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***Condensed Interim  
Financial Information  
for the Nine Month  
Ended 31 March 2019***

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**FEROZSONS**  
LABORATORIES LIMITED

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## CORPORATE INFORMATION

### Board of Directors

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

Chairman  
Member  
Member  
Member

### Investment Committee

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

Chairman  
Member  
Member

### HR & Remuneration Committee

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

Chairman  
Member  
Member  
Member

### Company Secretary / Chief Financial Officer

Syed Ghausuddin Saif

### Share Registrar

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

### Head of Internal Audit

Mr. Rizwan Hameed Butt

### External Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

### Factory

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

### Internal Auditors

EY Ford Rhodes  
Chartered Accountants

### Bankers

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

### Head Office

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

### Legal Advisors

Khan & Piracha

### Sales Office Lahore

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

### Registered Office

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

### Sales Office Karachi

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

## DIRECTORS' REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 31 MARCH 2019

We are pleased to present a brief review of your Company's un-audited Standalone and Consolidated condensed interim financial information for the nine months ended 31 March 2019. The consolidated condensed interim financial information incorporates the Company's 98% owned venture Farmacia and 80% owned subsidiary BF Biosciences Limited.

### Operational and Financial Performance

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

	Individual				Consolidated			
	9 Months 31-Mar-19	9 Months 31-Mar-18	3 Months 31-Mar-19	3 Months 31-Mar-18	9 Months 31-Mar-19	9 Months 31-Mar-18	3 Months 31-Mar-19	3 Months 31-Mar-18
	(Rupees in thousand)							
Sales (net)	3,583,420	3,384,337	1,242,028	1,168,591	4,059,183	3,818,778	1,408,110	1,318,543
Gross Profit	1,450,215	1,188,188	450,825	415,922	1,471,493	1,201,523	477,102	425,908
Profit before tax	235,357	225,175	34,899	63,788	191,672	133,467	39,125	50,464
Taxation	80,656	121,464	21,768	39,317	76,593	94,357	22,651	29,301
Profit/(loss) after tax	154,701	103,711	13,131	24,471	115,079	39,110	16,474	21,163

Standalone Net Sales of your Company increased by 6.3% for the 3<sup>rd</sup> Quarter and registered an increase of 5.9% during the nine months over the same period last year. At the group level, Net Sales increased by 6.8% for the 3<sup>rd</sup> Quarter and recorded an increase of 6.3% during the nine months period over the same period last year.

Apart from our imported line of products, our branded generic product portfolio sales in the private market grew by 19% over the same period last year, whereas sales to institutions have declined by 55% over the same period last year. During same period last year, institutional orders relating to Hepatitis C product were the main contributor.

The Gross Profit (GP) margin of your Company stands at 40% for the nine months period under review as compared to GP margin of 35% over the same period last year. In absolute terms, the GP grew by 22%. The primary reason is the lesser diminution in net realizable value of stock of Sovaldi® amounting to Rs. 30 million has been made as compared to last period in which Rs. 190 million was recorded.

The selling and distribution expenses increased by 21% during the period under review over the same corresponding period last year. The increase includes expenses related to the Company's annual sales conference held in March, as well as inflationary impact related to field force operations.

Other expenses increased by Rs. 23 million over the same period last year mainly due to devaluation of the Pakistan Rupee.

The effective tax rate for the period ended 31 March 2019 closed at 34% against 54% over the same period last year. The change in effective tax rate is primary due to recording of certain provisions last period which did not have any tax impact.

Your Company reported Net Profit after Tax (NPAT) of Rs. 13.1 million for the 3<sup>d</sup> Quarter and Rs. 154.7 million for the nine months period ended 31 March 2019 under review.

Based on the Net Profit for the nine months ended 31 March 2019, the Earnings per Share (EPS), both basic and diluted, stand at Rs. 5.12 compared to EPS of Rs. 3.44 over the same period last year.

#### **BF Biosciences Limited Operational Status**

The Company's subsidiary BF Biosciences Limited closed its Net Sales at Rs. 135.7 million for the 3<sup>rd</sup> Quarter and Rs. 354.2 million for the nine months period ended 31 March 2019, with a decline of 7.5% over the same period last year. Net Loss after Tax (NLAT) for the nine months period under review stood at Rs. 25.3 million. The company has significant new products pending registration at the Drug Regulatory Authority of Pakistan (DRAP), which should help turnaround the top and bottom lines.

#### **Future Outlook**

The anticipation of further depreciation of Pak Rupee and increase in interest rates carries continued risks for the pharmaceutical industry, as the majority of raw materials and finished goods are exposed to these challenges. Interest rates have been further increased by 75 bps during the 3<sup>rd</sup> Quarter by central bank which will further lead to increase finance cost of your Company.

In order to provide some relief to pharmaceutical industry, the price increase allowed by DRAP from 9% to 15% for devaluation in Pak Rupee through SRO 34(I)/2019 dated 10<sup>th</sup> January, 2019 have been implemented and intimated accordingly. As the price increase is prospective in nature and applicable only on goods manufactured after the effective date, the impact shall be translated in upcoming quarters, which should help to mitigate some challenges imposed by Pak Rupee devaluation. It is pertinent to mention, however, that subsequent to the issuance of these necessary price adjustments in response to rampant cost escalation, the matter has again been politicized in the media, leading to a lot of chaos and confusion. For the industry's survival and the continued supply of quality life-saving medicines in the market, it is critical that the Federal Government support and enable DRAP in performing its functions efficiently with consistency and transparency.

The management is committed to preserving and enhancing long term shareholders' wealth. However, there are various obvious challenges associated with the external and regulatory environment. The pharmaceutical industry is a relatively inelastic segment of the economy, and we expect that once inflationary shocks to the economy have settled, the sector will continue to grow and will give opportunities for further expansion. Your Company will continue to strive to achieve organic growth along with new product launches.

#### **Acknowledgments**

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

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

**Mr. Osman Khalid Waheed**  
Chief Executive Officer

**Mrs. Akhter Khalid Waheed**  
Chairperson

### 31 مارچ 2019 پر ختم ہونے والی نوامی کے مختصر عبوری مالیاتی نتائج پر ڈائریکٹر ذکی جائزہ رپورٹ

ہم انتہائی مسرت سے 31 مارچ 2019 پر ختم ہونے والی نوامی کیلئے کمپنی کے غیر پڑتال شدہ انفرادی اور انضمام کردہ مختصر عبوری مالیاتی نتائج پیش کرتے ہیں۔ انضمام کردہ مختصر عبوری مالیاتی نتائج میں فارمیشیا ونچر (98 فیصد ملکیت) اور ذیلی کمپنی BF بائیوسائنسز لمیٹڈ (80 فیصد ملکیت) کے مالیاتی نتائج ضم کئے گئے ہیں۔

#### آپریٹل اور مالیاتی کارکردگی

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

انضمام کردہ				انفرادی			
9 مہینے	3 مہینے	9 مہینے	3 مہینے	9 مہینے	3 مہینے	9 مہینے	3 مہینے
31 مارچ 2019	31 مارچ 2018	31 مارچ 2019	31 مارچ 2018	31 مارچ 2019	31 مارچ 2018	31 مارچ 2019	31 مارچ 2018
(ہزار روپے)							
3,583,420	3,384,337	1,242,028	1,168,591	4,059,133	3,818,778	1,408,110	1,318,533
1,450,215	1,188,188	450,825	415,922	1,471,493	1,201,523	477,102	425,908
235,357	22,175	34,899	3,788	191,672	133,467	39,125	50,464
80,656	121,464	21,768	39,317	76,593	94,357	22,651	29,301
154,701	103,711	13,131	24,471	115,079	39,110	16,474	21,163
خالص فروخت				خام منافع			
قبل از ٹیکس منافع				ٹیکس			
بعد از ٹیکس منافع / (خسارہ)							

کمپنی کی انفرادی فروخت (خالص) میں تیسری سہ ماہی کے دوران گزشتہ سال کی اسی سہ ماہی کے مقابلے میں 6.3% اضافہ ہوا جبکہ اس نوامی کے دوران گزشتہ سال کی اسی نوامی کے مقابلے میں 5.9% اضافہ ہوا۔ گروپ کی فروخت (خالص) میں تیسری سہ ماہی کے دوران گزشتہ سال کی اسی سہ ماہی کے مقابلے میں 6.8% اضافہ ہوا جبکہ اس نوامی کے دوران گزشتہ سال کی اسی نوامی کے مقابلے میں 6.3% اضافہ دیکھنے میں آیا۔

ہماری درآمد کردہ مصنوعات کے علاوہ، پرائیویٹ مارکیٹ میں ہماری جنرل مارکہ مصنوعات کے پورٹ فولیو کی فروخت میں پچھلے سال کے اسی عرصہ کے مقابلے میں 19% اضافہ ہوا، جبکہ پچھلے سال کے اسی عرصہ کے مقابلے میں اداروں کو فروخت میں 55% کی توقع ہوئی۔ پچھلے سال کے اسی عرصہ کے دوران اداروں کی جانب سے سپلائر C سے متعلقہ مصنوعات کی خریداری نے فروخت میں بڑا حصہ ڈالا۔

زیر جائزہ نوامی کے دوران آپ کی کمپنی کے گراس منافع (GP) کی گنجائش 40% رہی جو کہ پچھلے سال کی اسی نوامی کے دوران 35% تھی۔ حقیقی لحاظ سے گراس منافع (GP) کی گنجائش میں 22% اضافہ ہوا۔ اسکی بنیادی وجہ یہ ہے کہ سوالڈی (Sovaldi) کے سٹاک کی قابل حصول قیمت میں 30 ملین روپے کی کمی ریکارڈ کی گئی جبکہ پچھلے سال کے اسی عرصہ میں 190 ملین روپے کی کمی ریکارڈ کی گئی تھی۔

