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***Condensed Interim  
Unconsolidated  
Financial Information  
for the Half Year Ended  
31 December 2017***

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**FEROZSONS**  
LABORATORIES LIMITED



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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 F. 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 F. Cassim  
 Mr. Shahid Anwar

Chairman  
 Member  
 Member  
 Member

### Investment Committee

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

Chairman  
 Member  
 Member

### HR & Remuneration Committee

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

Chairman  
 Member  
 Member  
 Member

### Company Secretary / Chief Financial Officer

Syed Ghausuddin Saif

### 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

### External Auditors

KPMG Taseer Hadi & Co.  
 Chartered Accountants

### Factory

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

### 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

### Head Office

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

### Legal Advisors

Khan & Piracha

### 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 quarterly accounts can be downloaded from Company's Website: [www.ferozsons-labs.com](http://www.ferozsons-labs.com))

## DIRECTORS' REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

We are pleased to present a brief review of your Company's un-audited Standalone and Consolidated condensed interim financial information for the six months ended 31 December 2017. The consolidated condensed interim financial information incorporates the Company's 98% owned venture Farmacia and 80% owned subsidiary BF Biosciences Limited.

### Operational and Financial Performance

A summary of operating results for the period is given below:

|                          | Individual            |                       |                       |                       | Consolidated          |                       |                       |                       |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                          | 6 Months<br>31-Dec-17 | 6 Months<br>31-Dec-16 | 3 Months<br>31-Dec-17 | 3 Months<br>31-Dec-16 | 6 Months<br>31-Dec-17 | 6 Months<br>31-Dec-16 | 3 Months<br>31-Dec-17 | 3 Months<br>31-Dec-16 |
|                          | (Rupees in thousand)  |                       |                       |                       |                       |                       |                       |                       |
| <b>Sales (net)</b>       | <b>2,223,384</b>      | 2,308,846             | <b>1,318,088</b>      | <b>1,153,767</b>      | <b>2,500,235</b>      | 2,666,609             | <b>1,460,910</b>      | 1,334,751             |
| <b>Gross Profit</b>      | <b>779,904</b>        | 1,070,999             | <b>416,471</b>        | <b>546,391</b>        | <b>775,615</b>        | 1,167,631             | <b>394,140</b>        | 579,624               |
| <b>Profit before tax</b> | <b>161,386</b>        | 473,666               | <b>67,174</b>         | <b>230,889</b>        | <b>83,003</b>         | 489,533               | <b>2,193</b>          | 227,301               |
| <b>Taxation</b>          | <b>(82,147)</b>       | (114,578)             | <b>(8,641)</b>        | <b>(72,329)</b>       | <b>(65,056)</b>       | (114,979)             | <b>(45,277)</b>       | (70,184)              |
| <b>Profit after tax</b>  | <b>79,239</b>         | 359,088               | <b>18,533</b>         | <b>158,560</b>        | <b>17,948</b>         | 374,554               | <b>(43,084)</b>       | 157,117               |

Standalone Net Sales of your Company grew by 14% for the 2nd Quarter whereas a decline of 4% has been witnessed during the six months period in comparison to the respective corresponding period last year. At the group level, Net Sales grew by 9% for the 2nd Quarter whereas a decline of 6% has been witnessed during the six months period in comparison to the respective corresponding period last year.

The decline in Net Sales of the Company is mainly due to the decrease in the sales of its imported products for HCV under franchise from Gilead Sciences Inc. Net Sales outside Gilead portfolio increased by 20% as compared to same period last year.

Gross Profit (GP) percentage margins declined by 16% during the 2nd Quarter and 11% in six months period under review over the corresponding period of last year. The decrease in GP margin is mainly due to provision for slow moving stock and increase in sales made to government institutions which carry lower GP margins. A further provision against slow moving stock of Sovaldi amounting to Rs. 50 million has also been recorded in the 2nd Quarter. This has led to a total year to date provision of Rs. 100 million against slow moving stock of Sovaldi. As a matter of prudence management is reviewing provision for slow moving stock of Sovaldi on quarterly basis.

At the group level, Gross Profit margins have declined by 16% during the 2nd Quarter and by 13% for the six months under review over same period last year. The effective tax rate for the period ended 31 December 2017 closed at 51% against 24% last year, the change in effective tax rate is due to provision for slow moving stock which was taxed under final tax regime at import stage.

Your Company reported Net Profit after Tax (NPAT) of Rs. 18.5 million for the 2nd Quarter and Rs. 79.2 million for the six months period ended 31 December 2017 under review.

Based on the Net Profit for the six months ended 31 December 2017, the Earnings per Share (EPS), both basic and diluted, stand at Rs. 2.62 compared to EPS of Rs. 11.90 of same period last year.

### BF Biosciences Limited Operational Status

The Company's subsidiary BF Biosciences Limited closed its Net Sales at Rs. 115.8 million for the 2nd Quarter and Rs. 232.5 million for the six months period ended 31 December 2017, with a decline of 22% in comparison with the last year same period. Net Loss after Tax (NLAT) for the

six months period under review stood at Rs. 58.1 million. The decline in operating results of the subsidiary is primarily due to provision for slow moving stock and decrease in sales of Interferon based medicines being used for treatment of HCV. As a matter of prudence, management has recorded provision against slow-moving stock of Interferons amounting to Rs. 30.8 million during the period under review.

### **Future Outlook**

Recent devaluation of Rupee, pending registrations with DRAP and increasing competition in HCV franchise will bring more challenges for the company in the next half of the current financial year. Our application for registration of Epclusa® is pending with DRAP and contribution to the topline of the Company from imported products will depend on the registration of Epclusa®.

Our own manufactured branded generics business of gastroenterology, cardiology and diabetes is expected to grow at reasonable rate. We are also planning to launch a Nutraceutical product in Pediatrics which will bring a paradigm shift in the treatment of Diarrhea in children.

As appraised in the last quarter, we were able to secure a direct order for our principal, from public sector for import of 60 portable ultrasound machines. We are happy to report that these Ultrasound machines have been supplied along with training to over 250 Lady Health Visitors in different peripheries of Punjab. The initial response to our equipment business is encouraging and we have been successful in securing additional direct orders of 340 ultrasound machines from the public sector. Supplies against these orders will be made in the subsequent periods.

### **Acknowledgments**

We thank our customers, vendors, distributors, business partners and bankers for their continued support during the year. We place on record our appreciation of the contribution made by employees at all levels.

**For and on behalf of the Board of Directors**

**Mrs. Akhter Khalid Waheed**  
**Chairperson**

31 دسمبر 2017 پر ختم ہونے والی دوسری سہ ماہی اور ششماہی کا بعد از ٹیکس منافع بالترتیب 18.5 ملین روپے اور 79.2 ملین روپے رہا۔  
31 دسمبر 2017 پر ختم ہونے والی ششماہی کے خالص منافع کی بنیاد پر، بنیادی اور تحلیل کردہ فی حصص آمدن 2.62 روپے رہی جبکہ پچھلے سال کی اسی ششماہی میں بنیادی اور تحلیل کردہ فی حصص آمدن 11.90 روپے تھی۔

#### BF بائیو سائنسز لمیٹڈ کی آپریشنل صورت حال

31 دسمبر 2017 پر ختم ہونے والی سہ ماہی اور ششماہی کے دوران کمپنی کی ذیلی کمپنی BF بائیو سائنسز لمیٹڈ کی فروخت (خالص) بالترتیب 115.8 ملین روپے اور 232.5 ملین روپے رہی، جس میں پچھلے سال کی اسی ششماہی کے مقابلے میں 22% کی آئی۔ زیر جائزہ ششماہی کا بعد از ٹیکس خسارہ 58.1 ملین روپے رہا۔ ذیلی کمپنی کے آپریشنل نتائج میں کمی کی بنیادی وجوہات سست رفتاری سے فروخت ہونے والے سٹاک کی تخمینہ کردہ لاگت (Provision) ریکارڈ کرنا اور HCV کے علاج کیلئے استعمال ہونے والی انٹر فیر وئر پر مبنی ادویات کی فروخت میں کمی ہے۔ سمجھداری کے تقاضے سے، کمپنی نے سست رفتاری سے فروخت ہونے والے سٹاک کیلئے زیر جائزہ مدت کے دوران 30.8 ملین روپے کی تخمینہ کردہ لاگت (Provision) ریکارڈ کی ہے۔

#### مستقبل کے امکانات کا جائزہ

روپے کی قدر میں حالیہ کمی، DRAP کے ساتھ زیر التوا رجسٹریشن اور HCV فریجپازر کیلئے بڑھتی ہوئی مسابقت کی وجہ سے اس مالی سال کے دوسرے حصہ میں کمپنی کو مزید چیلنجز کا سامنا کرنا پڑے گا۔ DRAP کے ساتھ ایپیکلو سائی ر جیسٹریشن کی درخواست زیر التوا ہے اور کمپنی کی فروخت برائے درآمد کردہ مصنوعات میں اضافے کا انحصار ایپیکلو سائی ر جیسٹریشن پر ہے۔

کمپنی کی اپنی تیار کردہ عمدہ اور آنت سے متعلقہ (گیسٹر وائٹرولوجی)، دل سے متعلقہ (کارڈیالوجی) اور ذیابیطس سے متعلقہ برانڈڈ جینیئرک ادویات کی فروخت میں معقول شرح سے اضافہ متوقع ہے۔ ہم بچوں کیلئے غذائیت سے متعلقہ مصنوعات متعارف کروانے کا ارادہ بھی رکھتے ہیں جس سے بچوں کیلئے اسہال کے علاج میں مثالی تبدیلی آئے گی۔

جیسا کہ پچھلی سہ ماہی میں بتایا گیا، ہم نے اپنے پرنسپل کیلئے عوامی شعبے (پبلک سیکٹر) سے 60 دستی (پورٹ ایبل) الٹراساؤنڈ مشینوں کی درآمد کا ٹھیکہ حاصل کیا ہے۔ ہم یہ بتانے میں مسرت محسوس کرتے ہیں کہ ہم نے پنجاب کے دیہی علاقوں میں 250 سے زیادہ لیڈی ہیلتھ ورکرز کو یہ مشینیں فراہم کر دی ہیں اور ان کی تربیت بھی کر دی ہے۔ ہمارے آلات کے کاروبار کیلئے اچھا ابتدائی رد عمل دیکھنے کو ملا ہے اور ہم عوامی شعبے (پبلک سیکٹر) سے مزید 340 الٹراساؤنڈ مشینوں کا براہ راست ٹھیکہ حاصل کرنے میں کامیاب ہو گئے ہیں۔ ان ٹھیکوں کیلئے فروخت آئندہ مدت میں کی جائے گی۔

#### اعتراف

ہم اپنے خریداروں، ویڈرز، ڈسٹری بیوٹرز، کاروباری شراکت داروں اور ٹیکرز کا اکی مسلسل حمایت کیلئے شکریہ ادا کرتے ہیں۔ ہم ہر سطح کے ملازمین کی کاوشوں کا اعتراف کرتے ہیں اور انھیں خراج تحسین پیش کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

(مسز اختر خالد وحید)

چیئر پرسن

## 31 دسمبر 2017 پر ختم ہونے والی ششماہی کے مختصر عبوری مالیاتی نتائج پر ڈائریکٹر کی جائزہ رپورٹ

ہم انتہائی مسرت سے 31 دسمبر 2017 پر ختم ہونے والی ششماہی کیلئے کمپنی کے غیر پڑتال شدہ انفرادی اور انضمام کردہ مختصر عبوری مالیاتی نتائج پیش کرتے ہیں۔ انضمام کردہ مختصر عبوری مالیاتی نتائج میں فارمیٹیا وینچر (98 فیصد ملکیت) اور ذیلی کمپنی BF بائیوسائنسز لمیٹڈ (80 فیصد ملکیت) کے مالیاتی نتائج ضم کئے گئے ہیں۔

