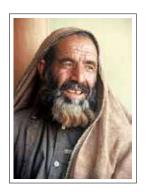




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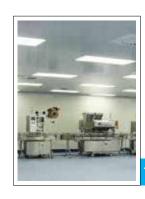
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### corporate information

#### **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

#### Head of Internal Audit

Mr. Rizwan Hameed Butt

#### **External Auditors**

KPMG Taseer Hadi & Co. Chartered Accountants

#### **Internal Auditors**

EY Ford Rhodes **Chartered Accountants** 

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

#### Bankers

#### Legal Advisors Khan & Piracha

#### **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

#### **Share Registrar**

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

#### **Factory**

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

#### **Head Office**

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

#### Sales Office Lahore

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

#### Sales Office Karachi

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



## About Us

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

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

Through our range of branded generics and in-licensed products, the company has established a leading presence in the areas of cardiology, gastroenterology, hepatology, oncology, dermatology and anti-infective treatments, and is expanding in other key therapeutic areas where unmet needs exist such as pediatrics and women's health.

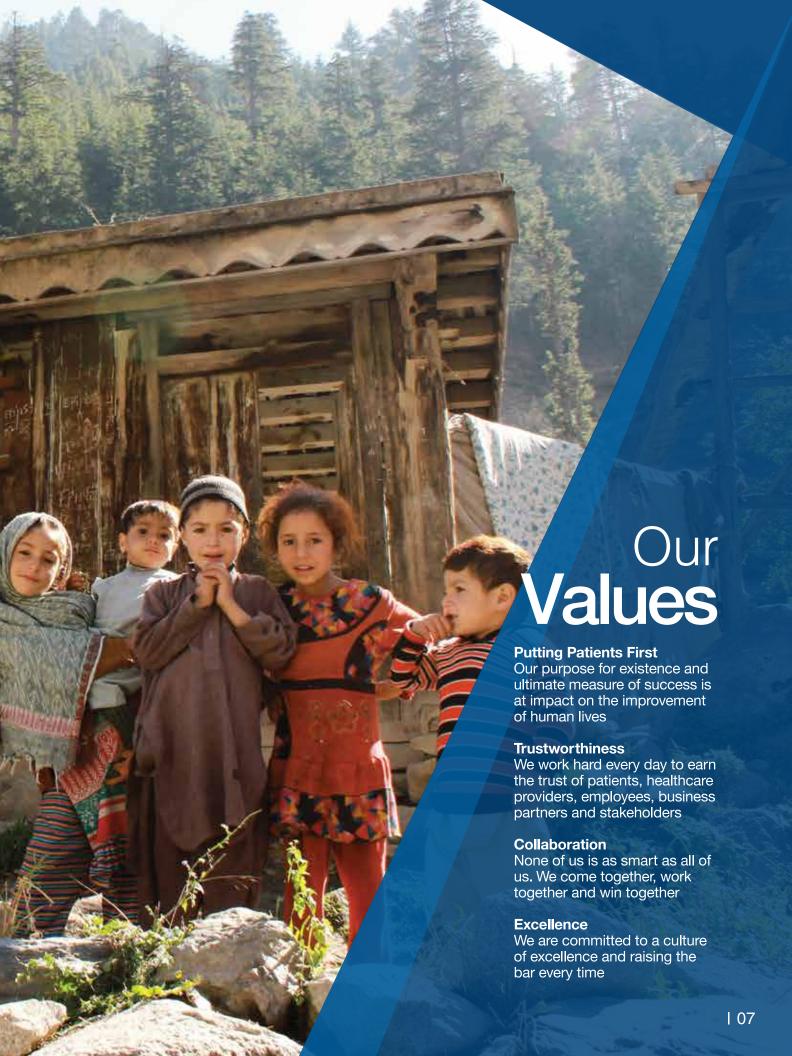
In addition to representing Gilead Sciences Inc., one of the world's most innovative biotech companies in the viral hepatitis and HIV space, Ferozsons Laboratories Limited is the Pakistan marketing and distribution partner for the Boston Scientific Corporation, USA for its range of cardiac and peripheral products and interventional devices. This partnership allows us to offer complete medical solutions in cardiology, oncology, urology and gastroenterology. We are now distribution partners for GE Healthcare, a global leader in transformational medical technologies, for distribution, marketing and sales services for the Value segment of the ultrasound products in Pakistan.

In 2009, Ferozsons Laboratories Limited entered into a joint venture with the Bagó Group of Argentina to establish BF Biosciences Limited, Pakistan's first biotech pharmaceutical company. Our other international partners include BioGaia of Sweden and Performance Health of USA in pharma and OTC products respectively and MAVIG of Germany for medical equipment.

Ferozsons Laboratories Limited has a fully current Good Manufacturing Practices (cGMP) compliant production facility in Nowshera, which is ISO 9001 certified and we are fully equipped with state-of-the-art manufacturing and testing equipment. Our production capabilities include the manufacturing of tablets, capsules, syrups, suspensions, creams and ointments.

The Company has recently undertaken a major expansion in its manufacturing, adding a new production wing for the production of solid dosage forms, and offers an excellent manufacturing, marketing and distribution platform to principals for launching their products in the Pakistan market.







## Chairperson's Message

#### Dear Shareholders,

This year has been challenging one for the company, the major reason being the decline brought about by the phasing out of the Hepatitis C originator therapy after the generics stepped in. However, at the end of our financial year, despite these challenges, we are proud to say that we have remained committed to delivering on our promise to our patients.

We have worked on meeting patient needs in various segments including hepatology. We started supplying Gilead's single pill therapy for Genotype I, Harvoni, for Hepatitis C under the patient access program. We have also introduced other programs around hepatitis awareness and linkage to treatment and care that you will read about in this report.

We are also making progress in the field of Mother & Child Health, a critically important public health challenge for Pakistan. Our project with GE Healthcare to equip primary health workers with portable ultrasound technology will help mothers in peri-urban and rural parts of the country get access to diagnostic services at their doorstep in a country where maternal mortality rates are exceptionally high. Such interventions are a part of our effort as a patient centric organization to bring innovation that matters and is accessible to the population.

In order to contribute to the greater goal of the wellbeing of patients in Pakistan, we have worked alongside NGOs and patient organizations to establish programs that roll out general health, disease awareness and prevention programs in addition to treatment, to help alleviate the burden of disease from the communities. Our engagement on social media in partnership with the Sider Institute at Shalamar Hospital covered the importance of diet for diabetic patients throughout the month of Ramzan. We are investing in these platforms to reach the emerging generation of Pakistanis in an effective manner.

Other initiatives such as Baat Sehat Ki reach a large number of people with the right nutritional and dietary advice. We have planned to make this engagement stronger for the benefit of people at risk of metabolic diseases who are enrolled or wish to enroll in this program.

Ferozsons Laboratories Limited remains committed to continue bringing innovative healthcare to market, and to work hard every day to earn the trust of patients and healthcare providers in Pakistan and a growing number of export markets.

On behalf of the Board,

Mrs. Akhter Khalid Waheed



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

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

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

#### **The Savera Success**

Savera °, the first authorized generic of Sovaldi ° in Pakistan, made it to the top 10 products launched in the last 24 months (IMS MAT Q2, 2017)

Ferozsons Laboratories Limited launched the first licensed generic Sofosbuvir tablets for the treatment of chronic hepatitis C in Pakistan, under the brand name Savera® (Sofosbuvir 400mg) in July last year coinciding with the World Hepatitis Day. In less than one year, it has been featured in the top 10 new products by value launched in the last 24 months.

Ferozsons obtained a license, along with requisite production

process technology, from Gilead Sciences to manufacture an authorized generic of the breakthrough chronic hepatitis C treatment Sovaldi®, in order to expand access to high-quality, low-cost treatment for patients in Pakistan. To date over 70,000 patients have been prescribed the branded drug. The added availability of an authorized generic version of Sofosbuvir at a lower cost has further helped expand access to these curative treatments for patients in Pakistan.

Bringing new and innovative therapies in Pakistan is a time consuming process and is marred by significant challenges.
According to an IMS Health report, out of the top ten new

products introduced over the last year, only two are new chemical entities or innovative products. In an environment where most drug discoveries take place in the western hemisphere, these innovations normally take several years to reach developing countries, and even when they do, price remains a key barrier, since the majority of patients have to pay out of pocket for the prescribed treatments. We are committed to continue brining newer, more effective therapies with shortened treatment durations to help achieve Pakistan's goal of Elimination of Viral Hepatitis by 2030.



#### 6th Annual Liver Summit

This year marked the 6th edition of our annual Liver Summit. This annual meeting has grown with each passing year, and aims to provide the latest scientific and evidence-based research results that will be applicable to everyday clinical practice, with the mission to advance and disseminate the knowledge and best practices in Hepatology, and to help make liver health and quality patient care accessible and achievable.

This forum has served as a platform for exchange of ideas and experiences on common prevailing hepatic illnesses between national and international experts, to explore new opportunities for joint research and to set better, improved standards in hepatic care.

The summit attracted a number of leading experts from the leading institutions in Pakistan, as well as international faculty from Virginia Commonwealth University, the University of Arizona, and the University of California, San Francisco.

## **Community Projects Promise Elimination of Hepatitis**

We have worked on partnerships that link appropriate screening, prevention and treatment of Hepatitis C patients at the local level. These community based projects, pilots of which are being run at two locations in Central Punjab with the support of some leading NGOs as well as community clinics engaged in liver care, work on screening and treating patients, but also at educating

communities regarding the disease and ways to prevent it. This holistic approach, encompassing awareness, education, prevention, screening and treatment, promises to help achieve the goal of elimination of Hepatitis C from Pakistan. The screening campaigns have reached out to thousands of people in the communities to date and is scheduled to continue whilst workshops are designed for awareness for school-teachers and general public. All these efforts will play a key role in addressing the burden of Hepatitis C in the communities. More projects on the same lines are being initiated in other parts of the country as well with an aim to cover a large population at risk of Hepatitis C.

## PepsiCo Pakistan collaborates with Ferozsons Laboratories for Hepatitis C awareness

Another effort to spread the message of awareness and prevention against Hepatitis C to multiple stakeholders in the society is corporate outreach. Although, in its initial stages, our goal is to reach out to private sector companies to further the cause of the elimination of Hepatitis C. PepsiCo Pakistan, taking a leadership role in this area, collaborated with Ferozsons Laboratories Limited to spread the message of awareness and prevention at their head office to educate the employees. The kickoff session carried information about the disease, followed by screening of Hepatitis C, as well as a presentation form a renowned hepatologist. With components of awareness, prevention and screening, the project provides a holistic approach to the address this key challenge.



# Advancing in Medical Technologies

Our Medical Technologies Division has continued its focus on building and developing new alliances. Last year, Ferozsons partnered with GE Healthcare FZE, becoming an authorized non-exclusive distributor for their value range of ultrasound diagnostic products. Through this partnership Ferozsons is able to provide transformational medical technologies that that help address critical healthcare challenges and improve patient care.

#### Integrating portable ultrasound technology in the healthcare system

Pakistan has one of the highest rates of maternal mortality in the world. The majority of maternal deaths during childbirth are preventable, but continue to occur in the absence of skilled birth attendance, particularly in rural settings. Ferozsons, in collaboration with GE Healthcare, is working closely with the health sector on ultrasound-based interventions in maternal and child health that ensure better access for all.

Vscan Access is a portable ultrasound designed by GE Healthcare, particularly for use by primary healthcare workers, including midwives. This technology can assist primary healthcare workers in rural settings in the timely detection of maternal complications during pregnancy.



Ferozsons is also working on securing agreements with leading companies involved in the manufacture of specialized equipment for use in hospital settings. These include Ziehm Imaging, a global leader in C-ARM X-ray technology as well as MAVIG, which manufactures specialized personal protection equipment and innovative medical technology for radiology rooms.

#### **MAVIG**

Earlier this year, our Medical Technologies Division entered into a partnership with MAVIG, a leading global company involved in innovative medical technology and specialized equipment to protect healthcare providers against radiation. Our team held awareness sessions about healthcare provider safety in dealing with radiation processes in hospitals. The product range includes ceiling-suspended and table-mounted x-ray

protective systems, mobile shields, and suspension systems for e.g. monitors and lamps, radiation protective observation windows and curtains as well as personal protective equipment and accessories.

#### Ziehm

Ziehm Imaging, specializes in the development, manufacturing and worldwide marketing of mobile X-ray-based imaging solutions. The complex C-Arm equipment has been marketed by Ziehm Imaging for more than 40 years is a leader in its field. Ziehm Imaging was the first company to introduce Flat Panel based C-Arms in 2007.



## Nowshera Plant Expansion

Our manufacturing plant in Nowshera, KPK was one of the first national manufacturing facilities to be established in Pakistan for manufacturing high quality pharmaceuticals. The manufacturing facility, which is spread over 30 acres of land, has a total annual capacity of over 900 million tablets and capsules and about 20 million syrups, sachets and other pharmaceutical formulations. Over the years, the company has continually invested in the plant's modernization and upgradation.

A recent expansion phase was carried out with an area of approximately 5,000 sq. meters added to the facility. This includes a 2,500 Sq. meters cGMP-compliant production area dedicated to the production of oral solids, and we are adding manufacturing lines in the topical section for gels, lotions and creams over the next year.



Some key highlights of the plant expansion include our new capsule filling machine, which has taken the capacity of production of capsules up to 80,000 capsules per hour. The fully automated weight checking and rejection of out of specs capsules ensure a thorough accuracy of dosage for the patients. A high speed blister and carton-packaging line complements the capsule filling lines by producing 500 packs per minute with automatic camera inspection system to ensure accurate blister filling. A state-of-the-art Quality Control and Product Development Lab, fully equipped for pilot batch production of tablets and capsules as well as ointments and creams has also been added in the new facility. In addition to this, a new bottling, filling and capping line for tablets and capsules has also been added to the facility.

As a part of manufacturing plant expansion, a 1000 kg topical drugs production area for ointments and creams is expected to be completed by May 2018. The plant is fully automatic and has increased our production capacity by four folds.



At Ferozsons Laboratories Limited, our continued commitment to promoting a healthier and more productive society through support to the health and education sector results in a number of engagements each year. The projects that we fund regularly include contributions to The Citizens Foundation (TCF) schools for the underprivileged and scholarship support for deserving students at the Lahore University of Management Sciences (LUMS). Apart from these regular engagements, in FY 2017 we have funded various health sector organizations working for the benefit of patients in Pakistan. Our donations have helped patient organizations in smaller towns provide quality dialysis to renal failure patients, as well as Ventilator machines for Bone Marrow Transplantation in Karachi.



A number of literary activities such as the Young Writers Workshop held at LUMS and the Lahore Literary Festival were also supported by Ferozsons this year, as well as several health awareness and education sessions held at public schools and community events.



## key operating and financial data for the last six years

| DESCRIPTION                                   |                                | FY 2017      | FY 2016        | FY 2015        | FY 2014      | FY 2013      | FY 2012      |
|---|--------------------------------|--------------|----------------|----------------|--------------|--------------|--------------|
| unconsolidated                                |                                |              |                |                |              |              |              |
| Operating Results                             |                                |              |                |                |              |              |              |
| Revenue - net                                 | (Rs. Million)                  | 4,311        | 10,186         | 4,439          | 2,535        | 1,950        | 1,771        |
| Gross Profit                                  | (Rs. Million)                  | 1,777        | 4,109          | 2,021          | 1,304        | 1,035        | 909          |
| Profit Before Taxation                        | (Rs. Million)                  | 602          | 2,654          | 1,083          | 567          | 451          | 425          |
| Profit After Taxation                         | (Rs. Million)                  | 394          | 2,104          | 749            | 418          | 409          | 411          |
| Financial Position                            |                                |              |                |                |              |              |              |
| Share Capital                                 | (Rs. Million)                  | 302          | 302            | 302            | 302          | 302          | 287          |
| Accumulated Profit                            | (Rs. Million)                  | 3,733        | 3,766          | 2,401          | 2,039        | 1,919        | 1,649        |
| Non Current Assets                            | (Rs. Million)                  | 2,857        | 2,659          | 1,533          | 1,367        | 1,589        | 1,555        |
| Non Current Liabilities                       | (Rs. Million)                  | 167          | 149            | 40             | 46           | 42           | 84           |
| Current Assets                                | (Rs. Million)                  | 2,921        | 3,043          | 2,856          | 1,786        | 1,328        | 1,055        |
| Current Liabilities                           | (Rs. Million)                  | 767          | 652            | 1,275          | 392          | 276          | 206          |
| Summary of Cashflow Statement                 |                                |              |                |                |              |              |              |
| Cash generated from Operations                | (Rs. Million)                  | 854          | 621            | 973            | 512          | 284          | 372          |
| Net cash used in Investing activities         | (Rs. Million)                  | (516)        | (82)           | (223)          | (172)        | (147)        | (223)        |
| Net cash used in Financing activities         | (Rs. Million)                  | (454)        | (743)          | (400)          | (303)        | (128)        | (111)        |
| Key Financial Ratios                          |                                |              |                |                |              |              |              |
| Profitability Ratios                          | (0/)                           | 44.0         | 40.0           | 45.5           | E4 .         | FC *         | E4.0         |
| Gross Profit Ratio                            | (%)                            | 41.2         | 40.3           | 45.5           | 51.4         | 53.1         | 51.3         |
| Net Profit After Tax to Sales                 | (%)                            | 9.1          | 20.7           | 16.9           | 16.5         | 21.0         | 23.2         |
| Return on Equity                              | (%)                            | 9.8          | 51.7           | 27.7           | 17.8         | 18.4         | 21.2         |
| Return on Capital Employed                    | (%)                            | 15.3         | 65.5           | 40.6           | 24.9         | 20.8         | 22.4         |
| Liquidity Ratios                              | T )                            | 0.0          |                | 0.0            | 4.0          | 4.0          | - 1          |
| Current Ratio                                 | (Times)                        | 3.8          | 4.7            | 2.2            | 4.6          | 4.8          | 5.1          |
| Quick Ratio/Acid Test Ratio                   | (Times)                        | 1.8          | 1.8            | 1.3            | 2.9          | 2.7          | 3.1          |
| Turnover Ratios                               |                                |              |                |                |              |              |              |
| Debtor Turnover Period                        | (Days)                         | 31           | 14             | 19             | 21           | 26           | 22           |
| Inventory Turnover Period                     | (Days)                         | 226          | 113            | 187            | 196          | 230          | 179          |
| Creditors Turnover Period                     | (Days)                         | 90           | 18             | 141            | 82           | 78           | 54           |
| Working Capital Cycle                         | (Days)                         | 167          | 109            | 66             | 135          | 178          | 147          |
| Non-Current Asset Turnover Ratio              | (Times)                        | 1.5          | 3.8            | 2.9            | 1.9          | 1.2          | 1.1          |
| Operating Cash Flow To Sales Ratio            | (%)                            | 19.8         | 6.1            | 21.9           | 20.2         | 14.6         | 21.0         |
| Investment/Market Ratios                      | (D.)                           | 40.0         | 00.7           | 04.0           | 40.0         | 40.5         | 40.5         |
| Earnings per Share Basic & Diluted (Adjusted) | (Rs.)                          | 13.0         | 69.7           | 24.8           | 13.8         | 13.5         | 13.5         |
| Cash Dividend per Share                       | (Rs.)                          | 7.0          | 22.0           | 19.0           | 12.0         | 7.0          | 4.5          |
| Bonus Share Issued                            | (%)                            | -            | 140            | -              | 107          | -            | 5.0          |
| Price Earning Ratio Market Price per Share    | (Times)                        | 29.6         | 14.8           | 25.8           | 16.7         | 8.2          | 6.0          |
| Cash Dividend Payout Ratio                    | (Rs.)<br>(%)                   | 387<br>53.7  | 1,031<br>31.6  | 640<br>76.6    | 230<br>86.8  | 111<br>51.7  | 81<br>33.3   |
| ,   | (70)                           | 50.1         | 01.0           | 70.0           | 00.0         | 01.7         | 00.0         |
| Capital Structure Ratios Debt To Equity Ratio | (%)                            |              |                | _              |              |              |              |
| Interest Cover                                | (Times)                        | 38.0         | 239.0          | 78.5           | 34.2         | 39.4         | 54.9         |
| P. L. S. L.                                   |                                |              |                |                |              |              |              |
| consolidated                                  |                                |              |                |                |              |              |              |
| Operating Results Revenue - net               | (Rs. Million)                  | 5,002        | 11,335         | 5,711          | 3,832        | 2,879        | 2,766        |
| Gross Profit                                  | ,                              |              |                |                |              |              |              |
| Gross Profit Profit Before Taxation           | (Rs. Million)<br>(Rs. Million) | 1,911<br>591 | 4,594<br>2,859 | 2,597<br>1,360 | 1,828<br>761 | 1,380<br>523 | 1,309<br>493 |
| Profit After Taxation                         | (Rs. Million)                  | 395          | 2,839          | 944            | 552          | 466          | 493          |
| Financial Position                            |                                |              |                |                |              |              |              |
| Share Capital                                 | (Rs. Million)                  | 302          | 302            | 302            | 302          | 302          | 287          |
| Accumulated Profit                            | (Rs. Million)                  | 4,265        | 4,280          | 2,811          | 2,289        | 2,061        | 1,744        |
| Non Current Assets                            | (Rs. Million)                  | 3,096        | 3,025          | 1,751          | 1,642        | 1,528        | 1,491        |
| Non Current Liabiltiies                       | (Rs. Million)                  | 246          | 269            | 101            | 122          | 65           | 103          |
| Curent Assets                                 | (Rs. Million)                  | 3,745        | 3,838          | 3,474          | 2,115        | 1,737        | 1,529        |
| Ourent Liabilties                             | (Rs. Million)                  | 876          | 821            | 1,456          | 524          | 387          | 440          |
| San One Elabitio                              | (1 IOL IVIIIIOTI)              | 010          | 021            | 1,700          | 024          | 501          | 770          |

#### 10,186 1,777 1,777 1,304 1,950 1,771 1,035 1,971 909

FY 2014

FY 2013

■Gross profit Rs. (Millions)

FY 2012

4,311

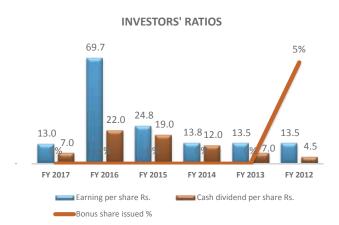
FY 2017

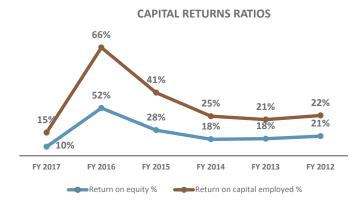
FY 2016

FY 2015

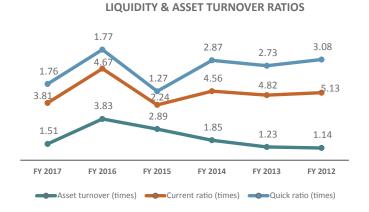
Revenue - net Rs. (Millions)

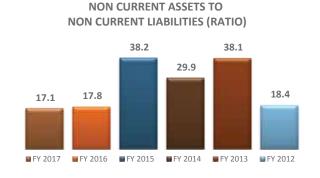


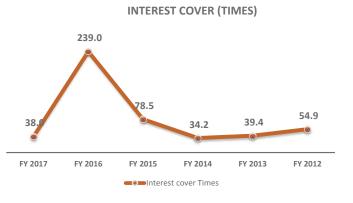












## horizontal analysis

|                                   | 2017   | 2016                         | 2015   | 2014   | 2013   | 2012   |
|-----------------------------------|--------|------------------------------|--------|--------|--------|--------|
|                                   |        | % Change from preceding year |        |        |        |        |
| BALANCE SHEET ANALYSIS            |        |                              |        |        |        |        |
| Share Capital and Reserves        | (1.2)  | 59.4                         | 13.2   | 4.4    | 12.0   | 19.4   |
| Non Current Liabilities           | 12.0   | 271.7                        | (12.4) | 9.8    | (50.6) | (4.2)  |
| Current Liabilities               | 17.8   | (48.9)                       | 225.3  | 42.1   | 34.0   | (12.1) |
| Total Equity and Liabilities      | 1.3    | 29.9                         | 39.2   | 8.1    | 11.7   | 15.2   |
| Non Current Assets                | 7.4    | 73.4                         | 12.2   | (14.0) | 2.2    | 1.1    |
| Current Assets                    | (4.0)  | 6.6                          | 59.9   | 34.5   | 25.8   | 45.0   |
| Total Assets                      | 1.3    | 29.9                         | 39.2   | 8.1    | 11.7   | 15.2   |
| PROFIT AND LOSS ANALYSIS          |        |                              |        |        |        |        |
| Revenue - net                     | (57.7) | 129.5                        | 75.1   | 30.0   | 10.1   | 23.2   |
| Cost of Sales                     | (58.3) | 151.4                        | 96.4   | 34.6   | 6.2    | 22.0   |
| Gross Profit                      | (56.8) | 103.3                        | 55.0   | 25.9   | 13.9   | 24.5   |
| Administrative Expenses           | 4.7    | 43.2                         | 20.2   | 14.4   | 4.8    | 16.7   |
| Selling and Distribution Expenses | (11.5) | 39.7                         | 23.2   | 23.5   | 10.6   | 35.0   |
| Other Expenses                    | (98.8) | 221.7                        | 68.3   | 47.3   | 14.0   | 6.9    |
| Other Income                      | (62.2) | 42.9                         | (0.9)  | 3.5    | (31.6) | 14.3   |
| Operating Profit                  | (76.8) | 143.1                        | 87.7   | 26.3   | 6.8    | 15.9   |
| Finance Costs                     | 46.1   | (20.1)                       | (18.3) | 45.4   | 48.9   | (29.1) |
| Profit Before Taxation            | (77.3) | 145.2                        | 90.9   | 25.8   | 6.0    | 17.3   |
| Taxation                          | (62.0) | 64.6                         | 123.3  | 253.2  | 202.8  | (60.6) |
| Profit After Taxation             | (81.3) | 181.1                        | 79.3   | 2.2    | (0.7)  | 25.8   |

## vertical analysis

|                                   | 2017  | 2016  | 2015  | 2014  | 2013  | 2012  |
|-----------------------------------|-------|-------|-------|-------|-------|-------|
| DALANCE CLIEFT ANALYSIS           |       |       | %-    |       |       |       |
| BALANCE SHEET ANALYSIS            |       |       |       |       |       |       |
| Share Capital and Reserves        | 83.8  | 86.0  | 70.0  | 86.1  | 89.1  | 88.9  |
| Non Current Liabilities           | 2.9   | 2.6   | 1.0   | 1.5   | 1.4   | 3.2   |
| Current Liabilities               | 13.3  | 11.4  | 29.0  | 12.4  | 9.5   | 7.9   |
| Total Equity and Liabilities      | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Non Current Assets                | 49.4  | 46.6  | 34.9  | 43.4  | 54.5  | 59.6  |
| Current Assets                    | 50.6  | 53.4  | 65.1  | 56.6  | 45.5  | 40.4  |
| Total Assets                      | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| PROFIT AND LOSS ANALYSIS          |       |       |       |       |       |       |
| Revenue - net                     | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Cost of sales                     | 58.8  | 59.7  | 54.5  | 48.6  | 46.9  | 48.7  |
| Gross Profit                      | 41.2  | 40.3  | 45.5  | 51.4  | 53.1  | 51.3  |
| Administrative expenses           | 6.7   | 2.7   | 4.3   | 6.3   | 7.2   | 7.6   |
| Selling and distribution expenses | 21.2  | 10.1  | 16.7  | 23.7  | 24.9  | 24.8  |
| Other expenses                    | 0.1   | 2.6   | 1.8   | 1.9   | 1.7   | 1.6   |
| Other income                      | 1.1   | 1.2   | 2.0   | 3.5   | 4.4   | 7.1   |
| Operating Profit                  | 14.3  | 26.1  | 24.7  | 23.0  | 23.7  | 24.4  |
| Finance costs                     | 0.4   | 0.1   | 0.3   | 0.7   | 0.6   | 0.4   |
| Profit Before Taxation            | 13.9  | 26.0  | 24.4  | 22.3  | 23.1  | 24.0  |
| Taxation                          | 4.8   | 5.4   | 7.5   | 5.9   | 2.2   | 0.8   |
| Profit After Taxation             | 9.1   | 20.6  | 16.9  | 16.4  | 20.9  | 23.2  |



## directors' report to shareholders for the year ended june 30, 2017

We are pleased to present the 61<sup>st</sup> Annual Report which includes the Audited Financial Statements of your Company for the financial year ended June 30, 2017 along with the Consolidated Financial Statements of its subsidiaries, BF Biosciences Limited and the Farmacia retail venture.

#### Your Company's Individual and Consolidated Financial Results

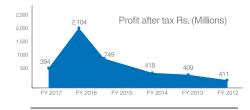
A summary of the financial and operating results for the year and appropriation of the divisible profits as compared to last year are given below:

|  | Indi      | Individual     |           | solidated |
|--|-----------|----------------|-----------|-----------|
|  | 2017      | 2016           | 2017      | 2016      |
|  |           | (Rupees in tho | usands)   |           |
| Profit before tax                                    | 602,218   | 2,654,025      | 591,176   | 2,858,536 |
| Taxation   | (208,553) | (549,538)      | (196,572) | (625,448) |
| Profit after tax                                     | 393,665   | 2,104,487      | 394,604   | 2,233,088 |
| Profit available for appropriation                   | 3,733,432 | 3,765,936      | 4,263,750 | 4,279,679 |
| Appropriations                                       |           |                |           |           |
| Interim cash dividend for the FY 2017 @ Rs. 3/ share |           |                |           |           |
| (FY 2016: @ Rs. 10/Share)                            | (90,561)  | (301,868)      | (90,561)  | (301,868) |
| Final cash dividend for the FY 2017 @ Rs.4/ share    |           |                |           |           |
| (FY 2016: @ Rs. 12/share)                            | (120,747) | (362,242)      | (120,747) | (362,242) |

During the year under review Consolidated Net Sales of your company closed at Rs. 5,002 million, a decrease of Rs. 6,293 million over the last year. On a stand-alone basis, Net Sales of your Company closed at Rs. 4,311 million against Rs 10,187 million last year, demonstrating a decline of 58%. The decline in topline of the Company was contributed in large part by its portfolio of imported products, particularly its Hepatitis C franchise under license from GileadSciences Inc. The net sales of the company outside Gilead portfolio have been increased by 11% year on year basis.



The Gross profit (GP) of the Company in absolute terms decreased by 56% as compared to last year, which is mainly linked with decrease in sales and provision for slow moving stock. In the last quarter of current financial year we have recorded provision for slow moving stock amounting to Rs 140 million which significantly affected the GP ratio of the Company. The introduction of several cheaper generic brands of Sofsobuvir, regardless of whether these are licensed by the originator, has significantly influenced market dynamics in the treatment of HCV, and resultantly also impacted the sales of SOVALDI®. As a matter of prudence, we have made an estimated provision for slow moving stock in the financial statements of the company for the year under review.

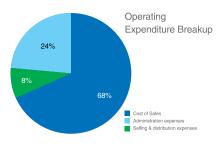


The Net Profit After Tax (NPAT) of the Company closed at Rs. 394 million, against Rs. 2,104 million achieved last year.

Sales of the subsidiary company BF Biosciences Limited closed at Rs. 609 Million with a decrease of 44% over the last year. Net Profit after Tax (NPAT) for the year stood at Rs. 24 million. The decline in operating results of the subsidiary is primarily due to the expanded use of oral treatment regimens for HCV patients and the corresponding decline in the market for interferons. The company is actively pursuing registrations with DRAP for new products that have been pending for over a year, and is in talks with potential partners in the biotech space for additional product portfolios.

#### **Key Operating and Financial Data**

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



#### **Capital Expenditure**

In order to keep pace with the latest technologies in pharmaceutical industry, during the year under review your Company has invested Rs. 307 million for balancing and modernization of its manufacturing facilities.

#### **Subsequent Events**

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

#### **Earnings per Share**

Based on the net profit for the year ended June 30, 2017 the earnings per share (EPS) stand at Rs. 13.04 per share, compared to prior year EPS of Rs. 69.72 on capital of Rs. 301.868 Million. Consolidated earnings per-share for the year under review closed at Rs.13.09 against last year EPS of Rs. 73.01.