فروخت اور ڈسٹری بیوٹن کے اخراجات میں زیر جائزہ عرصہ کے دوران پچھلے سال کی اسی عرصہ کے مقابلہ میں 21% اضافہ ہوا ہے۔ اخراجات میں اضافہ کی وجہ کمپنی کی سالانہ سیکلز کانفرنس کا انعقاد اور افرادی قوت کے آپریشنز پر مہنگائی کے اثرات ہیں۔

دیگر اخراجات میں پچھلے سال کے اسی عرصہ کے مقابلہ میں 23 ملین روپے کا اضافہ ہوا جس کی بنیادی وجہ روپے کی قدر میں کمی ہونا ہے۔

31 دسمبر 2019 پر ختم ہونے والے عرصہ کے دوران مؤثر شرح ٹیکس 34% رہی جو کہ پچھلے سال کے اسی عرصہ میں 54% تھی۔ مؤثر شرح ٹیکس میں تبدیلی کی بنیادی وجہ یہ ہے کہ پچھلے سال کے عرصہ میں بعض تخمینہ کردہ لاگت (Provisions) ریکارڈ کی گئی تھیں جو ٹیکس پر اثر انداز نہیں ہوتی۔

31 دسمبر 2019 پر ختم ہونے والی تیسری سہ ماہی اور نو ماہی کا بعد از ٹیکس منافع (NPAT) بالترتیب 13.1 ملین روپے اور 154.7 ملین روپے رہا۔

31 دسمبر 2019 پر ختم ہونے والی نو ماہی کے خالص منافع کی بنیاد پر، بنیادی اور تحلیل کردہ فی حصص آمدن (EPS) 5.12 روپے رہی جبکہ پچھلے سال کی اسی نو ماہی میں بنیادی اور تحلیل کردہ فی حصص آمدن 3.44 روپے تھی۔

### BF بائیو سائنسز لمیٹڈ کی آپریشنل صورتحال

31 دسمبر 2019 پر ختم ہونے والی تیسری سہ ماہی کے دوران اور نو ماہی کے دوران کمپنی کی ذیلی کمپنی BF بائیو سائنسز لمیٹڈ کی خالص فروخت بالترتیب 135.7 ملین روپے اور 354.2 ملین روپے رہی، جس میں پچھلے سال کے اسی عرصہ کے مقابلہ میں 7.5% کمی واقع ہوئی۔ زیر جائزہ نو ماہی کے دوران بعد از ٹیکس خسارہ (NLAT) 25.3 ملین روپے رہا۔ ڈرگ ریگولیٹری اتھارٹی آف پاکستان (DRAP) کے پاس کمپنی کی اہم نئی مصنوعات کی رجسٹریشن زیر التوا ہے، جو کمپنی کی فروخت اور منافع کو بڑھادیں گی۔

### مستقبل کے امکانات کا جائزہ

پاکستانی روپے کی قدر میں متوقع مزید کمی اور شرح سود میں متوقع اضافہ فارماسیوٹیکل انڈسٹری کیلئے مسلسل خطرے کا باعث ہیں کیونکہ زیادہ تر خام مال اور تیار مصنوعات کو ان خطرات کا سامنا ہے۔ تیسری سہ ماہی کے دوران سنٹرل بینک نے شرح سود میں 75 bps کا مزید اضافہ کر دیا ہے جس سے آپ کی کمپنی کی مالیاتی لاگت (Finance Cost) میں اضافہ ہو جائے گا۔

فارماسیوٹیکل انڈسٹری کو تھوڑا سا سہارا دینے کیلئے، DRAP نے 34(I)/2019 SRO بتاریخ 10 جنوری 2019 کے تحت پاکستانی روپے کی قدر میں کمی کی وجہ سے قیمتوں میں 9% سے 15% تک اضافہ کی اجازت دی جس کی اطلاع اور اطلاق نوٹیفیکیشن کے مطابق کر دیا گیا ہے۔ اضافہ کی نوعیت ایسی ہے کہ صرف ان مصنوعات کی قیمتوں میں اضافہ کیا جا سکتا ہے جو قابل اطلاق تاریخ کے بعد تیار کی گئی ہیں، چنانچہ قیمتوں میں اضافہ کے اثرات آنے والی سہ ماہیوں میں ظاہر ہونگے جس سے پاکستانی روپے کی قدر میں کمی کے باعث پیدا ہونے والی مشکلات کا سامنا کرنے میں مدد ملے گی۔ تاہم یہاں یہ بات قابل ذکر ہے کہ لاگت میں دن بدن اضافہ کے باعث قیمتوں میں اضافہ کے معاملے کو میڈیا میں سیاست کارنگ دے دیا گیا جو کہ انتشار اور تذبذب کا باعث ہے۔ انڈسٹری کی بقا اور مارکیٹ میں جان بچانے والی معیاری ادویات کی مسلسل فراہمی کیلئے یہ ضروری ہے کہ وفاقی حکومت DRAP کا ساتھ دے اور DRAP کو اس قابل بنائے کہ وہ سیاسی دباؤ سے آزاد ہو کر اپنے افعال کو مؤثر اور شفاف طریقے سے سرانجام دے سکے۔

انتظامیہ حصص داروں کی دولت کی حفاظت اور اس میں اضافہ کیلئے پُر عزم ہے۔ تاہم، کئی واضح بیرونی اور قانونی چیلنجز کا سامنا ہے۔ فارماسیوٹیکل انڈسٹری معیشت کے نسبتاً بے لچک حصے سے تعلق رکھتی ہے اور ہمیں امید ہے کہ مہنگائی کی لہر ختم جانے کے بعد یہ سیکٹر ترقی کرتا رہے گا اور مزید توسیع کے مواقع فراہم کرے گا۔ آپ کی کمپنی نامیاتی ترقی (Organic Growth) کیلئے انتھک کوششیں کرتی رہے گی اور نئی مصنوعات متعارف کرواتی رہے گی۔

## اعتراف

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

بورڈ آف ڈائریکٹرز کی جانب سے

مسٹر عثمان خالد وحید  
چیف ایگزیکٹو آفیسر

مسز اختر خالد وحید  
چیئر پرسن



Ferozsons Laboratories Limited  
Condensed Interim Unconsolidated Statement of Financial Position  
As at 31 March 2019

		Un-audited 31 March 2019	Audited 30 June 2018			Un-audited 31 March 2019	Audited 30 June 2018
<b>EQUITY AND LIABILITIES</b>	<i>Note</i>	----- Rupees -----		<b>ASSETS</b>	<i>Note</i>	----- Rupees -----	
<b><u>Share capital and reserves</u></b>				<b><u>Non-current assets</u></b>			
Authorized share capital 50,000,000 (30 June 2018: 50,000,000) ordinary shares of Rs. 10 each		<b>500,000,000</b>	500,000,000	Property, plant and equipment	5	<b>2,765,575,864</b>	2,649,216,106
				Intangibles		<b>912,712</b>	2,016,272
Issued, subscribed and paid up capital		<b>301,868,410</b>	301,868,410	Long term investments - related parties	6	<b>309,785,232</b>	297,798,460
Capital reserve		<b>321,843</b>	321,843	Long term deposits and prepayments		<b>7,086,325</b>	7,066,325
Accumulated profit		<b>3,789,590,057</b>	3,735,100,328			<b>3,083,360,133</b>	2,956,097,163
Revaluation surplus on property, plant and equipment		<b>769,114,006</b>	789,650,185	<b><u>Current assets</u></b>			
		<b>4,860,894,316</b>	4,826,940,766	Stores, spare parts and loose tools		<b>22,709,791</b>	46,218,187
<b><u>Non current liabilities</u></b>				Stock in trade		<b>1,243,347,961</b>	1,219,853,920
Deferred taxation		<b>148,227,866</b>	165,760,483	Trade debts - considered good		<b>705,894,944</b>	536,412,764
<b><u>Current liabilities</u></b>				Loans and advances - considered good		<b>84,092,407</b>	43,976,934
Trade and other payables		<b>763,593,785</b>	792,675,804	Deposits and prepayments		<b>160,775,352</b>	174,960,635
Short term borrowings - secured	3	<b>194,303,541</b>	96,852,363	Other receivables		<b>112,797,911</b>	92,465,979
Unclaimed dividend		<b>77,011,604</b>	82,143,724	Income tax - net		<b>216,851,296</b>	170,398,448
Accrued mark-up		<b>5,173,315</b>	533,713	Short term investments	7	<b>345,672,707</b>	527,343,533
		<b>1,040,082,245</b>	972,205,604	Cash and bank balances	8	<b>73,701,925</b>	197,179,290
<b>Contingencies and commitments</b>	4					<b>2,965,844,294</b>	3,008,809,690
		<b>6,049,204,427</b>	5,964,906,853			<b>6,049,204,427</b>	5,964,906,853

The annexed notes from 1 to 15 form an integral part of this condensed interim unconsolidated financial statements.