آپریٹل اور مالیاتی کارکردگی

زیر جائزہ مدت کے آپریٹل نتائج کا خلاصہ نیچے دیا گیا ہے:

| انضمام کردہ   |               |               |               | انفرادی       |               |               |               |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 6 مہینے       | 3 مہینے       | 6 مہینے       | 3 مہینے       | 6 مہینے       | 3 مہینے       | 6 مہینے       | 3 مہینے       |
| 31 دسمبر 2017 | 31 دسمبر 2016 | 31 دسمبر 2017 | 31 دسمبر 2016 | 31 دسمبر 2017 | 31 دسمبر 2016 | 31 دسمبر 2017 | 31 دسمبر 2016 |
| 2017          | 2016          | 2017          | 2016          | 2017          | 2016          | 2017          | 2016          |
| (ہزار روپے)   |               |               |               |               |               |               |               |
| 2,223,384     | 2,308,846     | 1,318,088     | 1,153,767     | 2,500,235     | 2,666,609     | 1,460,910     | 1,334,751     |
| 779,904       | 1,070,999     | 416,471       | 546,391       | 775,615       | 1,167,631     | 394,140       | 579,624       |
| 161,386       | 473,666       | 67,174        | 230,889       | 83,003        | 489,533       | 2,193         | 227,301       |
| (82,147)      | (114,578)     | (8,641)       | (72,329)      | (65,056)      | (114,979)     | (45,277)      | (70,184)      |
| 79,239        | 359,088       | 18,533        | 158,560       | 17,948        | 374,554       | (43,084)      | 157,117       |

کمپنی کی انفرادی فروخت (خالص) میں دوسری سہ ماہی کے دوران 14% اضافہ ہوا جبکہ اس ششماہی کے دوران گزشتہ سال کی اسی ششماہی کے مقابلے میں 4% کمی دیکھنے میں آئی۔ گروپ کی فروخت (خالص) میں دوسری سہ ماہی کے دوران 9% اضافہ ہوا جبکہ اس ششماہی کے دوران گزشتہ سال کی اسی ششماہی کے مقابلے میں 6% کمی دیکھنے میں آئی۔

فروخت (خالص) میں کمی کی بڑی وجہ اُن مصنوعات کی فروخت میں کمی ہے جو کمپنی گلیڈ سائنسز انکاپور ریڈ سے فرنیچر کے تحت HCV کیلئے درآمد کرتی ہے۔ گلیڈ کی مصنوعات کے علاوہ بقیہ فروخت میں پچھلے سال کے اسی عرصہ کے مقابلے میں 20% اضافہ ہوا۔

گراس منافع کی گنجائش میں دوسری سہ ماہی کے دوران پچھلے سال کی اسی سہ ماہی کے مقابلے میں 16% کمی ہوئی جبکہ اس ششماہی کے دوران پچھلے سال کی اسی ششماہی کے مقابلے میں 11% کمی ہوئی۔ گراس منافع کی گنجائش میں کمی کی بڑی وجوہات یہ ہیں کہ کمپنی نے سست رفتاری سے فروخت ہونے والے سٹاک کی تخمینہ کردہ لاگت (Provision) ریکارڈ کی اور حکومتی اداروں کو فروخت میں اضافہ ہوا جس فروخت میں گراس منافع کی کم گنجائش ہوتی ہے۔ دوسری سہ ماہی کے دوران سست رفتاری سے فروخت ہونے والے سوالڈی (Sovaldi) کے سٹاک کیلئے 50 ملین روپے کی مزید تخمینہ کردہ لاگت (Provision) ریکارڈ کی گئی۔ اس طرح سست رفتاری سے فروخت ہونے والے سوالڈی (Sovaldi) کے سٹاک کیلئے اس سال میں کل 100 ملین روپوں کی تخمینہ کردہ لاگت (Provision) ریکارڈ کی گئی۔ سمجھداری کے تقاضے سے، انتظامیہ ہر سہ ماہی میں سوالڈی (Sovaldi) کے سست رفتاری سے فروخت ہونے والے سٹاک کی تخمینہ کردہ لاگت (Provision) کا جائزہ لے رہی ہے۔

گروپ کے لحاظ سے، گراس منافع کی گنجائش میں دوسری سہ ماہی کے دوران پچھلے سال کی اسی سہ ماہی کے مقابلے میں 16% کمی ہوئی جبکہ اس ششماہی کے دوران پچھلے سال کی اسی ششماہی کے مقابلے میں 13% کمی ہوئی۔ 31 دسمبر 2017 پر ختم ہونے والی ششماہی کیلئے موثر شرح ٹیکس 51% رہی جو کہ پچھلے سال 24% تھی، موثر شرح ٹیکس میں اضافے کی وجہ سست رفتاری سے فروخت ہونے والے سٹاک کی تخمینہ کردہ لاگت (Provision) کا ریکارڈ کرنا ہے کیونکہ سٹاک پر درآمد کے وقت ٹیکس ٹیکس ریجائم کے تحت ٹیکس لگایا گیا تھا۔





KPMG Taseer Hadi & Co.  
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## Auditor's Report to the Members on Review of Interim Financial Information

### *Introduction*

We have reviewed the accompanying condensed interim unconsolidated balance sheet of **Ferozsons Laboratories Limited** ("the Company") as at 31 December 2017 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the condensed interim unconsolidated financial information for the six month period then ended (here-in-after referred as "the condensed interim unconsolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim unconsolidated financial information based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim unconsolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial information as of and for the six months period ended 31 December 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### *Other matters*

The figures of the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income for the quarter ended 31 December 2017, have not been reviewed and we do not express a conclusion on them.

Date: 19 February 2018

Lahore

*KPMG Taseer Hadi & Co.*  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Bilal Ali)

KPMG Taseer Hadi & Co., a Private entity, has registered in Pakistan and is a member firm of the KPMG network of independent member firms affiliated with the KPMG network of independent member firms affiliated with the KPMG network of independent member firms affiliated with the KPMG network of independent member firms.

## CONDENSED INTERIM UNCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

|   |      | Un-audited<br>31 December<br>2017 | Audited<br>30 June<br>2017 |
|---|------|-----------------------------------|----------------------------|
| EQUITY AND LIABILITIES  | Note | ----- Rupees -----                |                            |
| <b><u>Share capital and reserves</u></b>  |      |                                   |                            |
| Authorized share capital<br>50,000,000 (30 June 2017: 50,000,000) ordinary<br>shares of Rs. 10 each |      | <b>500,000,000</b>                | 500,000,000                |
| Issued, subscribed and paid up capital  | 3    | <b>301,868,410</b>                | 301,868,410                |
| Capital reserve   |      | <b>321,843</b>                    | 321,843                    |
| Accumulated profit  |      | <b>3,705,233,262</b>              | 3,733,431,676              |
|   |      | <b>4,007,423,515</b>              | 4,035,621,929              |
| Surplus on revaluation of property,<br>plant and equipment - net of tax                             |      | <b>794,214,955</b>                | 807,524,953                |
| <b><u>Non current liabilities</u></b>   |      |                                   |                            |
| Deferred taxation   |      | <b>161,310,023</b>                | 167,046,631                |
| <b><u>Current liabilities</u></b>   |      |                                   |                            |
| Trade and other payables  |      | <b>844,343,740</b>                | 763,465,926                |
| Short term borrowings - secured   | 4    | <b>143,920,343</b>                | 2,138,283                  |
| Accrued mark-up   |      | <b>2,613,460</b>                  | 1,646,851                  |
|   |      | <b>990,877,543</b>                | 767,251,060                |
| Contingencies and commitments   | 5    | <b>5,953,826,036</b>              | 5,777,444,573              |

The annexed notes from 1 to 17 form an integral part of this condensed interim unconsolidated financial information.

Chief Executive Officer

|   |             | Un-audited<br>31 December<br>2017 | Audited<br>30 June<br>2017 |
|---|-------------|-----------------------------------|----------------------------|
| <b>ASSETS</b>                           | <i>Note</i> | ----- Rupees -----                |                            |
| <b><u>Non-current assets</u></b>        |             |                                   |                            |
| Property, plant and equipment           | 6           | <b>2,643,673,722</b>              | 2,566,321,990              |
| Intangibles                             |             | <b>2,538,632</b>                  | 2,319,638                  |
| Long term investments - related parties | 7           | <b>292,701,455</b>                | 280,949,050                |
| Long term deposits                      |             | <b>7,066,325</b>                  | 7,066,325                  |
|   |             | <b>2,945,980,134</b>              | 2,856,657,003              |
| <b><u>Current assets</u></b>            |             |                                   |                            |
| Stores, spare parts and loose tools     |             | <b>21,895,566</b>                 | 20,951,720                 |
| Stock in trade                          |             | <b>1,358,522,402</b>              | 1,547,839,685              |
| Trade debts - considered good           |             | <b>795,287,167</b>                | 365,941,171                |
| Loans and advances - considered good    |             | <b>48,225,073</b>                 | 72,918,451                 |
| Deposits and prepayments                |             | <b>157,640,528</b>                | 151,421,998                |
| Other receivables                       |             | <b>23,128,429</b>                 | 10,595,528                 |
| Short term investments                  | 8           | <b>341,736,473</b>                | 487,884,889                |
| Income tax - net                        |             | <b>149,636,632</b>                | 127,916,951                |
| Cash and bank balances                  | 9           | <b>111,773,632</b>                | 135,317,177                |
|   |             | <b>3,007,845,902</b>              | 2,920,787,570              |
|   |             | <b>5,953,826,036</b>              | <b>5,777,444,573</b>       |

Director

## CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

|  |    | Half year ended        |                     | Quarter ended        |                     |
|--|----|------------------------|---------------------|----------------------|---------------------|
|  |    | 31 December<br>2017    | 31 December<br>2016 | 31 December<br>2017  | 31 December<br>2016 |
|  |    | Note -----             | Rupees -----        |                      |                     |
| Revenue - net                          | 10 | <b>2,223,383,744</b>   | 2,308,846,396       | <b>1,318,087,881</b> | 1,153,767,386       |
| Cost of sales                          | 11 | <b>(1,443,479,655)</b> | (1,237,847,803)     | <b>(901,616,657)</b> | (607,375,983)       |
| <b>Gross profit</b>                    |    | <b>779,904,089</b>     | 1,070,998,593       | <b>416,471,224</b>   | 546,391,403         |
| Administrative expenses                |    | <b>(151,868,393)</b>   | (136,393,046)       | <b>(80,468,359)</b>  | (69,055,612)        |
| Selling and distribution expenses      |    | <b>(473,587,770)</b>   | (431,114,833)       | <b>(270,991,778)</b> | (228,421,955)       |
| Other expenses                         |    | <b>(28,194,640)</b>    | (41,612,113)        | <b>(18,014,687)</b>  | (20,658,211)        |
| Other income                           |    | <b>41,535,521</b>      | 22,132,816          | <b>24,592,383</b>    | 11,163,221          |
| <b>Profit from operations</b>          |    | <b>167,788,807</b>     | 484,011,417         | <b>71,588,783</b>    | 239,418,846         |
| Finance costs                          |    | <b>(6,402,928)</b>     | (10,345,386)        | <b>(4,414,705)</b>   | (8,529,922)         |
| <b>Profit before taxation</b>          |    | <b>161,385,879</b>     | 473,666,031         | <b>67,174,078</b>    | 230,888,924         |
| Taxation                               | 12 | <b>(82,146,927)</b>    | (114,578,321)       | <b>(48,641,132)</b>  | (72,328,787)        |
| <b>Profit after taxation</b>           |    | <b>79,238,952</b>      | 359,087,710         | <b>18,532,946</b>    | 158,560,137         |
| Earnings per share - basic and diluted |    | <b>2.62</b>            | 11.90               | <b>0.61</b>          | 5.25                |

The annexed notes from 1 to 17 form an integral part of this condensed interim unconsolidated financial information.

