



**FEROZSONS**  
LABORATORIES LIMITED

**CONDENSED INTERIM  
FINANCIAL INFORMATION  
FOR THE HALF YEAR  
ENDED 31 DECEMBER 2019**

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**30** YEARS  
OF TRUST & DEVOTION





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PATIENTS  
FIRST**

# CORPORATE INFORMATION

## Board of Directors

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

Chairperson  
Chief Executive

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

## Audit Committee

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

Chairman  
Member  
Member  
Member

## Investment Committee

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

Chairman  
Member  
Member

## HR & Remuneration Committee

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

Chairman  
Member  
Member  
Member

## Company Secretary

Syed Ghausuddin Saif

## Legal Advisors

Khan & Piracha

## Chief Financial Officer

Mr. Muhammad Farhan Rafiq

## Share Registrar

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

## Head of Internal Audit

Mr. Rizwan Hameed Butt

## External Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Factory

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

## Internal Auditors

EY Ford Rhodes  
Chartered Accountants

## Head Office

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

## Bankers

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

## Sales Office Lahore

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

## Registered Office

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

## Sales Office Karachi

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

# DIRECTORS' REVIEW

## OF CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED 31 DECEMBER 2019

We are pleased to present a brief review of your Company's un-audited Standalone and Consolidated condensed interim financial information for the six months ended 31 December 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			
	6 Months 31-Dec-19	6 Months 31-Dec-18	3 Months 31-Dec-19	3 Months 31-Dec-18	6 Months 31-Dec-19	6 Months 31-Dec-18	3 Months 31-Dec-19	3 Months 31-Dec-18
(Rupees in thousand)								
Sales (net)	2,523,155	2,350,857	1,334,327	1,304,716	2,856,851	2,659,840	1,519,974	1,446,535
Gross profit	1,114,158	990,283	601,829	550,752	1,117,413	983,344	591,451	528,037
Profit before tax	242,040	200,458	116,155	104,630	215,843	152,546	91,786	59,938
Profit after tax	178,128	141,569	95,126	76,952	149,695	98,605	73,374	26,154
Earnings per share	5.90	4.69	3.15	2.55	5.13	3.56	2.56	1.21

Standalone net sales of your Company grew by 7% for the six months period and 2% for the 2nd quarter. At the group level, consolidated net sales increased by 7% and 5% respectively over the corresponding period last year.

Our in-market generic sales increased by 24% during the half-year, whereas sales to institutions of generic and imported products declined by 22% over the corresponding period last year mainly due to reduced public sector procurement of medicines/devices by Government.

The gross profit margin stands at 44% for the six months period under review, compared to 42% in the same period of last year. In absolute terms, the gross profit grew by 13%. The improvement in gross profit margin is primarily due to favorable change in the product portfolio and lower tender sales.

Selling and distribution expenses increased by 22% over the corresponding period last year. The increase was primarily due to the proportionate accrual of annual sales conference expenses during the current period, compared to booking of expenses at actual in 3rd quarter last year. The change in accounting policy has been made in light of better presentation of financial information and consistency of accounting practices with the industry.

Other expenses decreased by 66%, mainly due to exchange loss in the corresponding period of last year. Other income grew by 43%, primarily due exchange gain and higher income from investments because of increase in policy rate by central bank.

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Net Profit After Tax for the Company stands at Rs. 178.13 million for the six months period and Rs. 95.13 million for the 2nd quarter under review. Accordingly, earnings per share stands at Rs. 5.90 per share for the half-year, compared to Rs. 4.69 per share over the corresponding period last year.

### BF Biosciences Limited Operational Status

The Company's subsidiary BF Biosciences Limited closed its net sales at Rs. 229.19 million for the six months period and Rs. 129.33 million for the 2nd quarter under review, depicting an increase of 5% over the corresponding period last year. Net loss after tax stands at Rs. 16.31 million as compared to Rs. 33.52 million last period.

Subsequent to the period end, production of Omega Intravenous injections has started, and sales will start reflecting in coming quarters as well. Our subsidiary Company is also waiting for regulatory approval for a novel vaccine for Hepatitis E, which has reached hyperendemic status in Pakistan, and is especially dangerous in pregnancy, patients with pre-existing liver disease and the elderly. Mortality rate may vary from 0.4% - 4.0% except in pregnancy, where it may reach 20% in the last trimester. Once the competent authority approves our application, it can help prevent the deaths resulting from Hepatitis E in Pakistan.

### Future Outlook

The management of your Company is fully committed to helping address the unmet needs of patients while enhancing shareholder value. While the macro-economic environment remains challenging, gradual recovery is expected once there is some degree of macroeconomic stability and consistency in governance and policymaking.

Based on industry data, volume growth of medicines has grown by only 2.45% on a 12-month basis. For the last quarter, this has slowed down to zero, primarily due to increased inflation and reduced purchasing power of patients. We expect this slow-down to continue until the economy starts picking up. Your Company will continue to strive to achieve consistent organic growth in this challenging environment, and to supplement its growth with new product launches and penetration in existing and new export markets.

### Acknowledgments

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

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

**Mr. Osman Khalid Waheed**

Chief Executive Officer

**Mrs. Akhter Khalid Waheed**

Chairperson

**Lahore**

28 February 2020

## BF بائیوسائنسز لمیٹڈ کی آپریشنل صورتحال

اس ششماہی کے دوران اور زیر جائزہ دوسری سہ ماہی کے دوران کمپنی کی ذیلی کمپنی BF بائیوسائنسز لمیٹڈ کی خالص فروخت بالترتیب 229.19 ملین روپے اور 129.33 ملین روپے رہی، جس میں پچھلے سال کے اسی عرصہ کے مقابلے میں 5% اضافہ دیکھنے کو ملا۔ بعد از ٹیکس خسارہ (NLAT) 16.31 ملین روپے رہا جو کہ پچھلے عرصہ کے دوران 33.52 ملین روپے تھا۔

دوسری سہ ماہی کے اختتام کے بعد رگ میں لگائے جانے والے او میگا انجیکشن (Omega Intravenous Injections) کی پیداوار شروع ہو چکی ہے اور آئندہ سہ ماہیوں میں اس کی فروخت بھی شروع ہو جائے گی۔ ہماری ذیلی کمپنی سپائٹائٹس E کی ایک نئی ویکسین کی قانونی منظوری کیلئے بھی منتظر ہے، سپائٹائٹس E کا مرض پاکستان میں کافی عام ہو چکا ہے اور حاملہ خواتین، جگر کے مریضوں اور بوڑھوں کیلئے خاص طور پر خطرناک ہے۔ شرح اموات 0.4% سے لیکر 4.0% تک رہ سکتی ہے تاہم حمل کی آخری سہ ماہی کے دوران یہ شرح 20% تک جا سکتی ہے۔ ہماری درخواست جب مجاز اتھارٹی سے منظور ہو جائے گی تو اس سے پاکستان میں سپائٹائٹس E کے سبب ہونے والی اموات کو روکنے میں مدد مل سکتی ہے۔

## مستقبل کے امکانات کا جائزہ

آپ کی کمپنی کی انتظامیہ مریضوں کی ادھوری ضروریات کو پورا کرنے کیلئے کام کرنے اور حصص داروں کی دولت میں اضافے کیلئے پُر عزم ہے۔ جیسا کہ معاشی حالات میں مشکلات کا سامنا ہے، تاہم ایک دفعہ معاشی استحکام آجائے اور گورننس اور پالیسی سازی میں تسلسل آجائے تو بتدریج بہتری کی توقع کی جاسکتی ہے۔

انڈسٹری کے اعداد و شمار کے مطابق، 12 ماہ کے دوران ادویات کی مقدار فروخت میں صرف 2.45% اضافہ ہوا۔ پچھلی سہ ماہی کو دیکھا جائے تو اس میں کوئی اضافہ نہیں ہوا، جس کی بڑی وجہ مہنگائی میں اضافہ اور مریضوں کی قوت خرید میں کمی ہے۔ معیشت کے سنبھلنے تک ایسا ہی جاری رہنے کا امکان ہے۔

آپ کی کمپنی نامیاتی ترقی (Organic Growth) کیلئے، نئی مصنوعات متعارف کروانے کیلئے اور برآمد کی موجودہ اور نئی مارکیٹوں میں سرایت کرنے کیلئے انتھک کوششیں کرتی 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