Chief Financial Officer

Director

Chief Executive Officer

# Ferozsons Laboratories Limited

## Condensed Interim Unconsolidated Statement of Profit or Loss (Un-audited)

For the nine months ended 31 March 2019

	Note	Nine months ended		Quarter ended	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
		----- Rupees -----	----- Rupees -----	----- Rupees -----	----- Rupees -----
Sales - net	9	<b>3,583,420,213</b>	3,384,337,118	<b>1,242,028,039</b>	1,168,591,494
Cost of sales	10	<b>(2,133,205,241)</b>	(2,196,149,013)	<b>(791,203,248)</b>	(752,669,358)
<b>Gross profit</b>		<b>1,450,214,972</b>	1,188,188,105	<b>450,824,791</b>	415,922,136
Administrative expenses		<b>(254,753,550)</b>	(227,480,447)	<b>(80,936,531)</b>	(75,612,054)
Selling and distribution expenses		<b>(941,780,059)</b>	(779,954,450)	<b>(339,230,334)</b>	(314,004,800)
Other expenses		<b>(65,619,640)</b>	(42,417,039)	<b>(6,249,728)</b>	(14,222,399)
Other income		<b>64,718,795</b>	95,953,950	<b>17,041,691</b>	54,418,429
<b>Profit from operations</b>		<b>252,780,518</b>	234,290,119	<b>41,449,889</b>	66,501,312
Finance costs		<b>(17,423,336)</b>	(9,115,711)	<b>(6,550,742)</b>	(2,712,783)
<b>Profit before taxation</b>		<b>235,357,182</b>	225,174,408	<b>34,899,147</b>	63,788,529
Taxation		<b>(80,656,268)</b>	(121,464,154)	<b>(21,767,594)</b>	(39,317,227)
<b>Profit after taxation</b>		<b>154,700,914</b>	103,710,254	<b>13,131,553</b>	24,471,302
Earnings per share - basic and diluted		<b>5.12</b>	3.44	<b>0.43</b>	0.82

The annexed notes from 1 to 15 form an integral part of this condensed interim unconsolidated financial statements.

# Ferozsons Laboratories Limited

## Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-audited)

For the nine months ended 31 March 2019

	<u>Nine months ended</u>		<u>Quarter ended</u>	
	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2019</b>	2018	<b>2019</b>	2018
	----- Rupees -----		----- Rupees -----	
<b>Profit after taxation</b>	<b>154,700,914</b>	103,710,254	<b>13,131,553</b>	24,471,302
<b><u>Items that will not be reclassified to profit and loss account</u></b>				
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>154,700,914</b>	103,710,254	<b>13,131,553</b>	24,471,302

The annexed notes from 1 to 15 form an integral part of this condensed interim unconsolidated financial statements.

# Ferozsons Laboratories Limited

## Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

For the nine months ended 31 March 2019

	Capital reserve		Revenue reserve		
Share capital	Capital reserve	Revaluation surplus on Property, plant and equipment	Accumulated profit	Total	
----- Rupees -----					
Balance as at 01 July 2017	301,868,410	321,843	807,524,953	3,733,431,676	4,843,146,882
Total comprehensive income for the period	-	-	-	103,710,254	103,710,254
<u>Surplus transferred to accumulated profit</u>					
On account of incremental depreciation charged during the period - net of tax	-	-	(19,966,500)	19,966,500	-
On account of disposal of fixed assets during the period - net of tax	-	-	1,002	(1,002)	-
	-	-	(19,965,498)	19,965,498	-
<u>Transactions with owners of the Company</u>					
Final dividend for the year ended 30 June 2017 at Rs. 4 per share	-	-	-	(120,747,364)	(120,747,364)
Balance as at 31 March 2018 - unaudited	301,868,410	321,843	787,559,455	3,736,360,064	4,826,109,772
Balance as at 01 July 2018	301,868,410	321,843	789,650,185	3,735,100,328	4,826,940,766
Total comprehensive income for the period	-	-	-	154,700,914	154,700,914
<u>Surplus transferred to accumulated profit</u>					
On account of incremental depreciation charged during the period - net of tax	-	-	(20,536,179)	20,536,179	-
<u>Transactions with owners of the Company</u>					
Final dividend for the year ended 30 June 2018 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)
Interim dividend for the year ended 30 June 2019 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)
	-	-	-	(120,747,364)	(120,747,364)
Balance as at 31 March 2019 - unaudited	301,868,410	321,843	769,114,006	3,789,590,057	4,860,894,316

The annexed notes from 1 to 15 form an integral part of this condensed interim unconsolidated financial statements.

Chief Financial Officer

Director

Chief Executive Officer

Ferozsons Laboratories Limited  
Condensed Interim Unconsolidated Statement of Cash Flows (Un-audited)  
For the nine months ended 31 March 2019

	Nine months ended	
	31 March 2019	31 March 2018
	----- Rupees -----	
<b><u>Cash flow from operating activities</u></b>		
Profit before taxation	235,357,182	225,174,408
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	211,883,154	183,095,982
Amortisation of intangibles	1,103,560	1,517,184
Provision for trade debtors	41,697,882	-
Gain on disposal of property, plant and equipment	(24,642,129)	(6,335,457)
Finance costs	17,423,336	9,115,711
Dividend income	(24,260,139)	-
Profit on bank deposits	(878,449)	-
Gain on re-measurement of short term investments to fair value	(1,713,229)	(13,281,541)
Loss / (gain) on sale of short term investments	1,376,020	(1,947,077)
Share in profit of Farmacia	(11,986,772)	(15,115,147)
Workers' Profit Participation Fund	12,807,707	12,309,965
Central Research Fund	2,587,416	2,920,392
Workers' Welfare Fund	6,613,239	8,281,399
	<b>232,011,596</b>	<b>180,561,411</b>
<b>Cash generated from operations before working capital changes</b>	<b>467,368,778</b>	<b>405,735,819</b>
<b><u>Effect on cash flow due to working capital changes</u></b>		
<i>(Increase) / decrease in current assets</i>		
Stores, spare parts and loose tools	23,508,396	(8,835,201)
Stock in trade	(23,494,041)	342,205,709
Trade debts - considered good	(211,180,062)	(479,674,882)
Loans and advances - considered good	(40,115,473)	14,003,610
Deposits and prepayments	14,185,283	(44,281,677)
Other receivables	(20,331,932)	(80,741,817)
	<b>(257,427,829)</b>	<b>(257,324,258)</b>
<i>Increase in current liabilities</i>		
Trade and other payables	(41,716,336)	(18,198,941)
	<b>168,224,613</b>	<b>130,212,620</b>
<b>Cash generated from operations</b>	<b>168,224,613</b>	<b>130,212,620</b>
Taxes paid	(151,732,226)	(129,477,847)
Central Research Fund paid	(2,283,549)	(6,482,366)
Long term deposits	(20,000)	-
<b>Net cash generated from / (used in) operating activities</b>	<b>14,188,838</b>	<b>(5,747,593)</b>
<b><u>Cash flow from investing activities</u></b>		
Acquisition of property, plant and equipment	(342,365,387)	(230,534,759)
Acquisition of intangibles	-	(1,740,976)
Proceeds from sale of property, plant and equipment	38,764,601	10,310,736
Dividend income	24,260,139	-
Profit on bank deposits received	878,449	-
Redemption of short term investments - net	182,008,035	156,626,730
<b>Net cash used in investing activities</b>	<b>(96,454,163)</b>	<b>(65,338,269)</b>
<b><u>Cash flow from financing activities</u></b>		
Finance cost paid	(12,783,734)	(8,732,801)
Dividend paid	(125,879,484)	(119,310,457)
<b>Net cash used in financing activities</b>	<b>(138,663,218)</b>	<b>(128,043,258)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(220,928,543)</b>	<b>(199,129,119)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>100,326,927</b>	<b>133,178,894</b>
<b>Cash and cash equivalents at end of the period</b>	<b>(120,601,616)</b>	<b>(65,950,225)</b>
<b>Cash and cash equivalents comprise of the following:</b>		
Cash and bank balances	73,701,925	101,843,402
Running finance	(194,303,541)	(167,793,627)
	<b>(120,601,616)</b>	<b>(65,950,225)</b>

The annexed notes from 1 to 15 form an integral part of this condensed interim unconsolidated financial statements.

# Ferozsons Laboratories Limited

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

*For the nine months ended 31 March 2019*

### **1 Reporting entity**

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

### **2 Basis of preparation**

#### **2.1 Statement of compliance**

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

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

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

#### **2.2 Basis of accounting**

**2.2.1** This condensed interim unconsolidated financial statements comprises the condensed interim unconsolidated statement of financial position of the Company as at 31 March 2019 and the related condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity and condensed interim unconsolidated statement of cash flows together with the notes forming part thereof.

**2.2.2** This condensed interim unconsolidated financial statements does not include all of the information required for full annual financial statements and should be read in conjunction with the annual unconsolidated financial statements for the year ended 30 June 2018.

**2.2.3** Comparative unconsolidated statement of financial position's numbers are extracted from the annual audited unconsolidated financial statements of the Company for the year ended 30 June 2018, whereas comparative unconsolidated profit or loss, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim unconsolidated financial statements of the Company for the three months and nine months period ended 31 March 2018.

- 2.2.4** These condensed interim unconsolidated financial statements are unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange Limited.

### **2.3 Judgements and estimates**

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

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the unconsolidated financial statements as at and for the year ended 30 June 2018.

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

- 2.4.1** The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial statements are same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2018 except for the adoption of new standards effective as off 01 July 2018 as stated below:

#### **2.4.2 Change in accounting policy**

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' from 01 July 2018 which is effective from the annual periods beginning on or after 01 July 2018. There are other new standards which are effective from 01 July 2018 but they do not have a material effect on the Company's condensed interim financial statements. The details of new significant accounting policy adopted and the nature and effect of the changes from previous accounting policy are set out below:

#### **IFRS 15 'Revenue from Contracts with Customers'**

The Company is engaged in the sale of pharmaceutical products and medical devices. The contracts with customers for the sale of goods generally includes single performance obligation. Management has concluded that revenue from sale of goods be recognized at the point in time when control of the asset is transferred to the customer, which is when the goods are delivered to the customer. However, the adoption of IFRS 15 which has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations at 01 July 2018, did not have a material impact on the amounts of revenue recognized in these condensed interim financial statements except for reclassification of freight and forwarding cost from selling and distribution to sales. The corresponding figures have been represented to reflect this change on adoption of IFRS 15. Accordingly, selling and distribution expense of Rs. 25.62 million (31 March 2018: Rs. 13.37 million) has been reclassified to sales. This reclassification has no impact on the reported Earning per Share (EPS) of the corresponding period.

