1 Workers' Profit Participation Fund			
Balance receivable as at 01 July		8,888,310	90,186
Interest on funds utilized		-	(29,798)
Provision for the year		(17,597,332)	(11,281,892)
		(8,709,022)	(11,221,504)
Payments made during the year		21,111,690	20,109,814
Balance as at 30 June		12,402,668	8,888,310
20 Short term investments			
<u>Investments at fair value through profit or loss</u>			
Mutual funds	<i>20.1</i>	490,830,304	941,746,224
<u>Investments at amortized cost</u>			
Government Securities	<i>20.3</i>	374,114,733	-
		864,945,037	941,746,224

20.1		<i>Note</i>	2019 Rupees	2018 Rupees
	These investments are measured at 'fair value through Profit or Loss'			
	Carrying value at 01 July		941,746,224	855,943,421
	Acquisition during the year		154,983,875	317,010,000
	Redemption during the year		(583,012,355)	(268,427,399)
	Realized (loss) / gain on sale of investments during the year		(8,603,276)	6,158,532
	Unrealized (loss) / gain on re-measurement of investment during the year		(14,284,164)	31,061,670
	Carrying and fair value of short term investments	<i>20.1.1</i>	<u>490,830,304</u>	<u>941,746,224</u>

	<u>Units</u>		<u>Fair value</u>		
	2019	2018	2019	2018	
20.1.1 Number Rupees		
	Mutual fund wise detail is as follows:				
	HBL Money Market Fund	2,278,754	2,042,626	232,709,773	218,868,503
	MCB Cash Management Optimizer Fund	209,854	3,693,953	21,099,828	391,315,609
	HBL Cash Fund	2,163,177	1,550,552	218,038,050	164,301,807
	ABL Cash Fund	101,802	-	1,035,004	-
	NAFA Money Market Fund	-	10,641,065	-	110,720,285
	ABL Government Securities Fund	-	3,371,142	-	35,481,940
	MCB Pakistan Stock Market Fund	206,559	206,559	16,381,951	19,584,236
	Faysal Savings Growth Fund	8,207	7,425	839,748	794,481
	Faysal MTS Fund	7,207	6,414	725,950	679,363
	Faysal Money Market Fund	-	-	-	-
				<u>490,830,304</u>	<u>941,746,224</u>

20.2 Realized loss of Rs. 8.60 million (2018: Realized gain of Rs. 6.16 million) on sale of mutual funds has been recorded in "Other expenses" (2018: Other income) while a dividend of Rs. 64.02 million (2018: Nil) is recorded in "Other income". These investments and related loss is from non shariah compliant arrangement. These are marked under lien as mentioned in note 9.

20.3		<i>Note</i>	2019 Rupees	2018 Rupees
	These investments are measured at amortized cost			
	<i>Government securities</i>			
	- Market Treasury Bills	<i>20.3.1</i>	374,114,733	-
	- Pakistan Investment Bonds	<i>20.3.2</i>	-	-
			<u>374,114,733</u>	<u>-</u>

20.3.1 Government securities - Market Treasury Bills ("MTBs")

Issue date	Tenure - Months	As at 1 July 2018	Purchase during the period	Sales / matured during the period	As at 30 June 2019	Carrying value	Amortised value	Appreciation from carrying value
8-Nov-18	3 Months	-	50,000,000	50,000,000	-	-	-	-
6-Dec-18	3 Months	-	208,000,000	208,000,000	-	-	-	-
20-Dec-18	3 Months	-	116,000,000	116,000,000	-	-	-	-
9-May-19	3 Months	-	62,000,000	-	62,000,000	60,469,096	61,416,798	947,702
14-Feb-19	3 Months	-	60,000,000	60,000,000	-	-	-	-
11-Apr-19	3 Months	-	110,000,000	-	110,000,000	107,284,760	109,870,703	2,585,943
14-Mar-19	3 Months	-	117,000,000	117,000,000	-	-	-	-
23-May-19	3 Months	-	206,000,000	-	206,000,000	200,206,250	202,827,232	2,620,982
28-Feb-19	3 Months	-	209,000,000	209,000,000	-	-	-	-
6-Feb-19	3 Months	-	60,000,000	60,000,000	-	-	-	-
		-	1,198,000,000	820,000,000	378,000,000	367,960,106	374,114,733	6,154,627

Investments in Market Treasury Bills (MTBs) have carrying value of Rs. 374.11 million (2018: Nil). These carry return from 8.30 % to 12.60 %.

20.3.2 Government securities - Pakistan Investment Bond ("PIB")

Issue date	Tenure - Months	As at 1 July 2018	Purchase during the period	Sales / matured during the period	As at 30 June 2019	Carrying value	Amortised value	Appreciation from carrying value
19-Nov-18	5 years	-	202,000,000	202,787,854	-	-	-	-

21	Cash and bank balances	<i>Note</i>	2019 Rupees	2018 Rupees
	Cash in hand		12,054,957	10,678,976
	Cash at bank:			
	Current accounts			
	- foreign currency		19,640,915	9,784,545
	- local currency	<i>21.1</i>	164,929,368	234,501,933
			184,570,283	244,286,478
	Call deposit receipt	<i>21.2</i>	-	27,958,000
	Deposit accounts - local currency	<i>21.2</i>	71,228,341	7,943,985
			267,853,581	290,867,439

21.1 These include bank accounts of Rs. 0.003 million (2018: Rs. 0.67 million) maintained under Shariah compliant arrangements.

21.2 These include deposit accounts of Rs. 71.23 million (2018: Rs. 7.94 million) under mark up arrangements, which carry interest rates ranging from 4.5% - 10.25% (2018: 3.5% - 4.57%) per annum.

These also include deposit account of Rs. 0.000073 million (2018: Rs. 0.001 million) under Shariah compliant arrangements, which carries profit rate of 2.40% - 6.26% (2018: 2.40%) per annum.

22	Sales - net	<i>Note</i>	2019 Rupees	2018 Rupees
	<i>Gross sales:</i>			
	Local		6,025,343,095	5,324,231,713
	Export		181,508,566	155,329,621
			6,206,851,661	5,479,561,334
	<i>Less:</i>			
	Sales returns		(80,433,132)	(78,243,918)
	Discounts and commission		(283,649,193)	(314,001,291)
	Service charges on sales		(30,560,596)	(54,438,826)
	Sales tax		(9,352,875)	(30,197,296)
			(403,995,796)	(476,881,331)
			5,802,855,865	5,002,680,003

22.1 This includes sale of both own manufactured and purchased products.

23 Cost of sales	<i>Note</i>	2019 Rupees	2018 Rupees
Raw and packing materials consumed	23.1	1,221,716,568	973,850,210
Salaries, wages and other benefits	23.2	344,085,236	302,593,586
Fuel and power		69,059,469	54,860,271
Repair and maintenance		16,790,350	17,464,729
Stores, spare parts and loose tools consumed		89,602,579	48,909,587
Freight and forwarding		36,751,622	22,404,318
Packing charges		17,874,145	15,284,308
Rent, rates and taxes		4,847,632	137,012
Printing and stationery		3,945,307	2,330,816
Postage and telephone		5,476,363	4,529,812
Insurance		15,029,021	13,573,695
Travelling and conveyance		13,361,854	11,895,361
Canteen expenses		16,778,572	16,257,346
Depreciation on property, plant and equipment	11.4	289,711,761	265,395,929
Laboratory and other expenses		35,796,653	22,573,138
		2,180,827,132	1,772,060,118
<i>Work in process:</i>			
Opening		71,287,001	76,419,116
Closing		(94,961,552)	(71,287,001)
		(23,674,551)	5,132,115
Cost of goods manufactured		2,157,152,581	1,777,192,233
<i>Finished stock:</i>			
Opening		773,414,600	1,160,681,402
Purchases made during the year		1,475,515,282	1,319,291,305
Closing		(644,180,004)	(773,414,598)
		1,604,749,878	1,706,558,109
		3,761,902,459	3,483,750,342
23.1 Raw and packing materials consumed			
Opening		392,398,201	472,681,955
Purchases made during the year		1,256,110,263	893,566,456
		1,648,508,464	1,366,248,411
Closing		(426,791,896)	(392,398,201)
		1,221,716,568	973,850,210

23.2 Salaries, wages and other benefits include Rs. 12.00 million (2018: Rs. 10.75 million), which represents employer's contribution towards provident fund.

24	Administrative expenses	<i>Note</i>	2019 Rupees	2018 Rupees
	Salaries and other benefits	24.1	234,602,996	202,849,515
	Directors fees and expenses		1,213,423	1,428,736
	Rent, rates and taxes		1,069,007	995,562
	Postage and telephone		8,816,922	7,410,295
	Printing, stationery and office supplies		3,830,728	4,815,103
	Travelling and conveyance		25,252,953	14,656,333
	Transportation		7,690,559	8,769,539
	Legal and professional charges		7,664,275	6,598,164
	Fuel and power		6,066,154	5,448,846
	Auditors' remuneration	24.2	1,960,004	1,772,969
	Repair and maintenance		13,586,505	13,363,691
	Fee and subscriptions		6,635,143	4,072,025
	Donations	24.3 & 24.4	5,480,369	8,012,070
	Insurance		6,888,556	5,479,107
	Depreciation on property, plant and equipment	11.4	51,003,815	48,366,394
	Amortisation of intangibles		1,626,218	2,555,842
	Canteen expenses		7,820,156	7,766,628
	Training expenses		637,653	205,794
	Other expenses		1,759,093	2,178,431
			393,604,529	346,745,044

24.1 Salaries and other benefits include Rs. 8.42 million (2018: Rs. 9.09 million), which represents employer's contribution towards provident fund.