Chief Executive Officer

Director

**CONDENSED INTERIM UNCONSOLIDATED STATEMENT  
 OF COMPREHENSIVE INCOME (UN-AUDITED)  
 FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

|  | <b>Half year ended</b>      |                             | <b>Quarter ended</b>        |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <b>31 December<br/>2017</b> | <b>31 December<br/>2016</b> | <b>31 December<br/>2017</b> | <b>31 December<br/>2016</b> |
|  | <b>----- Rupees -----</b>   |                             |                             |                             |
| <b>Profit after taxation</b>                     | <b>79,238,952</b>           | 359,087,710                 | <b>18,532,946</b>           | 158,560,137                 |
| Other comprehensive income for the period        | -                           | -                           | -                           | -                           |
| <b>Total comprehensive income for the period</b> | <b>79,238,952</b>           | 359,087,710                 | <b>18,532,946</b>           | 158,560,137                 |

The annexed notes from 1 to 17 form an integral part of this condensed interim unconsolidated financial information.

\_\_\_\_\_  
 Chief Executive Officer

\_\_\_\_\_  
 Director

# **CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)** **FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

|   | Share capital      | Capital reserve | Accumulated profit   | Total                |
|---|--------------------|-----------------|----------------------|----------------------|
|   | -----Rupees-----   |                 |                      | -----                |
| Balance as at 01 July 2016  | 301,868,410        | 321,843         | 3,765,936,024        | 4,068,126,277        |
| Total comprehensive income for the period   | -                  | -               | 359,087,710          | 359,087,710          |
| <i>Surplus transferred to accumulated profit</i><br>-on account of incremental depreciation charged during the period - net of tax  | -                  | -               | 13,311,001           | 13,311,001           |
| <b><i>Transactions with owners of the Company: recognized directly in equity</i></b>  |                    |                 |                      |                      |
| Final dividend for the year ended 30 June 2016 at Rs. 12 per share  | -                  | -               | (362,242,092)        | (362,242,092)        |
| Balance as at 31 December 2016 - unaudited  | 301,868,410        | 321,843         | 3,776,092,643        | 4,078,282,896        |
| <b>Balance as at 01 July 2017</b>   | <b>301,868,410</b> | <b>321,843</b>  | <b>3,733,431,676</b> | <b>4,035,621,929</b> |
| <b>Total comprehensive income for the period</b>  | <b>-</b>           | <b>-</b>        | <b>79,238,952</b>    | <b>79,238,952</b>    |
| <i>Surplus transferred to accumulated profit:</i><br>-on account of incremental depreciation charged during the period - net of tax<br>-on account of disposal of fixed assets during the year - net of tax | -                  | -               | (1,002)              | (1,002)              |
|   | -                  | -               | 13,309,998           | 13,309,998           |
| <b><i>Transactions with owners of the Company: recognized directly in equity</i></b>  |                    |                 |                      |                      |
| Final dividend for the year ended 30 June 2017 at Rs. 4 per share   | -                  | -               | (120,747,364)        | (120,747,364)        |
| <b>Balance as at 31 December 2017 - unaudited</b>   | <b>301,868,410</b> | <b>321,843</b>  | <b>3,705,233,262</b> | <b>4,007,423,515</b> |

The annexed notes from 1 to 17 form an integral part of this condensed interim unaudited financial information.

Chief Executive Officer

Director

# CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

|  | 31 December<br>2017  | 31 December<br>2016  |
|--|----------------------|----------------------|
|  | ----- Rupees -----   |                      |
| <b><u>Cash flow from operating activities</u></b>                    |                      |                      |
| Profit before taxation   | 161,385,879          | 473,666,031          |
| <b>Adjustments for:</b>  |                      |                      |
| Depreciation on property, plant and equipment                        | 120,211,475          | 96,229,822           |
| Amortisation on intangibles  | 977,785              | 927,627              |
| Provision for slow moving stock in trade                             | 100,000,000          | -                    |
| Gain on disposal of property, plant and equipment                    | (4,447,964)          | (4,641,301)          |
| Finance costs  | 6,402,928            | 10,345,386           |
| Gain on re-measurement of short term investments to fair value       | (8,571,086)          | (4,206,967)          |
| Gain on sale of short term investments                               | (1,907,227)          | (3,171,520)          |
| Profit on term deposits  | -                    | (834,747)            |
| Share in profit of Farmacia  | (11,752,405)         | (8,007,197)          |
| Workers' Profit Participation Fund                                   | 8,794,456            | 25,438,562           |
| Central Research Fund  | 1,776,658            | 5,139,104            |
| Workers' Welfare Fund  | 5,708,794            | 9,666,654            |
|  | 217,193,414          | 126,885,423          |
| <b>Cash generated from operations before working capital changes</b> | <b>378,579,293</b>   | <b>600,551,454</b>   |
| <b><u>Effect on cash flow due to working capital changes</u></b>     |                      |                      |
| <i>(Increase) / decrease in current assets</i>                       |                      |                      |
| Stores, spare parts and loose tools                                  | (943,846)            | (10,217,542)         |
| Advances, deposits, prepayments and other receivables                | 5,941,946            | (30,394,581)         |
| Stock in trade   | 89,317,283           | 130,022,027          |
| Trade debts - considered good  | (429,345,996)        | (143,786,519)        |
|  | (335,030,613)        | (54,376,615)         |
| <i>(Decrease) / increase in current liabilities</i>                  |                      |                      |
| Trade and other payables   | 68,716,994           | (105,036,457)        |
| <b>Cash generated from operations</b>                                | <b>112,265,674</b>   | <b>441,138,382</b>   |
| Taxes paid   | (109,603,215)        | (132,737,505)        |
| Worker's Profit Participation Fund paid                              | -                    | (19,021,668)         |
| Worker's Welfare Fund paid   | -                    | (54,163,779)         |
| Central Research Fund paid   | (6,048,836)          | (28,795,204)         |
| Long term deposits - net   | -                    | (715,000)            |
| <b>Net cash generated from operating activities</b>                  | <b>(3,386,377)</b>   | <b>205,705,226</b>   |
| <b><u>Cash flow from investing activities</u></b>                    |                      |                      |
| Acquisition of property, plant and equipment                         | (199,329,020)        | (232,625,948)        |
| Acquisition of intangibles   | (1,196,777)          | -                    |
| Proceeds from sale of property, plant and equipment                  | 6,213,779            | 6,671,592            |
| Profit on term deposits  | -                    | 1,522,185            |
| Proceeds from disposal of short term investments - net               | 156,626,729          | 139,587,784          |
| <b>Net cash used in investing activities</b>                         | <b>(37,685,293)</b>  | <b>(84,844,387)</b>  |
| <b><u>Cash flow from financing activities</u></b>                    |                      |                      |
| Finance cost paid  | (5,436,319)          | (10,103,283)         |
| Dividend paid  | (118,817,616)        | (350,786,407)        |
| <b>Net cash used in financing activities</b>                         | <b>(124,253,935)</b> | <b>(360,889,690)</b> |
| <b>Net decrease in cash and cash equivalents</b>                     | <b>(165,325,605)</b> | <b>(240,028,851)</b> |
| <b>Cash and cash equivalents at the beginning of the period</b>      | <b>133,178,894</b>   | <b>249,679,779</b>   |
| <b>Cash and cash equivalents at the end of the period</b>            | <b>(32,146,711)</b>  | <b>9,650,928</b>     |
| <b>Cash and cash equivalents comprise of the following:</b>          |                      |                      |
| Cash and bank balances   | 111,773,632          | 166,640,165          |
| Running finance  | (143,920,343)        | (156,989,237)        |
|  | (32,146,711)         | 9,650,928            |

The annexed notes from 1 to 17 form an integral part of this condensed interim unconsolidated financial information.

Chief Executive Officer

Director

# **NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

## **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 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 factory is located at Amangarh, Nowshera, Khyber Pakhtun Khwa.

## **2 Basis of preparation**

### **2.1 Basis of accounting**

**2.1.1** This condensed interim unconsolidated financial information comprises the condensed interim unconsolidated balance sheet of the Company as at 31 December 2017 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity and condensed interim unconsolidated cash flow statement together with the notes forming part thereof.

**2.1.2** This condensed interim unconsolidated financial information of the Company for the six months period ended 31 December 2017 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

On 30 May 2017 the Companies Act, 2017 was enacted which replaced and repealed the Companies Ordinance, 1984 (the "repealed Ordinance"). However, the Securities and Exchange Commission of Pakistan (SECP) vide its circular 23 dated 04 October 2017 and press release of the said date, has clarified that all the companies whose financial year, including quarterly and other interim period, closes on or before 31 December 2017, can prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

**2.1.3** This condensed interim unconsolidated financial information is unaudited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Pakistan Stock Exchange Limited.

**2.1.4** This condensed interim unconsolidated financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual unconsolidated financial statements for the year ended 30 June 2017. Selected explanatory notes have been added to explain events and transactions that are significant to and understanding of the changes in the Company's financial position and performance since the last financial statements.

**2.1.5** Comparative unconsolidated balance sheet numbers are extracted from the annual audited unconsolidated financial statements of the Company for the year ended 30 June 2017, whereas comparative unconsolidated profit and loss account, statement of comprehensive income, cash flow statement and



statement of changes in equity are stated from unaudited condensed interim unconsolidated financial information of the Company for the six months period ended 31 December 2016.

## 2.2 Judgements and estimates

In preparing this interim unconsolidated financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the unconsolidated financial statements as at and for the year ended 30 June 2017.

## 2.3 Statement of consistency in accounting policies

**2.3.1** The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2017 except that pursuant to the requirements of IAS-7 "Statement of cash flows" a disclosure of reconciliation of movements of liabilities to cash flows arising from financing activities has been given in note 14 to the unconsolidated interim financial information.

**2.3.2** There were certain other new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.

In addition to the above, following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018 and are not expected to have significant impact on this condensed unconsolidated interim financial information:

| <b><u>Standard or Interpretation</u></b>                              | <b>Effective date<br/>(accounting<br/>periods<br/>beginning on or<br/>after)</b> |
|---|--|
| IFRS 2 - Share-based Payment  | 01 January 2018  |
| IAS 40 - Investment Property  | 01 January 2018  |
| IFRIC 22 - Foreign Currency Transactions and<br>Advance Consideration | 01 January 2018  |
| Annual Improvements to IFRS Standards 2014–2016 Cycle                 | 01 January 2018  |
| IFRS 15 - Revenue from contracts with customers                       | 01 July 2018   |
| IFRS 9 - Financial Instrument   | 01 July 2018   |
| Amendment to IFRS 9 - Financial Instrument                            | 01 January 2019  |
| IFRIC 23 - Uncertainty over Income Tax Treatments                     | 01 January 2019  |
| Amendment to IAS 28 - Investments in Associates<br>and Joint Ventures | 01 January 2019  |
| Annual Improvements to IFRS Standards 2015–2017 Cycle                 | 01 January 2019  |

In addition, the Companies Act, 2017 applicable from 1 January 2018 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to

treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 – Property, plant and equipment. This amendment will result in reclassification of surplus on revaluation of fixed assets as part of shareholders' equity.

|   | Un-audited<br>31 December<br>2017 | Audited<br>30 June<br>2017 |
|---|-----------------------------------|----------------------------|
| <b>3 Issued, subscribed and paid up capital</b>   | <b>-----Rupees-----</b>           |                            |
| 1,441,952 (30 June 2017: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash   | <b>14,419,520</b>                 | 14,419,520                 |
| 119,600 (30 June 2017: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged | <b>1,196,000</b>                  | 1,196,000                  |
| 28,625,289 (30 June 2017: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares  | <b>286,252,890</b>                | 286,252,890                |
|   | <b><u>301,868,410</u></b>         | <b><u>301,868,410</u></b>  |

KFW Factors (Private) Limited, an associated company holds 8,286,942 (30 June 2017: 8,286,942) ordinary shares of Rs. 10 each of the Company.

#### **4 Short term borrowings - secured**

##### **4.1 With conventional financial institutions**

The Company has short term borrowing facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 750 million (30 June 2017: Rs. 750 million). These facilities carry mark-up at the rates ranging from three months KIBOR plus 0.3% to 0.9% (30 June 2017: three months KIBOR plus 0.1% to 0.9%) per annum on the outstanding balances. Out of the aggregate facilities, Rs. 450 million are secured by first pari passu charge of Rs. 1,000 million over all present and future assets of the Company (excluding land and building) and remaining Rs. 300 million (30 June 2017: Rs. 300 million) facility is secured by lien on Company's short term investments (money market/income fund) which should be 110% of the maximum limit allowed for utilization. Under this arrangement, short term investment of Rs. 333.33 million (30 June 2017: Rs. 207.75 million) is marked under lien. These facilities are renewable on annual basis latest by 28 February 2018.