### 2.4.3 IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting and was effective for annual periods beginning on or after 01 July 2018. The Securities and Exchange Commission of Pakistan (SECP), vide its S.R.O. 229(I)/2019 dated 14 February 2019 has deferred the applicability of IFRS 9 for reporting period ended on 31 March 2019. IFRS 9 will now be applicable for reporting period / year ending on or after 30 June 2019.

**2.4.4** Other than those disclosed above in note 2.4.2, there were certain other new amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.

The following amendments and interpretations of approved accounting standards will be effective for accounting periods as detailed below:

- IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
- Amendment to IFRS 9 - Financial Instrument	01 January 2019
- IFRS 16 - Leases	01 January 2019
- Amendment to IAS 28 - Investments in associates and joint ventures - Long Term Interests in Associates and Joint Ventures	01 January 2019
- Amendment to IAS 19 - Employee benefits - Plan Amendment, Curtailment or Settlement	01 January 2019
- Amendment to IFRS 3 - Business Combinations – Definition of a Business	01 January 2019
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2019
- Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019



### **3 Short term borrowings - secured**

#### **3.1 With conventional financial institutions**

The Company has short term running finance facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 750 million (30 June 2018: Rs. 750 million). These facilities carry mark-up at the rates ranging from three months KIBOR plus 0.1% to 0.5% (30 June 2018: three months KIBOR plus 0.3% to 0.9%) per annum on the outstanding balances. Running finance facilities amounting to Rs. 450 million can interchangeably be utilized as non-funded facilities. Out of the aggregate facilities, Rs. 450 million (30 June 2018: Rs. 450 million) are secured by first pari passu charge of Rs. 1,000 million over all present and future assets (current and fixed assets) of the Company (excluding land and building) and remaining Rs. 300 million (30 June 2018: Rs. 300 million) facility is secured by lien on Company's short term investments (money market/income fund) which should be 110% of the maximum limit allowed for utilization. Under this arrangement, short term investment of Rs. 333.33 million (30 June 2018: Rs. 333.33 million) in HBL funds is marked under lien. These facilities are renewable on annual basis latest by 30 April 2019.

#### **3.2 With shariah compliant financial institutions**

The Company has short term borrowing facility i.e. Running Musharakah available from Islamic bank under profit arrangements having sanctioned limit of Rs. 200 million (30 June 2018: Rs. 200 million). This facility carries profit rate of one month KIBOR plus 0.25% (30 June 2018: three months KIBOR plus 0.3% ) per annum on the outstanding balance. This facility can interchangeably be utilized as non-funded. This facility is secured by first pari passu charge over current assets of the Company. This facility is renewable on annual basis latest by 31 October 2019.

### **4 Contingencies and commitments**

#### **4.1 Contingencies**

There is no significant change in contingencies already disclosed in preceding annual published financial statement of the Company for the year ended 30 June 2018.

#### **4.2 Commitments**

##### **4.2.1 Letter of credits**

##### **4.2.1.1 With conventional financial institutions**

Out of the aggregate facility of Rs. 600 million (30 June 2018: Rs. 600 million) for opening letters of credit, the amount utilized as at 31 March 2019 for capital expenditure was Rs. 113.54 million (30 June 2018: Rs. 192.52 million) and for other than capital expenditure was Rs. 240.47 million (30 June 2018: Rs. 151.99 million). Out of these facilities, Rs. 300 million can interchangeably be utilized as running finance. These facilities are secured by first pari passu charge of Rs. 1,000 million over all present and future assets (excluding land and building) of the Company and lien over import documents.

##### **4.2.1.2 With shariah compliant financial institutions**

The Company has facility i.e. letters of credit of Rs. 75 million (30 June 2018: Rs. 75 million) available from Islamic bank. The amount utilized as at 31 March 2018 for capital expenditure was Rs. Nil (30 June 2018: Rs. 1.64 million) and for other than capital expenditure was Rs. 52.20 million (30 June 2018: Rs. 54.87 million). Lien is also marked over import documents.

		Un-audited 31 March 2019	Audited 30 June 2018	
		-----Rupees-----		
5	Property, plant and equipment			
	<u>Cost</u>			
	Opening balance at beginning of the period / year	3,130,404,930	2,720,001,043	
	Additions / transfers during the period / year	130,039,116	451,786,079	
	Disposals during the period / year	(58,221,609)	(41,382,192)	
	Closing balance at end of the period / year	3,202,222,437	3,130,404,930	
	<u>Less: Accumulated depreciation</u>			
	Opening balance at beginning of the period / year	584,082,107	370,941,222	
	Depreciation for the period / year	211,883,160	246,338,313	
	On disposals	(44,099,136)	(33,197,428)	
	Closing balance at end of the period / year	751,866,131	584,082,107	
	Operating fixed assets - net book value	2,450,356,306	2,546,322,823	
	Add: Capital work in progress - at cost	315,219,558	102,893,283	
		2,765,575,864	2,649,216,106	
6	Long term investments - related parties	Note		
	<u>Related parties - at cost</u>			
	Farmacia (Partnership firm):			
	Capital held: 98% (30 June 2018: 98%)	6.1	157,785,272	145,798,500
	BF Biosciences Limited (unlisted subsidiary):			
	15,199,996 (30 June 2018: 15,199,996) fully paid ordinary shares of Rs. 10 each	6.2	151,999,960	151,999,960
	Equity held: 80% (30 June 2018: 80%)		309,785,232	297,798,460
6.1	This represents the Company's 98% share in "Farmacia", a subsidiary partnership duly registered under the Partnership Act, 1932 and engaged in operating retail pharmacy. Share of profit, if any, for the period not withdrawn is reinvested in capital account of partnership.			
6.2	BF Biosciences Limited has been set up for establishing a Biotech Pharmaceutical Plant to manufacture mainly Cancer and Hepatitis related medicines. The Company owns holds 80% (30 June 2018: 80%) of equity of the subsidiary and the remaining 20% is held by Grupo Empresarial Bagó S.A., Spain.			

		Un-audited 31 March 2019	Audited 30 June 2018
	Note	----- Rupees -----	
<b>7 Short term investments</b>			
<b><u>Investments at fair value through profit or loss - Mutual funds</u></b>			
Held for trading	7.1	<b>345,672,707</b>	527,343,533
<b>7.1</b>	The movement in investments is as follows		
	Carrying value at 01 July	<b>527,343,533</b>	487,884,889
	Acquisition during the period/year	-	175,000,000
	Redemption during the period/year	<b>(182,008,035)</b>	(156,626,731)
	Realized (loss) / gain on sale of investments during the period / year	<b>(1,376,020)</b>	1,947,077
	Unrealized (loss) / gain on re-measurement of investment - during the period/year	<b>1,713,229</b>	19,138,298
	Carrying and fair value of short term investments at 31 December / 30 June	<b>345,672,707</b>	527,343,533

Units		Fair value	
Un-audited 31 March 2019	Audited 30 June 2018	Un-audited 31 March 2019	Audited 30 June 2018
.....Number.....		.....Rupees.....	

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

HBL Money Market Fund	<b>2,128,931</b>	2,041,354	<b>229,787,650</b>	218,732,153
MCB Cash Management Optimizer Fund	-	1,664,517	-	176,329,065
HBL Cash Fund	<b>1,146,136</b>	1,248,377	<b>115,885,057</b>	132,282,315
			<b>345,672,707</b>	527,343,533

**7.2** Changes in fair values of financial assets at fair value through profit or loss are recorded in profit or loss statement. Realized loss of Rs. 1.38 million (31 March 2018: realized gain of Rs. 1.95 million) has been recorded in "Other expenses" (31 March 2018: Other income). These investments and the related loss is from non - shariah compliant arrangements. The investments in HBL funds are marked under lien as mentioned in note 3.

**8 Cash and bank balances**

**8.1** These include current account of Rs. 0.67 million (30 June 2018: Rs. 0.67 million) maintained under Shariah compliant arrangements.

**8.2** These include deposit accounts of Rs. 45.05 million (30 June 2018: Rs. 4.05 million) under mark up arrangements, which carry interest rate of 4.5% - 8.25% (30 June 2018: 3.5% - 4.25%) per annum.

These also include deposit account of Rs. 0.001 million (30 June 2018: Rs. 0.001 million ) under Shariah compliant arrangements, which carries profit rate of 2.40% to 5.05% (30 June 2018: 2.40%) per annum.