مسز اختر خالد وحید

چیئر پرسن

مسٹر عثمان خالد وحید

چیف ایگزیکٹو آفیسر

لاہور

28 فروری 2020



## 31 دسمبر 2019 پر ختم ہونے والی ششماہی کے مختصر عبوری مالیاتی نتائج پر ڈائریکٹرز کی جائزہ رپورٹ

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

### آپریٹنگ اور مالیاتی کارکردگی

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

انضمام کردہ				انفرادی			
3 مہینے	3 مہینے	6 مہینے	6 مہینے	3 مہینے	3 مہینے	6 مہینے	6 مہینے
31 دسمبر	31 دسمبر	31 دسمبر	31 دسمبر	31 دسمبر	31 دسمبر	31 دسمبر	31 دسمبر
2018	2019	2018	2019	2018	2019	2018	2019
(ہزار روپے)							
1,446,535	1,519,974	2,659,840	2,856,851	1,304,716	1,334,327	2,350,857	2,523,155
528,037	591,451	983,344	1,117,413	550,752	601,829	990,283	1,114,158
59,938	91,786	152,546	215,843	104,630	116,155	200,458	242,040
26,154	73,374	98,605	149,695	76,952	95,126	141,569	178,128
1.21	2.56	3.56	5.13	2.55	3.15	4.69	5.90
فروخت (خالص)				فروخت (خالص)			
خام منافع				خام منافع			
قبل از ٹیکس منافع				قبل از ٹیکس منافع			
بعد از ٹیکس منافع				بعد از ٹیکس منافع			
فی حصص آمدن				فی حصص آمدن			

کمپنی کی انفرادی فروخت (خالص) میں اس ششماہی کے دوران 7% اضافہ ہوا جبکہ دوسری سہ ماہی کے دوران 2% اضافہ ہوا۔ جبکہ گروپ کی فروخت (خالص) میں دوسری ششماہی کے دوران 7% اضافہ ہوا جبکہ اس سہ ماہی کے دوران گزشتہ سال کی اسی سہ ماہی کے مقابلے میں 5% اضافہ ہوا۔

پچھلے سال کے اسی عرصہ سے موازنہ کریں تو اس ششماہی کے دوران پرائیویٹ مارکیٹ میں ہماری جنیرک مارکہ مصنوعات کی فروخت میں 24% اضافہ ہوا جبکہ اداروں کو جنیرک اور درآمد کردہ مصنوعات کی فروخت میں 22% کی واقع ہوئی جسکی بڑی وجہ سرکاری سطح پر صحت عامہ کیلئے دوائیوں اور آلات کی خریداری میں کمی واقع ہونا ہے۔

زیر جائزہ ششماہی کے دوران آپ کی کمپنی کے گراس منافع (GP) کی گنجائش 44% رہی جو کہ پچھلے سال کی اسی ششماہی کے دوران 42% تھی۔ حقیقی لحاظ سے گراس منافع (GP) کی گنجائش میں 13% اضافہ ہوا۔ گراس منافع (GP) کی گنجائش میں بہتری واقع ہوئی جسکی وجہ مصنوعات کے پورٹ فولیو میں فائدہ مند تبدیلی اور فروخت بذریعہ ٹینڈر میں کمی ہے۔

فروخت اور ڈسٹری بیوٹن کے اخراجات میں زیر جائزہ عرصہ کے دوران پچھلے سال کی اسی عرصہ کے مقابلے میں 22% اضافہ ہوا ہے۔ اس اضافے کی بنیادی وجہ یہ ہے کہ سالانہ سیلز کانفرنس کے اخراجات کا متناسب حصہ اس عرصہ کے دوران ریکارڈ کر لیا گیا ہے جبکہ پچھلے سال یہ اخراجات تیسری سہ ماہی کے دوران خرچہ کرتے وقت ریکارڈ کئے گئے تھے۔ مالی معلومات کو بہتر طور پر پیش کرنے کیلئے اور اکاؤنٹنگ معیار کو انڈسٹری سے ہم آہنگ کرنے کیلئے اکاؤنٹنگ پالیسی میں یہ تبدیلی لائی گئی ہے۔

دیگر اخراجات میں 66% کمی ہوئی جسکی بڑی وجہ پچھلے سال کے اسی عرصہ میں ہونے والا مبادلہ کا نقصان (Exchange loss) ہے۔ جبکہ مبادلہ کے منافع (Exchange gain) کے سبب اور مرکزی بینک کے پالیسی ریٹ بڑھانے کے نتیجے میں سرمایہ کاری سے زیادہ منافع ہونے کے سبب دیگر آمدن میں 43% اضافہ ہوا۔

کمپنی کا اس ششماہی کیلئے بعد از ٹیکس منافع 178.13 ملین روپے رہا جبکہ زیر جائزہ دوسری سہ ماہی کیلئے بعد از ٹیکس منافع 95.13 ملین روپے رہا۔ چنانچہ اس ششماہی کیلئے فی حصص آمدن 5.90 روپے فی حصص رہی جو کہ پچھلے سال کے اس عرصہ میں 4.69 روپے فی حصص تھی۔

# OUR FINANCIAL STATEMENTS





KPMG Taseer Hadi & Co.  
Chartered Accountants  
351 Shadman-1, Jail Road,  
Lahore 54000 Pakistan  
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Ferozsons Laboratories Limited

### Report on Review of Condensed Interim Unconsolidated Financial Statements

#### Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **Ferozsons Laboratories Limited ("the Company")** as at 31 December 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, and notes to the unconsolidated financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

#### Scope of Review

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

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim unconsolidated financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

#### Other matter

The figures of the condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income for the quarter ended 31 December 2019 and 31 December 2018, have not been reviewed by us and we do not express a conclusion on them.

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

Lahore

Date: 28 February 2020

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

RR0320



## Ferozsons Laboratories Limited

### Condensed Interim Unconsolidated Statement of Financial Position

As at 31 December 2019

	Un-audited 31 December 2019	Audited 30 June 2019	Note	ASSETS	Un-audited 31 December 2019	Audited 30 June 2019	Note
	Rupees				Rupees		
<b>EQUITY AND LIABILITIES</b>							
<b><u>Share capital and reserves</u></b>				<b><u>Non-current assets</u></b>			
Authorized share capital				Property, plant and equipment	2,859,277,800	2,720,876,300	5
50,000,000 (30 June 2019: 50,000,000) ordinary				Intangibles	441,049	731,179	
shares of Rs. 10 each	500,000,000	500,000,000		Long term investments - related parties	327,534,816	314,545,924	6
				Long term deposits	9,787,325	7,086,325	
Issued, subscribed and paid up capital	301,868,410	301,868,410			3,197,040,990	3,043,239,728	
Capital reserve	321,843	321,843		<b><u>Current assets</u></b>			
Accumulated profit	3,950,579,031	3,879,504,557		Stores, spare parts and loose tools	26,637,898	20,878,123	
Revaluation surplus on property, plant and equipment	742,119,484	755,732,295		Stock in trade	1,489,461,920	1,170,925,851	
	4,994,888,768	4,937,427,105		Trade debts - considered good	1,043,543,269	887,452,305	
<b><u>Non current liabilities</u></b>				Loans and advances - considered good	38,471,903	24,399,746	
Deferred taxation	169,255,285	178,928,506		Deposits and prepayments	163,906,188	151,088,839	
				Other receivables	67,534,901	67,564,290	
<b><u>Current liabilities</u></b>				Income tax - net	237,917,777	202,002,562	7
Trade and other payables	1,167,379,008	1,006,902,101		Short term investments	372,563,393	451,847,651	8
Short term borrowings - secured	301,078,267	-	3	Cash and bank balances	81,117,161	183,447,782	
Unclaimed dividend	79,811,719	75,156,815			3,521,154,410	3,159,607,149	
Accrued mark-up	5,782,353	4,432,350					
	1,554,051,347	1,086,491,266					
<b>Contingencies and commitments</b>			4				
	6,718,195,400	6,202,846,877					

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

Chief Executive Officer

Chief Financial Officer

Director

# Ferozsons Laboratories Limited

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

For the half year ended 31 December 2019

	Note	Half year ended		Quarter ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		Rupees	Rupees	Rupees	Rupees
Sales - net	9	2,523,155,152	2,350,857,058	1,334,327,324	1,304,716,285
Cost of sales	10	(1,408,996,902)	(1,360,573,668)	(732,498,652)	(753,964,675)
<b>Gross profit</b>		<b>1,114,158,250</b>	<b>990,283,390</b>	<b>601,828,672</b>	<b>550,751,610</b>
Administrative expenses		(185,299,271)	(173,817,019)	(92,484,589)	(91,364,837)
Selling and distribution expenses		(723,005,004)	(593,442,934)	(409,792,268)	(335,072,630)
Other expenses		(20,082,783)	(59,369,912)	(9,537,842)	(44,214,552)
Other income		68,205,295	47,677,104	33,730,212	31,194,364
<b>Profit from operations</b>		<b>253,976,487</b>	<b>211,330,629</b>	<b>123,744,185</b>	<b>111,293,955</b>
Finance cost		(11,937,037)	(10,872,594)	(7,589,048)	(6,663,600)
<b>Profit before taxation</b>		<b>242,039,450</b>	<b>200,458,035</b>	<b>116,155,137</b>	<b>104,630,355</b>
Taxation		(63,911,259)	(58,888,674)	(21,029,211)	(27,678,259)
<b>Profit after taxation</b>		<b>178,128,191</b>	<b>141,569,361</b>	<b>95,125,926</b>	<b>76,952,096</b>
Earnings per share - basic and diluted		<b>5.90</b>	<b>4.69</b>	<b>3.15</b>	<b>2.55</b>

