ANNUAL REPORT 2020

FEROZSONS
LABORATORIES LIMITED

60 YEARS

OF TRUST & DEVOTION

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mrs. Akhter Khalid Waheed	Non-Executive Director	Chairperson
Mr. Osman Khalid Waheed	Executive Director	Chief Executive Officer
Mrs. Amna Piracha Khan	Non-Executive Director	
Mrs. Munize Azhar Peracha	Non-Executive Director	
Mr. Shahid Anwar	Non-Executive Director	
Mr. Arshad Saeed Husain	Independent Director	
Mr. Suleman Ghani	Independent Director	

AUDIT COMMITTEE

Mr. Arshad Saeed Husain	Chairman
Mrs. Amna Piracha Khan	Member
Mr. Shahid Anwar	Member
Mr. Suleman Ghani	Member

INVESTMENT COMMITTEE

Mr. Suleman Ghani	Chairman
Mr. Osman Khalid Waheed	Member
Mr. Shahid Anwar	Member

HR & REMUNERATION COMMITTEE

Mr. Arshad Saeed Husain	Chairman
Mr. Osman Khalid Waheed	Member
Mrs. Munize Azhar Peracha	Member
Mr. Shahid Anwar	Member

COMPANY SECRETARY

Syed Ghausuddin Saif

CHIEF FINANCIAL OFFICER

Mr. Muhammad Farhan Rafiq

HEAD OF INTERNAL AUDIT

Mr. Rizwan Hameed Butt

EXTERNAL AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

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

LEGAL ADVISORS

Khan & Piracha

SHARE REGISTRAR

CorpTec Associates (Pvt.) Limited
503-E, Johar Town, Lahore, Pakistan
Telephone: +92-42-35170336-37
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Fax: +92-42-37313680

SALES OFFICE, KARACHI

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Society, Shahrah-e-Faisal,
Karachi, Pakistan
Telephone: +92-21-34386852
Fax: +92-21-34386754

ABOUT US

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

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

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

This partnership allows us to offer complete medical solutions in cardiology, oncology, urology and gastroenterology. In 2009, Ferozsons Laboratories Limited entered into a joint venture with the Bagó Group of Argentina to establish BF Biosciences Limited, Pakistan's first biotech pharmaceutical company. Our other international partners include BioGaia of Sweden and Performance Health of USA in pharma and OTC products respectively.

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

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


PEOPLE
TRUST
US

OUR VISION, MISSION & VALUES

OUR VISION

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

MISSION STATEMENT

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

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

OUR VALUES

Putting Patients First

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

Trustworthiness

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

Collaboration

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

Excellence

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

COMMUNITY CARE INITIATIVES

Our continued commitment to promoting a healthier and more productive society through support to the health and education sector results in a number of engagements each year. The projects that we fund regularly include contributions to The Citizens Foundation (TCF) schools for the underprivileged and scholarship support for deserving students at the Lahore University of Management Sciences (LUMS). Apart from these regular engagements, in FY 2020 we have funded various health sector organizations working for the benefit of patients in Pakistan. Our donations have helped patient organizations working in the field of hepatology, we have committed to help larger organizations such as The Indus Centre by donating ultrasound machines as well as free treatment for hundreds of Hepatitis C patients.

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

NATIONAL OUTREACH PROGRAMME

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

TCF SPONSORSHIPS

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

TCF is committed to supporting the education of the underprivileged across Pakistan by managing schools providing quality education at low costs.

OUR WORK
IN HEPATOLOGY

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

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

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

HEPATITIS-FREE PAKISTAN

In order to raise disease awareness on Hepatitis, a Facebook page has been launched disseminating information by medical experts. Through this platform, one of the key objectives would be to establish Ferozsons as a leader in public awareness and education.

Ferozsons is already known for its work in medical education. This initiative launched with the support of our partner, Gilead Sciences features video messages by Liver disease experts and educational videos on the disease.

CORPORATE COALITION FOR VIRAL HEPATITIS ELIMINATION

A Corporate Coalition for Viral Hepatitis Elimination in Pakistan (CCVHEP) has been established to support the Government of Pakistan's effort to eliminate viral hepatitis in Pakistan by 2030. Viral hepatitis is a disease of epidemic proportions in Pakistan, impacting more than 7% of the entire population. The Coalition is founded in a partnership between Gilead Sciences and Ferozsons Laboratories Limited, and its founding members including;

Abacus Pakistan, Abbott Pakistan, Atlas Honda, Citibank Pakistan, Descon Oxychem Limited, InspecTest (Pvt) Limited, Jazz, Nestlé Pakistan, Packages Limited, PepsiCo Pakistan, Sapphire, Service Sales Corporation and Uber. The launch of CCVHEP, consisting of Pakistan's most respected private sector employers is a very encouraging development.

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

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

OUR WORK DURING THE COVID-19 PANDEMIC

NEW BRAND LAUNCHES

In line with our commitment to give access to latest treatment and cure to a large number of patients in Pakistan, we have grown our portfolio significantly. To combat the COVID-19 pandemic effectively, we have launched a global innovative treatment, as well as a quality hygiene brand.

REMIDIA (REMDESIVIR)

It has been our privilege that Ferozsons, through our joint-venture subsidiary BF Biosciences Limited (BFBL), is one of five manufacturers to have entered into voluntary licensing agreements with Gilead Sciences Inc., to manufacture and supply Remdesivir in Pakistan and 126 other countries under Gilead's Global Patient Solutions program.

Remdesivir has been granted Emergency Use Authorization (EUA) by the U.S. Food and Drug Administration (FDA) to treat hospitalized patients with severe COVID-19 disease. The optimal duration of treatment is still being studied in ongoing clinical trials. Under the EUA, both 5-day and 10-day treatment durations are suggested, based on the severity of disease.

Under the agreement, BFBL has received a technology transfer of the Gilead manufacturing process for Remdesivir to ensure product quality. This important step by Gilead once again underlines their unwavering commitment to global patient access, and is one of the reasons why, as a company committed to Putting Patients First, Ferozsons is proud to partner with them.

707 HAND SANITIZER

While we search for effective treatments and vaccinations for COVID-19, hand hygiene remains one of the most important parts of preventing the spread of the Coronavirus.

To support the habit of maintaining good hand hygiene, we are proud to launch our liquid hand sanitizer brand 707.

707 is made by using an isopropyl alcohol (IPA) based formula that is recommended by the World Health Organisation (WHO).

LAUNCH OF A CUTTING-EDGE TELEHEALTH PLATFORM

With the outbreak of the pandemic, our economy, society, and healthcare system have been completely altered. This crisis has presented Pakistan's healthcare delivery system with unprecedented challenges, but has also catalyzed rapid adoption of telehealth and the entire spectrum of activities used to deliver care at a distance.

As part of our efforts to combat Covid-19, we have partnered with HospitALL (a NETSOL Technologies incubated Startup) to develop a cutting-edge Physician-Patient Virtual Counselling Platform.

The IT platform, named CliniCALL, is being developed to reduce the need for physical consultations (particularly in the case of follow-up visits) and facilitate patients and doctors by creating a simple, secure platform with chat, video, voice, and healthcare tools integrated into a single hub. Patients will be able to consult and share their reports with their physicians from the comfort of their homes, reducing the load and waiting times in clinics, and lowering the risk of acquiring infections from crowded waiting areas.

UMANG ANXIETY HELPLINE

A PROJECT TO TACKLE THE MENTAL HEALTH EPIDEMIC

Ferozsons Laboratories Limited is proud to support Umang Pakistan for a pilot project through an unrestricted grant to establish a free-of-cost Anxiety Helpline, run by experienced clinical psychologists.

Our mental health is critically important for our well-being, but too often remains ignored or unaddressed. Patients, frontline healthcare workers and first responders are exposed to numerous stresses. Helping patients and healthcare providers is critical to sustaining quality healthcare provision for the public.

OUR STATE OF THE ART
MANUFACTURING FACILITY

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

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

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

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

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

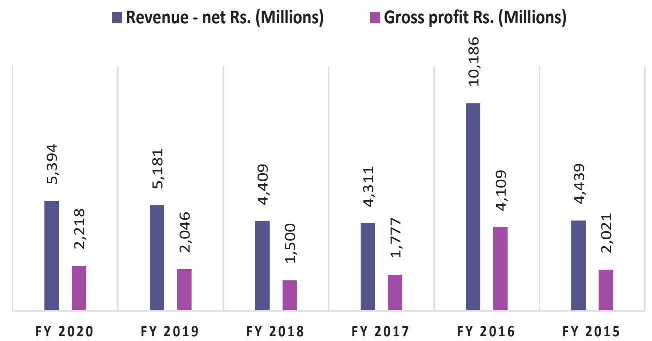
FEROZSONS LABORATORIES LIMITED

KEY OPERATING AND FINANCIAL DATA

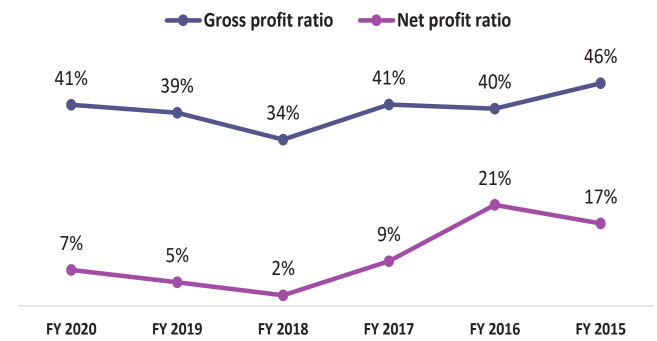
FOR THE LAST SIX YEARS

DESCRIPTION		FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
UNCONSOLIDATED							
Operating Results							
Revenue - net	(Rs. Million)	5,394	5,181	4,409	4,311	10,186	4,439
Gross Profit	(Rs. Million)	2,218	2,046	1,500	1,777	4,109	2,021
Profit Before Taxation	(Rs. Million)	561	419	207	602	2,654	1,083
Profit After Taxation	(Rs. Million)	396	251	95	394	2,104	749
Financial Position							
Share Capital	(Rs. Million)	302	302	302	302	302	302
Accumulated Profit	(Rs. Million)	4,182	3,880	3,735	3,733	3,766	2,401
Non Current Assets	(Rs. Million)	3,654	3,043	2,956	2,857	2,659	1,533
Non Current Liabiltiies	(Rs. Million)	377	179	166	167	149	40
Curent Assets	(Rs. Million)	3,871	3,160	3,009	2,921	3,043	2,856
Current Liabilties	(Rs. Million)	1,528	1,086	972	767	652	1,275
Summary of Cashflow Statement							
Cash generated from Operations	(Rs. Million)	116	447	430	854	621	973
Net cash used in Investing activities	(Rs. Million)	(229)	(216)	(331)	(516)	(82)	(223)
Net cash used in Financing activities	(Rs. Million)	(22)	(147)	(132)	(454)	(743)	(400)
Key Financial Ratios							
Profitability Ratios							
Gross Profit ratio	(%)	41.1	39.5	34.0	41.2	40.3	45.5
Net Profit After Tax to Sales	(%)	7.3	4.8	2.2	9.1	20.7	16.9
Return on Equity	(%)	7.0	5.1	2.0	8.1	42.9	24.3
Return on Capital Employed	(%)	10.3	9.0	4.5	12.8	54.4	35.7
Liquidity Ratios							
Current Ratio	(Times)	2.5	2.9	3.1	3.8	4.7	2.2
Quick Ratio/Acid Test Ratio	(Times)	1.3	1.8	1.8	1.8	1.8	1.3
Turnover Ratios							
Debtor Turnover Period	(Days)	69	63	44	31	14	19
Inventory Turnover Period	(Days)	211	136	153	223	112	184
Creditors Turnover Period	(Days)	108	113	100	90	18	141
Working Capital Cycle	(Days)	172	86	97	164	108	62
Non-Current Asset Turnover Ratio	(Times)	1.5	1.7	1.5	1.5	3.8	2.9
Operating Cash Flow To Sales Ratio	(%)	2.1	8.6	9.7	19.8	6.1	21.9
Investment/Market Ratios							
Earnings per Share (Basic & Diluted)	(Rs.)	13.1	8.3	3.2	13.0	69.7	24.8
Cash Dividend per Share	(Rs.)	4.0	6.0	2.0	7.0	22.0	19.0
Bonus Share Issued	(%)	20.0	-	-	-	-	-
Price Earning Ratio	(Times)	22.9	13.4	61.6	29.6	14.8	25.8
Market Price per Share	(Rs.)	300	112	195	387	1,031	640
Cash Dividend Payout Ratio	(%)	30.5	72.1	63.3	53.7	31.6	76.6
Capital Structure Ratios							
Interest Cover	(Times)	21.7	18.9	19.8	38.0	239.0	78.5
CONSOLIDATED							
Operating Results							
Revenue - net	(Rs. Million)	6,192	5,803	5,003	5,002	11,335	5,711
Gross Profit	(Rs. Million)	2,318	2,041	1,519	1,911	4,594	2,597
Profit Before Taxation	(Rs. Million)	592	338	86	591	2,859	1,360
Profit / (Loss) After Taxation	(Rs. Million)	423	188	(17)	395	2,233	944
Financial Position							
Share Capital	(Rs. Million)	302	302	302	302	302	302
Accumulated Profit	(Rs. Million)	4,645	4,305	4,195	4,265	4,280	2,811
Non Current Assets	(Rs. Million)	4,090	3,117	3,168	3,096	3,025	1,751
Non Current Liabiltiies	(Rs. Million)	526	217	223	246	269	101
Curent Assets	(Rs. Million)	4,877	3,987	3,801	3,745	3,838	3,474
Current Liabilties	(Rs. Million)	1,793	1,249	1,143	876	821	1,456

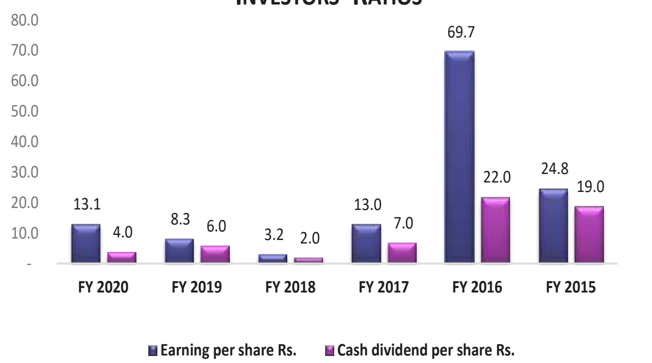
REVENUE & GROSS PROFIT (RS.MILLION)