24.2	Auditors' remuneration	2019 Rupees	2018 Rupees
	Fee for annual audit	866,250	784,900
	Audit of consolidated financial statements	78,500	78,500
	Review of half yearly financial statements	117,750	117,750
	Annual audit - BF Biosciences Limited	315,000	224,250
	Annual audit - Farmacia	54,500	62,800
	Special certificates and others	345,825	269,875
	Out-of-pocket expenses	182,179	234,894
		1,960,004	1,772,969

24.3 Donations include the payment to following institution in which the director is interested:

Name of director	Nature of interest in donee	Name of donee	2019 Rupees	2018 Rupees
Mr. Osman Khalid Waheed (Director)	Trustee	National Management Foundation (LUMS)	3,428,034	3,000,000

24.4 Donations to following organizations equals to or exceeds Rs. 1 million:

	<i>Note</i>	2019 Rupees	2018 Rupees
- Cancer Care Hospital and Research Center Foundation		1,500,000	1,000,000
- Pakistan Center for Philanthropy		-	1,000,000

25 Selling and distribution expenses

		2019 Rupees	2018 Rupees
Salaries and other benefits			
Travelling and conveyance	<i>25.1</i>	603,095,712	498,675,460
Trade debts directly written off		264,930,574	188,650,269
Earnest money written off		39,920,925	-
Fuel and power		-	7,430,890
Rent, rates and taxes		6,096,866	5,759,696
Sales promotion and advertisement		7,451,558	6,781,739
Printing and stationary		143,387,890	146,348,510
Postage and telephone		5,232,024	5,030,193
Royalty, fee and subscription		18,172,933	16,346,672
Insurance		33,841,232	20,976,048
Repairs and maintenance		23,997,763	22,695,857
Conferences, seminars and training		15,887,334	14,121,470
Medical research and patient care		128,081,474	137,656,824
Depreciation on property, plant and equipment		8,313,833	41,337,522
Other expenses	<i>11.4</i>	54,176,728	47,078,346
		999,048	2,192,094
		<u>1,353,585,894</u>	<u>1,161,081,590</u>

25.1 Salaries and other benefits include Rs. 19.95 million (2018: Rs. 16.08 million), which represents employer's contribution towards provident fund.

26 Other expenses

		2019 Rupees	2018 Rupees
Exchange loss	<i>26.1</i>	90,045,426	32,025,371
Unrealized loss on re-measurement of short term investments to fair value	<i>20.1</i>	14,284,164	-
Realized loss on sale of short term investments	<i>20.1</i>	8,603,276	-
Workers' Profit Participation Fund	<i>19.1</i>	17,597,332	11,281,892
Workers' Welfare Fund	<i>8</i>	8,872,286	7,090,508
Central Research Fund	<i>8.1</i>	3,555,017	2,717,079
		<u>142,957,501</u>	<u>53,114,850</u>

26.1 Loss incurred during the year was due to actual currency fluctuation.

27 Other income	<i>Note</i>	2019 Rupees	2018 Rupees
From financial assets	<i>27.1</i>	95,597,012	41,281,635
From non financial assets	<i>27.2</i>	116,422,386	98,304,220
		<u>212,019,398</u>	<u>139,585,855</u>
27.1 From financial assets			
Profit on deposits with banks	<i>27.1.1</i>	3,658,402	4,061,433
Income on maturity of Government Securities		16,639,548	-
Amortized gain on Government Securities	<i>20.3.1</i>	6,154,627	-
Dividend income		64,022,513	-
Unrealized gain on re-measurement of short term investments to fair value	<i>20.1</i>	-	31,061,670
Realized gain on sale of short term investments	<i>20.1</i>	-	6,158,532
Reversal of loss allowance against trade debts		5,121,922	-
		<u>95,597,012</u>	<u>41,281,635</u>
27.1.1	These include profit of Rs. 0.02 million (2018: Rs. 0.02 million) earned on deposit account maintained under Shariah compliant arrangements.		
27.2 From non financial assets	<i>Note</i>	2019 Rupees	2018 Rupees
Gain on sale of property, plant and equipment - net of write off	<i>11.5</i>	33,836,612	25,670,407
Export rebate		1,696,908	7,029,886
Commission income		80,888,866	65,603,927
		<u>116,422,386</u>	<u>98,304,220</u>
28 Finance cost			
Mark-up on bank financing	<i>28.1</i>	18,868,757	6,235,857
Bank charges		5,891,651	5,736,049
Interest on Workers' Profit Participation Fund	<i>19.1</i>	-	29,798
		<u>24,760,408</u>	<u>12,001,704</u>
28.1	This includes markup paid under Shariah compliant arrangements amounting to Rs. 5.46 million (2018: Rs. 1.59 million) against facilities of short term borrowings.		

29 Taxation	2019 Rupees	2018 Rupees
<i>Current</i>		
- For the year	157,935,505	110,847,344
- For prior years	9,690,119	(6,332,538)
<i>Deferred</i>		
- For the year	(15,474,351)	(1,930,842)
- For prior years	(2,082,117)	-
	<u>150,069,156</u>	<u>102,583,964</u>

29.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

	2019 Rupees	2018 Rupees
Profit before taxation	<u>338,064,472</u>	<u>85,572,328</u>
----- (Percentage) -----		

Applicable tax rate as per Income Tax Ordinance, 2001	29%	30%
---	------------	-----

	2019 Rupees	2018 Rupees
	98,038,697	25,671,698
Tax on accounting profit	19,350,207	67,306,589
Effect of final tax regime	(14,882,809)	(23,283,684)
Effect of tax credit	15,831,711	37,963,935
Not adjustable for tax purposes	11,787,403	-
Effect of super tax	5,183,811	(4,683,787)
Effect of proration and tax rate adjustment	5,070,017	5,941,751
Effect of minimum tax	9,690,119	(6,332,538)
Prior year tax adjustment	52,030,459	76,912,266
	<u>150,069,156</u>	<u>102,583,964</u>

29.2 The Group's current tax provision represents tax under the normal tax regime at the rate of 29% of taxable income (2018: 30%), minimum tax paid on turnover and final taxes paid under final tax regime as adjusted by tax credits available under Income Tax Ordinance, 2001.

30 Earnings per share - basic and diluted	2019 Rupees	2018 Rupees
Profit for the year after taxation attributable to equity holders of the Holding Company	<i>Rupees</i> 200,775,867	7,076,033
Weighted average number of ordinary shares	<i>Numbers</i> 30,186,841	30,186,841
Earnings per share	<i>Rupees</i> 6.65	0.23

30.1 There is no dilutive effect on the basic earnings per share as the Group has no commitment for potentially issuable shares.

31 Remuneration of Chief Executive, Executive Director and Executives

	2019		
	Chief Executive	Executive Director	Executives
	-----Rupees-----		
Managerial remuneration	31,365,791	-	212,180,919
Utilities	501,999	-	-
LFA	2,590,375	-	15,402,643
Bonus	2,545,026	-	30,271,389
Contribution to provident fund	2,050,675	-	10,966,796
	39,053,866	-	268,821,747
Numbers	2	-	46
	2018		
	Chief Executive	Executive Director	Executives
	-----Rupees-----		
Managerial remuneration	29,270,805	-	183,934,453
Utilities	482,097	-	-
LFA	2,398,495	-	9,354,279
Bonus	4,441,658	-	24,311,866
Contribution to provident fund	1,898,775	-	9,608,991
	38,491,830	-	227,209,589
Numbers	2	-	41

In addition, the Chief Executive, one working director and certain executives of the Holding Company and Chief Executive of Subsidiary Company are allowed free use of the Company vehicles. The directors and managing partner of the subsidiary companies are not paid any remuneration.

The Holding Company has 6 (2018: 6) non executive directors. Non executive directors are not paid any remuneration or benefits other than the meeting fee and reimbursement of expenses. All the members of the Board of Directors were paid Rs. 400,000 (2018: Rs. 426,908) as meeting fee and Rs. 813,423 (2018: Rs. 1,001,828) as reimbursement of expenses for attending the Board of Directors' meetings.

32 Related party transactions

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

	2019	2018
	Rupees	Rupees
Contribution towards employees' provident fund	41,295,173	35,929,876
Remuneration including benefits and perquisites of key management personnel	169,203,570	155,424,408
Dividend to KFW Factors (Private) Limited - associated company (27% equity held)	33,147,768	33,147,768
Dividend to Directors	12,899,804	11,141,136
Fee paid to M/s Khan and Piracha	240,500	-
Rent paid to Director against office	4,290,000	-

33 Plant capacity and production

The production capacity of the Holding Company and subsidiary companies' plants cannot be determined, as it is a multi-product production facility with varying manufacturing processes.