## 9 Sales - net

### Gross sales:

	(Un-audited) Nine months ended		(Un-audited) Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- Rupees -----		----- Rupees -----	
Local	3,719,841,194	3,540,940,860	1,286,236,753	1,217,093,140
Export	129,595,211	99,410,098	43,966,440	32,453,416
	<b>3,849,436,405</b>	3,640,350,958	<b>1,330,203,193</b>	1,249,546,556

### Less:

Sales returns	(61,468,864)	(42,376,804)	(18,049,275)	(13,077,099)
Discounts and commission	(175,329,274)	(186,201,862)	(62,499,948)	(62,142,520)
Freight	(25,618,508)	(13,371,366)	(7,046,833)	(5,733,246)
Sales tax	(3,599,546)	(14,063,808)	(579,098)	(2,197)
	<b>(266,016,192)</b>	<b>(256,013,840)</b>	<b>(88,175,154)</b>	<b>(80,955,062)</b>
	<b>3,583,420,213</b>	3,384,337,118	<b>1,242,028,039</b>	1,168,591,494

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

	(Un-audited) Nine months ended		(Un-audited) Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- Rupees -----		----- Rupees -----	

Note

## 10 Cost of sales

Raw and packing materials consumed	10.1	765,114,200	721,750,224	263,059,258	211,920,692
Other manufacturing expenses		477,008,816	374,938,325	153,647,125	135,179,871
		<b>1,242,123,016</b>	1,096,688,549	<b>416,706,383</b>	347,100,563

### Work in process:

Opening		50,818,086	33,156,171	66,919,295	45,390,246
Closing		(70,984,694)	(50,503,472)	(70,984,694)	(50,503,472)
		<b>(20,166,608)</b>	<b>(17,347,301)</b>	<b>(4,065,399)</b>	<b>(5,113,226)</b>

### Cost of goods manufactured

	<b>1,221,956,408</b>	1,079,341,248	<b>412,640,984</b>	341,987,337
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### Finished stock:

Opening		730,289,493	1,079,226,890	823,167,707	891,909,120
Purchases made during the period		875,992,725	797,531,036	250,427,942	278,723,062
Closing	10.2	(695,033,385)	(759,950,161)	(695,033,385)	(759,950,161)
		<b>911,248,833</b>	1,116,807,765	<b>378,562,264</b>	410,682,021
		<b>2,133,205,241</b>	2,196,149,013	<b>791,203,248</b>	752,669,358

### 10.1 Raw and packing materials consumed

Opening	338,718,490	378,989,330	358,566,429	306,530,708
Purchases made during the period	792,466,905	634,101,235	270,564,024	196,730,325
	<b>1,131,185,395</b>	1,013,090,565	<b>629,130,453</b>	503,261,033
Closing	(366,071,195)	(291,340,341)	(366,071,195)	(291,340,341)
	<b>765,114,200</b>	721,750,224	<b>263,059,258</b>	211,920,692

10.2 The amount charged to profit or loss statement on account of write down of finished goods to net realizable value amounts to Rs. 32.79 million (31 March 2018: Rs. 194.48 million).

## 11 Transactions with related parties

The Company in the normal course of business carries out transactions with various related parties which 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 the respective notes in the condensed interim unconsolidated financial information. Transactions with related parties during the period are as follows:

	<b>(Un-audited) Nine months ended</b>	
	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>----- Rupees -----</b>	
<b><u>Farmacia - 98% owned subsidiary partnership firm</u></b>		
Sale of medicines	<b>24,596,684</b>	32,246,502
Payment received against sale of finished goods	<b>24,596,684</b>	32,246,502
Share of profit reinvested	<b>11,986,772</b>	15,115,147
Rentals paid	<b>2,990,304</b>	2,718,460
<b><u>BF Biosciences Limited - 80% owned subsidiary company</u></b>		
Sale of finished goods	<b>18,973,713</b>	87,677,641
Payment received against sale of finished goods	<b>18,973,713</b>	87,677,641
Purchase of goods	-	2,391,980
Payment made against purchase of goods	-	2,391,980
Sales return of medicines	<b>501,162</b>	-
Receipts against return of medicine	<b>501,162</b>	-
Purchase of vehicles	<b>14,349,314</b>	-
Payment against purchase of vehicles	<b>14,349,314</b>	-
Marketing fee	-	2,795,682
Expenses incurred	<b>10,620,917</b>	4,755,166
Payment made against expenses re-imbursement and marketing fee	<b>10,620,917</b>	7,550,848
<b><u>Other related parties</u></b>		
Contribution towards employees' provident fund	<b>26,365,392</b>	22,897,728
Remuneration including benefits and perquisites of key management personnel	<b>103,918,968</b>	99,309,341
Receipts from Workers' Profit Participation Fund	<b>8,918,108</b>	1,529,028
Dividend to KFW Factors (Private) Limited	<b>33,147,768</b>	33,147,768
Dividend to directors	<b>12,899,804</b>	11,141,136

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

	<b>Dividend Payable</b>	<b>Accrued mark-up</b>	<b>Total</b>
	<b>----- Rupees -----</b>		
<b><u>As at 30 June 2018</u></b>	82,143,724	533,713	82,677,437
<b><u>Changes from financing cash flows</u></b>			
Dividend paid	(125,879,484)	-	(125,879,484)
Financial charges paid	-	(12,783,734)	(12,783,734)
<b>Total changes from financing cash flows</b>	<b>(125,879,484)</b>	<b>(12,783,734)</b>	<b>(138,663,218)</b>
<b><u>Other changes</u></b>			
Dividend approved	120,747,364	-	120,747,364
Interest / markup expense	-	17,423,336	17,423,336
<b>Total liability related other changes</b>	<b>120,747,364</b>	<b>17,423,336</b>	<b>138,170,700</b>
<b><u>As at 31 March 2019</u></b>	<b>77,011,604</b>	<b>5,173,315</b>	<b>82,184,919</b>

## 13 Financial risk management and fair value of financial instruments

**13.1** The Company's financial risk management objective and policies are consistent with that disclosed in the annual unconsolidated financial statements of the Company for the year ended 30 June 2018.

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

	Carrying Amount					Fair Value		
	Cash and cash equivalents	Fair Value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	----- Rupees -----					-----		
<b>31 March 2019</b>								
<b>Financial assets measured at fair value:</b>	-	345,672,707	-	-	345,672,707	345,672,707	-	-
<b><u>Financial assets not measured at fair value</u></b>								
Long term deposits and prepayments	-	-	7,086,325	-	7,086,325	-	-	-
Trade debts - considered good	-	-	705,894,944	-	705,894,944	-	-	-
Loans and advances - considered good	-	-	1,046,019	-	1,046,019	-	-	-
Short term deposits and prepayments	-	-	150,165,942	-	150,165,942	-	-	-
Other receivables	-	-	98,647,889	-	98,647,889	-	-	-
Bank balances	66,461,044	-	-	-	66,461,044	-	-	-
	<b>66,461,044</b>	-	<b>962,841,119</b>	-	<b>1,029,302,163</b>	-	-	-
<b>Financial liabilities measured at fair value:</b>	-	-	-	-	-	-	-	-
<b><u>Financial liabilities not measured at fair value</u></b>								
Trade and other payables	-	-	-	655,395,804	655,395,804	-	-	-
Unclaimed dividend	-	-	-	77,011,604	77,011,604	-	-	-
Short term borrowings - secured	-	-	-	194,303,541	194,303,541	-	-	-
Accrued mark-up	-	-	-	5,173,315	5,173,315	-	-	-
	-	-	-	<b>931,884,264</b>	<b>931,884,264</b>	-	-	-
<b>30 June 2018</b>								
<b>Financial assets measured at fair value:</b>	-	527,343,533	-	-	527,343,533	527,343,533	-	-
<b><u>Financial assets not measured at fair value</u></b>								
Long term deposits and prepayments	-	-	7,066,325	-	7,066,325	-	-	-
Trade debts - considered good	-	-	536,412,764	-	536,412,764	-	-	-
Loans and advances - considered good	-	-	20,022,589	-	20,022,589	-	-	-
Short term deposits and prepayments	-	-	174,275,932	-	174,275,932	-	-	-
Other receivables	-	-	69,534,001	-	69,534,001	-	-	-
Bank balances	193,298,342	-	-	-	193,298,342	-	-	-
	<b>193,298,342</b>	-	<b>807,311,611</b>	-	<b>1,000,609,953</b>	-	-	-
<b>Financial liabilities measured at fair value:</b>	-	-	-	-	-	-	-	-
<b><u>Financial liabilities not measured at fair value</u></b>								
Trade and other payables	-	-	-	655,462,070	655,462,070	-	-	-
Unclaimed dividend	-	-	-	82,143,724	82,143,724	-	-	-
Short term borrowings - secured	-	-	-	96,852,363	96,852,363	-	-	-
Accrued mark-up	-	-	-	533,713	533,713	-	-	-
	-	-	-	<b>834,991,870</b>	<b>834,991,870</b>	-	-	-

#### **14 Subsequent event and date of authorization for issue**

The Board of Directors of the Company in its meeting held on 17 April 2019 has authorized to issue these condensed interim unconsolidated financial statements.

#### **15 Corresponding figures**

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



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***Condensed Interim  
Consolidated  
Financial Information  
for the Nine Month  
Ended 31 March 2019***

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**FEROZSONS**  
LABORATORIES LIMITED



Ferozsons Laboratories Limited  
Condensed Interim Consolidated Statement of Financial Position  
As at 31 March 2019

	Un-audited 31 March 2019	Audited 30 June 2018
Note	----- Rupees -----	
<b>EQUITY AND LIABILITIES</b>		
<u><i>Share capital and reserves</i></u>		
<b>Authorized share capital</b>		
50,000,000 (30 June 2018: 50,000,000) ordinary shares of Rs. 10 each	<b>500,000,000</b>	500,000,000
Issued, subscribed and paid up capital	<b>301,868,410</b>	301,868,410
Accumulated profit	<b>4,230,083,879</b>	4,194,798,630
Capital reserve	<b>321,843</b>	321,843
Revaluation surplus on property, plant and equipment	<b>888,380,979</b>	921,179,842
<b>Equity attributable to owners of the Company</b>	<b>5,420,655,111</b>	5,418,168,725
<b>Non-controlling interests</b>	<b>176,205,206</b>	184,360,696
	<b>5,596,860,317</b>	5,602,529,421
<u><i>Non current liabilities</i></u>		
Deferred taxation	<b>189,318,393</b>	222,502,168
<u><i>Current liabilities</i></u>		
Trade and other payables	<b>919,270,595</b>	960,178,380
Short term borrowings - secured	<b>201,650,375</b>	100,525,853
Unclaimed dividend	<b>77,011,604</b>	82,143,724
Accrued mark-up	<b>5,248,312</b>	539,624
	<b>1,203,180,886</b>	1,143,387,581
<b>Contingencies and commitments</b>		
	<b>6,989,359,596</b>	6,968,419,170

		Un-audited	Audited
		31 March	30 June
		2019	2018
	Note	----- Rupees -----	-----
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	6	3,095,274,526	3,075,164,414
Investment property		79,371,992	78,545,641
Intangibles		912,995	2,357,632
Long term deposits and prepayments		11,633,325	11,613,325
		3,187,192,838	3,167,681,012
<u>Current assets</u>			
Stores, spare parts and loose tools		50,688,287	71,802,216
Stock in trade		1,412,988,969	1,346,996,263
Trade debts - considered good		806,658,612	604,467,682
Loans and advances - considered good		92,151,470	48,225,856
Deposits and prepayments		181,946,499	191,428,941
Other receivables		112,717,383	92,304,228
Income tax - net		271,945,759	212,899,309
Short term investments	7	767,485,678	941,746,224
Cash and bank balances	8	105,584,101	290,867,439
		3,802,166,758	3,800,738,158
		6,989,359,596	6,968,419,170

The annexed notes from 1 to 15 form an integral part of these condensed interim consolidated financial statements.