##### **4.2 With shariah compliant financial institutions**

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 (30 June 2017: Rs. 200 million). This facility carries profit rate of three months KIBOR plus 0.3% (30 June 2017: three months KIBOR plus 0.3%) per annum on the outstanding balance. This facility is secured by first pari passu charge over current assets of the Company. This facility is renewable on annual basis latest by 30 June 2018.

#### **5 Contingencies and commitments**

##### **5.1 Contingencies**

There is no significant change in contingencies already disclosed in annual published financial statement of the Company for the year ended 30 June 2017.

## 5.2 Commitments

### 5.2.1 Letter of credits

#### 5.2.1.1 With conventional financial institutions

Out of the aggregate facility of Rs. 600 million (30 June 2017: Rs. 600 million) for opening letters of credit, the amount utilized at 31 December 2017 for capital expenditure was Rs. 16.8 million (30 June 2017: Rs. Nil) and for other than capital expenditure was Rs. 41.2 million (30 June 2017: Rs. 166.15 million). These facilities are secured by first pari passu charge of Rs. 1,000 million over all present and future current assets and fixed assets (excluding land & building) of the Company.

#### 5.2.1.2 With shariah compliant financial institutions

The Company has facility i.e. letters of credit of Rs. 75 million (30 June 2017: Rs. 75 million) available from Islamic bank, the amount utilized at 31 December 2017 for capital expenditure was Rs. 1 million (30 June 2017: Rs. Nil) and for other than capital expenditure was Rs. 4.5 million (30 June 2017: Rs. 28.74 million). This facility is secured by first pari passu charge of Rs. 94 million over current assets of the Company. Lien is also marked over import documents.

|  | Un-audited<br>31 December<br>2017 | Audited<br>30 June<br>2017 |
|--|-----------------------------------|----------------------------|
| <b>6 Property, plant and equipment</b>             | <b>Note</b>                       | <b>-----Rupees-----</b>    |
| <b><u>Cost</u></b>                                 |                                   |                            |
| Opening balance at beginning of the period / year  | <b>2,720,001,043</b>              | 2,222,856,411              |
| Additions / transfers during the period / year     | <b>142,227,375</b>                | 526,800,955                |
| Disposals during the period / year                 | <b>(11,592,063)</b>               | (29,656,323)               |
| <b>Closing balance at end of the period / year</b> | <b>2,850,636,355</b>              | 2,720,001,043              |
| <b><u>Accumulated depreciation</u></b>             |                                   |                            |
| Opening balance at beginning of the period / year  | <b>370,941,222</b>                | 185,948,373                |
| Depreciation for the period / year                 | <b>120,211,475</b>                | 209,789,257                |
| On disposals                                       | <b>(9,826,250)</b>                | (24,796,408)               |
| Closing balance at end of the period / year        | <b>481,326,447</b>                | 370,941,222                |
| <b>Operating fixed assets - net book value</b>     | <b>2,369,309,908</b>              | 2,349,059,821              |
| <b>Capital work in progress - at cost</b>          | <b>274,363,814</b>                | 217,262,169                |
|  | <b>2,643,673,722</b>              | 2,566,321,990              |

## 7 Long term investments - related parties

### *Related parties - at cost:*

|  |     |                    |             |
|--|-----|--------------------|-------------|
| Farmacia (partnership firm)                  | 7.1 | <b>140,701,495</b> | 128,949,090 |
| BF Biosciences Limited (unlisted subsidiary) | 7.2 | <b>151,999,960</b> | 151,999,960 |
|  |     | <b>292,701,455</b> | 280,949,050 |

- 7.1** This represents the 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 period / year not withdrawn is reinvested in capital account of partnership.
- 7.2** This represents investment made in 15,199,996 (30 June 2017: 15,199,996) ordinary shares of Rs. 10 each, in BF Biosciences Limited. BF Biosciences Limited has been set up for establishing a Biotech Pharmaceutical Plant to manufacture mainly Cancer and Hepatitis related medicines. The Company holds 80% (30 June 2017: 80%) of equity of the subsidiary and the remaining 20% (30 June 2017: 20%) is held by Gurpo Empresarial Bagó S.A, Argentina (previously known as Laboratories Bagó S.A., Argentina).

|  |      | Un-audited<br>31 December<br>2017 | Audited<br>30 June<br>2017 |
|--|------|-----------------------------------|----------------------------|
|  | Note | ----- Rupees -----                |                            |

## 8 Short term investments

### Investments at fair value through profit or loss - Mutual Funds

|  |       |                    |                    |
|--|-------|--------------------|--------------------|
| Held for trading   | 8.1   | <b>341,736,473</b> | <b>487,884,889</b> |
| <b>8.1</b> These investments are 'held for trading'                        |       |                    |                    |
| Carrying value at 01 July  |       | 487,884,889        | -                  |
| Acquisition during the period/year   |       | -                  | 724,215,542        |
| Redemption during the period/year  |       | (156,626,729)      | (239,587,784)      |
| Realized gain on sale of investment - during the period/year               |       | 1,907,227          | 3,171,520          |
| Unrealized gain on re-measurement of investment - during the period/year   |       | 8,571,086          | 85,611             |
| Carrying and fair value of short term investments at 31 December / 30 June | 8.1.1 | <b>341,736,473</b> | <b>487,884,889</b> |

|   | Units                             |                            | Fair value                        |                            |
|---|-----------------------------------|----------------------------|-----------------------------------|----------------------------|
|   | Un-audited<br>31 December<br>2017 | Audited<br>30 June<br>2017 | Un-audited<br>31 December<br>2017 | Audited<br>30 June<br>2017 |
| .....Number.....                                    |                                   |                            |                                   | .....Rupees.....           |
| <b>8.1.1</b> Mutual fund wise detail is as follows: |                                   |                            |                                   |                            |
| <b>Mutual Funds</b>                                 |                                   |                            |                                   |                            |
| HBL Money Market Fund                               | <b>2,041,354</b>                  | 2,041,354                  | <b>212,957,978</b>                | 207,745,379                |
| MCB Cash Management Optimizer Fund                  | -                                 | 1,243,740                  | -                                 | 125,017,910                |
| HBL Cash Fund                                       | <b>1,248,377</b>                  | 1,543,804                  | <b>128,778,495</b>                | 155,121,600                |
|   |                                   |                            | <b>341,736,473</b>                | <b>487,884,889</b>         |

- 8.2** Changes in fair values of financial assets at fair value through profit or loss are recorded in profit and loss account. Realized gain of Rs. 1.91 million (31 December 2016: Rs. 3.17 million) has been recorded in the current period in "other income".

- 8.3** Realized gain on redemption of short term investments is earned under mark up arrangements.

## 9 Cash and bank balances

- 9.1** These include current account of Rs. 0.67 million (30 June 2017: Rs. 0.67 million) maintained under Shariah compliant arrangements.

- 9.2** These include deposit accounts of Rs. 8.7 million (30 June 2017: Rs. 52.07 million) under mark up arrangements, which carry interest rates ranging from 3.7% - 5.35% (30 June 2017: 3.75% - 5.4%) per annum.

These also include deposit account of Rs. 0.15 million (30 June 2017: Rs. 1.42 million) under Shariah compliant arrangements, which carries profit rate of 2.40% (30 June 2017: 2.40% - 2.41%) per annum.

| (Un-audited) Half year ended |                  | (Un-audited) Quarter ended |                  |
|------------------------------|------------------|----------------------------|------------------|
| 31 December 2017             | 31 December 2016 | 31 December 2017           | 31 December 2016 |

----- Rupees -----

## 10 Revenue - net

### Gross sales:

|        |                      |                      |                      |                      |
|--------|----------------------|----------------------|----------------------|----------------------|
| Local  | 2,323,847,720        | 2,348,428,426        | 1,356,286,477        | 1,193,805,378        |
| Export | 66,956,682           | 113,763,506          | 42,144,523           | 44,748,296           |
|        | <b>2,390,804,402</b> | <b>2,462,191,932</b> | <b>1,398,431,000</b> | <b>1,238,553,674</b> |

### Less:

|                          |                      |                      |                      |                      |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| Sales returns            | (29,299,705)         | (49,791,748)         | (10,635,099)         | (29,543,096)         |
| Discounts and commission | (124,059,342)        | (95,236,228)         | (59,153,342)         | (51,875,485)         |
| Sales tax                | (14,061,611)         | (8,317,560)          | (10,554,678)         | (3,367,707)          |
|                          | <b>(167,420,658)</b> | <b>(153,345,536)</b> | <b>(80,343,119)</b>  | <b>(84,786,288)</b>  |
|                          | <b>2,223,383,744</b> | <b>2,308,846,396</b> | <b>1,318,087,881</b> | <b>1,153,767,386</b> |

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

| (Un-audited) Half year ended |                  | (Un-audited) Quarter ended |                  |
|------------------------------|------------------|----------------------------|------------------|
| 31 December 2017             | 31 December 2016 | 31 December 2017           | 31 December 2016 |

Note

----- Rupees -----

## 11 Cost of sales

|                                    |      |                    |                    |                    |                    |
|------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| Raw and packing materials consumed | 11.1 | 509,829,532        | 358,685,110        | 356,026,413        | 191,242,604        |
| Other manufacturing expenses       |      | 239,758,454        | 212,299,743        | 122,648,931        | 104,967,250        |
|                                    |      | <b>749,587,986</b> | <b>570,984,853</b> | <b>478,675,344</b> | <b>296,209,854</b> |

### Work in process:

|         |                     |                     |                    |                     |
|---------|---------------------|---------------------|--------------------|---------------------|
| Opening | 33,156,171          | 24,195,375          | 43,550,630         | 25,921,688          |
| Closing | (45,390,246)        | (38,502,875)        | (45,390,246)       | (38,502,875)        |
|         | <b>(12,234,075)</b> | <b>(14,307,500)</b> | <b>(1,839,616)</b> | <b>(12,581,187)</b> |

### Cost of goods manufactured

|  |             |             |             |             |
|--|-------------|-------------|-------------|-------------|
|  | 737,353,911 | 556,677,353 | 476,835,728 | 283,628,667 |
|--|-------------|-------------|-------------|-------------|

### Finished stock:

|                                  |                      |                      |                    |                    |
|----------------------------------|----------------------|----------------------|--------------------|--------------------|
| Opening                          | 1,079,226,890        | 1,526,340,345        | 1,111,114,845      | 1,333,940,758      |
| Purchases made during the period | 518,807,974          | 415,711,724          | 205,575,204        | 250,688,177        |
| Closing                          | (891,909,120)        | (1,260,881,619)      | (891,909,120)      | (1,260,881,619)    |
|                                  | <b>706,125,744</b>   | <b>681,170,450</b>   | <b>424,780,929</b> | <b>323,747,316</b> |
|                                  | <b>1,443,479,655</b> | <b>1,237,847,803</b> | <b>901,616,657</b> | <b>607,375,983</b> |

## 11.1 Raw and packing materials consumed

|                                  |                    |                    |                    |                    |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Opening                          | 378,989,330        | 301,363,782        | 399,880,352        | 355,322,067        |
| Purchases made during the period | 437,370,910        | 392,544,574        | 262,676,769        | 171,143,783        |
|                                  | <b>816,360,240</b> | <b>693,908,356</b> | <b>662,557,121</b> | <b>526,465,850</b> |
| Closing                          | (306,530,708)      | (335,223,246)      | (306,530,708)      | (335,223,246)      |
|                                  | <b>509,829,532</b> | <b>358,685,110</b> | <b>356,026,413</b> | <b>191,242,604</b> |

11.2 This is net off provision for slow moving stock in trade of Rs. 100 million (31 December 2016: Rs. Nil).

|                    | Un-audited<br>31 December<br>2017 | Un-audited<br>31 December<br>2016 |
|--------------------|-----------------------------------|-----------------------------------|
|                    | -----Rupees-----                  |                                   |
| <b>12 Taxation</b> |                                   |                                   |
| For the year       |                                   |                                   |
| - Current tax      | 87,883,534                        | 107,014,050                       |
| - Deferred tax     | (5,736,607)                       | 7,564,271                         |
|                    | <b>82,146,927</b>                 | <b>114,578,321</b>                |

### 12.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

|                        |                    |             |
|------------------------|--------------------|-------------|
| Profit before taxation | <b>161,385,879</b> | 473,666,031 |
|------------------------|--------------------|-------------|

----- (Percentage) -----

|   |     |     |
|---|-----|-----|
| Applicable tax rate as per Income Tax Ordinance, 2001 | 30% | 31% |
|---|-----|-----|

|                                 | Un-audited<br>31 December<br>2017 | Un-audited<br>31 December<br>2016 |
|---------------------------------|-----------------------------------|-----------------------------------|
|                                 | -----Rupees-----                  |                                   |
| Tax on accounting profit        | 48,415,764                        | 146,836,470                       |
| Effect of final tax regime      | 37,188,749                        | (5,345,084)                       |
| Effect of tax credit            | (4,760,369)                       | (29,022,040)                      |
| Not adjustable for tax purposes | 1,302,783                         | -                                 |
| Others                          | -                                 | 2,108,975                         |
|                                 | <b>33,731,163</b>                 | <b>(32,258,149)</b>               |
|                                 | <b>82,146,927</b>                 | <b>114,578,321</b>                |

The Finance Act, 2017 introduced a tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year 2017 and onwards and does not distribute at least forty percent of its after tax profits through cash or bonus shares within six months of the end of the said tax year.