		Total employees	
		2019	2018
34	Number of employees		
	Total number of employees as at 30 June	1172	1117
	Average number of employees during the year	1145	1078

35 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2019		
	Liabilities		Total
	Unclaimed dividend	Accrued finance cost	
-----Rupees-----			
Balance as at 01 July 2018	82,143,724	539,624	82,683,348
<u>Changes from financing cash flows</u>			
Finance cost paid	-	(20,838,839)	(20,838,839)
Dividends paid	(127,734,273)	-	(127,734,273)
Total changes from financing cash flows	(127,734,273)	(20,838,839)	(148,573,112)
<u>Non-cash changes</u>			
Dividend approved	120,747,364	-	120,747,364
Interest / markup expense	-	24,760,408	24,760,408
Total non-cash changes	120,747,364	24,760,408	145,507,772
Closing as at 30 June 2019	75,156,815	4,461,193	79,618,008

	2018		
	Liabilities		Total
	Unclaimed dividend	Accrued finance cost	
-----Rupees-----			
Balance as at 01 July 2017	80,854,747	1,646,851	82,501,598
<u>Changes from financing cash flows</u>			
Finance cost paid	-	(13,108,931)	(13,108,931)
Dividends paid	(119,458,387)	-	(119,458,387)
Total changes from financing cash flows	(38,603,640)	(11,462,080)	(50,065,720)
<u>Non-cash changes</u>			
Dividend approved	120,747,364	-	120,747,364
Interest / markup expense	-	12,001,704	12,001,704
Total non-cash changes	120,747,364	12,001,704	132,749,068
Closing as at 30 June 2018	82,143,724	539,624	82,683,348

36 Disclosures relating to provident fund

The provident fund trust is a common fund for employees of the Group. Entity wise break up of the fund as on 30 June is as follows:

	Un-Audited 2019		Audited 2018	
	% of size of fund	Rupees	% of size of fund	Rupees
Ferozsons Laboratories Limited - Parent Company	79%	421,547,177	79%	391,358,275
BF Biosciences Limited - Subsidiary	19%	102,155,165	19%	94,839,371
Farmacia - Partnership firm	2%	9,589,378	2%	8,902,639
	100%	533,291,720	100%	495,100,285

Investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated there under.

37 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Group's Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board of Directors reviews and agrees policies for managing each of these risks.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

37.1 Credit risk

Credit risk represents the risk of financial loss if a customer or counter party to a financial instrument fails to discharge its contractual obligations. The Group's credit risk arises from long term deposits, trade debts, other receivables, loans and advances, short term deposits, short term investments and balances with banks. The Group has no significant concentration of credit risk as its exposure is spread over a large number of counter parties.

37.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019	2018
	Rupees	Rupees
<u>Financial assets at amortized cost</u>		
Long term deposits	11,633,325	11,613,325
Trade debts - considered good	950,788,444	604,467,682
Loans and advances - considered good	268,705	413,959
Short term deposits	165,744,718	190,727,754
Other receivables	38,049,639	69,534,001
Bank balances	255,798,624	252,230,463

Financial assets at fair value through profit or loss

Short term investments	490,830,304	941,746,224
	1,913,113,759	2,070,733,408

37.1.2 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers and utility Companies, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

Counter parties with external credit ratings - Bank balances and short term investments

These include banking companies and financial institutions, which are counterparties to bank balances and investments. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Group. Following are the credit ratings of counterparties with external credit ratings:

Institutions	Rating		Rating Agency	2019	2018
	Short term	Long term		-----Rupees-----	
Bank balances					
Habib Bank Limited	A1+	AAA	JCR-VIS	87,718,822	140,066,227
Bank Al-Habib Limited	A1+	AA+	PACRA	69,135,323	47,343,460
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	58,130,669	26,887,738
Bank Alfalah Limited	A1+	AA+	PACRA	19,805,764	3,238,605
Meezan Bank Limited	A1+	AA+	JCR-VIS	4,810,760	673,754
MCB Bank Limited	A1+	AAA	PACRA	3,076,887	1,891,702
Allied Bank Limited	A1+	AAA	PACRA	12,295,439	32,119,425
Faysal Bank Limited	A1+	AA	PACRA	824,960	9,552
				255,798,624	252,230,463

Institutions	Rating		Rating Agency	2019	2018
	Short term	Long term		-----Rupees-----	
Short term investments					
HBL Money Market Fund	N/A	AA(f)	JCR-VIS	232,709,773	218,868,503
MCB Cash Management Optimizer Fund	N/A	AA+(f)	PACRA	1,099,828	391,315,609
HBL Cash Fund	N/A	AA(f)	JCR-VIS	218,038,050	164,301,807
NAFA Money Market Fund	N/A	AA(f)	PACRA	-	110,720,285
ABL Government Securities Fund	N/A	A(f)	JCR-VIS	-	35,481,940
ABL Cash Fund	N/A	AA(f)	PACRA	1,035,004	-
MCB Arif Habib saving and investment Limited	N/A	AM2++	PACRA	20,000,000	-
MCB Pakistan Stock Market Fund	N/A	AA+(f)	PACRA	16,381,951	19,584,236
Faysal Savings Growth Fund	N/A	AA-(f)	PACRA	839,748	794,481
Faysal MTS Fund	N/A	A+(f)	PACRA	725,950	679,363
Faysal Money Market Fund	N/A	AA(f)	PACRA	-	-
				490,830,304	941,746,224
Margin against bank guarantee					
Habib Bank Limited	A1+	AAA	JCR-VIS	783,934	783,934
Meezan Bank Limited	A1+	AA+	JCR-VIS	196,168	196,168
				980,102	980,102
Margin against letter of credit					
MCB Bank Limited	A1+	AAA	PACRA	12,755,060	-
Meezan Bank Limited	A1+	AA+	JCR-VIS	8,245,306	6,117,800
				21,000,366	6,117,800
				768,609,396	1,201,074,589

Trade debts

These mainly include customers which are counter parties to local and foreign trade debts. As explained in note 3.1.2 and 3.8, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables other than due from Government departments / hospitals. Trade receivables are written off when there is no reasonable expectation of recovery. On adoption of IFRS 9, management uses an provision matrix to base the calculation of ECL of trade receivables from individual customers. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Group has used three years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro-economic factors. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2019 (on adoption of IFRS 9) was determined as follows:

The aging of trade debts at the reporting date was:

	2019	2018
	Rupees	Rupees
Not past due yet	474,903,912	179,819,469
Past due 61 - 90 days	64,850,333	216,620,328
Past due 91 - 180 days	154,730,341	128,566,273
Past due 181 - 365 days	219,746,091	-
More than 365 days	50,451,845	79,461,612
Less: Loss allowance on trade debts	(13,894,077)	-
	<u>950,788,444</u>	<u>604,467,682</u>

Export sales are majorly secured through letter of credit while majority of the local sales are made to Government departments / hospitals. Trade debts are essentially due from government departments / projects and the Group is actively pursuing for recovery of debts and the Group does not expect these companies to fail to meet their obligations. During the year, the Group has written off Rs. 27.31 million and Rs. 0.49 million on account of export customers namely Gomal Trading and Investment Company and State Pharmaceuticals Corporation respectively.

Deposits and other receivables are mostly due from Government Institutions, utility companies and major supplier. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets. There are reasonable grounds to believe that these amounts will be recovered in short course of time.

37.1.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

37.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Group is not materially exposed to liquidity risk as substantially all obligations / commitments of the Group are short term in nature and are restricted to the extent of available liquidity.

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2019						
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling	JPY	Aus Dollars
Cash and cash equivalents	25,456,440	130,775	17,869	4,145	3,735	146,000	1,000
Trade and other payables	(730,103,307)	(4,544,302)	(1,642)	(57,112)	-	-	-
Trade receivables	43,339,459	270,787	-	-	-	-	-
Other receivables	36,782,051	229,816	-	-	-	-	-
Gross financial position exposure	(624,525,357)	(3,912,924)	16,227	(52,967)	3,735	146,000	1,000
	2018						
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling	JPY	Aus Dollars
Cash and cash equivalents	14,239,922	84,093	19,769	3,800	5,340	146,000	1,000
Trade and other payables	(506,994,891)	(4,137,472)	(30,343)	-	-	-	-
Trade receivables	81,785,052	448,341	-	825,623	-	-	-
Other receivables	67,205,052	553,128	-	-	-	-	-
Gross financial position exposure	(343,764,865)	(3,051,910)	(10,574)	829,423	5,340	146,000	1,000

37.3.2 The following significant exchange rates were applied during the year:

	Reporting date rate		Average rate	
	2019	2018	2019	2018
US Dollars	160.05	121.50	140.89	113.14
Euro	182.32	141.45	160.89	134.84
UAE Dirham	43.57	33.08	38.34	30.80
Pound Sterling	203.01	159.28	181.27	152.78
JPY	1.49	1.10	1.24	1.00
Australian dollars	112.23	89.69	98.17	85.50

Sensitivity analysis

A 10% strengthening of the Pakistani Rupee against foreign currencies at the reporting date would have (increased) / decreased loss / profit by the amounts shown below, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis as for the previous year.

	Profit or loss	
	2019	2018
	-----Rupees-----	
Statement of profit or loss	(62,452,536)	34,376,487

37.3.3 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Group's significant interest bearing financial instruments was as follows:

	2019	2018	2019	2018
	Interest range / Effective rate (in Percentage)		Carrying amount (Rupees)	
Variable rate instruments				
<u>Financial assets</u>				
Cash at bank - deposit accounts	4.5 to 9.53	3.14 to 3.97	71,228,341	7,943,985
<u>Financial liabilities</u>				
Short term borrowings secured	9.5	7.12 to 7.82	(20,190,922)	(100,525,853)
Net Exposure			51,037,419	(92,581,868)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	Profit or loss	
	100 bps Increase	100 bps Decrease
	Rupees	
<u>As at 30 June 2019</u>		
Cash flow sensitivity - Variable rate financial assets	510,374	(510,374)
<u>As at 30 June 2018</u>		
Cash flow sensitivity - Variable rate financial assets	(925,819)	925,819

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect consolidated statement of profit or loss.