# Ferozsons Laboratories Limited

## Condensed Interim Consolidated Statement of Profit or Loss (Un-audited)

For the nine months ended 31 March 2019

		<b>Nine months ended</b>		<b>Quarter ended</b>	
		<b>31 March</b>	31 March	<b>31 March</b>	31 March
		<b>2019</b>	2018	<b>2019</b>	2018
	<i>Note</i>	<b>----- Rupees -----</b>			
Revenue - net	9	<b>4,059,182,655</b>	3,818,777,557	<b>1,408,110,118</b>	1,318,542,644
Cost of sales	10	<b>(2,587,690,000)</b>	(2,617,254,676)	<b>(931,007,668)</b>	(892,634,540)
<b>Gross profit</b>		<b>1,471,492,655</b>	1,201,522,881	<b>477,102,450</b>	425,908,104
Administrative expenses		<b>(286,262,502)</b>	(259,823,518)	<b>(90,931,346)</b>	(85,943,288)
Selling and distribution expenses		<b>(981,962,422)</b>	(853,579,683)	<b>(358,122,637)</b>	(332,272,028)
Other expenses		<b>(79,624,693)</b>	(43,647,270)	<b>(3,799,975)</b>	(14,125,171)
Other income		<b>86,550,619</b>	98,807,942	<b>21,817,175</b>	59,755,676
<b>Profit from operations</b>		<b>210,193,657</b>	143,280,352	<b>46,065,667</b>	53,323,293
Finance costs		<b>(18,522,116)</b>	(9,813,448)	<b>(6,940,392)</b>	(2,859,855)
<b>Profit before taxation</b>		<b>191,671,541</b>	133,466,904	<b>39,125,275</b>	50,463,438
Taxation		<b>(76,593,281)</b>	(94,357,062)	<b>(22,651,493)</b>	(29,301,276)
<b>Profit after taxation</b>		<b>115,078,260</b>	39,109,842	<b>16,473,782</b>	21,162,162
<b>Attributable to:</b>					
Owners of the Company		<b>123,233,750</b>	53,710,658	<b>15,839,060</b>	21,793,943
Non-controlling interests		<b>(8,155,490)</b>	(14,600,816)	<b>634,722</b>	(631,781)
<b>Profit after taxation</b>		<b>115,078,260</b>	39,109,842	<b>16,473,782</b>	21,162,162
Earnings per share - basic and diluted		<b>4.08</b>	1.78	<b>0.52</b>	0.72

The annexed notes from 1 to 15 form an integral part of these condensed interim consolidated financial statements.

# Ferozsons Laboratories Limited

## Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

For the nine months ended 31 March 2019

	Nine months ended		Quarter ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	----- Rupees -----			
<b>Profit after taxation</b>	<b>115,078,260</b>	39,109,842	<b>16,473,782</b>	21,162,162
<i>Items that will not be reclassified to profit and loss account:</i>				
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>115,078,260</b>	39,109,842	<b>16,473,782</b>	21,162,162
<b>Attributable to:</b>				
Owners of the Company	<b>123,233,750</b>	53,710,658	<b>15,839,060</b>	21,793,943
Non-controlling interests	<b>(8,155,490)</b>	(14,600,816)	<b>634,722</b>	(631,781)
	<b>115,078,260</b>	39,109,842	<b>16,473,782</b>	21,162,162

The annexed notes from 1 to 15 form an integral part of these condensed interim consolidated financial statements.

Ferozsons Laboratories Limited  
Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)  
For the nine months ended 31 March 2019

	Attributable to Owners of the Company				Total	Non-controlling interests	Total
	Share capital	Capital reserve	Revaluation surplus on property, plant and equipment	Revenue reserve Accumulated profits			
	----- Rupees -----						
<b>Balance as at 01 July 2017</b>	301,868,410	321,843	944,836,904	4,265,339,789	5,512,366,946	205,863,948	5,718,230,894
<b>Total comprehensive income for the period</b>	-	-	-	53,710,658	53,710,658	(14,600,816)	39,109,842
<b><u>Surplus transferred to accumulated profit:</u></b>							
-on account of incremental depreciation charged during the period - net of tax	-	-	(34,239,567)	34,239,567	-	-	-
-on account of disposal of fixed assets during the year - net of tax	-	-	1,002	(1,002)	-	-	-
	-	-	(34,238,565)	34,238,565	-	-	-
<b><u>Transactions with owners of the Company; recognized directly in equity</u></b>							
-Final dividend for the year ended 30 June 2017 at Rs. 4 per share	-	-	-	(120,747,364)	(120,747,364)	-	(120,747,364)
<b>Balance as at 31 March 2018 - un-audited</b>	<u>301,868,410</u>	<u>321,843</u>	<u>910,598,339</u>	<u>4,232,541,648</u>	<u>5,445,330,240</u>	<u>191,263,132</u>	<u>5,636,593,372</u>
<b>Balance as at 01 July 2018</b>	<b>301,868,410</b>	<b>321,843</b>	<b>921,179,842</b>	<b>4,194,798,630</b>	<b>5,418,168,725</b>	<b>184,360,696</b>	<b>5,602,529,421</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>123,233,750</b>	<b>123,233,750</b>	<b>(8,155,490)</b>	<b>115,078,260</b>
<b><u>Surplus transferred to accumulated profit:</u></b>							
-on account of incremental depreciation charged during the period - net of tax	-	-	(32,798,863)	32,798,863	-	-	-
<b><u>Transactions with owners of the Company; recognized directly in equity</u></b>							
-Final dividend for the year ended 30 June 2018 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)	-	(60,373,682)
-Interim dividend for the year ended 30 June 2019 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)	-	(60,373,682)
	-	-	-	(120,747,364)	(120,747,364)	-	(120,747,364)
<b>Balance as at 31 March 2019 - un-audited</b>	<u><b>301,868,410</b></u>	<u><b>321,843</b></u>	<u><b>888,380,979</b></u>	<u><b>4,230,083,879</b></u>	<u><b>5,420,655,111</b></u>	<u><b>176,205,206</b></u>	<u><b>5,596,860,317</b></u>

The annexed notes from 1 to 15 form an integral part of these condensed interim consolidated financial statements.

Chief Financial Officer

Director

Chief Executive Officer

**Ferozsons Laboratories Limited**  
**Condensed Interim Consolidated Statement of Cash Flows (Un-audited)**  
*For the nine months ended 31 March 2019*

**Cash flow from operating activities**

	<b>Nine months ended</b>	
	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>----- Rupees -----</b>	
Profit before taxation	<b>191,671,541</b>	133,466,904
<i>Adjustments for:</i>		
Depreciation	<b>294,135,139</b>	267,521,468
Amortisation	<b>1,444,685</b>	1,900,809
Provision for doubtful trade debts	<b>15,309,358</b>	-
Gain on disposal of property, plant and equipment	<b>(25,231,612)</b>	(8,571,851)
Finance costs	<b>18,522,116</b>	9,813,448
Dividend income	<b>(45,179,523)</b>	-
Un-realised gain on re-measurement of short term investments to fair value	<b>(658,965)</b>	(26,641,940)
Loss/(gain) on sale of short term investments	<b>11,429,395</b>	(1,973,951)
Profit on bank deposits	<b>(2,322,616)</b>	-
Workers' Profit Participation Fund	<b>12,807,707</b>	12,309,965
Workers' Welfare Fund	<b>6,613,239</b>	8,281,399
Central Research Fund	<b>2,587,416</b>	2,920,392
	<b>289,456,339</b>	265,559,739
<b>Cash generated from operations before working capital changes</b>	<b>481,127,880</b>	399,026,643

**Effect on cash flow due to working capital changes**

<i>(Increase) / decrease in current assets</i>		
Stores, spare parts and loose tools	<b>21,113,929</b>	(9,539,514)
Loans, advances, deposits and prepayments	<b>(54,856,327)</b>	(132,396,267)
Stock in trade	<b>(65,992,706)</b>	404,155,686
Trade debts - considered good	<b>(217,500,288)</b>	(476,009,376)
	<b>(317,235,392)</b>	(213,789,471)

*Increase in current liabilities*

Trade and other payables	<b>(53,542,462)</b>	(9,058,291)
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<b>Cash generated from operations</b>	<b>110,350,026</b>	176,178,881
Taxes paid	<b>(168,837,940)</b>	(145,444,967)
Workers' Profit Participation Fund paid	-	-
Workers' Welfare Fund paid	<b>(7,090,508)</b>	(1,572,982)
Central Research Fund paid	<b>(2,283,549)</b>	(6,724,395)
Long term deposits	<b>(20,000)</b>	-
<b>Net cash (used in) / generated from operating activities</b>	<b>(67,881,971)</b>	22,436,537

**Cash flow from investing activities**

Acquisition of property, plant and equipment	<b>(343,566,824)</b>	(252,324,231)
Acquisition of intangibles	-	(1,740,976)
Proceeds from sale of property, plant and equipment	<b>53,726,834</b>	12,985,659
Dividend income	<b>45,179,523</b>	-
Profit on bank deposits	<b>2,322,616</b>	-
Redemption of short term investments - net	<b>163,504,874</b>	171,626,728
<b>Net cash used in investing activities</b>	<b>(78,832,977)</b>	(69,452,820)

Finance cost paid	<b>(13,813,428)</b>	(9,426,929)
Dividend paid	<b>(125,879,484)</b>	(119,310,457)

<b>Net cash used in financing activities</b>	<b>(139,692,912)</b>	(128,737,386)
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<b>Net decrease in cash and cash equivalents</b>	<b>(286,407,860)</b>	(175,753,669)
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<b>Cash and cash equivalents at the beginning of the period</b>	<b>190,341,586</b>	219,477,900
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<b>Cash and cash equivalents at the end of the period</b>	<b>(96,066,274)</b>	43,724,231
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**Cash and cash equivalents comprise of the following:**

Cash and bank balances	<b>105,584,101</b>	221,045,357
Running finance	<b>(201,650,375)</b>	(177,321,126)
	<b>(96,066,274)</b>	43,724,231

The annexed notes from 1 to 15 form an integral part of these condensed interim consolidated financial statements.