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

Chief Executive Officer

Chief Financial Officer

Director

## Ferozsons Laboratories Limited

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

For the half year ended 31 December 2019

	Half year ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	----- Rupees -----		----- Rupees -----	
<b>Profit after taxation</b>	<b>178,128,191</b>	141,569,361	<b>95,125,926</b>	76,952,096
<b><u>Items that will not be reclassified to profit or loss</u></b>				
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>178,128,191</b>	141,569,361	<b>95,125,926</b>	76,952,096

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

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

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director



Ferozsons Laboratories Limited  
Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)  
For the half year ended 31 December 2019

	Capital reserve		Revenue reserve		Total
	Share capital	Capital reserve	Revaluation surplus on property, plant and equipment	Accumulated profit	
	----- Rupees -----				
<b>Balance as at 01 July 2018</b>	301,868,410	321,843	789,650,185	3,721,832,574	4,813,673,012
<b>Total comprehensive income for the period</b>	-	-	-	141,569,361	141,569,361
<b><u>Surplus transferred to accumulated profit</u></b>					
- On account of incremental depreciation charged during the period - net of tax	-	-	(13,690,517)	13,690,517	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	11,477	-	11,477
<b><u>Transactions with owners of the Company, recognized directly in Equity - Distributions</u></b>					
Final dividend for the year ended 30 June 2018 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)
<b>Balance as at 31 December 2018 - unaudited</b>	301,868,410	321,843	775,971,145	3,816,718,770	4,894,880,168
<b>Balance as at 01 July 2019</b>	301,868,410	321,843	755,732,295	3,879,504,557	4,937,427,105
<b>Total comprehensive income for the period</b>	-	-	-	178,128,191	178,128,191
<b><u>Surplus transferred to accumulated profit</u></b>					
- On account of incremental depreciation charged during the period - net of tax	-	-	(13,693,647)	13,693,647	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	80,836	-	80,836
<b><u>Transactions with owners of the Company, recognized directly in Equity - Distributions</u></b>					
Final dividend for the year ended 30 June 2019 at Rs. 4 per share	-	-	-	(120,747,364)	(120,747,364)
<b>Balance as at 31 December 2019 - unaudited</b>	301,868,410	321,843	742,119,484	3,950,579,031	4,994,888,768

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

Chief Executive Officer

Chief Financial Officer

Director

Ferozsons Laboratories Limited  
Condensed Interim Unconsolidated Statement of Cash Flows (Un-audited)  
For the half year ended 31 December 2019

**Cash flow from operating activities**

Profit before taxation

*Adjustments for non-cash and other items:*

Depreciation on property, plant and equipment

Amortisation of intangibles

Trade debts directly written off

Gain on disposal of property, plant and equipment

Finance cost

Dividend income

Profit on bank deposits

(Gain) / loss on re-measurement of short term investments to fair value

(Gain) / loss on sale of short term investments

Share in profit of Farmacia

Workers' Profit Participation Fund

Central Research Fund

Workers' Welfare Fund

**Cash generated from operations before working capital changes**

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

*(Increase) / decrease in 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

*Increase in current liabilities*

Trade and other payables

**Cash generated from / (used in) operations**

Taxes paid

Central Research Fund paid

Long term deposits - net

**Net cash used in operating activities**

**Cash flow from investing activities**

Acquisition of property, plant and equipment

Proceeds from sale of property, plant and equipment

Dividend income

Profit on bank deposits received

Short term investments - net

**Net cash used in investing activities**

**Cash flow from financing activities**

Finance cost paid

Dividend paid

**Net cash used in financing activities**

**Net decrease in cash and cash equivalents**

**Cash and cash equivalents at beginning of the period**

**Cash and cash equivalents at end of the period**

**Cash and cash equivalents comprise of the following:**

Cash and bank balances

Running finance

Half year ended	
31 December 2019	31 December 2018
Rupees	
242,039,450	200,458,035
156,736,947	140,815,737
290,130	903,771
-	15,309,358
(16,240,766)	(16,344,184)
11,937,037	10,872,594
(7,564,355)	(21,626,604)
(1,849,150)	(534,831)
(16,112,049)	3,565,859
(668,434)	1,240,230
(12,988,892)	(8,321,501)
12,975,051	11,060,959
2,621,222	2,234,537
4,486,510	4,894,103
133,623,251	144,070,028
375,662,701	344,528,063
(5,759,775)	17,678,673
(318,536,069)	(110,481,948)
(156,090,964)	(236,834,188)
(14,072,157)	2,190,451
(12,817,349)	(42,292,139)
29,388	(56,824,420)
(507,246,926)	(426,563,571)
152,821,427	30,939,631
21,237,202	(51,095,877)
(118,291,144)	(128,077,947)
(3,555,017)	(2,283,549)
(2,701,000)	(20,000)
(103,309,959)	(181,477,373)
(302,560,751)	(303,517,916)
23,663,070	25,838,175
7,564,355	21,626,604
1,849,150	534,831
96,064,741	161,246,540
(173,419,435)	(94,271,766)
(10,587,034)	(5,890,054)
(116,092,460)	(56,223,567)
(126,679,494)	(62,113,621)
(403,408,888)	(337,862,760)
183,447,782	100,326,927
(219,961,106)	(237,535,833)
81,117,161	100,475,180
(301,078,267)	(338,011,013)
(219,961,106)	(237,535,833)

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

Chief Executive Officer

Chief Financial Officer

Director

# Ferozsons Laboratories Limited

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

For the half year ended 31 December 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 financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, *Interim Financial Reporting*, 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 the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 2.2 Basis of accounting

**2.2.1** These condensed interim unconsolidated financial statements comprises the condensed interim unconsolidated statement of financial position of the Company as at 31 December 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** These 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 2019. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

**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 2019, 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 six months period ended 31 December 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 these 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 2019.

## 2.4 Statement of consistency in accounting policies

**2.4.1** The accounting policies and the methods of computation adopted in the preparation of these 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 2019 except for the adoption of new standards effective as of 01 July 2019 as stated below:

### 2.4.2 Change in accounting policy

The Company has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from the annual periods beginning on or after 01 January 2019. There are other new standards which are effective from 01 July 2019 but they do not have a material effect on the Company's condensed interim financial statements. The detail of new significant accounting policy adopted and the nature and effect of the change from previous accounting policy is set out below:

#### **IFRS 16 - Leases**

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company has elected to apply practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 July 2019.

#### **As a lessee**

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right of use assets and lease liabilities for material leases i.e. these leases are on balance sheet.

The Company presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

The Company presents non-current and current portion of related lease liabilities in the statement of financial position considering their due dates for payment.

### **Significant accounting policies**

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has used its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement.

The Company has elected not to recognize right of use assets and lease liabilities for leases of its warehouses that are of low value or with less than 12 months of lease term. The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

### **Transition**

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- did not recognize right of use assets and liabilities for leases of low value items.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

### **Impact on financial statements**

The Company has applied IFRS 16 using the modified retrospective approach. However none of the leases prior to 01 July 2019 have been considered as significant for purpose of application of IFRS 16 and accordingly the application of IFRS 16 has no impact on the opening retained earnings.

- 2.4.3** 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:

### **Amendments and interpretations of approved accounting standards**

- |  |                 |
|--|-----------------|
| - IFRS 14 Regulatory Deferral Accounts                                   | 01 January 2020 |
| - Amendment to IFRS 3 - Business Combinations – Definition of a Business | 01 January 2020 |

- |  |                 |
|--|-----------------|
| - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors   | 01 January 2020 |
| - Revised Conceptual Framework for Financial Reporting. Tool for the IASB to develop standards and to assist the IFRS Interpretations. | 01 January 2020 |
| - Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7   | 01 January 2020 |

### 3 Short term borrowings - secured

There were no major changes in any of the facilities during the period. All terms and conditions applicable on short term borrowings availed are same as those disclosed in the annual financial statements of the Company for the year ended 30 June 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 2019.