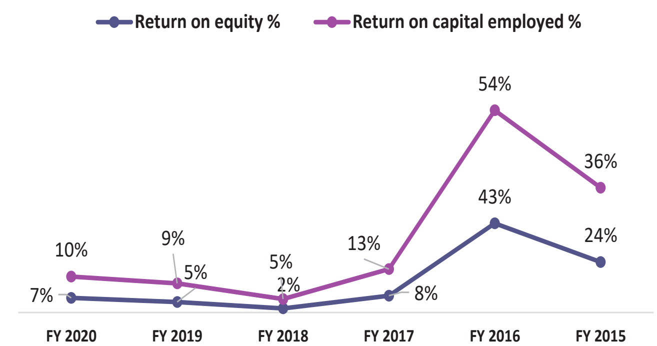
PROFITABILITY RATIOS (%)



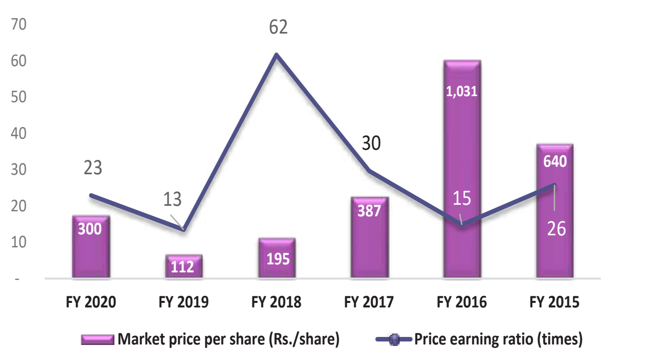
INVESTORS' RATIOS



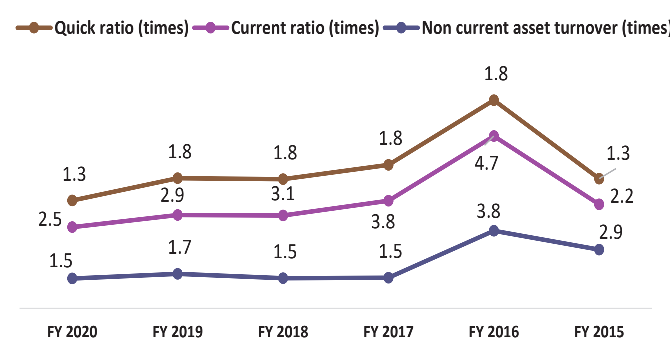
CAPITAL RETURN RATIOS



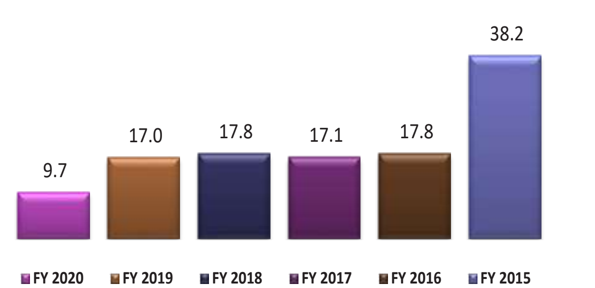
MARKET RATIOS



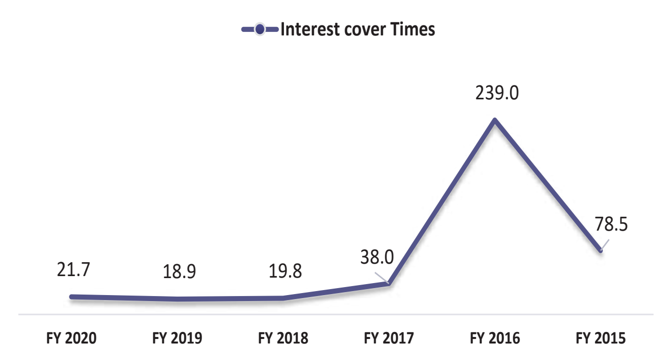
LIQUIDITY & ASSET TURNOVER RATIOS



NON CURRENT ASSETS TO NON CURRENT LIABILITIES (RATIO)



INTEREST COVER (TIMES)



HORIZONTAL Analysis

	2020	2019	2018	2017	2016	2015
		% Change from preceding year				
FINANCIAL POSITION ANALYSIS						
Share Capital and Reserves	13.8	2.3	(0.3)	(1.2)	59.4	13.2
Non Current Liabilities	110.8	7.9	(0.8)	12.0	271.7	(12.4)
Current Liabilities	40.6	11.8	26.7	17.8	(48.9)	225.3
Total Equity and Liabilities	**21.3**	**4.0**	**3.2**	**1.3**	**29.9**	**39.2**
Non Current Assets	20.1	2.9	3.5	7.4	73.4	12.2
Current Assets	22.5	5.0	3.0	(4.0)	6.6	59.9
Total Assets	**21.3**	**4.0**	**3.2**	**1.3**	**29.9**	**39.2**
PROFIT OR LOSS ANALYSIS						
Revenue - net	4.1	17.5	2.3	(57.7)	129.5	75.1
Cost of sales	1.3	7.8	14.8	(58.3)	151.4	96.4
Gross Profit	**8.4**	**36.4**	**(15.6)**	**(56.8)**	**103.3**	**55.0**
Administrative expenses	(0.5)	16.5	4.8	4.7	43.2	20.2
Selling and distribution expenses	(2.1)	23.9	15.7	(11.5)	39.7	23.2
Other expenses	(27.2)	141.8	9.5	(82.2)	221.7	68.3
Other income	(48.9)	41.3	41.5	(27.9)	42.9	(0.9)
Operating Profit	**32.9**	**102.5**	**(64.7)**	**(76.8)**	**143.1**	**87.7**
Finance costs	15.8	112.1	(32.2)	46.1	(20.1)	(18.3)
Profit Before Taxation	**33.9**	**102.0**	**(65.6)**	**(77.3)**	**145.2**	**90.9**
Taxation	(1.7)	49.9	(46.4)	(62.0)	64.6	123.3
Profit After Taxation	**57.6**	**163.1**	**(75.8)**	**(81.3)**	**181.1**	**79.3**

VERTICAL Analysis

	2020	2019	2018	2017	2016	2015
		---------------------------- % ----------------------------				
FINANCIAL POSITION ANALYSIS						
Share Capital and Reserves	74.7	79.6	80.9	83.8	85.9	70.1
Non Current Liabilities	5.0	2.9	2.8	2.9	2.7	0.9
Current Liabilities	20.3	17.5	16.3	13.3	11.4	29.0
Total Equity and Liabilities	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non Current Assets	48.6	49.1	49.6	49.4	46.6	34.9
Current Assets	51.4	50.9	50.4	50.6	53.4	65.1
Total Assets	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
PROFIT OR LOSS ANALYSIS						
Revenue - net	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	58.9	60.5	66.0	58.8	59.7	54.5
Gross Profit	**41.1**	**39.5**	**34.0**	**41.2**	**40.3**	**45.5**
Administrative expenses	6.5	6.8	6.9	6.7	2.7	4.3
Selling and distribution expenses	23.8	25.3	24.0	21.2	10.1	16.7
Other expenses	1.7	2.4	1.2	1.1	2.6	1.8
Other income	1.7	3.5	2.9	2.1	1.2	2.0
Operating Profit	**10.8**	**8.5**	**4.8**	**14.3**	**26.1**	**24.7**
Finance costs	0.5	0.5	0.3	0.4	0.1	0.3
Profit Before Taxation	**10.3**	**8.0**	**4.5**	**13.9**	**26.0**	**24.4**
Taxation	3.1	3.2	2.5	4.8	5.4	7.5
Profit After Taxation	**7.2**	**4.8**	**2.0**	**9.1**	**20.6**	**16.9**

CHAIRPERSON REVIEW REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2020

It gives me great pleasure to present the Review Report to the shareholders on the Board's overall performance and effectiveness in achieving the Company's objectives.

Review of Overall Performance and Effectiveness of the Board

During the year under review, the Board has carried out its roles and responsibilities diligently and contributed to the strategic leadership of the Company.

The Board has reviewed the financial statements of the Company periodically along with all governance matters such as the transparencies of disclosures, policies, corporate plans, budgets, and compliance of all regulatory requirements.

Apart from reviewing other strategic and critical business matters, the Board has specifically assessed the impacts of the COVID-19 outbreak and its risks to the Company. Appropriate safeguards have been taken to minimize the impacts on the Company.

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

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

As required under the Listed Companies (Code of Corporate Governance Regulations) 2019, an annual evaluation of the Board of Directors and its subcommittees have been carried out. The purpose of this evaluation is to ensure that the Board has the skills required to provide the strategic leadership of the Company. Improvement areas, if any, identified as part of the evaluation process are addressed accordingly. Based on the latest feedback received, the evaluation and performance of the Board is considered satisfactory.

Acknowledgement

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

Mrs. Akhter Khalid Waheed
Chairperson

Lahore
24 September 2020

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2020

We are pleased to present the 64th Annual Report which includes the Audited Financial Statements of your Company for the financial year ended 30 June 2020 along with the Consolidated Financial Statements of its subsidiaries, BF Biosciences Limited and the Farmacia retail venture.

Your Company's Individual and Consolidated Financial Results

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

	Individual		Consolidated	
	2020	2019	**2020**	2019
	(Rupees in thousands)			
Revenue – net	**5,394,043**	5,180,804	**6,191,816**	5,802,856
Gross profit	**2,217,954**	2,045,849	**2,318,162**	2,040,953
Profit before tax	**560,530**	418,718	**591,938**	338,065
Profit after tax	**395,655**	251,046	**422,580**	187,995
Earnings per share (Rs.)	**13.11**	8.32	**13.81**	6.65
Profit available for appropriation	**4,181,755**	3,879,505	**4,644,627**	4,304,712
Appropriations				
Cash Dividend:				
Final cash dividend for the FY 2020 @ Rs. 4/share (FY 2019: @ Rs. 4/share)	**(120,747)**	(120,747)	**(120,747)**	(120,747)
Bonus Shares:				
Bonus shares for the FY 2020 @ 20% (FY 2019: Nil)	**(60,374)**	-	**(60,374)**	-

Financial and Operational Review of Ferozsons Laboratories Limited

The consolidated net sales of your Company closed at Rs. 6,192 million, depicting a growth of 7% over the last year. On a stand-alone basis, net sales of your Company closed at Rs. 5,394 million, demonstrating an increase of 4% over the last year.

Our in-market generic sales have witnessed a growth of 11%, whereas our sales to institutions have declined by 40% over the last year. The decline is mainly attributable to a reduction in public sector health procurement as the provincial Governments have diverted their healthcare budgets towards relief packages for the COVID-19 affected.

The gross profit margin for the current year stands at 41% as compared to 39% in the last year. In absolute terms, the gross profit grew by 8%. The improvement in gross profit margin is primarily due to a change in the sales mix.

Due to the outbreak of COVID-19 and related lockdowns in quarter 4 of the current financial year, several planned field force activities have been either canceled or postponed. This has resulted in a 2% reduction in our selling and distribution expenses compared to last year.

Other expenses have decreased by 31%, primarily due to lower exchange loss in the current year.

The net profit after tax of your Company closed at Rs. 396 million against Rs. 251 million achieved last year. The effective tax rate for the year ended 30 June 2020 closed at 29% against 40% last year. The decrease in the effective tax rate is primarily due to the recording of certain provisions in the last year.

Financial and Operational Review of BF Biosciences Limited (Subsidiary Company)

Sales of the subsidiary Company BF Biosciences Limited closed at Rs. 628 million, depicting an increase of 40% over the last year. Net profit after tax for the year stands at Rs. 47 million against a net loss of Rs. 45 million last year.

During the current year, the BF Biosciences successfully concluded its voluntary license agreement with Gilead Sciences, Inc. for the manufacture and sale of Remdesivir. The product has been registered by the Drug Regulatory Authority of Pakistan under the brand name of “Remidia”. Production and sales of Remidia have commenced in the subsequent period.

BF Biosciences have also started production and sales of Omega (omeprazole) intravenous injections along with Eritrogen (erythropoietin) 10000 IU during the current year under review. However, a number of other biological and non-biological registrations are still pending with the Drug Regulatory Authority of Pakistan for approval. Once these applications are approved, the management is confident that these will further improve the top and bottom line of the subsidiary in the coming years.

Key Operating and Financial Data

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

Capital Expenditure

In order to keep pace with the latest technologies in pharmaceutical industry, during the year under review your Company has invested Rs. 264 million for balancing and modernization of its manufacturing facilities.

Subsequent Events

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

Earnings per Share

Based on the net profit for the year ended 30 June 2020 the earnings per share (EPS) stands at Rs. 13.11 per share, compared to last year’s EPS of Rs. 8.32 per share on capital of Rs. 301.87 million. Consolidated EPS for the year under review closed at Rs. 13.81 per share against last year EPS of Rs. 6.65 per share.

Dividend Announcement

The directors have recommended a final cash dividend of 40% i.e. Rs. 4 per share, and bonus shares at the rate of 20% (i.e. twenty (20) shares for every hundred (100) shares) for the financial year ended 30 June 2020, subject to the approval by the shareholders at the Annual General Meeting to be held on 26 October 2020.

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

Statement of Compliance with the Code of Corporate Governance

The Company is fully complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2019, a statement to this effect along with Auditors' report is annexed with our annual report.

Corporate & Financial Reporting Framework

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

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

- The Company does not envisage corporate restructuring or discontinuation of its operations in the foreseeable future.

- All major Government levies in the normal course of business, payable as on 30 June 2020 have been cleared subsequent to the year end.

- The values of investments of employees' provident fund based on latest audited accounts as of 30 June 2019 are Rs. 506 million.

Contribution to National Exchequer

During the current financial year out of the total wealth generated, your Company contributed approximately Rs. 399 million to the national exchequer in lieu of various levies including Income Tax, Custom Duty, Federal and Provincial Sales Taxes, WWF, WPPF and Central Research Fund.

Cash Flow Management

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

Related Party Transactions

Transactions with related parties during the year ended 30 June 2020 were placed before the audit committee and the board for their review and approval. These transactions were approved by the Board in their meetings held during the year. Detail of related party transactions is given in note 33 to the financial statements.

Composition of Board of Directors, its Committees and Meetings

The information regarding the composition of Board of Directors, its Committees and Meetings held along with the details of persons who, at any time during the financial year 2019-20 were directors of the Company is annexed.

Pattern of Shareholding

The pattern of shareholding as at 30 June 2020 is annexed. All trades in the shares of the Company, if any, carried out by the directors, CEO, CFO, Company Secretary and their spouses and minor children are also annexed.

Corporate Social Responsibility

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

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

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

Risk Management

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

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

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

- **Competition risks:** Due to the weak regulatory controls over illegal and low quality products in the market, the pharmaceutical industry in Pakistan is exposed to unhealthy competition risks. In order to mitigate these risks your Company along with other members of the Pakistan Pharmaceutical Manufacturers Association, is in continuous lobbying for improved Government regulations and policies.