#### **Dividend Announcement**

The Directors have recommended a final cash dividend of 40% i.e. Rs. 4 per 10-Rupee share. Added to the interim cash dividend of 30% declared earlier during the year, this amounts to a total payout of 70% for the year ended June 30, 2017.

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

### **Statement of Compliance with the Code of Corporate Governance**

Our statement of compliance with the Code of Corporate Governance of Pakistan along with the Auditors' Report thereon forms part of our Annual Report 2017.

### Statement of Compliance with Corporate & Financial Reporting Framework

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

As per the requirements of the Code of Corporate Governance, following specific statements are being given hereunder:

- The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the Company's financial statements which conform to the approved accounting standards as applicable in Pakistan.
- The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

- The systems of internal controls are sound in design and have been effectively implemented by the management and monitored by the internal auditors as well as Board of Directors and the Audit Committee. The Board reviews the effectiveness of established internal controls through the Audit Committee and suggest, whenever required, further improvement in the internal control system.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.
- The Company does not envisage corporate restructuring or discontinuation of its operations in the foreseeable future.
- All major Government levies in the normal course of business, payable as on June 30, 2017 have been cleared subsequent to the year end.
- During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) regulations and listing requirements.
- Executive of the Company traded in a total of 8 shares of the Company during the year. Besides this no other trading in Company shares was carried out by the Directors, Executives or their spouse(s) and minor children. Transaction wise detail of aforesaid sale and purchase in the shares of the Company have been disclosed in pattern of shareholding.
- The values of investments of employees' provident fund based on latest audited accounts as of June 30, 2016 are Rs. 376 million.

#### **Contribution to National Exchequer**

During the current financial year out of the total wealth generated, your Company contributed approximately Rs. 450 million to the national exchequer in lieu of various levies including Income Tax, Custom Duty, Federal and Provincial Sales Taxes WWF, WPPF and Central Research Fund.

#### **Related Party Transactions**

Transactions with related parties during the year ended June 30, 2017 were placed before the audit committee and the board for their review and approval. These transactions were approved by the Board in their meetings held during the year. Detail of related party transactions is given in note 32 to the financial statements.

### Meetings of the Board of Directors and Board Committees'

The information regarding the meetings of the board of directors and Board committees held during the year ended June 30, 2017 is annexed.

#### **Share Capital and Pattern of Shareholding**

The issued, subscribed and paid up capital of the Company as at June 30, 2017 was Rs. 301.868 million. The statement indicating the number of shareholders as on June 30, 2017 and their categories forming the pattern of shareholding as required under the Code of Corporate Governance is annexed.

#### **Risk Management**

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

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

• Economic and political risks: The ever changing economic and political condition in our country has exposed our Company to this risk as well. In order to mitigate this risk the management monitors the financial market conditions and political climate very closely and appropriate actions and strategies are discussed at the management level to counter unfavorable situations.

- Competition risks: Due to the weak regulatory controls over illegal and low quality products in the market, the pharmaceutical industry in Pakistan is exposed to unhealthy competition risks. In order to mitigate these risks your Company along with other members of the Pakistan Pharmaceutical Manufacturers Association, is in continuous lobbying for improved Government regulations and policies.
- Supply chain risks: The supply chain process plays a pivotal role in day-to-day operations of the Company. We are mitigating this risk through comprehensive production planning and integrating it with the sales forecasting and ordering systems.
- Information technology risks: The Company continues to invest in its IT infrastructure keeping in mind its future needs.
- Financial risks: These are the risks that are directly attributable to the financial viability of the Company. These have been elaborated in detail in note 36 of the financial statements.

#### **Auditors**

The Auditors Messer KPMG Taseer Hadi & Co., Chartered Accountants retire and offer themselves for reappointment for the financial year ending June 30, 2018.

#### **Industry Review and Future Outlook**

As per the provisional census data presented to the Council of Common Interest (CCI), Pakistan's population is estimated to have crossed 207 million. Being home to the sixth-largest population in the world, Pakistan has great potential in the field of pharmaceuticals. However, meeting this potential will require a transparent and competitive pricing policy, a quality monitoring mechanism that is fair, keeps efficacy and the patients' health above all other concerns, and is applied with consistency across the board by the regulator. Counterfeit and low quality drugs remain a major concern for the organized industry players and concrete steps are necessary to protect the stake of the industry and the patients.

As the majority of the input cost of the pharmaceuticals comprises of imported Active Pharmaceutical Ingredients (APIs), a devaluation of PKR will substantially add to the production cost of the pharmaceutical industry, where prices are being regulated by the DRAP. Pharmaceuticals are exempt from sales tax on the finished product. However, this effectively makes the levy of sales tax on packaging inputs and import of plant and machinery a production and investment tax. GST on these inputs should be immediately eliminated in order to encourage industry become more competitive and invest in latest technologies.

Despite the fact that the import of finished pharmaceuticals is exempt from sales tax, custom authorities in Pakistan have begun collecting sales tax on named-patient imports of unregistered medicines, which adds to the cost of these critical drugs, often for use in diseases like cancer, to the end user almost by 19%. For all those medicines for which Drug Regulatory Authority of Pakistan (DRAP) issues an import permit, the levy of sales tax on these imports should be stopped to give immediate relief to the patients.

Looking ahead for next year, apart from challenges we are hopeful that we will be able to post a stable growth in our business. Our application for registration of Epclusa®, a pan-genotypic agent for the treatment of HCV is pending with DRAP, however patient basis import of Epclusa®, have started. Epclusa has a 50% reduced treatment duration, demonstrates high cure rates across all genotypes of HCV, and represents a single-tablet regimen that will once again change the treatment landscape of HCV in the country.

We have also launched new products in diabetes and heart disease during the year under review to broaden our revenue base, and are optimistic regarding these new launches. We are also trying our best to build a strong platform in the medical equipment business. With high rates of investment

expected in the hospitals sector, we have partnered with some of the world's best equipment manufacturers and are optimistic to capitalize upon the opportunities in future.

#### **Acknowledgements**

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

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

For and on behalf of the Board

Mrs. Akhter Khalid Waheed Chairperson Lahore 30 August 2017



## dates and attendance of board meetings held during the year ended 30 june 2017

A total of Four Board Meetings were held during the Financial Year 2016-2017 on the following dates:

29 August 2016 20 October 2016 30 January 2017 27 April 2017

| Sr. No. | Name of Directors         | No. of Meeting Attended |
|---------|---------------------------|-------------------------|
| 1.      | Mrs. Akhter Khalid Waheed | 4                       |
| 2.      | Mr. Osman Khalid Waheed   | 4                       |
| 3.      | Mrs. Amna Piracha Khan    | 3                       |
| 4.      | Mrs. Munize Azhar Peracha | 4                       |
| 5.      | Mr. Farooq Mazhar         | 3                       |
| 6.      | Mr. Nihal F. Cassim       | 2                       |
| 7.      | Mr. Shahid Anwar          | 4                       |

#### Audit Committee Meetings:

| Sr. No. | Name of Members        | No. of Meeting Attended |
|---------|------------------------|-------------------------|
| 1.      | Mr. Shahid Anwar       | 4                       |
| 2.      | Mrs. Amna Piracha Khan | 3                       |
| 3.      | Mr. Farooq Mazhar      | 3                       |
| 4.      | Mr. Nihal F. Cassim    | 2                       |

#### HR&R Committee Meetings:

| Sr. No. | Name of Members     | No. of Meeting Attended |
|---------|---------------------|-------------------------|
| 1.      | Mr. Shahid Anwar    | 1                       |
| 2.      | Mr. Farooq Mazhar   | 1                       |
| 3,      | Mr. Nihal F. Cassim | 0                       |

## statement of compliance with the code of corporate governance for the year ended 30 june 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

| Category                | Names                     |
|-------------------------|---------------------------|
| Independent Director    | Mr. Shahid Anwar          |
| Executive Director      | Mr. Osman Khalid Waheed   |
| Non-Executive Directors | Mrs. Akhter Khalid Waheed |
|                         | Mrs. Amna Piracha Khan    |
|                         | Mrs. Munize Azhar Peracha |
|                         | Mr. Farooq Mazhar         |
|                         | Mr. Nihal F. Cassim       |

The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

- 2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- 3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4. No casual vacancy has occurred on the Board of Directors during the year.
- 5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.
- 8. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9. Most of the Directors meet the exemption requirement of the directors' training program. The remaining directors have obtained certification under the directors' training program.

- 10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
- 11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- 12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
- 15. The Board has formed an Audit Committee. It comprises four members, of whom all are non-executive directors and the Chairman of the Committee is an independent director.
- 16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
- 17. The Board has formed a HR & Remuneration Committee. It comprises three members, of whom all are non-executive directors and the Chairman of the Committee is an independent director.
- 18. The Board has outsourced the internal audit function to EY Ford Rhodes, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
- 19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
- 20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
- 22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- 23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management office in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
- 24. We confirm that all other material principles enshrined in the CCG have been complied with.

Mrs. Akhter Khalid Waheed Chairperson



KPMG Taseer Hadi & Co. Chartered Accountants 2nd Floor, Servis House 2-Main Guilberg Jail Road, Lahore Pakistan Telephone + 92 (42) 3579 0901-6 Fax + 92 (42) 3579 0907 Internet www.kpmg.com.pk

#### Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Ferozsons Laboratories Limited ("the Company") for the year ended 30 June 2017 to comply with the requirements of Listing Regulation no. 5.19 of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of the requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

Lahore

Date: 30 August 2017

KPMG Taseer Hadi & Co
Chartered Accountants
(Bilal Ali)







KPMG Taseer Hadi & Co. Chartered Accountants 2nd Floor, Servis House 2-Main Gulberg Jail Road, Lahore Pakistan

Telephone + 92 (42) 3579 0901-6 Fax + 92 (42) 3579 0907 Internet www.kpmg.com.pk

#### Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of Ferozsons Laboratories Limited ("the Company") as at 30 June 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - the expenditure incurred during the year was for the purpose of the Company's business; and







- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company, and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 30 August 2017

Lahore

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

## unconsolidated balance sheet As at 30 June 2017

|   | Note   | 2017<br>Rupees   | 2016<br>Rupees   |
|---|--------|--|--|
| EQUITY AND LIABILITIES  |        |  |  |
| Share capital and reserves  |        |  |  |
| Authorized share capital 50,000,000 (2016: 50,000,000) ordinary                 |        |  |  |
| shares of Rs. 10 each   |        | 500,000,000  | 500,000,000  |
| Issued, subscribed and paid up capital<br>Capital reserve<br>Accumulated profit | 4<br>5 | 301,868,410<br>321,843<br>3,733,431,676<br>4,035,621,929 | 301,868,410<br>321,843<br>3,765,936,024<br>4,068,126,277 |
| Surplus on revaluation of property, plant and equipment - net of tax            | 6      | 807,524,953  | 832,797,085  |
| Non current liabilities   |        |  |  |
| Deferred taxation   | 7      | 167,046,631  | 149,191,075  |
| Current liabilities   |        |  |  |
| Trade and other payables<br>Short term borrowings - secured<br>Accrued mark-up  | 8<br>9 | 763,465,926<br>2,138,283<br>1,646,851                    | 651,474,148<br>-<br>32,767                               |
| Contingencies and commitments   | 10     | 767,251,060<br>5,777,444,573                             | 651,506,915<br><u>5,701,621,352</u>                      |

The annexed notes from 1 to 39 form an integral part of these unconsolidated financial statements.

**Chief Executive Officer** 

# unconsolidated balance sheet As at 30 June 2017

|   | Note                                   | 2017<br>Rupees  | 2016<br>Rupees   |
|---|--|---|--|
| ASSETS  |  |   |  |
| Non-current assets  |  |   |  |
| Property, plant and equipment Intangibles Long term investments - related parties Long term deposits  | 11<br>12<br>13                         | 2,566,321,990<br>2,319,638<br>280,949,050<br>7,066,325<br>2,856,657,003   | 2,384,990,408<br>4,174,991<br>263,310,134<br>6,351,325<br>2,658,826,858  |
| Current assets  |  |   |  |
| Stores, spare parts and loose tools Stock in trade Trade debts - considered good Loans and advances - considered good Deposits and prepayments Other receivables Short term investments Income tax - net Cash and bank balances | 14<br>15<br>16<br>17<br>18<br>19<br>20 | 20,951,720<br>1,547,839,685<br>365,941,171<br>72,918,451<br>151,421,998<br>10,595,528<br>487,884,889<br>127,916,951<br>135,317,177<br>2,920,787,570 | 22,249,383<br>1,866,923,740<br>387,586,473<br>35,476,550<br>92,321,784<br>7,637,820<br>335,000,000<br>45,918,965<br>249,679,779<br>3,042,794,494 |
|   |  | 5,777,444,573   | 5,701,621,352  |

**Director** 

# unconsolidated profit and loss account For the year ended 30 June 2017

|  | Note                 | 2017<br>Rupees   | 2016<br>Rupees                 |
|--|----------------------|--|--------------------------------|
| Revenue - net Cost of sales Gross profit   | 22<br>23             | 4,311,441,718<br>(2,534,669,504)<br>1,776,772,214                          | ( , , , ,                      |
| Administrative expenses Selling and distribution expenses Other expenses Other income Profit from operations | 24<br>25<br>26<br>27 | (289,129,914)<br>(913,763,385)<br>(3,216,963)<br>47,849,556<br>618,511,508 | , , ,                          |
| Finance cost Profit before taxation  | 28                   | (16,293,573)<br>602,217,935  | (11,152,570)<br>2,654,025,193  |
| Taxation Profit after taxation   | 29                   | (208,553,225) 393,664,710  | (549,538,096)<br>2,104,487,097 |
| Earnings per share - basic and diluted   | 30                   | 13.04  | 69.72                          |

The annexed notes from 1 to 39 form an integral part of these unconsolidated financial statements.

**Director Chief Executive Officer** 

# unconsolidated statement of comprehensive income For the year ended 30 June 2017

|   | Rupees      | Rupees        |
|---|-------------|---------------|
| Profit after taxation                   | 393,664,710 | 2,104,487,097 |
| Other comprehensive income for the year | -           | -             |
| Total comprehensive income for the year | 393,664,710 | 2,104,487,097 |

The annexed notes from 1 to 39 form an integral part of these unconsolidated financial statements.

**Chief Executive Officer Director** 

# unconsolidated statement of changes in equity For the year ended 30 June 2017

|   | Share capital | Capital reserve | Accumulated profit | Total         |
|---|---------------|-----------------|--------------------|---------------|
|   |               | Rı              | ıpees              |               |
| Balance as at 01 July 2015  | 301,868,410   | 321,843         | 2,401,056,940      | 2,703,247,193 |
| Total comprehensive income for the year   | -             | -               | 2,104,487,097      | 2,104,487,097 |
| Surplus transferred to accumulated profit: - on account of incremental depreciation on property, plant and  |               |                 |                    |               |
| equipment charged during the year - net of tax  | -             | -               | 5,793,286          | 5,793,286     |
| - on account of disposal of fixed assets during the year - net of tax   | -             | -               | 9,269,725          | 9,269,725     |
|   | -             | -               | 15,063,011         | 15,063,011    |
| Transactions with owners of the Company:  |               |                 | (150,000,011)      | (170,000,014) |
| -Final dividend for the year ended 30 June 2015 at Rs. 15 per share   | -             | -               | (452,802,614)      | (452,802,614) |
| -Interim dividend for the year ended 30 June 2016 at Rs. 10 per share   | -             | -               | (301,868,410)      | (301,868,410) |
|   | -             | -               | (754,671,024)      | (754,671,024) |
| Balance as at 30 June 2016  | 301,868,410   | 321,843         | 3,765,936,024      | 4,068,126,277 |
| Balance as at 01 July 2016  | 301,868,410   | 321,843         | 3,765,936,024      | 4,068,126,277 |
| Total comprehensive income for the year   | -             | -               | 393,664,710        | 393,664,710   |
| Surplus transferred to accumulated profit: - on account of incremental depreciation on property, plant and equipment charged during the year - net of tax | -             | -               | 26,633,557         | 26,633,557    |
| Transactions with owners of the Company:  |               |                 |                    |               |
| - Final dividend for the year ended 30 June 2016 at Rs. 12 per share  | -             | -               | (362,242,092)      | (362,242,092) |
| - Interim dividend for the year ended 30 June 2017 at Rs. 3 per share   | -             | -               | (90,560,523)       | (90,560,523)  |
|   | -             | -               | (452,802,615)      | (452,802,615) |
| Balance as at 30 June 2017  | 301,868,410   | 321,843         | 3,733,431,676      | 4,035,621,929 |
|   |               |                 |                    |               |

The annexed notes from 1 to 39 form an integral part of these unconsolidated financial statements.

**Chief Executive Officer Director** 

# unconsolidated cash flow statement For the year ended 30 June 2017

|   |                  | 0047                           | 0010                           |
|---|------------------|--------------------------------|--------------------------------|
|   | Note             | 2017<br>Rupees                 | 2016<br>Rupees                 |
|   |                  | pooc                           |                                |
| Cash flow from operating activities   |                  |                                |                                |
| Profit before taxation  Adjustments for:  |                  | 602,217,935                    | 2,654,025,193                  |
| Depreciation on property, plant and equipment   | 11.2             | 209,789,257                    | 138,760,682                    |
| Amortisation Trade debts write off  | 25               | 1,855,353<br>15,350,017        | 1,150,797                      |
| Provision for slow moving stock in trade Gain on disposal of property, plant and equipment  | 15<br>11.3       | 140,000,000<br>(10,941,817)    | (21,923,497)                   |
| Finance costs   | 11.0             | 16,293,573                     | 11,152,570                     |
| Gain on re-measurement of short term investments to fair value Dividend income              | 20.2             | (85,611)<br>(12,287,391)       |                                |
| Gain on sale of short term investments  | 20.2             | (3,171,520)                    | (58,529,405)                   |
| Profit on term deposits Share in profit of Farmacia   | 13.1             | (834,747) (17,638,916)         | (9,364,205)<br>(21,602,047)    |
| Workers' Profit Participation Fund  |                  | 29,941,741                     | 142,536,262                    |
| Central Research Fund Prior years' reversal of Workers' Welfare Fund                        | 26               | 6,048,836<br>(43,352,950)      | 28,795,204                     |
| Workers' Welfare Fund   | 20               | 10,028,086                     | 54,163,779                     |
| Cash generated from operations before working capital changes                               |                  | 340,993,911<br>943,211,846     | 265,140,140<br>2,919,165,333   |
| Effect on cash flow due to working capital changes  |                  | 540,211,040                    | 2,010,100,000                  |
| Decrease / (increase) in current assets Stores, spare parts and loose tools                 |                  | 1,297,663                      | 1,172,918                      |
| Stock in trade  |                  | 179,084,055                    | (650,332,185)                  |
| Trade debts - considered good Loans and advances - considered good                          |                  | 6,295,285<br>(37,441,901)      | (154,655,430)<br>(1,916,945)   |
| Deposits and prepayments Other receivables  |                  | (59,100,214)                   | (40,825,756)                   |
| Other receivables   |                  | (2,116,118)                    | (4,320,724)                    |
| Increase / (decrease) in current liabilities  |                  |                                | , , , ,                        |
| Trade and other payables  Cash generated from operations                                    |                  | 187,451,758<br>1,218,682,374   | (636,137,384)<br>1,432,149,827 |
|   |                  |                                |                                |
| Taxes paid Workers' Profit Participation Fund paid  | 8.1              | (227,981,280)<br>(53,034,847)  | (598,029,926)<br>(187,211,241) |
| Workers' Welfare Fund paid<br>Central Research Fund paid                                    | 8.2              | (54,163,779)<br>(28,795,204)   | (11,864,141)<br>(11,636,394)   |
| Long term deposits - net  | 0.2              | (715,000)                      | (2,892,500)                    |
| Net cash generated from operating activities  |                  | 853,992,264                    | 620,515,625                    |
| Cash flow from investing activities   |                  |                                |                                |
| Acquisition of property, plant and equipment  |                  | (395,980,754)                  | (688,205,229)                  |
| Acquisition of intangibles Dividend income  |                  | 12,287,391                     | (4,285,326)                    |
| Proceeds from sale of property, plant and equipment   | 11.3             | 15,801,732                     | 37,600,620                     |
| Profit on term deposits received (Acquisition) / redemption of short term investments - net |                  | 1,522,185<br>(149,627,758)     | 8,676,767<br>564,529,405       |
| Net cash used in investing activities   |                  | (515,997,204)                  | (81,683,763)                   |
| Cash flow from financing activities   |                  |                                |                                |
| Finance cost paid   |                  | (14,679,489)                   | (11,130,437)                   |
| Dividend paid   |                  | (439,816,456)                  | (731,987,875)                  |
| Net cash used in financing activities  Net decrease in cash and cash equivalents            |                  | (454,495,945)<br>(116,500,885) | (743,118,312)<br>(204,286,450) |
| Cash and cash equivalents at the beginning of the year                                      |                  | 249,679,779                    | 453,966,229                    |
| Cash and cash equivalents at the end of the year  |                  | 133,178,894                    | 249,679,779                    |
| Cash and cash equivalents comprise of the following: Cash and bank balances                 | 21               | 135,317,177                    | 249,679,779                    |
| Running finance   | ∠ 1              | (2,138,283)                    |                                |
|   |                  | 133,178,894                    | 249,679,779                    |
| The annexed notes from 1 to 39 form an integral part of these unconsolidated finance        | cial statements. |                                |                                |

**Director Chief Executive Officer** 

For the year ended 30 June 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 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 Separate financial statements

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

The Company has following major investments:

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

#### 2.2 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as notified under the provisions of the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. Wherever the requirements of the repealed Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan ('SECP') differ with the requirements of IFRS, the requirements of the repealed Companies Ordinance, 1984 or the requirements of the said directives prevail.

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 17 dated 20 July 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 30 June 2017, can prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires certain additional disclosures which would be applicable for financial year ending after 30 June 2017.

Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of fixed assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of land, building and plant and machinery to bring it in line with the requirements of IAS 16 – "Property, plant and equipment". The effect of the change is disclosed in note 6 to these unconsolidated financial statements.

#### 2.3 Standards, amendments and interpretations and forth coming requirements

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

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017.

For the year ended 30 June 2017

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 01 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 01 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

For the year ended 30 June 2017

The above amendments are not likely to have an impact on the Company's unconsolidated financial statements, except for certain additional disclosures.

#### 2.4 Basis of measurement

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

#### 2.5 Functional and presentation currency

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

#### 2.6 Use of estimates and judgments

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

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

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

#### 2.6.1 Property, plant and equipment

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

#### 2.6.2 Intangibles

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

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

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

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

#### 2.6.4 Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess impairment and provision required on annual basis.

For the year ended 30 June 2017

#### 2.6.5 Provisions

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

#### 2.6.6 Impairment

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

#### 2.6.7 Fair value of investments

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

#### 2.6.8 Taxation

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

#### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presenting, in these financial statements:

#### 3.1 Employee benefits

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

#### 3.1.1 Staff provident fund

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

#### 3.1.2 Compensated absences

The Company provides for compensated absences for its employees on unavailed balance of leave in the period in which leave is earned.

#### 3.2 Taxation

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

#### 3.2.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

For the year ended 30 June 2017

#### 3.2.2 Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### 3.3 Property, plant and equipment, depreciation and capital work in progress

#### 3.3.1 Owned

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

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

As of 01 July 2016, the Company has revised its estimate of the remaining useful life of building on freehold land and plant and machinery. As a result, the remaining useful life of these revalued assets have been revised to their original life. This change in estimate of useful life of revalued assets has been applied prospectively as required under IAS-8 'Accounting policies, changes in accounting estimates and errors. Had the useful life estimate not been revised, the depreciation charge for financial years 2017 to 2020 and 2021 would have been higher by Rs. 57.72 million and Rs. 48.25 million respectively.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed asset account. Deficit, if any, arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the above mentioned surplus account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to equity, net of related deferred tax.

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

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

#### 3.3.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate directly attributable overheads. These costs are transferred to property, plant and equipment as and when assets are available for their intended use.

#### 3.4 Intangibles

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

For the year ended 30 June 2017

#### 3.5 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise looses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the balance sheet, when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition or de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

Significant financial assets include long term deposits, short term investments, trade debts, loans and advances, other receivables, mark-up accrued and cash and bank balances.

Significant financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include trade and other payables.

#### 3.6 Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

#### 3.7 Investments

#### 3.7.1 Investments in subsidiaries

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

#### 3.7.2 Investments at fair value through profit or loss

These include investments classified as held for trading or upon initial recognition are designated by the Company at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in income. Fair value of investments is their quoted bid price at the balance sheet date. Transaction costs are charged to income currently.

#### 3.7.3 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition, these are measured at amortized cost using the effective interest rate method less impairment loss, if any.

#### 3.7.3.1 Trade debts

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

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

For the year ended 30 June 2017

#### 3.8 Settlement date accounting

Regular way purchases and sales of financial assets are recognized on trade dates.

#### 3.9 Trade and other payables

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

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

#### 3.10 Offsetting of financial assets and financial liabilities

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

#### 3.11 Provisions

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

#### 3.12 Foreign currency

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

#### 3.13 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of cost and net realizable value. Cost is determined on weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other incidental charges incurred thereon.

#### 3.14 Stocks in trade

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

Raw and Packing materials Work in process Finished goods at moving average costat weighted average costat moving average cost and

Finished goods for resale

- at weighted average cost of purchase

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

#### 3.15 Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalents mainly comprise cash and bank balances which are stated in the balance sheet at cost.

For the year ended 30 June 2017

#### 3.16 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of products, net of sales returns, discounts and commission. Revenue is recognized when the goods are dispatched and title passes to the customer, it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably and there is no continuing management involvement.

#### 3.17 Borrowing costs

Mark-up, interest and other direct charges on borrowings are capitalized to the related qualifying asset till substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. All other mark-up, interest and related charges are charged to the profit and loss account as finance cost.

#### 3.18 Other income

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

Dividend income relating to post acquisition profit is recognized when the right to receive is established.

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

#### 3.19 Impairment

#### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognized.

#### Non financial assets

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

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

For the year ended 30 June 2017

#### 3.20 Earnings per share (EPS)

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

#### 3.21 Dividend distribution

Dividend is recognized in the financial statements in the period in which it is approved.

#### 3.22 Operating segment

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and accessing performance of the operating segments, has been identified as the Board of Director of the Company that make strategic decisions.

| Issued, subscribed and paid up capital  | Rupees                   | Rupees                   |
|---|--------------------------|--------------------------|
| 1,441,952 (2016: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash   | 14,419,520               | 14,419,520               |
| 119,600 (2016: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and   | 1 100 000                | 1 100 000                |
| Sargodha Oil and Flour Mills Limited since merged  28,625,289 (2016: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares | 1,196,000<br>286,252,890 | 1,196,000<br>286,252,890 |
| each issued as fully paid boiles shares   | 301,868,410              | 301,868,410              |

KFW Factors (Private) Limited, an associated company held 8,286,942 (2016: 8,286,942) ordinary shares of Rs. 10 each of the Company.

#### 5 Capital reserve

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

For the year ended 30 June 2017

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|   | 2017<br>Rupees                               | 2016<br>Rupees                             |
|---|--|--|
| Surplus on revaluation of property, plant and equipment - net of tax  |  |  |
| Surplus on revaluation of property, plant and equipment as at 01 July   | 933,032,737                                  | 386,753,173                                |
| Surplus on revaluation of property plant and equipment recognized during the year:  |  |  |
| <ul><li>freehold land</li><li>building on freehold land</li><li>plant and machinery</li></ul>   | -<br>-<br>-                                  | 268,076,127<br>225,413,183<br>70,500,081   |
| - related deferred tax liability Surplus net of deferred tax  |  | 563,989,391<br>(87,288,495)<br>476,700,896 |
| Surplus transferred to equity on account of incremental depreciation charged during the year net of deferred tax Related deferred tax liability | (26,633,557)<br>(11,397,872)<br>(38,031,429) | (5,793,286)<br>(2,646,816)<br>(8,440,102)  |
| Surplus transferred to equity: - on account of disposal during the year net of deferred tax - Related deferred tax liability                    |  | (9,269,725)<br>(9,269,725)                 |
| Revaluation Surplus   | 895,001,308                                  | 933,032,737                                |
| Related deferred tax liability: - On revaluation as at 01 July - Transferred / recognized - on revaluation surplus during the year              | (100,235,652)                                | (15,651,353)<br>(87,288,495)               |
| - on account of incremental depreciation charged during the year - tax rate adjustment  | 11,397,872<br>1,361,425                      | 2,646,816<br>57,380                        |
| Surplus on revaluation of property, plant and equipment as at 30 June   | (87,476,355)<br>807,524,953                  | (100,235,652)                              |

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

As stated in note 2.2 of these unconsolidated financial statements, the Companies Act, 2017 is applicable for financial year ending after 30 June 2017 which will result in reclassification of surplus on revaluation of land, building and plant and machinery as part of the shareholders' equity.

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| _  |   |  |   |   |
|--|---|--|---|---|
| _  | 2017  |  |   |   |
| _  |   |  |   |   |
|  | Opening   | Profit or loss   | Surplus on revaluation  | Closing   |
| _  |   | ····· (Rupe  |   |   |
| Deferred taxation  |   |  |   |   |
| Taxable temporary difference   |   |  |   |   |
| Accelerated tax depreciation   | 40.0EE 400  | 20.614.952   |   | 70 570 076  |
| Surplus on revaluation of property,  | 46,955,423  | 30,614,653   | -   | 79,570,276  |
| plant and equipment  | 100,235,652   | (11,397,872)   | (1,361,425)   | 87,476,355  |
|  | 149,191,075   | 19,216,981   | (1,361,425)   | 167,046,631   |
|  |   |  |   |   |
| _  |   |  |   |   |
| -  |   |  |   |   |
| _  |   |  | on revaluation  | Closing   |
|  |   | (Rupe  | es)   |   |
| Taxable temporary difference   |   |  |   |   |
| Accelerated tax depreciation allowances  | 24,485,892  | 24,469,531   | -   | 48,955,423  |
| plant and equipment  | 15,651,353  | (2,646,816)  | 87,231,115  | 100,235,652   |
|  | 40,137,245  | 21,822,715   | 87,231,115  | 149,191,075   |
|  |   | Note   | 2017<br>Rupees  | 2016<br>Rupees  |
| Trade and other payables   |   |  |   |   |
| Trade creditors Accrued liabilities Advances from customers Unclaimed dividend Tax deducted at source Provision for compensated absences Workers' Profit Participation Fund Central Research Fund Workers' Welfare Fund Advances from employees against purchase of vel Other payables | hicles  | 8.1<br>8.2<br>26   | 420,783,911<br>78,435,514<br>102,146,513<br>80,854,747<br>-<br>20,483,086<br>-<br>6,048,836<br>10,028,086<br>40,334,282<br>4,350,951<br>763,465,926 | 321,280,215<br>96,099,277<br>15,359,560<br>67,868,588<br>452,196<br>17,587,198<br>19,256,025<br>28,795,204<br>54,163,779<br>29,594,632<br>1,017,474<br>651,474,148  |
|  | Taxable temporary difference  Accelerated tax depreciation allowances Surplus on revaluation of property, plant and equipment  Taxable temporary difference  Accelerated tax depreciation allowances Surplus on revaluation of property, plant and equipment  Trade and other payables  Trade creditors Accrued liabilities Advances from customers Unclaimed dividend Tax deducted at source Provision for compensated absences Workers' Profit Participation Fund Central Research Fund Workers' Welfare Fund Advances from employees against purchase of vel | Deferred taxation  Taxable temporary difference  Accelerated tax depreciation allowances Surplus on revaluation of property, plant and equipment  Taxable temporary difference  Accelerated tax depreciation allowances Surplus on revaluation of property, plant and equipment  Taxable temporary difference  Accelerated tax depreciation allowances Surplus on revaluation of property, plant and equipment  Trade and other payables  Trade creditors Accrued liabilities Advances from customers Unclaimed dividend Tax deducted at source Provision for compensated absences Workers' Profit Participation Fund Central Research Fund Workers' Welfare Fund Advances from employees against purchase of vehicles | CReversal from Opening  | (Reversal from ) - barge to Surplus on revaluation           Taxable temporary difference           Accelerated tax depreciation allowances         48,955,423         30,614,853         -           Surplus on revaluation of property, plant and equipment         100,235,652         (11,397,872)         (1,361,425)           149,191,075         19,216,981         (1,361,425)           149,191,075         19,216,981         (1,361,425)           149,191,075         19,216,981         (1,361,425)           149,191,075         19,216,981         (1,361,425)           149,191,075         19,216,981         (1,361,425)           149,191,075         19,216,981         (1,361,425)           149,191,075         19,216,981         (1,361,425)           149,191,075         19,216,981         (1,361,425)           149,191,075         19,216,981         (1,361,425)           149,191,075         19,216,981         (1,361,425)           140,191,075         19,216,981         (1,361,425)           140,191,075         19,216,981         (1,361,425)           140,191,075         24,469,531         -           140,191,075         24,469,531         -           140,191,075         24,469,531         - |

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For the year ended 30 June 2017

|     |   | 2017<br>Rupees                                      | 2016<br>Rupees  |
|-----|---|---|---|
| 8.1 | Workers' Profit Participation Fund  |   |   |
|     | Balance at the beginning of the year<br>Interest on funds utilized by the Company<br>Provision for the year | 19,256,025<br>2,308,053<br>29,941,741<br>51,505,819 | 62,211,241<br>1,719,763<br>142,536,262<br>206,467,266 |
|     | Payments made during the year   | (53,034,847) (1,529,028)                            | (187,211,241)<br>19,256,025                           |

The fund balance has been utilized by the Company for its own business and interest at the rate of 165% (2016: 143%) has been credited to the fund. Interest is calculated at higher of 75% of dividend rate or 2.5% plus bank rate, as required under Companies Profits (Workers' Participation) Act, 1968.

|     |  | 2017<br>Rupees                        | 2016<br>Rupees                         |
|-----|--|---------------------------------------|--|
| 8.2 | Central Research Fund                                      |                                       |  |
|     | Balance at beginning of the year<br>Provision for the year | 28,795,204<br>6,048,836<br>34,844,040 | 11,636,394<br>28,795,204<br>40,431,598 |
|     | Payments made during the year                              | (28,795,204) 6,048,836                | (11,636,394) 28,795,204                |

#### 9 Short term borrowings - secured

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#### 9.1 Under Mark up arrangements

The Company has short term borrowing facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 750 million (2016: Rs. 750 million). These facilities carry mark-up at the rates ranging from three months KIBOR plus 0.1% to 0.9% (2016: 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 (2016: 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. 207.75 million (2016: Rs. 335 million) is marked under lien. These facilities are renewable on annual basis latest by 30 November 2017.