#### 4.2 Commitments

##### 4.2.1 Letter of credits

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

Out of the aggregate facility of Rs. 1,050 million (30 June 2019: Rs. 1,050 million) for opening letters of credit, the amount utilized as at 31 December 2019 for capital expenditure was Rs. 64.98 million (30 June 2019: Rs. 131.27 million) and for other than capital expenditure was Rs. 22 million (30 June 2019: Rs. 77.38 million). Out of these facilities, Rs. 750 million can interchangeably be utilized as running finance. These facilities are secured by joint pari passu charge over all present and future current assets of the Company and lien on Company's short term investments (money market/cash fund).

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

The Company has facility i.e. letters of credit of Rs. 275 million (30 June 2019: Rs. 275 million) including interchangeable limit of running musharakah of Rs. 200 million (30 June 2019: Rs. 200 million) available from Islamic bank. The amount utilized as at 31 December 2019 for capital expenditure was Rs. 4.88 million (30 June 2019: Rs. 2.82 million) and for other than capital expenditure was Rs. 29.46 million (30 June 2019: Rs. 100.52 million). Lien is also marked over import documents.

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

##### 4.2.2.1 *Under Mark up arrangements*

Out of the aggregate facility of Rs. 500 million (30 June 2019: Rs. 500 million) for letter of guarantees ( which is the sub limit of running finance and letter of credits), the amount utilized as at 31 December 2019 was Rs. 96.04 million (30 June 2019: Rs. 51.40 million).

#### 4.2.2.2 Under Shariah compliant arrangements

The Company has facility i.e. letter of guarantee of Rs. 25 million (30 June 2019: Rs. 25 million) available from Islamic bank, the amount utilized at 31 December 2019 was Rs. 6.45 million (30 June 2019: Rs. 6.45 million).

		Un-audited 31 December 2019	Audited 30 June 2019
		-----Rupees-----	
<b>5</b>	<b>Property, plant and equipment</b>		
	<i>Note</i>		
	Operating fixed assets	2,609,197,087	2,716,578,574
	Capital work-in-progress	250,080,713	4,297,726
		<b>2,859,277,800</b>	<b>2,720,876,300</b>
<b>5.1</b>	<b>Operating fixed assets</b>		
	<u><b>Cost</b></u>		
	Opening balance at beginning of the period / year	3,528,087,489	3,130,404,930
	Additions / transfers during the period / year	56,777,774	471,621,122
	Disposals during the period / year	(39,773,876)	(73,938,563)
	Closing balance at end of the period / year	<b>3,545,091,387</b>	<b>3,528,087,489</b>
	<u><b>Less: Accumulated depreciation</b></u>		
	Opening balance at beginning of the period / year	811,508,915	584,082,107
	Depreciation for the period / year	156,736,947	285,495,105
	On disposals	(32,351,562)	(58,068,297)
	Closing balance at end of the period / year	<b>935,894,300</b>	<b>811,508,915</b>
	<b>Operating fixed assets - net book value</b>	<b>2,609,197,087</b>	<b>2,716,578,574</b>
<b>6</b>	<b>Long term investments - related parties</b>		
	<u><b>Related parties - at cost</b></u>		
	<i>Farmacia (Partnership firm):</i>		
	Capital held: 98% (30 June 2019: 98%)	175,534,856	162,545,964
	Managing Partner - Osman Khalid Waheed		
	<i>BF Biosciences Limited (unlisted subsidiary):</i>		
	15,199,996 (30 June 2019: 15,199,996) fully paid ordinary shares of Rs. 10 each	151,999,960	151,999,960
	Equity held: 80% (30 June 2019: 80%)		
	Chief Executive Officer - Mrs. Akhter Khalid Waheed		
		<b>327,534,816</b>	<b>314,545,924</b>
<b>6.1</b>	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.		
<b>6.2</b>	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 2019: 80%) of equity of the subsidiary and the remaining 20% is held by Group Empresarial Bagó S.A., Spain.		



		Un-audited 31 December 2019	Audited 30 June 2019
	Note	----- Rupees -----	
<b>7 Short term investments</b>			
<b><u>Investments at fair value through profit or loss</u></b>			
Mutual fund	7.1	<b>372,563,393</b>	451,847,651
<b>7.1</b> These investments are measured at 'fair value through Profit or Loss'			
Fair value at 01 July		<b>451,847,651</b>	527,343,533
Acquisition during the period / year		-	134,983,875
Redemption during the period / year		<b>(96,064,741)</b>	(198,088,835)
Realized gain / (loss) on sale of investments during the period / year		<b>668,434</b>	(1,376,020)
Unrealized gain / (loss) on re-measurement of investment during the period / year		<b>16,112,049</b>	(11,014,902)
Fair value of investments at 31 Dec / 30 June	7.1.1	<b>372,563,393</b>	451,847,651
<b>7.1.1</b> Mutual fund wise detail is as follows:			

	Units		Fair value	
	Un-audited 31 December 2019	Audited 30 June 2019	Un-audited 31 December 2019	Audited 30 June 2019
	.....Number.....		.....Rupees.....	
HBL Money Market Fund	<b>2,278,754</b>	2,278,754	<b>247,531,931</b>	232,709,773
MCB Cash Management Optimizer Fund	<b>10,939</b>	10,939	<b>1,104,075</b>	1,099,828
HBL Cash Fund	<b>1,216,704</b>	2,163,177	<b>123,927,387</b>	218,038,050
			<b>372,563,393</b>	451,847,651

**7.2** Realized gain of Rs. 668,434 (30 June 2019: Realized loss of Rs. 1.38 million) on sale of mutual funds has been recorded in "Other Income" (30 June 2019: Other expenses) while a dividend of Rs. 7.56 million (30 June 2019: 45.22 million) is recorded in "Other income". These investments and related gain is from non shariah compliant arrangement. These are marked under lien against short term borrowings.

## 8 Cash and bank balances

- 8.1** These include current account of Rs. 0.002 million (30 June 2019: Rs. 0.003 million) maintained under Shariah compliant arrangements.
- 8.2** These include deposit accounts of Rs. 0.89 million (30 June 2019: Rs. 52.62 million) under mark up arrangements, which carry interest rate of 10.25% to 11.28% (30 June 2019: 4.50% to 10.25%) per annum.
- These also include deposit account of Rs. 0.00007 million (30 June 2019: Rs. 0.00007 million ) under Shariah compliant arrangements, which carries profit rate of 10.25% to 11.25% (30 June 2019: 2.40% to 6.26%) per annum.

	(Un-audited) Half year ended	
	31 December 2019	31 December 2018
	----- Rupees -----	
<b>9 Sales - net</b>		
<b>Gross sales:</b>		
Local	<b>2,597,477,996</b>	2,433,604,441
Export	<b>123,409,352</b>	85,628,771
	<b>2,720,887,348</b>	2,519,233,212
<b>Less:</b>		
Sales returns	<b>(10,857,206)</b>	(43,419,589)
Discounts and commission	<b>(181,310,580)</b>	(112,829,326)
Service charges on sales	<b>(3,660,503)</b>	(9,106,791)
Sales tax	<b>(1,903,907)</b>	(3,020,448)
	<b>(197,732,196)</b>	(168,376,154)
	<b>2,523,155,152</b>	2,350,857,058

- 9.1** Revenue from contracts with customers relates to local (Pakistan) market and foreign market and represents sale of both own manufactured and purchased products. Timing of revenue recognition is at point of time.