The Board of Directors of the Company intends to distribute sufficient cash dividend for the year ended 30 June 2018 to comply with the above stated requirement. Accordingly, no provision for tax on undistributed reserves has been recognized in this condensed unconsolidated interim financial information.

### 13 Transactions with related parties

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. Balances with the related parties are shown in respective notes in the condensed interim unconsolidated financial information. Transactions with related parties during the period are as follows:

|   | <b>Un-audited (Half year ended)</b> |                         |
|---|-------------------------------------|-------------------------|
|   | <b>31 December 2017</b>             | <b>31 December 2016</b> |
|   | <b>----- Rupees -----</b>           |                         |
| <b><u>Farmacia - 98% owned subsidiary partnership firm</u></b>              |                                     |                         |
| Sale of medicines   | <b>19,465,966</b>                   | 8,403,090               |
| Payment received  | <b>19,465,966</b>                   | 6,151,343               |
| Share of profit reinvested  | <b>11,752,405</b>                   | 8,007,197               |
| Rentals   | <b>1,753,845</b>                    | 1,594,410               |
| <b><u>BF Biosciences Limited - 80% owned subsidiary company</u></b>         |                                     |                         |
| Sale of finished goods  | <b>55,929,310</b>                   | 44,117,391              |
| Payment received  | <b>55,929,310</b>                   | 44,117,391              |
| Purchase of goods   | <b>1,405,269</b>                    | 2,331,683               |
| Payment made  | <b>1,405,269</b>                    | 2,331,683               |
| Marketing fee   | <b>2,029,844</b>                    | 3,430,824               |
| Expenses incurred   | <b>5,353,672</b>                    | 13,576,593              |
| Payment made  | <b>7,383,516</b>                    | 17,007,419              |
| <b><u>Other related parties</u></b>   |                                     |                         |
| Contribution towards employees' provident fund                              | <b>15,404,072</b>                   | 12,917,402              |
| Remuneration including benefits and perquisites of key management personnel | <b>69,824,433</b>                   | 71,221,380              |
| (Receipts) / Payment into Workers' Profit Participation Fund                | <b>(1,529,028)</b>                  | 19,021,668              |
| Dividend to KFW Factors (Private) Limited                                   | <b>33,147,768</b>                   | 99,443,304              |
| Dividend to Directors   | <b>11,141,136</b>                   | 44,193,540              |

**14 Reconciliation of movement of liabilities to cash flows arising from financing activities**

|   | <b>2017</b>               |                             |                        |                      |
|---|---------------------------|-----------------------------|------------------------|----------------------|
|   | <b>Dividend Payable</b>   | <b>Short term borrowing</b> | <b>Accrued mark-up</b> | <b>Total</b>         |
|   | <b>----- Rupees -----</b> |                             |                        |                      |
| <b>As at 30 June 2017</b>                       | <b>80,854,747</b>         | <b>2,138,283</b>            | <b>1,646,851</b>       | <b>84,639,881</b>    |
| <b><i>Changes from financing cash flows</i></b> |                           |                             |                        |                      |
| Dividend paid                                   | (118,817,616)             | -                           | -                      | (118,817,616)        |
| Financial charges paid                          | -                         | -                           | (5,436,319)            | (5,436,319)          |
| <b>Total changes from financing cash flows</b>  | <b>(118,817,616)</b>      | <b>-</b>                    | <b>(5,436,319)</b>     | <b>(124,253,935)</b> |
| <b><i>Other changes</i></b>                     |                           |                             |                        |                      |
| Change in borrowings                            | -                         | 141,782,060                 | -                      | <b>141,782,060</b>   |
| Dividend expense                                | 120,747,364               | -                           | -                      | <b>120,747,364</b>   |
| Interest expense                                | -                         | -                           | 6,402,928              | <b>6,402,928</b>     |
| <b>Total liability related other changes</b>    | <b>120,747,364</b>        | <b>141,782,060</b>          | <b>6,402,928</b>       | <b>268,932,352</b>   |
| <b>As at 31 December 2017</b>                   | <b>82,784,495</b>         | <b>143,920,343</b>          | <b>2,613,460</b>       | <b>229,318,298</b>   |

## 15 Financial risk management and financial instruments - fair value

**15.1** The Company's financial risk management objective and policies are consistent with that disclosed in the annual unconsolidated financial statements of the Company for the year ended 30 June 2017.

**15.2** 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.

|  | Cash and cash equivalents | Fair Value through Income Statement | Carrying Amount       |                    | Other financial liabilities | Fair Value           |         |         |
|--|---------------------------|-------------------------------------|-----------------------|--------------------|-----------------------------|----------------------|---------|---------|
|  |                           |                                     | Loans and receivables | Liabilities        |                             | Total                | Level 1 | Level 2 |
|  |                           |                                     |                       |                    | Rupees                      |                      |         |         |
| <b>31 December 2017</b>                              |                           |                                     |                       |                    |                             |                      |         |         |
| <b>Financial assets measured at fair value:</b>      |                           |                                     |                       |                    |                             |                      |         |         |
| Long term deposits                                   | -                         | 341,736,473                         | -                     | -                  | -                           | 341,736,473          | -       | -       |
| <b>Financial assets not measured at fair value:</b>  |                           |                                     |                       |                    |                             |                      |         |         |
| Trade deposits                                       | -                         | -                                   | 7,066,325             | -                  | -                           | 7,066,325            | -       | -       |
| Trade debts - considered good                        | -                         | -                                   | 795,937,167           | -                  | -                           | 795,937,167          | -       | -       |
| Loans and advances - considered good                 | -                         | -                                   | 1,451,358             | -                  | -                           | 1,451,358            | -       | -       |
| Short term deposits                                  | -                         | -                                   | 148,569,892           | -                  | -                           | 148,569,892          | -       | -       |
| Other receivables                                    | -                         | -                                   | 14,536,178            | -                  | -                           | 14,536,178           | -       | -       |
| Bank balances  | 104,763,671               | -                                   | -                     | -                  | -                           | 104,763,671          | -       | -       |
|  | <b>104,763,671</b>        | -                                   | <b>967,013,620</b>    | -                  | -                           | <b>1,071,777,291</b> | -       | -       |
| <b>Financial liabilities measured at fair value:</b> |                           |                                     |                       |                    |                             |                      |         |         |
| Trade and other payables                             | -                         | -                                   | -                     | -                  | -                           | -                    | -       | -       |
| Short term borrowings - secured                      | -                         | -                                   | -                     | 718,321,726        | -                           | 718,321,726          | -       | -       |
| Accrued mark-up                                      | -                         | -                                   | -                     | 143,920,343        | -                           | 143,920,343          | -       | -       |
|  | -                         | -                                   | -                     | 2,613,460          | -                           | 2,613,460            | -       | -       |
|  | -                         | -                                   | -                     | <b>864,855,529</b> | -                           | <b>864,855,529</b>   | -       | -       |
| <b>30 June 2017</b>                                  |                           |                                     |                       |                    |                             |                      |         |         |
| <b>Financial assets measured at fair value:</b>      |                           |                                     |                       |                    |                             |                      |         |         |
| Long term deposits                                   | -                         | 487,884,889                         | -                     | -                  | -                           | 487,884,889          | -       | -       |
| <b>Financial assets not measured at fair value:</b>  |                           |                                     |                       |                    |                             |                      |         |         |
| Trade deposits                                       | -                         | -                                   | 7,066,325             | -                  | -                           | 7,066,325            | -       | -       |
| Trade debts - considered good                        | -                         | -                                   | 365,941,171           | -                  | -                           | 365,941,171          | -       | -       |
| Loans and advances - considered good                 | -                         | -                                   | 988,647               | -                  | -                           | 988,647              | -       | -       |
| Short term deposits                                  | -                         | -                                   | 150,645,717           | -                  | -                           | 150,645,717          | -       | -       |
| Other receivables                                    | -                         | -                                   | 256,700               | -                  | -                           | 256,700              | -       | -       |
| Bank balances  | 128,369,423               | -                                   | -                     | -                  | -                           | 128,369,423          | -       | -       |
|  | <b>128,369,423</b>        | -                                   | <b>524,878,560</b>    | -                  | -                           | <b>653,247,983</b>   | -       | -       |
| <b>Financial liabilities measured at fair value:</b> |                           |                                     |                       |                    |                             |                      |         |         |
| Trade and other payables                             | -                         | -                                   | -                     | -                  | -                           | -                    | -       | -       |
| Short term borrowings - secured                      | -                         | -                                   | -                     | 604,908,209        | -                           | 604,908,209          | -       | -       |
| Accrued mark-up                                      | -                         | -                                   | -                     | 2,138,283          | -                           | 2,138,283            | -       | -       |
|  | -                         | -                                   | -                     | 1,646,851          | -                           | 1,646,851            | -       | -       |
|  | -                         | -                                   | -                     | <b>608,093,343</b> | -                           | <b>608,093,343</b>   | -       | -       |



**16 Subsequent event and date of authorization for issue**

The Board of Directors of the Company in its meeting held on 19 February, 2018 has authorized to issue these condensed interim unconsolidated financial statements and has approved interim cash dividend of Rs. Nil per share (31 December 2016: Rs. 3 per share) amounting to Rs. Nil (31 December 2016: Rs. 90,560,523) for the year ending 30 June 2018 in the same meeting.

**17 Corresponding figures**

- 17.1** 'This condensed interim financial information is presented in Pakistan Rupee which is the Company's functional currency and the figures have rounded off to the nearest rupee.
- 17.2** Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison and better presentation as per reporting framework.