- **Supply chain risks:** The supply chain process plays a pivotal role in day-to-day operations of the Company. We are mitigating this risk through comprehensive production planning and integrating it with the sales forecasting and ordering systems.

- **Information technology risks:** The Company continues to invest in its IT infrastructure keeping in mind its future needs.

- **Financial risks:** These are the risks that are directly attributable to the financial viability of the Company. These have been elaborated in detail in note 38 of the financial statements.

Remuneration Policy of Executive and Non-Executive Directors

Except for chief executive officer (who is full time employed on the Company's payroll), non-executive directors including the independent directors are entitled only for the fee and reimbursement of expenses for attending the meetings as mentioned in note 32 of the unconsolidated financial statements.

Auditors

The Auditors Messrs. KPMG Taseer Hadi & Co., Chartered Accountants retire and offer themselves for reappointment for the year 2020-21.

The Board Audit Committee has recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Company for the year 2020-21. Accordingly, the Board has recommended the same for the approval of the shareholders in the upcoming Annual General Meeting.

Industry Review and Future Outlook

Pakistan's pharmaceutical sector is valued at approximately Rs. 470 billion. The industry contributes significantly to the national economy and is the largest employer of university graduates in the country. In the last couple of years, the financial health of this vital industry has declined with the inflationary pressures on the economy, and a corresponding lack of price adjustment in the face of rising domestic inflation and the devaluation of the Pakistani rupee against the US Dollar. These issues have further exacerbated by the outbreak of COVID-19 in the current year.

The outbreak of COVID-19 has impacted the industry in several ways. The closure of hospital outpatient departments and private clinics, coupled with reduced footfall at pharmacies during the lockdown period had a detrimental impact on the sales of pharmaceutical as well as the medical devices business, since elective procedures nearly came to a standstill. The recent relaxation in lockdowns has helped the industry to resume its operations and return to positive growth. The management is continuously evaluating the impact of the pandemic outbreak and devising mitigating strategies including an increase in inventory levels and diversifying the supply chain to cope with the uncertainties posed by Covid-19, in case there is a second wave.

We would like to appreciate the proactive steps taken by the State Bank of Pakistan, in particular, to support the economy through a substantial reduction in the policy rate and reduced rate loan schemes for entities to pay salaries and wages of employees, as well as long-term facilities to facilitate investments in expansion projects in such challenging times.

The Provincial Governments also took several relief initiatives to combat COVID-19. However, these initiatives were mainly financed by diverting their healthcare budgets, leading to further liquidity problems and delayed payments to suppliers including the healthcare industry.

Your Company has also receivables of approximately Rs. 800 million from these government-owned health institutions. The delays in payments from these institutions are causing severe challenges to our supply chain and working capital. The government should urgently address the challenges faced by healthcare companies that have supplied to government institutions in good faith and continue to await their overdue payments.

To grow the topline of your Company, the management has planned several new launches in core therapeutic areas including Cardiovascular, Gastroenterology, Diabetes and anti-infectives. Depending upon market conditions, the management will begin launching these products in early to mid-2021.

The pharmaceutical industry in Pakistan has tremendous growth potentials both in local and export markets. However, in order to fully capitalize upon these opportunities, the industry desperately needs a balanced regulatory environment where the focus is on quality standards rather than arbitrary price controls.

Acknowledgements

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

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

For and on behalf of the Board

Mr. Osman Khalid Waheed	**Mrs. Akhter Khalid Waheed**
Chief Executive Officer	Chairperson

Lahore
24 September 2020

DATES AND ATTENDANCE OF BOARD MEETINGS HELD DURING THE YEAR ENDED 30 JUNE 2020

A total of Five Board Meetings were held during the Financial Year 2019-2020 on the following dates:

- 03 August 2019
- 21 September 2019
- 25 October 2019
- 28 February 2020
- 29 April 2020

Name of Directors	Attendance
Board of Directors Meetings	
Mrs. Akhter Khalid Waheed	5
Mr. Osman Khalid Waheed	5
Mrs. Amna Piracha Khan	4
Mrs. Munize Azhar Peracha	5
Mr. Nihal Cassim	4
Mr. Shahid Anwar	5
Mr. Arshad Saeed Husain	4

Audit Committee Meetings	
Mr. Arshad Saeed Husain	3
Mrs. Amna Piracha Khan	4
Mr. Nihal Cassim	3
Mr. Shahid Anwar	4

HR&R Committee Meetings	
Mr. Shahid Anwar	1
Mr. Osman Khalid Waheed	1
Mr. Nihal Cassim	0
Mr. Arshad Saeed Husain	1

For and on behalf of the Board

Mrs. Akhter Khalid Waheed
Chairperson

Lahore
24 September 2020

KPMG Taseer Hadi & Co.
Chartered Accountants
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Lahore 54000 Pakistan
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Ferozsons Laboratories Limited

Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Ferozsons Laboratories Limited ("the Company") for the year ended 30 June 2020 to comply with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2020.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore

Date: 30 September 2020

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: Ferozsons Laboratories Limited
Year Ended: 30 June 2020

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

1. The total number of directors are 7 (seven) as per the following:

Gender	Number
Male	04
Female	03

2. The composition of the Board is as follows:

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

Upon maturity of the Board of Directors' current term, the election of directors has been held after the year-end, whereby two independent directors are elected to comply with the provisions of Listed Companies (Code of Corporate Governance) Regulations, 2019.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;

4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have

been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. All the directors have either attended the Directors Training Program or have minimum of 14 years of education and 15 years of experience on the Board of listed companies and therefore are exempt from the Directors Training Program;

10. In order to comply with the requirements of the Code, new Chief Financial Officer has been appointed during the year under review. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

Audit Committee	
Names	**Composition**
Mr. Arshad Saeed Husain	Chairman
Mrs. Amna Piracha Khan	Member
Mr. Nihal Cassim	Member
Mr. Shahid Anwar	Member

HR and Remuneration Committee	
Names	**Composition**
Mr. Arshad Saeed Husain	Chairman
Mr. Osman Khalid Waheed	Member
Mr. Nihal Cassim	Member
Mr. Shahid Anwar	Member

The Board has not formed the ‘Nomination Committee’ and ‘Risk Management Committee’ as responsibilities of these committees are being taken care of at the Board level as and when required. Therefore, a need for the separate formation of these committees does not exist;

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;

14. The frequency of meetings (quarterly / half yearly / yearly) of the committees were as per following:

Meetings	Frequency
Audit Committee	04
HR and Remuneration Committee	01

15. The Board has outsourced the internal audit function to M/S EY Ford Rhodes Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with.

Mrs. Akhter Khalid Waheed
Chairperson

OUR FINANCIAL STATEMENTS

KPMG Taseer Hadi & Co.
Chartered Accountants
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Lahore 54000 Pakistan
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INDEPENDENT AUDITOR'S REPORT

To the members of Ferozsons Laboratories Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Ferozsons Laboratories Limited** ("the Company"), which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

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Following are the Key audit matter(s):

S.No.	Key audit matter(s)	How the matter was addressed in our audit
1	**Revenue** Refer to notes 3.16 and 23 to the unconsolidated financial statements The Company recognized revenue of Rs. 5,394 million from the sale of goods to domestic as well as export customers during the year ended 30 June 2020. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to a risk that revenue is recognized without transferring the control.	Our audit procedures to assess sales recognition, amongst others, included the following: • Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls; • assessing the appropriateness of the Company's accounting policies for recording of sales and compliance of those policies with applicable accounting and reporting standards; • comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents; • comparing a sample of sale transactions recorded near the year end with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if sale was recorded in the appropriate accounting period; • inspecting on a sample basis, credit notes issued in June 2020 and July 2020 to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and • scanning for any manual journal entries relating to sale recorded during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.
2	**Valuation of Trade Debts** Refer to notes 3.6 and 17 to the unconsolidated financial statements. As at 30 June 2020, the Company's gross trade debts amount to Rs. 1045.27 million against which, the Company has recognized expected credit loss ("ECL") of Rs. 5.20 million for the year ended 30 June 2020.	Our audit procedures to assess valuation of trade debts, amongst others, included the following: • reviewing the methodology developed and applied by the management to estimate the ECL in relation to trade debts, evaluating the key assumptions used (historical and forward looking), the policies applied to assess ECL in respect of trade debts and testing the mathematical accuracy of the ECL model by re-performing calculations on test basis;

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S.No.	Key audit matter(s)	How the matter was addressed in our audit
	The Company has applied the ECL model for determination of loss allowance against trade debts under IFRS 9 (Financial Instruments) other than due from Government institutions. Recoverable amount of trade debts due from Government institutions have been estimated under IAS 39 due to exemption granted by the Securities and Exchange Commission of Pakistan vide SRO 985 (I)/2019. Determination of ECL provision for trade debts requires significant judgment and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information. We have considered this as a key audit matter due to involvement of estimates and judgments in determining the recoverable value.	• involving our specialists to assess the ECL model and significant estimates, assumptions and judgments applied in developing ECL; • in respect of trade debts due from Government institutions, assessing the assumptions and estimates made by the management for the allowances for doubtful debts with reference to our understanding of the debtors' financial condition, the ageing of overdue balances and historical and post year-end cash receipts from the debtors and by performing a retrospective review of the historical accuracy of these estimates; • assessing, on a sample basis, the accuracy of the data used for ECL computation and for assessing impairment of trade debts due from Government institutions; and • assessing the adequacy of disclosure made in the unconsolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.
3	**Revaluation of Property, Plant and Equipment** Refer to notes 2.6.9, 3.4, 6 and 12 to the unconsolidated financial statements. The Company follows the revaluation model for subsequent measurement of freehold land, buildings on free hold land and plant and machinery. Latest revaluation was carried out on 30 June 2020. The valuation was performed by an external professional valuer engaged by the Company. We identified the revaluation of the Company's property, plant and equipment as a key audit matter because the valuation involves a significant degree of judgement and estimation.	Our audit procedures, amongst others, included the following: • obtaining and inspecting the valuation reports prepared by the external expert engaged by the Company and on which the management's assessment of the valuation of property, plant and equipment was based; • evaluating the information provided by the Company to the external professional valuer by inspecting the relevant underlying documentation; • involving property, plant and equipment valuation expert engaged by us to assist in evaluating the appropriateness of valuation methodology and assessing the reasonableness of key estimates and assumptions adopted in the valuations report by the valuer engaged by the Company; and

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S.No.	Key audit matter(s)	How the matter was addressed in our audit
		• assessing the adequacy of the disclosures made in unconsolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.

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

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended **30 June 2020** but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

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

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

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KPMG Taseer Hadi & Co.

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

KPMG Taseer Hadi & Co.

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore

Date: 30 September 2020

AR7820

Unconsolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 Rupees	2019 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (2019: 50,000,000) ordinary shares of Rs. 10 each		**500,000,000**	500,000,000
Issued, subscribed and paid up capital	*4*	**301,868,410**	301,868,410
Capital reserve	*5*	**321,843**	321,843
Revaluation surplus on property, plant and equipment	*6*	**1,135,897,569**	755,732,295
Accumulated profit		**4,181,754,531**	3,879,504,557
		5,619,842,353	4,937,427,105
Non current liabilities			
Long term loan - secured	*7*	**90,090,384**	-
Deferred grant	*7*	**4,409,616**	-
Deferred taxation	*8*	**282,742,428**	178,928,506
		377,242,428	178,928,506
Current liabilities			
Trade and other payables	*9*	**1,320,854,227**	976,727,035
Contract liabilities		**44,671,521**	30,175,066
Short term borrowings - secured	*10*	**51,017,136**	-
Current portion of long term liabilities	*7*	**31,500,000**	-
Unclaimed dividend		**76,964,852**	75,156,815
Accrued mark-up		**2,509,734**	4,432,350
		1,527,517,470	1,086,491,266
Contingencies and commitments	*11*		
		7,524,602,251	6,202,846,877

The annexed notes from 1 to 42 form an integral part of these unconsolidated financial statements.

Chief Executive Officer | **Chief Financial Officer**

	Note	**2020 Rupees**	2019 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	*12*	**3,308,834,762**	2,720,876,300
Intangible assets	*13*	**423,498**	731,179
Long term investments - related parties	*14*	**334,863,185**	314,545,924
Long term deposits		**9,787,325**	7,086,325
		3,653,908,770	3,043,239,728
Current assets			
Stores, spare parts and loose tools	*15*	**30,392,651**	20,878,123
Stock in trade	*16*	**1,833,184,796**	1,170,925,851
Trade debts - considered good	*17*	**1,026,879,355**	887,452,305
Loans and advances - considered good	*18*	**42,851,733**	24,399,746
Deposits and prepayments	*19*	**155,899,633**	151,088,839
Other receivables	*20*	**38,117,556**	67,564,290
Advance income tax - net		**286,479,315**	202,002,562
Short term investments	*21*	**357,590,624**	451,847,651
Cash and bank balances	*22*	**99,297,818**	183,447,782
		3,870,693,481	3,159,607,149
		7,524,602,251	6,202,846,877

Director

Unconsolidated Statement of Profit or Loss

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
Revenue - net	*23*	**5,394,043,009**	5,180,803,582
Cost of sales	*24*	**(3,176,088,959)**	(3,134,954,617)
Gross profit		**2,217,954,050**	2,045,848,965
Administrative expenses	*25*	**(351,414,876)**	(353,172,864)
Selling and distribution expenses	*26*	**(1,282,275,582)**	(1,309,653,498)
Other expenses	*27*	**(89,734,107)**	(123,265,414)
Other income	*28*	**93,134,095**	182,390,571
Profit from operations		**587,663,580**	442,147,760
Finance cost	*29*	**(27,133,700)**	(23,429,965)
Profit before taxation		**560,529,880**	418,717,795
Taxation	*30*	**(164,874,799)**	(167,672,113)
Profit after taxation		**395,655,081**	251,045,682
Earnings per share - basic and diluted	*31*	**13.11**	8.32

The annexed notes from 1 to 42 form an integral part of these unconsolidated financial statements.

Chief Executive Officer **Chief Financial Officer** **Director**

Unconsolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
Profit after taxation	**395,655,081**	251,045,682
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment	**520,492,028**	-
Related deferred tax on surplus	**(112,984,497)**	-
Total comprehensive income for the year	**803,162,612**	251,045,682

The annexed notes from 1 to 42 form an integral part of these unconsolidated financial statements.