#### 9.2 Under Shariah compliant arrangements

The Company has short term borrowing facility i.e. Running Musharakah available from Islamic bank under profit arrangements having sanctioned limit of Rs. 200 million (2016: Rs. 200 million). This facility carries profit rate of three months KIBOR plus 0.3% (2016: 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 2017 and has been renewed subsequent to year end.

#### 10 Contingencies and commitments

#### 10.1 Contingencies

The Company has filed a suit before the Honorable High Court of Sindh challenging SRO related to pharmaceutical pricing issued by Drug Regulatory Authority being ultra vires the constitution. The issue relates to fixation of prices of certain products of the Company and the SRO issued in this regard whereby the products of the Company were notified as controlled drugs. The matter is subjudice. However, the management based on obtained legal opinion believes that the Company has a strong case on merit and is likely to succeed in obtaining relief.

For the year ended 30 June 2017

#### 10.2 Commitments

#### 10.2.1 Letter of credits

#### 10.2.1.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 600 million (2016: Rs. 600 million) for opening letters of credit, the amount utilized at 30 June 2017 for capital expenditure was Rs. Nil (2016: Rs. 183.83 million) and for other than capital expenditure was Rs. 166.15 million (2016: Rs. 163.17 million). These facilities are secured by first pari passu charge of Rs. 1,000 million over all present and future assets (excluding land & building) of the Company. Lien is also marked over import documents.

#### 10.2.1.2 Under Shariah compliant arrangements

The Company has facility i.e. letters of credit of Rs.75 million (2016: Rs. 75 million) available from Islamic bank. The amount utilized at 30 June 2017 only for other than capital expenditure was Rs. 28.74 million (2016: Rs. 20.60 million). Lien is also marked over import documents.

#### 10.2.2 Guarantees issued by banks on behalf of the Company

#### 10.2.2.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 25 million (2016: Rs. 50 million) for letter of guarantees (which is the sublimit of running finance), the amount utilized at 30 June 2017 was Rs. 9.82 million (2016: Rs. 0.4 million).

#### 10.2.2.2 Under Shariah compliant arrangements

The Company has facility i.e. LG of Rs. 25 million (2016: Rs. 25 million) available from Islamic bank, the amount utilized at 30 June 2017 was Rs. 1.96 million (2016: Rs. 1.96 million).

|    |   | Note         | 2017<br>Rupees                                | 2016<br>Rupees                                |
|----|---|--------------|---|---|
| 11 | Property, plant and equipment             |              |   |   |
|    | Operating assets Capital work in progress | 11.1<br>11.4 | 2,349,059,821<br>217,262,169<br>2,566,321,990 | 2,036,908,038<br>348,082,370<br>2,384,990,408 |

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| 11.1 Operating assets   |   |   |   |                                     |                          |  |  |   |
|---|---|---|---|-------------------------------------|--------------------------|--|--|---|
|   |   |   |   | Owned                               | pa                       |  |  |   |
|   | Freehold land                                   | Buildings on<br>freehold land                 | Plant and<br>machinery                          | Office equipment                    | Furniture and fittings   | Computers                              | Vehicles                                   | Total   |
| 30 June 2017  |   |   |   | Bubees                              | S0                       |  |  |   |
| Cost / revalued amount  |   |   |   |                                     |                          |  |  |   |
| Balance as at 01 July 2016<br>Additions / transfers<br>Disposals / write off                        | 666,500,000                                     | 637,375,756<br>32,376,774                     | 496,475,194<br>356,412,858                      | 58,152,706<br>30,209,818            | 31,778,972<br>43,135,390 | 28,789,733<br>9,381,127<br>(2,772,532) | 303,784,050<br>55,284,988<br>(26,883,791)  | 2,222,856,411<br>526,800,955<br>(29,656,323)                |
| Balance as at 30 June 2017  | 666,500,000                                     | 669,752,530                                   | 852,888,052                                     | 88,362,524                          | 74,914,362               | 35,398,328                             | 332,185,247                                | 2,720,001,043   |
| Depreciation  |   |   |   |                                     |                          |  |  |   |
| Balance as at 01 July 2016<br>Charge for the year<br>On disposals                                   |   | 64,565,160                                    | -<br>70,941,993<br>-                            | 30,082,198<br>6,927,984             | 9,284,117<br>5,584,322   | 18,426,604<br>6,682,903<br>(2,772,532) | 128,155,454<br>55,086,895<br>(22,023,876)  | 185,948,373<br>209,789,257<br>(24,796,408)                  |
| Balance as at 30 June 2017  |   | 64,565,160                                    | 70,941,993                                      | 37,010,182                          | 14,868,439               | 22,336,975                             | 161,218,473                                | 370,941,222   |
| Net book value as at 30 June 2017   | 666,500,000                                     | 605,187,370                                   | 781,946,059                                     | 51,352,342                          | 60,045,923               | 13,061,353                             | 170,966,774                                | 2,349,059,821   |
| 30 June 2016  |   |   |   |                                     |                          |  |  |   |
| Cost / revalued amount  |   |   |   |                                     |                          |  |  |   |
| Balance as at 01 July 2015<br>Additions / transfers<br>Disposals / write off<br>Revaluation surplus | 410,000,000<br>-<br>(11,576,127)<br>268,076,127 | 374,081,251<br>201,620,373<br>-<br>61,674,132 | 388,678,468<br>174,633,327<br>-<br>(66,836,601) | 53,168,706<br>5,060,860<br>(76,860) | 17,303,400<br>14,475,572 | 19,324,230<br>9,496,320<br>(30,817)    | 222,304,732<br>104,062,409<br>(22,583,091) | 1,484,860,787<br>509,348,861<br>(34,266,895)<br>262,913,658 |
| Balance as at 30 June 2016  | 666,500,000                                     | 637,375,756                                   | 496,475,194                                     | 58,152,706                          | 31,778,972               | 28,789,733                             | 303,784,050                                | 2,222,856,411   |
| Depreciation  |   |   |   |                                     |                          |  |  |   |
| Balance as at 01 July 2015<br>Charge for the year   |   | 124,407,030<br>39,332,021                     | 95,053,414<br>42,283,268                        | 25,126,199<br>5,005,639             | 7,360,766 1,923,351      | 14,200,632<br>4,250,922                | 100,705,155<br>45,965,481                  | 366,853,196<br>138,760,682                                  |
| On disposals<br>Revaluation surplus   |   | (163,739,051)                                 | (137,336,682)                                   | (49,640)                            |                          | (24,950)                               | (18,515,182)                               | (18,589,772)<br>(301,075,733)                               |
| Balance as at 30 June 2016  |   |   |   | 30,082,198                          | 9,284,117                | 18,426,604                             | 128,155,454                                | 185,948,373   |
| Net book value as at 30 June 2016   | 666,500,000                                     | 637,375,756                                   | 496,475,194                                     | 28,070,508                          | 22,494,855               | 10,363,129                             | 175,628,596                                | 2,036,908,038   |
| Depreciation Rate %   | 1   | 10  | 10  | 10                                  | 10                       | 33.33                                  | 20   |   |

- 11.1.1 These include fully depreciated assets amounting to Rs. 64.08 million (2016: Rs. 62.97 million).
- **11.1.2** Had there been no revaluation, carrying value of land, building and plant and machinery would have been as follows:

|      |                                     | Note | 2017<br>Rupees | 2016<br>Rupees |
|------|-------------------------------------|------|----------------|----------------|
|      | Freehold land                       |      | 73,111,635     | 73,111,635     |
|      | Building on freehold land           |      | 391,065,829    | 398,240,040    |
|      | Plant and machinery                 |      | 694,454,657    | 395,966,538    |
|      |                                     |      | 1,158,632,121  | 867,318,213    |
| 11.2 | Depreciation is allocated as under: |      |                |                |
|      | Cost of sales                       | 23   | 132,043,041    | 71,248,648     |
|      | Administrative expenses             | 24   | 44,039,257     | 34,891,814     |
|      | Selling and distribution expenses   | 25   | 33,706,959     | 32,620,220     |
|      |                                     |      | 209,789,257    | 138,760,682    |

#### 11.3 Disposal of property, plant and equipment

| Particulars of assets   | Sold to   | Cost / revalued        | Net<br>book        | Sale<br>proceeds   | , ,                                     | Mode of disposal                     |
|---|---|------------------------|--------------------|--------------------|---|--------------------------------------|
|   |   | amount                 | Value              | - Rupees           | disposal                                |                                      |
| Vehicles  |   |                        |                    |                    |   |                                      |
| Toyota Corolla GLI  | Mr. Humayon Khalid Saeed                              | 1,731,501              | 375,159            | 983,283            | 608,124                                 | Company Policy                       |
| Toyota Corolla GLI  | Mr. Dilshad Khan                                      | 1,691,200              | 366,426            | 913,000            | 546,574                                 | Company Policy                       |
| Suzuki Mehran   | Miss Gazala Ali                                       | 663,000                | 265,200            | 471,000            | 205,800                                 | Tender                               |
| Suzuki Mehran   | Mr. Rao Asad Umar                                     | 663,000                | 221,000            | 422,633            | 201,633                                 | Company Policy                       |
| Suzuki Mehran   | Miss Fariha Saleem                                    | 607,000                | 101,166            | 452,786            | 351,620                                 | Tender                               |
| Suzuki Liana  | Mr. Syed Pervaiz Hassan                               | 1,511,000              | 428,117            | 765,000            | 336,883                                 | Tender                               |
| Suzuki Cultus<br>Suzuki Cultus                                  | Mr. Iftakhar Ghulam Rasool                            | 1,019,000              | 356,650            | 713,300            | 356,650                                 | Company Polici<br>Tender             |
| Suzuki Cultus<br>Suzuki Cultus                                  | Mr. Muhammad Qasim Paracha Mr. Muhammad Qasim Paracha | 1,019,000<br>1,019,000 | 390,617<br>390,618 | 812,500<br>848,500 | 421,883<br>457,882                      | Tender                               |
| Suzuki Cultus   | Mr. Sajid Idrees                                      | 1,019,000              | 339,666            | 675,000            | 335,334                                 | Company Police                       |
| Suzuki Cultus   | Mr. Ali Aslam   | 1,010,000              | 286,167            | 756,700            | 470,533                                 | Company Policy                       |
| Suzuki Cultus   | Mr. Usman Malik                                       | 985,000                | 229,833            | 721,000            | 491,167                                 | Tender                               |
| Honda City  | Mr. Rizwan Hameed Butt                                | 1,639,000              | 191,216            | 874,133            | 682,917                                 | Company Police                       |
| Honda City  | Mr. Aamir Yaqoob Mir                                  | 1,618,000              | 269,666            | 890,000            | 620,334                                 | Company Polic                        |
| Honda CD 70   | EFU Insurance Company                                 | 63,500                 | 55,034             | 63,500             | 8,466                                   | Insurance Clair                      |
| Honda CD 70   | EFU Insurance Company                                 | 63,500                 | 55,034             | 63,500             | 8,466                                   | Insurance Clain                      |
| Honda CD 70   | EFU Insurance Company                                 | 63,500                 | 56,094             | 63,500             | 7,406                                   | Insurance Clair                      |
| Honda CD 70   | EFU Insurance Company                                 | 63,500                 | 58,209             | 63,500             | 5,291                                   | Insurance Clain                      |
| Vehicles with   |   |                        |                    |                    |   |                                      |
| individual  |   |                        |                    |                    |   |                                      |
| book value  |   |                        |                    |                    |   |                                      |
| not exceeding<br>Rs. 50,000                                     |   | 10,435,090             | 424,043            | 5,248,897          | 4,824,854                               | Company Polic                        |
|   |   | 26,883,791             | 4,859,915          | 15,801,732         | 10,941,817                              | Company Polic                        |
| Assets written off  |   |                        |                    |                    |   |                                      |
| Computers   | N/A   | 2,772,532              | -                  | -                  | -                                       | Obsolete items written off           |
| 2017 Rupees   |   | 29,656,323             | 4,859,915          | 15,801,732         | 10,941,817                              |                                      |
| 2016 Rupees   |   | 34,266,895             | 15,677,123         | 37,600,620         | 21,923,497                              |                                      |
|   |   |                        |                    |                    |   |                                      |
|   |   |                        | No                 | nto                | 2017<br>Rupees                          | 2016<br>Rupees                       |
|   |   |                        | 740                | no .               | Парсс                                   | Парссо                               |
| Capital work-in   | -progress   |                        |                    |                    |   |                                      |
| The movement is as follows:                                     | in capital work in progress                           |                        |                    |                    |   |                                      |
| Balance at 1 Jul  | ly  |                        |                    |                    | 348,082,370                             | 169,226,00                           |
| Additions   |   |                        |                    |                    | 326,129,941                             | 555,142,82                           |
| 7 10 01110110   |   |                        |                    | (-                 | 456,950,142)                            | (376,286,46                          |
| Transfers   |   |                        | 11.                | 4.1                | 217,262,169                             | 348,082,37                           |
|   | une   |                        |                    |                    |   |                                      |
| Transfers Balance at 30 Ju                                      | une<br>n-progress as at 30 June com                   | prises of:             |                    |                    |   |                                      |
| Transfers Balance at 30 Ju 1 Capital work-in                    | n-progress as at 30 June com                          | prises of:             |                    |                    | 65,625,630                              | 26,911.36                            |
| Transfers Balance at 30 Ju  1 Capital work-in Building and civi | n-progress as at 30 June com                          | prises of:             |                    |                    | 65,625,630<br>135.879.696               |                                      |
| Transfers Balance at 30 Ju 1 Capital work-in                    | n-progress as at 30 June com<br>il works<br>inery     | prises of:             |                    |                    | 65,625,630<br>135,879,696<br>15,756,843 | 26,911,36<br>177,142,8<br>144,028,19 |

For the year ended 30 June 2017

| 12 | Intan | gibles   | Note   | 2017<br>Rupees                                   | 2016<br>Rupees                                   |
|----|-------|--|--------|--|--|
|    | 12.1  | Computer softwares and software license fees   |        |  |  |
|    |       | <u>Cost</u>  |        |  |  |
|    |       |  | 12.1.1 | 11,109,813                                       | 6,824,487<br>4,285,326<br>11,109,813             |
|    |       | Amortisation  Balance at 01 July Amortisation for the year Balance as at 30 June  Net book value as at 30 June |        | 6,934,822<br>1,855,353<br>8,790,175<br>2,319,638 | 5,784,025<br>1,150,797<br>6,934,822<br>4,174,991 |
|    |       | NEL DOOK VAIUE as at 30 Julie  |        | 2,319,030  | 4,174,991  |

**12.1.1** These include fully amortized assets amounting to Rs. 5.54 million (2016: Rs. 5.54 million). Intangibles are amortised at 33% (2016: 33%) on straight line basis.

| 13 | Long term investments   | Note         | 2017<br>Rupees                            | 2016<br>Rupees                            |
|----|---|--------------|---|---|
|    | Related parties - at cost   |              |   |   |
|    | Farmacia (Partnership firm)<br>BF Biosciences Limited (unlisted subsidiary) | 13.1<br>13.2 | 128,949,090<br>151,999,960<br>280,949,050 | 111,310,174<br>151,999,960<br>263,310,134 |

- 13.1 This represents Company's 98% share in "Farmacia", a subsidiary partnership duly registered under the Partnership Act, 1932 and engaged in operating retail pharmacy. Share of profit, if any, for the year not withdrawn is reinvested in capital account of partnership.
- 13.2 This represents investment made in 15,199,996 (2016: 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% (2016: 80%) of equity of the subsidiary and the remaining 20% is held by Grupo Empresarial Bagó S.A., Spain.

2017

|    |   | Note | Rupees   | Rupees   |
|----|---|------|--|--|
| 14 | Stores, spare parts and loose tools               |      |  |  |
|    | Stores Spare parts Loose tools                    |      | 14,781,764<br>5,945,584<br>224,372<br>20,951,720 | 13,693,130<br>8,350,851<br>205,402<br>22,249,383 |
| 15 | Stock in trade                                    |      |  |  |
|    | Raw and packing materials<br>Work in process      |      | 378,989,330<br>33,156,171                        | 301,363,782<br>24,195,375                        |
|    | Finished goods<br>Provision for slow moving items | 15.1 | 1,219,226,890<br>(140,000,000)                   | 1,526,340,345                                    |
|    |   |      | 1,079,226,890                                    | 1,526,340,345                                    |
|    | Stock in transit                                  |      | 56,467,294<br>1,547,839,685                      | 15,024,238<br>1,866,923,740                      |
|    |   |      |  |  |

For the year ended 30 June 2017

15.1 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounts to Rs. 4.48 million (2016: Rs. Nil).

|    | <u>(</u>   | Note          | 2017<br>Rupees                                    | 2016<br>Rupees                                    |
|----|--|---------------|---|---|
| 16 | Trade debts - considered good  |               |   |   |
|    | Other - secured Other - unsecured  | 16.1          | 51,213,712  | 29,427,062  |
|    |  |               | 314,727,459<br>365,941,171                        | 358,159,411<br>387,586,473                        |
|    | 16.1 The amount is secured against letter of credit and advances fr  | om customers. |   |   |
| 17 | Loans and advances - considered good   |               |   |   |
|    | Advances to employees - secured<br>Advances to suppliers - unsecured<br>Others   | 17.1          | 13,991,693<br>57,958,111<br>968,647<br>72,918,451 | 13,384,599<br>21,119,686<br>972,265<br>35,476,550 |
|    | 17.1 Advances given to staff are in accordance with the Comparadvances are secured against provident fund. Advances to staff |               |   |   |

amounting to Rs. 3.89 million (2016: Rs. 6.5 million).

|    |  | Note  | 2017<br>Rupees                                       | 2016<br>Rupees                                      |
|----|--|-------|--|---|
| 18 | Deposits and prepayments   | 71010 | Паросо   | Hapooo  |
|    | Deposits Earnest Money Security Margins Prepayments  | 18.1  | 149,665,615<br>980,102<br>150,645,717<br>776,281     | 91,162,023<br>91,162,023<br>1,159,761               |
|    | . ropaymone  |       | 151,421,998  | 92,321,784  |
|    | 18.1 These are interest free and given in ordinary course of business.                         |       |  |   |
| 19 | Other receivables  |       |  |   |
|    | Sales tax refundable - net<br>Worker's profit participation fund<br>Interest accrued<br>Others | 8.1   | 8,809,800<br>1,529,028<br>-<br>256,700<br>10,595,528 | 2,743,073<br>-<br>687,438<br>4,207,309<br>7,637,820 |
| 20 | Short term investments   |       |  |   |
|    | Loans and receivables  |       |  |   |
|    | Term deposits with banks - local currency  | 20.1  | -  | 335,000,000   |
|    | Investments at fair value through profit or loss - listed securities                           |       |  |   |
|    | Held for trading   | 20.2  | 487,884,889<br>487,884,889                           | 335,000,000   |
|    |  |       |  |   |

20.1 The local currency short-term deposit has a maximum maturity period of 30 days and it carries markup at Nil (2016: 5.35%) per annum.

For the year ended 30 June 2017

|                          |  | Note | 2017<br>Rupees                         | 2016<br>Rupees                   |
|--------------------------|--|------|--|----------------------------------|
| 20.2 These invest        | ments are 'held for trading'           |      |  |                                  |
| Unrealized ga            | ,                                      |      | 724,215,542<br>(236,416,264)<br>85,611 | 3,138,489,372<br>(3,138,489,372) |
| Carrying and investments | fair value of short term<br>at 30 June | 20.3 | 487,884,889                            |                                  |

Realized gain of Rs. 3.17 million (2016: Rs. 58.53 million) on sale of mutual funds and bonus dividend of Rs. 12.29 million (2016: Rs. Nil) has been recorded in "other income". These investments and related gain is from non shariah compliant arrangement. These are marked under lien as mentioned in note 9.

|    |        |  | l         | Jnits  | Fair value  |             |
|----|--------|--|-----------|--------|-------------|-------------|
|    |        |  | 2017      | 2016   | 2017        | 2016        |
|    |        |  | N         | lumber | Ru          | ipees       |
|    | 20.3   | Mutual fund wise detail is as follows: |           |        |             |             |
|    |        | Mutual Funds                           |           |        |             |             |
|    |        | HBL Money Market Fund                  | 2,041,354 | -      | 207,745,379 | -           |
|    |        | MCB Cash Management Optimizer Fund     | 1,243,740 | -      | 125,017,910 | -           |
|    |        | HBL Cash Fund                          | 1,543,804 | -      | 155,121,600 | -           |
|    |        |  |           |        | 487,884,889 | -           |
|    |        |  |           |        |             |             |
|    |        |  |           |        | 2017        | 2016        |
| 21 | Cash   | n and bank balances                    |           | Note   | Rupees      | Rupees      |
|    |        |  |           |        |             |             |
|    | Cash   | n in hand                              |           |        | 6,947,754   | 3,108,190   |
|    | Cash   | at bank:                               |           |        |             |             |
|    | Curre  | ent accounts                           |           |        |             |             |
|    | - fore | eign currency                          |           |        | 11,397,194  | 28,231,402  |
|    | - loca | al currency                            |           | 21.1   | 63,479,949  | 203,909,505 |
|    |        |  |           |        | 74,877,143  | 232,140,907 |
|    |        |  |           |        |             |             |
|    | Depo   | osit accounts - local currency         |           | 21.2   | 53,492,280  | 14,430,682  |
|    |        |  |           |        | 135,317,177 | 249,679,779 |
|    |        |  |           |        |             |             |

- 21.1 These include bank accounts of Rs. 0.67 million (2016: Rs. 0.67 million) maintained under Shariah compliant arrangements.
- 21.2 These include deposit accounts of Rs. 52.07 million (2016: Rs. 9.8 million) under mark up arrangements, which carry interest rates ranging from 3.75% 5.4% (2016: 3.9% 4.9%) per annum.

These also include deposit account of Rs. 1.42 million (2016: Rs. 4.6 million) under Shariah compliant arrangements, which carries profit rate ranging from 2.40% - 2.41% (2016: 2.50% - 2.85%) per annum.

|    |   | Note         | 2017<br>Rupees   | 2016<br>Rupees  |
|----|---|--------------|--|---|
| 22 | Revenue - net   |              |  |   |
|    | Gross sales: Local Export  Less: Sales returns Discounts and commission Sales tax   |              | 4,476,139,346<br>180,179,417<br>4,656,318,763<br>(116,641,668)<br>(214,315,750)<br>(13,919,627)<br>(344,877,045)<br>4,311,441,718  | 10,427,262,329<br>211,704,988<br>10,638,967,317<br>(265,485,830)<br>(185,710,676)<br>(1,274,657)<br>(452,471,163)<br>10,186,496,154   |
|    | 22.1 This includes sale of both own manufactured and purchased product  | ts           |  |   |
| 23 | Cost of sales   |              |  |   |
|    | Raw and packing materials consumed Salaries, wages and other benefits Fuel and power Repair and maintenance Stores, spare parts and loose tools consumed Packing charges Rent, rates and taxes Printing and stationery Postage and telephone Insurance Travelling and conveyance Canteen expenses Security expenses Depreciation on property, plant and equipment Laboratory and other expenses  Work in process: Opening Closing | 23.1<br>23.2 | 701,825,947<br>178,199,879<br>20,784,495<br>12,255,098<br>32,738,097<br>27,740,619<br>622,259<br>2,186,523<br>3,539,250<br>9,575,365<br>7,193,700<br>9,430,337<br>3,113,451<br>132,043,041<br>23,688,904<br>1,164,936,965<br>24,195,375<br>(33,156,171)<br>(8,960,796) | 680,119,089<br>160,662,723<br>18,421,048<br>12,844,626<br>40,069,999<br>21,650,836<br>1,125,549<br>2,518,693<br>3,031,587<br>9,258,468<br>8,867,005<br>9,126,739<br>3,719,172<br>71,248,648<br>18,872,131<br>1,061,536,313<br>31,321,035<br>(24,195,375)<br>7,125,660 |
|    | Cost of goods manufactured  |              | 1,155,976,169  | 1,068,661,973   |
|    | Finished stock: Opening Purchases made during the year Closing  | 23.3         | 1,526,340,345<br>931,579,880<br>(1,079,226,890)<br>1,378,693,335<br>2,534,669,504  | 890,680,428<br>5,644,655,812<br>(1,526,340,345)<br>5,008,995,895<br>6,077,657,868   |
|    | 23.1 Raw and packing materials consumed   |              |  |   |
|    | Opening Purchases made during the year  |              | 301,363,782<br>779,451,495<br>1,080,815,277  | 279,911,865<br>701,571,006<br>981,482,871   |
|    | Closing  23.2 Salaries wages and other benefits include Bs 6.98 million (201  | 16: Be 6 m   | (378,989,330)<br>701,825,947   | (301,363,782)<br>680,119,089  |

<sup>23.2</sup> Salaries, wages and other benefits include Rs. 6.98 million (2016: Rs. 6 million), which represents employer's contribution towards provident fund.

<sup>23.3</sup> This includes provision for slow moving stock in trade of Rs. 140 million (2016: Rs. Nil)

|  | Note         | 2017<br>Rupees  | 2016<br>Rupees   |
|--|--------------|---|--|
| 24 Administrative expenses   |              |   |  |
| Salaries and other benefits Directors fees and expenses Rent, rates and taxes Postage and telephone Printing, stationery and office supplies Travelling and conveyance Transportation Legal and professional charges Fuel and power Auditors' remuneration | 24.1<br>24.2 | 154,713,943<br>1,246,516<br>880,765<br>8,802,216<br>3,514,348<br>9,899,646<br>8,736,893<br>10,160,326<br>4,308,327<br>1,151,150 | 151,342,280<br>1,513,121<br>1,230,381<br>6,609,295<br>3,049,038<br>9,039,186<br>8,443,456<br>8,292,277<br>6,008,584<br>995,500 |
| Repair and maintenance Fee and subscriptions   | 24.2         | 11,047,024<br>5,999,347   | 9,797,956<br>3,587,268   |
| Donations Insurance  | 24.3         | 10,280,583<br>4,809,263   | 16,242,699<br>3,702,245  |
| Depreciation on property, plant and equipment<br>Amortisation<br>Canteen expenses<br>Training expenses<br>Other administrative expenses  | 11.2         | 44,039,257<br>1,855,353<br>6,065,953<br>41,000<br>1,578,004<br>289,129,914  | 34,891,814<br>1,150,797<br>7,094,968<br>1,495,680<br>1,748,990<br>276,235,535  |

24.1 Salaries and other benefits include Rs. 6.46 million (2016: Rs. 5 million), which represents employer's contribution towards provident fund.

|   | 2017<br>Rupees  | 2016<br>Rupees  |
|---|---|---|
| 24.2 Auditors' remuneration   |   |   |
| Fee for annual audit Audit of consolidated financial statements Review of half yearly financial statements Special certificates and others Out-of-pocket expenses | 747,500<br>74,750<br>112,125<br>112,125<br>104,650<br>1,151,150 | 575,000<br>57,500<br>86,250<br>196,250<br>80,500<br>995,500 |

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

| Name of director        | Nature of interest in donee | Name and address of donee | 2017<br>Rupees | 2016<br>Rupees |
|-------------------------|-----------------------------|---------------------------|----------------|----------------|
| Mr. Osman Khalid Waheed | Trustee                     | National Management       |                |                |
| (Director)              | 11 401.00                   | Foundation                | 2,000,000      | 3,500,000      |

| Selling and distribution expenses   Salaries and other benefits   25.1   353,243,056   409,296,192   171,174,002   148,644,222   171,174,002   148,644,222   171,174,002   148,644,222   172,174,002   148,644,222   171,174,002   148,644,222   171,174,002   148,644,222   171,174,002   148,644,202   171,174,002   148,644,202   171,174,002   148,644,202   18,803,003   1 |    |  |                   |  |   |
|--|----|--|-------------------|--|---|
| Salaries and other benefits  |    |  | Noto              |  |   |
| Salaries and other benefits   25.1   353,243,056   409,296,192   Travelling and conveyance   171,174,002   148,64/,282   172,64/,282   173,555,017   174,24/,165   174,24/,284   184,282   184,282   184,282   184,282   184,282   184,282   184,282   184,284   184,282   184,282   184,282   184,282   184,282   184,282   184,287,682   184,287,682   184,287,682   184,287,682   184,287,683   34,278,1179   184,287,683   34,278,1179   184,587,683   34,278,1179   184,587,683   34,278,1179   184,587,693   34,278,1179   184,587,693   34,278,1179   184,587,693   34,278,1179   184,587,693   34,278,1179   184,587,693   34,278,1179   184,587,693   34,278,1179   184,587,693   34,278,1179   184,587,693   34,278,1179   184,587,693   34,278,1179   184,587,693   184,587,993   184,5 |    |  | Note              | nupees   | nupees  |
| Travelling and conveyance   171,174,002   148,644,282   15,350,017   74,23,416   74,23,4 | 25 | Selling and distribution expenses  |                   |  |   |
| towards provident fund.    2017 Rupees   Rupees  |    | Travelling and conveyance Trade debts written off Fuel and power Rent, rates and taxes Sales promotion and advertisement Freight and forwarding Printing and stationary Postage and telephone Fee and subscription Insurance Repairs and maintenance Conferences, seminars and training Medical research and patient care Depreciation on property, plant and equipment Other selling expenses |                   | 171,174,002<br>15,350,017<br>5,292,778<br>8,272,602<br>100,835,213<br>18,637,693<br>6,257,356<br>15,930,808<br>11,378,019<br>19,567,917<br>6,149,636<br>103,128,608<br>15,963,754<br>33,706,959<br>808,306<br>28,066,661 | 148,644,282<br>7,423,416<br>5,949,958<br>134,581,722<br>34,278,117<br>4,645,127<br>16,665,048<br>9,923,267<br>24,986,595<br>5,056,003<br>114,456,903<br>10,080,799<br>32,620,220<br>1,209,800<br>73,217,802 |
| 2016   Rupees   Rup |    |  | 23 million), whic | h represents emplo   | yer's contribution  |
| Exchange loss   26.1   551,250   35,409,805   Workers' Profit Participation Fund   8.1   29,941,741   142,536,262   10,028,086   54,163,779   6,048,836   28,795,204   76,048,836   28,795,204   76,048,836   28,795,204   76,048,836   28,795,204   76,048,836   28,795,204   76,048,836   28,795,204   76,048,836   28,795,204   76,048,836   28,795,204   76,048,836   28,795,204   76,048,836   28,795,204   76,048,836   28,795,204   76,048,836   26,0905,050   76,0905,050   76,873,131   76,048,836   76,074,135   76,074,836   76,074,836   76,074,836   76,074,836   76, |    | towards provident fund.  |                   | 2017   | 2016  |
| Exchange loss Workers' Profit Participation Fund Workers' Profit Participation Fund Workers' Welfare Fund Central Research Fund Prior years' reversal of Workers' Welfare Fund  26.1 Loss incurred during the year was due to actual currency fluctuation.  26.1 Loss incurred during the year was due to actual currency fluctuation.  26.1 Loss incurred during the year was due to actual currency fluctuation.  2017 Rupees  27 Other income  From financial assets From non financial assets 27.1 36,244,952 10,475,178 26,040,135 27.2 11,604,604 47,849,556 126,515,313  27.1 From financial assets - from related party Share in profit of Farmacia - 98% owned partnership firm - others  Profit on deposits with banks Profit on deposits with banks 27.1.1 2,226,767 Dividend income Unrealized gain on re-measurement of short term investments to fair value 20.2 85,611 Profit on term deposits Realized gain on sale of short term investments 18,606,036 78,873,131  | 26 | Other evenesses  | Note              | Rupees   | Rupees  |
| Workers' Profit Participation Fund Workers' Welfare Fund Central Research Fund Prior years' reversal of Workers' Welfare Fund Prior years' reversal of Assaciant Prior years' reversal of Assaciant Prior years' yea                              | 20 | Other expenses   |                   |  |   |
| Note   Note   Rupees   Rupee |    | Workers' Profit Participation Fund<br>Workers' Welfare Fund<br>Central Research Fund   |                   | 29,941,741<br>10,028,086<br>6,048,836<br>(43,352,950)  | 142,536,262<br>54,163,779<br>28,795,204   |
| Profit on deposits with banks   27.1   2,226,767   10,979,521   10,9 |    | 26.1 Loss incurred during the year was due to actual currency fluctuation  | ion.              |  | 0040  |
| From non financial assets  27.2  | 27 | Other income   | Note              |  |   |
| - from related party  Share in profit of Farmacia - 98% owned partnership firm  - others  Profit on deposits with banks  |    |  |                   | 11,604,604   | 26,040,135  |
| Share in profit of Farmacia - 98% owned partnership firm  - others  Profit on deposits with banks  |    | 27.1 From financial assets   |                   |  |   |
| partnership firm       17,638,916       21,602,047         - others       27.1.1       2,226,767 12,287,391       10,979,521         Profit on deposits with banks Dividend income Unrealized gain on re-measurement of short term investments to fair value Profit on term deposits Profit on term deposits Realized gain on sale of short term investments       20.2 85,611 834,747 9,364,205 58,529,405       3,171,520 58,529,405         Realized gain on sale of short term investments       18,606,036 78,873,131   |    | - from related party   |                   |  |   |
| Profit on deposits with banks  Dividend income  Unrealized gain on re-measurement of short term investments to fair value  Profit on term deposits  Realized gain on sale of short term investments  27.1.1  2,226,767 12,287,391  85,611 834,747 9,364,205 834,747 3,171,520 58,529,405   |    |  |                   | 17,638,916   | 21,602,047  |
| Dividend income Unrealized gain on re-measurement of short term investments to fair value Profit on term deposits Realized gain on sale of short term investments  20.2 85,611 834,747 9,364,205 3,171,520 18,606,036 78,873,131   |    | - others   |                   |  |   |
|  |    | Dividend income Unrealized gain on re-measurement of short term investments to fair value Profit on term deposits  | 20.2              | 12,287,391<br>85,611<br>834,747<br>3,171,520<br>18,606,036   | 9,364,205<br>58,529,405<br>78,873,131   |

27.1.1 These include profit of Rs. 0.05 million (2016: Rs. 0.01 million) earned on deposit account maintained under Shariah compliant arrangements.