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***Condensed Interim  
Consolidated  
Financial Information  
for the Half Year Ended  
31 December 2017***

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**FEROZSONS**  
LABORATORIES LIMITED

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

|   |      | Un-audited<br>31 December<br>2017 | Audited<br>30 June<br>2017 |
|---|------|-----------------------------------|----------------------------|
|   | Note | ----- Rupees -----                |                            |
| <b>EQUITY AND LIABILITIES</b>   |      |                                   |                            |
| <b><u>Share capital and reserves</u></b>  |      |                                   |                            |
| Authorized share capital<br>50,000,000 (30 June 2017: 50,000,000) ordinary<br>shares of Rs. 10 each |      | <b>500,000,000</b>                | 500,000,000                |
| Issued, subscribed and paid up capital  | 4    | <b>301,868,410</b>                | 301,868,410                |
| Capital reserve   |      | <b>321,843</b>                    | 321,843                    |
| Accumulated profit  |      | <b>4,196,670,210</b>              | 4,265,339,789              |
| Equity attributable to owners of the Company  |      | <b>4,498,860,463</b>              | 4,567,530,042              |
| Non-controlling interests   |      | <b>159,279,694</b>                | 171,535,961                |
|   |      | <b>4,658,140,157</b>              | 4,739,066,003              |
| Surplus on revaluation of property, plant and<br>equipment - net of tax                             |      | <b>957,291,053</b>                | 979,164,891                |
| <b><u>Non current liabilities</u></b>   |      |                                   |                            |
| Deferred taxation   |      | <b>219,981,288</b>                | 246,490,537                |
| <b><u>Current liabilities</u></b>   |      |                                   |                            |
| Trade and other payables  |      | <b>970,804,006</b>                | 849,897,469                |
| Short term borrowings - secured   | 5    | <b>144,292,841</b>                | 24,888,862                 |
| Accrued mark-up   |      | <b>2,614,959</b>                  | 1,646,851                  |
|   |      | <b>1,117,711,806</b>              | 876,433,182                |
| Contingencies and commitments   | 6    |                                   |                            |
|   |      | <b>6,953,124,304</b>              | 6,841,154,613              |

The annexed notes from 1 to 17 form an integral part of these condensed interim consolidated financial statements.

\_\_\_\_\_  
 Chief Executive Officer

|                                      |             | <b>Un-audited<br/>31 December<br/>2017</b> | <b>Audited<br/>30 June<br/>2017</b> |
|--------------------------------------|-------------|--|-------------------------------------|
|                                      | <i>Note</i> | <b>----- Rupees -----</b>                  |                                     |
| <b>ASSETS</b>                        |             |  |                                     |
| <b><u>Non-current assets</u></b>     |             |  |                                     |
| Property, plant and equipment        | 7           | <b>3,125,432,435</b>                       | 3,082,250,380                       |
| Intangibles                          |             | <b>3,135,682</b>                           | 3,172,498                           |
| Long term deposits                   |             | <b>11,053,325</b>                          | 11,053,325                          |
|                                      |             | <b>3,139,621,442</b>                       | 3,096,476,203                       |
| <b><u>Current assets</u></b>         |             |  |                                     |
| Stores, spare parts and loose tools  |             | <b>46,311,554</b>                          | 45,606,521                          |
| Stock in trade                       |             | <b>1,550,741,555</b>                       | 1,766,705,139                       |
| Trade debts - considered good        |             | <b>850,381,367</b>                         | 429,773,583                         |
| Loans and advances - considered good |             | <b>55,136,277</b>                          | 77,152,418                          |
| Deposits and prepayments             |             | <b>195,070,672</b>                         | 170,092,045                         |
| Other receivables                    |             | <b>22,978,709</b>                          | 9,003,812                           |
| Short term investments               | 8           | <b>701,131,938</b>                         | 855,943,421                         |
| Income tax - net                     |             | <b>173,598,190</b>                         | 146,034,709                         |
| Cash and bank balances               | 9           | <b>218,152,600</b>                         | 244,366,762                         |
|                                      |             | <b>3,813,502,862</b>                       | 3,744,678,410                       |
|                                      |             | <b>6,953,124,304</b>                       | <b>6,841,154,613</b>                |

Director

## CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

|  |             | Half year ended     |                      | Quarter ended       |                     |
|--|-------------|---------------------|----------------------|---------------------|---------------------|
|  |             | 31 December<br>2017 | 31 December<br>2016  | 31 December<br>2017 | 31 December<br>2016 |
|  | <i>Note</i> | Rupees              |                      |                     |                     |
| Revenue - net                          | 10          | 2,500,234,913       | 2,666,608,707        | 1,460,910,314       | 1,334,751,191       |
| Cost of sales                          | 11          | (1,724,620,136)     | (1,498,977,331)      | (1,066,770,237)     | (755,126,824)       |
| <b>Gross profit</b>                    |             | <b>775,614,777</b>  | <b>1,167,631,376</b> | <b>394,140,077</b>  | <b>579,624,367</b>  |
| Administrative expenses                |             | (173,880,230)       | (158,128,572)        | (92,436,286)        | (80,852,866)        |
| Selling and distribution expenses      |             | (521,307,655)       | (493,343,978)        | (299,201,800)       | (257,552,971)       |
| Other expenses                         |             | (29,522,099)        | (45,026,017)         | (18,989,544)        | (21,925,803)        |
| Other income                           |             | 39,052,266          | 29,652,600           | 23,343,136          | 16,946,565          |
| <b>Profit from operations</b>          |             | <b>89,957,059</b>   | <b>500,785,409</b>   | <b>6,855,583</b>    | <b>236,239,292</b>  |
| Finance costs                          |             | (6,953,593)         | (11,252,799)         | (4,662,312)         | (8,938,105)         |
| <b>Profit before taxation</b>          |             | <b>83,003,466</b>   | <b>489,532,610</b>   | <b>2,193,271</b>    | <b>227,301,187</b>  |
| Taxation                               | 12          | (65,055,786)        | (114,979,066)        | (45,276,932)        | (70,183,736)        |
| <b>Profit after taxation</b>           |             | <b>17,947,680</b>   | <b>374,553,544</b>   | <b>(43,083,661)</b> | <b>157,117,451</b>  |
| <b>Attributable to:</b>                |             |                     |                      |                     |                     |
| Owners of the Company                  |             | 31,916,715          | 371,696,028          | (30,542,448)        | 157,208,784         |
| Non-controlling interests              |             | (13,969,035)        | 2,857,516            | (12,541,213)        | (91,333)            |
| <b>Profit after taxation</b>           |             | <b>17,947,680</b>   | <b>374,553,544</b>   | <b>(43,083,661)</b> | <b>157,117,451</b>  |
| Earnings per share - basic and diluted |             | 1.06                | 12.31                | (1.01)              | 5.21                |

The annexed notes from 1 to 17 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer

Director

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

|  | Half year ended     |                     | Quarter ended       |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 31 December<br>2017 | 31 December<br>2016 | 31 December<br>2017 | 31 December<br>2016 |
|  | ----- Rupees -----  |                     |                     |                     |
| <b>Profit after taxation</b>                     | <b>17,947,680</b>   | 374,553,544         | <b>(43,083,661)</b> | 157,117,451         |
| Other comprehensive income for the period        | -                   | -                   | -                   | -                   |
| <b>Total comprehensive income for the period</b> | <b>17,947,680</b>   | 374,553,544         | <b>(43,083,661)</b> | 157,117,451         |
| <b>Attributable to:</b>                          |                     |                     |                     |                     |
| Owners of the Company                            | <b>31,916,715</b>   | 371,696,028         | <b>(30,542,448)</b> | 157,208,784         |
| Non-controlling interests                        | <b>(13,969,035)</b> | 2,857,516           | <b>(12,541,213)</b> | (91,333)            |
|  | <b>17,947,680</b>   | 374,553,544         | <b>(43,083,661)</b> | 157,117,451         |

The annexed notes from 1 to 17 form an integral part of these condensed interim consolidated financial statements.

\_\_\_\_\_  
Chief Executive Officer

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Director

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**Chief Executive Officer**

The annexed notes from 1 to 17 form an integral part of these condensed interim consolidated financial statements.

Director



# CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

|  | 31 December<br>2017  | 31 December<br>2016  |
|--|----------------------|----------------------|
|  | ----- Rupees -----   |                      |
| <b>Cash flow from operating activities</b>                                 |                      |                      |
| Profit before taxation   | 83,003,466           | 489,532,610          |
| <i>Adjustments for:</i>  |                      |                      |
| Depreciation   | 174,997,194          | 154,792,048          |
| Amortisation   | 1,233,535            | 1,183,422            |
| Provision for slow moving stock in trade                                   | 130,759,110          | -                    |
| Gain on disposal of property, plant and equipment                          | (5,844,947)          | (6,196,497)          |
| Finance costs  | 6,953,593            | 11,252,799           |
| Un-realised gain on re-measurement of short term investments to fair value | (14,881,144)         | (16,156,266)         |
| Gain on sale of short term investments                                     | (1,934,101)          | (3,971,927)          |
| Profit on term deposits  | -                    | (834,747)            |
| Workers' Profit Participation Fund   | 8,794,456            | 27,070,176           |
| Workers' Welfare Fund  | 5,708,794            | 10,286,667           |
| Central Research Fund  | 1,776,658            | 5,468,723            |
|  | <b>307,563,148</b>   | <b>182,894,398</b>   |
| <b>Cash generated from operations before working capital changes</b>       | <b>390,566,614</b>   | <b>672,427,008</b>   |
| Effect on cash flow due to working capital changes                         |                      |                      |
| <i>(Increase) / decrease in current assets</i>                             |                      |                      |
| Stores, spare parts and loose tools  | (705,033)            | (10,871,794)         |
| Loans, advances, deposits and prepayments                                  | (16,832,963)         | (28,226,767)         |
| Stock in trade   | 85,204,474           | 51,734,077           |
| Trade debts - considered good  | (420,607,784)        | (153,621,459)        |
|  | <b>(352,941,306)</b> | <b>(140,985,943)</b> |
| <i>Increase / (decrease) in current liabilities</i>                        |                      |                      |
| Trade and other payables   | 110,456,365          | (97,038,233)         |
| <b>Cash generated from operations</b>                                      | <b>148,081,673</b>   | <b>434,402,831</b>   |
| Taxes paid   | (119,128,515)        | (150,229,103)        |
| Workers' Profit Participation Fund paid                                    | -                    | (28,911,514)         |
| Workers' Welfare Fund paid   | (1,572,982)          | (58,846,725)         |
| Central Research Fund paid   | (6,290,865)          | (31,284,808)         |
| Long term deposits   | -                    | (715,000)            |
| <b>Net cash generated from operating activities</b>                        | <b>21,089,311</b>    | <b>164,415,680</b>   |
| <b><u>Cash flow from investing activities</u></b>                          |                      |                      |
| Acquisition of property, plant and equipment                               | (220,365,007)        | (237,809,672)        |
| Acquisition of intangibles   | (1,196,719)          | -                    |
| Proceeds from sale of property, plant and equipment                        | 8,030,648            | 8,784,591            |
| Profit on term deposits  | -                    | 834,747              |
| Redemption of short term investments - net                                 | 171,626,727          | 174,587,783          |
| <b>Net cash used in investing activities</b>                               | <b>(41,904,351)</b>  | <b>(53,602,551)</b>  |
| Finance cost paid  | (5,985,485)          | (10,964,573)         |
| Dividend paid  | (118,817,616)        | (350,786,407)        |
| <b>Net cash used in financing activities</b>                               | <b>(124,803,101)</b> | <b>(361,750,980)</b> |
| <b>Net decrease in cash and cash equivalents</b>                           | <b>(145,618,141)</b> | <b>(250,937,850)</b> |
| <b>Cash and cash equivalents at the beginning of the period</b>            | <b>219,477,900</b>   | <b>341,906,252</b>   |
| <b>Cash and cash equivalents at the end of the period</b>                  | <b>73,859,759</b>    | <b>90,968,402</b>    |
| <b>Cash and cash equivalents comprise of the following:</b>                |                      |                      |
| Cash and bank balances   | 218,152,600          | 281,235,873          |
| Running finance  | (144,292,841)        | (190,267,471)        |
|  | <b>73,859,759</b>    | <b>90,968,402</b>    |

The annexed notes from 1 to 17 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer

Director

# **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

## **1 The Group and its operation**

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 factory is located at Amangarh, Nowshera, Khyber Pakhtoon Khwa.

The Group consists the following subsidiaries:

| Company / Entity       | County of incorporation | Nature of business  | Effective holding % |        |
|------------------------|-------------------------|---|---------------------|--------|
|                        |                         |   | Dec-17              | Jun-17 |
| 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 Holding Company has 98% holding in Farmacia. Farmacia is a partnership duly registered under Partnership Act, 1932. Farmacia is engaged in the retail trading of pharmaceutical products.

## **2. Basis of consolidation**

These consolidated financial information includes the financial statements of Ferozsons Laboratories Limited and its subsidiaries – BF Biosciences Limited and Farmacia ("hereinafter referred as the Group").