Chief Executive Officer **Chief Financial Officer** **Director**

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2020

		Capital Reserve		Revenue Reserve	
	Share capital	**Capital reserve**	**Revaluation surplus on property, plant and equipment**	**Accumulated profit**	**Total**
	------Rupees------				
Balance as at 01 July 2018	301,868,410	321,843	789,650,185	3,721,832,574	4,813,673,012
Total comprehensive income for the year	-	-	-	251,045,682	251,045,682
Surplus transferred to accumulated profit:					
- on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	-	-	(27,373,665)	27,373,665	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	(6,544,225)	-	(6,544,225)
Transactions with owners of the Company, recognized directly in equity - Distributions					
- Final dividend for the year ended 30 June 2018 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)
- Interim dividend for the year ended 30 June 2019 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)
	-	-	-	(120,747,364)	(120,747,364)
Balance as at 30 June 2019	**301,868,410**	**321,843**	**755,732,295**	**3,879,504,557**	**4,937,427,105**
Total comprehensive income for the year					
Profit after taxation	-	-	-	395,655,081	395,655,081
Surplus on revaluation of property, plant and equipment	-	-	520,492,028	-	520,492,028
Related deferred tax on surplus	-	-	(112,984,497)	-	(112,984,497)
	-	**-**	**407,507,531**	**395,655,081**	**803,162,612**
Surplus transferred to accumulated profit:					
- on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	-	-	**(27,342,257)**	**27,342,257**	-
Transactions with owners of the Company, recognized directly in equity - Distributions					
- Final dividend for the year ended 30 June 2019 at Rs. 4 per share	-	-	-	**(120,747,364)**	**(120,747,364)**
Balance as at 30 June 2020	**301,868,410**	**321,843**	**1,135,897,569**	**4,181,754,531**	**5,619,842,353**

The annexed notes from 1 to 42 form an integral part of these unconsolidated financial statements.

Chief Executive Officer **Chief Financial Officer** **Director**

Unconsolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
Cash flow from operating activities			
Profit before taxation		**560,529,880**	418,717,795
Adjustments for non - cash and other items			
Depreciation on property, plant and equipment	*12.4*	**325,560,923**	285,495,105
Amortisation of intangible assets		**588,017**	1,285,093
Trade debts directly written off	*26*	**-**	38,876,781
Provision / (reversal) of loss allowance against trade debts		**5,196,175**	(5,235,513)
Gain on disposal of property, plant and equipment	*12.5*	**(23,123,459)**	(30,806,125)
Finance cost		**27,133,700**	23,429,965
(Gain) / loss on re-measurement of short term investments to fair value		**(1,569,035)**	11,014,902
(Gain) / loss on sale of short term investments		**(954,676)**	1,376,020
Dividend income	*28.1*	**(42,052,188)**	(45,219,772)
Profit on bank deposits		**(2,549,824)**	(1,873,744)
Share in profit of Farmacia	*14.1*	**(20,317,261)**	(16,747,464)
Workers' Profit Participation Fund		**30,367,021**	17,597,332
Central Research Fund		**6,134,752**	3,555,017
Workers' Welfare Fund		**11,247,351**	8,872,286
		315,661,496	291,619,883
Cash generated from operations before working capital changes		**876,191,376**	710,337,678
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(9,514,528)**	25,340,064
Stock in trade		**(662,258,945)**	48,928,069
Trade debts - considered good		**(144,623,225)**	(403,114,279)
Loans and advances - considered good		**(18,451,987)**	19,577,188
Deposits and prepayments		**(4,810,794)**	23,871,796
Other receivables		**17,044,066**	28,386,249
		(822,615,413)	(257,010,913)
Increase in current liabilities			
Trade and other payables		**353,301,818**	211,173,052
Cash generated from operations		**406,877,781**	664,499,817
Taxes paid		**(258,522,072)**	(187,486,714)
Workers' Profit Participation Fund paid	*20.1*	**(17,597,332)**	(21,081,892)
Workers' Welfare Fund paid		**(8,872,286)**	(7,090,508)
Central Research Fund paid	*9.1*	**(3,555,017)**	(2,283,549)
Long term deposits - net		**(2,701,000)**	(20,000)
Net cash generated from operating activities		**115,630,074**	446,537,154
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(404,778,226)**	(373,025,565)
Acquisition of intangibles		**(280,336)**	-
Dividend income received		**42,052,188**	11,335,727
Proceeds from sale of property, plant and equipment	*12.5*	**34,874,319**	46,676,391
Profit on bank deposits received		**2,549,824**	1,873,744
Short term investments - net		**96,780,700**	96,989,005
Net cash used in investing activities		**(228,801,531)**	(216,150,698)
Cash flow from financing activities			
Long term loan received		**126,000,000**	-
Finance cost paid		**(29,056,316)**	(19,531,328)
Dividend paid		**(118,939,327)**	(127,734,273)
Net cash used in financing activities		**(21,995,643)**	(147,265,601)
Net (decrease) / increase in cash and cash equivalents		**(135,167,100)**	83,120,855
Cash and cash equivalents at the beginning of the year		**183,447,782**	100,326,927
Cash and cash equivalents at the end of the year		**48,280,682**	183,447,782
Cash and cash equivalents comprise of the following			
Cash and bank balances	*22*	**99,297,818**	183,447,782
Running finance	*10*	**(51,017,136)**	-
		48,280,682	183,447,782

The annexed notes from 1 to 42 form an integral part of these unconsolidated financial statements.

Chief Executive Officer **Chief Financial Officer** **Director**

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2020

1 Reporting entity

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

2 Basis of preparation

2.1 Separate financial statements

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

The Company has following major investments:

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

2.2 Statement of compliance

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

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

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

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

2.3 Standards, amendments and interpretations and forth coming requirements

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

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

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

– Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

– Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

– On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

– Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

– Amendments to IFRS-16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 01 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.

– Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 01 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

– Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

– Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 01 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS Standards 2018–2020 Cycle - the improvements address amendments to following approved accounting standards:

– IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

– IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

– IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The above amendments are effective from annual period beginning on or after 01 January 2022 and are not likely to have an impact on Company's financial statements.

2.4 Basis of measurement

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

2.5 Functional and presentation currency

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

2.6 Use of estimates and judgments

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

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

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

2.6.1 Property, plant and equipment

The Company reviews the useful lives and residual value of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the company expects to derive. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.6.2 Intangibles

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

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

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

The Company has elected to measure loss allowances for trade debts other than due from 'Government of Pakistan' using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The financial assets due from Government of Pakistan continues to be measured under IAS-39 due to the exemption given by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 985 (I)/2019 dated 02 September 2019. SECP has deferred the requirements of IFRS 9 with respect to application of 'Expected Credit Loss Method' in respect of companies holding financial assets due from the Government of Pakistan till 30 June 2021. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

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

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

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

2.6.5 Provisions

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

2.6.6 Impairment

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

2.6.7 Fair value of investments

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

2.6.8 Taxation

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

2.6.9 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuer. The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

3 Significant accounting policies

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

3.1 Changes in accounting policy

During the year, the Company has adopted IFRS 16 'Leases' from 01 July 2019. Due to the transition methods chosen by the Company in applying this standard, comparative information throughout these unconsolidated financial statements has not been restated to reflect the requirements of the new standard.

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

3.1.1 IFRS 16 - Leases

The Company has initially applied IFRS 16 from 01 July 2019. 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 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 has presented non-current and current portion of related lease liabilities in the statement of financial position considering their due dates for payment.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative value. The Company has elected not to recognize right of use assets and liabilities for some leases of low value assets (warehouse/sales offices). The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term. The Company's accounting policy relating to leases is explained in note 3.22 of these financial statements.

Transition

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

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- 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; and

Impact of 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 the purpose of application of IFRS 16 and accordingly the application of IFRS 16 has no impact on the opening retained earnings as at 01 July 2019. The comparative information presented for 2019 is not restated i.e. it is presented as previously reported under IAS 17 and related interpretations.

3.2 Employee benefits

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

3.2.1 Staff provident fund (Retirement benefit)

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

3.2.2 Compensated absences

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

3.3 Taxation

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

3.3.1 Current taxation

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

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

3.3.2 Deferred taxation

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

3.4 Property, plant and equipment

3.4.1 Owned

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

Depreciation is provided on a straight line basis and charged to unconsolidated statement of profit or loss to write off the depreciable amount of each asset, except for freehold land, over its estimated useful life at the rates specified in note 12 of these unconsolidated financial statements. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant. The Company’s estimate of the residual value of its property, plant and equipment as at statement of financial position date has not required any adjustment as its impact is considered insignificant.

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

Useful lives are determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

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

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

3.4.2 Capital work in progress

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

3.5 Intangibles

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

3.6 Financial instruments

3.6.1 Recognition and initial measurement

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

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

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 985 (I)/2019 dated 02 September 2019 has deferred the requirements of IFRS 9 with respect to application of Expected Credit Loss Method in respect of companies holding financial assets due from the Government of Pakistan till 30 June 2021. In this regard, the companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' during the exemption period.

3.6.2 Classification and subsequent measurement

Financial assets

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

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

Amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Debt Instrument - FVOCI

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Equity Instrument - FVOCI

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

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

Fair value through profit or loss (FVTPL)

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

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

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

Financial assets – Business model assessment

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

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

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

Financial liabilities

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

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

3.6.3 Derecognition

Financial assets

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

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

Financial liabilities

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

3.6.4 Trade debts - due from Government of Pakistan

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

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

3.6.5 Offsetting of financial instruments

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

3.7 Impairment

Financial assets

The Company recognizes loss allowances for ECLs on:

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

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

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

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

The financial assets due from Government of Pakistan continue to be measured under IAS-39 due to the exemption given by the Securities and Exchange Commission of Pakistan vide S.R.O. 985 (I)/2019 dated 02 September 2019. The financial assets due from Government of Pakistan are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset due from Government of Pakistan is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs other than that are due from Government (note 2.6.3). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

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

Non - financial assets

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

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

3.8 Investments in subsidiaries

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

3.9 Trade and other payables

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

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

3.10 Provisions

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

3.11 Foreign currency

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

3.12 Stores, spare parts and loose tools

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

3.13 Stocks in trade

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

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

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

3.14 Cash and cash equivalents

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

3.15 Borrowings

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

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

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

3.16 Revenue recognition

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

3.17 Other income

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

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

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

3.18 Contract liabilities

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

3.19 Borrowing costs

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

3.20 Earnings per share (EPS)

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

3.21 Dividend distribution

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

3.22 Leases

At the inception of a contract, the Company assesses whether a contract is or contains lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

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 which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct cost incurred less any lease incentive received. The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability, if any. The right of use assets is depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment.

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 it incremental borrowing rate as the discount rate for leases where rate is not readily available. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

The lease liability is measured at amortized cost using the effective interest method. 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, if there is change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in statement of profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Short term leases and leases of low value assets

The Company has elected not to recognize right of use assets and liabilities for some leases of low value assets (warehouse/sales offices). The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

3.23 Segment reporting

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

3.24 Government grant

The Company recognizes the benefit of a government loan at a below-market rate of interest as a Government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received and is presented as deferred grant. The recognition of government grants in profit or loss is done on a systematic basis over the periods in which the expenses for which the grants are intended to compensate.

	2020 Rupees	2019 Rupees

4 Issued, subscribed and paid up capital

	2020 Rupees	2019 Rupees
1,441,952 (2019: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	**14,419,520**	14,419,520
119,600 (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	**1,196,000**	1,196,000
28,625,289 (2019: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**286,252,890**	286,252,890
	301,868,410	301,868,410

KFW Factors (Private) Limited, an associated company holds 8,286,942 (2019: 8,286,942) ordinary shares of Rs. 10 each of the Company, representing 27.45% (2019: 27.45%) of the equity held.

5 Capital reserve

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

6 Surplus on revaluation of property, plant and equipment - net of tax

	2020 Rupees	2019 Rupees
Revaluation surplus as at 01 July	**818,939,882**	856,971,311
Revaluation surplus recognized during the year on:		
- freehold land	**118,500,000**	-
- building on freehold land	**226,634,567**	-
- plant and machinery	**175,357,461**	-
	520,492,028	-
Surplus transferred to accumulated profit on account of incremental depreciation charged during the year net of deferred tax	**(27,342,257)**	(27,373,665)
Related deferred tax liability	**(10,689,172)**	(10,657,764)
	(38,031,429)	(38,031,429)
Revaluation surplus as at 30 June	**1,301,400,481**	818,939,882
Less: Related deferred tax liability:		
- on revaluation surplus as at 01 July	**(63,207,587)**	(67,321,126)
- deferred tax on surplus arise during the year	**(112,984,497)**	-
- transferred on account of incremental depreciation charged during the year	**10,689,172**	10,657,764
- tax rate adjustment	**-**	(6,544,225)
	(165,502,912)	(63,207,587)
Revaluation surplus as at 30 June	**1,135,897,569**	755,732,295

The freehold land, building and plant and machinery were revalued by independent valuers in years 1976, 1989, 2002, 2006, 2011, 2016 and 2020. The latest revaluation was conducted by M/s Asif Associates (Private) Limited (independent valuer and consultant) as at 30 June 2020, that resulted in a further surplus of Rs. 520 million. These revaluations had resulted in a cumulative surplus of Rs. 1,574 million, which has been included in the carrying values of free hold land, building on free hold land and plant and machinery respectively and credited to the surplus on revaluation of property plant and equipment. The surplus is adjusted on disposal of revalued assets, if any, and through incremental depreciation, net of deferred tax charged to retained earnings. The most significant input into this valuation approach is price per acre for land , price per square foot for building and present operational condition and age (replacement cost) of plant and machinery. The surplus on revaluation is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

7	**Long term loan - secured**	*Note*	**2020 Rupees**	2019 Rupees
	Under markup / interest arrangement			
	Long term loan - HBL	*7.1*	**126,000,000**	-
	Less: amortization of loan as deferred grant		**(9,451,940)**	-
	Add: unwinding of loan		**394,133**	-
	Balance as at 30 June 2020		**116,942,193**	-
	Less: current portion of long term loan presented under current liabilities		**(26,851,809)**	-
			90,090,384	-

7.1 The Company obtained term finance facility under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan in order to prevent entities from laying-off employees during COVID-19 outbreak. The Company obtained Rs. 126 million for paying salaries for the month of April 2020 and May 2020 under this scheme in two installment amounting to Rs 63 million each on draw down dates of 21 May 2020 and 30 June 2020. The facility carry mark-up at the rate specified by State Bank of Pakistan plus relevant bank's spread of 3%. The tenor of this facility is up to 01 October 2022. The loan has been measured at its fair value in accordance with IFRS 9 (Financial Instruments) using effective interest rate of 9.40% and 8.44% and at draw down dates of 21 May 2020 and 30 June 2020 respectively. The difference between fair value of loan and loan proceeds has been recognised as deferred grant as per requirements of IAS 20 (Accounting for Government grants and disclosure of Government assistance) and as per Circular 11/2020 issued by the Institute of Chartered Accountants of Pakistan.