37.3.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee. The Group is exposed to price risk arising from its investment in mutual funds that are classified as fair value through profit or loss. The Group has no investments in equity instruments traded in the market at the reporting date. The Group is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

Sensitivity analysis

The table below summarizes the Group's equity price risk as of 30 June 2019 and 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Group's equity investment portfolio.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in profit / (loss) before tax
-----Rupees-----				
2019				
<u>Short term investments</u>				
Investments at fair value	490,830,304	10% increase	539,913,334	49,083,030
through profit or loss	=====	10% decrease	441,747,274	(49,083,030)
-----Rupees-----				
	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase (decrease) in profit / (loss) before tax
-----Rupees-----				
2018				
<u>Short term investments</u>				
Investments at fair value	941,746,224	10% increase	1,035,920,846	94,174,622
through profit or loss	=====	10% decrease	847,571,602	(94,174,622)

37.3.5 Fair value of financial instruments

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying value of all financial assets and liabilities on the balance sheet approximate to their fair value.

37.3.5 (a) Fair values versus carrying amounts

The carrying amounts of financial assets and financial liabilities are reasonable approximation of their fair value.

37.3.5 (b) Valuation of financial instruments

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

Level 1: Quoted market price (unadjusted) in an active market.

Level 2: Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques used by the Group include discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

37.3.5 (c) The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Fair Value through profit or loss	Financial assets at amortised cost	Other financial liabilities	Total	Fair Value			
					Level 1	Level 2	Level 3	
30 June 2019								
Financial assets measured at fair value:	490,830,304	-	-	490,830,304	490,830,304	-	-	-
<u>Financial assets not measured at fair value</u>								
Long term deposits and prepayments	-	11,633,325	-	11,633,325	-	-	-	-
Trade debts - considered good	-	950,788,444	-	950,788,444	-	-	-	-
Loans and advances - considered good	-	21,322,827	-	21,322,827	-	-	-	-
Short term deposits and prepayments	-	165,744,718	-	165,744,718	-	-	-	-
Other receivables	-	38,049,639	-	38,049,639	-	-	-	-
Short term investments	-	374,114,733	-	374,114,733	-	-	-	-
Cash and bank balances	-	267,853,581	-	267,853,581	-	-	-	-
	-	1,829,507,267	-	1,829,507,267	-	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
<u>Financial liabilities not measured at fair value</u>								
Trade and other payables	-	-	1,011,235,511	1,011,235,511	-	-	-	-
Unclaimed dividend	-	-	75,156,815	75,156,815	-	-	-	-
Short term borrowings - secured	-	-	20,190,922	20,190,922	-	-	-	-
Accrued mark-up	-	-	4,461,193	4,461,193	-	-	-	-
	-	-	1,111,044,441	1,111,044,441	-	-	-	-
30 June 2018								
Financial assets measured at fair value:	941,746,224	-	-	941,746,224	941,746,224	-	-	-
<u>Financial assets not measured at fair value</u>								
Long term deposits and prepayments	-	11,613,325	-	11,613,325	-	-	-	-
Trade debts - considered good	-	604,467,682	-	604,467,682	-	-	-	-
Loans and advances - considered good	-	21,906,685	-	21,906,685	-	-	-	-
Short term deposits and prepayments	-	190,727,754	-	190,727,754	-	-	-	-
Other receivables	-	69,534,001	-	69,534,001	-	-	-	-
Cash and bank balances	-	290,867,439	-	290,867,439	-	-	-	-
	-	1,189,116,886	-	1,189,116,886	-	-	-	-
Financial liabilities measured at fair value:	-	-	-	-	-	-	-	-
<u>Financial liabilities not measured at fair value</u>								
Trade and other payables	-	-	717,349,450	717,349,450	-	-	-	-
Unclaimed dividend	-	-	82,143,724	82,143,724	-	-	-	-
Short term borrowings - secured	-	-	100,525,853	100,525,853	-	-	-	-
Accrued mark-up	-	-	539,624	539,624	-	-	-	-
	-	-	900,558,651	900,558,651	-	-	-	-

37.4 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

38 Group entities

The following table summarizes the information relating to the Group's subsidiaries that have non controlling interest (NCI).

30 June 2019 <i>Amount in Rupees</i>	BF Biosciences Limited	Farmacia	Intra-Group eliminations	Total
NCI percentage	<u>20%</u>	<u>2%</u>		
Non current assets	136,458,190	96,782,828		
Revaluation surplus	133,630,384	-		
Current assets	752,254,018	81,981,266		
Non-current liabilities	-	-		
Current liabilities	153,447,521	13,483,396		
Net assets	<u>868,895,071</u>	<u>165,280,698</u>		
Carrying amount of NCI	<u>173,779,014</u>	<u>3,305,614</u>	<u>(7,584,910)</u>	<u>169,499,718</u>
Revenue - net	<u>448,470,733</u>	<u>284,744,228</u>		
(Loss) / profit after taxation	(44,492,801)	17,089,249		
Other comprehensive income	-	-		
Total comprehensive (loss) / income	<u>(44,492,801)</u>	<u>17,089,249</u>		
Total comprehensive (loss) / income allocated to NCI	<u>(8,898,560)</u>	<u>341,785</u>	<u>(4,223,776)</u>	<u>(12,780,551)</u>
Cash flows from operating activities	(55,260,518)	6,915,918		
Cash flows from investing activities	420,033,631	(22,241,375)		
Cash flows from financing activities (dividends to NCI : Nil)	(1,132,705)	-		
Net increase / (decrease) in cash and cash equivalents	<u>363,640,408</u>	<u>(15,325,457)</u>		

30 June 2018 <i>Amount in Rupees</i>	BF Biosciences Limited	Farmacia	Intra-Group eliminations	Total
NCI percentage	20%	2%		
Non current assets	215,145,798	95,655,679		
Revaluation surplus	164,412,071	-		
Current assets	726,943,585	68,823,512		
Non-current liabilities	6,693,751	-		
Current liabilities	155,638,145	15,705,212		
Net assets	<u>944,169,558</u>	<u>148,773,979</u>		
Carrying amount of NCI	<u>188,833,912</u>	<u>2,975,480</u>	<u>(7,448,696)</u>	<u>184,360,696</u>
Revenue - net	<u>536,558,769</u>	<u>279,086,232</u>		
(Loss) / profit after taxation	(97,710,193)	17,193,275		
Other comprehensive income	12,922,083	-		
Total comprehensive income	<u>(84,788,110)</u>	<u>17,193,275</u>		
Total comprehensive income allocated to NCI	<u>(16,957,622)</u>	<u>343,866</u>	<u>(7,473,913)</u>	<u>(24,087,669)</u>
Cash flows from operating activities	103,575,839	25,839,127		
Cash flows from investing activities	(62,531,826)	(62,383,479)		
Cash flows from financing activities (dividends to NCI : Nil)	(784,006)	-		
Net (decrease) / increase in cash and cash equivalents	<u>40,260,007</u>	<u>(36,544,352)</u>		

39 Non adjusting events after the reporting date

The Board of Directors of the Holding Company in its meeting held on 21 September 2019 has proposed a final cash dividend of Rs. 4 (2018: Rs. 2) per share, amounting to Rs. Rs. 120.75 million (2018: Rs. 60.37 million) for approval of the members in the Annual General Meeting to be held on 25 October 2019.

40 Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison and better presentation as per reporting framework.

41 Date of authorization for issue

These consolidated financial statements have been authorized for issue by the Board of Directors of the Holding Company on 21 September 2019.

Chief Executive Officer

Chief Financial Officer

Director

Pattern of Shareholding

As at 30 June 2019

No. of shareholders	Shareholdings				Total Shares held
1,695	From 1	to 100	Shares	68,006	
1,331	From 101	to 500	Shares	415,284	
640	From 501	to 1,000	Shares	513,378	
686	From 1,001	to 5,000	Shares	1,634,008	
137	From 5,001	to 10,000	Shares	1,019,400	
30	From 10,001	to 15,000	Shares	369,661	
23	From 15,001	to 20,000	Shares	406,648	
23	From 20,001	to 25,000	Shares	534,232	
12	From 25,001	to 30,000	Shares	337,231	
6	From 30,001	to 35,000	Shares	193,416	
2	From 35,001	to 40,000	Shares	71,004	
7	From 40,001	to 45,000	Shares	296,226	
3	From 45,001	to 50,000	Shares	143,413	
2	From 50,001	to 55,000	Shares	102,000	
2	From 55,001	to 60,000	Shares	112,998	
4	From 60,001	to 65,000	Shares	244,876	
1	From 65,001	to 70,000	Shares	65,900	
2	From 70,001	to 75,000	Shares	143,773	
1	From 85,001	to 90,000	Shares	85,654	
2	From 90,001	to 95,000	Shares	187,200	
4	From 95,001	to 100,000	Shares	391,367	
1	From 100,001	to 105,000	Shares	103,850	
1	From 150,001	to 155,000	Shares	154,374	
1	From 155,001	to 160,000	Shares	157,142	
2	From 160,001	to 165,000	Shares	324,644	
1	From 175,001	to 180,000	Shares	179,503	
1	From 180,001	to 185,000	Shares	180,235	
1	From 205,001	to 210,000	Shares	210,000	
1	From 280,001	to 285,000	Shares	284,458	
1	From 295,001	to 300,000	Shares	295,463	
2	From 330,001	to 335,000	Shares	666,946	
1	From 350,001	to 355,000	Shares	352,690	
1	From 355,001	to 360,000	Shares	359,116	
1	From 360,001	to 365,000	Shares	362,314	
1	From 365,001	to 370,000	Shares	369,531	
1	From 380,001	to 385,000	Shares	384,955	
1	From 410,001	to 415,000	Shares	410,979	
1	From 430,001	to 435,000	Shares	434,941	
1	From 435,001	to 440,000	Shares	437,416	
1	From 650,001	to 655,000	Shares	651,347	
1	From 700,001	to 705,000	Shares	701,600	
1	From 900,001	to 905,000	Shares	904,934	
1	From 905,001	to 910,000	Shares	906,427	
1	From 950,001	to 955,000	Shares	954,441	
1	From 1,335,001	to 1,340,000	Shares	1,339,755	
1	From 1,695,001	to 1,700,000	Shares	1,697,375	
1	From 1,825,001	to 1,830,000	Shares	1,825,442	
1	From 8,200,001	to 8,205,000	Shares	8,201,288	
4,642				30,186,841	