27.1.2 These include profit of Rs. Nil (2016: Rs. 4 million) earned on term deposit receipt maintained under Shariah compliant arrangements.

|    |  | Note             | 2017<br>Rupees | 2016<br>Rupees |
|----|--|------------------|----------------|----------------|
|    | 27.2 From non financial assets   |                  |                |                |
|    | - from related party   |                  |                |                |
|    | Lease rental income from subsidiary                                    |                  | -              | 200,000        |
|    | Gain on sale of property, plant and equipment - net of write off       | 11.3             | -              | 12,348,873     |
|    |  |                  | -              | 12,548,873     |
|    | - others   |                  |                |                |
|    | Gain on sale of property, plant and equipment - net of write off       | 11.3             | 10,941,817     | 9,574,624      |
|    | Commission and rebates   |                  | 662,787        | 3,916,638      |
|    |  |                  | 11,604,604     | 13,491,262     |
|    |  |                  | 11,604,604     | 26,040,135     |
| 28 | Finance cost   |                  |                |                |
|    | Mark-up on bank financing  | 28.1             | 4,156,090      | 463,219        |
|    | Bank charges   |                  | 9,829,430      | 8,969,588      |
|    | Interest on Workers' Profit Participation Fund                         | 8.1              | 2,308,053      | 1,719,763      |
|    |  |                  | 16,293,573     | 11,152,570     |
|    | 28.1 This relates to facilities of short term borrowings availed under | mark up arrangem | ents.          |                |
|    |  |                  | 2017<br>Rupees | 2016<br>Rupees |
| 29 | Taxation   |                  |                |                |
|    | Current tax for the year   |                  | 189,336,244    | 527,715,381    |
|    | Deferred tax for the year  |                  | 19,216,981     | 21,822,715     |
|    |  |                  | 208,553,225    | 549,538,096    |
|    |  |                  |                |                |

For the year ended 30 June 2016

|   | Note | 2017<br>Rupees       | 2016<br>Rupees   |
|---|------|----------------------|------------------|
| 29.1Tax charge reconciliation                                       |      |                      |                  |
| Numerical reconciliation between tax expense and accounting profit: |      |                      |                  |
| Profit before taxation  |      | 602,217,935          | 2,654,025,193    |
|   |      | <b>2017</b><br>(Perc | 2016<br>centage) |
| Applicable tax rate as per Income Tax Ordinance, 2001               |      | 31%                  | 32%              |
|   |      | 2017<br>Rupees       | 2016<br>Rupees   |
| Tax on accounting profit  |      | 186,687,560          | 849,288,062      |
| Effect of final tax regime  |      | 54,241,670           | (346,299,098)    |
| Effect of tax credit  |      | (36,611,254)         | (19,849,621)     |
| Not adjustable for tax purposes                                     |      | (2,261,881)          | 19,465,570       |
| Effect of super tax   |      | 19,936,544           | 46,933,183       |
| Effect of prior years' reversal of Workers' Welfare Fund            |      | (13,439,414)         | _                |
|   |      | 21,865,665           | (299,749,966)    |
|   |      | 208,553,225          | 549,538,096      |
|   |      |                      |                  |

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 fourty percent of its after tax profits through cash or bonus shares within six months of the end of the said tax year.

As explained in note 37 to the unconsolidated financial statements, the Board of Directors in their meeting held on 30 August 2017 has recommended a final cash dividend of Rs. 4 per ordinary share which is in addition to interim cash dividend of Rs. 3 per ordinary share for the year ended 30 June 2017 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these unconsolidated financial statements for the year ended 30 June 2017.

#### 30 Earnings per share - basic and diluted

| Profit after taxation for distribution to ordinary shareholders | Rupees  | 393,664,710 | 2,104,487,097 |
|---|---------|-------------|---------------|
| Weighted average number of ordinary shares                      | Numbers | 30,186,841  | 30,186,841    |
| Basic and diluted earnings per share                            | Rupees  | 13.04       | 69.72         |

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

For the year ended 30 June 2017

#### 31 Remuneration of Chief Executive, Executive Director and Executives

|   |                    | 2017               |             |
|---|--------------------|--------------------|-------------|
|   | Chief<br>Executive | Executive Director | Executives  |
|   |                    | Rupees             |             |
|   | 14,571,032         | -                  | 213,319,908 |
|   | -                  | -                  | -           |
|   | 1,178,253          | -                  | 12,570,864  |
|   | 3,534,759          | -                  | 31,007,659  |
|   | 912,192            | -                  | 11,068,434  |
|   | 20,196,236         |                    | 267,966,865 |
|   | 1                  |                    | 101         |
|   |                    | 2016               |             |
|   | Chief              | Executive          | Executiv    |
|   | Executive          | Director           |             |
| - |                    | Rupees             |             |
|   | 13,324,973         | 7,069,516          | 175,738,93  |
|   | 263,626            | -                  | _           |
|   | -                  | 1,178,253          | 9,399,84    |
|   | -                  | 3,213,417          | 19,909,08   |
|   | 893,670            | 449,186            | 9,275,37    |
| = | 14,482,269         | 11,910,372         | 214,323,24  |
| _ | 1                  | 1                  | 84          |
|   |                    |                    |             |

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

The Company has 6 (2016: 5) non executive directors. Non executive directors are not paid any remuneration or benefits other than the meeting fee and reimbursement of expenses. All the members of the Board of Directors were paid Rs. 330,000 (2016: Rs. 420,000) as meeting fee and Rs. 916,516 (2016: Rs. 1,093,121) as reimbursement of expenses for attending the Board of Directors' meetings.

For the year ended 30 June 2017

#### 32 Related party transactions

The Company's related parties include subsidiaries, associated company, entities over which directors are able to exercise influence, staff retirement fund, directors and key management personnel. Balances with the related parties are shown in respective notes in the unconsolidated financial statements. Transactions with related parties are as follows:

|   | 2017<br>Rupees | 2016<br>Rupees |
|---|----------------|----------------|
| Farmacia - 98% owned subsidiary partnership firm        |                |                |
| Sale of medicines                                       | 31,377,008     | 2,242,113      |
| Payment received from Farmacia against sale of medicine | 31,377,008     | 2,381,616      |
| Rentals paid  | 3,348,259      | 3,043,872      |
| Share of profit reinvested                              | 17,638,916     | 21,602,047     |
| BF Biosciences Limited - 80% owned subsidiary company   |                |                |
| Sale of finished goods                                  | 98,818,067     | 125,999,855    |
| Payment received  | 98,818,067     | 126,787,962    |
| Purchase of goods                                       | 2,971,772      | 36,909,504     |
| Payment made  | 2,971,772      | 37,420,769     |
| Lease rentals   | -              | 200,000        |
| Marketing fee / (Income) - net                          | 7,947,136      | (1,894,332)    |
| Expenses incurred                                       | 17,129,851     | 2,355,964      |
| Expenses paid   | 25,076,987     | 2,862,142      |
| Proceeds against sale of Land                           | -              | 23,925,000     |
| Khan & Piracha - associated                             |                |                |
| Professional services charges                           | -              | 9,000          |
| Other related parties                                   |                |                |
| Contribution towards employees' provident fund          | 26,391,122     | 23,332,018     |
| Remuneration including benefits and perquisites of      |                |                |
| key management personnel                                | 135,750,539    | 106,080,584    |
| Dividend to KFW Factors (Private) Limited               | 124,304,130    | 207,173,550    |
| Dividend to directors                                   | 44,193,540     | 87,484,910     |

#### 33 Plant capacity and production

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

|    | manufacturing processes.                    | 2017<br>Rupees | 2016<br>Rupees |
|----|---|----------------|----------------|
| 34 | Number of employees                         |                |                |
|    | Total number of employees as at 30 June     | 876            | 795            |
|    | Average number of employees during the year | 855            | 785            |

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| 35 | Disclosures relating to provident fund | Un-audited<br>2017<br>Rupees | Audited<br>2016<br>Rupees |
|----|--|------------------------------|---------------------------|
|    | Size of the fund / trust               | 451,416,888                  | 394,999,995               |
|    | Cost of investments made               | 401,931,938                  | 355,373,451               |
|    | Percentage of investments made         | 97%                          | 95%                       |
|    | Fair value of investment               | 437,079,943                  | 376,016,812               |

| Break up of investment              | Un-aud<br>2017           |             | Audit<br>201      |             |  |
|-------------------------------------|--------------------------|-------------|-------------------|-------------|--|
| -                                   | % of size of fund Rupees |             | % of size of fund | Rupees      |  |
|                                     |                          |             |                   |             |  |
| Special accounts in scheduled banks | 10%                      | 45,275,787  | 2%                | 8,794,277   |  |
| Term deposit receipts               | 32%                      | 144,079,295 | 5%                | 19,184,110  |  |
| Government securities               | 9%                       | 39,871,621  | 54%               | 212,037,580 |  |
| Mutual funds                        | 37%                      | 165,711,680 | 28%               | 110,059,126 |  |
| Shares of listed companies          | 9%                       | 42,141,560  | 6%                | 25,941,719  |  |
|                                     | 97%                      | 437,079,943 | 95%               | 376,016,812 |  |
|                                     |                          |             |                   |             |  |

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

|                                  | Un-aud<br>201            |             | Audited<br>2016   |             |  |
|----------------------------------|--------------------------|-------------|-------------------|-------------|--|
|                                  | % of size of fund Rupees |             | % of size of fund | Rupees      |  |
| Ferozsons Laboratories Limited - |                          |             |                   |             |  |
| Parent Company                   | 79%                      | 355,827,401 | 78%               | 308,401,933 |  |
| BF Biosciences Limited           | 19%                      | 87,901,720  | 21%               | 80,993,805  |  |
| Farmacia - Partnership firm      | 2%                       | 7,687,767   | 1%                | 5,604,257   |  |
|                                  | 100%                     | 451,416,888 | 100%              | 394,999,995 |  |
|                                  |                          |             |                   |             |  |

The figures for 2017 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance, 1984 and rules formulated for this purpose.

#### 36 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

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#### Risk management framework

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

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

#### 36.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk arises from long term deposits, trade debts, other receivables, loans and advances, deposits, short term investments and balances with banks. The Company has no significant concentration of credit risk as its exposure is spread over a large number of counter parties.

#### 36.1.1 Exposure to credit risk

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

|                                      | 2017<br>Rupees | 2016<br>Rupees |
|--------------------------------------|----------------|----------------|
| Long term deposits                   | 7,066,325      | 6,351,325      |
| Trade debts - considered good        | 365,941,171    | 387,586,473    |
| Loans and advances - considered good | 968,647        | 972,265        |
| Short term deposits                  | 150,645,717    | 91,162,023     |
| Other receivables                    | 256,700        | 4,894,747      |
| Short term investments               | 487,884,889    | 335,000,000    |
| Bank balances                        | 128,369,423    | 246,571,589    |
|                                      | 1,141,132,872  | 1,072,538,422  |
|                                      |                |                |

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#### 36.1.2 Credit quality of financial assets

#### Bank balances & short term investments

The credit quality of Company's bank balances and short term investments can be assessed with reference to external credit rating agencies as follows:

|   | Rating                          |                                | Rating                                 | 2017  | 2016   |
|---|---------------------------------|--------------------------------|--|---|--|
| Institutions  | Short<br>term                   | Long<br>term                   | Agency                                 | Rup   | ees  |
| Bank balances Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited          | A-1+<br>A1+<br>A1+              | AAA<br>AA+<br>AA+              | JCR-VIS<br>PACRA<br>PACRA              | 37,863,242<br>33,591,323<br>27,794,370                                  | 102,765,068<br>67,107,081<br>27,105,728                  |
| Bank Alfalah Limited Meezan Bank Limited MCB bank Limited Allied Bank Limited                   | A-1+<br>A-1+<br>A1+<br>A1+      | AA+<br>AA<br>AAA<br>AA+        | JCR-VIS<br>JCR-VIS<br>PACRA<br>PACRA   | 21,958,006<br>4,459,190<br>2,670,831<br>22,763                          | 41,168,116<br>5,295,732<br>3,095,418<br>23,011           |
| Faysal Bank Limited<br>NIB Bank Limited   | A-1+<br>A1+                     | AA<br>AA-                      | JCR-VIS<br>PACRA                       | 9,698   | 9,733<br>1,702<br>246,571,589                            |
| Short term investments  |                                 |                                |  | 120,000,120   | , ,  |
| Habib Bank Limited - TDR HBL Money Market Fund MCB Cash Management Optimizer Fund HBL Cash Fund | A-1+<br>AA(f)<br>AA(f)<br>AA(f) | AAA<br>N / A<br>N / A<br>N / A | JCR-VIS<br>JCR-VIS<br>PACRA<br>JCR-VIS | 207,745,379<br>125,017,910<br>155,121,600<br>487,884,889<br>616,254,312 | 335,000,000<br>-<br>-<br>-<br>335,000,000<br>581,571,589 |

#### Trade debts

The aging of trade debts at the reporting date was:

|  | Rupees        | Rupees        | Rupees                     | Rupees                     |
|--|---------------|---------------|----------------------------|----------------------------|
|  | Related party | Related party | Other                      | Other                      |
| Past due 0 - 30 days<br>Past due 31 - 120 days | -             | -             | 119,813,426<br>160,407,910 | 110,950,532<br>145,646,321 |
| Past due 121 - 365 days<br>More than 365 days  | -             | -             | 51,130,091<br>34,589,744   | 121,956,678<br>9,032,942   |
|  | -             |               | 365,941,171                | 387,586,473                |

Trade debts are essentially due from government departments / projects and the Company is actively pursuing for recovery of debts and the Company does not expect these companies to fail to meet their obligations.

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

#### 36.1.3 Concentration of credit risk

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

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#### 36.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

|                          |              | 2017        |             |           |
|--------------------------|--------------|-------------|-------------|-----------|
|                          | Carrying     | Less than   | One to five | More than |
|                          | amount       | one year    | years       | 5 years   |
|                          |              | Ru          | pees        |           |
| Financial liabilities    |              |             |             |           |
|                          |              |             |             |           |
| Trade and other payables | 604,908,209  | 604,908,209 | -           | -         |
| Accrued mark-up          | 1,646,851_   | 1,646,851   | -           |           |
|                          | 606,555,060_ | 606,555,060 |             |           |
|                          |              |             |             |           |
|                          |              |             |             |           |
|                          |              | 20          | 016         |           |
|                          | Carrying     | Less than   | One to five | More than |
|                          | amount       | one year    | years       | 5 years   |
|                          |              | Ru          | pees        |           |
| Fig i al II al III i a   |              |             |             |           |
| Financial liabilities    |              |             |             |           |
| Trade and other payables | 503,852,752  | 503,852,752 | -           | -         |
| Accrued mark-up          | 32,767_      | 32,767      | <u> </u>    |           |
|                          | 503,885,519  | 503,885,519 | -           | -         |
|                          |              |             |             |           |

#### 36.3 Market risk

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

Market risk comprises of three types of risks:

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

#### 36.3.1 Currency risk

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

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

The potential currency exposures are discussed below:

#### Transactional exposure in respect of non functional currency monetary items

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

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#### Transactional exposure in respect of non functional currency expenditure and revenues

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

#### Exposure to currency risk

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

|  |                             | 2017                  |        |               |                   |
|--|-----------------------------|-----------------------|--------|---------------|-------------------|
|  | Rupees                      | US Dollars            | Euro   | UAE<br>Dirham | Pound<br>Sterling |
| Cash and cash equivalents Trade and other payables | 13,733,532<br>(395,012,909) | 69,034<br>(3,765,614) | 50,832 | -             | 2,860             |
| Trade receivables                                  | 77,620,863                  | 401,371               | -      | 1,243,594     | -                 |
| Gross balance sheet exposure                       | (303,658,514)               | (3,295,209)           | 50,832 | 1,243,594     | 2,860             |
|  |                             | 2016                  |        |               |                   |
|  | Rupees                      | US Dollars            | Euro   | UAE<br>Dirham | Pound<br>Sterling |
| Cash and cash equivalents                          | 29,168,355                  | 206,543               | 63,933 | 98            | 945               |
| Trade and other payables                           | (264,434,796)               | (2,528,057)           | -      | -             | -                 |
| Trade receivables                                  | 77,158,496                  | 505,121               | 9,530  | 815,149       |                   |
| Gross balance sheet exposure                       | (158,107,945)               | (1,816,393)           | 73,463 | 815,247       | 945               |

The following significant exchange rates were applied during the year:

|  | Balance sheet date rate             |                                     | Average rate                        |                                     |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | 2017                                | 2016                                | 2017                                | 2016                                |
| US Dollars<br>Euro<br>UAE Dirham<br>Pound Sterling | 104.90<br>120.03<br>28.56<br>136.55 | 104.60<br>116.20<br>28.48<br>140.26 | 104.65<br>114.28<br>28.49<br>132.92 | 104.39<br>115.42<br>28.42<br>153.41 |

#### Sensitivity analysis

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

| Profit and loss |                |  |  |  |
|-----------------|----------------|--|--|--|
| 2017<br>Rupees  | 2016<br>Rupees |  |  |  |
| 30,365,851      | 15,810,795     |  |  |  |

Profit and loss account

For the year ended 30 June 2017

#### 36.3.2 Other price risk

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

#### 36.3.3 Fair value of financial instruments

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

#### a) Fair values versus carrying amounts

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

#### b) Valuation of financial instruments

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

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

Level 2: Valuation techniques based on observable inputs.

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

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

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

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

For the year ended 30 June 2017

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

|   |                            | (                                      | Carrying Amou                       | nt                                |                                       | Fair Value  |         |         |
|---|----------------------------|--|-------------------------------------|-----------------------------------|---------------------------------------|-------------|---------|---------|
|   | Cash and cash equivalents  | Fair value<br>through profit<br>/ loss | Loans and receivables               | Other<br>financial<br>liabilities | Total                                 | Level 1     | Level 2 | Level 3 |
| 30 June 2017  |                            |  |                                     | Rupees -                          |                                       |             |         |         |
| Financial assets measured at fair value:  |                            | 487,884,889                            | -                                   | -                                 | 487,884,889                           | 487,884,889 | -       |         |
| Financial assets not measured at fair value   |                            |  |                                     |                                   |                                       |             |         |         |
| Long term deposits Trade debts - considered good Loans and advances - considered good | -                          | -                                      | 7,066,325<br>365,941,171<br>968,647 | -                                 | 7,066,325<br>365,941,171<br>968,647   | -           | -       | -       |
| Short term deposits   | -                          | -                                      | 150,645,717                         | -                                 | 150,645,717                           | -           | -       | -       |
| Other receivables<br>Bank balances  | 128,369,423<br>128,369,423 | -                                      | 256,700<br>-<br>524,878,560         | -<br>-                            | 256,700<br>128,369,423<br>653,247,983 | -           | -<br>-  | -<br>-  |
| Financial liabilities measured at fair value  | _                          | - '                                    | -                                   | -                                 |                                       | -           | -       |         |
| Financial liabilities not measured at fair value                                      |                            |  |                                     |                                   |                                       |             |         |         |
| Trade and other payables<br>Accrued mark-up   | -                          | -                                      | -                                   | 604,908,209<br>1,646,851          | 604,908,209<br>1,646,851              | -           | -       | -       |
|   | -                          | -                                      | -                                   | 606,555,060                       | 606,555,060                           | -           | -       | -       |
| 30 June 2016  |                            |  |                                     |                                   |                                       |             |         |         |
| Financial assets measured at fair value:  | -                          | -                                      | -                                   | -                                 | -                                     | -           | -       | -       |
| Financial assets not measured at fair value   |                            |  |                                     |                                   |                                       |             |         |         |
| Long term deposits Trade debts - considered good                                      | -                          | -                                      | 6,351,325<br>387,586,473            | -                                 | 6,351,325<br>387,586,473              | -           | -       | -       |
| Loans and advances - considered good Short term deposits                              | -                          | -                                      | 972,265<br>91,162,023               | -                                 | 972,265<br>91,162,023                 | -           | -       | -       |
| Other receivables Short term investments  | -                          | -                                      | 4,894,747<br>335,000,000            | -                                 | 4,894,747<br>335,000,000              | -           | -       | -       |
| Bank balances   | 246,571,589<br>246,571,589 | <u> </u>                               | 825,966,833                         | -                                 | 246,571,589<br>1,072,538,422          |             | -       | -       |
|   | 240,571,569                | <del>-</del>                           | 020,900,033                         | -                                 | 1,072,536,422                         | -           | -       | -       |
| Financial liabilities measured at fair value:   |                            | -                                      | -                                   |                                   |                                       | -           | -       |         |
| Financial liabilities not measured at fair value                                      |                            |  |                                     |                                   |                                       |             |         |         |
| Trade and other payables<br>Accrued mark-up   |                            | -                                      | -                                   | 503,852,752<br>32,767             | 503,852,752<br>32,767                 | -           | -       | -       |
|   | -                          | -                                      | -                                   | 503,885,519                       | 503,885,519                           | -           | -       | -       |

#### 36.3.4 Interest rate risk

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

|                                 | 2017  | 2016                | 2017       | 2016        |
|---------------------------------|-------|---------------------|------------|-------------|
|                                 |       | ge / Effective rate |            | ing amount  |
|                                 | (in P | ercentage)          | (F         | Rupees)     |
| Fixed rate instruments          |       |                     |            |             |
| Financial assets                |       |                     |            |             |
| Short term investments          | -     | 5.35                | -          | 335,000,000 |
| Net Exposure                    |       |                     |            | 335,000,000 |
| Variable rate instruments       |       |                     |            |             |
| Financial assets                |       |                     |            |             |
| Cash at bank - deposit accounts | 3.49  | 4.40                | 53,492,280 | 14,430,682  |
| Net Exposure                    |       |                     | 53,492,280 | 14,430,682  |
|                                 |       |                     |            |             |

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / decreased for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

|   | Profit    | or loss   |
|---|-----------|-----------|
|   | 100 bps   | 100 bps   |
|   | Increase_ | Decrease  |
|   | Ri        | upees     |
| <u>As at 30 June 2017</u>                                   |           |           |
| Cash flow sensitivity - Variable rate financial liabilities | 534,923   | (534,923) |
|   |           |           |
| <u>As at 30 June 2016</u>                                   |           |           |
| Cash flow sensitivity - Variable rate financial liabilities | 144,307   | (144,307) |

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

For the year ended 30 June 2017

#### 36.4 Capital management

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

The Company's objectives when managing capital are:

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

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

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

#### 37 Non adjusting events after the balance sheet date

The Board of Directors of the Company in its meeting held on 30 August 2017 has proposed a final cash dividend of Rs. 4 (2016: Rs. 12) per share, amounting to Rs. 120.75 million (2016: Rs. 362.24 million) for approval of the members in the Annual General Meeting to be held on 18 October 2017.

#### 38 Corresponding figures

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

#### 39 Date of authorization for issue

These unconsolidated financial statements have been authorized for issue by the Board of Directors of the Company on 30 August 2017.







KPMG Taseer Hadi & Co. Chartered Accountants 2nd Floor, Servis House 2-Main Gulberg Jali Road, Lahore Pakistan Telephone + 92 (42) 3579 0901-6 Fax + 92 (42) 3579 0907 Internet www.kpmg.com.pk

#### Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Ferozsons Laboratories Limited ("the Holding Company") and its subsidiaries as at 30 June 2017 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Ferozsons Laboratories Limited and its subsidiaries. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Ferozsons Laboratories Limited and its subsidiaries as at 30 June 2017 and the results of their operations for the year then ended.