The facility is secured by first exclusive equitable mortgage charge of 252 million with 25% margin on land and building of head office of the company.

As per the financing arrangement, the company has to comply the certain covenants imposed by bank including bank prior consent for payouts if any.

Habib Bank Limited	Balance (Rupees)	Number of installments Total	Payment rests	Repayment date	Ending date	Markup rate
Long term loan	126,000,000	8	Quarterly	1-Jan-21	1-Oct-22	SBP Rate (0%) + Spread (3%)

The unavailed finance facility available to the Company is Rs. 63 million (2019: Rs. nil).

7.1	**Deferred grant**	**2020 Rupees**	2019 Rupees
	Balance as at 01 July	-	
	Transaction during the year	**9,451,940**	-
	Amortisation during the year	**(394,133)**	-
	Unamortised balance of deferred grant	**9,057,807**	-
	less: current maturity	**(4,648,191)**	-
	Balance as at 30 June 2020	**4,409,616**	

8 Deferred taxation

	2020				2019			
		(Reversal from) / charge to				(Reversal from) / charge to		
	Balance as at 01 July	**Profit or loss**	**Equity**	**Balance as at 30 June**	Balance as at 01 July	Profit or loss	Equity	Balance as at 30 June
	Rupees				Rupees			
Taxable temporary difference								
Accelerated tax depreciation allowances	**115,910,127**	**3,234,749**	**-**	**119,144,876**	93,654,783	22,255,344	-	115,910,127
Surplus on revaluation of property, plant and equipment	**63,207,587**	**(10,689,172)**	**112,984,497**	**165,502,912**	67,321,126	(10,657,764)	6,544,225	63,207,587
Unrealized gain on short term investments - mutual funds	**3,509,330**	**(255,707)**	**-**	**3,253,623**	4,784,574	(1,275,244)	-	3,509,330
	182,627,044	**(7,710,130)**	**112,984,497**	**287,901,411**	165,760,483	10,322,336	6,544,225	182,627,044
Deductable temporary difference								
Loss allowance against trade debts	**(3,698,538)**	**(1,460,445)**	**-**	**(5,158,983)**	-	1,467,178	(5,165,716)	(3,698,538)
	178,928,506	**(9,170,575)**	**112,984,497**	**282,742,428**	165,760,483	11,789,514	1,378,509	178,928,506

9	**Trade and other payables**	*Note*	**2020 Rupees**	2019 Rupees
	Trade creditors		**898,257,525**	727,805,937
	Accrued liabilities		**303,965,714**	160,295,680
	Tax deducted at source		**6,153,089**	-
	Provision for compensated absences		**30,760,061**	26,145,098
	Workers' Profit Participation Fund	*20.1*	**367,021**	-
	Central Research Fund	*9.1*	**6,134,752**	3,555,017
	Workers' Welfare Fund	*27*	**11,247,351**	8,872,286
	Advances from employees against purchase of vehicles		**63,945,893**	49,267,061
	Other payables		**22,821**	785,956
			1,320,854,227	976,727,035

9.1 Central Research Fund

	Note	2020	2019
Balance as at 01 July		**3,555,017**	2,283,549
Provision for the year	*27*	**6,134,752**	3,555,017
		9,689,769	5,838,566
Payments made during the year		**(3,555,017)**	(2,283,549)
Balance as at 30 June		**6,134,752**	3,555,017

10 Short term borrowings

	2020	2019
Short term running finance - secured	**51,017,136**	-

10.1 Particulars of borrowings

	Note	2020	2019
Interest / markup based financing	*10.2*	**50,806,268**	-
Islamic mode of financing	*10.3*	**210,868**	-
		51,017,136	-

10.2 Under Mark up arrangements

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 (2019: Rs. 750 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0.1% to 1% (2019: one to three months KIBOR plus 0.1% to 1%) 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 (2019: Rs. 450 million) are secured by joint pari passu charge over present and future current assets of the Company and remaining Rs. 300 million (2019: Rs. 300 million) facility is secured by lien on Company's short term investments (money market/cash fund) which should be 110% of the maximum limit allowed for utilization. Under this arrangement, short term investment of Rs. 333.33 million (2019: Rs. 333.33 million) is marked under lien. These facilities are renewable on annual basis latest by 31 December 2020.

10.3 Under Shariah compliant arrangements

The Company has short term borrowing facility i.e. Running Musharakah available from Islamic bank under profit arrangements having sanctioned limit of Rs. 200 million (2019: Rs. 200 million). This facility carries profit rate of one month KIBOR plus 0.25% (2019: one month to three months KIBOR plus 0.25% to 0.3%) per annum on the outstanding balance. This facility can interchangeably be utilized as non-funded. This facility is secured by joint pari passu charge over current assets of the Company. This facility is renewable on annual basis latest by 30 November 2020.

11 Contingencies and commitments

11.1 Contingencies

There are no contingencies as of the reporting date.

11.2 Commitments

11.2.1 Letter of credits

11.2.1.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 700 million (2019: Rs. 700 million) for opening letters of credit, the amount utilized as at 30 June 2020 for capital expenditure was Rs. 5.05 million (2019: Rs. 131.27 million) and for other than capital expenditure was Rs. 62.95 million (2019: Rs. 77.38 million). Out of these facilities, Rs. 300 million can interchangeably be utilized as running finance. These facilities are secured by joint pari passu charge (2019: joint pari passu charge) over all present and future current assets of the Company.

11.2.1.2 Under Shariah compliant arrangements

The Company has facility i.e. letters of credit of Rs. 200 million (2019: Rs. 200 million) available from Islamic bank. The amount utilized as at 30 June 2020 for capital expenditure was Rs. 13.95 million (2019: Rs. 2.82 million) and for other than capital expenditure was Rs. 78.52 million (2019: Rs. 100.52 million). Lien is also marked over import documents.

11.2.2 Guarantees issued by banks on behalf of the Company

11.2.2.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 375 million (2019: Rs. 375 million) for letter of guarantees (which is the sublimit of running finance and letter of credits), the amount utilized as at 30 June 2020 was Rs. 87.49 million (2019: Rs. 51.40 million).

11.2.2.2 Under Shariah compliant arrangements

The Company has facility i.e. letter of guarantee of Rs. 25 million (2019: Rs. 25 million) available from Islamic bank, the amount utilized at 30 June 2020 was Rs. 6.45 million (2019: Rs. 6.45 million).

12 Property, plant and equipment

	Note	**2020 Rupees**	2019 Rupees
Operating fixed assets	*12.1*	**3,227,904,469**	2,716,578,574
Capital work in progress	*12.6*	**80,930,293**	4,297,726
		3,308,834,762	2,720,876,300

12.1 Operating fixed assets

	Owned							
	Freehold land	Buildings on freehold land	Plant and machinery	Office equipment	Furniture and fittings	Computers	Vehicles	Total
	Rupees							
30 June 2020								
Cost / revalued amount								
Balance as at 01 July 2019	710,000,000	835,429,979	1,333,029,194	98,371,799	97,972,024	43,576,209	409,708,284	3,528,087,489
Additions / transfers	-	7,604,853	205,530,956	9,683,501	5,641,121	10,460,142	89,225,077	328,145,650
Disposals / write off	-	-	-	(717,609)	-	(1,137,569)	(57,625,347)	(59,480,525)
Revaluation surplus	118,500,000	(70,034,832)	(234,964,385)	-	-	-	-	(186,499,217)
Balance as at 30 June 2020	**828,500,000**	**773,000,000**	**1,303,595,765**	**107,337,691**	**103,613,145**	**52,898,782**	**441,308,014**	**3,610,253,397**
Depreciation								
Balance as at 01 July 2019	-	212,633,850	268,273,742	53,500,439	31,842,002	34,324,543	210,934,339	811,508,915
Charge for the year	-	84,035,549	142,048,104	7,871,733	9,150,614	7,634,652	74,820,271	325,560,923
On disposals	-	-	-	(547,206)	-	(1,127,320)	(46,055,139)	(47,729,665)
Elimination of accumulated depreciation on revaluation	-	(296,669,399)	(410,321,846)	-	-	-	-	(706,991,245)
Balance as at 30 June 2020	**-**	**-**	**-**	**60,824,966**	**40,992,616**	**40,831,875**	**239,699,471**	**382,348,928**
Net book value as at 30 June 2020	**828,500,000**	**773,000,000**	**1,303,595,765**	**46,512,725**	**62,620,529**	**12,066,907**	**201,608,543**	**3,227,904,469**
30 June 2019								
Cost / revalued amount								
Balance as at 01 July 2018	710,000,000	785,869,102	1,036,144,843	95,907,033	83,579,527	37,998,069	380,906,356	3,130,404,930
Additions / transfers	-	49,560,877	296,884,351	2,517,266	14,392,497	7,547,933	100,718,198	471,621,122
Disposals / write off	-	-	-	(52,500)	-	(1,969,793)	(71,916,270)	(73,938,563)
Revaluation surplus	-	-	-	-	-	-	-	-
Balance as at 30 June 2019	**710,000,000**	**835,429,979**	**1,333,029,194**	**98,371,799**	**97,972,024**	**43,576,209**	**409,708,284**	**3,528,087,489**
Depreciation								
Balance as at 01 July 2018	-	133,415,574	161,284,016	45,477,834	22,762,368	29,081,025	192,061,290	584,082,107
Charge for the year	-	79,218,276	106,989,726	8,033,106	9,079,634	7,199,737	74,974,626	285,495,105
On disposals	-	-	-	(10,501)	-	(1,956,219)	(56,101,577)	(58,068,297)
Revaluation surplus	-	-	-	-	-	-	-	-
Balance as at 30 June 2019	**-**	**212,633,850**	**268,273,742**	**53,500,439**	**31,842,002**	**34,324,543**	**210,934,339**	**811,508,915**
Net book value as at 30 June 2019	**710,000,000**	**622,796,129**	**1,064,755,452**	**44,871,360**	**66,130,022**	**9,251,666**	**198,773,945**	**2,716,578,574**
Depreciation Rate %	**-**	**10**	**10**	**10**	**10**	**33.33**	**20**	

12.1.1 These include fully depreciated assets amounting to Rs. 127.63 million (2019: Rs. 97.30 million).

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

	2020 Rupees	2019 Rupees
Freehold land	**116,611,635**	116,611,635
Building on freehold land	**408,101,366**	459,246,237
Plant and machinery	**1,078,982,283**	1,002,753,827
	1,603,695,284	1,578,611,699

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

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

12.3 As explained in note 6, the latest revaluation was carried as at 30 June 2020. As per the revaluation report, forced sale value of freehold land, buildings on free hold land and plant and machinery was Rs. 741 million, Rs. 652 million and Rs. 1,041 million respectively.

12.4 **Depreciation is allocated as under:**

	Note	2020 Rupees	2019 Rupees
Cost of sales	*24*	**224,483,369**	184,601,843
Administrative expenses	*25*	**48,536,447**	48,550,451
Selling and distribution expenses	*26*	**52,541,116**	52,342,811
		325,560,932	285,495,105

12.5 Disposal of property, plant and equipment

Particulars of assets	Particulars of purchaser	Relationship with Company	Cost / revalued amount	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
			-------------Rupees-------------				
Vehicles							
Honda Civic	Mr. Ahmer Ashraf	Employee	2,637,000	1,230,600	1,793,160	562,560	Company Policy
Toyota Altis Grande	Mr. Syed Nayyer Khurshid	Employee	2,400,500	920,191	1,512,315	592,124	Company Policy
Toyota Corolla GLi	Mr. Muhammad Talha Kausar	Others	1,770,500	590,167	1,925,000	1,334,833	Negotiation
Suzuki Cultus	Mr. Sikandar Zaman	Employee	1,274,550	701,002	943,167	242,165	Company Policy
Suzuki Mehran	Mr. Tariq Saeed	Others	850,500	637,875	807,000	169,125	Negotiation
Suzuki Mehran	Mr. Aamir Khan	Others	771,700	565,913	790,000	224,087	Negotiation
Suzuki Mehran	Mr. Aamir Khan	Others	771,700	565,913	797,000	231,087	Negotiation
Suzuki Mehran	Mst. Aysha Ali	Employee	751,295	538,427	658,800	120,373	Company Policy
Various assets having net book value up to Rs. 500,000 each			41,316,569	5,820,123	25,384,877	19,564,754	
			52,544,314	11,570,211	34,611,319	23,041,108	
Computers							
Various assets having net book value up to Rs. 500,000 each			1,137,569	10,246	181,000	170,754	
Office equipments							
Various assets having net book value up to Rs. 500,000 each			717,609	170,403	82,000	(88,403)	
Assets written off:							
Vehicles - CNG Kits			5,081,033	-	-	-	Written - off
2020 Rupees			**59,480,525**	**11,750,860**	**34,874,319**	**23,123,459**	
2019 Rupees			73,938,563	15,870,266	46,676,391	30,806,125	

		Note	**2020 Rupees**	2019 Rupees
12.6	**Capital work-in-progress**			
	The movement in capital work in progress is as follows:			
	Balance as at 01 July		**4,297,726**	102,893,283
	Additions during the year		**298,661,795**	261,324,271
	Transfers during the year		**(222,029,228)**	(359,919,828)
	Balance as at 30 June	*12.6.1*	**80,930,293**	4,297,726
12.6.1	**Capital work-in-progress comprises of:**			
	Building and civil works		**13,835,545**	-
	Plant and machinery	*12.6.1.1*	**57,564,748**	-
	Advances to suppliers	*12.6.1.2*	**9,530,000**	4,297,726
			80,930,293	4,297,726

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

12.6.1.2 These are interest free in the normal course of business for vehicles.

		Note	**2020 Rupees**	2019 Rupees
13	**Intangible assets**			
13.1	**Computer softwares and software license fees**			
	Cost			
	Balance as at 01 July		**12,850,789**	12,850,789
	Addition during the year		**280,336**	-
	Balance as at 30 June	*13.1.1*	**13,131,125**	12,850,789
	Amortisation			
	Balance as at 01 July		**12,119,610**	10,834,517
	Amortisation for the year	*25*	**588,017**	1,285,093
	Balance as at 30 June		**12,707,627**	12,119,610
	Net book value		**423,498**	731,179

13.1.1 These include fully amortized assets amounting to Rs. 11.11 million (2019: Rs. 11.11 million). Intangibles are amortised at 33% (2019: 33%) on straight line basis.