Categories of Shareholders	Share held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	3,390,422	11.23
Associated Companies, undertakings and related parties.	8,286,942	27.45
NIT and ICP	1,697,375	5.62
Banks, DFI and NBFI.	56,921	0.19
Insurance Companies	2,943,680	9.75
Modarabas and Mutual Funds	714,950	2.37
General Public:		
a. Local	11,263,967	37.32
b. Foreign	438,104	1.45
Others:		
a. Other Companies, Corporate Bodies (Local)	1,382,005	4.58
b. Trust	12,475	0.04
	30,186,841	100.00
Share holder holding 10%		
The KFW Factors (Pvt.) Limited - Associated Company	8,286,942	27.45
Trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children are as follows:		
Mr. Nihal Cassim - inheritance	Director	274,696
Mrs. Amna Piracha Khan - sale of shares	Director	8,531
Mrs. Munize Azhar Peracha - gift received	Director	333,473

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 63rd Annual General Meeting of **FEROZSONS LABORATORIES LIMITED** will be held on Friday, October 25, 2019 at 11:45 A.M. at Hotel Shalimar, Aziz Bhatti Shaheed Road, Rawalpindi, to transact the following business:

1. To confirm the Minutes of the last Annual General Meeting held on October 27, 2018.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30 June 2019 together with the Reports of the Directors and the Auditors.
3. To consider and approve the final cash dividend of Rs. 4 per share i.e. 40% as recommended by the Board of Directors. It is addition to the interim cash dividend of Rs. 2 per share i.e. 20% already paid to the shareholders, thus making a total cash dividend of Rs. 6 per share i.e. 60% for the year ended 30 June 2019.
4. To appoint Auditors for the year ending 30 June 2020 and fix their remuneration. The present auditors Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Rawalpindi
September 21, 2019

Syed Ghausuddin Saif
Company Secretary

NOTES:

1. CLOSURE OF SHARE TRANSFER BOOKS:

The share Transfer Books of the Company will remain closed from October 18, 2019 to October 25, 2019 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/s CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore., by the close of the business on October 17, 2019 will be considered in time to determine the above mentioned entitlement.

2. PARTICIPATION IN THE ANNUAL GENERAL MEETING:

A member entitled to attend and vote at this meeting is also entitled to appoint another member, as a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the time of the meeting. The Proxy form is attached.

CDC account holders will have to follow further under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 by the securities and exchange commission of Pakistan

A. For attending the meeting

- (i) In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per regulations shall authenticate their identity by showing their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has not been provided earlier) at the time of the meeting.

B. For appointing proxies

- (i) In case of individuals, the account holders or sub account holders whose registration details are uploaded as per regulations, shall submit the proxy form as per the above requirements.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxies shall produce their original CNIC or original passport at the time of the meeting.
- (v) In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has not been provided earlier) along with proxy form to the company.

3. WITHHOLDING TAX ON DIVIDEND:

Pursuant to the provisions of Finance Act, 2019, effective July 01, 2019, reforms have been made with regards to deduction of income tax. For cash dividend, the rates of deduction of income tax, under section 150 of the Income Tax Ordinance, 2001 have been revised as follows:

a.	Person appearing in Active Taxpayer List (ATL)	15.00%
b.	Person not appearing in Active Taxpayer List (ATL)	30.00%

In case of joint account, each holder is to be treated individually as either a person appearing in Active Taxpayer list (ATL) or person not appearing in Active Taxpayer List (ATL) and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing to the Company by sending following detail on the registered address of the Company and the members who have deposited their shares into Central Depository Company of Pakistan Limited (CDC) are requested to send a copy of detail regarding tax payment status also to the relevant member stock exchange or to CDC if maintaining CDC investor account. If no notification is received, each joint holder shall be assumed to have an equal number of shares.

Company Name	Folio/ CDS ID/ A/C #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC No.	Shareholding proportion (No. of Shares)	Name and CNIC No.	Shareholding proportion (No. of Shares)

The CNIC number / NTN detail is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by the Federal Board of Revenue (FBR) from time to time.

4. EXEMPTION FROM DEDUCTION OF INCOME TAX / ZAKAT:

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence as the case may be. Members desiring non-deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat.

5. PAYMENT OF DIVIDEND THROUGH BANK ACCOUNT OF THE SHAREHOLDER:

Pursuant to the requirement of Section 242 of the Companies Act, 2017, shareholders are MANDATORILY required to provide their International Bank Account Number (IBAN) detail to receive their cash dividend directly in to their bank accounts instead of receiving it through dividend warrants. In this regard and in pursuance of the directives of the SECP vide Circular No. 18 of 2017 dated August 01, 2017, shareholders are requested to submit their written request (if not already provided) to the Company's registered address, giving particulars of their bank account detail. In the absence of a member's valid bank account detail by October 17, 2019, the Company will be constrained to withhold payment of dividend to such members.

CDC account holders are requested to submit their mandate instruction to the relevant member stock exchange or to CDC if maintaining CDC investor account.

6. SUBMISSION OF COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) FOR PAYMENT OF FINAL CASH DIVIDEND 2018-19:

Pursuant to the directives of the Securities and Exchange Commission of Pakistan (SECP), CNIC number of shareholders are MANDATORILY required for payment of dividend. Shareholders are therefore, requested to submit a copy of their valid CNIC (if not already provided) to the Company's Share Registrar. In the absence of a member's valid CNIC, the Company will be constrained to withhold payment of cash dividend to such members.

CDC account holders are requested to submit attested copy of their CNIC to the relevant member stock exchange or to CDC if maintaining CDC investor account.

7. CIRCULATION OF ANNUAL AUDITED FINANCIAL STATEMENTS TO SHAREHOLDERS THROUGH EMAIL/CD/USB/DVD OR ANY OTHER MEDIA:

Pursuant to the directions given by the SECP through its SRO 787(1)/2014 dated September 8, 2014 and SRO 470(1)/2016 dated May 31, 2016 that have allowed the companies to circulate its Annual Audited Accounts (i.e. Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, together with the notes to the Financial Statements, Auditors' and Directors' Report) to its members through Email/CD/DVD/USB/ or any other Electronic Media at their registered Addresses.

Shareholders who wish to receive the hard copy of Financial Statements shall have to fill the standard request form (available on the company's website www.ferozsons-labs.com) and send it to the Company's Share Registrar.

CDC account holders are requested to provide their email addresses to the relevant member stock exchange or to CDC if maintaining CDC investor account.

8. CONSENT FOR VIDEO CONFERENCE FACILITY:

In accordance with Section 132(2) of the Companies Act, 2017 if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility, please submit such request to the Company Secretary.

9. UNCLAIMED DIVIDEND/SHARES:

Shareholders, who by any reason, could not claim their dividend/shares, if any, are advised to contact our Share Registrar, CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore to collect / enquire about their unclaimed dividend/shares, if any.

In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend outstanding for a period of 3 years or more from the date due and payable shall be deposited to the Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP

10. CHANGE IN ADDRESS:

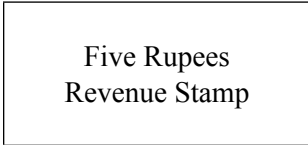
The members are requested to promptly notify any change in their addresses.

11. AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON COMPANY'S WEBSITE:

The audited financial statements of the Company for the year ended 30 June 2019 have been made available on the Company's website www.ferozsons-labs.com at least 21 days before the date of Annual General Meeting.

FORM OF PROXY
63rd Annual General Meeting

I/We, _____ of _____
being a member of Ferozsons Laboratories Limited and holder of _____
ordinary Shares as per share register Folio/CDC Account No. _____ hereby
appoint Mr. / Mrs. _____
Folio/CDC Account No. _____ of _____
CNIC No. or Passport No. _____ or failing him/her Mr./
Mrs. _____ Folio/CDC Account No. _____
of _____ CNIC No. or Passport No. _____ who is
also a member of the Company as my/our proxy to attend and vote for me/us and on my/our behalf at the
63rd Annual General Meeting of the Company to be held on Friday, October 25, 2019 at 11:45 a.m. or at any
adjournment thereof.



Signature of Shareholder
(The signature should agree with
the specimen registered with the
Company)

Dated this _____ day of _____ 2019

Signature of Proxy _____

1. Witness:

Signature: _____
Name: _____
Address: _____

CNIC No. _____

2. Witness:

Signature: _____
Name: _____
Address: _____

CNIC No. _____

Note: Proxies, in order to be effective, must be received with the secretary of the company at the company's registered office 197-A, The Mall, Rawalpindi at least 48 hours before the time of the Meeting.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.