Subsidiaries are those entities, including an unincorporated entities such as a partnership that are controlled by another entity (known as the parent). The financial statements of the subsidiaries are included in the consolidated financial information from the date the control commences, until the date when that control ceases. The financial statements of the subsidiaries have been consolidated on line by line basis. Details of the subsidiaries are given in note 1.

All material inter-organization balances, transactions and resulting unrealized profits / losses have been eliminated.

## **3. Basis of preparation**

### **3.1 Basis of accounting**

**3.1.1** This condensed interim consolidated financial information comprises the condensed interim consolidated balance sheet of the Holding Company, as at 31 December 2017 and the related condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated cash flow statement together with the notes forming part thereof.

- 3.1.2** This condensed interim consolidated financial information of the Group for the six months period ended 31 December 2017 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

On 30 May 2017 the Companies Act, 2017 was enacted which replaced and repealed the Companies Ordinance, 1984 (the "repealed Ordinance"). However, the Securities and Exchange Commission of Pakistan (SECP) vide its circular 23 dated 04 October 2017 and press release of the said date, has clarified that all the companies whose financial year, including quarterly and other interim period, closes on or before 31 December 2017, can prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

- 3.1.3** This condensed interim consolidated financial information do not include all of the information required for annual financial statements, and should be read in conjunction with the financial statements of the Holding Company as at and for the year ended 30 June 2017.

- 3.1.4** Comparative figures of the balance sheet are extracted from the annual financial statements for the year ended 30 June 2017, whereas comparative profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flow are stated from un-audited condensed interim consolidated financial information for the six months period ended on 31 December 2016.

- 3.1.5** This condensed interim consolidated financial information is unaudited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Pakistan Stock Exchange Limited.

## **3.2 Statement of consistency in accounting policies**

- 3.2.1** The accounting policies and the methods of computation adopted in the preparation of this condensed interim consolidated financial information are same as those applied in the preparation of the consolidated financial statements for the year ended 30 June 2017 except that pursuant to the requirements of IAS-7 "Statement of cash flows" a disclosure of reconciliation of movements of liabilities to cash flows arising from financing activities has been given in note 14 to the consolidated interim financial information.

- 3.2.2** There were certain other new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed.

In addition to the above, following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018 and are not expected to have significant impact on this condensed consolidated interim financial information:

**Effective date  
(accounting  
periods beginning  
on or after)**

**Standard or Interpretation**

|   |                 |
|---|-----------------|
| IFRS 2 - Share-based Payment  | 01 January 2018 |
| IAS 40 - Investment Property  | 01 January 2018 |
| IFRIC 22 - Foreign Currency Transactions and<br>Advance Consideration | 01 January 2018 |
| Annual Improvements to IFRS Standards 2014–2016 Cycle                 | 01 January 2018 |
| IFRS 15 - Revenue from contracts with customers                       | 01 July 2018    |
| IFRS 9 - Financial Instrument   | 01 July 2018    |
| Amendment to IFRS 9 - Financial Instrument                            | 01 January 2019 |
| IFRIC 23 - Uncertainty over Income Tax Treatments                     | 01 January 2019 |
| Amendment to IAS 28 - Investments in Associates<br>and Joint Ventures | 01 January 2019 |
| Annual Improvements to IFRS Standards 2015–2017 Cycle                 | 01 January 2019 |

In addition, the Companies Act, 2017 applicable from 1 January 2018 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 – Property, plant and equipment. This amendment will result in reclassification of surplus on revaluation of fixed assets as part of shareholders' equity.

|  | <b>Un-audited<br/>31 December<br/>2017</b> | <b>Audited<br/>30 June<br/>2017</b> |
|--|--|-------------------------------------|
|  | <b>-----Rupees-----</b>                    |                                     |
| <b>4. Issued, subscribed and paid up capital</b>   |  |                                     |
| 1,441,952 (30 June 2017: 1,441,952) ordinary<br>shares of Rs. 10 each fully paid in cash   | <b>14,419,520</b>                          | 14,419,520                          |
| 119,600 (30 June 2017: 119,600) ordinary shares<br>of Rs. 10 each issued in lieu of NWF Industries<br>Limited and Sargodha Oil and Flour Mills Limited<br>since merged | <b>1,196,000</b>                           | 1,196,000                           |
| 28,625,289 (30 June 2017: 28,625,289) ordinary<br>shares of Rs. 10 each issued as fully paid<br>bonus shares   | <b>286,252,890</b>                         | 286,252,890                         |
|  | <b><u>301,868,410</u></b>                  | <b><u>301,868,410</u></b>           |
| <b>5. Short term borrowings - secured</b>  |  |                                     |

There is no change in short term borrowing facilities available from various banks under mark up arrangements as well as under Shariah compliant arrangements already disclosed in preceding annual published consolidated financial statements of the Holding Company for the year ended 30 June 2017.

## 6. Contingencies and commitments

### 6.1 Contingencies:

There is no significant change in contingencies already disclosed in preceding annual published financial statement of the Holding Company for the year ended 30 June 2017.

### 6.2 Commitments

#### 6.2.1 Letter of credits

##### 6.2.1.1 With conventional financial institutions

Out of the aggregate facility of Rs. 850 million (30 June 2017: Rs. 850 million) for opening letters of credit, the amount utilized by the Group at 31 December 2017 for capital expenditure was Rs. 16.8 million (30 June 2017: Rs. Nil) and for other than capital expenditure was Rs. 41.9 million (30 June 2017: Rs. 184.15 million). Lien is also marked over import documents.

##### 6.2.1.2 With shairiah compliant financial institutions

The Holding Company has facility i.e letters of credit of Rs.75 million (30 June 2017: Rs. 75 million) availed from Islamic bank, the amount utilized at 31 December 2017 for capital expenditure was Rs. 1 million (30 June 2017: Rs. Nil) and for other than capital expenditure was Rs. 4.5 million (30 June 2017: Rs. 28.74 million). Lien is also marked over import documents.

| Un-audited<br>31 December<br>2017 | Audited<br>30 June<br>2017 |
|-----------------------------------|----------------------------|
| -----Rupees-----                  |                            |

## 7 Property, plant and equipment

### Cost

|                                    |               |               |
|------------------------------------|---------------|---------------|
| Opening balance                    | 3,407,528,666 | 2,907,402,205 |
| Additions during the period / year | 153,074,672   | 542,036,585   |
| Disposals during the period / year | (14,490,697)  | (41,910,124)  |
| Closing balance                    | 3,546,112,641 | 3,407,528,666 |

### Accumulated depreciation

|                                    |              |              |
|------------------------------------|--------------|--------------|
| Opening balance                    | 544,758,302  | 252,545,028  |
| Depreciation for the period / year | 174,997,194  | 326,993,412  |
| Relating to disposals              | (12,304,996) | (34,780,138) |
| Closing balance                    | 707,450,500  | 544,758,302  |

### Operating assets-net book value

|               |               |
|---------------|---------------|
| 2,838,662,141 | 2,862,770,364 |
|---------------|---------------|

### Capital work in progress

|             |             |
|-------------|-------------|
| 286,770,294 | 219,480,016 |
|-------------|-------------|

### Net book value

|               |               |
|---------------|---------------|
| 3,125,432,435 | 3,082,250,380 |
|---------------|---------------|

|   |       | Un-audited<br>31 December<br>2017 | Audited<br>30 June<br>2017 |
|---|-------|-----------------------------------|----------------------------|
|   | Note  | ----- Rupees -----                |                            |
| <b>8 Short term investments</b>   |       |                                   |                            |
| <b><u>Investments at fair value through profit or loss - Mutual Funds</u></b> |       |                                   |                            |
| Held for trading  | 8.1   | <b>701,131,938</b>                | 855,943,421                |
|   |       | <b>701,131,938</b>                | <b>855,943,421</b>         |
| <b>8.1 These investments are 'held for trading'</b>                           |       |                                   |                            |
| Carrying value at 01 July   |       | <b>855,943,421</b>                | 332,166,585                |
| Acquisition during the period/year  |       | -                                 | 1,072,379,518              |
| Redemption during the period/year   |       | <b>(171,626,727)</b>              | (573,633,378)              |
| Realized gain on sale of investment - during the period/year                  |       | <b>1,934,101</b>                  | 19,983,118                 |
| Unrealized gain on re-measurement of investment - during the period/year      |       | <b>14,881,143</b>                 | 5,047,578                  |
| Carrying and fair value of short term investments at 31 December / 30 June    | 8.1.1 | <b>701,131,938</b>                | <b>855,943,421</b>         |

**8.1.1 Mutual fund wise detail is as follows:**

| No. of units        |                 | Mutual Funds                       | Fair value          |                 |
|---------------------|-----------------|------------------------------------|---------------------|-----------------|
| Un-audited          | Audited         |                                    | Un-audited          | Audited         |
| 31 December<br>2017 | 30 June<br>2017 |                                    | 31 December<br>2017 | 30 June<br>2017 |
| ----- Rupees -----  |                 |                                    |                     |                 |
| 2,790,038           | 4,033,778       | MCB Cash Management Optimizer Fund | 287,860,242         | 405,466,136     |
| 206,559             | 206,559         | MCB Pakistan Stock Market Fund     | 18,801,335          | 21,172,676      |
| 3,530,768           | 159,626         | Faysal Money Market Fund           | 51,168,049          | 16,162,163      |
| -                   | 3,371,142       | ABL Government Securities Fund     | -                   | 33,772,097      |
| 2,042,627           | 2,042,627       | HBL Money Market Fund              | 213,090,729         | 207,874,880     |
| 1,248,377           | 1,543,804       | HBL Cash Fund                      | 128,778,495         | 155,121,600     |
| 6,415               | 155,713         | Investment in Faysal MTS Fund      | 659,991             | 15,616,439      |
| 7,425               | 7,425           | Faysal Bank Savings Growth Fund    | 773,097             | 757,430         |
|                     |                 |                                    | 701,131,938         | 855,943,421     |

**8.2** Changes in fair values of financial assets at fair value through profit or loss are recorded in profit and loss account. Realized gain of Rs. 1.93 million (31 December 2016: Rs. 3.97 million) has been recorded in the current period in "other income". These investments comprise of mutual funds (money market / income fund).

**8.3** Realized gain on redemption of short term investments is earned under mark up arrangements.

**9. Cash and bank balances**

**9.1** These include current account of Rs. 0.67 million (30 June 2017: Rs. 0.67 million) maintained under Shariah compliant arrangements.

**9.2** These include deposit accounts of Rs. 78.81 million (30 June 2017: Rs. 126.06 million) under mark up arrangements, which carry interest rates ranging from 3.7% - 6% (30 June 2017: 3.82% - 6%) per annum.