14	Long term investments - related parties	Note	2020 Rupees	2019 Rupees
	Related parties - at cost			
	Farmacia (Partnership firm):			
	Capital held: 98% (2019: 98%) Managing Partner - Osman Khalid Waheed	*14.1*	**182,863,225**	162,545,964
	BF Biosciences Limited (unlisted subsidiary):			
	15,199,996 (2019: 15,199,996) fully paid ordinary shares of Rs. 10 each Equity held: 80% (2019: 80%) Chief Executive Officer - Mrs. Akhter Khalid Waheed	*14.2*	**151,999,960**	151,999,960
			334,863,185	314,545,924

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

14.2 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% (2019: 80%) of equity of the subsidiary and the remaining 20% is held by Grupo Empresarial Bagó S.A., Spain. The registered office of the Company is situated at 197-A, The Mall, Rawalpindi and the production facility is located at 5 KM- Sunder Raiwind Road Lahore. The net assets of the Subsidiary company as at 30 June 2020 were of Rs. 782.37 million (2019: Rs. 735.26 million).

15	Stores, spare parts and loose tools	Note	2020 Rupees	2019 Rupees
	Stores		**13,202,021**	9,774,650
	Spare parts		**14,978,954**	10,936,504
	Loose tools		**206,840**	166,969
	Stores in transit		**2,004,836**	-
			30,392,651	20,878,123

16	Stock in trade	Note	2020 Rupees	2019 Rupees
	Raw and packing materials		**539,746,654**	370,003,918
	Work in process		**93,642,720**	58,928,282
	Finished goods	*16.1*	**1,007,744,405**	587,932,285
	Stock in transit	*16.2*	**192,051,017**	154,061,366
			1,833,184,796	1,170,925,851

16.1 The amount charged to unconsolidated statement of profit or loss on account of write down of finished goods to net realizable value amounts to Rs. 1.90 million (2019: Rs. 81.01 million).

16.2 It includes raw and packing material in transit amounting to Rs. 143.89 million (2019: Rs. 49.45 million) and finished goods in transit amounting to Rs. 48.16 million (2019: Rs. 104.61 million).

		Note	2020 Rupees	2019 Rupees
17	**Trade debts - considered good**			
	Exports - secured, considered good		**6,127,128**	12,367,064
	Unsecured - Considered good			
	- Exports		**25,508,600**	28,391,576
	- Others		**1,013,637,759**	859,891,622
			1,039,146,359	888,283,198
	Loss allowance against trade debts	*17.1*	**(18,394,132)**	(13,197,957)
			1,026,879,355	887,452,305

17.1 Loss allowance against trade debts

	2020 Rupees	2019 Rupees
Loss allowance as at 01 July	**13,197,957**	18,433,470
Loss allowance / (reversal) during the year	**5,196,175**	(5,235,513)
Loss allowance as at 30 June	**18,394,132**	13,197,957

		Note	2020 Rupees	2019 Rupees
18	**Loans and advances - considered good**			
	Advances to employees - secured	*18.1*	**21,236,358**	19,962,155
	Advances to suppliers - unsecured	*18.2*	**20,503,236**	4,168,886
	Others		**1,112,139**	268,705
			42,851,733	24,399,746

18.1 Advances given to staff are in accordance with the Company's policy and terms of employment contract. These advances are secured against provident fund. Advances to staff include amount due from executives of the Company of Rs. 5.94 million (2019: Rs. 2.72 million).

18.2 These are interest free in the ordinary course of business.

		Note	2020 Rupees	2019 Rupees
19	**Deposits and prepayments**			
	Deposits - considered good			
	Earnest Money	*19.1*	**147,418,439**	128,158,890
	Security Margins		**7,563,945**	22,110,467
			154,982,384	150,269,357
	Prepayments		**917,249**	819,482
			155,899,633	151,088,839

19.1 These are interest free and given in ordinary course of business for acquiring government tenders.

	Note	2020 Rupees	2019 Rupees

20 Other receivables

	Note	2020 Rupees	2019 Rupees
Sales tax refundable - net		**2,687,308**	10,858,662
Workers' profit participation fund	*20.1*	**-**	12,402,668
Export rebate		**5,236,823**	6,253,321
Others - unsecured, considered good		**30,193,425**	38,049,639
		38,117,556	67,564,290

20.1 Workers' Profit Participation Fund

	Note	2020 Rupees	2019 Rupees
Balance receivable as at 01 July		**12,402,668**	8,918,108
Provision for the year		**(30,367,021)**	(17,597,332)
		(17,964,353)	(8,679,224)
Payments made during the year		**17,597,332**	21,081,892
Balance as at 30 June	*9*	**(367,021)**	12,402,668

21 Short term investments

Investments at fair value through profit or loss

	Note	2020 Rupees	2019 Rupees
Mutual fund	*21.1*	**357,590,624**	451,847,651

21.1 These investments are measured at 'fair value through Profit or Loss'

	Note	2020 Rupees	2019 Rupees
Fair value at 01 July		**451,847,651**	527,343,533
Acquisition / re-invested during the year		**35,634,121**	134,983,875
Redemption during the year		**(132,414,859)**	(198,088,835)
Realized gain / (loss) on sale of investments during the year		**954,676**	(1,376,020)
Unrealized gain / (loss) on re-measurement of investment during the year		**1,569,035**	(11,014,902)
Fair value of investments at 30 June	*21.1.1*	**357,590,624**	451,847,651

21.1.1 Mutual fund wise detail is as follows:

	Units		Fair value	
	2020	2019	**2020**	2019
	...…………….**Number**…………….		...…………….**Rupees**…………….	
HBL Money Market Fund	**2,516,176**	2,278,754	**257,539,370**	232,709,773
MCB Cash Management Optimizer Fund	**10,939**	10,939	**1,102,945**	1,099,828
HBL Cash Fund	**978,434**	2,163,177	**98,948,309**	218,038,050
			357,590,624	451,847,651

21.2 Realized gain of Rs. 0.95 million (2019: Realized loss of Rs. 1.38 million) on sale of mutual funds has been recorded in "Other income" (2019: Other expenses). Further, dividend income of Rs. 42.05 million (2019: 45.22) is also recorded in "Other income". These investments and related loss is from non shariah compliant arrangement. These are marked under lien as mentioned in note 10.

	Note	2020 Rupees	2019 Rupees

22 Cash and bank balances

	Note	2020 Rupees	2019 Rupees
Cash in hand		**4,971,375**	6,993,384
Cash at bank:			
Current accounts			
- foreign currency		**14,272,043**	13,281,893
- local currency	*22.1*	**42,986,682**	110,549,622
		57,258,725	123,831,515
Deposit accounts - local currency	*22.2*	**37,067,718**	52,622,883
		99,297,818	183,447,782

22.1 These include bank accounts of Rs. 0.002 million (2019: Rs. 0.003 million) maintained under Shariah compliant arrangements.

22.2 These include deposit accounts of Rs. 37.07 million (2019: Rs. 52.62 million) under mark up arrangements, which carry interest rates ranging from 6.5% - 11.28% (2019: 4.5% - 10.25%) per annum.

These also include deposit account of Rs. 0.000079 million (2019: Rs. 0.000073 million) under Shariah compliant arrangements, which carries profit rate from 3.25% - 7.06% (2019: 2.40% - 6.26%) per annum.

23 Revenue - net

	2020 Rupees	2019 Rupees
Gross sales:		
Local	**5,570,269,813**	5,340,931,686
Export	**209,166,945**	164,585,921
	5,779,436,758	5,505,517,607
Less:		
Sales returns	**(47,544,874)**	(63,362,175)
Discounts and commission	**(325,383,539)**	(239,647,838)
Service charges on sales	**(7,688,636)**	(16,374,584)
Sales tax	**(4,776,700)**	(5,329,428)
	(385,393,749)	(324,714,025)
Revenue from contracts with customers	**5,394,043,009**	5,180,803,582

23.1 This includes sale of both own manufactured and purchased products. Revenue from contracts with customers relates to both local (Pakistan) and foreign markets and it is recongised at the point in time.

		Note	2020 Rupees	2019 Rupees
24	**Cost of sales**			
	Raw and packing materials consumed	*24.1*	**1,124,417,922**	1,036,405,023
	Salaries, wages and other benefits	*24.2*	**281,863,768**	264,073,528
	Fuel and power		**41,350,477**	30,244,432
	Repair and maintenance		**14,597,846**	11,229,014
	Stores, spare parts and loose tools consumed		**72,704,635**	79,864,829
	Freight and forwarding		**35,344,911**	34,648,523
	Packing charges		**13,366,515**	17,094,700
	Rent, rates and taxes		**4,646,646**	4,847,632
	Printing and stationery		**3,986,987**	3,945,307
	Postage and telephone		**4,401,804**	4,793,318
	Insurance		**14,465,724**	10,948,438
	Travelling and conveyance		**10,942,735**	7,841,054
	Canteen expenses		**13,094,538**	12,362,134
	Depreciation on property, plant and equipment	*12.4*	**224,483,369**	184,601,843
	Laboratory and other expenses		**15,262,398**	22,185,873
			1,874,930,275	1,725,085,648
	Work in process:			
	Opening		**58,928,282**	50,818,086
	Closing		**(93,642,720)**	(58,928,282)
			(34,714,438)	(8,110,196)
	Cost of goods manufactured		**1,840,215,837**	1,716,975,452
	Finished stock:			
	Opening		**587,932,285**	730,289,493
	Purchases made during the year		**1,755,685,242**	1,275,621,957
	Closing		**(1,007,744,405)**	(587,932,285)
			1,335,873,122	1,417,979,165
			3,176,088,959	3,134,954,617

24.1 ***Raw and packing materials consumed***

Opening	**370,003,918**	338,718,490
Purchases made during the year	**1,294,160,658**	1,067,690,451
	1,664,164,576	1,406,408,941
Closing	**(539,746,654)**	(370,003,918)
	1,124,417,922	1,036,405,023

24.2 Salaries, wages and other benefits include Rs. 9.91 million (2019: Rs. 9.10 million) which represents employer's contribution towards provident fund.

	Note	2020 Rupees	2019 Rupees
25 Administrative expenses			
Salaries and other benefits	*25.1*	**204,140,222**	204,209,828
Directors fees and expenses		**1,133,612**	1,213,423
Rent, rates and taxes		**745,214**	861,470
Postage and telephone		**8,299,397**	8,615,730
Printing, stationery and office supplies		**2,446,592**	3,565,392
Travelling and conveyance		**22,311,433**	22,949,239
Transportation		**7,556,600**	9,554,338
Legal and professional charges		**5,717,091**	6,242,543
Fuel and power		**5,741,991**	4,882,548
Auditors' remuneration	*25.2*	**2,305,293**	1,403,066
Repair and maintenance		**11,986,253**	12,881,668
Fee and subscriptions		**8,329,958**	6,556,678
Donations	*25.3*	**6,617,621**	5,480,369
Insurance		**5,595,908**	5,724,430
Depreciation on property, plant and equipment	*12.4*	**48,536,447**	48,550,451
Amortisation of intangibles		**588,044**	1,285,093
Canteen expenses		**6,848,581**	6,955,082
Other expenses		**2,514,619**	2,241,516
		351,414,876	353,172,864

25.1 Salaries and other benefits include Rs. 8.62 million (2019: Rs. 8.03 million) which represents employer's contribution towards provident fund.

	2020 Rupees	2019 Rupees
25.2 Auditors' remuneration		
Fee for annual audit	**1,276,000**	866,250
Audit of consolidated financial statements	**78,500**	78,500
Review of half yearly financial statements	**290,000**	117,750
Special certificates and others	**464,000**	206,700
Out-of-pocket expenses	**196,793**	133,866
	2,305,293	1,403,066

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

Name of director	Nature of interest in donee	Name of donee	2020 Rupees	2019 Rupees
Mr. Osman Khalid Waheed (Director)	Trustee	National Management Foundation (LUMS)	**3,050,443**	3,428,034

Donations to following organizations exceeds Rs 0.5 million:

	2020 Rupees	2019 Rupees
Cancer Research and Treatment Foundation	**1,500,000**	1,500,000
American Business Forum	**500,000**	-
The Pakistan Society of Health System Pharmacist	**800,000**	-

	Note	2020 Rupees	2019 Rupees
26 Selling and distribution expenses			
Salaries and other benefits	*26.1*	**598,419,131**	580,067,437
Travelling and conveyance		**253,726,462**	261,905,641
Trade debts directly written off		**-**	38,876,781
Earnest money written off		**1,065,159**	-
Fuel and power		**7,356,843**	6,096,866
Rent, rates and taxes		**9,589,090**	7,783,589
Sales promotion and advertisement		**143,100,576**	140,401,554
Printing and stationary		**5,239,183**	4,856,911
Postage and telephone		**19,857,207**	17,317,589
Fee and subscription		**34,829,468**	26,848,193
Insurance		**22,268,779**	23,527,082
Repairs and maintenance		**23,087,228**	15,413,801
Conferences, seminars and training		**103,625,205**	125,509,646
Medical research and patient care		**6,830,016**	8,313,833
Depreciation on property, plant and equipment	*12.4*	**52,541,116**	52,342,811
Other expenses		**740,119**	391,764
		1,282,275,582	1,309,653,498

26.1 Salaries and other benefits include Rs. 21.13 million (2019: Rs. 18.75 million) which represents employer's contribution towards provident fund.

	Note	2020 Rupees	2019 Rupees
27 Other expenses			
Exchange loss - net	*27.1*	**36,788,808**	80,849,857
Workers' Profit Participation Fund	*20.1*	**30,367,021**	17,597,332
Workers' Welfare Fund	*9*	**11,247,351**	8,872,286
Central Research Fund	*9.1*	**6,134,752**	3,555,017
Unrealized loss on re-measurement of short term investments to fair value	*21.1*	**-**	11,014,902
Loss allowance against trade debts		**5,196,175**	-
Realized loss on sale of short term investments	*21.1*	**-**	1,376,020
		89,734,107	123,265,414

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

			2020	2019
28	**Other income**	*Note*	**Rupees**	Rupees
	From financial assets	*28.1*	**47,125,723**	52,329,029
	From non financial assets	*28.2*	**46,008,372**	130,061,542
			93,134,095	182,390,571

28.1 From financial assets

Profit on deposits with banks	*28.1.1*	**2,549,824**	1,873,744
Dividend income	*21.2*	**42,052,188**	45,219,772
Unrealized gain on re-measurement of short term investments to fair value	*21.1*	**1,569,035**	-
Realized gain on sale of short term investments	*21.1*	**954,676**	-
Reversal of loss allowance against trade debts		**-**	5,235,513
		47,125,723	52,329,029

28.1.1 These include profit of Rs. Nil (2019: Rs. 0.02 million) earned on deposit account maintained under Shariah compliant arrangements.