نمائندگی کا فارم (پراکسی فارم)
63 واں سالانہ اجلاس عام

میں / ہم _____ کا / کی _____ بحیثیت رکن فیروز سنز لیبارٹریز لمیٹڈ اور بذریعہ حصص رجسٹر کے فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر _____ عام _____ حامل _____ عام حصص، کمپنی کے ایک دوسرے رکن _____ کا / کی _____ فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر _____ شناختی کارڈ نمبر _____ یا پاسپورٹ نمبر _____، یا بصورت دیگر کمپنی کے اور رکن _____ کا / کی _____ فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر _____ شناختی کارڈ نمبر _____ یا پاسپورٹ نمبر _____، کو میری / ہماری غیر حاضری میں کمپنی کے 63 ویں سالانہ اجلاس عام میں، جو بتاریخ 25 اکتوبر 2019ء، دوپہر 11:45 AM بجے منعقد ہو رہا ہے، یا کسی بھی ملتوی شدہ اجلاس میں حاضری اور حق رائے دہی کے استعمال کیلئے اپنا نمائندہ (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

حصص دار کے دستخط
(دستخط کمپنی میں رجسٹرڈ نمونے سے مطابقت رکھتے ہوئے چاہئے)

پانچ روپے کی ریونیو سٹامپ

نمائندہ کے دستخط:	2019	مہینہ	بتاریخ
2. گواہ			1. گواہ
دستخط:			دستخط:
نام:			نام:
پتہ:			پتہ:
شناختی کارڈ نمبر:			شناختی کارڈ نمبر:

نوٹ:

نمائندگی فارم (پراکسی فارم) کمپنی سیکرٹری کے پاس کمپنی کے رجسٹرڈ پتہ A-197، دی مال، راولپنڈی پر اجلاس کے وقت سے کم از کم 48 گھنٹے پہلے موصول ہو جانا چاہئے، بصورت دیگر یہ فارم موثر تصور نہیں کیا جائے گا۔

سی ڈی سی حصص یافتگان اور انکے نمائندوں (پراکسی) سے درخواست ہے کہ نمائندگی فارم (پراکسی فارم) کمپنی کو جمع کروانے سے پہلے اس کے ساتھ اپنے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹوکاپی لف کریں۔

- ڈیکسیوا (ڈیکسلنسوپرازول) [Dexiva (Dexlansoprazole)] ٹشو کو نقصان پہنچانے والی خوراک کی نالی کی ہر گریڈ کی سوزش (Erosive Esophaitis-EE) کے علاج کیلئے، علاج شدہ EE کو برقرار رکھنے کیلئے، سینے میں جلن کو آرام پہنچانے کیلئے اور ٹشو کو نقصان نہ دینے والی خوراک کی نالی اور معدہ میں جلن کی علامات اور بیماری (Symptomatic Non-Erosive Gastroesophageal Reflux Disease – GERD) کے علاج کیلئے استعمال کی جاتی ہے۔

انتظامیہ حصص داروں کی دولت کی حفاظت اور اس میں اضافہ کیلئے پُر عزم ہے۔ تاہم، کئی واضح بیرونی اور قانونی چیلنجز کا سامنا ہے۔ فارماسیوٹیکل انڈسٹری معیشت کے نسبتاً بے چلک حصے سے تعلق رکھتی ہے اور ہم امید رکھتے ہیں کہ یہ سیکٹر طویل مدت تک ترقی کرتا رہے گا اور مزید توسیع کے مواقع فراہم کرے گا۔

اعتراف

ہم کمپنی کے مقاصد کے حصول کیلئے اپنے ملازمین کی بے انتہا کوششوں اور لگن کا اعتراف کرتے ہیں۔

ہم مسلسل حمایت اور ہماری کمپنی پر اعتماد رکھنے کیلئے اپنے پرنسپلز اور کاروباری شراکت داروں کا شکریہ ادا کرتے ہیں، اور ہماری مصنوعات پر مسلسل اعتماد رکھنے کیلئے اپنے قابل قدر گاہکوں کا شکریہ بھی ادا کرتے ہیں۔

بورڈ کے جانب سے

چئیرپرسن

چیف ایگزیکٹو آفیسر

لاہور

21 ستمبر 2019

انڈسٹری کا جائزہ اور مستقبل کے امکانات کا جائزہ

30 جون 2019 پر ختم ہونے والے سال کیلئے پاکستان کی فارماسیوٹیکل انڈسٹری کی قدر 423 ارب روپے رہی جس میں پچھلے سال کے مقابلہ میں 13.2 فیصد اضافہ ہوا۔ تاہم موجودہ معاشی صورتحال کے تناظر میں اس سیکٹر کی نشوونما میں کمی ہونے کا امکان ہے۔

زر مبادلہ کے ذخائر کو مستحکم رکھنے اور خسارے کو قابو میں رکھنے کے چیلنجز نے ملک کی معاشی ترقی کو متاثر کیا ہے۔ جسکے نتیجے میں اندازہ ہے کہ ہماری GDP میں اضافے کی شرح کم ہو کر 3.6 فیصد رہ جائے گی۔ باوجود اسکے کہ نئی گورنمنٹ نے ادائیگیوں کے توازن میں بہتری کیلئے دو طرفہ ذرائع حاصل کئے ہیں اور انٹرنیشنل مونیٹری فنڈ (IMF) کے ساتھ تیل آؤٹ پیکیج طے کیا ہے، حالات ابھی بھی سرمایہ کاری اور معاشی ترقی کیلئے غیر موزوں ہیں۔

مالی سال 2018-19 کے دوران پاکستانی روپے کی قدر میں 30 فیصد سے زیادہ کمی واقع ہوئی۔ تیزی سے بدلتے میکرو اکنامک حالات کی وجہ سے مالی سال 2018-19 کے دوران مرکزی بینک نے استحکام لانے کیلئے اپنا پالیسی ریٹ 6.50 فیصد سے بڑھا کر 12.25 فیصد کر دیا۔ سال کے اختتام کے بعد مرکزی بینک نے پالیسی ریٹ میں مزید 100bps کا اضافہ کر دیا، اور اس طرح کل شرح سود 13.25 فیصد ہو گئی۔

پاکستانی روپے کی قدر میں کمی اور شرح سود میں اضافہ فارماسیوٹیکل انڈسٹری کیلئے مسلسل خطرے کا باعث ہیں، کیونکہ زیادہ تر خام مال اور مصنوعات ان خطرات سے براہ راست متاثر ہوتی ہیں۔ فارماسیوٹیکل انڈسٹری کو سہارا دینے کیلئے، DRAP نے SRO 34(I)/2019 بتاریخ 10 جنوری 2019 کے تحت فارماسیوٹیکل کی مصنوعات کی قیمتوں میں 9 فیصد سے 15 فیصد تک اضافے کی اجازت دے دی جس کی اشد ضرورت تھی۔ چونکہ قیمتوں میں اضافے کی نوعیت صرف مستقبل کیلئے تھی اور اضافے کی اجازت تیسری سہ ماہی میں دی گئی، اسکے مکمل اثرات آئندہ مالی سال میں ظاہر ہوں گے۔

استحکام کیلئے کئے گئے حکومتی اقدامات کا نتیجہ ظاہر ہونا شروع ہو گیا ہے۔ بیرونی سیکٹر میں مسلسل بہتری آئی اور مالی سال 2019 کے دوران کرنٹ اکاؤنٹ خسارے میں تقریباً 32 فیصد (GDP کا 1.5 فیصد) کی نمایاں کمی ہوئی۔ تاہم، اسکے نتیجے میں معاشی سرگرمیوں میں کمی کا سامنا بھی ہو رہا ہے۔

سال کے اختتام کے بعد، سلسلہ فراہمی (سپلائی چین) کیلئے ایک اور بڑا خطرہ تب پیدا ہوا جب گورنمنٹ آف پاکستان نے انڈیا سے تمام چیزوں کی تجارت بشمول فارماسیوٹیکل خام مال کی درآمد پر فوری پابندی لگا دی۔ PPMA کے سرسری اندازے کے مطابق، پاکستان میں بنائے جانے والی 50 فیصد سے زیادہ ادویات میں انڈیا کا خام مال استعمال ہوتا ہے۔ عوام عامہ کے مفاد کو مد نظر رکھتے ہوئے، گورنمنٹ آف پاکستان نے DRAP کے تحت ریگولیٹ کردہ علاج کی ادویات کو اس پابندی سے مستثنیٰ قرار دے دیا۔ تاہم، درآمدات ابھی پوری طرح بحال نہیں ہوئی ہیں۔ آپکی کمپنی کی انتظامیہ خام مال کیلئے میسر متبادل ذرائع کا تجزیہ کر رہی ہے تاکہ سلسلہ فراہمی (سپلائی چین) کے خطرات کو کم کیا جاسکے۔

اس سال کمپنی نے درج ذیل نئی مصنوعات متعارف کروائی ہیں:

- میپانائٹس سے پاک پاکستان کے عزم کیلئے ایک اور قدم بڑھاتے ہوئے وکٹانا (سوفوسبور / ویلپاٹیسور) [Viktana (Sofosbuvir/ Velpatasvir)] متعارف کروائی گئی جو کہ ایپکلو سا (Eplclusa®) کی مجاز جنیرک دوا ہے۔ اس دوا میں سوفوسبور (Sofosbuvir) اور ویلپاٹیسور (Velpatasvir) نامی دوائیں شامل ہیں جو پرانے میپانائٹس C کے ہر جینوٹائپ کے علاج کیلئے استعمال ہوتی ہیں۔ پرانی میپانائٹس C انفیکشن جگر کے پیچیدہ امراض کا باعث بن سکتی ہے جیسے کہ جگر پر نشان پڑنا (جگر کی سوزش) [Scarring (Cirrhosis)]، یا جگر کا کینسر۔

- کینسر ریسرچ اینڈ ٹریٹمنٹ فاؤنڈیشن (Cancer Research and Treatment Foundation)
- دی سٹیٹنز فاؤنڈیشن (The Citizens Foundation)
- نیشنل مینجمنٹ فاؤنڈیشن (لمز) (National Management Foundation – LUMS)