## 10 Cost of sales

	Note	<b>(Un-audited) Half year ended</b>	
		<b>31 December 2019</b>	<b>31 December 2018</b>
		<b>----- Rupees -----</b>	
Raw and packing materials consumed	10.1	538,749,240	502,054,942
Salaries, wages and other benefits		138,622,981	123,579,004
Fuel and power		22,734,054	17,367,063
Repair and maintenance		6,901,278	5,572,513
Freight and forwarding		18,815,037	18,571,675
Stores, spare parts and loose tools consumed		31,801,912	42,258,128
Packing charges		6,003,940	7,815,643
Rent, rates and taxes		2,449,590	2,090,083
Printing and stationery		1,455,407	1,573,039
Postage and telephone		2,061,850	2,224,591
Insurance		8,568,392	6,125,048
Travelling and conveyance		5,902,381	4,678,077
Canteen expenses		6,607,212	6,287,114
Depreciation on property, plant and equipment		107,604,562	90,297,712
Laboratory and other expenses		2,633,556	13,493,676
		<b>900,911,392</b>	<b>843,988,308</b>

### Work in process:

Opening	58,928,282	50,818,086
Closing	(44,631,866)	(66,919,295)
	<b>14,296,416</b>	<b>(16,101,209)</b>
<b>Cost of goods manufactured</b>	<b>915,207,808</b>	<b>827,887,099</b>

### Finished stock:

Opening	587,932,285	730,289,493
Purchases made during the year	759,418,885	625,564,783
Closing	(853,562,076)	(823,167,707)
	<b>493,789,094</b>	<b>532,686,569</b>
	<b>1,408,996,902</b>	<b>1,360,573,668</b>

## 10.1 Raw and packing materials consumed

Opening	370,003,918	338,718,490
Purchases made during the year	564,902,949	521,902,881
	<b>934,906,867</b>	<b>860,621,371</b>
Closing	(396,157,627)	(358,566,429)
	<b>538,749,240</b>	<b>502,054,942</b>

## 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) Half year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>----- Rupees -----</b>	
<b><u>Farmacia - 98% owned subsidiary partnership firm</u></b>		
Sale of medicines	<b>18,454,566</b>	16,013,013
Payment received against sale of finished goods	<b>18,454,566</b>	16,013,013
Share of profit reinvested	<b>12,988,892</b>	8,321,501
Rentals paid	<b>2,122,152</b>	1,929,228
<b><u>BF Biosciences Limited - 80% owned subsidiary company</u></b>		
Sale of finished goods	<b>17,161,713</b>	9,756,769
Payment received against sale of finished goods	<b>17,161,713</b>	9,756,769
Purchase of goods	<b>2,103,970</b>	-
Payment made against purchase of goods	<b>2,103,970</b>	-
Sales return of medicines	-	970,786
Receipts against return of medicine	-	970,786
Purchase of vehicles	-	14,349,314
Payment against purchase of vehicles	-	14,349,314
Expenses incurred	<b>1,646,698</b>	9,230,330
Payment made against expenses re-imburement	<b>1,646,698</b>	9,230,330
<b><u>Other related parties</u></b>		
Contribution towards employees' provident fund	<b>19,629,813</b>	17,583,480
Remuneration including benefits and perquisites of key management personnel	<b>74,173,961</b>	62,521,427
Receipts from Workers' Profit Participation Fund	<b>12,402,668</b>	8,918,108
Dividend to KFW Factors (Private) Limited	<b>33,147,768</b>	16,573,884
Dividend to Directors	<b>13,561,688</b>	6,124,960
Fee paid to M/s Khan and Piracha against consultancy	<b>162,500</b>	-
Rent paid to Director against office	<b>1,980,000</b>	1,800,000

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

	31 December 2019 (Un-audited)			31 December 2018 (Un-audited)		
	Dividend Payable	Accrued mark-up	Total	Dividend Payable	Accrued mark-up	Total
	----- Rupees -----			----- Rupees -----		
Balance as at 01 July	75,156,815	4,432,350	79,589,165	82,143,724	533,713	82,677,437
<u>Changes from financing cash flows</u>						
Dividend paid	(116,092,460)	-	(116,092,460)	(56,223,567)	-	(56,223,567)
Financial charges paid	-	(10,587,034)	(10,587,034)	-	(5,890,054)	(5,890,054)
Total changes from financing cash flows	(116,092,460)	(10,587,034)	(126,679,494)	(56,223,567)	(5,890,054)	(62,113,621)
<u>Other changes</u>						
Dividend approved	120,747,364	-	120,747,364	60,373,682	-	60,373,682
Interest / markup expense	-	11,937,037	11,937,037	-	10,872,594	10,872,594
Total liability related other changes	120,747,364	11,937,037	132,684,401	60,373,682	10,872,594	71,246,276
Balance as at 31 December	79,811,719	5,782,353	85,594,072	86,293,839	5,516,253	91,810,092



**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 2019.

**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 2019.

**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		
	Fair value through profit or loss	Financial assets at amortised cost	Other financial liabilities	Total	
<b>31 December 2019 (Un-audited)</b>					
<b>Financial assets measured at fair value:</b>					
<b><i>Financial assets not measured at fair value</i></b>					
Long term deposits	-	9,787,325	-	9,787,325	-
Trade debts - considered good	-	1,043,543,269	-	1,043,543,269	-
Loans and advances - considered good	-	21,725,260	-	21,725,260	-
Short term deposits	-	154,135,146	-	154,135,146	-
Other receivables	-	59,414,869	-	59,414,869	-
Cash and bank balances	-	81,117,161	-	81,117,161	-
	-	1,369,723,030	-	1,369,723,030	-
<b>Financial liabilities measured at fair value</b>					
<b><i>Financial liabilities not measured at fair value</i></b>					
Trade and other payables	-	-	1,057,542,188	1,057,542,188	-
Unclaimed dividend	-	-	79,811,719	79,811,719	-
Short term borrowings - secured	-	-	301,078,267	301,078,267	-
Accrued mark-up	-	-	5,782,353	5,782,353	-
	-	-	1,444,214,527	1,444,214,527	-



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

The Board of Directors of the Company in its meeting held on 28 February 2020 has authorized to issue these condensed interim unconsolidated financial statements and has approved an interim cash dividend of Rs. Nil per share (31 December 2018: Rs. 2 per share) amounting to Rs. Nil (31 December 2018: Rs. 60,373,682) for the year ending 30 June 2020.

#### **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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**Chief Executive Officer**

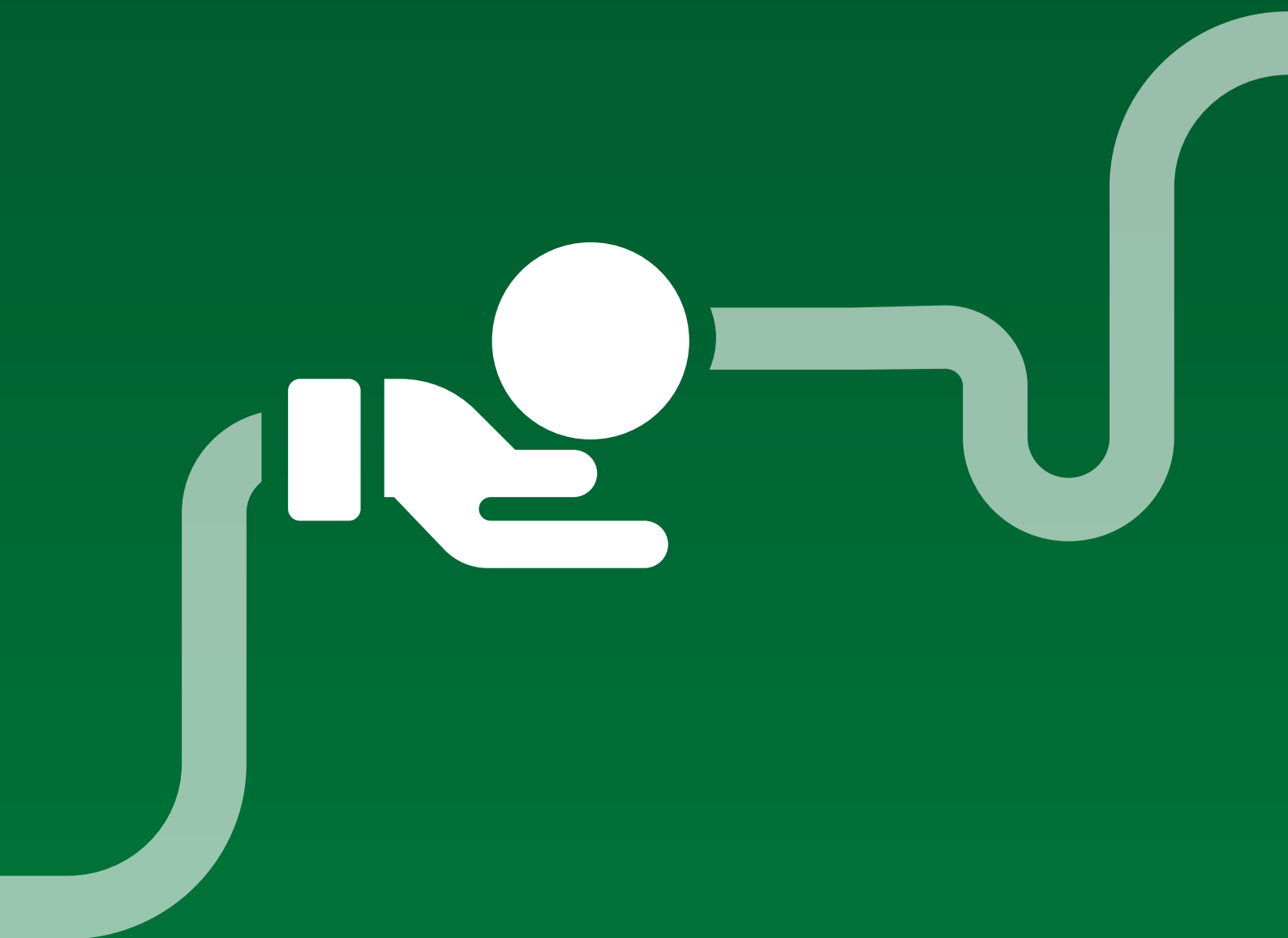
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**Chief Financial Officer**