		2020	2019
28.2 From non financial assets	*Note*	**Rupees**	Rupees
From related party			
Share in profit of Farmacia - 98% owned partnership firm		**20,317,261**	16,747,464
Others			
Gain on sale of property, plant and equipment - net of write off	*12.5*	**23,123,459**	30,806,125
Export rebate		**2,567,652**	1,619,087
Commission income		**-**	80,888,866
		25,691,111	113,314,078
		46,008,372	130,061,542

29	**Finance cost**			
	Mark-up on			
	- short term borrowings	*29.1*	**21,558,600**	18,431,078
	- long term loan		**217,479**	-
	Bank charges		**5,357,621**	4,998,887
			27,133,700	23,429,965

29.1 This includes markup paid under Shariah compliant arrangements amounting to Rs. 5.68 million (2019: Rs. 5.46 million) against facilities of short term borrowings.

30 Taxation

	2020 Rupees	2019 Rupees
Current		
- For the year	**173,031,919**	146,192,481
- For prior years	**1,013,455**	9,690,119
Deferred		
- For the year	**(9,170,575)**	10,238,666
- For prior years	**-**	1,550,847
	164,874,799	167,672,113

30.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

	2020 Rupees	2019 Rupees
Profit before taxation	**560,529,880**	418,717,795
	- - - - - (Percentage) - - - - -	
Applicable tax rate as per Income Tax Ordinance, 2001	**29%**	29%

	2020 Rupees	2019 Rupees
Tax on accounting profit	**162,553,665**	121,428,161
Effect of final tax regime	**(8,841,647)**	23,778,314
Effect of tax credit	**-**	(14,844,218)
Not adjustable for tax purposes	**10,149,326**	14,281,486
Effect of super tax	**-**	11,787,403
Effect of proration and tax rate adjustment	**-**	1,550,847
Prior year tax adjustment	**1,013,455**	9,690,120
	2,321,134	46,243,952
	164,874,799	167,672,113

30.2 The provision for current taxation represent tax under the normal tax regime at the rate of 29% of taxable income (2019: 29%) and final taxes paid under final tax regime under Income Tax Ordinance, 2001.

31 Earnings per share - basic and diluted

		2020	2019
Profit after taxation for distribution to ordinary shareholders	*Rupees*	**395,655,081**	251,045,682
Weighted average no. of ordinary shares	*Numbers*	**30,186,841**	30,186,841
Basic and diluted earnings per share	*Rupees*	**13.11**	8.32

32 Remuneration of Chief Executive, Executive Director and Executives

	2020		
	Chief Executive	**Executive Director**	**Executives**
	---------------------Rupees---------------------		
Managerial remuneration	**18,200,907**	**-**	**211,954,720**
LFA	**1,532,360**	**-**	**10,322,302**
Bonus	**2,748,628**	**-**	**23,207,985**
Contribution to provident fund	**1,165,950**	**-**	**11,877,752**
	23,647,845	**-**	**257,362,759**
Numbers	**1**	**-**	**47**

	2019		
	Chief Executive	Executive Director	Executives
	---------------------Rupees---------------------		
Managerial remuneration	16,773,059	-	182,054,438
LFA	1,374,314	-	13,647,958
Bonus	2,545,026	-	26,710,370
Contribution to provident fund	1,044,281	-	9,832,380
	21,736,680	-	232,245,146
Numbers	1	-	40

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

The Company has 6 (2019: 6) non executive directors. Non executive directors are not paid any remuneration or benefits other than the meeting fee and reimbursement of expenses. All the members of the Board of Directors were paid Rs. 370,000 (2019: Rs. 400,000) as meeting fee and Rs. 763,612 (2019: Rs. 813,423) as reimbursement of expenses for attending the Board of Directors' meetings.

33 Related party transactions

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

	2020 **Rupees**	2019 Rupees
Farmacia - 98% owned subsidiary partnership firm		
Sale of medicines	**29,891,732**	36,431,821
Payment received from Farmacia against sale of medicine	**29,891,732**	36,431,821
Rentals paid	**4,456,518**	4,051,379
Share of profit reinvested	**20,317,261**	16,747,464
BF Biosciences Limited - 80% owned subsidiary company		
Sale of finished goods	**37,274,618**	28,999,254
Payment received	**37,274,618**	28,999,254
Purchase of goods	**4,499,000**	-
Payment made	**4,499,000**	-
Sales return of medicines	**-**	501,162
Receipts against return of medicine	**-**	501,162
Purchase of vehicles	**-**	14,349,314
Payment against purchase of vehicles	**-**	14,349,314
Expenses incurred - net	**5,285,098**	11,397,079
Payment made against expenses re-imbursement	**5,285,098**	11,397,079
Other related parties		
Contribution towards employees' provident fund	**39,662,026**	35,881,169
Remuneration including benefits and perquisites of key management personnel	**141,391,624**	137,572,339
Dividend to M/s KFW Factors (Private) Limited - associated company	**33,147,768**	33,147,768
Dividend to Directors	**13,561,688**	12,899,804
Fee paid to M/s Khan and Piracha	**267,500**	240,500
Rent paid to Director against office	**4,092,000**	4,290,000

34 Plant capacity and production

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

35 Number of employees

	Total employees	
	2020	2019
Total number of employees as at 30 June	**1059**	1056
Average number of employees during the year	**1056**	1001

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

	2020			
	Liabilities			Total
	Unclaimed dividend	Accrued mark up	Long term loan	
	--------------------- (Rupees) -------------------			
Balance as at 01 July 2019	**75,156,815**	**4,432,350**	**-**	**79,589,165**
Changes from financing cash flows				
Inflows from financing arrangement	**-**	**-**	**126,000,000**	**126,000,000**
Finance cost paid	**-**	**(29,056,316)**	**-**	**(29,056,316)**
Dividends paid	**(118,939,327)**	**-**	**-**	**(118,939,327)**
Total changes from financing cash flows	**(118,939,327)**	**(29,056,316)**	**126,000,000**	**(21,995,643)**
Non-cash changes				
Dividend approved	**120,747,364**	**-**	**-**	**120,747,364**
Interest / markup expense	**-**	**27,133,700**	**-**	**27,133,700**
Total non-cash changes	**120,747,364**	**27,133,700**	**-**	**147,881,064**
Closing as at 30 June 2020	**76,964,852**	**2,509,734**	**126,000,000**	**205,474,586**

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

37 Disclosures relating to provident fund

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

	Un-Audited 2020		Audited 2019	
	% of Size of Fund	**Rupees**	% of Size of Fund	Rupees
Ferozsons Laboratories Limited - Parent Company	**81%**	**529,309,413**	81%	428,921,024
BF Biosciences Limited - Subsidiary	**17%**	**111,089,630**	17%	91,006,094
Farmacia - Partnership firm	**2%**	**13,069,368**	2%	10,608,830
	100%	**653,468,411**	100%	530,535,948

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

38 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

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

38.1 Credit risk

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

38.1.1 Exposure to credit risk

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

	2020	2019
Financial assets at amortized cost	**Rupees**	Rupees
Long term deposits	**9,787,325**	7,086,325
Trade debts - considered good	**1,026,879,355**	887,452,305
Loans and advances - considered good	**1,112,139**	268,705
Short term deposits	**154,982,384**	150,269,357
Other receivables	**30,193,425**	38,049,639
Bank balances	**94,326,443**	176,454,398
Financial assets at fair value through profit or loss		
Short term investments	**357,590,624**	451,847,651
	1,674,871,695	1,711,428,380

38.1.2 Credit quality and impairment

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

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

These include banking companies and financial institutions, which are counterparties to bank balances and investments. Impairment on these balances has been measured on 12 month expected loss basis and reflects the shortest maturities of the exposure. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Institutions	Rating		Rating Agency	2020	2019
	Short term	Long term		---------------------Rupees	------------------
Bank balances					
Habib Bank Limited	A1+	AAA	JCR-VIS	**22,679,405**	42,680,719
Bank Al-Habib Limited	A1+	AA+	PACRA	**17,923,089**	69,135,323
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**32,506,854**	51,468,155
Bank Alfalah Limited	A1+	AA+	PACRA	**20,419,009**	5,363,646
Meezan Bank Limited	A1+	AA+	JCR-VIS	**2,457**	4,810,760
MCB Bank Limited	A1+	AAA	PACRA	**489,431**	2,987,167
Allied Bank Limited	A1+	AAA	PACRA	**306,198**	8,628
				94,326,443	176,454,398
Short term investments					
HBL Money Market Fund	N/A	AA(f)	JCR-VIS	**257,539,370**	232,709,773
MCB Cash Management Optimizer	N/A	AA+(f)	PACRA	**1,102,945**	1,099,828
HBL Cash Fund	N/A	AA(f)	JCR-VIS	**98,948,309**	218,038,050
				357,590,624	451,847,651
Margin against bank gaurantee					
Habib Bank Limited	A1+	AAA	JCR-VIS	**783,934**	783,934
Meezan Bank Limited	A1+	AA+	JCR-VIS	**196,168**	196,168
				980,102	980,102
Margin against letter of credit					
MCB Bank Limited	A1+	AAA	PACRA	**-**	12,755,060
Meezan Bank Limited	A1+	AA+	JCR-VIS	**6,413,843**	8,245,306
				6,413,843	21,000,366
				459,311,012	650,282,517

Counter parties without external credit ratings - Trade debts

These mainly include customers which are counter parties to local and foreign trade debts. The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables other than due from Government departments / hospitals. Trade receivables are written off when there is no reasonable expectation of recovery. Management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Company has used three years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro-economic factors. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2020 was determined as follows:

The aging of trade debts at the reporting date was:

	Others	
	2020	2019
	--------------------**Rupees**--------------------	
Not past due yet	**184,318,570**	435,633,234
Past due 61 - 90 days	**157,892,132**	54,196,466
Past due 91 - 180 days	**178,117,743**	146,970,683
Past due 181 - 365 days	**193,395,779**	216,880,636
More than 365 days	**331,549,263**	46,969,243
Less: Loss allowance on trade debts	**(18,394,132)**	(13,197,957)
	1,026,879,355	887,452,305

Export sales are majorly secured through letter of credit while majority of the local sales are made to Government departments / hospitals. Trade debts are essentially due from government departments / projects and the Company is actively pursuing for recovery of debts and the Company does not expect these companies to fail to meet their obligations.

Deposits and other receivables are mostly due from Government Institutions, utility companies and a major supplier. Impairment on these balances has been measured on 12 month expected loss basis and reflects the shortest maturities of the exposure. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets. There are reasonable grounds to believe that these amounts will be recovered in short course of time.

38.1.3 Concentration of credit risk

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

38.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	2020			
	Carrying amount	**Less than one year**	**One to five years**	**More than 5 years**
	--------------------**Rupees**--------------------			
Financial liabilities				
Long term loan - secured	**126,000,000**	**31,500,000**	**94,500,000**	**-**
Trade and other payables	**1,233,006,121**	**1,233,006,121**	**-**	**-**
Unclaimed dividend	**76,964,852**	**76,964,852**	**-**	**-**
Short term borrowings - secured	**51,017,136**	**51,017,136**	**-**	**-**
Accrued mark-up	**2,509,734**	**2,509,734**	**-**	**-**
	1,489,497,843	**1,394,997,843**	**94,500,000**	**-**

	2019			
	Carrying amount	Less than one year	One to five years	More than 5 years
	--------------------Rupees--------------------			
Financial liabilities				
Long term loan - secured	-	-	-	-
Trade and other payables	915,032,671	915,032,671	-	-
Unclaimed dividend	75,156,815	75,156,815	-	-
Short term borrowings - secured	-	-	-	-
Accrued mark-up	4,432,350	4,432,350	-	-
	994,621,836	994,621,836	-	-

38.3 Market risk

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

Market risk comprises of three types of risks:

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

38.3.1 Currency risk

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

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

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

			2020		
	Rupees	**US Dollars**	**Euro**	**UAE Dirham**	**Pound Sterling**
Cash and bank balances	**16,900,754**	**81,666**	**13,089**	**4,125**	**2,515**
Trade and other payables	**(798,085,521)**	**(4,733,979)**	**(12,912)**	**(2,296)**	**-**
Trade receivables	**29,547,055**	**175,823**	**-**	**-**	**-**
Other receivables	**30,749,117**	**182,976**	**-**	**-**	**-**
Gross financial position exposure	**(720,888,595)**	**(4,293,514)**	**177**	**1,829**	**2,515**

			2019		
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling
Cash and bank balances	17,014,664	86,873	15,709	4,145	325
Trade and other payables	(682,533,504)	(4,248,166)	(692)	(57,112)	-
Trade receivables	40,758,653	254,662	-	-	-
Other receivables	36,782,051	229,816	-	-	-
Gross financial position exposure	(587,978,136)	(3,676,815)	15,017	(52,967)	325

The following significant exchange rates were applied during the year:

	Reporting date rate		**Average rate**	
	2020	2019	**2020**	2019
US Dollars	**168.05**	160.05	**161.53**	140.89
Euro	**188.61**	182.32	**179.29**	160.89
UAE Dirham	**45.75**	43.57	**43.98**	38.34
Pound Sterling	**206.50**	203.01	**201.97**	181.27

Sensitivity analysis

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

	Profit or loss	
	2020	2019
	------------------Rs.------------------	
Statement of profit or loss	**(72,088,860)**	(58,797,814)

38.3.2 Interest rate risk

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

	Average rate		Carrying amount	
	2020	2019	**2020**	2019
Variable rate instruments	**(in Percentage)**		**(Rupees)**	
Financial assets				
Cash at bank - deposit accounts	**6.5% to 11.3%**	4.5% to 10.3%	**37,067,718**	52,622,883
Financial liabilities				
Long term loan - including current portion (secured)	**8.4% to 9.4%**	-	**126,000,000**	-
Short term borrowing - secured	**8.5% to 14.8%**	-	**51,017,136**	-
Net Exposure			**214,084,854**	52,622,883

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / decreased for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	Profit or loss	
	100 bps Increase	**100 bps Decrease**
	Rupees	
As at 30 June 2020		
Cash flow sensitivity - Variable rate financial assets	**2,140,849**	**(2,140,849)**
As at 30 June 2019		
Cash flow sensitivity - Variable rate financial assets	526,229	(526,229)

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

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

38.3.3 Other price risk

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

Sensitivity analysis

The table below summarizes the Company's equity price risk as of 30 June 2020 and 2019 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Company's equity investment portfolio.