خطرات سے بچاؤ

خطرات سے بچنے کا ہمارے طریقہ کار بنیادی طور پر خطرے والے حصوں کو سمجھنا، پہچاننا اور پھر ترجیح کی بنیاد پر درجہ بندی کرنا ہے تاکہ جدید آپریشنل حکمت عملیوں کے ذریعے ان خطرات کو کم کیا جاسکے۔

بنیادی طور پر ہماری کمپنی کو درج ذیل خطرات کا سامنا ہے:

معاشی اور سیاسی خطرات: ملک میں مسلسل تبدیل ہوتے معاشی اور سیاسی حالات کی وجہ سے ہماری کمپنی کو بھی خطرات کا سامنا ہے۔ یہ خطرہ کم کرنے کیلئے انتظامیہ مالی مارکیٹ کے حالات اور سیاسی منظر نامے پر گہری نظر رکھتی ہے اور ناسازگار حالات کا ادراک کرنے کیلئے مینجمنٹ کی سطح پر مناسب فعل اور حکمت عملیاں ڈسکس کی جاتی ہیں۔

مسابقت کے خطرات: ہماری مارکیٹ میں غیر قانونی اور غیر معیاری ادویات پر کمزور قانونی گرفت کی وجہ سے پاکستانی فارماسیوٹیکل انڈسٹری کو نقصان دہ مسابقتی خطرات کا سامنا ہے۔ اس کو خطرے کو کم کرنے کیلئے آپکی کمپنی پاکستان کی دیگر فارماسیوٹیکل کمپنیوں کے ساتھ مل کر گورنمنٹ کے قوانین اور پالیسیوں کو بہتر بنانے کیلئے مسلسل لاہنگ کر رہی ہے۔

سلسلہ فراہمی (سپلائی چین) کے خطرات: کمپنی کے روزمرہ کے آپریشنز میں سلسلہ فراہمی (سپلائی چین) کا پروسیس بہت اہمیت کا حامل ہے۔ اس خطرے کو کم کرنے کیلئے ہم پروڈکشن کی جامع منصوبہ بندی کرتے ہیں اور اسے فروخت کی پیش بینی اور آرڈرنگ سسٹم کے ساتھ ہم آہنگ کرتے ہیں۔

انفارمیشن ٹیکنالوجی کے خطرات: مستقبل کی ضروریات کو مد نظر رکھتے ہوئے کمپنی IT انفراسٹرکچر میں مسلسل سرمایہ کاری کرتی رہتی ہے۔

مالیاتی خطرات: یہ وہ خطرات ہیں جو براہ راست کمپنی کی مالیاتی بقا سے تعلق رکھتے ہیں۔ ان خطرات کو مالیاتی گوشواروں کے نوٹ نمبر 37 میں تفصیل سے بیان کیا گیا ہے۔

نان ایگزیکٹو ڈائریکٹرز کے معاوضے کی پالیسی

نان ایگزیکٹو ڈائریکٹرز بشمول خود مختار (انڈیپنڈنٹ) ڈائریکٹرز کو صرف میٹنگز میں شرکت کی فیس ادا کی جاتی ہے۔

آڈیٹرز

آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ریٹائر ہوئے ہیں اور انھوں نے 30 جون 2019 پر ختم ہونے والے مالی سال کیلئے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔

بورڈ کی آڈٹ کمیٹی نے KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو سال 20-2019 کیلئے کمپنی کا آڈیٹر مقرر کرنے کی تجویز دی ہے۔ چنانچہ بورڈ نے بھی آئندہ سالانہ اجلاس عام میں حصص داروں کی منظوری کیلئے انھی آڈیٹرز کو تجویز کیا ہے۔

- تبدیلیوں کی مناسب انداز میں نشاندہی اور وضاحت کر دی گئی ہے۔
- کمپنی قابل قیاس مستقبل کے دوران کسی کارپوریٹ تنظیم نو یا آپریشن کی بندش پر غور نہیں کر رہی۔
- 30 جون 2019 تک کے گورنمنٹ کے نافذ کردہ ایسے تمام محصولات، جو عمومی کاروباری معاملات میں نافذ کئے جاتے ہیں، سال کے اختتام کے بعد ادا کئے جا چکے ہیں۔
- تازہ ترین آڈٹ شدہ اکاؤنٹس کے مطابق 30 جون 2018 پر ملازمین کی پروویڈنٹ فنڈ کی سرمایہ کاری کی قدر 480 ملین روپے ہے۔

قومی خزانے میں حصہ

اس مالی سال کے دوران، کمپنی نے مختلف ٹیکسوں اور محصولات کی مد میں (جیسے کہ انکم ٹیکس، کسٹم ڈیوٹی، وفاقی اور صوبائی سیلز ٹیکس، ورکرز ویلفیئر فنڈ، ورکرز پرافٹ پارٹنیشن فنڈ اور سنٹرل ریسرچ فنڈ) پیدہ کردہ دولت میں سے 292 ملین روپے قومی خزانے میں جمع کروائے۔

پیسے کی وصولی اور ادائیگی کا انتظام

پیسے کی وصولی اور ادائیگی کے انتظام کیلئے کمپنی باقاعدگی سے موصول ہونے والی رقم اور ادا کی جانے والی رقم کا تخمینہ لگاتی ہے اور نقد رقم (کیش) کی صورت حال پر روزانہ کی بنیاد پر نظر رکھتی ہے۔

متعلقہ پارٹی لین دین

30 جون 2019 پر اختتام شدہ سال کے دوران متعلقہ پارٹیوں سے ہونے والے معاملات بورڈ اور آڈٹ کمیٹی کے سامنے جائزے اور منظوری کیلئے پیش کئے گئے۔ سال کے دوران ہونے والی میٹنگز میں بورڈ نے ان معاملات کی منظوری دی۔ متعلقہ پارٹی لین دین کی تفصیل مالیاتی گوشواروں کے نوٹ نمبر 32 میں دی گئی ہے۔

بورڈ آف ڈائریکٹرز کی تشکیل، بورڈ کی کمیٹیاں اور ان کی میٹنگز

مالی سال 30 جون 2019 کے دوران بورڈ آف ڈائریکٹرز کی تشکیل، بورڈ کی کمیٹیوں اور ان کی میٹنگز کے بارے اور کسی بھی وقت کمپنی کے ڈائریکٹر کا عہدہ رکھنے والے افراد کے بارے میں معلومات ساتھ لف کر دی گئی ہیں۔

حصص داری کی ترتیب

30 جون 2019 پر حصص داری کی ترتیب ساتھ لف کر دی گئی ہے۔ ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری، ایگزیکٹوز (افسران)، اور ان کے شریک حیات یا چھوٹے بچوں کی جانب سے کی گئی کمپنی کے شیئرز میں خرید و فروخت (اگر کوئی کی گئی ہو تو) کی معلومات بھی ساتھ لف کر دی گئی ہیں۔

کمپنی کی سماجی ذمہ داری

اپنے کاروباری ضابطہ اخلاق اور امتیازی فریم ورک کے عین مطابق، ہم ماحولیاتی تحفظ اور سماج کی صحت اور تعلیم میں سرمایہ کاری کرنے کیلئے پرعزم ہیں۔

آپ کی کمپنی نے اس سال سماجی ذمہ داری کی کئی سرگرمیوں (CSR activities) میں شرکت کی اور یہ شرکت زیادہ تر درج ذیل تنظیموں کے ساتھ کی گئی:

فی حصص آمدن

30 جون 2019 پر اختتام شدہ سال کے خالص منافع کی بنیاد پر 301.868 ملین روپے کے سرمایہ کی مدد میں فی حصص آمدن (EPS) 8.32 روپے فی حصص رہی، جبکہ پچھلے سال کی فی حصص آمدن (EPS) 3.16 روپے تھی۔ اس سال انضمام کردہ فی حصص آمدن 6.65 روپے رہی جو کہ پچھلے سال 0.23 روپے تھی۔

ڈیویڈنڈ کا اعلان

ڈائریکٹرز نے 40 فیصد حتمی نقد ڈیویڈنڈ تجویز کیا ہے جس کا مطلب ہے 10 روپے والے حصص پر 4 روپے کا ڈیویڈنڈ؛ یہ ڈیویڈنڈ پہلے سے ادا کردہ 20 فیصد عبوری نقد ڈیویڈنڈ (10 روپے والے حصص پر 2 روپے کا ڈیویڈنڈ) کے علاوہ ہے۔ اس طرح اس سال کیلئے کل نقد ڈیویڈنڈ 60 فیصد ہو جاتا ہے۔

کمپنیز ایکٹ، 2017 (Companies Act, 2017) پر عمل کرتے ہوئے اس تقسیم کاری کا اندراج بعد کے مالیاتی گوشواروں میں کیا جائے گا۔

کوڈ آف کارپوریٹ گورننس کی تعمیل کا اعلامیہ

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کی شرائط پر ہماری کمپنی پوری طرح عمل پیرا ہے اور اس تعمیل کا اعلامیہ اور آڈیٹرز رپورٹ ہماری سالانہ رپورٹ میں شامل ہیں۔

کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک کی تعمیل کا اعلامیہ

آپ کی کمپنی کا بورڈ آف ڈائریکٹرز کمپنی کو چلانے کی بہترین روایات کے اصولوں کی پیروی کیلئے پر عزم ہے۔ کمپنی کی انتظامیہ کوڈ آف کارپوریٹ گورننس میں بتائی گئی بہترین روایات کی مسلسل تعمیل کر رہی ہے۔

- انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات کی صورت حال، سرگرمیوں کے نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- کمپنی کے اکاؤنٹس کے موزوں کھاتے تیار رکھے گئے ہیں۔
- کمپنی کے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی موزوں پالیسیوں کا مسلسل اطلاق کیا گیا ہے جو کہ پاکستان میں اکاؤنٹنگ کے منظور شدہ معیارات سے مطابقت رکھتی ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو مالیاتی رپورٹنگ کے بین الاقوامی معیارات (IFRS) کو اختیار کیا گیا ہے، اور ان معیارات سے کئے گئے انحراف (اگر کوئی ہو) کی مناسب انداز میں نشاندہی اور وضاحت کی گئی ہے۔
- اندرونی کنٹرولز کا نظام مستحکم ہے اور انتظامیہ نے اس کا موثر اطلاق کیا ہے، اور اندرونی آڈیٹرز، بورڈ آف ڈائریکٹرز اور آڈٹ کمیٹی نے اس کی نگرانی کی ہے۔ بورڈ، آڈٹ کمیٹی کے ذریعے، اندرونی کنٹرولز کے مؤثرین کا جائزہ لیتا ہے اور، اگر ضروری ہو، اندرونی کنٹرول کے نظام میں مزید بہتری لانے کیلئے تجاویز دیتا ہے۔
- بطور ایک چلتے ادارے کمپنی کے کاروبار جاری رکھنے کی اہلیت پر کوئی قابل ذکر خدشات موجود نہیں ہیں۔
- لسٹڈ ضوابط میں بتائی گئی کارپوریٹ گورننس کی بہترین روایات سے کوئی نمایاں انحراف نہیں کیا گیا۔
- اس رپورٹ میں شامل ڈائریکٹرز رپورٹ / چیئرمین کی جائزہ رپورٹ اور مالیاتی گوشواروں کے نوٹس میں پچھلے سال کے مقابلے میں مالیاتی نتائج میں ہونے والی اہم

اس سال گراس منافع (GP) کی شرح بڑھ کر 39.5% ہو گئی جو کہ پچھلے سال 34% تھی، اس اضافے کی ایک وجہ اداروں کو کی گئی فروخت کے تناسب میں کمی ہے۔ حقیقی لحاظ سے، گراس منافع (GP) کی شرح میں 36% اضافہ ہوا۔ گراس منافع (GP) کی شرح میں اضافے کی بنیادی وجہ یہ ہے کہ سووالڈی (Sovaldi) کے سٹاک کی قابل حصول قیمت میں پچھلے سال کے مقابلے میں تھوڑی کمی ریکارڈ کی گئی۔

مزید کسٹمر تنگ رسائی بڑھانے کیلئے افرادی قوت اور برانڈ پر اخراجات کئے گئے جس کی وجہ سے فروخت اور ڈسٹری بیوشن کے اخراجات میں پچھلے سال کے مقابلے میں 24% اضافہ ہوا، جبکہ نتیجہ اس سال ہماری برانڈ ڈجنیرک مصنوعات کی فروخت میں اضافہ کی صورت میں سامنے ہے۔

دیگر اخراجات میں پچھلے سال کے مقابلے میں 72 ملین روپے کا اضافہ ہوا جس کی بنیادی وجہ روپے کی قدر میں کمی ہونا ہے۔

کمپنی کا بعد از ٹیکس منافع (NPAT) 251 ملین روپے رہا جو کہ پچھلے سال 95 ملین روپے تھا۔ 30 جون 2019 پر ختم ہونے والے مالی سال کیلئے موثر شرح ٹیکس 40% رہی جو کہ پچھلے سال 54% تھی۔ موثر شرح ٹیکس میں فرق کی بنیادی وجہ یہ ہے کہ پچھلے سال بعض تخمینہ کردہ لاگت (Provisions) ریکارڈ کی گئی تھیں۔

ذیلی کمپنی BF بائیوسائنسز لمیٹڈ کی فروخت 449 ملین روپے رہی جس میں پچھلے سال کے مقابلے میں 15% کمی آئی۔ اس سال کا بعد از ٹیکس خسارہ (NLAT) 45 ملین روپے رہا جو کہ پچھلے سال 98 ملین روپے تھا۔ ذیلی کمپنی کے مالیاتی نتائج میں کمی کی بنیادی وجہ یہ ہے کہ پیرپائٹس C کے مریضوں کے علاج کیلئے زیادہ استعمال اب منہ کے ذریعے کھائی جانے والی ادویات کا کیا جاتا ہے، جس سے انٹرفیرونز (Interferons) کی فروخت متاثر ہوئی ہے، اور دوسری وجہ ریگولٹری ادارے کا کمپنی کی بائیولوجیکل مصنوعات کو منظور کرنے میں غیر معمولی تاخیر کرنا ہے۔

سال کے اختتام کے بعد، ڈرگ ریگولٹری اتھارٹی آف پاکستان نے BF بائیوسائنسز کی طرف سے رگ میں لگائے جانے والے ٹیکے او میپرازول (Omeprazole) اور ایسو میپرازول (Esomeprazole) کی رجسٹریشن کی درخواست منظور کر لی ہے۔ ان مصنوعات کے علاوہ، اریٹھر وپوٹن 10,000 (Erythropoietin 10,000) کی خوراک میں اضافے کیلئے ہماری درخواست بھی منظور کر لی گئی ہے، یہ منظوری شیشی اور پہلے سے بھری ہوئی سرنج، دونوں طرح کی پیکنگ کیلئے ہے۔ ہم توقع کرتے ہیں کہ مالی سال 2019-20 کے دوران پیداوار اور فروخت کا آغاز ہو جائے گا۔

کلیدی عملی اور مالیاتی اعداد و شمار

پچھلے 6 سال کے انفرادی اور انضمام کردہ مالیاتی گوشواروں سے لئے گئے کلیدی عملی اور مالیاتی اعداد و شمار کا خلاصہ ساتھ لف کیا گیا ہے۔

سرمایہ کاری کے اخراجات

فارماسیوٹیکل انڈسٹری میں متعارف کرائی جانے والی جدید ترین ٹیکنالوجی کے ساتھ ہم آہنگی رکھنے کیلئے آپ کی کمپنی نے اس سال مینوفیکچرنگ آلات میں توازن اور جدت کیلئے 211 ملین روپے کی سرمایہ کاری کی۔

سال کے اختتام کے بعد ہونے والے واقعات

فرو میزان (ہیلٹس شیٹ) کی تاریخ اور اس رپورٹ کی تاریخ کے دوران ایسا واقعہ نہیں ہوا جس نے کمپنی کی مالیاتی حالت پر خاص اثر چھوڑا ہو۔

تشیئر ہولڈرز کی خدمت میں ڈائریکٹرز کی رپورٹ 30 جون 2019 پر اختتام شدہ سال سے متعلق

ہم انتہائی مسرت سے 63 ویں سالانہ رپورٹ پیش کرتے ہیں جس میں آپ کی کمپنی کے پڑتال شدہ (آڈٹ شدہ) مالیاتی گوشوارے (30 جون 2019) پر ختم ہونے والے سال سے متعلق) شامل ہیں اور ان کے ساتھ ذیلی کمپنیوں، BF بائیوسائنسز لمیٹڈ اور فارمیسیارٹیل وینچر، کے انضمام کردہ مالیاتی گوشوارے بھی شامل ہیں۔

آپ کی کمپنی کے انفرادی اور انضمام کردہ مالیاتی نتائج
اس سال کے مالیاتی نتائج، عملی نتائج، اور قابل تقسیم منافع کی تقسیم کا خلاصہ اور پچھلے سال سے موازنہ نیچے دیا گیا ہے:

انضمام کردہ		انفرادی		
2018	2019	2018	2019	
(ہزار روپے)				
85,572	338,064	207,266	418,718	قبل از ٹیکس منافع
(102,584)	(150,069)	(111,860)	(167,672)	ٹیکس
(17,012)	187,995	95,406	251,046	بعد از ٹیکس منافع / (خسارہ)
4,194,799	4,304,712	3,735,100	3,879,505	تقسیم کیلئے موجود منافع
				تقسیم:
-	(60,374)	-	(60,374)	مالیاتی سال 2019 کیلئے عبوری نقد ڈیویڈنڈ @ 2 روپے فی حصص (2018 میں کوئی نہیں)
(60,374)	(120,747)	(60,374)	(120,747)	مالیاتی سال 2019 کیلئے حتمی نقد ڈیویڈنڈ @ 4 روپے فی حصص (2018 میں 2 روپے فی حصص)

اس سال کمپنی کی انضمام کردہ خالص فروخت 5,803 ملین روپے رہی، جو کہ پچھلے سال کے مقابلے میں 16% زیادہ ہے۔ انفرادی طور پر، آپ کی کمپنی کی خالص فروخت 5,181 ملین روپے رہی جو کہ پچھلے سال 4,409 ملین روپے تھی، اس طرح اس میں 18% اضافہ ہوا۔








ہماری درآمد کردہ مصنوعات کے علاوہ، پرائیویٹ مارکیٹ میں ہماری جنیرک مارکہ مصنوعات کے پورٹ فولیو کی فروخت میں پچھلے سال کے مقابلے میں 25% اضافہ ہوا، جبکہ پچھلے سال کے مقابلے میں اداروں کو فروخت میں 33% کمی واقع ہوئی، جسکی بڑی وجہ سرکاری سطح پر صحت کے شعبے کیلئے خریداری میں کمی واقع ہونا ہے۔ پچھلے سال کے دوران اداروں کی جانب سے سپلائر ٹینڈر C سے متعلقہ مصنوعات کی خریداری نے فروخت میں بڑا حصہ ڈالا۔










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