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**Director**

# **CONSOLIDATED FINANCIAL STATEMENTS**







# Ferozsons Laboratories Limited

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

For the half year ended 31 December 2019

		Half year ended		Quarter ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Note	Rupees -----			
Revenue - net	10	2,856,850,765	2,659,839,822	1,519,974,235	1,446,535,134
Cost of sales	11	(1,739,438,268)	(1,676,496,367)	(928,523,198)	(918,498,465)
<b>Gross profit</b>		<b>1,117,412,497</b>	<b>983,343,455</b>	<b>591,451,037</b>	<b>528,036,669</b>
Administrative expenses		(207,971,631)	(195,331,156)	(105,156,023)	(102,017,472)
Selling and distribution expenses		(747,418,266)	(612,793,035)	(420,970,483)	(346,005,730)
Other expenses		(20,082,783)	(75,824,718)	(9,011,753)	(44,508,026)
Other income		86,517,254	64,733,444	43,336,569	31,512,200
<b>Profit from operations</b>		<b>228,457,071</b>	<b>164,127,990</b>	<b>99,649,347</b>	<b>67,017,641</b>
Finance costs		(12,614,487)	(11,581,724)	(7,863,301)	(7,079,780)
<b>Profit before taxation</b>		<b>215,842,584</b>	<b>152,546,266</b>	<b>91,786,046</b>	<b>59,937,861</b>
Taxation		(66,147,234)	(53,941,788)	(18,411,917)	(33,783,897)
<b>Profit after taxation</b>		<b>149,695,350</b>	<b>98,604,478</b>	<b>73,374,129</b>	<b>26,153,964</b>
<b>Attributable to:</b>					
Owners of the Company		154,875,485	107,394,690	77,370,094	36,411,291
Non-controlling interests		(5,180,135)	(8,790,212)	(3,995,965)	(10,257,327)
<b>Profit after taxation</b>		<b>149,695,350</b>	<b>98,604,478</b>	<b>73,374,129</b>	<b>26,153,964</b>
Earnings per share - basic and diluted		<b>5.13</b>	<b>3.56</b>	<b>2.56</b>	<b>1.21</b>

The annexed notes from 1 to 16 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

## Ferozsons Laboratories Limited

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

For the half year ended 31 December 2019

	<b>Half year ended</b>		<b>Quarter ended</b>	
	<b>31 December 2019</b>	31 December 2018	<b>31 December 2019</b>	31 December 2018
	<b>----- Rupees -----</b>			
<b>Profit after taxation</b>	<b>149,695,350</b>	98,604,478	<b>73,374,129</b>	26,153,964
<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>149,695,350</b>	98,604,478	<b>73,374,129</b>	26,153,964
<b>Attributable to:</b>				
Owners of the Company	<b>154,875,485</b>	107,394,690	<b>77,370,094</b>	36,411,291
Non-controlling interests	<b>(5,180,135)</b>	(8,790,212)	<b>(3,995,965)</b>	(10,257,327)
	<b>149,695,350</b>	98,604,478	<b>73,374,129</b>	26,153,964

The annexed notes from 1 to 16 form an integral part of these condensed interim consolidated financial statements.

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

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

**Ferozsons Laboratories Limited**  
**Condensed Interim Consolidated Statement of Profit or Loss**  
*For the half year ended 31 December 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			
Rupees							
Balance as at 01 July 2018	301,868,410	321,843	921,179,842	4,180,959,998	5,404,330,093	184,349,045	5,588,679,138
Total comprehensive income for the period	-	-	-	107,394,690	107,394,690	(8,790,212)	98,604,478
<b>Surplus transferred to accumulated profit:</b>							
-on account of incremental depreciation charged during the period - net of tax	-	-	(21,865,503)	21,865,503	-	-	-
-Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	10,206	-	10,206	-	10,206
<b>Transactions with owners of the Company; recognized directly in equity</b>							
-Final dividend for the year ended 30 June 2018 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)	-	(60,373,682)
Balance as at 31 December 2018 - un-audited	301,868,410	321,843	899,324,545	4,249,846,509	5,451,361,307	175,558,833	5,626,920,140
Balance as at 01 July 2019	301,868,410	321,843	862,636,602	4,304,712,411	5,469,539,266	169,499,718	5,639,038,984
Total comprehensive income for the period	-	-	-	154,875,485	154,875,485	(5,180,135)	149,695,350
<b>Surplus transferred to accumulated profit:</b>							
-on account of incremental depreciation charged during the period - net of tax	-	-	(21,868,770)	21,868,770	-	-	-
-Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	80,836	-	80,836	-	80,836
<b>Transactions with owners of the Company; recognized directly in equity</b>							
-Final dividend for the year ended 30 June 2019 at Rs. 4 per share	-	-	-	(120,747,364)	(120,747,364)	-	(120,747,364)
Balance as at 31 December 2019 - un-audited	301,868,410	321,843	840,848,668	4,360,709,302	5,503,748,223	164,319,583	5,668,067,806

The annexed notes from 1 to 16 form an integral part of these condensed interim consolidated financial statements.

**Chief Financial Officer**

**Director**



Ferozsons Laboratories Limited  
Condensed Interim Consolidated Statement of Cash Flows (Un-audited)  
For the half year ended 31 December 2019

	Half year ended	
	31 December 2019	31 December 2018
	----- Rupees -----	
<b><u>Cash flow from operating activities</u></b>		
Profit before taxation	215,842,584	152,546,266
Adjustments for:		
Depreciation on property, plant and equipment	183,426,900	195,854,713
Amortisation of intangibles	290,130	1,159,646
Trade debts written off	-	15,309,358
Gain on disposal of property, plant and equipment	(16,240,766)	(16,933,667)
Finance costs	12,614,487	11,581,724
Dividend income	(8,491,061)	(42,104,421)
(Gain) / loss on re-measurement of short term investments to fair value	(25,562,177)	5,662,932
(Gain) / loss on sale of short term investments	(17,658,837)	11,293,605
Profit on bank deposits	(3,139,425)	(1,575,317)
Workers' Profit Participation Fund	12,975,051	11,060,959
Workers' Welfare Fund	4,486,510	4,894,103
Central Research Fund	2,621,222	2,234,537
	145,322,034	198,438,172
<b>Cash generated from operations before working capital changes</b>	<b>361,164,618</b>	<b>350,984,438</b>
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(8,672,344)	14,026,237
Loans, advances, deposits and prepayments	(104,861,156)	(107,887,825)
Stock in trade	(374,745,227)	(156,541,261)
Trade debts - considered good	(156,679,203)	(231,839,488)
	(644,957,930)	(482,242,337)
Increase in current liabilities		
Trade and other payables	204,846,655	19,940,086
<b>Cash generated from operations</b>	<b>(78,946,657)</b>	<b>(111,317,813)</b>
Taxes paid	(128,686,162)	(139,479,867)
Workers' Welfare Fund paid	(8,872,286)	(7,090,508)
Central Research Fund paid	(3,555,017)	(2,283,549)
Long term deposits	(2,701,000)	(20,000)
<b>Net cash generated from operating activities</b>	<b>(222,761,122)</b>	<b>(260,191,737)</b>
<b><u>Cash flow from investing activities</u></b>		
Acquisition of property, plant and equipment	(304,937,233)	(304,088,990)
Proceeds from sale of property, plant and equipment	23,663,080	40,800,440
Dividend income	8,491,061	42,104,421
Profit on bank deposits	3,139,425	1,575,317
Redemption of short term investments - net	174,836,595	160,717,577
<b>Net cash used in investing activities</b>	<b>(94,807,072)</b>	<b>(58,891,235)</b>
Finance cost paid	(11,206,496)	(6,393,099)
Dividend paid	(116,092,460)	(56,223,567)
<b>Net cash used in financing activities</b>	<b>(127,298,956)</b>	<b>(62,616,666)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(444,867,150)</b>	<b>(381,699,638)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>247,662,659</b>	<b>190,341,586</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(197,204,491)</b>	<b>(191,358,052)</b>
<b>Cash and cash equivalents comprise of the following:</b>		
Cash and bank balances	122,655,144	146,652,961
Running finance	(319,859,635)	(338,011,013)
	(197,204,491)	(191,358,052)

The annexed notes from 1 to 16 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

# Ferozsons Laboratories Limited

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

For the half year ended 31 December 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 %	
			Dec-19	Jun-19
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 December 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 2019.
- 3.2.3** Comparative figures of the statement of financial position are extracted from the annual financial statements for the year ended 30 June 2019, 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 six months period ended 31 December 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 2019.