# Ferozsons Laboratories Limited

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the nine months ended 31 March 2019

### 1 The Group and its operation

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

"The Group" consists of the following subsidiaries:

Company / Entity	County of incorporation	Nature of business	Effective holding %	
			Mar-19	Jun-18
BF Biosciences Limited	Pakistan	Import, manufacturing and sale of pharmaceutical products	80	80
Farmacia	Pakistan	Sale and distribution of medicines and other related products	98	98

The Holding Company has 98% holding in Farmacia. Farmacia is a partnership duly registered under Partnership Act, 1932. Farmacia is engaged in the retail trading of pharmaceutical products.

### 2 Basis of consolidation

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

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

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

### 3 Basis of preparation

#### 3.1 Statement of compliance

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

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

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

### **3.2 Basis of accounting**

**3.2.1** This condensed interim consolidated financial information comprises the condensed interim consolidated statement of financial position of the Holding Company, as at 31 March 2019 and the related condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows together with the notes forming part thereof.

**3.2.2** This condensed interim consolidated financial information do not include all of the information required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Holding Company as at and for the year ended 30 June 2018.

**3.2.3** Comparative figures of the statement of financial position are extracted from the annual financial statements for the year ended 30 June 2018, whereas comparatives of statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows are stated from unaudited condensed interim consolidated financial information for the three months and nine months period ended 31 March 2018.

**3.2.4** This condensed interim consolidated financial information is unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange Limited.

### **3.3 Judgements and estimates**

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

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2018.

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

**3.4.1** The accounting policies and the methods of computation adopted in the preparation of this condensed interim consolidated financial statements are same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2018 except for the adoption of new standards effective as off 01 July 2018 as stated below:

#### **3.4.2 Change in accounting policy**

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' from 01 July 2018 which is effective from the annual periods beginning on or after 01 July 2018. There are other new standards which are effective from 01 July 2018 but they do not have a material effect on the Group's condensed interim financial statements. The details of new significant accounting policy adopted and the nature and effect of the changes from previous accounting policy are set out below:

##### **3.4.2.1 IFRS 15 'Revenue from Contracts with Customers'**

The Group is engaged in the sale of pharmaceutical products and medical devices. The contracts with customers for the sale of goods generally includes single performance obligation. Management has concluded that revenue from sale of goods be recognized at the point in time when control of the asset is transferred to the customer, which is when the goods are delivered to the customer. However, the adoption of IFRS 15 which has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations at 01 July 2018, did not have a material impact on the amounts of revenue recognized in these condensed interim consolidated financial statements except for reclassification of freight and forwarding cost from selling and distribution to sales. The corresponding figures have been represented to reflect this change on adoption of IFRS 15. Accordingly, selling and distribution expense of Rs. 27.3 million (31 March 2018: Rs. 15.4 million) has been reclassified to sales. This reclassification has no impact on the reported Earning per Share (EPS) of the corresponding period.

### 3.4.2.2 IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting and was effective for annual periods beginning on or after 01 July 2018. The Securities and Exchange Commission of Pakistan (SECP), vide its S.R.O. 229(I)/2019 dated 14 February 2019 has deferred the applicability of IFRS 9 for reporting period ended on 31 March 2019. IFRS 9 will now be applicable for reporting period / year ending on or after 30 June 2019.

Other than those disclosed above in note 3.4.2.1 and 3.4.2.2, there were certain other new amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed.

The following amendments and interpretations of approved accounting standards will be effective for accounting periods as detailed below:

- IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
- Amendment to IFRS 9 - Financial Instrument	01 January 2019
- IFRS 16 - Leases	01 January 2019
- Amendment to IAS 28 - Investments in associates and joint ventures - Long Term Interests in Associates and Joint Ventures	01 January 2019
- Amendment to IAS 19 - Employee benefits - Plan Amendment, Curtailment or Settlement	01 January 2019
- Amendment to IFRS 3 - Business Combinations – Definition of a Business	01 January 2019
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes	01 January 2019
- Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019

## 4 Short term borrowings - secured

### 4.1 With conventional financial institutions

The Group has short term running finance facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 875 million (2018: Rs. 1,000 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0.1% to 1.0% (2018: one to three months KIBOR plus 0.3% to 1.0%) per annum on the outstanding balances. Running finance facilities amounting to Rs. 450 million can interchangeably be utilized as non-funded facilities. Out of the aggregate facilities, Rs. 700 million (2018: Rs. 700 million) are secured by first pari passu charge of Rs. 1,421 million (2018: Rs. 1,621) over all present and future assets (current and fixed assets) of the respective Companies in the Group (excluding land and building) and remaining Rs. 300 million (2018: Rs. 300 million) facility 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. 333.33 million (2018: Rs. 333.33 million) in HBL funds is marked under lien. These facilities are renewable on annual basis latest by 30 April 2019 and 30 November 2019 respectively.



#### 4.2 With shariah compliant financial institutions

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

### 5 Contingencies and commitments

#### 5.1 Contingencies:

There is no significant change in contingencies already disclosed in preceding annual published financial statement of the Holding Company for the year ended 30 June 2018.

#### 5.2 Commitments

##### 5.2.1 Letter of credits

##### 5.2.1.1 With conventional financial institutions

Out of the aggregate facility of Rs. 750 million (2018: Rs. 850 million) for opening letters of credit, the amount utilized by the Group as at 31 March 2019 for capital expenditure was Rs. 113.54 million (2018: 192.52) and for other than capital expenditure was Rs. 279.65 (2018: Rs. 169.99 million). These facilities are secured by first pari passu charge of Rs. 1,421 million over all present and future assets (excluding land and building) of the respective Companies in the Group and lien over import documents.

##### 5.2.1.2 With shariah compliant financial institutions

The Holding Company has facility i.e. letters of credit of Rs. 75 million (2018: Rs. 75 million) availed from Islamic bank. The amount utilized as at 31 March 2019 for capital expenditure was Rs. Nil (2018: Rs. 1.64 million) and for other than capital expenditure was Rs. 52.20 million (2018: Rs. 54.87 million). Lien is also marked over import documents.

	Un-audited 31 March 2019	Audited 30 June 2018
	-----Rupees-----	
<b>6 Property, plant and equipment</b>		
<b>Cost</b>		
Opening balance	3,825,479,179	3,407,528,666
Additions during the period / year	132,656,757	477,306,255
Disposals during the period / year	(85,135,423)	(59,355,742)
Closing balance	3,873,000,513	3,825,479,179
<b>Accumulated depreciation</b>		
Opening balance	855,451,002	544,758,302
Depreciation for the period / year	294,134,745	360,840,669
Relating to disposals	(56,640,201)	(50,147,969)
Closing balance	1,092,945,546	855,451,002
<b>Operating assets-net book value</b>	2,780,054,967	2,970,028,177
<b>Capital work in progress</b>	315,219,559	105,136,237
<b>Net book value</b>	3,095,274,526	3,075,164,414

		Un-audited 31 March 2019	Audited 30 June 2018
	Note	----- Rupees -----	
<b>7 Short term investments</b>			
<b><u>Investments at fair value through profit or loss - Mutual Funds</u></b>			
Held for trading	7.1	386,583,543	941,746,224
<b><u>Investments at amortized cost - Government Securities</u></b>			
Market treasury bills		380,902,135	-
		<b>767,485,678</b>	<b>941,746,224</b>
<b>7.1</b> These investments are 'held for trading'			
Carrying value at 01 July		941,746,224	855,943,421
Acquisition during the period/year		73,954,038	317,010,000
Redemption during the period/year		(618,361,047)	(268,427,399)
Realized (loss)/gain on sale of investment - during the period/year		(11,429,395)	6,158,532
Unrealized gain on re-measurement of investment - during the period/year		673,723	31,061,670
Carrying and fair value of short term investments at 31 March / 30 June	7.1.1	<b>386,583,543</b>	<b>941,746,224</b>
		<b>Units</b>	<b>Fair value</b>
		Un-audited Audited	Un-audited Audited
		31 March 30 June	31 March 30 June
		2019 2018	2019 2018
		.....Number.....	.....Rupees.....