Date: 30 August 2017

Lahore

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

# consolidated balance sheet As at 30 June 2017

|  | Note   | 2017<br>Rupees   | 2016<br>Rupees   |
|--|--------|--|--|
| EQUITY AND LIABILITIES   |        |  |  |
| Share capital and reserves   |        |  |  |
| Authorized share capital 50,000,000 (2016: 50,000,000) ordinary shares of Rs. 10 each                                  |        | 500,000,000  | 500,000,000  |
| Issued, subscribed and paid up capital Capital reserve Accumulated profit Equity attributable to owners of the Company | 4<br>5 | 301,868,410<br>321,843<br>4,265,339,789<br>4,567,530,042 | 301,868,410<br>321,843<br>4,279,679,051<br>4,581,869,304 |
| Non-controlling interests  |        | <u>171,535,961</u><br><u>4,739,066,003</u>               | <u>168,681,094</u><br>4,750,550,398                      |
| Surplus on revaluation of property, plant and equipment - net of tax   | 6      | 979,164,891  | 1,022,739,340  |
| Non-current liabilities  |        |  |  |
| Deferred taxation  | 7      | 246,490,537  | 268,664,070  |
| Current liabilities  |        |  |  |
| Trade and other payables Short term borrowings - secured Accrued mark-up   | 8<br>9 | 849,897,469<br>24,888,862<br>1,646,851<br>876,433,182    | 778,287,566<br>42,851,551<br>138,692<br>821,277,809      |
| Contingencies and commitments  | 10     | 6,841,154,613  | 6,863,231,617  |

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

**Chief Executive Officer** 

# consolidated balance sheet As at 30 June 2017

|   | Note                                   | 2017<br>Rupees   | 2016<br>Rupees  |
|---|--|--|---|
| ASSETS  |  |  |   |
| Non-current assets  |  |  |   |
| Property, plant and equipment Intangibles Long term deposits  | 11<br>12                               | 3,082,250,380<br>3,172,498<br>11,053,325<br>3,096,476,203  | 3,009,074,944<br>5,539,396<br>10,338,325<br>3,024,952,665   |
| Current assets  |  |  |   |
| Stores, spare parts and loose tools Stock in trade Trade debts - considered good Loans and advances - considered good Deposits and prepayments Other receivables Short term investments Income tax - net Cash and bank balances | 13<br>14<br>15<br>16<br>17<br>18<br>19 | 45,606,521<br>1,766,705,139<br>429,773,583<br>77,152,418<br>170,092,045<br>9,003,812<br>855,943,421<br>146,034,709<br>244,366,762<br>3,744,678,410 | 44,734,010<br>2,071,316,936<br>447,354,701<br>43,691,073<br>116,441,665<br>7,637,820<br>667,166,585<br>55,178,359<br>384,757,803<br>3,838,278,952 |
|   |  | 6,841,154,613  | 6,863,231,617   |

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

**Director** 

# consolidated profit and loss account For the year ended 30 June 2017

|  | Note                 | 2017<br>Rupees   | 2016<br>Rupees  |
|--|----------------------|--|---|
| Revenue - net Cost of sales Gross profit   | 21<br>22             | 5,002,429,682<br>(3,090,966,615)<br>1,911,463,067                            | 11,294,980,050<br>(6,700,677,823)<br>4,594,302,227                                |
| Administrative expenses Selling and distribution expenses Other expenses Other income Profit from operations | 23<br>24<br>25<br>26 | (335,594,707)<br>(1,023,216,945)<br>(7,321,244)<br>63,547,445<br>608,877,616 | (314,218,472)<br>(1,249,627,236)<br>(280,600,848)<br>121,283,603<br>2,871,139,274 |
| Finance cost Profit before taxation  | 27                   | <u>(17,701,190)</u><br>591,176,426   | (12,603,245)<br>2,858,536,029   |
| Taxation Profit after taxation   | 28                   | (196,572,511) 394,603,915  | (625,447,767)<br>2,233,088,262  |
| Attributable to:   |                      |  |   |
| Owners of the Company Non-controlling interests Profit after taxation  |                      | 395,765,198<br>(1,161,283)<br>394,603,915                                    | 2,204,040,027<br>29,048,235<br>2,233,088,262                                      |

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

# consolidated statement of comprehensive income For the year ended 30 June 2017

|  | 2017<br>Rupees                            | 2016<br>Rupees                               |
|--|---|--|
| Profit after taxation  | 394,603,915                               | 2,233,088,262                                |
| Other comprehensive income for the year                          | -   | -  |
| Total comprehensive income for the year                          | 394,603,915                               | 2,233,088,262                                |
| Attributable to: Owners of the Company Non-controlling interests | 395,765,198<br>(1,161,283)<br>394,603,915 | 2,204,040,027<br>29,048,235<br>2,233,088,262 |

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

# consolidated statement of changes in equity For the year ended 30 June 2017

|  | Attributable to Owners of the Company |                 |                    | pany          |                           |               |
|--|---------------------------------------|-----------------|--------------------|---------------|---------------------------|---------------|
|  | Share capital                         | Capital reserve | Accumulated profit | Total         | Non-controlling interests | Total         |
|  |                                       |                 | F                  | Rupees        |                           |               |
| Balance as at 01 July 2015   | 301,868,410                           | 321,843         | 2,811,333,056      | 3,113,523,309 | 138,654,363               | 3,252,177,672 |
| Total comprehensive income for the year  | -                                     | -               | 2,204,040,027      | 2,204,040,027 | 29,048,235                | 2,233,088,262 |
| Surplus transferred to accumulated profit: -on account of incremental depreciation on property, plant and equipment charged                              |                                       |                 |                    |               |                           |               |
| during the year - net of tax -on account of disposal of fixed assets   | -                                     | -               | 9,707,267          | 9,707,267     | 978,496                   | 10,685,763    |
| during the year - net of tax   |                                       |                 | 9,269,725          | 9,269,725     | -                         | 9,269,725     |
|  | -                                     | -               | 18,976,992         | 18,976,992    | 978,496                   | 19,955,488    |
| Transactions with owners of the Company: -Final dividend for the year ended 30 June 2015   |                                       |                 |                    |               |                           |               |
| at Rs. 15 per share -Interim dividend for the year ended 30 June 2016  | -                                     | -               | (452,802,614)      | (452,802,614) | -                         | (452,802,614) |
| at Rs. 10 per share  | -                                     | -               | (301,868,410)      | (301,868,410) | -                         | (301,868,410) |
| -  | -                                     | -               | (754,671,024)      | (754,671,024) | -                         | (754,671,024) |
| Balance as at 30 June 2016   | 301,868,410                           | 321,843         | 4,279,679,051      | 4,581,869,304 | 168,681,094               | 4,750,550,398 |
| Balance as at 01 July 2016   | 301,868,410                           | 321,843         | 4,279,679,051      | 4,581,869,304 | 168,681,094               | 4,750,550,398 |
| Total comprehensive income for the year  | -                                     | -               | 395,765,198        | 395,765,198   | (1,161,283)               | 394,603,915   |
| Surplus transferred to accumulated profit: -on account of incremental depreciation on property, plant and equipment charged during the year - net of tax | -                                     | -               | 42,698,155         | 42,698,155    | 4,016,150                 | 46,714,305    |
| Transactions with owners of the Company: -Final dividend for the year ended 30 June 2016   |                                       |                 |                    |               |                           |               |
| at Rs. 12 per share -Interim dividend for the year ended 30 June 2017  | -                                     | -               | (362,242,092)      | (362,242,092) | -                         | (362,242,092) |
| at Rs. 3 per share   | -                                     | -               | (90,560,523)       | (90,560,523)  | -                         | (90,560,523)  |
|  | -                                     | -               | (452,802,615)      | (452,802,615) | -                         | (452,802,615) |
| Balance as at 30 June 2017   | 301,868,410                           | 321,843         | 4,265,339,789      | 4,567,530,042 | 171,535,961               | 4,739,066,003 |
|  |                                       |                 |                    |               |                           |               |

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

# consolidated cash flow statement For the year ended 30 June 2017

|   |      | 0047                         | 0010                         |
|---|------|------------------------------|------------------------------|
|   | Note | 2017<br>Rupees               | 2016<br>Rupees               |
|   |      |                              | . tapada                     |
| Cash flow from operating activities   |      |                              |                              |
| Profit before taxation  |      | 591,176,426                  | 2,858,536,029                |
| Adjustments for:  |      |                              |                              |
| Depreciation on property, plant and equipment   | 11.2 | 326,993,412                  | 233,406,272                  |
| Amortisation Gain on disposal of property, plant and equipment  |      | 2,366,898<br>(15,984,759)    | 1,769,901<br>(12,001,520)    |
| Finance cost  |      | 17,701,190                   | 12,603,245                   |
| Trade debts write off   | 24   | 15,356,017                   | 12,927                       |
| Provision for slow moving stock in trade  | 14.1 | 165,386,397                  | -                            |
| Un-realised gain on re-measurement of short term investments to fair value  |      | (5,047,578)                  | (3,396,439)                  |
| Dividend income Gain on sale of short term investments  |      | (16,169,325)                 | (76,435,113)                 |
| Profit on term deposits   |      | (19,983,118)                 | (9,364,205)                  |
| Workers' Profit Participation Fund  | 8.1  | 31,137,923                   | 154,859,805                  |
| Workers' Welfare Fund   |      | 11,601,068                   | 58,846,725                   |
| Prior years' reversal of Workers' Welfare Fund  | 25   | (43,352,950)                 | -                            |
| Central Research Fund   |      | 6,290,489                    | 31,284,809                   |
| Cook generated from energians before working conital aboves   |      | 475,460,917<br>1,066,637,343 | 391,586,407<br>3,250,122,436 |
| Cash generated from operations before working capital changes  Effect on cash flow due to working capital changes |      | 1,000,037,343                | 3,250,122,430                |
| Decrease / (increase) in current assets   |      |                              |                              |
| Stores, spare parts and loose tools   |      | (872,511)                    | (3,228,592)                  |
| Stock in trade  |      | 139,225,400                  | (681,449,340)                |
| Trade debts - considered good   |      | 2,225,101                    | (166,596,896)                |
| Loans and advances - considered good  Deposits and prepayments  |      | (33,461,345) (53,650,380)    | (2,205,146) (38,240,080)     |
| Other receivables   |      | (1,963,244)                  | (4,320,724)                  |
|   |      | 51,503,021                   | (896,040,778)                |
| Increase / (decrease) in current liabilities  |      |                              |                              |
| Trade and other payables  |      | 165,075,142                  | (690,763,004)                |
| Cash generated from operations  |      | 1,283,215,506                | 1,663,318,654                |
| Taxes paid  |      | (263,109,587)                | (686,487,067)                |
| Workers' Profit Participation Fund paid   |      | (65,439,531)                 | (200,879,712)                |
| Workers' Welfare Fund paid  |      | (58,846,725)                 | (17,669,077)                 |
| Central Research Fund paid  |      | (31,284,809)                 | (14,722,486)                 |
| Long term deposits - net  |      | (715,000)                    | (2,907,500)                  |
| Net cash generated from operating activities  |      | 863,819,854                  | 740,652,812                  |
| Cash flow from investing activities   |      |                              |                              |
|   |      | /407 222 22 ()               | (700 010 000)                |
| Acquisition of property, plant and equipment  |      | (407,298,834)                | (739,048,029)                |
| Acquisition of intangibles Proceeds from sale of property, plant and equipment                                    |      | 23,114,745                   | (5,820,226)<br>29,276,349    |
| Profit on term deposits received  |      | 1,522,185                    | 8,676,767                    |
| (Acquisition) / Redemption of short term investments - net  |      | (147,576,815)                | 270,590,061                  |
| Net cash used in investing activities   |      | (530,238,719)                | (436,325,078)                |
| Cash flow from financing activities   |      |                              |                              |
| Finance cost paid   |      | (16,193,031)                 | (12,475,422)                 |
| Dividend paid   |      | (439,816,456)                | (731,987,875)                |
| Net cash used in financing activities   |      | (456,009,487)                | (744,463,297)                |
| Net decrease in cash and cash equivalents   |      | (122,428,352)                | (440,135,563)                |
| Cash and cash equivalents at the beginning of the year  |      | 341,906,252                  | 782,041,815                  |
| Cash and cash equivalents at the end of the year  |      | 219,477,900                  | 341,906,252                  |
| Cash and cash equivalents comprise of the following:  Cash and bank balances                                      | 20   | 244,366,762                  | 384,757,803                  |
| Running finance   | 9    | (24,888,862)                 | (42,851,551)                 |
| •   | -    | 219,477,900                  | 341,906,252                  |
|   |      |                              |                              |

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.

For the year ended 30 June 2017

#### 1 Reporting entity

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

"The Group" consists of the following subsidiaries:

| Company / Entity       | Country of    | Nature of business   |      | Effective holding % |  |  |
|------------------------|---------------|--|------|---------------------|--|--|
|                        | incorporation |  | 2017 | 2016                |  |  |
| 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                  |  |  |

#### 2 Basis of preparation

#### 2.1 Consolidated financial statements

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2017 and the audited financial statements of the subsidiaries for the year ended 30 June 2017.

#### 2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as notified under the provisions of the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. Wherever the requirements of the repealed Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan ('SECP') differ with the requirements of IFRS, the requirements of the repealed Companies Ordinance, 1984 or the requirements of the said directives prevail.

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 17 dated 20 July 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 30 June 2017, can prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires certain additional disclosures which would be applicable for financial year ending after 30 June 2017.

Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of fixed assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of land, building and plant and machinery to bring it in line with the requirements of IAS 16 – "Property, plant and equipment". The effect of the change is disclosed in note 6 to these consolidated financial statements.

#### 2.3 Standards, interpretations and amendments to published approved accounting standards

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

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

For the year ended 30 June 2017

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 01 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 01 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would

For the year ended 30 June 2017

remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

The above amendments are not likely to have an impact on the Company's unconsolidated financial statements, except for certain additional disclosures.

#### 2.4 Basis of measurement

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

#### 2.5 Functional and presentation currency

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

#### 2.6 Use of estimates and judgments

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

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

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

#### 2.6.1 Property, plant and equipment

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

#### 2.6.2 Intangibles

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

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

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

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parts, loose tools and stock in trade with a corresponding affect on the provision and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

#### 2.6.4 Provision against trade debts, advances and other receivables

The Group reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

#### 2.6.5 Provisions

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

#### 2.6.6 Impairment

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

#### 2.6.7 Fair value of investments

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

#### 2.6.8 Taxation

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

#### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presenting, in these financial statements:

#### 3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the change explained below:

#### 3.1.1 Subsidiaries

Subsidiaries are those entities in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value of investment held by the Parent Company is eliminated against the Parent Company's share in paid up capital of the subsidiaries. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

#### 3.1.2 Non-controlling interests

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

For the year ended 30 June 2017

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

#### 3.1.3 Loss of control

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

#### 3.1.4 Transactions eliminated on consolidation

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

#### 3.2 Employee benefits

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

#### 3.2.1 Staff provident fund

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

#### 3.2.2 Compensated absences

The Holding Company and the subsidiary companies provide for compensated absences for its employees on unavailed balance of leave in the period in which leave is earned.

#### 3.3 Taxation

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

#### 3.3.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

#### 3.3.2 Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Group recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

For the year ended 30 June 2017

#### 3.4 Property, plant and equipment, depreciation and capital work in progress

#### 3.4.1 Owned

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

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

As of 01 July 2016, the Group has revised its estimate of the remaining useful life of building on freehold land and plant and machinery. As a result, the remaining useful life of these revalued assets have been revised to their original life. This change in estimate of useful life of revalued assets has been applied prospectively as required under IAS-8 'Accounting policies, changes in accounting estimates and errors. Had the useful life estimate not been revised, the depreciation charge for financial years 2017 to 2020 and 2021 would have been higher by Rs. 98.06 million and Rs. 87.23 million respectively.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed asset account. Deficit, if any, arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the above mentioned surplus account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to equity, net of related deferred tax.

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

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

#### 3.4.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate directly attributable overheads. These costs are transferred to property, plant and equipment as and when assets are available for their intended use.

#### 3.5 Intangibles

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

#### 3.6 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instruments. The Group de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the balance sheet, when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any

For the year ended 30 June 2017

gain or loss on the recognition or de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

Significant financial assets include long term deposits, short term investments, trade debts, loans and advances, other receivables, advance tax - net and cash and bank balances. Significant financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include trade and other payables.

#### 3.7 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

#### 3.8 Investments

#### 3.8.1 Investments at fair value through profit or loss

These include investments classified as held for trading or upon initial recognition are designated by the Group at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in income. Fair value of investments is their quoted bid price at the balance sheet date. Transaction costs are charged to income currently.

#### 3.8.2 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition, these are measured at amortised cost using the effective interest rate method less impairment loss, if any.

#### 3.8.2.1 Trade debts

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

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

#### 3.9 Settlement date accounting

Regular way purchases and sales of financial assets are recognized on trade dates.

#### 3.10 Trade and other payables

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

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

#### 3.11 Offsetting of financial assets and financial liabilities

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

For the year ended 30 June 2017

#### 3.12 Provisions

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

#### 3.13 Foreign currency

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

#### 3.14 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of cost and net realizable value. Cost is determined on weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other incidental charges incurred thereon.

#### 3.15 Stocks in trade

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

Raw and Packing materials - at moving average cost
Work in process - at weighted average cost

Finished goods - at moving average cost and

Finished goods for resale - at moving average cost of purchase

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

#### 3.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances and short term running finance facilities.

#### 3.17 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of pharmaceutical products, net of sales return, commission and discounts. Revenue is recognized when the goods are dispatched and title passes to the customer, it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably and there is no continuing management involvement.

#### 3.18 Borrowing costs

Mark-up, interest and other direct charges on borrowings are capitalized to the related qualifying asset till substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. All other mark-up, interest and related charges are charged to the profit and loss account as finance cost.

#### 3.19 Other income

Other income comprises interest income on funds invested, dividend income, exchange gain and changes in the fair value of financial asset at fair value through profit or loss. Income on bank deposits is accrued on a time proportion

For the year ended 30 June 2017

basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.

Dividend income is recognized when the right to receive is established.

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

#### 3.20 Impairment

#### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognized.

#### Non financial assets

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

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

#### 3.21 Operating segment

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and accessing performance of the operating segments, has been identified as the Board of Director of the Holding Company that make strategic decisions. The management has determined that the Group has a single reportable segment as the Board of Directors views the Group's operations as one reportable segment.

#### 3.22 Dividend distribution

Dividend is recognized in the financial statements in the period in which it is approved.

| 4 | Issued, subscribed and paid up capital  | 2017<br>Rupees             | 2016<br>Rupees             |
|---|---|----------------------------|----------------------------|
|   | 1,441,952 (2016: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash   | 14,419,520                 | 14,419,520                 |
|   | 119,600 (2016: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged | 1,196,000                  | 1,196,000                  |
|   | 28,625,289 (2016: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares  | 286,252,890<br>301,868,410 | 286,252,890<br>301,868,410 |

#### **Capital reserve**

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

| Surplus on revaluation of property, plant and equipment - net of tax   | 2017<br>Rupees                           | 2016<br>Rupees                              |
|--|--|---|
| Surplus on revaluation of property, plant and equipment as at 01 July  | 1,205,064,027                            | 451,506,554                                 |
| Surplus on revaluation of property plant and equipment recognized during the year:   |  |   |
| <ul><li>freehold land</li><li>building on freehold land</li><li>plant and machinery</li></ul>  | -  | 266,640,627<br>270,809,831<br>241,011,662   |
| - related deferred tax liability<br>Surplus net of deferred tax  |  | 778,462,120<br>(152,276,872)<br>626,185,248 |
| Surplus transferred to equity on account of incremental depreciation charged during the year net of deferred tax - Related deferred tax liability  | (46,714,305)<br>(20,102,767)             | (10,685,764)<br>(4,949,158)                 |
| (Surplus) / deficit transferred to equity: - on account of disposal of assets during the year net of deferred tax - Related deferred tax liability | (66,817,072)                             | (15,634,922)                                |
| Revaluation Surplus  | 1,138,246,955                            | (9,269,725)<br>1,205,064,027                |
| Related deferred tax liability: - On revaluation as at 01 July - Transferred / recognized - on revaluation surplus during the year                 | (182,324,687)                            | (35,077,377)                                |
| - on account of incremental depreciation charged during the year - tax rate adjustment   | 20,102,767<br>3,139,856<br>(159,082,064) | 4,949,158<br>80,403<br>(182,324,687)        |
| Surplus on revaluation of property, plant and equipment as at 30 June  | 979,164,891                              | 1,022,739,340                               |

For the year ended 30 June 2017

Surplus net of tax at the year end includes Rs. 34.33 million (2016: Rs. 37.72 million) which relates to shareholders of the subsidiaries (Non-controlling interests). This amount has not been included in statement of changes in equity due to the requirements of 4th Schedule of the repealed Companies Ordinance, 1984.

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

As stated in note 2.2 of these consolidated financial statements, the Companies Act, 2017 is applicable for financial year ending after 30 June 2017 which will result in reclassification of surplus on revaluation of land, building and plant and machinery as part of the shareholders' equity.

|   |             | 201                         |                        |             |
|---|-------------|-----------------------------|------------------------|-------------|
|   |             | Charge to / (re             | eversal from)          |             |
|   | Opening     | Profit or loss              | Surplus on revaluation | Closing     |
| Deferred taxation   |             | Rupe                        | es                     |             |
| Taxable temporary difference  |             |                             |                        |             |
|   |             |                             |                        |             |
| Accelerated tax depreciation allowances Surplus on revaluation of property, | 86,339,383  | 8,685,009                   | -                      | 95,024,392  |
| plant and equipment   | 182,324,687 | (20,102,767)                | (3,139,856)            | 159,082,064 |
| Deductible temporary differences  |             |                             |                        |             |
| Provision for slow moving stock in trade                                    | -           | (7,615,919)                 | -                      | (7,615,919) |
|   | 268,664,070 | (19,033,677)                | (3,139,856)            | 246,490,537 |
|   |             |                             |                        |             |
|   |             | 2010                        | ĥ                      |             |
|   |             | Charge to / (reversal from) |                        |             |
|   | Opening     | Profit or loss              | Surplus on revaluation | Closing     |
|   |             | Rupe                        | es                     |             |
| Taxable temporary difference  |             |                             |                        |             |
| Accelerated tax depreciation allowances                                     | 65,482,188  | 20,857,195                  | -                      | 86,339,383  |
| Surplus on revaluation of property, plant and equipment                     | 35,077,377  | (4,949,158)                 | 152,196,469            | 182,324,687 |
|   | 100,559,565 | 15,908,037                  | 152,196,469            | 268,664,070 |
|   |             |                             |                        |             |

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For the year ended 30 June 2017

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| з т  | rade and other payables  | Note       | 2017<br>Rupees   | 2016<br>Rupees   |
|--|--|------------|--|--|
| A<br>A<br>U<br>Ti<br>P<br>W<br>C<br>W<br>A | rade creditors corued liabilities dvances from customers Inclaimed dividend ax deducted at source rovision for compensated absences Vorkers' Profit Participation Fund Sentral Research Fund Vorkers' Welfare Fund dvances from employees against purchase of vehicles sue to related parties - unsecured Other payables | 8.1<br>8.2 | 439,117,638<br>81,531,562<br>138,768,457<br>80,854,747<br>15,353<br>23,023,775<br>-<br>6,290,865<br>11,601,068<br>47,853,044<br>15,568,379<br>5,272,581<br>849,897,469 | 359,183,035<br>97,100,894<br>60,249,689<br>67,868,588<br>1,396,037<br>20,152,972<br>31,660,709<br>31,285,185<br>58,846,725<br>36,217,615<br>12,464,893<br>1,861,224<br>778,287,566 |
| 8  | .1 Workers' Profit Participation Fund  |            |  |  |
|  | Balance at the beginning of year<br>Interest on funds utilized<br>Provision for the year   |            | 31,660,709<br>2,550,713<br>31,137,923<br>65,349,345  | 77,680,616<br>1,800,904<br>154,859,805<br>234,341,325  |
|  | Payments made during the year  | 18         | (65,439,531)<br>(90,186)   | (202,680,615) 31,660,710   |

The fund balance has been utilized by the Holding Company and the subsidiary company, BF Biosciences Limited, for their own business and interest at the rate of 165% (2016:143%) per annum by Holding Company and 10.02% (2016:11.10%) per annum by subsidiary company, BF Biosciences have been credited to the funds respectively. Interest is calculated at higher of 75% of dividend rate or 2.5% plus bank rate, as required under Companies Profit (Workers' Participation) Act, 1968.

| 8.2 | Central Research Fund                                       | lote | Rupees                                | Rupees                                 |
|-----|---|------|---------------------------------------|--|
|     | Balance at the beginning of the year Provision for the year | 25   | 31,285,186<br>6,290,489<br>37,575,675 | 14,722,862<br>31,284,809<br>46,007,671 |
|     | Payments made during the year                               |      | (31,284,809) 6,290,866                | (14,722,485)<br>31,285,186             |

#### 9 Short term borrowings - secured

#### 9.1 Under Mark up arrangements

The Group has short term borrowing facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 1,000 million (2016: Rs. 1,000 million). These facilities carry mark-up at the rates ranging from three months KIBOR plus 0.1% to 1.5% (2016: three months KIBOR plus 0.1% to 1.5%) per annum on the outstanding balances. Out of aggregate facilities, Rs. 700 million (2016: Rs. 700 million) are secured by first pari passu charge of Rs. 1,621 million over all present and future assets (excluding land and building) of the the respective Companies in the Group and remaining facility amounting to Rs. 300 million (2016: Rs. 300 million) is secured by lien on Holding 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. 207.75 million (2016: Rs. 335 million) is marked under lien. These facilities are renewable on annual basis latest by 30 November 2017.

For the year ended 30 June 2017

#### 9.2 Under Shariah compliant arrangements

The Holding Company has short term borrowing facility i.e. Running Musharakah available from Islamic bank under profit arrangements having sanctioned limit of Rs. 200 million (2016: Rs. 200 million). This facility carries profit rate of three months KIBOR plus 0.3% (2016: 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 Holding Company. This facility is renewable on annual basis latest by 30 June 2017 and has been renewed subsequent to the year end.

#### 10 Contingencies and commitments

#### 10.1 Contingencies

The Holding Company has filed a suit before the Honorable High Court of Sindh challenging SRO related to pharmaceutical pricing issued by Drug Regulatory Authority being ultra vires the constitution. The issues relates to fixation of prices of certain products of the Holding Company and the SRO issued in this regard whereby the products of the Holding Company were notified as controlled drugs. The matter is subjudice. However, the management based on obtained legal opinion believes that the Holding Company has a strong case on merit and is likely to succeed in obtaining relief.

#### 10.2 Commitments

#### 10.2.1 Letters of credit

#### 1021.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 850 million (2016: Rs. 850 million) for opening letters of credit, the amount utilized by the Group at 30 June 2017 for capital expenditure was Rs. Nil million (2016: Rs. 183.83 million) and for other than capital expenditure was Rs. 184.15 (2016: Rs. 217.17 million). These facilities are secured by first pari passu charge of Rs. 1,621 million over all present and future assets (excluding land and building) of the the respective Companies in the Group. Lien is also marked over import documents.

#### 10212Under Shariah compliant arrangements

The Holding Company has facility i.e letters of credit of Rs. 75 million (2016: Rs. 75 million) availed from Islamic bank. The amount utilized at 30 June 2017 only for other than capital expenditure was Rs. 28.74 million (2016: Rs. 20.60 million). Lien is also marked over import documents.

#### 1022 Guarantees issued by banks on behalf of the Company

#### 10221Under Mark up arrangements

Out of the aggregate facility of Rs. 180 million (2016: Rs. 180 million) for letter of guarantees (out of aggregate facility, Rs. 25 million is the sublimit of running finance of the respective Companies in the Group), the amount utilized by the Group at 30 June 2017 was Rs. 18.52 million (2016: Rs. 8.70 million).

#### 10222Under Shariah compliant arrangements

The Holding Company has facility i.e LG of Rs. 25 million (2016: Rs. 25 million) available from Islamic bank, the amount utilized at 30 June 2017 was Rs. 1.96 million (2016: Rs. 1.96 million).

|    |                               | Note | 2017<br>Rupees | 2016<br>Rupees |
|----|-------------------------------|------|----------------|----------------|
| 11 | Property, plant and equipment |      |                |                |
|    | Operating assets              | 11.1 | 2,862,770,364  | 2,654,857,177  |
|    | Capital work in progress      | 11.4 | 219,480,016    | 354,217,767    |
|    |                               |      | 3,082,250,380  | 3,009,074,944  |

| assets    |
|-----------|
| Operating |
| 11.1      |

| Column associa                                  |               |                            |                     |                      |                        |                       |                            |                             |
|---|---------------|----------------------------|---------------------|----------------------|------------------------|-----------------------|----------------------------|-----------------------------|
|   |               |                            |                     | Owned                | ped                    |                       |                            |                             |
|   | Freehold land | Buildings on freehold land | Plant and machinery | Office<br>equipments | Furniture and fittings | Computers             | Vehicles                   | Total                       |
|   |               |                            |                     | Rupees-              | .es                    |                       |                            |                             |
| 30 June 2017                                    |               |                            |                     |                      |                        |                       |                            |                             |
| Cost / revalued amount                          |               |                            |                     |                      |                        |                       |                            |                             |
| Balance as at 01 July 2016                      | 678,076,127   | 779,564,255                | 941,786,054         | 68,029,388           | 39,490,452             | 33,190,875            | 367,265,054                | 2,907,402,205               |
| Additions / transfers<br>Disposals / write off  |               | 35,160,737                 | 361,811,277         | 31,733,119 (83,900)  | 43,135,390 (144,672)   | 9,592,191 (3,239,413) | 60,603,871 (38,442,139)    | 542,036,585 (41,910,124)    |
| Balance as at 30 June 2017                      | 678,076,127   | 814,724,992                | 1,303,597,331       | 99,678,607           | 82,481,170             | 39,543,653            | 389,426,786                | 3,407,528,666               |
| Depreciation                                    |               |                            |                     |                      |                        |                       |                            |                             |
| Balance as at 01 July 2016                      | 1             | 20,336,033                 | 1                   | 34,655,514           | 13,410,415             | 22,058,824            | 162,084,242                | 252,545,028                 |
| Charge for the year<br>On disposals / write off | 1 1           | 92,769,836                 | 146,121,960         | 7,985,017 (83,900)   | 6,399,278<br>(144,672) | 7,065,461 (3,239,413) | 66,651,860<br>(31,312,153) | 326,993,412<br>(34,780,138) |
| Balance as at 30 June 2017                      | 1             | 113,105,869                | 146,121,960         | 42,556,631           | 19,665,021             | 25,884,872            | 197,423,949                | 544,758,302                 |
| Net book value as at 30 June 2017               | 678,076,127   | 701,619,123                | 1,157,475,371       | 57,121,976           | 62,816,149             | 13,658,781            | 192,002,837                | 2,862,770,364               |
| 30 June 2016                                    |               |                            |                     |                      |                        |                       |                            |                             |
| Cost / revalued amount                          |               |                            |                     |                      |                        |                       |                            |                             |
| Balance as at 01 July 2015                      | 410,000,000   | 598,271,525                | 1,012,957,697       | 62,751,933           | 24,980,380             | 23,049,360            | 284,946,153                | 2,416,957,048               |
| Additions / transfers<br>Disposals / write off  | 1,435,500     | 202,342,277                | 199,017,379         | 5,354,315            | 14,510,072             | 10,172,332            | 112,702,500                | (30 491 276)                |
| Revaluation surplus                             | 266,640,627   | (21,049,547)               | (270,189,022)       |                      | 1                      |                       |                            | (24,597,942)                |
| Balance as at 30 June 2016                      | 678,076,127   | 779,564,255                | 941,786,054         | 68,029,388           | 39,490,452             | 33,190,875            | 367,265,054                | 2,907,402,205               |
| Depreciation                                    |               |                            |                     |                      |                        |                       |                            |                             |
| Balance as at 01 July 2015                      | ı             | 249,373,426                | 412,046,970         | 28,726,330           | 10,716,203             | 17,535,105            | 128,593,358                | 846,991,392                 |
| Charge for the year<br>On disposals / write off |               | 62,821,985                 | 99,153,714          | 5,978,824            | 2,694,212              | 4,548,669             | 58,208,868                 | 233,406,272                 |
| Revaluation surplus                             | 1             | (291,859,378)              | (511,200,684)       |                      |                        | ()                    |                            | (803,060,062)               |
| Balance as at 30 June 2016                      | 1             | 20,336,033                 | 1                   | 34,655,514           | 13,410,415             | 22,058,824            | 162,084,242                | 252,545,028                 |
| Net book value as at 30 June 2016               | 678,076,127   | 759,228,222                | 941,786,054         | 33,373,874           | 26,080,037             | 11,132,051            | 205,180,812                | 2,654,857,177               |
| Depreciation Rate %                             |               | 10                         | 10                  | 10                   | 10                     | 33.33                 | 20                         |                             |
|   |               |                            |                     |                      |                        |                       |                            |                             |

For the year ended 30 June 2017

11.1.1 These include fully depreciated assets amounting to Rs. 72.2 million (2016: Rs. 69 million).

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

|  | Note | 2017<br>Rupees | 2016<br>Rupees |
|--|------|----------------|----------------|
| Freehold land                            |      | 86,123,262     | 86,123,262     |
| Buildings                                |      | 454,247,553    | 483,389,520    |
| Plant and machinery                      |      | 858,552,851    | 604,513,594    |
| Balance as at 30 June                    |      | 1,398,923,666  | 1,174,026,376  |
| 11.2 Depreciation is allocated as under: |      |                |                |
| Cost of sales                            | 22   | 236,079,596    | 151,742,954    |
| Administrative expenses                  | 23   | 49,255,224     | 40,087,472     |
| Selling and distribution expenses        | 24   | 41,658,592     | 41,575,846     |
|  |      | 326,993,412    | 233,406,272    |