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

- 3.4.1** The accounting policies and the methods of computation adopted in the preparation of these 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 2019 except for the adoption of new standards effective as of 01 July 2019 as stated below:

### **3.4.2 Change in significant accounting policies**

The Group has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from the annual periods beginning on or after 01 January 2019. There are other new standards which are effective from 01 July 2019 but they do not have a material effect on the Company's condensed interim financial statements. The detail of new significant accounting policy adopted and the nature and effect of the change from previous accounting policy is set out below:

#### **3.4.2.1 IFRS 16 - Leases**

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group has elected to apply practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 July 2019.

### **As a lessee**

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right of use assets and lease liabilities for material leases i.e. these leases are on balance sheet.

The Company presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

The Company presents non-current and current portion of related lease liabilities in the statement of financial position considering their due dates for payment.

### **Significant accounting policies**

The Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Individual Company's incremental borrowing rate. The Group has used its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement.

The Group has elected not to recognize right of use assets and lease liabilities for leases of its warehouses that are of low value or with less than 12 months of lease term. The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

### **Transition**

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- did not recognize right of use assets and liabilities for leases of low value items.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

### Impact on financial statements

The Group has applied IFRS 16 using the modified retrospective approach. However none of the leases prior to 01 July 2019 have been considered as significant for purpose of application of IFRS 16 and accordingly the application of IFRS 16 has no impact on the opening retained earnings.

Other than those disclosed above in note, 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:

### Amendments and interpretations of approved accounting standards

-	IFRS 14 Regulatory Deferral Accounts	01 January 2020
-	Amendment to IFRS 3 - Business Combinations – Definition of a Business	01 January 2020
-	Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2020
-	Revised Conceptual Framework for Financial Reporting. Tool for the IASB to develop standards and to assist the IFRS Interpretations.	01 January 2020
-	Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7	01 January 2020

<b>Un-audited</b>	<b>Audited</b>
<b>31 December</b>	<b>30 June</b>
<b>2019</b>	<b>2019</b>
<b>-----Rupees-----</b>	

#### **4 Issued, subscribed and paid up capital**

1,441,952 (30 June 2019: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash

<b>14,419,520</b>	14,419,520
-------------------	------------

119,600 (30 June 2019: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged

<b>1,196,000</b>	1,196,000
------------------	-----------

28,625,289 (30 June 2019: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares

<b>286,252,890</b>	286,252,890
<b>301,868,410</b>	301,868,410

#### **5 Short term borrowings - secured**

There were no major changes in any of the facilities during the period. All terms and conditions applicable on short term borrowings availed are same as those disclosed in the annual published financial statement of the Holding Company for the year ended 30 June 2019.

#### **6 Contingencies and commitments**

##### **6.1 Contingencies:**

There is no significant change in contingencies already disclosed in preceding annual published financial statement of the Holding Company for the year ended 30 June 2019.



## 6.2 Commitments

### 6.2.1 Letter of credits

#### 6.2.1.1 With conventional financial institutions

Out of the aggregate facility of Rs. 1,125 million (30 June 2019: Rs. 1,125 million) for opening letters of credit, the amount utilized by the Group as at 31 December 2019 for capital expenditure was Rs. 64.98 million (30 June 2019: 131.27) and for other than capital expenditure was Rs. 22 (30 June 2019: Rs. 77.38 million). These facilities are secured by joint pari passu charge over all present and future assets of the Holding Company and the remaining are secured by lien over import documents.

#### 6.2.1.2 With shariah compliant financial institutions

The Holding Company has facility i.e. letters of credit of Rs. 275 million (30 June 2019: Rs. 275 million) availed from Islamic bank. The amount utilized as at 31 December 2019 for capital expenditure was Rs. 4.88 million (30 June 2019: Rs. 2.82 million) and for other than capital expenditure was Rs. 29.46 million (30 June 2019: Rs. 100.52 million). Lien is also marked over import documents.

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

#### 6.2.2.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 590 million (30 June 2019: Rs. 590 million), the amount utilized by the Group as at 31 December 2019 was Rs. 104.34 million (30 June 2019: Rs. 60.07 million).

#### 6.2.2.2 Under Shariah compliant arrangements

The Holding has facility i.e. letter of guarantee of Rs. 25 million (30 June 2019: Rs. 25 million) available from Islamic bank, the amount utilized at 31 December 2019 was Rs. 6.45 million (30 June 2019: Rs. 6.45 million).

Un-audited 31 December 2019	Audited 30 June 2019
-----Rupees-----	

## 7 Property, plant and equipment

### Cost

Opening balance	4,207,411,283	3,825,479,179
Additions during the period / year	59,154,184	462,349,565
Disposals during the period / year	(39,773,876)	(80,417,461)
Closing balance	4,226,791,591	4,207,411,283

### Accumulated depreciation

Opening balance	1,186,019,897	855,451,002
Depreciation for the period / year	183,426,829	394,892,304
Relating to disposals	(32,351,562)	(64,323,409)
Closing balance	1,337,095,164	1,186,019,897

### Operating assets-net book value

2,889,696,427	3,021,391,386
---------------	---------------

### Capital work in progress

250,080,714	4,297,727
-------------	-----------

### Net book value

3,139,777,141	3,025,689,113
---------------	---------------

		Un-audited 31 December 2019	Audited 30 June 2019
	Note	Rupees	
<b>8 Short term investments</b>			
<b><u>Investments at fair value through profit or loss - Mutual Funds</u></b>			
Held for trading	8.1	414,626,428	490,830,304
<b><u>Loans and receivables - Government Securities</u></b>			
Market treasury bills	8.2	318,703,028	374,114,733
		<b>733,329,456</b>	<b>864,945,037</b>
<b>8.1</b> These investments are 'held for trading'			
Carrying value at 01 July		490,830,304	941,746,224
Acquisition during the period/year		56,633	154,983,875
Redemption during the period/year		(96,064,741)	(583,012,355)
Realized gain/(loss) on sale of investment - during the period/year		668,434	(8,603,276)
Unrealized gain/(loss) on re-measurement of investment - during the period/year		19,135,798	(14,284,164)
Carrying and fair value of short term investments at 31 December / 30 June	8.1.1	<b>414,626,428</b>	<b>490,830,304</b>

Units		Fair value	
Un-audited 31 December 2019	Audited 30 June 2019	Un-audited 31 December 2019	Audited 30 June 2019
Number		Rupees	

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

HBL Money Market Fund	2,278,754	2,278,754	247,531,931	232,709,773
HBL Cash Fund	1,216,704	2,163,177	123,927,387	218,038,050
MCB Cash Management Optimizer Fund	212,619	209,854	21,460,354	21,099,828
MCB Pakistan Stock Market Fund	206,559	206,559	18,953,017	16,381,951
ABL Cash Fund	107,373	101,802	1,092,419	1,035,004
Faysal Savings Growth Fund	8,207	8,207	886,364	839,748
Faysal MTS Fund	7,207	7,207	774,956	725,950
			<b>414,626,428</b>	<b>490,830,304</b>

**8.1.2** Changes in fair values of financial assets at fair value through profit or loss are recorded in profit and loss account. Realized gain of Rs. 0.67 million (31 Dec 2018: Realized loss of Rs. 11.3 million) has been recorded in the current period in "other income" (31 December 2018: Other expenses). These investments comprise of mutual funds (money market / income fund).

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

**8.2 Government securities - Market Treasury Bills ("MTBs")**

Type	Tenure - Months	Face value				Balance as at 31 December 2019		
		As at 1 July 2019	Purchase during the period	Sales / matured during the period	As at 31 December 2019	Carrying value	Amortised value	Appreciation from carrying value
MTB	3 Months	378,000,000	585,047,453	848,047,453	115,000,000	111,603,010	114,181,349	2,578,339
MTB	6 Months	-	107,000,000	-	107,000,000	100,387,721	102,349,606	1,961,885
MTB	12 Months	-	113,000,000	-	113,000,000	100,285,918	102,172,073	1,886,155
		<b>378,000,000</b>	<b>805,047,453</b>	<b>848,047,453</b>	<b>335,000,000</b>	<b>312,276,649</b>	<b>318,703,028</b>	<b>6,426,379</b>

**9 Cash and bank balances**

**9.1** These include current account of Rs. 0.002 million (30 June 2019: Rs. 0.003 million) maintained under Shariah compliant arrangements.