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

HBL Money Market Fund	2,128,931	2,042,626	229,787,650	218,868,503
HBL Cash Fund	1,146,136	1,550,552	115,885,057	164,301,807
MCB Pakistan Stock Market Fund	206,559	206,559	18,514,486	19,584,236
MCB Cash Management Optimizer Fund	198,916	3,693,953	20,000,000	391,315,609
ABL Cash Fund	81,732	-	852,502	-
Faysal Savings Growth Fund	7,718	7,425	827,548	794,481
Faysal MTS Fund	6,706	6,414	716,300	679,363
NAFA Money Market Fund	-	10,641,065	-	110,720,285
ABL Government Securities Fund	-	3,371,142	-	35,481,940
			<b>386,583,543</b>	<b>941,746,224</b>

**7.1.2** Changes in fair values of financial assets at fair value through profit or loss are recorded in profit and loss account. Realized loss of Rs. 11.43 million (31 March 2018: Realized gain of Rs. 1.97 million) has been recorded in the current period in "other expenses" (31 March 2018: Other income). These investments comprise of mutual funds (money market / income fund).

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

**8 Cash and bank balances**

**8.1** These include bank accounts of Rs. 0.67 million (30 June 2018: Rs. 0.67 million) maintained under Shariah compliant arrangements.

**8.2** These include deposit accounts of Rs. 51.51 million (30 June 2018: Rs. 7.94 million) under mark up arrangements, which carry interest rate ranging from 4.5% to 8.25% (30 June 2018: 3.5% - 4.57%) per annum.

These also include deposit account of Rs. 0.001 million (30 June 2018: Rs. 0.001 million) under Shariah compliant arrangements, which carries profit rate of 2.40% to 5.05% (30 June 2018: 2.40%) per annum.

	(Un-audited) Nine months ended		(Un-audited) Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
<i>Note</i>	----- Rupees -----		----- Rupees -----	
<b>9 Revenue - net</b>				
<i>Gross sales:</i>				
Local	4,238,149,122	4,056,037,999	1,469,733,669	1,397,647,039
Export	145,876,259	103,039,656	54,965,526	36,082,974
	<b>4,384,025,381</b>	4,159,077,655	<b>1,524,699,195</b>	1,433,730,013
<i>Less:</i>				
Sales returns	(74,722,683)	(55,403,019)	(21,805,125)	(17,314,215)
Discounts and commission	(216,189,146)	(252,494,454)	(85,837,031)	(81,539,509)
Freight	(27,299,317)	(15,404,378)	(7,485,282)	(15,404,378)
Sales tax	(6,631,580)	(16,998,247)	(1,461,639)	(929,267)
	<b>(324,842,726)</b>	(340,300,098)	<b>(116,589,077)</b>	(115,187,369)
	<b>4,059,182,655</b>	3,818,777,557	<b>1,408,110,118</b>	1,318,542,644

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

	(Un-audited) Nine months ended		(Un-audited) Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- Rupees -----		----- Rupees -----	
<b>10 Cost of sales</b>				
Raw and packing materials consumed	892,248,838	788,364,043	295,160,144	245,548,116
Other manufacturing expenses	681,857,241	556,358,631	224,157,524	202,201,555
	<b>1,574,106,079</b>	1,344,722,674	<b>519,317,668</b>	447,749,671
<i>Work in process:</i>				
Opening	71,287,001	76,419,116	107,419,538	79,491,262
Closing	(119,288,983)	(58,592,043)	(119,288,983)	(58,592,043)
	<b>(48,001,982)</b>	17,827,073	<b>(11,869,445)</b>	20,899,219
<i>Cost of goods manufactured</i>	<b>1,526,104,097</b>	1,362,549,747	<b>507,448,223</b>	468,648,890
<i>Finished stock:</i>				
Opening	773,414,598	1,160,681,400	868,756,030	932,557,222
Purchases made during the period	1,034,885,856	931,714,837	301,517,966	329,119,736
Closing	(746,714,551)	(837,691,308)	(746,714,551)	(837,691,308)
	<b>1,061,585,903</b>	1,254,704,929	<b>423,559,445</b>	423,985,650
	<b>2,587,690,000</b>	2,617,254,676	<b>931,007,668</b>	892,634,540
<b>10.1 Raw and packing materials consumed</b>				
Opening	392,398,201	472,681,955	442,110,035	398,979,870
Purchases made during the period	926,405,634	678,108,188	279,605,106	208,994,346
	<b>1,318,803,835</b>	1,150,790,143	<b>721,715,141</b>	607,974,216
Closing	(426,554,997)	(362,426,100)	(426,554,997)	(362,426,100)
	<b>892,248,838</b>	788,364,043	<b>295,160,144</b>	245,548,116

10.2 The amount charged to profit or loss statement on account of write down of finished goods to net realizable value amounts to Rs. 32.79 million (31 December 2017: Rs. 214.1 million).

## 11 Transactions with related parties

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

	<b>(Un-audited) Nine months ended</b>	
	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>----- Rupees -----</b>	
<b>Other related parties</b>		
Contribution towards employees' provident fund	<b>30,419,195</b>	27,323,932
Remuneration including benefits and perquisites of key management personnel	<b>130,191,883</b>	120,994,374

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

	<b>Unclaimed dividend</b>	<b>Accrued mark-up</b>	<b>Total</b>
	<b>----- Rupees -----</b>		
<b><u>As at 30 June 2018</u></b>	82,143,724	539,624	82,683,348
<b><u>Changes from financing cash flows</u></b>			
Dividend paid	(125,879,484)	-	(125,879,484)
Financial charges paid	-	(13,813,428)	(13,813,428)
<b>Total changes from financing cash flows</b>	<b>(125,879,484)</b>	<b>(13,813,428)</b>	<b>(139,692,912)</b>
<b><u>Other changes</u></b>			
Dividend approved	120,747,364	-	120,747,364
Interest / markup expense	-	18,522,116	18,522,116
<b>Total liability related other changes</b>	<b>120,747,364</b>	<b>18,522,116</b>	<b>139,269,480</b>
<b><u>As at 31 March 2019</u></b>	<b>77,011,604</b>	<b>5,248,312</b>	<b>82,259,916</b>

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

**13.1** The Group's financial risk management objective and policies are consistent with that disclosed in the annual consolidated financial statements of the Holding Company for the year ended 30 June 2018. The exposure to credit risk relates to trade and other receivables which are majorly due from Government institutions and the Company does not expect these institutions to fail to meet their obligations. The increase in trade receivables is due to increase in sales to Government institutions as historically recovery from these are slow.

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

	Carrying Amount						Fair Value		
	Cash and cash equivalents	Fair Value through Income Statement	Loans and receivables	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- Rupees -----									
<b>31 March 2019</b>									
<b>Financial assets measured at fair value:</b>									
Short term investments	-	386,583,543	-	380,902,135	-	767,485,678	767,485,678	-	-
<b>Financial assets not measured at fair value:</b>									
Long term deposits	-	-	11,633,325	-	-	11,633,325	-	-	-
Trade debts - considered good	-	-	806,658,612	-	-	806,658,612	-	-	-
Loans and advances - considered good	-	-	1,046,019	-	-	1,046,019	-	-	-
Short term deposits	-	-	170,324,443	-	-	170,324,443	-	-	-
Other receivables	-	-	98,647,889	-	-	98,647,889	-	-	-
Bank balances	93,265,134	-	-	-	-	93,265,134	-	-	-
	<b>93,265,134</b>	-	<b>1,088,310,288</b>	-	-	<b>1,181,575,422</b>	-	-	-
<b>Financial liabilities measured at fair value:</b>	-	-	-	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value:</b>									
Trade and other payables	-	-	-	-	744,392,630	744,392,630	-	-	-
Unclaimed dividend	-	-	-	-	77,011,604	77,011,604	-	-	-
Short term borrowing	-	-	-	-	201,650,375	201,650,375	-	-	-
Accrued mark-up	-	-	-	-	5,248,312	5,248,312	-	-	-
	-	-	-	-	<b>1,028,302,921</b>	<b>1,028,302,921</b>	-	-	-
<b>30 June 2018</b>									
<b>Financial assets measured at fair value:</b>									
Short term investments	-	941,746,224	-	-	-	941,746,224	941,746,224	-	-
<b>Financial assets not measured at fair value:</b>									
Long term deposits	-	-	11,613,325	-	-	11,613,325	-	-	-
Trade debts - considered good	-	-	604,467,682	-	-	604,467,682	-	-	-
Loans and advances - considered good	-	-	21,906,685	-	-	21,906,685	-	-	-
Short term deposits	-	-	190,727,754	-	-	190,727,754	-	-	-
Other receivables	-	-	69,534,001	-	-	69,534,001	-	-	-
Bank balances	280,188,463	-	-	-	-	280,188,463	-	-	-
	<b>280,188,463</b>	-	<b>898,249,447</b>	-	-	<b>1,178,437,910</b>	-	-	-
<b>Financial liabilities measured at fair value:</b>	-	-	-	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value:</b>									
Trade and other payables	-	-	-	-	717,349,450	717,349,450	-	-	-
Unclaimed dividend	-	-	-	-	82,143,724	82,143,724	-	-	-
Short term borrowing	-	-	-	-	100,525,853	100,525,853	-	-	-
Accrued mark-up	-	-	-	-	539,624	539,624	-	-	-
	-	-	-	-	<b>900,558,651</b>	<b>900,558,651</b>	-	-	-

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

The Board of Directors of the Company in its meeting held on 17 April 2019 has authorized to issue these condensed interim consolidated financial statements.

**15 Corresponding figures**

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








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










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IN PHARMACEUTICALS



**FEROZSONS**  
LABORATORIES LIMITED

Registered Office: 197-A, The Mall, Rawalpindi, 46000 (Pakistan),

Phones: +92-51-4252155-57 Fax: +92-51-4252153

email: [cs@ferozsons-labs.com](mailto:cs@ferozsons-labs.com) [www.ferozsons-labs.com](http://www.ferozsons-labs.com)