#### 11.3 Disposal of property, plant and equipment

| Particulars of assets  | Sold to                         | Cost       | Net<br>book<br>Value | Sale<br>proceeds | Gain /<br>(loss) on<br>disposal   | Mode of disposal  |
|--|---------------------------------|------------|----------------------|------------------|---|---|
|  |                                 |            |                      | Rupees           |   |   |
| <u>Vehicles</u>  |                                 |            |                      |                  |   |   |
| Toyota Corolla GLI   | Mr. Humayon Khalid Saeed        | 1,731,501  | 375,159              | 983,283          | 608,124   | Company Policy  |
| Toyota Corolla GLI   | Mr. Dilshad Khan                | 1,691,200  | 366,426              | 913,000          | 546,574   | Company Policy  |
| Suzuki Liana   | Mr. Syed Pervaiz Hassan         | 1,511,000  | 428,117              | 765,000          | 336,883   | Tender  |
| Suzuki Cultus  | Mr. Iftakhar Ghulam Rasool      | 1,019,000  | 356,650              | 713,300          | 356,650   | Company Policy  |
| Suzuki Cultus  | Mr. Muhammad Qasim Paracha      | 1,019,000  | 390,617              | 812,500          | 421,883   | Tender  |
| Suzuki Cultus  | Mr. Muhammad Qasim Paracha      | 1,019,000  | 390,618              | 848,500          | 457,882   | Tender  |
| Suzuki Cultus  | Mr. Sajid Idrees                | 1,019,000  | 339,666              | 675,000          | 335,334   | Company Policy  |
| Suzuki Cultus  | Mr. Ali Aslam                   | 1,010,000  | 286,167              | 756,700          | 470,533   | Company Policy  |
| Suzuki Cultus  | Mr. Usman Malik                 | 985,000    | 229,833              | 721,000          | 491,167   | Tender  |
| Suzuki Cultus  | Mr. Zahid Ali Khan              | 1,014,000  | 422,500              | 822,500          | 400,000   | Company Policy  |
| Suzuki Cultus  | Mr. Qasim Piracha               | 1,019,000  | 407,599              | 760,500          | 352,901   | Company Policy  |
| Suzuki Cultus  | Mr. Amir Saleem                 | 1,014,000  | 321,100              | 788,500          | 467,400   | Company Policy  |
| Suzuki Cultus  | Mr. Amir Saleem                 | 1,124,188  | 599,567              | 838,500          | 238,933   | Company Policy  |
| Honda City   | Mr. Rizwan Hameed Butt          | 1,639,000  | 191,216              | 874,133          | 682,917   | Company Policy  |
| Honda City   | Mr. Aamir Yaqoob Mir            | 1,618,000  | 269,666              | 890,000          | 620,334   | Company Policy  |
| Honda CD 70  | EFU Insurance Compnay           | 63,500     | 55,034               | 63,500           | 8,466   | Insurance Claim   |
| Honda CD 70  | EFU Insurance Compnay           | 63,500     | 55,034               | 63,500           | 8,466   | Insurance Claim   |
| Honda CD 70  | EFU Insurance Compnay           | 63,500     | 56,094               | 63,500           | 7,406   | Insurance Claim   |
| Honda CD 70  | EFU Insurance Compnay           | 63,500     | 58,209               | 63,500           | 5,291   | Insurance Claim   |
| Suzuki Mehran  | Mr. Adnan Ikram                 | 690,820    | 115,137              | 403,000          | 287,863   | Company Policy  |
| Suzuki Mehran  | Mr. Faheem Akhter               | 673,000    | 224,334              | 542,256          | 317,922   | Company Policy  |
| Suzuki Mehran  | Miss Gazala Ali                 | 663,000    | 265,200              | 471,000          | 205,800   | Tender  |
| Suzuki Mehran  | Mr. Rao Asad Umar               | 663,000    | 221,000              | 422,633          | 201,633   | Company Policy  |
| Suzuki Mehran  | Miss Fariha Saleem              | 607,000    | 101,166              | 452,786          | 351,620   | Tender  |
| Vehicles with individual   |                                 |            |                      |                  |   |   |
| book value not exceeding   |                                 |            |                      |                  |   |   |
| Rs. 50,000   | Various persons                 | 16,458,430 | 603,877              | 8,406,654        | 7,802,777   | Company Policy  |
|  |                                 | 38,442,139 | 7,129,986            | 23,114,745       | 15,984,759  |   |
| Assets written off   |                                 |            |                      |                  |   |   |
| Office equipment   | N/A                             | 83,900     | -                    | -                | -   | Obsolete items-   |
|  |                                 |            |                      |                  |   | written off   |
| Furniture and fittings   | N/A                             | 144,672    | -                    | -                | -   | Obsolete items-   |
| Computers  | N/A                             | 3,239,413  | _                    | _                | -   | written off<br>Obsolete items-                            |
| •  |                                 |            | 7 100 000            | 00 111 715       | 45 004 750  | written off   |
| 2017 Rupees  |                                 | 41,910,124 | 7,129,986            | 23,114,745       | 15,984,759  |   |
| 2016 Rupees  |                                 | 30,491,277 | 5,698,703            | 17,700,223       | 12,001,520  |   |
|  |                                 |            |                      |                  | 2017  | 2016  |
| 0  |                                 |            | No                   | ote              | Rupees  | Rupees  |
| Capital work-in-prog   | ress                            |            |                      |                  |   |   |
| The movement in ca   | apital work in progress is as f | ollows:    |                      |                  |   |   |
|  |                                 |            |                      |                  | 354,217,767   | 172,280,240   |
| Balance at 01 July   |                                 |            |                      |                  |   |   |
| Balance at 01 July   |                                 |            |                      |                  |   | 583.329.943   |
| Additions  |                                 |            |                      |                  | 335,713,656   |   |
| Additions<br>Transfers   |                                 |            |                      |                  |   | (401,392,416)   |
| Additions  |                                 |            | 11.4                 | (4               | 335,713,656   | (401,392,416)   |
| Additions<br>Transfers<br>Balance at 30 June   | ogress as at 30 June comp       | rises of:  | 11.4                 | (4               | 335,713,656<br>470,451,407)   | (401,392,416)   |
| Additions Transfers Balance at 30 June Capital work-in-pro   |                                 | rises of:  | 11.2                 | (4               | 335,713,656<br>470,451,407)<br>219,480,016                              | 354,217,767   |
| Additions Transfers Balance at 30 June Capital work-in-pro Building and civil wo                     | orks                            | rises of:  | 11.2                 | 4.1              | 335,713,656<br>470,451,407)<br>219,480,016<br>65,625,630                | (401,392,416)<br>354,217,767<br>28,410,228                |
| Additions Transfers Balance at 30 June Capital work-in-pro Building and civil wo Plant and machinery | orks<br>y                       | rises of:  | 11.4                 | 4.1              | 335,713,656<br>470,451,407)<br>219,480,016<br>65,625,630<br>137,816,372 | (401,392,416)<br>354,217,767<br>28,410,228<br>179,798,850 |
| Additions Transfers Balance at 30 June Capital work-in-pro Building and civil wo                     | orks<br>y                       | rises of:  | 11.4                 | 4.1              | 335,713,656<br>470,451,407)<br>219,480,016<br>65,625,630                | (401,392,416)<br>354,217,767                              |
| Additions Transfers Balance at 30 June Capital work-in-pro Building and civil wo Plant and machinery | orks<br>y                       | rises of:  | 11.4                 | 4.1              | 335,713,656<br>470,451,407)<br>219,480,016<br>65,625,630<br>137,816,372 | (401,392,416)<br>354,217,767<br>28,410,228<br>179,798,850 |

| 12 | Intan | gibles   | Note          | 2017<br>Rupees  | 2016<br>Rupees  |
|----|-------|--|---------------|---|---|
|    | 12.1  | Computer softwares and software license fees   |               |   |   |
|    |       | Cost:  |               |   |   |
|    |       | Balance at 01 July<br>Addition during the year<br>Balance at 30 June   | 12.1.1        | 13,964,128  | 8,143,902<br>5,820,226<br>13,964,128                        |
|    |       | Amortization:  |               |   |   |
|    |       | Balance at 01 July Amortisation for the year Balance at 30 June  Net book value as at 30 June                    |               | 8,424,732<br>2,366,898<br>10,791,630<br>3,172,498           | 6,654,831<br>1,769,901<br>8,424,732<br>5,539,396            |
|    |       | Net book value as at 50 balle  |               | 0,172,400   | <u> </u>  |
|    | 12.1. | 1 These include fully amortized assets amounting to Rs. 6.84 million (at 33% (2016: 33%) on straight line basis. | (2016: Rs. 5. | .54 million). Intangib                                      | les are amortised   |
| 13 | Store | es, spare parts and loose tools  | Note          | 2017<br>Rupees  | 2016<br>Rupees  |
|    | -     | e parts<br>e tools   |               | 21,496,812<br>15,924,274<br>8,185,435<br>45,606,521         | 19,161,211<br>19,098,568<br>6,474,231<br>44,734,010         |
| 14 | Stoc  | k in trade   |               |   |   |
|    | Work  | and packing materials<br>in process<br>ned goods   | 14.2          | 481,959,789<br>78,514,365<br>1,314,694,715<br>1,875,168,869 | 357,353,488<br>96,389,129<br>1,597,678,787<br>2,051,421,404 |
|    | Provi | sion for slow moving items   | 14.1          | (165,386,397)<br>1,709,782,472                              | 2,051,421,404   |
|    | Stock | in transit   |               | 56,922,667<br>1,766,705,139                                 | 19,895,532<br>2,071,316,936                                 |
|    | 14.1  | Provision for slow moving stock in trade as at 30 June comprise  | es of:        |   |   |
|    |       | Raw Materials<br>Work In process<br>Finished Goods   |               | 9,277,834<br>2,095,249<br>154,013,314<br>165,386,397        |   |

**<sup>14.2</sup>** The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounts to Rs. 7.65 million (2016: Rs. 3.99 million).

| 15 | Trade debts - considered good  | Note         | 2017<br>Rupees  | 2016<br>Rupees  |
|----|--|--------------|---|---|
|    | Considered good:  Trade debts - secured  Trade debts - unsecured   | 15.1         | 74,753,742<br>355,019,841<br>429,773,583                        | 55,563,370<br>391,791,331<br>447,354,701                            |
|    | 15.1 The amount is secured against letter of credit and advances fro   | m customers. |   |   |
| 16 | Loans and advances - considered good   | Note         | 2017<br>Rupees  | 2016<br>Rupees  |
|    | Advances to employees - secured<br>Advances to suppliers - unsecured<br>Others   | 16.1         | 16,080,948<br>59,458,496<br>1,612,974<br>77,152,418             | 15,774,139<br>26,874,429<br>1,042,505<br>43,691,073                 |
|    | 16.1 Advances given to staff are in accordance with the Group's police are secured against provident fund. Advances to staff include an Rs. 8.03 million (2016: Rs. 7.08 million). | -            |   |   |
| 17 | Deposits and prepayments   | Note         | Rupees  | Rupees  |
|    | Deposits Earnest money Security Margins Prepayments  | 17.1         | 168,330,957<br>980,102<br>169,311,059<br>780,986<br>170,092,045 | 106,997,573<br>8,282,000<br>115,279,573<br>1,162,092<br>116,441,665 |
|    | 17.1 These are interest free and given in ordinary course of business  | S.           |   |   |
|    |  | Note         | 2017<br>Rupees  | 2016<br>Rupees  |
| 18 | Other receivables  |              |   |   |
|    | Sales tax refundable - net Worker's profit participation fund Interest accrued Others  | 8.1          | 8,656,926<br>90,186<br>-<br>256,700<br>9,003,812                | 2,743,073<br>-<br>687,438<br>4,207,309<br>7,637,820                 |

For the year ended 30 June 2017

| 19 | Short term investments  Loans and receivables                        | Note | 2017<br>Rupees | 2016<br>Rupees |
|----|--|------|----------------|----------------|
|    | Term deposits with banks - local currency                            | 19.1 | -              | 335,000,000    |
|    | Investments at fair value through profit or loss - listed securities |      |                |                |
|    | Held for trading   | 19.2 | 855,943,421    | 332,166,585    |
|    |  |      | 855,943,421    | 667,166,585    |

**19.1** The local currency short-term deposit has a maximum maturity period of 30 days and it carries markup at Nil (2016: 5.35%) per annum.

| 19.2 | These investments are 'held for trading'                        | Note | 2017<br>Rupees | 2016<br>Rupees  |
|------|---|------|----------------|-----------------|
|      | Carrying value at 30 June:                                      |      | 332,166,585    | 16,925,094      |
|      | Acquisition during the year                                     |      | 1,072,379,518  | 4,412,704,072   |
|      | Redemption during the year                                      |      | (553,650,260)  | (4,100,651,486) |
|      | Unrealized gain on re-measurement of investment during the year |      | 5,047,578      | 3,188,905       |
|      | Fair value of short term investments at 30 June                 | 19.3 | 855,943,421    | 332,166,585     |

Realized gain of Rs. 19.98 million (2016: Rs. 76.44 million) on sale of mutual funds and bonus dividend of Rs. 16.17 million (2016: Rs. Nil) has been recorded in "other income". These investments and related gain is from non shariah compliant arrangement. These are marked under lien as mentioned in note 9.

|      | -  |           | Units     | Carrying / Fair value |             |
|------|--|-----------|-----------|-----------------------|-------------|
|      | -  | 2017      | 2016      | 2017                  | 2016        |
| 100  | Markoval formal code a state this are fall according | N         | lumber    | R                     | upees       |
| 19.3 | Mutual fund wise detail is as follows:               |           |           |                       |             |
|      | Mutual Funds   |           |           |                       |             |
|      | 110000111111011111111111111111111111111              |           | E 400 000 |                       |             |
|      | MCB Pakistan Cash Management Fund                    | -         | 5,126,903 | -                     | 257,366,938 |
|      | MCB Pakistan Stock Market Fund                       | 206,559   | 189,850   | 21,172,676            | 16,534,010  |
|      | Faysal Money Market Fund                             | 159,626   | 255,964   | 16,162,163            | 25,941,373  |
|      | ABL Government Securities Fund                       | 3,371,142 | 3,206,485 | 33,772,097            | 32,200,804  |
|      | HBL Money Market Fund                                | 2,042,627 | 1,216     | 207,874,880           | 123,460     |
|      | Faysal MTS Fund                                      | 155,713   | -         | 15,616,439            | -           |
|      | Faysal Bank Savings Growth Fund                      | 7,425     | -         | 757,430               | -           |
|      | MCB Cash Management Optimizer Fund                   | 4,033,778 | -         | 405,466,136           | -           |
|      | HBL Cash Fund  | 1,543,804 | -         | 155,121,600           | -           |
|      |  |           |           | 855,943,421           | 332,166,585 |
|      |  |           |           |                       |             |

For the year ended 30 June 2017

| 20 Cash and bank balances         | Note | 2017<br>Rupees | 2016<br>Rupees |
|-----------------------------------|------|----------------|----------------|
| Cash in hand                      |      | 10,309,874     | 6,842,689      |
| Cash at banks: Current accounts   |      |                |                |
| - foreign currency                |      | 13,186,391     | 28,569,668     |
| - local currency                  | 20.1 | 93,391,348     | 255,602,028    |
|                                   |      | 106,577,739    | 284,171,696    |
| Deposit accounts - local currency | 20.2 | 127,479,149    | 93,743,418     |
|                                   |      | 244,366,762    | 384,757,803    |

- 20.1 These include bank accounts of Rs. 0.67 million (2016: Rs. 0.67 million) maintained under Shariah compliant arrangements.
- **20.2** These include deposit accounts of Rs. 126.06 million (2016: Rs. 89.14 million) under mark up arrangements, which carry interest rates ranging from 3.75% 6% (2016: 3.82% 6%) per annum.

These also include deposit account of Rs. 1.42 million (2016: Rs. 4.6 million ) under shariah compliant arrangements, which carry profit rate ranging from 2.40% - 2.41% (2016: 2.50% - 2.85%) per annum.

| 2017   | 2016   |
|--------|--------|
| Rupees | Rupees |

#### 21 Revenue - net

#### **Gross sales**

Less: Sales tax

Local

Export

#### Less:

Sales returns

Discounts and commission

Sales tax

| 5,251,325,294 | 11,651,408,338 |  |  |
|---------------|----------------|--|--|
| 220,655,474   | 227,381,458    |  |  |
| 5,471,980,768 | 11,878,789,796 |  |  |
|               |                |  |  |
|               |                |  |  |
| (138,558,186) | (263,113,129)  |  |  |
| (313,514,151) | (317,541,304)  |  |  |
| (17,478,749)  | (3,155,313)    |  |  |
| (469,551,086) | (583,809,746)  |  |  |
| 5,002,429,682 | 11,294,980,050 |  |  |

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

|    |  | Note         | 2017<br>Rupees   | 2016<br>Rupees   |
|----|--|--------------|--|--|
| 22 | Cost of sales  |              |  |  |
|    | Raw and packing materials consumed Salaries, wages and other benefits Fuel and power Repairs and maintenance Stores, spare parts and loose tools consumed Packing charges Rent, rates and taxes Printing and stationery Postage and telephone Insurance Travelling and conveyance Canteen expenses Security expenses Depreciation on property, plant and equipment Laboratory and other expenses | 22.1<br>22.2 | 805,691,075<br>249,357,479<br>55,037,193<br>18,663,203<br>39,819,113<br>27,740,619<br>622,259<br>2,186,523<br>4,248,297<br>13,871,323<br>11,948,679<br>13,604,599<br>3,113,451<br>236,079,596<br>35,025,333<br>1,517,008,742 | 981,044,773<br>226,789,600<br>63,116,172<br>24,414,277<br>49,653,883<br>21,714,242<br>1,125,549<br>2,518,693<br>3,452,009<br>13,409,358<br>14,559,976<br>13,009,247<br>3,719,172<br>151,742,954<br>35,808,393<br>1,606,078,298 |
|    | Work in process: Opening Closing   | 14.1         | 96,389,128<br>(76,419,116)<br>19,970,012   | 44,914,516<br>(96,389,128)<br>(51,474,612  |
|    | Cost of goods manufactured   |              | 1,536,978,754  | 1,554,603,686  |
|    | Finished stock: Opening Purchases made during the year Closing   | 14.1         | 1,597,678,787<br>1,116,990,476<br>(1,160,681,402)<br>1,553,987,861<br>3,090,966,615  | 956,803,313<br>5,786,949,611<br>(1,597,678,787)<br>5,146,074,137<br>6,700,677,823  |
|    | 22.1 Raw and packing materials consumed  |              |  |  |
|    | Opening Purchases made during the year Closing   | 14.1         | 357,353,488<br>921,019,542<br>1,278,373,030<br>(472,681,955)<br>805,691,075  | 365,200,196<br>973,198,065<br>1,338,398,261<br>(357,353,488)<br>981,044,773  |

**<sup>22.2</sup>** Salaries, wages and other benefits include Rs. 9.68 million (2016: Rs. 8.60 million), which represents employer's contribution towards provident fund.

| 23 Administrative expenses                    | Note | 2017<br>Rupees | 2016<br>Rupees |
|---|------|----------------|----------------|
| Salaries and other benefits                   | 23.1 | 188,469,388    | 176,632,762    |
| Directors fees and expenses                   | 20.1 | 1,246,516      | 1,513,121      |
| Rent. rates and taxes                         |      | 1,683,279      | 1,881,345      |
| Postage and telephone                         |      | 9,353,881      | 7,273,222      |
| Printing, stationery and office supplies      |      | 4,318,092      | 3,781,050      |
| Travelling and conveyance                     |      | 10,317,189     | 9,714,124      |
| Transportation                                |      | 8,751,588      | 8,469,156      |
| Legal and professional charges                |      | 10,267,032     | 8,370,453      |
| Fuel and power                                |      | 4,879,864      | 6,727,285      |
| Auditors' remuneration                        | 23.2 | 1,680,486      | 1,399,255      |
| Repairs and maintenance                       |      | 12,098,932     | 10,829,278     |
| Fee and subscriptions                         |      | 6,236,682      | 3,767,021      |
| Donations                                     | 23.3 | 10,280,583     | 16,242,699     |
| Insurance                                     |      | 5,788,907      | 4,601,298      |
| Depreciation on property, plant and equipment | 11.2 | 49,255,224     | 40,087,472     |
| Amortisation                                  | 12   | 2,366,898      | 1,769,901      |
| Canteen expenses                              |      | 6,828,413      | 7,682,999      |
| Training Expenses                             |      | 41,000         | 1,495,680      |
| Other administrative expenses                 |      | 1,730,753      | 1,980,351      |
|   |      | 335,594,707    | 314,218,472    |

23.1 Salaries and other benefits include Rs. 7.89 million (2016: Rs. 6.05 million), which represents employer's contribution towards provident fund.

| 23.2 Auditors' remuneration                | 2017<br>Rupees | 2016<br>Rupees |
|--|----------------|----------------|
| Fee for annual audit                       | 747,500        | 575,000        |
| Audit of consolidated financial statements | 74,750         | 57,500         |
| Review of half yearly financial statements | 112,125        | 86,250         |
| Annual audit - BF Biosciences              | 224,250        | 172,500        |
| Annual audit - Farmacia                    | 62,368         | 39,800         |
| Special certificates and others            | 264,250        | 322,500        |
| Out-of-pocket expenses                     | 195,243        | 145,705        |
|  | 1,680,486      | 1,399,255      |
|  |                |                |

**23.3** Donations include the payments to following institutions in which the directors/their spouses are interested:

| Name of director                   | Nature of interest in donee | Name and address of donee         | 2017<br>Rupees | 2016<br>Rupees |
|------------------------------------|-----------------------------|-----------------------------------|----------------|----------------|
| Mr. Osman Khalid Waheed (Director) | Trustee                     | National Management<br>Foundation | 2,000,000      | 3,500,000      |

|                             |                     | Note | 2017<br>Rupees | 2016<br>Rupees |
|-----------------------------|---------------------|------|----------------|----------------|
| 24 Selling and distribution | expenses            |      |                |                |
| Salaries and other benefit  | S                   | 24.1 | 397,483,267    | 467,777,411    |
| Travelling and conveyance   | 9                   |      | 184,679,367    | 164,630,843    |
| Trade debts written off     |                     |      | 15,356,017     | 12,927         |
| Fuel and power              |                     |      | 5,292,778      | 7,423,416      |
| Rent, rates and taxes       |                     |      | 5,936,687      | 3,250,452      |
| Sales promotion and adve    | ertisement          |      | 113,449,316    | 170,183,925    |
| Freight and forwarding      |                     |      | 22,065,043     | 40,778,105     |
| Printing and stationary     |                     |      | 6,443,403      | 4,992,371      |
| Postage and telephone       |                     |      | 17,102,596     | 18,094,201     |
| Royalty, fee and subscript  | ion                 |      | 17,138,012     | 19,094,434     |
| Insurance                   |                     |      | 21,625,620     | 27,113,647     |
| Repairs and maintenance     |                     |      | 7,084,594      | 6,023,525      |
| Conferences, seminars ar    | nd training         |      | 115,916,971    | 159,687,314    |
| Medical research and pat    | ient care           |      | 16,509,032     | 25,032,858     |
| Depreciation on property,   | plant and equipment |      | 41,658,592     | 41,575,846     |
| Other selling expenses      |                     |      | 1,898,558      | 2,391,942      |
| Service charges on sales    |                     |      | 33,577,092     | 91,564,019     |
|                             |                     |      | 1,023,216,945  | 1,249,627,236  |

24.1 Salaries other benefits include Rs. 14.52 million (2016: Rs. 14.04 million), which represents employer's contribution towards provident fund.

|    |  | Note | 2017<br>Rupees | 2017<br>Rupees |
|----|--|------|----------------|----------------|
| 25 | Other expenses                                 |      |                |                |
|    | Exchange loss                                  | 25.1 | 1,644,714      | 35,609,509     |
|    | Workers' Profit Participation Fund             | 8.1  | 31,137,923     | 154,859,805    |
|    | Workers' Welfare Fund                          |      | 11,601,068     | 58,846,725     |
|    | Central Research Fund                          | 8.2  | 6,290,489      | 31,284,809     |
|    | Prior years' reversal of Workers' Welfare Fund |      | (43,352,950)   | -              |
|    |  |      | 7,321,244      | 280,600,848    |

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

# notes to the consolidated financial statements For the year ended 30 June 2017

|    |      |   | Note   | 2017<br>Rupees | 2016<br>Rupees |
|----|------|---|--------|----------------|----------------|
| 26 | Othe | er income                                       |        |                |                |
|    | From | financial assets                                | 26.1   | 46,866,634     | 105,365,444    |
|    | From | non financial assets                            | 26.2   | 16,680,811     | 15,918,159     |
|    |      |   |        | 63,547,445     | 121,283,603    |
|    | 26.1 | From financial assets                           |        |                |                |
|    |      | Profit on bank deposits                         | 26.1.1 | 4,831,866      | 16,169,687     |
|    |      | Dividend income                                 |        | 16,169,325     | -              |
|    |      | Profit on term deposits                         | 26.1.2 | 834,747        | 9,364,205      |
|    |      | Unrealised gain on re-measurement of short term |        |                |                |
|    |      | investments to fair value                       |        | 5,047,578      | 3,396,439      |
|    |      | Gain on sale of short term investments          |        | 19,983,118     | 76,435,113     |
|    |      |   |        | 46,866,634     | 105,365,444    |

<sup>26.1.1</sup> These include profit of Rs. 0.05 million (2016: Rs. 0.01 million) earned on deposit account maintained under Shariah compliant arrangements.

26.1.2 These include profit of Rs. Nil (2016: Rs. 4.0 million) earned on term deposit receipt maintained under Shariah compliant arrangements.

|    |  | Note | 2017<br>Rupees | 2016<br>Rupees |
|----|--|------|----------------|----------------|
|    | 26.2 From non financial assets                 |      |                |                |
|    | Gain on sale of property, plant                |      |                |                |
|    | and equipment - net of write off               | 11.3 | 15,984,759     | 12,001,520     |
|    | Commission & rebates                           |      | 696,052        | 3,916,639      |
|    |  |      | 16,680,811     | 15,918,159     |
| 27 | Finance costs                                  |      |                |                |
|    | Mark-up on bank financing                      | 27.1 | 4,386,844      | 622,686        |
|    | Bank charges                                   |      | 10,763,633     | 10,179,655     |
|    | Interest on Workers' Profit Participation Fund | 8.1  | 2,550,713      | 1,800,904      |
|    |  |      | 17,701,190     | 12,603,245     |

27.1 This related to facilities of short term borrowings availed under markup arrangements.

For the year ended 30 June 2017

|    |   | 2017<br>Rupees | 2016<br>Rupees |
|----|---|----------------|----------------|
| 28 | Taxation  |                |                |
|    | Current tax   |                |                |
|    | - For the year  | 215,606,188    | 609,097,706    |
|    | - Prior years   | -              | 442,024        |
|    |   | 215,606,188    | 609,539,730    |
|    | Deferred  | (19,033,677)   | 15,908,037     |
|    |   | 196,572,511    | 625,447,767    |
|    | Tax charge reconciliation   |                |                |
|    | Numerical reconciliation between tax expense and accounting profit: |                |                |
|    | Profit before taxation  | 591,176,426    | 2,858,536,029  |
|    |   | (Perce         | ntage)         |
|    | Applicable tax rate as per Income Tax Ordinance, 2001               | 31%            | 32%            |
|    |   | 2017<br>Rupees | 2016<br>Rupees |
|    | Tax on accounting profit  | 183,264,692    | 914,731,529    |
|    | Effect of final tax regime  | 53,687,252     | (347,559,235)  |
|    | Effect of tax credit  | (37,151,096)   | (22,288,026)   |
|    | Prior year's tax  | -              | 442,024        |
|    | Not adjustable for tax purposes                                     | (9,725,467)    | 33,188,292     |
|    | Effect of prior years' reversal of Workers' Welfare Fund            | (13,439,415)   | -              |
|    | Effect of super tax   | 19,936,544     | 46,933,183     |
|    |   | 13,307,819     | (289,283,762)  |
|    |   | 196,572,511    | 625,447,767    |

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 fourty percent of its after tax profits through cash or bonus shares within six months of the end of the said tax year.

As explained in note 37 to the consolidated financial statements, the Board of Directors in their meeting held on 30 August 2017 has recommended a final cash dividend of Rs. 4 per ordinary share which is in addition to interim cash dividend of Rs. 3 per ordinary share for the year ended 30 June 2017 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these unconsolidated financial statements for the year ended 30 June 2017.

For the year ended 30 June 2017

### 29 Remuneration of Chief Executive, Executive Director and Executives

|                                      |                        | 2017               |                          |                        | 2016                 |                          |  |
|--------------------------------------|------------------------|--------------------|--------------------------|------------------------|----------------------|--------------------------|--|
|                                      | Chief<br>Executive     | Executive Director | Executives               | Chief<br>Executive     | Executive Director   | Executives               |  |
|                                      |                        | Rupees             |                          |                        | Rupees -             |                          |  |
| Managerial remuneration Utilities    | 27,081,944<br>465.598  | -                  | 253,985,635<br>-         | 19,580,429<br>485,525  | 7,069,516            | 213,313,186              |  |
| LFA                                  | 2,220,829              | -                  | 14,851,875               | -                      | 1,178,253            | 12,195,678               |  |
| Bonus Contribution to provident fund | 6,662,487<br>1,775,016 | -                  | 36,845,138<br>12,929,124 | 1,042,576<br>1,325,082 | 3,213,417<br>449,186 | 25,310,589<br>11,525,435 |  |
| Continuation to provident fund       | 38,205,874             | -                  | 318,611,722              | 22,433,612             | 11,910,372           | 262,344,888              |  |
| Numbers                              | 2                      | -                  | 119                      | 2                      | 1                    | 104                      |  |

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

The Holding Company has 6 (2016: 5) non executive directors. Non executive directors are not paid any remuneration or benefits other than the meeting fee and reimbursement of expenses. All the members of the Board of Directors were paid Rs. 330,000 (2016: Rs. 420,000) as meeting fee and Rs.916,516 (2016: Rs. 1,093,121) as reimbursement of expenses for attending the Board of Directors' meetings.

### 30 Related party transactions

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

|   | Rupees      | Rupees      |
|---|-------------|-------------|
| Khan & Piracha - associated   |             |             |
| Professional service charges  | -           | 9,000       |
| Other related parties   |             |             |
| Contribution towards employees' provident fund Remuneration including benefits and perquisites of | 32,079,540  | 28,829,294  |
| key management personnel  | 165,890,469 | 127,488,758 |
| Dividend to KFW Factors (Private) Limited   | 124,304,130 | 207,173,550 |
| Dividend to directors   | 44,193,540  | 87,484,910  |

### 31 Plant capacity and production

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

| 32 | Number of employees                         | 2017 | 2016 |
|----|---|------|------|
|    | Total number of employees as at 30 June     | 1038 | 969  |
|    | Average number of employees during the year | 1029 | 955  |

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| B Disclosures relating to provident fund  |                               |   | Un-audited<br>2017<br>Rupees                     | Audited<br>2016<br>Rupees  |
|---|-------------------------------|---|--|--|
| Size of the fund / trust Cost of investment made Percentage of investment made Fair value of investment                 |                               |   | 451,416,888<br>401,931,938<br>97%<br>437,079,942 | 394,999,996<br>355,373,451<br>95%<br>376,016,812                                   |
|   | Un-auc<br>201                 |   | Audite<br>2016                                   |  |
|   | % of size of fund             | Rupees  | % of size of fund                                | Rupees   |
| Break up of investment  |                               |   |  |  |
| Special accounts in scheduled banks Term deposit receipts Government securities Mutual funds Shares of listed companies | 10%<br>32%<br>9%<br>37%<br>9% | 45,275,787<br>144,079,295<br>39,871,621<br>165,711,680<br>42,141,560<br>437,079,943 | 2%<br>5%<br>54%<br>28%<br>7%<br>95%              | 8,794,277<br>19,184,110<br>212,037,580<br>110,059,126<br>25,941,719<br>376,016,812 |

### 33.1 Credit risk

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

|                                  | Un-aud<br>2017  |             | Audited<br>2016 |             |
|----------------------------------|-----------------|-------------|-----------------|-------------|
|                                  | % of Total Fund | Rupees      | % of Total Fund | Rupees      |
| Ferozsons Laboratories Limited - |                 |             |                 |             |
| the Holding Company              | 79%             | 355,827,401 | 78%             | 307,897,698 |
| BF Biosciences Limited           | 19%             | 87,901,720  | 21%             | 81,365,284  |
| Farmacia - Partnership firm      | 2%              | 7,687,767   | 1%              | 5,737,014   |
|                                  | 100%            | 451,416,888 | 100%            | 394,999,996 |
|                                  |                 |             |                 |             |

The figures for 2017 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance, 1984 and rules formulated for this purpose.

### 34 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

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### Risk management framework

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

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

### 34.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk arises from long term deposits, trade debts, other receivables, loans and advances, short term deposits, short term investments and balances with banks. The Group has no significant concentration of credit risk as its exposure is spread over a large number of counter parties.