**9.2** These include deposit accounts of Rs. 9.19 million (30 June 2019: Rs. 71.23 million) under mark up arrangements, which carry interest rate ranging from 4.58% to 11.28% (30 June 2019: 4.5% - 10.25%) per annum.

These also include deposit account of Rs. 0.00007 million (30 June 2019: Rs. 0.00007 million ) under Shariah compliant arrangements, which carries profit rate of 10.25% to 11.25% (30 June 2019: 2.40% to 6.26%) per annum.

## 10 Revenue - net

### Gross sales:

Local	2,970,030,058	2,768,415,453
Export	130,424,436	90,910,733
	<b>3,100,454,494</b>	<b>2,859,326,186</b>

### Less:

Sales returns	(21,829,630)	(52,917,558)
Discounts and commission	(208,436,078)	(130,352,115)
Service charges on sales	(8,847,927)	(11,046,750)
Sales tax	(4,490,094)	(5,169,941)
	<b>(243,603,729)</b>	<b>(199,486,364)</b>
	<b>2,856,850,765</b>	<b>2,659,839,822</b>

- 10.1** Revenue from contracts with customers relates to local (Pakistan) market and foreign market and represents sale of both own manufactured and purchased products. Timing of revenue recognition is at point of time.

(Un-audited) Half year ended	
31 December 2019	31 December 2018
----- Rupees -----	

## 11 Cost of sales

Raw and packing materials consumed	11.1	613,668,574	597,088,694
Salaries, wages and other benefits		180,817,245	163,188,388
Fuel and power		56,167,135	38,197,747
Repair and maintenance		11,061,211	8,443,341
Freight and forwarding		20,036,387	19,814,035
Stores, spare parts and loose tools consumed		37,149,370	46,736,809
Packing charges		6,012,233	7,849,923
Rent, rates and taxes		2,449,590	2,090,083
Printing and stationery		1,455,407	1,573,039
Postage and telephone		2,353,731	2,519,750
Insurance		10,853,043	8,200,878
Travelling and conveyance		8,940,945	7,451,292
Canteen expenses		9,171,740	8,641,296

Depreciation on property, plant and equipment	<b>132,301,585</b>	142,964,780
Laboratory and other expenses	<b>9,239,107</b>	19,842,391
	<b>1,101,677,303</b>	1,074,602,446

*Work in process:*

Opening	<b>94,961,552</b>	71,287,001
Closing	<b>(66,071,433)</b>	(107,419,538)
	<b>28,890,119</b>	(36,132,537)

***Cost of goods manufactured***

<b>1,130,567,422</b>	1,038,469,909
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*Finished stock:*

Opening	<b>644,180,004</b>	773,414,598
Purchases made during the period	<b>891,837,987</b>	733,367,890
Closing	<b>(927,147,145)</b>	(868,756,030)
	<b>608,870,846</b>	638,026,458
	<b>1,739,438,268</b>	1,676,496,367

**11.1 *Raw and packing materials consumed***

Opening	<b>428,049,043</b>	392,398,201
Purchases made during the period	<b>628,052,646</b>	646,800,528
	<b>1,056,101,689</b>	1,039,198,729
Closing	<b>(442,433,115)</b>	(442,110,035)
	<b>613,668,574</b>	597,088,694

## 12 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) Half year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>----- Rupees -----</b>	
<b>Other related parties</b>		
Contribution towards employees' provident fund	<b>22,757,915</b>	18,358,796
Remuneration including benefits and perquisites of key management personnel	<b>104,100,244</b>	84,516,489
Receipts from Workers' Profit Participation Fund	<b>12,402,668</b>	8,918,108
Dividend to KFW Factors (Private) Limited	<b>33,147,768</b>	16,573,884
Dividend to Directors	<b>13,561,688</b>	6,124,960
Fee paid to M/S Khan and Piracha	<b>162,500</b>	-
Rent paid to Director against office	<b>1,980,000</b>	1,800,000

## 13 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 01 July 2019</u></b>	75,156,815	4,461,193	79,618,008
<b><u>Changes from financing cash flows</u></b>			
Dividend paid	(116,092,460)	-	(116,092,460)
Financial charges paid	-	(11,206,496)	(11,206,496)
<b>Total changes from financing cash flows</b>	<b>(116,092,460)</b>	<b>(11,206,496)</b>	<b>(127,298,956)</b>
<b><u>Other changes</u></b>			
Dividend approved	120,747,364	-	120,747,364
Interest / markup expense	-	12,614,487	12,614,487
<b>Total liability related other changes</b>	<b>120,747,364</b>	<b>12,614,487</b>	<b>133,361,851</b>
<b><u>As at 31 December 2019</u></b>	<b>79,811,719</b>	<b>5,869,184</b>	<b>85,680,903</b>



	<b>Unclaimed dividend</b>	<b>Accrued mark-up</b>	<b>Total</b>
	<b>----- Rupees -----</b>		
<b><u>As at 01 July 2018</u></b>	82,143,724	539,624	82,683,348
<b><u>Changes from financing cash flows</u></b>			
Dividend paid	(56,223,567)	-	(56,223,567)
Financial charges paid	-	(6,393,099)	(6,393,099)
<b>Total changes from financing cash flows</b>	<b>(56,223,567)</b>	<b>(6,393,099)</b>	<b>(62,616,666)</b>
<b><u>Other changes</u></b>			
Dividend approved	60,373,682	-	60,373,682
Interest / markup expense	-	11,581,724	11,581,724
<b>Total liability related other changes</b>	<b>60,373,682</b>	<b>11,581,724</b>	<b>71,955,406</b>
<b><u>As at 31 December 2018</u></b>	<b>86,293,839</b>	<b>5,728,249</b>	<b>92,022,088</b>

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

- 14.1** 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 2019. 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.

14.2 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		
	Fair Value through profit or loss	Financial assets at amortised cost	Other financial liabilities	Total	Level 1      Level 2      Level 3
----- Rupees -----					
<b>31 December 2019</b>					
<b>Financial assets measured at fair value:</b>					
Short term investments	414,626,428	-	-	414,626,428	-
<b>Financial assets not measured at fair value:</b>					
Long term deposits	-	14,334,325	-	14,334,325	-
Trade debts - considered good	-	1,107,467,647	-	1,107,467,647	-
Loans and advances - considered good	-	24,785,904	-	24,785,904	-
Short term deposits and prepayments	-	150,150,571	-	150,150,571	-
Other receivables	-	66,864,163	-	66,864,163	-
Short term investments	-	318,703,028	-	318,703,028	-
Cash and bank balances	-	122,655,144	-	122,655,144	-
	-	1,804,960,782	-	1,804,960,782	-
<b>Financial liabilities measured at fair value:</b>					
	-	-	-	-	-
<b>Financial liabilities not measured at fair value:</b>					
Trade and other payables	-	-	-	-	-
Unclaimed dividend	-	-	-	-	-
Short term borrowing	-	-	-	-	-
Accrued mark-up	-	-	-	-	-
	-	-	-	-	-
<b>30 June 2019</b>					
<b>Financial assets measured at fair value:</b>					
Short term investments	490,830,304	-	-	490,830,304	-
<b>Financial assets not measured at fair value:</b>					
Long term deposits	-	11,633,325	-	11,633,325	-
Trade debts - considered good	-	950,788,444	-	950,788,444	-
Loans and advances - considered good	-	21,322,827	-	21,322,827	-
Short term deposits and prepayments	-	165,744,718	-	165,744,718	-
Other receivables	-	38,049,639	-	38,049,639	-
Short term investments	-	374,114,733	-	374,114,733	-
Cash and bank balances	-	267,853,581	-	267,853,581	-
	-	1,829,507,267	-	1,829,507,267	-
<b>Financial liabilities measured at fair value:</b>					
	-	-	-	-	-
<b>Financial liabilities not measured at fair value:</b>					
Trade and other payables	-	-	1,011,235,511	1,011,235,511	-
Unclaimed dividend	-	-	75,156,815	75,156,815	-
Short term borrowing	-	-	20,190,922	20,190,922	-
Accrued mark-up	-	-	4,461,193	4,461,193	-
	-	-	1,111,044,441	1,111,044,441	-

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

The Board of Directors of the Holding Company in its meeting held on has authorized to issue these condensed interim consolidated financial statements and has approved interim cash dividend of Rs. Nil per share (31 December 2018: Rs. 2 per share) amounting to Rs. Nil (31 December 2018: Rs. 60,373,682) for the year ending 30 June 2020 in the same meeting. There are no subsequent events after the reporting date.

**16 Corresponding figures**

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

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

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**Chief Executive Officer**

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**Chief Financial Officer**

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
**Director**










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