These also include deposit accounts of Rs. 0.15 million (30 June 2017: Rs. 1.42 million) under Shariah compliant arrangements, which carries profit rate of 2.40% (30 June 2017: 2.41% - 2.85%) per annum.

|                          | (Un-audited) Half year ended |                      | (Un-audited) Quarter ended |                      |
|--------------------------|------------------------------|----------------------|----------------------------|----------------------|
|                          | 31 December 2017             | 31 December 2016     | 31 December 2017           | 31 December 2016     |
|                          | Rupees                       |                      |                            |                      |
| <b>10 Revenue - net</b>  |                              |                      |                            |                      |
| <b>Gross sales:</b>      |                              |                      |                            |                      |
| Local                    | 2,658,390,960                | 2,762,953,586        | 1,527,593,700              | 1,414,077,445        |
| Export                   | 66,956,682                   | 131,077,864          | 42,144,523                 | 49,681,850           |
|                          | <u>2,725,347,642</u>         | <u>2,894,031,450</u> | <u>1,569,738,223</u>       | <u>1,463,759,295</u> |
| <b>Less:</b>             |                              |                      |                            |                      |
| Sales returns            | (38,088,804)                 | (58,215,856)         | (15,341,922)               | (34,784,931)         |
| Discounts and commission | (170,954,945)                | (159,123,000)        | (81,914,557)               | (89,659,447)         |
| Sales tax                | (16,068,980)                 | (10,083,887)         | (11,571,430)               | (4,563,726)          |
|                          | <u>(225,112,729)</u>         | <u>(227,422,743)</u> | <u>(108,827,909)</u>       | <u>(129,008,104)</u> |
|                          | <u>2,500,234,913</u>         | <u>2,666,608,707</u> | <u>1,460,910,314</u>       | <u>1,334,751,191</u> |

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

|  | (Un-audited) Half year ended |                      | (Un-audited) Quarter ended |                     |
|--|------------------------------|----------------------|----------------------------|---------------------|
|  | 31 December 2017             | 31 December 2016     | 31 December 2017           | 31 December 2016    |
|  | Rupees                       |                      |                            |                     |
| <b>11 Cost of sales</b>                        |                              |                      |                            |                     |
| Raw and packing materials consumed 11.1        | 542,815,927                  | 402,646,469          | 374,766,372                | 216,809,419         |
| Other manufacturing expenses                   | 354,157,076                  | 339,578,243          | 179,422,058                | 169,635,439         |
|  | <u>896,973,003</u>           | <u>742,224,712</u>   | <u>554,188,430</u>         | <u>386,444,858</u>  |
| <b>Work in process:</b>                        |                              |                      |                            |                     |
| Opening  | 76,419,116                   | 96,389,128           | 96,843,251                 | 51,864,513          |
| Closing  | (79,491,262)                 | (96,783,220)         | (79,491,262)               | (96,783,220)        |
|  | <u>(3,072,146)</u>           | <u>(394,092)</u>     | <u>17,351,989</u>          | <u>(44,918,707)</u> |
| <b>Cost of goods manufactured</b>              | <u>893,900,857</u>           | <u>741,830,620</u>   | <u>571,540,419</u>         | <u>341,526,151</u>  |
| <b>Finished stock:</b>                         |                              |                      |                            |                     |
| Opening  | 1,160,681,400                | 1,597,678,787        | 1,193,309,181              | 1,484,317,711       |
| Purchases made during the period               | 602,595,101                  | 527,426,787          | 243,253,574                | 297,241,825         |
| Closing  | (932,557,222)                | (1,367,958,863)      | (932,557,222)              | (1,367,958,863)     |
|  | <u>830,719,279</u>           | <u>757,146,711</u>   | <u>504,005,533</u>         | <u>413,600,673</u>  |
|  | <u>1,724,620,136</u>         | <u>1,498,977,331</u> | <u>1,075,545,952</u>       | <u>755,126,824</u>  |
| <b>11.1 Raw and packing materials consumed</b> |                              |                      |                            |                     |
| Opening  | 472,681,955                  | 357,353,488          | 496,496,334                | 461,441,755         |
| Purchases made during the period               | 469,113,842                  | 494,771,931          | 277,249,908                | 204,846,614         |
|  | <u>941,795,797</u>           | <u>852,125,419</u>   | <u>773,746,242</u>         | <u>666,288,369</u>  |
| Closing  | (398,979,870)                | (449,478,950)        | (398,979,870)              | (449,478,950)       |
|  | <u>542,815,927</u>           | <u>402,646,469</u>   | <u>374,766,372</u>         | <u>216,809,419</u>  |

11.2 This is net off provision for slow moving stock in trade of Rs. 130.8 million (31 December 2016: Rs. Nil).

## 12 Taxation

For the year

|                | <b>(Un-audited) Half year ended</b> |                         |
|----------------|-------------------------------------|-------------------------|
|                | <b>31 December 2017</b>             | <b>31 December 2016</b> |
|                | <b>-----Rupees-----</b>             |                         |
| - Current tax  | <b>91,565,034</b>                   | 119,070,692             |
| - Deferred tax | <b>(26,509,248)</b>                 | (4,091,626)             |
|                | <b>65,055,786</b>                   | 114,979,066             |

### Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

|   |                                 |             |
|---|---------------------------------|-------------|
| Profit before taxation                                | <b>83,003,466</b>               | 489,532,610 |
|   | <b>----- (Percentage) -----</b> |             |
| Applicable tax rate as per Income Tax Ordinance, 2001 | <b>30%</b>                      | 31%         |

|                            | <b>(Un-audited) Half year ended</b> |                         |
|----------------------------|-------------------------------------|-------------------------|
|                            | <b>31 December 2017</b>             | <b>31 December 2016</b> |
|                            | <b>-----Rupees-----</b>             |                         |
| Tax on accounting profit   | <b>24,901,040</b>                   | 151,755,109             |
| Effect of final tax regime | <b>38,813,068</b>                   | (5,899,502)             |
| Effect of tax credit       | <b>(4,939,919)</b>                  | (29,561,882)            |
| Others                     | <b>6,281,597</b>                    | (1,314,659)             |
|                            | <b>40,154,746</b>                   | (36,776,043)            |
|                            | <b>65,055,786</b>                   | 114,979,066             |

Section 5A of the Income Tax Ordinance, 2001 imposes a tax on every public company other than a scheduled bank or modaraba, that derives profits for tax year 2017 and onwards and does not distribute at least forty percent of its after tax profits through cash or bonus shares within six months of the end of the said tax year.

The Board of Directors of the Company intends to distribute sufficient cash dividend for the year ended 30 June 2018 to comply with the above stated requirement. Accordingly, no provision for tax on undistributed reserves has been recognized in this condensed consolidated interim financial information.

## 13 Transactions with related parties

The related parties include associated companies, contributory provident fund, major shareholders, directors and key management personnel. Balances with the related parties are shown elsewhere in the accounts. Transactions with related parties during the period are as follows:

### Other related parties

|   |                   |            |
|---|-------------------|------------|
| Contribution towards employees' provident fund                              | <b>18,358,796</b> | 15,783,379 |
| Remuneration including benefits and perquisites of key management personnel | <b>84,516,489</b> | 85,361,276 |



#### 14. Reconciliation of movement of liabilities to cash flows arising from financing activities

|   | 2017                 |                      |                    |                      |
|---|----------------------|----------------------|--------------------|----------------------|
|   | Dividend Payable     | Short term borrowing | Accrued mark-up    | Total                |
|   | ----- Rupees -----   |                      |                    |                      |
| <b>As at 30 June 2017</b>                       | 80,854,747           | 24,888,862           | 1,646,851          | <b>107,390,460</b>   |
| <b><u>Changes from financing cash flows</u></b> |                      |                      |                    |                      |
| Dividend paid                                   | (118,817,616)        | -                    | -                  | <b>(118,817,616)</b> |
| Financial charges paid                          | -                    | -                    | (5,985,485)        | <b>(5,985,485)</b>   |
| <b>Total changes from financing cash flows</b>  | <b>(118,817,616)</b> | <b>-</b>             | <b>(5,985,485)</b> | <b>(124,803,101)</b> |
| <b><u>Other changes</u></b>                     |                      |                      |                    |                      |
| Change in borrowings                            | -                    | 119,403,979          | -                  | <b>119,403,979</b>   |
| Dividend expense                                | 120,747,364          | -                    | -                  | <b>120,747,364</b>   |
| Interest expense                                | -                    | -                    | 6,953,593          | <b>6,953,593</b>     |
| <b>Total liability related other changes</b>    | <b>120,747,364</b>   | <b>119,403,979</b>   | <b>6,953,593</b>   | <b>247,104,936</b>   |
| <b>As at 31 December 2017</b>                   | <b>82,784,495</b>    | <b>144,292,841</b>   | <b>2,614,959</b>   | <b>229,692,295</b>   |

#### 15. Financial risk management and financial instruments - fair value

- 15.1 The Group's financial risk management objective and policies are consistent with that disclosed in the annual consolidated financial statements of the Holding Company for the year ended 30 June 2017.

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| Cash and cash equivalents | Fair Value through Income Statement | Carrying Amount<br>Loans and receivables | Other financial liabilities | Total                | Level 1            | Level 2  | Level 3  |
|---------------------------|-------------------------------------|--|-----------------------------|----------------------|--------------------|----------|----------|
| ----- Rupees -----        |                                     |  |                             |                      |                    |          |          |
| -                         | 701,131,938                         | -  | -                           | 701,131,938          | 701,131,938        | -        | -        |
| -                         | -                                   | 11,053,325                               | -                           | 11,053,325           | -                  | -        | -        |
| -                         | -                                   | 850,381,367                              | -                           | 850,381,367          | -                  | -        | -        |
| -                         | -                                   | 1,582,968                                | -                           | 1,582,968            | -                  | -        | -        |
| -                         | -                                   | 184,477,516                              | -                           | 184,477,516          | -                  | -        | -        |
| -                         | -                                   | 14,538,778                               | -                           | 14,538,778           | -                  | -        | -        |
| 207,078,554               | -                                   | -  | -                           | 207,078,554          | -                  | -        | -        |
| <b>207,078,554</b>        | <b>-</b>                            | <b>1,062,033,954</b>                     | <b>-</b>                    | <b>1,269,112,508</b> | <b>-</b>           | <b>-</b> | <b>-</b> |
| -                         | -                                   | -  | -                           | -                    | -                  | -        | -        |
| -                         | -                                   | -  | 716,307,340                 | 716,307,340          | -                  | -        | -        |
| -                         | -                                   | -  | 144,292,841                 | 144,292,841          | -                  | -        | -        |
| -                         | -                                   | -  | 2,614,959                   | 2,614,959            | -                  | -        | -        |
| -                         | -                                   | -  | <b>863,215,140</b>          | <b>863,215,140</b>   | <b>-</b>           | <b>-</b> | <b>-</b> |
| -                         | <b>855,943,421</b>                  | -  | -                           | <b>855,943,421</b>   | <b>855,943,421</b> | -        | -        |
| -                         | -                                   | 11,053,325                               | -                           | 11,053,325           | -                  | -        | -        |
| -                         | -                                   | 429,773,583                              | -                           | 429,773,583          | -                  | -        | -        |
| -                         | -                                   | 1,612,974                                | -                           | 1,612,974            | -                  | -        | -        |
| -                         | -                                   | 169,311,059                              | -                           | 169,311,059          | -                  | -        | -        |
| -                         | -                                   | 256,700                                  | -                           | 256,700              | -                  | -        | -        |
| 234,056,888               | -                                   | -  | -                           | 234,056,888          | -                  | -        | -        |
| <b>234,056,888</b>        | <b>-</b>                            | <b>612,007,641</b>                       | <b>-</b>                    | <b>846,064,529</b>   | <b>-</b>           | <b>-</b> | <b>-</b> |
| -                         | -                                   | -  | -                           | -                    | -                  | -        | -        |
| -                         | -                                   | -  | 645,366,682                 | 645,366,682          | -                  | -        | -        |
| -                         | -                                   | -  | 24,888,862                  | 24,888,862           | -                  | -        | -        |
| -                         | -                                   | -  | 1,646,851                   | 1,646,851            | -                  | -        | -        |
| -                         | -                                   | -  | <b>671,904,395</b>          | <b>671,904,395</b>   | <b>-</b>           | <b>-</b> | <b>-</b> |

**31 December 2017**

**Financial assets measured at fair value:**

- Short term investments
- Long term deposits
- Trade debts - considered good
- Loans and advances - considered good
- Short term deposits
- Other receivables
- Bank balances

**Financial liabilities measured at fair value:**

- Trade and other payables
- Short term borrowing
- Accrued mark-up

**30 June 2017**

**Financial assets measured at fair value:**

- Short term investments
- Long term deposits
- Trade debts - considered good
- Loans and advances - considered good
- Short term deposits
- Other receivables
- Bank balances

**Financial liabilities measured at fair value:**

- Trade and other payables
- Short term borrowing
- Accrued mark-up

**16. Subsequent event and date of authorization for issue**

The Board of Directors of the Company in its meeting held on 19 February 2018 has authorized to issue these condensed interim consolidated financial statements and has approved interim cash dividend of Rs. Nil per share (31 December 2016: Rs. 3 per share) amounting to Rs. Nil (31 December 2016: Rs. 90,560,523) for the year ending 30 June 2018 in the same meeting.

**17. Corresponding figures**

'This condensed interim financial information is presented in Pakistan Rupee which is the Group's functional currency and the figures have rounded off to the nearest rupee.

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

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Chief Executive Officer

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Director

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