### 34.1.1 Exposure to credit risk

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

2017

2016

|                                      | Rupees        | Rupees        |
|--------------------------------------|---------------|---------------|
| Long term deposits                   | 11,053,325    | 10,338,325    |
| Trade debts - considered good        | 429,773,583   | 447,354,701   |
| Loans and advances - considered good | 1,612,974     | 1,042,505     |
| Short term deposits                  | 169,311,059   | 115,279,573   |
| Other receivables                    | 256,700       | 4,894,747     |
| Short term investments               | 855,943,421   | 667,166,585   |
| Bank balances                        | 234,056,888   | 377,915,114   |
|                                      | 1,702,007,950 | 1,623,991,550 |
|                                      |               |               |

For the year ended 30 June 2017

### 34.1.2 Credit quality of financial assets

### Bank balances & short term investments

The credit quality of Group's bank balances and short term investments can be assessed with reference to external credit rating agencies as follows:

|  | Ra   | ting   | Rating  | 2017   | 2016  |
|--|--|--|---|--|---|
| Institutions   | Short<br>term  | Long<br>term   | Agency  | Rup  | oees  |
| Habib Bank Limited Bank Al-Habib Limited Bank Alfalah Limited Habib Metropolitan Bank Limited Meezan Bank Limited MCB Bank Limited Allied Bank Limited Faysal Bank Limited NIB Bank Limited Short term investments   | A-1+<br>A1+<br>A-1+<br>A1+<br>A-1+<br>A1+<br>A1+<br>A-1+<br>A1+                        | AAA<br>AA+<br>AA+<br>AA<br>AAA<br>AAA<br>AA+<br>AA   | JCR-VIS PACRA JCR-VIS PACRA JCR-VIS PACRA PACRA JCR-VIS PACRA | 54,199,417<br>33,591,323<br>89,548,991<br>30,678,962<br>4,459,190<br>5,610,747<br>15,958,558<br>9,698  | 141,300,104<br>67,107,081<br>96,436,705<br>27,654,001<br>5,295,732<br>3,404,664<br>36,705,392<br>9,733<br>1,702<br>377,915,114          |
| Habib Bank Limited - TDR MCB Pakistan Cash Management Fund MCB Pakistan Stock Market Fund HBL Money Market Fund ABL Government Securities Fund Faysal Money Market Fund MCB Cash Management Optimizer Fund HBL Cash Fund Faysal MTS Fund Faysal Bank Savings Growth Fund | A-1+<br>AA(f)<br>4 Star<br>AA(f)<br>A(f)<br>AA(f)<br>AA(f)<br>AA(f)<br>A+(f)<br>AA-(f) | AAA<br>N/A<br>N/A<br>N/A<br>N/A<br>N/A<br>N/A<br>N/A | JCR-VIS PACRA PACRA JCR-VIS JCR-VIS PACRA PACRA JCR-VIS PACRA | 21,172,676<br>207,874,880<br>33,772,097<br>16,162,163<br>405,466,136<br>155,121,600<br>15,616,439<br>757,430<br>855,943,421<br>1,090,000,307 | 335,000,000<br>257,366,938<br>16,534,010<br>123,460<br>32,200,804<br>15,349,998<br>-<br>-<br>10,591,375<br>667,166,585<br>1,045,081,699 |

### Trade debts

The aging of trade debts at the reporting date was:

| 2017        | 2016        |
|-------------|-------------|
| Rupees      | Rupees      |
| 156,710,926 | 138,160,192 |
| 175,863,972 | 166,654,323 |
| 56,642,977  | 132,079,058 |
| 40,555,708  | 10,461,128  |
| 429,773,583 | 447,354,701 |

Trade debts are essentially due from government departments / projects and the Group is actively pursuing for recovery of debts and the Group does not expect these companies to fail to meet their obligations.

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

### 34.1.3 Concentration of credit risk

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

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### 34.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

|  |   | 2017  | 7                 |                      |
|--|---|---|-------------------|----------------------|
|  | Carrying amount                                       | Less than one year                                    | One to five years | More<br>than 5 years |
|  |   | Rupe  | es                |                      |
| Financial liabilities  |   |   |                   |                      |
| Trade and other payables<br>Short term borrowings<br>Accrued mark-up | 645,368,682<br>24,888,862<br>1,646,851<br>671,904,395 | 645,368,682<br>24,888,862<br>1,646,851<br>671,904,395 | -<br>-<br>-<br>-  |                      |
|  |   | 2016  | 3                 |                      |
|  |   |   |                   |                      |
|  | Carrying amount                                       | Less than one year                                    | One to five years | More<br>than 5 years |
|  |   | Rupe  | es                |                      |
| Financial liabilities  |   |   |                   |                      |
| Trade and other payables   | 558,631,606   | 558,631,606   | -                 | -                    |
| Short term borrowings  | 42,851,551  | 42,851,551  | -                 | -                    |
| Accrued mark-up  | 138,692   | 138,692   |                   |                      |
|  | 601,621,849   | 601,621,849   |                   |                      |

### 34.3 Market risk

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

Market risk comprises of three types of risks:

- currency risk
- interest rate risk
- other price risk

### 34.3.1 Currency risk

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

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

The potential currency exposures are discussed below:

### Transactional exposure in respect of non functional currency monetary items

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

For the year ended 30 June 2017

### Transactional exposure in respect of non functional currency expenditure and revenues

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

### Exposure to currency risk

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

| Cash and cash equivalents    |
|------------------------------|
| Trade and other payables     |
| Trade receivables            |
| Gross halance sheet exposure |

|               |             | 2      | 017       |          |         |         |
|---------------|-------------|--------|-----------|----------|---------|---------|
| Rupees        | US Dollars  | Euro   | UAE       | Pound    | JPY     | Aus     |
| Паросо        | OO Dollaro  | Luio   | Dirham    | Sterling | 01 1    | Dollars |
|               |             |        |           |          |         |         |
| 17,112,716    | 92,261      | 52,992 | -         | 6,270    | 146,000 | 1,000   |
| (408,015,788) | (3,889,569) | -      | -         | -        | -       | -       |
| 98,009,244    | 466,388     | -      | 1,718,666 | -        | -       | -       |
| (292,893,828) | (3,330,920) | 52,992 | 1,718,666 | 6,270    | 146,000 | 1,000   |
|               |             |        |           |          |         |         |

|                              |               |             | 20       | )16     |          |         |         |  |
|------------------------------|---------------|-------------|----------|---------|----------|---------|---------|--|
|                              | Rupees        | US Dollars  | Euro     | UAE     | Pound    | JPY     | Aus     |  |
|                              |               |             | Dirham   |         | Sterling |         | Dollars |  |
| Cash and cash equivalents    | 31,131,091    | 215,948     | 66,293   | 98      | 4,355    | 146,000 | 1,000   |  |
| Trade and other payables     | (284,367,731) | (2,675,021) | (39,247) | -       | -        | -       | -       |  |
| Trade receivables            | 83,894,736    | 569,521     | 9,530    | 815,149 | -        | -       | -       |  |
| Gross balance sheet exposure | (169,341,904) | (1,889,552) | 36,576   | 815,247 | 4,355    | 146,000 | 1,000   |  |

The following significant exchange rates were applied during the year:

| US Dollars     |
|----------------|
| Euro           |
| UAE Dirham     |
| Pound Sterling |
| JPY            |
| Aus Dollars    |

| Balance | sheet date rate | Av     | erage rate |
|---------|-----------------|--------|------------|
| 2017    | 2016            | 2017   | 2016       |
| 104.90  | 104.60          | 104.65 | 104.39     |
| 120.03  | 116.20          | 114.28 | 115.42     |
| 28.56   | 28.48           | 28.49  | 28.42      |
| 136.55  | 140.26          | 132.92 | 153.41     |
| 0.94    | 1.0177          | 0.96   | 0.90       |
| 80.78   | 77.87           | 78.94  | 75.96      |
|         |                 |        |            |

### Sensitivity analysis

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

| Profit         | and loss       |
|----------------|----------------|
| 2017<br>Rupees | 2016<br>Rupees |
| 29,289,383     | 16,934,190     |

Profit and loss account

A 10% weakening of the Pakistani Rupee against foreign currencies at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

For the year ended 30 June 2017

### 34.3.2 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee. The Group is not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

### Sensitivity analysis

The table below summarizes the Group's equity price risk as of 30 June 2017 and 2016 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Group's equity investment portfolio.

|  | Fair value                 | Hypothetical price change    | Estimated<br>fair value after<br>hypothetical<br>change in<br>prices | Hypothetical<br>increase /<br>(decrease)<br>in profit /<br>(loss) before<br>tax |
|--|----------------------------|------------------------------|--|---|
| 2017   |                            | Rı                           | ıpees  |   |
| Short term investments                           |                            |                              |  |   |
| Investments at fair value through profit or loss | 855,943,421<br>855,943,421 | 10% increase<br>10% decrease | 941,537,763<br>770,349,079   | 85,594,342<br>(85,594,342)  |
|  | Fair value                 | Hypothetical price change    | Estimated<br>fair value after<br>hypothetical<br>change in<br>prices | Hypothetical increase / (decrease) in profit / (loss) before tax                |
| 2016   |                            | R                            | upees  |   |
| Short term investments                           |                            |                              |  |   |
| Investments at fair value through profit or loss | 332,166,585                | 10% increase<br>10% decrease | 365,383,244<br>298,949,927   | 33,216,659<br>(33,216,659)  |

For the year ended 30 June 2017

### 34.3.3 Fair value of financial instruments

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

### a) Fair values versus carrying amounts

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

### b) Valuation of financial instruments

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

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

Level 2: Valuation techniques based on observable inputs.

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

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

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

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

For the year ended 30 June 2017

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

|  |               |  | Carrying Amoun        | t                           |               |             | Fair Value |         |
|--|---------------|--|-----------------------|-----------------------------|---------------|-------------|------------|---------|
|  | Cash and cash | Fair Value<br>through profit /<br>loss | Loans and receivables | Other financial liabilities | Total         | Level 1     | Level 2    | Level 3 |
| 30 June 2017                                     |               |  |                       | - Rupees                    |               |             |            |         |
| Financial assets measured at fair value          |               |  |                       |                             |               |             |            |         |
| Short term investments                           | -             | 855,943,421                            | -                     | -                           | -             | 855,943,421 | -          | -       |
| Financial assets not measured at fair value      |               |  |                       |                             |               |             |            |         |
| Long term deposits                               | -             | -                                      | 11,053,325            | -                           | 11,053,325    | -           | -          | -       |
| Trade debts - considered good                    | -             | -                                      | 429,773,583           | -                           | 429,773,583   | -           | -          | -       |
| Loans and advances - considered good             | -             | -                                      | 1,612,974             | -                           | 1,612,974     | -           | -          | -       |
| Short term deposits                              | -             | -                                      | 169,311,059           | -                           | 169,311,059   | -           | -          | -       |
| Other receivables                                | -             | -                                      | 256,700               | -                           | 256,700       | -           | -          | -       |
| Short term investments                           | -             | -                                      | -                     | -                           | -             | -           | -          | -       |
| Bank balances                                    | 234,056,888   | -                                      | -                     | -                           | 234,056,888   | -           | -          | -       |
|  | 234,056,888   | -                                      | 612,007,641           | -                           | 846,064,529   | -           | -          | -       |
| Financial liabilities measured at fair value:    | -             | -                                      | -                     | -                           | -             | -           | -          | -       |
|  | -             | -                                      | -                     | -                           |               | -           | -          | -       |
| Financial liabilities not measured at fair value |               |  |                       |                             |               |             |            |         |
| Trade and other payables                         | _             | -                                      | _                     | 645,368,682                 | 645,368,682   | _           |            | -       |
| Short term borrowing                             | -             | -                                      | -                     | 24,888,862                  | 24,888,862    | -           | -          | -       |
| Accrued mark-up                                  | -             | -                                      | -                     | 1,646,851                   | 1,646,851     | -           | -          | -       |
|  | -             | -                                      | -                     | 671,904,395                 | 671,904,395   | -           | -          | -       |
| 30 June 2016                                     |               |  |                       |                             |               |             |            |         |
| Financial assets measured at fair value          |               |  |                       |                             |               |             |            |         |
| Short term investments                           | -             | 332,166,585                            | -                     | -                           | 332,166,585   | 332,166,585 | -          | -       |
| Financial assets not measured at fair value      |               |  |                       |                             |               |             |            |         |
| Long term deposits                               | -             | -                                      | 10,338,325            | -                           | 10,338,325    | -           | -          | -       |
| Trade debts - considered good                    | -             | -                                      | 447,354,701           | -                           | 447,354,701   | -           |            | -       |
| Loans and advances - considered good             | -             | -                                      | 1,042,505             | -                           | 1,042,505     | -           | -          | -       |
| Short term deposits                              | -             | -                                      | 115,279,573           | -                           | 115,279,573   | -           | -          | -       |
| Other receivables                                | -             | -                                      | 4,894,747             | -                           | 4,894,747     | -           | -          | -       |
| Short term investments                           | -             | -                                      | 335,000,000           | -                           | 335,000,000   | -           | -          | -       |
| Bank balances                                    | 377,915,114   | -                                      | -                     | -                           | 377,915,114   | -           | -          | -       |
|  | 377,915,114   | -                                      | 913,909,851           | -                           | 1,291,824,965 | -           | -          | -       |
| Financial liabilities measured at fair value:    | -             | -                                      | -                     | -                           | -             | -           | -          | _       |
| Financial liabilities not measured at fair value |               |  |                       |                             |               |             |            |         |
| Trade and other payables                         | -             | -                                      | -                     | 558,631,606                 | 558,631,606   | -           | -          | -       |
| Short term borrowing                             | -             | -                                      | -                     | 42,851,551                  | 42,851,551    | -           | -          | -       |
| Accrued mark-up                                  |               | -                                      | -                     | 138,692                     | 138,692       | -           | -          |         |
|  | _             | -                                      | -                     | 601,621,849                 | 601,621,849   | -           | -          |         |

For the year ended 30 June 2017

### 34.3.4 Interest rate risk

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

|                                 |              | 2016 e / Effective rate rcentage) |              | 2016<br>ng amount<br>upees) |
|---------------------------------|--------------|-----------------------------------|--------------|-----------------------------|
| Fixed rate instruments          |              |                                   |              |                             |
| Financial assets                |              |                                   |              |                             |
| Short term investments          | -            | 5.35                              | -            | 335,000,000                 |
| Financial liabilities           | -            | -                                 | -            | -                           |
| Net Exposure                    |              |                                   |              | 335,000,000                 |
| Variable rate instruments       |              |                                   |              |                             |
| Financial assets                |              |                                   |              |                             |
| Cash at bank - deposit accounts | 2.40 to 5.40 | 2.65 to 6                         | 127,479,149  | 93,743,418                  |
| Financial liabilities           |              |                                   |              |                             |
| Short term borrowings secured   | 6.61 to 7.11 | 7.52                              | (24,888,862) | (42,851,551)                |
| Net Exposure                    |              |                                   | 102,590,287  | 50,891,867                  |

### Fair value sensitivity analysis for fixed rate instruments

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

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / decreased for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

|   | Profit an           | d loss              |
|---|---------------------|---------------------|
|   | 100 bps<br>Increase | 100 bps<br>Decrease |
| As at 30 June 2017  | Rup                 | ees                 |
| Cash flow sensitivity - Variable rate financial liabilities | 1,025,903           | (1,025,903)         |
| As at 30 June 2016  |                     |                     |
| Cash flow sensitivity - Variable rate financial liabilities | 508,919             | (508,919)           |

For the year ended 30 June 2017

### 35 Capital management

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

The Group's objectives when managing capital are:

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

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

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

### 36 Group entities

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

| 30 June 2017<br>Amount in Rupees   | BF Biosciences<br>Limited   | Farmacia  | Intra-Group<br>eliminations | Total        |
|--|---|---|-----------------------------|--------------|
| NCI percentage   | 20%   | 2%  |                             |              |
| Non current assets Current assets Non-current liabilities Current liabilities  | 273,859,577<br>13,776,572<br>7,838,197<br>102,330,272   | 19,542,197<br>125,214,717<br>-<br>13,176,211  |                             |              |
| Net assets   | 877,467,680   | 131,580,703   |                             |              |
| Carrying amount of NCI   | 175,493,536   | 2,631,614   | (6,589,189)                 | 171,535,961  |
| Revenue - net  | 609,513,026   | 268,399,784   |                             |              |
| Profit after taxation Other comprehensive income Total comprehensive income  | 24,430,289<br>—   | 17,998,894<br>-<br>17,998,894   |                             |              |
| Total comprehensive income allocated to NCI  | 4,886,058   | 359,978   | (6,407,319)                 | (1,161,283)  |
| Cash flows from operating activities Cash flows from investing activities Cash flows from financing activities   | (4,368,448)<br>(12,515,951)   | 14,269,329<br>(2,300,421)   |                             |              |
| (dividends to NCI : nil)  Net (decrease) / increase in cash and cash equivalents   | (1,011,975)   | 11,968,908  |                             |              |
|  |   |   |                             |              |
| 30 June 2017<br>Amount in Rupees   | BF Biosciences<br>Limited   | Farmacia  | Intra-Group<br>eliminations | Total        |
|  |   | Farmacia 2%   |                             | Total        |
| Amount in Rupees   | Limited   |   |                             | Total        |
| Amount in Rupees  NCI percentage  Non current assets Current assets Non-current liabilities  | 20%  350,810,564 701,131,852 37,383,960   | 2%<br>20,605,955<br>102,700,027   |                             | Total        |
| Amount in Rupees  NCI percentage  Non current assets Current assets Non-current liabilities Current liabilities  | 20%  350,810,564 701,131,852 37,383,960 161,521,064   | 2%<br>20,605,955<br>102,700,027<br>9,724,173  |                             | <b>Total</b> |
| Amount in Rupees  NCI percentage  Non current assets Current assets Non-current liabilities Current liabilities  Net assets  | 20%  350,810,564 701,131,852 37,383,960 161,521,064  853,037,392  | 2%<br>20,605,955<br>102,700,027<br>9,724,173<br>113,581,809   | eliminations                |              |
| Amount in Rupees  NCI percentage  Non current assets Current assets Non-current liabilities Current liabilities  Net assets  Carrying amount of NCI  Revenue - net  Profit after taxation  | 20%  350,810,564 701,131,852 37,383,960 161,521,064  853,037,392  170,607,478   | 2%<br>20,605,955<br>102,700,027<br>9,724,173<br>113,581,809<br>2,271,636                              | eliminations                |              |
| Amount in Rupees  NCI percentage  Non current assets Current assets Non-current liabilities Current liabilities  Net assets  Carrying amount of NCI  Revenue - net   | 20%  350,810,564 701,131,852 37,383,960 161,521,064  853,037,392  170,607,478  1,092,651,265                                      | 2%  20,605,955 102,700,027 9,724,173  113,581,809 2,271,636 340,975,451                               | eliminations                |              |
| Amount in Rupees  NCI percentage  Non current assets Current assets Non-current liabilities Current liabilities  Net assets  Carrying amount of NCI  Revenue - net  Profit after taxation Other comprehensive income   | 20%  350,810,564 701,131,852 37,383,960 161,521,064  853,037,392  170,607,478  1,092,651,265  151,252,354                         | 2%  20,605,955 102,700,027 9,724,173  113,581,809 2,271,636 340,975,451 22,042,905                    | eliminations                |              |
| Amount in Rupees  NCI percentage  Non current assets Current assets Non-current liabilities Current liabilities  Net assets  Carrying amount of NCI  Revenue - net  Profit after taxation Other comprehensive income  Total comprehensive income   | 20%  350,810,564 701,131,852 37,383,960 161,521,064  853,037,392  170,607,478  1,092,651,265  151,252,354  - 151,252,354          | 2%  20,605,955 102,700,027 9,724,173  113,581,809 2,271,636 340,975,451 22,042,905 22,042,905         | eliminations (4,198,020)    | 168,681,094  |
| Amount in Rupees  NCI percentage  Non current assets Current assets Non-current liabilities Current liabilities  Net assets  Carrying amount of NCI  Revenue - net  Profit after taxation Other comprehensive income Total comprehensive income allocated to NCI  Cash flows from operating activities | 20%  350,810,564 701,131,852 37,383,960 161,521,064  853,037,392  170,607,478  1,092,651,265  151,252,354  30,250,471  99,714,624 | 2%  20,605,955 102,700,027 9,724,173  113,581,809 2,271,636 340,975,451 22,042,905 22,042,905 440,858 | eliminations (4,198,020)    | 168,681,094  |

For the year ended 30 June 2017

### 37 Non Adjusting events after the balance sheet date

The Board of Directors of the Holding Company in its meeting held on 30 August 2017 has proposed a final cash dividend of Rs. 4 (2016: Rs. 12) per share amounting to Rs. 120.75 million (2016: Rs. 362.24 million), for the year ended 30 June 2017, for approval of the members in the Annual General Meeting to be held on 18 October 2017.

### 38 Corresponding figures

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

### 39 Date of authorization for issue

These consolidated financial statements have been authorized for issue by the Board of Directors of the Holding Company on 30 August 2017.

Chief Executive Officer Director

# pattern of shareholding As at 30 June 2017

| No. of Shareholders |           | Shareholding |                   |  |
|---------------------|-----------|--------------|-------------------|--|
|                     | From      | То           | Total Shares held |  |
| 1,605               | 1         | 100          | 58,274            |  |
| 1,122               | 101       | 500          | 326,353           |  |
| 483                 | 501       | 1,000        | 371,496           |  |
| 505                 | 1,001     | 5,000        | 1,156,031         |  |
| 107                 | 5,001     | 10,000       | 799,104           |  |
| 28                  | 10,001    | 15,000       | 347,051           |  |
| 19                  | 15,001    | 20,000       | 340,529           |  |
| 16                  | 20,001    | 25,000       | 371,250           |  |
| 15                  | 25,001    | 30,000       | 419,876           |  |
| 9                   | 30,001    | 35,000       | 290,516           |  |
| 4                   | 35,001    | 40,000       | 146,854           |  |
| 5                   | 40,001    | 45,000       | 211,476           |  |
| 4                   | 45,001    | 50,000       | 189,163           |  |
| 1                   | 50,001    | 55,000       | 51,200            |  |
| 3                   | 55,001    | 60,000       | 174,012           |  |
|                     |           | 65,000       | 122,548           |  |
| 2                   | 60,001    |              |                   |  |
| 1                   | 75,001    | 80,000       | 76,100            |  |
| 2                   | 95,001    | 100,000      | 191,352           |  |
| 1                   | 110,001   | 115,000      | 114,420           |  |
| 1                   | 145,001   | 150,000      | 145,256           |  |
| 1                   | 155,001   | 160,000      | 157,142           |  |
| 2                   | 160,001   | 165,000      | 324,644           |  |
| 1                   | 175,001   | 180,000      | 179,503           |  |
| 1                   | 180,001   | 185,000      | 180,235           |  |
| 1                   | 185,001   | 190,000      | 186,500           |  |
| 1                   | 225,001   | 230,000      | 228,800           |  |
| 1                   | 270,001   | 275,000      | 274,696           |  |
| 1                   | 295,001   | 300,000      | 295,463           |  |
| 1                   | 300,001   | 305,000      | 304,150           |  |
| 2                   | 330,001   | 335,000      | 666,946           |  |
| 1                   | 350,001   | 355,000      | 352,690           |  |
| 1                   | 355,001   | 360,000      | 359,116           |  |
| 1                   | 360,001   | 365,000      | 362,314           |  |
| 1                   | 365,001   | 370,000      | 369,531           |  |
| 1                   | 380,001   | 385,000      | 384,955           |  |
| 1                   | 410,001   | 415,000      | 410,979           |  |
| 1                   | 430,001   | 435,000      | 434,941           |  |
| 1                   | 435,001   | 440,000      | 437,416           |  |
| 1                   | 470,001   | 475,000      | 472,800           |  |
| 1                   | 650,001   | 655,000      | 651,347           |  |
| 1                   | 720,001   | 725,000      | 724,500           |  |
| 1                   | 745,001   | 750,000      | 749,650           |  |
| 1                   |           |              | 904,934           |  |
| 1                   | 900,001   | 905,000      |                   |  |
| 1                   | 905,001   | 910,000      | 906,427           |  |
| <br>                | 950,001   | 955,000      | 954,441           |  |
| I v                 | 1,335,001 | 1,340,000    | 1,339,755         |  |
| 1                   | 1,640,001 | 1,645,000    | 1,643,375         |  |
| 1                   | 1,825,001 | 1,830,000    | 1,825,442         |  |
| 1                   | 8,200,001 | 8,205,000    | 8,201,288         |  |

Ferozsons Laboratories Limited As On: June 30, 2017

| Categories of Shareholder  | Physical  | CDC                          | Total              | % age                                |
|--|-----------|------------------------------|--------------------|--------------------------------------|
| i. Associated Companies, Undertakings & Related Parties  |           |                              |                    |                                      |
| KFW Factors (Pvt) Limited  | 58,181    | 8,228,761                    | 8,286,942          | 27.45                                |
|  | 58,181    | 8,228,761                    | 8,286,942          | 27.45                                |
| ii. Mutual Funds   |           |                              |                    |                                      |
| CDC - Trustee Al Meezan Mutual Fund  | -         | 650                          | 650                | 0.00                                 |
| CDC - Trustee Meezan Islamic Fund  | -         | 19,650                       | 19,650             | 0.07                                 |
| Trustee Pak Qatar Family Takaful Ltd - Balance Fund (BF)   | -         | 5,000                        | 5,000              | 0.02                                 |
| Trustee Pak Qatar Family Takaful Limited Aggressive Fund   | -         | 5,000                        | 5,000              | 0.02                                 |
| Pak Qatar Individual Family Participant Invest Fund  | -         | 4,000                        | 4,000              | 0.01                                 |
| CDC - Trustee NAFA Islamic Asset Allocation Fund   | -         | 51,200                       | 51,200             | 0.17                                 |
| CDC - Trustee NAFA Islamic Stock Fund  | -         | 186,500                      | 186,500            | 0.6                                  |
| CDC - Trustee NIT Islamic Equity Fund  | -         | 28,850                       | 28,850             | 0.10                                 |
| CDC - Trustee NITIPF Equity Sub Fund   | -         | 1,850                        | 1,850              | 0.0                                  |
| CDC - Trustee Meezan Balanced Fund   | -         | 45,750                       | 45,750             | 0.15                                 |
| CDC - Trustee AKD Index Tracker Fund   | -         | 2,550                        | 2,550              | 0.0                                  |
| CDC - Trustee NIT - Equity Market Opportunity Fund   | -         | 6,500                        | 6,500              | 0.02                                 |
| CDC - Trustee Meezan Asset Allocation Fund   | -         | 1,850                        | 1,850              | 0.0                                  |
|  | -         | 359,350                      | 359,350            | 1.20                                 |
| iii Directors and their Spouses and Minor Childern   |           |                              |                    |                                      |
| Mrs, Akhter Khalid Waheed (Chairperson)  | 5,000     | -                            | 5,000              | 0.02                                 |
| Mr. Osman Khalid Waheed (Chief Executive)  | 1,339,755 | 651,347                      | 1,991,102          | 6.60                                 |
| Mrs. Amna Piracha Khan   | 437,416   | 8,531                        | 445,947            | 1.48                                 |
| Mrs. Munize Azhar Peracha  | 333,473   | - '                          | 333,473            | 1.10                                 |
| Mr. Nihal F. Cassim  | -         | 9,762                        | 9,762              | 0.0                                  |
| Mr. Faroog Mazhar  | -         | 160,952                      | 160,952            | 0.50                                 |
| Mrs. Sadia Amin (Spouse of Mr. Osman Khalid Waheed)  | -         | 3,000                        | 3,000              | 0.00                                 |
|  | 2,115,644 | 833,592                      | 2,949,236          | 9.76                                 |
|  | 000.407   |                              | 000.407            |                                      |
| iv. Executives   | 906,427   | -                            | 906,427            | 3.00                                 |
| v. Public Sector Companies and Corporations  | -         | 1,827,905                    | 1,827,905          | 6.00                                 |
| vi Panka DEla NDECa Ingurance Companies Takaful Madarahas and Dansien Funda  |           |                              |                    |                                      |
| vi. Banks, DFIs, NBFCs, Insurance Companies, Takaful, Modarabas and Pension Funds Banks, NBFCs, DFIs, Takaful, Pension Funds   | 0.000     | E01 E0E                      | E04 740            | 1 7                                  |
| Insurance Companies  | 3,223     | 521,525                      | 524,748            | 1.7                                  |
| Modarabas Modarabas  | 163,792   | 1,688,596                    | 1,852,388          | 6.1                                  |
| Other Companies, Corporate Bodies, Trust etc.  | 7,408     | 7,700<br>3,628,261           | 7,700<br>3,635,669 | 0.03                                 |
| Other Companies, Corporate Bodies, Trust etc.  |           |                              |                    |                                      |
| General Public   | 174,423   | 5,846,082                    | 6,020,505          | 19.9                                 |
| A. Local   | 5 507 777 | 3,568,095                    | 9,155,872          | 30.3                                 |
| B. Foreign   | 5,587,777 | 680,604                      | 680,604            | 2.2                                  |
| D. FOLEIGH   | 5,587,777 | 4,248,699                    | 9,836,476          | 32.5                                 |
|  | 5,567,777 | 4,246,099                    | 9,030,470          | 32.3                                 |
|  | 8,842,452 | 21,344,389                   | 30,186,841         | 100.0                                |
| vii. Shareholders holding five percent or more voting rights in the listed company   |           |                              |                    |                                      |
| KFW Factors (Pvt) Limited  |           |                              | 8,201,288          | 27.17                                |
| State Life Insurance Corp. of Pakistan   |           |                              | 1,825,442          | 6.05                                 |
| CDC - Trustee National Investment (Unit) Trust   |           |                              | 1,643,375          | 5.44                                 |
| No transaction has been made in Shares of the Company by Directros, CEO, CFO, Company Secretary, Executives and their spouces and minor children except for share mentioned below: |           |                              |                    |                                      |
| Name   | Category  | egory Nature of Transactions |                    | No. of Shares                        |
| Mr. Osman Khalid Waheed  | Director  | G                            |                    | 904,930                              |
| Mrs. Munize Azhar Peracha  | Director  | G                            |                    | 904,933                              |
|  |           |                              |                    | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, |

# notice of annual general meeting

Notice is hereby given that the 61st Annual General Meeting of **FEROZSONS LABORATORIES LIMITED** will be held on Wednesday, 18 October 2017 at 12:30 P.M. at the registered office of the Company, 197-A, The Mall, Rawalpindi, to transact the following business:

- 1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30 June 2017 together with the Reports of the Directors' and the Auditors' thereon.
- 2. To approve, as recommended by the Board of Directors, the payment of final cash dividend at the rate of Rs. 4 per ordinary share (40%). It is in addition to the interim cash dividend at the rate of Rs. 3 per ordinary share (30%) already paid to the shareholders, thus making a total cash dividend of Rs. 7 per ordinary share (70%) for the year ended 30 June 2017.
- 3. To appoint Auditors and fix their remuneration for the year ending 30 June 2018. The present Auditors Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.
- 4. To transact any other business with the permission of the Chair.

By Order of the Board

Rawalpindi 30 August 2017 Syed Ghausuddin Saif Company Secretary

### Notes:

### 1. Closure of Share Transfer Books:

The share Transfer Books of the Company will remain closed from 11 October 2017 to 18 October 2017 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/S CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore, by the close of the business on 10 October 2017 will be considered in time to determine the above mentioned entitlement.

### 2. Participation in the Annual General Meeting:

A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote on his/her behalf. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the Secretary of the Company at the Company's registered office Company at least 48 hours before the time of the Meeting.

### 3. Change of address:

Any change of address of Members should be immediately notified to the Company's share registrars, CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore.

4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

### A) For attending the meeting:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

### B) For appointing proxies:

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.

- ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

### 5. Deduction of Income Tax from Dividend under Section 150 the Income Tax Ordinance, 2001 (Mandatory)

(i) Pursuant to the provisions of Finance Act, 2017, effective 01 July 2017 the rates of deduction of income tax from dividend payments under section 150 of the Income Tax Ordinance, 2001 have been revised as follows:

| 1 | Rate of tax deduction for filer of income tax return     | 15% |
|---|--|-----|
| 2 | Rate of tax deduction for non-filer of income tax return | 20% |

To enable the Company to make tax deduction on the amount of cash dividend at the rate of 15% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are fillers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted at the rate of 20% instead of 15%.

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holders based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holders in respect of shares held by them to our Share Registrar, in writing as follows:

| Company<br>Name | Folio/CDS ID/<br>AC # | Total Shares | es Principle Shareholder Joint Share |  | areholder            |  |
|-----------------|-----------------------|--------------|--------------------------------------|--|----------------------|--|
|                 |                       |              | Name and<br>CNIC No.                 | Shareholding<br>Proportion<br>(No. of<br>Shares) | Name and<br>CNIC No. | Shareholding<br>Proportion<br>(No. of<br>Shares) |
|                 |                       |              |                                      |  |                      |  |

The required information must reach our Share Registrar within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint-holders.

- (iii) As per FBR Circular C. No. 1 (29) WHT/2006 dated 30 June 2010 and C. 1 (43) DG (WHT)/2008-Vol. II-66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail such exemption, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.
- (iv) For any query/problem/information, the investors may contact the Company Secretary at Phone: 051-4252157 and email address: <a href="mailto:cs@ferozsons-labs.com">cs@ferozsons-labs.com</a> and/or CorpTec Associates (Pvt.) Limited at Phone: 042-35170335-7 and email address: info@corptec.com.pk
- (v) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or CorpTec Associates (Pvt.) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

### 6. Circulation of Annual Audited Accounts through Email/CD/USB or any other Media (Optional).

Pursuant to the directions given by the SECP through its SRO 787(1) 2014 dated 8 September 2014 and SRO 470(1)/2016 dated 31 May 2016 whereby Securities and Exchange Commission of Pakistan (SECP) has allowed the companies to circulate Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Statement of Comprehensive income, Cash Flow Statement, Notes to the Financial Statements, Auditors' and Directors' Report) along with notice of Annual General Meeting to its members through e-mail/CD/DVD/USB/or any other Electronic media at their registered Addresses.

Shareholders who wish to receive the hardcopy of Financial Statements shall have to fill the standard request form available on the Company's website <a href="https://www.ferozsons-labs.com">www.ferozsons-labs.com</a>.

### 7. Request for Video Conference Facility

If the Company receives a request from shareholders holding an aggregate ten percent (10%) or more shareholding residing at another city, such shareholders may request a video conferencing facility for the purposes of participating in the meeting at such location by sending a request to the Company at least 10(ten) days prior to the date of meeting, subject to the availability of a video conferencing facility in that city. To avail such facility, please submit the following form with the requisite information at the registered office of the Company.

| of  |      |
|---|------|
| being a member of Ferozsons Laboratories Limited, holding |      |
| ordinary shares as per register Folio / CDC Account No    |      |
| hereby opt for video conference facility at               |      |
|   |      |
|   |      |
| Name and Signature  | Date |
|   |      |

The Company will intimate members regarding venue of video conference facility at least 7 days before the date of Annual General Meeting along with complete information necessary to enable them to access such facility.

### 8. CNIC/NTN Number on Dividend Warrant (Mandatory)

In accordance with the notification of the Securities and Exchange Commission of Pakistan vide SRO 275(I)/2016 dated 31 March 2016 and read with SRO 19(I)/2014 dated 10 January 2014 and SRO 831(1)/2012 dated 5 July 2012, dividend warrants should bear CNIC number of the registered shareholder or the authorized person, except in case of minor and corporate shareholders.

Accordingly, members who have not yet submitted copy of their valid CNIC or NTN in case of corporate entities are requested to submit the same to the Company's Share Registrar. In case of non-compliance, the Company may withhold dispatch of dividend warrants till such time they provide the valid copy of their CNIC as per law.

### 9. Payment of Cash Dividend Electronically

In accordance with the provision of section 242 of the companies Act, 2017, dividend payable in cash shall only be paid through electronic mode directly into bank account designated by the entitled shareholders. SECP vide circular No. 18 of 2017 dated August 01, 2017, has presently waived this condition till October 31, 2017. Any dividend payable after this due date shall be paid in the manner prescribed only.

All shareholders are requested to provide details of their bank mandate specifying; (i) title of account, (ii) account number (iii) IBAN number (iv) bank name and (v) branch name, code & address, to the Company's Share registrar. Shareholders who hold shares with CDC are advised to provide the bank mandate details as mentioned above, to the concerned CDC.

**10.** Audited Financial Statement of the company for the year ended 30 June 2017 has been placed on the website <u>www.ferozsons-labs.com</u>.

# form of proxy

61st Annual General Meeting

| I/We,                                      | of            |                        | bein        | g a men             | nber of Fe                | erozsons La                                    | boratories  |
|--|---------------|------------------------|-------------|---------------------|---------------------------|--|-------------|
| Limited and holder of                      | _ ordinary    | Shares                 | as per      | share               | register                  | Folio/CDC                                      | Account     |
| Nohereby appoint Mr./Mrs.                  |               |                        |             |                     | of                        | :  |             |
| CNIC Noo                                   | r Passport    | No                     |             |                     |                           | or fa  | illing him/ |
| her Mr./Mrs                                |               | 0                      | of          |                     |                           | Folio/CDC                                      | Account     |
| NoCNIC No. or Pa                           | .ssport No    |                        |             |                     |                           | as my/ou                                       | ır proxy to |
| attend and vote for me/us and on my/our be | half at the 6 | 31 <sup>st</sup> Annua | al Genera   | al Meetir           | ng of the                 | Company t                                      | to be held  |
| on Wednesday, 18 October 2017 at 12:30 p.  | m. or at any  | / adjournn             | nent the    | reof.               |                           |  |             |
| Five Rupee Revenue Stamp                   | 7             |                        |             | signature<br>regist | should ag<br>ered with th | Shareholder<br>ree with the spi<br>he Company) | ecimen      |
| Dated thisday of2017                       | (             | S                      | Signature   | of Prox             | У                         |  |             |
| 1. Witness:  Signature:  Name:  Address:   |               | 2                      | Sigr<br>Nan | ne:                 |                           |  |             |
|  |               |                        |             |                     |                           |  |             |

Note:

Proxies, in order to be effective, must be received with the secretary of the company at the company's registered office 197-A, The Mall, Rawalpindi at least 48 hours before the time of the Meeting.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.

# فيروز سنزليبار ثريز لميثثر

# نمائندگی کافارم (پراکسی فارم)

# 61وال سالانداجلاس عام

| بحثیت رکن فیروز سنزلیبار ٹریز لمیٹٹر اور بذریعہ حصص رجسٹر ک             | <u> </u>  | میں / ہم                               |
|---|---|--|
| عام حصص، کمپنی کے ایک دوسرے رکن   | مامل  | فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر _      |
| ں ڈی سی اکاؤنٹ نمبر شاختی کارڈ نمبر                                     | فړ او نمبر ا                                      | ٧/ک                                    |
| ، یا بصورتِ دیگر کمپنی کے اور رکن                                       | يا پاسپورٹ نمبر                                   |  |
| ن ڈی سی اکاؤٹ نمبر شاختی کارڈ نمبر                                      | فیلو نمبر/ ک                                      | ٧/٧                                    |
| _ ، کومیری / ہماری غیر حاضری میں شمپنی کے 61ویں سالانہ اجلاسِ عام میں ، | پاسپدورٹ نمبر                                     | <u><u></u></u>                         |
| یں حاضری اور حق رائے دہی کے استعمال کیلئے اپنانما ئندہ (پر اکسی) مقرر   | بجے منعقد ہور ہاہے ، یاکسی بھی ملتوی شدہ اجلاس پا | جوبتاريخ 18 اكتوبر 2017، دوپير 12:30 ـ |
|   |   | كرتا / كرتے ہيں۔                       |
|   | _   |  |
| تصص دار کے دستخظ  | ,   |  |
| ۔<br>( د شخط سمپنی میں رجسٹر ڈنمونے سے مطابقت رکھتے ہونے جاہئے )        |   | پانچ روپے کی ریونیو شامپ               |
|   |   |  |
|   |   | *                                      |
| نما ئندہ کے دستخط:  | 2017  | بٹاریخمہینہ                            |
| 2. گواه   | 2   | 1. گواه                                |
| و ستخط  | ,   | وستخط:                                 |
|   | <u></u>   | ئام:                                   |
| ٠<br>   |   | پېچە                                   |
|   |   |  |
| شاختی کارڈ نمبر:  |   | شاختی کارڈ نمبر:                       |
|   |   |  |

### نوث:

نما ئندگی فارم (پراکسی فارم) کمپنی سیکرٹری کے پاس کمپنی کے رجسٹر ڈپتہ A-197، دی مال، راولپنڈی پر اجلاس کے وقت سے کم از کم 48 گھنٹے پہلے موصول ہو جانا چاہئے، بصورتِ دیگر بیہ فارم موثر تصور نہیں کیا جائے گا۔

ی ڈی سی حصص یافتگان اور انکے نمائندوں (پراکسی) سے درخواست ہے کہ نمائندگی فارم (پراکسی فارم) کمپنی کو جمع کروانے سے پہلے اس کے ساتھ اپنے شاختی کارڈیا پاسپورٹ کی تصدیق شدہ فوٹوکا پی لف کریں۔ (Inputs) پر لگنے والے سیلز ٹیکس فوری طور پر ختم کر دیا جانا چاہئے تا کہ انڈسٹر ی میں زیادہ مسابقت پیدا ہو سکے اور انڈسٹر ی جدید ترین ٹیکنالوجیز میں سرمایہ کاری کر سکے۔

باوجود اسکے کہ فارماسیوٹیکل کی تیار مصنوعات کی درآ مد پر سیلز ٹیکس لا گو نہیں ہوتا، پاکستان میں کسٹم حکام مریض کے نام سے غیر رجسٹر ڈادویات کی درآ مد پر سیلز ٹیکس و صول کرتے ہیں، اس وجہ سے مریض کیلئے ان انتہائی اہم ادویات کی لاگت میں 19 فیصد تک اضافہ ہو جاتا ہے، اکثر یہ ادویات کینسر جیسی پیار یول کے علاج کیلئے استعال ہوتی ہیں۔ ایسی تمام ادویات، جن کیلئے ڈرگ ریگولیٹری اتھارٹی آف پاکستان (DRAP) درآ مد کا اجازت نامہ جاری کرتی ہے، کی درآ مد کو فوری طور پر سیلز ٹیکس سے مشتثی کر دیناچاہئے تا کہ مریضوں کو فوری ریلیف ملے۔

چیلنجز کے باوجود ہم امید کرتے ہیں کہ اگلے سال ہمارا ہزنس مستخام طریقے سے ترقی کرے گا۔ ہم نے ایپکلوسا ® کی درآمد شروع ہو پیکی ہے۔ ایپکلوسا سے علاج کا کی رجسٹریشن کیلئے الک پین-جینوٹائپ ایجنٹ) کی رجسٹریشن کیلئے DRAP کو درخواست جمع کروار کھی ہے جو کہ زیرالتواہے، تاہم، مریضوں کی بنیاد پر ایپکلوسا ® کی درآمد شروع ہو پیکی ہے۔ ایپکلوسا سے علاج کا دورانیہ 50 فیصد تک کم ہوجاتا ہے، ان وجوہات کہ تمام جینوٹائپس کیلئے بلند شرح علاج دیکھنے کو ملتی ہے، اور اسکے ذریعے واحد گولی کے ذریعے علاج کیا جاسکتا ہے، ان وجوہات کی بناپر ملک میں HCV کے علاج کا منظر نامہ ایک دفعہ پھر بدل جائے گا۔

زیر جائزہ سال کے دوران ہم نے ذیا بیطس اور امر اض دل کیلئے نئی مصنوعات متعارف کروائی ہیں تا کہ ہماری آمدنی کے ذرائع بڑھیں، ہم ان نئی مصنوعات کیلئے پر امید ہیں۔ ہم طبی آلات کے بزنس میں بھی مضبوط پلیٹ فارم تعمیر کرنے کی پوری کوشش کر رہے ہیں۔ ہپپتالوں کے سیکٹر میں سرمابید کاری کی بلند شرح کی توقع میں ہم نے آلات بنانے والے دنیا کے بہترین مینوفیکچر رزسے شراکت داری کرلی ہے، ہم مستقبل میں ان مواقعوں سے فائدہ اٹھانے کی امیدر کھتے ہیں۔

### اعتراف

ہم کمپنی کے مقاصد کے حصول کیلئے اپنے ملاز مین کی بے انتہا کو ششوں اور لگن کا اعتراف کرتے ہیں۔

ہم مسلسل حمایت اور ہماری ممپنی پر اعتماد رکھنے کیلئے اپنے پر نسپلز اور کاروباری شر اکت داروں کاشکریہ ادا کرتے ہیں، اور ہماری مصنوعات پر مسلسل اعتماد رکھنے کیلئے اپنے قابل قدر گاہوں کاشکریہ بھی اداکرتے ہیں۔

منجانب بورڈ

لاہور 2017ء 130

### خطرات سے بحاؤ

خطرات سے بچنے کا ہمارے طریقہ کاربنیادی طور پر خطرے والے حصوں کو سمجھنا، پہچاننا ور پھر ترجیح کی بنیاد پر درجہ بندی کرناہے تا کہ جدید آپریشنل حکمتِ عملیوں کے ذریعے ان خطرات کو کم کیاجا سکے۔

بنیادی طور پر جماری ممینی کو درج ذیل خطرات کاسامناہے:

معاثی اور سیاسی خطرات: ملک میں مسلسل تبدیل ہوتے معاثی اور سیاسی حالات کی وجہ سے ہماری کمپنی کو بھی خطرات کا سامنا ہے۔ یہ خطرہ کم کرنے کیلئے انتظامیہ مالی مارکیٹ کے حالات اور سیاسی منظر نامے پر گہری نظر رکھتی ہے اور ناساز گار حالات کا ادراک کرنے کیلئے مینجنٹ کی سطح پر مناسب فعل اور حکمت عملیاں ڈسکس کی جاتی ہیں۔

مسابقت کے خطرات: جماری مارکیٹ میں غیر قانونی اور غیر معیاری ادویات پر کمزور قانونی گرفت کی وجہ سے پاکستانی فارماسیوٹیکل انڈسٹری کو نقصان دہ مسابقتی خطرات کا سامنا ہے۔ اس کو خطرے کو کم کرنے کیلئے آپی کمپنی پاکستان کی دیگر فارماسیوٹیکل کمپنیوں کے ساتھ مل کر گور نمنٹ کے قوانین اور پالیسیوں کو بہتر بنانے کیلئے مسلسل لابنگ کررہی ہے۔

سلسلیہ فراہمی کے خطرات: کمپنی کے روز مرہ کے آپریشنز میں سلسلیہ فراہمی کاپروسیس بہت اہمیت کا حامل ہے۔اس خطرے کو کم کرنے کیلئے ہم پروڈ کشن کی جامع منصوبہ بندی کرتے ہیں اور اسے فروخت کی پیش بنی اور آرڈر نگ سسٹم کے ساتھ ہم آ ہنگ کرتے ہیں۔

انفار میشن میکنالوجی کے خطرات: مستقبل کی ضروریات کو مد نظر رکھتے ہوئے کمپنی IT انفراسٹر کچرمیں مسلسل سرمایہ کاری کرتی رہتی ہے۔

مالیاتی خطرات: یہ وہ خطرات ہیں جوبراہِ راست کمپنی کی مالیاتی بقاسے تعلق رکھتے ہیں۔ ان خطرات کو مالیاتی گوشواروں کے نوٹ نمبر 36 میں تفصیل سے بیان کیا گیاہے۔ آڈیٹر ز

آڈیٹر زمیسرزکے پی ایم جی تاثیر ہادی ایٹر کمپنی چارٹرڈاکاؤنٹنٹس ریٹائر ہوتے ہیں اور انھوں نے 30 جون 2018 پرختم ہونے والے مالی سال کیلئے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔

# انڈسٹری کا جائزہ اور مستقبل کے امکانات کا جائزہ

مشتر کہ مفادات کی کونسل (CCI) کو چیش کئے گئے تخمینہ کر دہ اعدادہ شار کے مطابق پاکستان کی آبادی 207 ملین سے بڑھ پچی ہے۔ چھٹی بڑی قوم ہونے کی وجہ سے
پاکستان میں فارماسیو ٹیکل کے شعبے میں بے شار مواقع موجود ہیں۔ تاہم، ان موقعوں سے فائدہ اٹھانے کیلئے ضروری ہے کہ قیمتوں کے تعین کیلئے ایک شفاف اور مسابقتی
پالیسی موجود ہو، معیار کی گگر انی کا منصفانہ اور مریضوں کی صحت اور تا ثیر کو اولین ترجیح دینے والا طریقہ کار موجود ہو، اور قانون نافذ کرنے والے ادارے اسے سب
اداروں پر کیسال طور پر تسلسل سے نافذ کریں۔ انڈسٹری کے منظم اداروں کیلئے جعلی اور غیر معیاری ادویات بڑی پریشانی کا باعث ہیں اور انڈسٹر کی اور مریضوں کے
مفادات کے تحفظ کیلئے ٹھوس اقد امات کرنے کی ضرورت ہے۔

کیونکہ فارماسیوٹیکل اداروں کی پیداواری لاگت کابڑا حصہ درآمد کردہ فعال فارماسیوٹیکل اجزا (APIs) پر مشتمل ہو تا ہے اسلنے پاکستانی روپے کی قدر میں کمی ہونے سے فارماسیوٹیکل انڈسٹر کی کی پیداواری لاگت میں نمایاں اضافہ ہوجاتا ہے، جبکہ ادویات کی قیمتیں DRAP طے کر تا ہے۔ فارماسیوٹیکل کی تیار مصنوعات پر سیلز ٹیکس لاگو نہیں ہو تا۔ تاہم، اس وجہ سے پیکنگ میٹریل اور درآمد کردہ پلانٹ اور مشینر کی پر لگنے والا سیلز ٹیکس در حقیقت پیداواری اور سرمایہ کاری ٹیکس بن جاتا ہے۔ ان اجزا

- ان مالیاتی گوشواروں کی تیاری میں پاکستان میں لا گو مالیاتی رپورٹنگ کے بین الا قوامی معیارات (IFRS) کو اختیار کیا گیا ہے ، اور ان معیارات سے کئے گئے ۔ اخر اف (اگر کوئی ہو) کی مناسب انداز میں نشاند ہی اور وضاحت کی گئی ہے۔
- اندرونی کنٹر ولز کا نظام مستخکم ہے اورانتظامیہ نے اس کامؤثر اطلاق کیاہے ، اور اندرونی آؤیٹر ز ، بورڈ آف ڈائر کیٹر ز اور آؤٹ کمیٹی نے اس کی نگر انی کی ہے۔
  بورڈ، آڈٹ کمیٹی کے ذریعے ، اندرونی کنٹر ولز کے مؤثر پن کا جائزہ لیتاہے اور ، اگر ضروری ہو ، اندرونی کنٹر ول کے نظام میں مزید بہتری لانے کیلئے تجاویز دیتا
  - بطور ایک چلتے ادارے ممپنی کے کاروبار جاری رکھنے کی اہلیت پر کوئی قابل ذکر خدشات موجود نہیں ہیں۔
    - لسٹڈ ضوابط میں بتائی گئی کارپوریٹ گورننس کی بہترین روایات سے کوئی نمایاں انحراف نہیں کیا گیا۔
    - کمپنی قابلِ قیاس مستقبل کے دوران کسی کارپوریٹ شظیم نویا آپریشن کی بندش پر غور نہیں کررہی۔
- 30 جوں 2017 تک کے گور نمنٹ کے نافذ کر دہ ایسے تمام محصولات، جو عمومی کاروباری معاملات میں نافذ کئے جاتے ہیں، سال کے اختتام کے بعد اداکئے جانچ ہیں۔
- سال کے دوران، کمپنی نے کمپنیز آردیننس 1984 اور متعلقہ ضوابط، سیکیورٹیز اینڈ ایجینچ کمیشن آف پاکستان (SECP) کے قوانین اور لسٹنگ کے ضوابط
   کے تحت در کارتمام متعلقہ معلومات فراہم کی ہیں، تمام دفعات کی پابندی کی ہے، تمام گوشوارے / فارم جمع کروائے ہیں۔
- سال کے دوران ڈائر کیٹر ز کی شریک ِ حیات اور کمپنی کے ایگز کیٹوز نے کمپنی کے کل 8 حصص کی خرید و فروخت کی۔ اسکے علاوہ، کمپنی کے ڈائر کیٹر ز،ایگز کیٹوز نے کمپنی کے دائر کیٹر ز،ایگز کیٹوز نے کمپنی کے حصص کی خرید و فروخت کی ٹر انز کیشن کے لحاظ سے معلومات حصص داری کی ترتیب میں افشاں کی گئی ہیں۔
  - تازہ ترین آؤٹ شدہ اکاؤنٹس کے مطابق 30 جون 2016 پر ملاز مین کی پروویڈنٹ فنڈ کی سرمایہ کاری کی قدر 376 ملین روپے ہے۔

### قومی خزانے میں حصبہ

اس مالی سال کے دوران، کمپنی نے مختلف ٹیکسوں اور محصولات کی مدیئیں (جیسے کہ اٹلم ٹیکس، سٹم ڈیوٹی، وفاقی اور صوبائی سینر ٹیکس، ور کرز ویلفیئر فنڈ، ور کرز پر افٹ پار ٹیسپیشن فنڈ اور سنٹر ل ریسرچ فنڈ) پیدہ کر دہ دولت میں سے 450 ملین روپے قومی خزانے میں جمع کروائے۔

# متعلقه يار ٹی لین دین

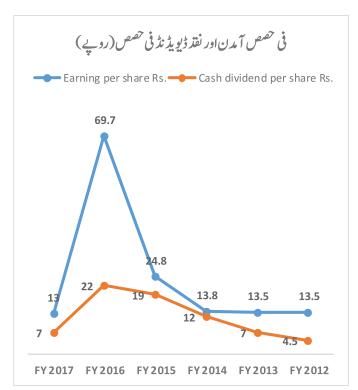
30 جون 2017 پر انتقام شدہ سال کے دوران متعلقہ پارٹیوں سے ہونے والے معاملات بورڈ اور آڈٹ کمیٹی کے سامنے جائزے اور منظوری کیلیے پیش کئے گئے۔ سال کے دوران ہونے والی میٹنگز میں بورڈ نے ان معاملات کی منظوری دی۔ متعلقہ پارٹی لین دین کی تفصیل مالیاتی گوشواروں کے نوٹ نمبر 32 میں دی گئی ہے۔

# بورد آف ڈائر یکٹر زاور بورڈ کمیٹیوں کی میٹنگز

30 جون 2017 پر اختتام شدہ سال کے دوران ہونے والی بورڈ آف ڈائر کیٹر زکی میٹنگز اور بورڈ کمیٹیوں کی میٹنگز کے بارے معلومات ساتھ لف کر دی گئی ہیں۔

# سرماییه حصص اور حصص داری کی ترتیب

30 جون 2017 پر کمپنی کا جاری کر دہ، سبسکر ائدیڈ اور ادا کر دہ سرمایہ 301.868 ملین روپے تھا۔ کوڈ آف کارپوریٹ گورننس کے تحت در کار 30 جون 2017 پر حصص داروں کی تعداد اور انگی اقسام کے بارے اعلامیہ ساتھ لف کر دیا گیاہے۔



## في خصص آمدن

30 جون 2017 پر اختتام شدہ سال کے خالص منافع کی بنیاد پر فی حصص آمدن (EPS) 13.04 روپے فی خصص رہی، جس کاموازنہ 301.868 ملین روپے کے سرمایہ کی مد میں پچھلے سال کی فی خصص آمدن 69.72 روپے سے کیا جا سکتا ہے۔ اس سال انضام کردہ فی خصص آمدن 13.09 روپے رہی جو کہ پچھلے سال 73.01 روپے متحی۔

### ڈ یویڈنڈ کا اعلان

ڈائر کیٹر زنے 40 فیصد حتی نقذ ڈیویٹر نٹر تجویز کیا ہے جس کا مطلب ہے 10 روپ والے حصص پر 4 روپ ڈیویٹر نٹر تجویز کیا ہے۔ سال کے دوران اعلان کردہ 30 فیصد عبوری نقد ڈیویٹر نٹر کو حتی نقد ڈیویٹر نٹر میں شامل کریں تو 30 جون 2017 پر اختتام شدہ سال کیلئے 70 فیصد ڈیویٹر نٹر تقسیم کیا گیا۔

کمپنیز ایک، 2017 (Companies Act, 2017) پر عمل کرتے ہوئے اس تقسیم کاری کا اندراج بعد کے مالیاتی گوشواروں میں کیاجائے گا۔

# كود آف كاربوريك كورننس كى تغيل كااعلاميه

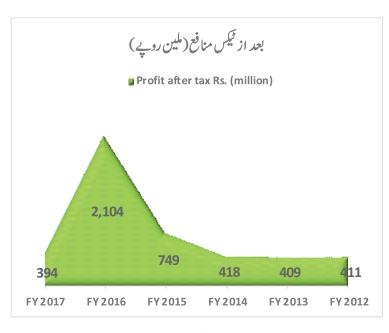
جمارا پاکتتان کے کوڈ آف کارپوریٹ گورننس کی تغمیل کا اعلامیہ اور آڈیٹر زرپورٹ ہماری سالانہ رپورٹ 2017 کا حصہ ہیں۔

# کار پوریٹ اور مالیاتی رپورٹنگ کے فریم ورک کی تغیل کا اعلامیہ

آپ کی کمپنی کا بورڈ آف ڈائر کیٹرز کمپنی کو چلانے کی بہترین روایات کے اصولوں کی پیروی کیلئے پر عزم ہے۔ کمپنی کی انتظامیہ کوڈ آف کارپوریٹ گورننس میں بتائی گئ بہترین روایات کی مسلسل تغمیل کر رہی ہے۔

# کوڈ آف کاربوریٹ گورننس کے تحت در کاربیانات نیچے پیش کئے جارہے ہیں:

- انتظامیہ کے تیار کردہ مالیاتی گوشوارے ممپنی کے معاملات کی صور تحال، سر گرمیوں کے نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
  - کمپنی کے اکاؤنٹس کے موزوں کھاتے تیار رکھے گئے ہیں۔
- کمپنی کے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی موزوں پالیسیوں کا مسلسل اطلاق کیا گیاہے جو کہ پاکستان میں اکاؤنٹنگ کے منظور شدہ معیارات سے مطابقت رکھتی ہیں۔



حقیقی لحاظ ہے کمپنی کے گراس منافع (GP) میں پیچیلے سال
کے مقابلے میں بر56 کی آئی جبکی بڑی وجہ فروخت میں
کی اور ست رفتار سے فروخت ہونے والے سٹاک کی تخمینہ
کردہ لاگت (Provision)ریکارڈ کرنا ہے۔اس مالی سال
کی آخری سہ ماہی میں ہم نے ست رفتار سے فروخت ہونے
والے سٹاک کی 140 ملین روپے کی تخمینہ کردہ لاگت
والے سٹاک کی 140 ملین روپے کی تخمینہ کردہ لاگت
منافع (GP) کی شرح بری طرح متاثر ہوئی ہے۔
سوفوسبور کے کئی ستے جنیر ک برانڈز (لائسنس شدہ یاغیر
لائسنس شدہ) متعارف ہونے سے اور اسکے نتیجے میں
مارکیٹ بری طرح متاثر ہوئی ہے۔ اور اسکے نتیجے میں

سووالڈی® کی فروخت پر بھی اثر پڑا ہے۔ سمجھداری (Prudence) کے نقاضے سے زیرِ جائزہ سال میں ہم نے کمپنی کے مالیاتی گوشواروں میں سست رفتار سے فروخت ہونے والے سٹاک کی تخمینہ کردہ لاگت (Provision) ریکارڈ کرلی ہے۔

سمپنی کا بعد از ٹیکس خالص منافع 394 ملین روپے رہاجبکہ پچھلے سال پیہ 2,104 ملین روپے تھا۔

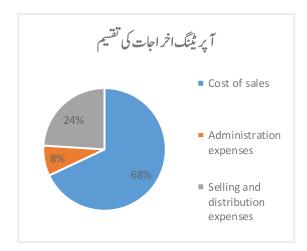
ذیلی کمپنی BF بائیوسا ئنسز لمیٹڈی آمدنی 609 ملین روپے رہی جس میں پچھلے سال کی نسبت 44 کمی دیکھنے میں آئی۔ بعد از ٹیکس خالص منافع 24 ملین روپے رہا۔ ذیلی کمپنی کی آمدنی میں کمی کی وجہ سے جس کی وجہ سے ٹیکہ کے ذریعے کئے جانے والے طریقہ علاج کا استعمال زیادہ ہو گیاہے، جس کی وجہ سے ٹیکہ کے ذریعے دی جانے والے طریقہ علاج کا استعمال زیادہ ہو گیاہے، جس کی وجہ سے ٹیکہ کے ذریعے دی جانے والی ادویات کے فروخت میں کمی آئی ہے۔ کمپنی نئی ادویات کی DRAP کے ساتھ رجسٹریشن کیلئے فعال رہتے ہوئے کوشش کر رہی ہے، اور مصنوعات کے پورٹ فولیو کے اضافے کیلئے بائیوٹیک سے متعلقہ ممکنہ شر اکت داروں سے بات چیت بھی کر رہی ہے۔

# كليدي عملى اور مالياتى اعد ادوشار

پچھلے 6 سال کے انفرادی اور انضام کر دہ مالیاتی گوشواروں سے لئے گئے کلیدی عملی اور مالیاتی اعداد و شار کا خلاصہ ساتھ لف کیا گیاہے۔

# سرمایه کاری کے اخراجات

فار ماسیو شیکل انڈسٹر ی میں متعارف کرائے جانے والی جدید ترین ٹیکنالوجی کے ساتھ ہم آ ہنگی رکھنے کیلئے آ کی میپنی نے اس سال مینوفیکچر نگ آلات میں توازن اور جدت کیلئے 307 ملین روپے کی سرماییہ کاری کی۔



# سال کے اختتام کے بعد ہونے والے واقعات

فرومیزان (بیکنس شیٹ) کی تاریخ اور اس رپورٹ کی تاریخ کے دوران ایساواقعہ نہیں ہواجس نے سمپنی کی مالیاتی حالت پر خاص اثر جھوڑا ہو۔

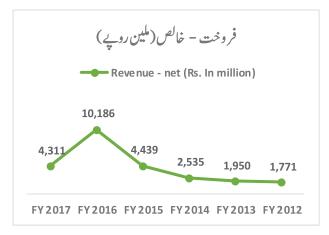
# حصص داروں کی خدمت میں ڈائر یکٹر زکی رپورٹ 30جون 2017 پر اختیام شدہ سال سے متعلق

ہم انتہائی مسرت سے 61ویں سالانہ رپورٹ پیش کرتے ہیں جس میں آپ کی تمپنی کے پڑتال شدہ ( آڈٹ شدہ ) مالیاتی گوشوارے (30جون 2017 پر ختم ہونے والے سال سے متعلق ) شامل ہیں اور ان کے ساتھ ذیلی کمپنیوں، BF ہائیو سائنسز کمیٹیڈ اور فار میثیار مثیل ویننچر ، کے انضام کر دہ مالیاتی گوشوارے بھی شامل ہیں۔

آپ کی کمپنی کے انفرادی اور انضام کر دہ مالیاتی نتائج

اس سال کے مالیاتی نتائج، عملی نتائج، اور قابل تفشیم منافع کی تقشیم کاخلاصہ اور پچھلے سال سے موازنہ نیچے دیا گیاہے:

| _   | انفرا     | وي        | انضام     | ا کر وہ   |
|---|-----------|-----------|-----------|-----------|
| _   | 2017      | 2016      | 2017      | 2016      |
|   |           | (بزار     | روپے)     |           |
| ں از ٹیکس منافع                                       | 602,218   | 2,654,025 | 591,176   | 2,858,536 |
| ٣   | (208,553) | (549,538) | (196,572) | (625,448) |
| بداز قبيس منافع                                       | 393,665   | 2,104,487 | 394,604   | 2,233,088 |
| نسيم كبليح موجو د منافع                               | 3,733,432 | 3,765,936 | 4,263,750 | 4,279,679 |
| نسيم:   |           |           |           |           |
| ياتى سال 2017 كىلئے عبورى نقذ ۋيويڈنڈ @3روپ فى حصص    | (90,561)  | (301,868) | (90,561)  | (301,868) |
| 2016 مين 10روپي في حصص)                               |           |           |           |           |
| ياتى سال 2017 كيليم ختمى نقد دُيويدُندُ @0 روپ في حصص | (120,747) | (362,242) | (120,747) | (362,242) |
| 2016 میں 12 روپے فی خصص)                              |           |           |           |           |



اس سال کمپنی کی انتخام کردہ خالص فروخت 5,002 ملین روپے رہی، جو کہ پچھلے سال سے 6,293 ملین روپ کم ہے۔ انفرادی طور پر، آپکی کمپنی کی خالص فروخت 4,311 ملین روپ رہی جو کہ پچھلے سال 10,187 ملین روپ رہی جو کہ پچھلے سال 10,187 ملین روپ رہی جو کہ پچھلے سال 4,311 ملین کوپے تھی، اس طرح اس میں 85 کی دیکھنے میں آئی۔ کمپنی کی فروخت میں کی کی بڑی وجہ کمپنی کا درآ مد کردہ صنوعات کا پورٹ فولیو ہے بالخصوص کمپنی کی گلیڈ سائنسز انکار پورٹیڈ سے لائسنس شدہ ہیاٹا کمٹس کی فرنچائز ہے۔ گلیڈ کی گلیڈ سائنسز انکار پورٹیڈ سے لائسنس شدہ ہیاٹا کمٹس کی فرنچائز ہے۔ گلیڈ کی پورٹ فولیو کے علاوہ کمپنی کی خالص فروخت میں سالانہ بنیاد پر 11٪ اضافہ ہواہے۔







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