	Fair value	**Hypothetical price change**	**Estimated fair value after hypothetical change in prices**	**Hypothetical increase / (decrease) in profit / (loss) before tax**
	Rupees			
As at 30 June 2020				
Short term investments				
Investments at fair value through profit or loss	**357,590,624**	**10% increase**	**393,349,686**	**35,759,062**
		10% decrease	**321,831,562**	**(35,759,062)**

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in profit / (loss) before tax
	Rupees			
As at 30 June 2019				
Short term investments				
Investments at fair value through profit or loss	451,847,651	10% increase	497,032,416	45,184,765
		10% decrease	406,662,886	(45,184,765)

38.4 Fair value of financial instruments

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

38.4.1 Fair values versus carrying amounts

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

38.4.2 Valuation of financial instruments

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

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

Level 2: Valuation techniques based on observable inputs.

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

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

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

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

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

	Carrying Amount				Fair Value		
	Fair value through profit or loss	**Financial assets at amortised cost**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**
	Rupees						
30 June 2020							
Financial assets measured at fair value:	357,590,624	-	-	357,590,624	357,590,624	-	-
Financial assets not measured at fair value							
Long term deposits and prepayments	-	9,787,325	-	9,787,325	-	-	-
Trade debts - considered good	-	1,026,879,355	-	1,026,879,355	-	-	-
Loans and advances - considered good	-	22,348,497	-	22,348,497	-	-	-
Short term deposits	-	154,982,384	-	154,982,384	-	-	-
Other receivables	-	30,193,425	-	30,193,425	-	-	-
Cash and bank balances	-	99,297,818	-	99,297,818	-	-	-
	-	1,343,488,804	-	1,343,488,804	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-
Financial liabilities not measured at fair value							
Trade and other payables	-	-	1,233,006,121	1,233,006,121	-	-	-
Unclaimed dividend	-	-	76,964,852	76,964,852	-	-	-
Long term loans - secured	-	-	126,000,000	126,000,000			
Short term borrowings - secured	-	-	51,017,136	51,017,136	-	-	-
Accrued mark-up	-	-	2,509,734	2,509,734	-	-	-
	-	-	1,489,497,843	1,489,497,843	-	-	-

	Carrying Amount				Fair Value		
	Fair Value through profit or loss	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
	Rupees						
30 June 2019							
Financial assets measured at fair value:	451,874,651	-	-	451,874,651	451,874,651	-	-
Financial assets not measured at fair value							
Long term deposits and prepayments	-	7,086,325	-	7,086,325	-	-	-
Trade debts - considered good	-	887,452,305	-	887,452,305	-	-	-
Loans and advances - considered good	-	20,230,860	-	20,230,860	-	-	-
Short term deposits	-	150,269,357	-	150,269,357	-	-	-
Other receivables	-	38,049,639	-	38,049,639	-	-	-
Cash and bank balances	-	183,447,782	-	183,447,782	-	-	-
	-	1,286,536,268	-	1,286,536,268	-	-	-
Financial liabilities measured at fair value:	-	-	-	-	-	-	-
Financial liabilities not measured at fair value							
Trade and other payables	-	-	915,032,671	915,032,671	-	-	-
Unclaimed dividend	-	-	75,156,815	75,156,815			
Long term loans - secured	-	-	-	-			
Short term borrowings - secured	-	-	-	-	-	-	-
Accrued mark-up	-	-	4,432,350	4,432,350	-	-	-
	-	-	994,621,836	994,621,836	-	-	-

Fair value of property, plant and equipment

Freehold land, buildings on freehold land and plant and machinery have been carried at revalued amounts determined by professional valuers (level 3) based on their assessment of market value as disclosed in note 6. The valuations are conducted by the valuation experts appointed by the Company. The valuation experts used a market based approach to arrive at the fair value of the Company's properties. This revaluation was carried out by Asif Associates (Private) Limited (Independent valuers and consultants). Freehold land was revalued on the basis of current market value whereas other assets were revalued on the basis of depreciated market values. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery and other assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

38.5 Capital management

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

The Company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

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

39 Impact of COVID-19 (CORONAVIRUS)

On 11 March 2020, COVID-19 (Coronavirus) was declared a pandemic by the World Health Organization. The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but also adversely impacted the global economy. On 23 March 2020, the Federal and Provincial Governments of Pakistan announced a temporary lock down as a measure to reduce the spread of the COVID-19. However, being a Company in Pharmaceutical Sector, it was exempt from lockdown measures. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Management believes that there is no significant accounting adverse impact of the effects of COVID-19 on the operations of the Company and on these unconsolidated financial statements. However, pursuant to relaxation announced by the State Bank of Pakistan in view of this pandemic, the Company has availed long term loan under refinance scheme for payment of wages and salaries as fully explained in note 7 to these unconsolidated financial statements.

40 Non adjusting events after the reporting date

The Board of Directors of the Company in its meeting held on 24 September 2020 has proposed a final cash dividend of Rs. 4 (2019: Rs. 4) per share and bonus shares at the rate of 20% (2019: Nil) subject to the approval of the members in the upcoming Annual General Meeting to be held on 26 October 2020.

41 Corresponding figures

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

42 Date of authorization for issue

These unconsolidated financial statements have been authorized for issue by the Board of Directors of the Company on 24 September 2020.

Chief Executive Officer	**Chief Financial Officer**	**Director**

CONSOLIDATED FINANCIAL STATEMENTS

60 YEARS

OF TRUST & DEVOTION

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
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INDEPENDENT AUDITOR'S REPORT

To the members of Ferozsons Laboratories Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed Consolidated financial statements of **Ferozsons Laboratories Limited** ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

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Following are the Key audit matter(s):

S.No.	Key audit matter(s)	How the matter was addressed in our audit
1	**Revenue** Refer to notes 3.18 and 23 to the consolidated financial statements The Group recognized revenue of Rs. 6,192 million from the sale of goods to domestic as well as export customers during the year ended 30 June 2020. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and gives rise to a risk that revenue is recognized without transferring the control.	Our audit procedures to assess sales recognition, amongst others, included the following: • Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls; • assessing the appropriateness of the Group's accounting policies for recording of sales and compliance of those policies with applicable accounting and reporting standards; • comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents; • comparing a sample of sale transactions recorded near the year end with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if sale was recorded in the appropriate accounting period; • inspecting on a sample basis, credit notes issued in June 2020 and July 2020 to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and • scanning for any manual journal entries relating to sale recorded during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.
2	**Valuation of Trade Debts** Refer to notes 3.8 and 17 to the consolidated financial statements. As at 30 June 2020, the Group's gross trade debts amount to Rs. 1,111.96 million against which, the Group has recognized expected credit loss ("ECL") of Rs 5.29 million for the year ended 30 June 2020. The Group has applied the ECL model for determination of loss allowance against trade debts under IFRS 9 (Financial instruments) other than due from	Our audit procedures to assess valuation of trade debts, amongst others, included the following: • reviewing the methodology developed and applied by the management to estimate the ECL in relation to trade debts, evaluating the key assumptions used (historical and forward looking), the policies applied to assess ECL in respect of trade debts and testing the mathematical accuracy of the ECL model by re-performing calculations on test basis; • involving our specialists to assess the ECL model and significant estimates, assumptions and judgments applied in developing ECL;

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S.No.	Key audit matter(s)	How the matter was addressed in our audit
	Government institutions. Recoverable amount of trade debts due from Government institutions have been estimated under IAS 39 due to exemption granted by the Securities and Exchange Commission of Pakistan vide SRO 985 (I)/2019. Determination of ECL provision for trade debts requires significant judgment and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information. We have considered this as a key audit matter due to involvement of estimates and judgments in determining the recoverable value.	• in respect of trade debts due from Government institutions, assessing the assumptions and estimates made by the management for the allowances for doubtful debts with reference to our understanding of the debtors' financial condition, the ageing of overdue balances and historical and post year-end cash receipts from the debtors and by performing a retrospective review of the historical accuracy of these estimates; • assessing, on a sample basis, the accuracy of the data used for ECL computation and for assessing impairment of trade debts due from Government institutions; and • assessing the adequacy of disclosure made in the consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.
3	**Revaluation of Property, Plant and Equipment** Refer to notes 2.6.1, 2.6.8, 3.5, 6 and 12 to the unconsolidated financial statements. The Group follows the revaluation model for subsequent measurement of freehold land, buildings on freehold land and plant and machinery. Latest revaluation was carried out on 30 June 2020. The valuation was performed by an external professional valuer engaged by the Group. We identified the revaluation of the Group's property, plant and equipment as a key audit matter because the valuation involves a significant degree of judgement and estimation.	Our audit procedures, amongst others, included the following: • obtaining and inspecting the valuation reports prepared by the external expert engaged by the Group and on which the management's assessment of the valuation of property, plant and equipment was based; • evaluating the information provided by the Group to the external professional valuer by inspecting the relevant underlying documentation; • involving property, plant and equipment valuation expert engaged by us to assist in evaluating the appropriateness of valuation methodology and assessing the reasonableness of key estimates and assumptions adopted in the valuations report by the valuer engaged by the Group; and • assessing the adequacy of the disclosures made in consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.

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

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended **30 June 2020**, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore

Date: 30 September 2020

AR7920

Consolidated Statement of Financial Position

As at 30 June 2020

EQUITY AND LIABILITIES	Note	2020 Rupees	2019 Rupees
Share capital and reserves			
Authorized share capital			
50,000,000 (2019: 50,000,000) ordinary shares of Rs. 10 each		**500,000,000**	500,000,000
Issued, subscribed and paid up capital	*4*	**301,868,410**	301,868,410
Capital reserve	*5*	**321,843**	321,843
Revaluation surplus on property, plant and equipment	*6*	**1,473,713,362**	862,636,602
Accumulated profits		**4,644,626,609**	4,304,712,411
Equity attributable to owners of the Company		**6,420,530,224**	5,469,539,266
Non-controlling interests		**227,894,083**	169,499,718
		6,648,424,307	5,639,038,984
Non current liabilities			
Long term loan - secured	*7*	**95,070,451**	-
Deferred grant	*7*	**4,679,549**	-
Deferred taxation	*8*	**426,227,602**	216,668,090
		525,977,602	216,668,090
Current liabilities			
Trade and other payables	*9*	**1,527,941,719**	1,075,544,799
Contract liabilities		**101,349,654**	73,313,766
Short term borrowings - secured	*10*	**51,017,136**	20,190,922
Current portion of long term liabilities	*7*	**33,250,000**	-
Unclaimed dividend		**76,964,852**	75,156,815
Accrued mark-up		**2,546,447**	4,461,193
		1,793,069,808	1,248,667,495
Contingencies and commitments	*11*		
		8,967,471,717	7,104,374,569

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Chief Executive Officer | **Chief Financial Officer**

ASSETS	Note	2020 Rupees	2019 Rupees
Non current assets			
Property, plant and equipment	*12*	**3,995,871,086**	3,025,689,113
Intangible assets	*13*	**423,507**	731,188
Investment property	*14*	**79,371,992**	79,371,992
Long term deposits		**14,334,325**	11,633,325
		4,090,000,910	3,117,425,618
Current assets			
Stores, spare parts and loose tools	*15*	**65,536,483**	49,262,538
Stock in trade	*16*	**2,049,992,236**	1,328,150,326
Trade debts - considered good	*17*	**1,092,779,921**	950,788,444
Loans and advances - considered good	*18*	**66,263,891**	27,608,454
Deposits and prepayments	*19*	**276,619,444**	166,564,200
Other receivables	*20*	**38,070,462**	67,402,845
Advance income tax - net		**376,107,745**	264,373,526
Short term investments	*21*	**760,707,781**	864,945,037
Cash and bank balances	*22*	**151,392,844**	267,853,581
		4,877,470,807	3,986,948,951
		8,967,471,717	7,104,374,569

Director

Consolidated Statement of Profit or Loss

For the year ended 30 June 2020

	Note	**2020 Rupees**	2019 Rupees
Revenue - net	*23*	**6,191,816,270**	5,802,855,865
Cost of sales	*24*	**(3,873,653,990)**	(3,761,902,459)
Gross profit		**2,318,162,280**	2,040,953,406
Administrative expenses	*25*	**(393,802,573)**	(393,604,529)
Selling and distribution expenses	*26*	**(1,326,696,536)**	(1,353,585,894)
Other expenses	*27*	**(99,849,746)**	(142,957,501)
Other income	*28*	**122,649,758**	212,019,398
Profit from operations		**620,463,183**	362,824,880
Finance cost	*29*	**(28,525,046)**	(24,760,408)
Profit before taxation		**591,938,137**	338,064,472
Taxation	*30*	**(169,358,407)**	(150,069,156)
Profit after taxation		**422,579,730**	187,995,316
Attributable to:			
Owners of the Group		**416,969,060**	200,775,867
Non-controlling interests		**5,610,670**	(12,780,551)
Profit after taxation		**422,579,730**	187,995,316
Earnings per share - basic and diluted	*31*	**13.81**	6.65

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Chief Executive Officer **Chief Financial Officer** **Director**

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
Profit after taxation	**422,579,730**	187,995,316
Items that will not be reclassified to profit or loss		
Surplus on revaluation of property, plant and equipment	**933,886,668**	-
Related deferred tax on surplus	**(226,333,713)**	-
Total comprehensive income for the year	**1,130,132,686**	187,995,316
Attributable to:		
Owners of the Group	**1,071,738,321**	200,775,867
Non-controlling interests	**58,394,365**	(12,780,551)
	1,130,132,686	187,995,316

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Chief Executive Officer **Chief Financial Officer** **Director**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Attributable to Owners of the Company						
		Capital reserve		Revenue reserve			
	Share capital	Capital reserve	Revaluation surplus on property, plant and equipment	Accumulated profits	Total	Non-controlling interest	Total
	---------- 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 year	-	-	-	200,775,867	200,775,867	(12,780,551)	187,995,316
Surplus transferred to accumulated profit:							
- on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	-	-	(43,723,910)	43,723,910	-	-	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	(14,819,330)	-	(14,819,330)	(2,068,776)	(16,888,106)
Transactions with owners of the Company, recognized directly in equity - Distributions							
Final dividend for the year ended 30 June 2018 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)	-	(60,373,682)
Interim dividend for the year ended 30 June 2019 at Rs. 2 per share	-	-	-	(60,373,682)	(60,373,682)	-	(60,373,682)
	-	-	-	(120,747,364)	(120,747,364)	-	(120,747,364)
Balance as at 30 June 2019	**301,868,410**	**321,843**	**862,636,602**	**4,304,712,411**	**5,469,539,266**	**169,499,718**	**5,639,038,984**
Total comprehensive income for the year							
Profit after taxation	**-**	**-**	**-**	**416,969,060**	**416,969,060**	**5,610,670**	**422,579,730**
Surplus on revaluation of property, plant and equipment	**-**	**-**	**861,384,347**	**-**	**861,384,347**	**72,502,322**	**933,886,669**
Related deferred tax on surplus	**-**	**-**	**(206,615,085)**	**-**	**(206,615,085)**	**(19,718,627)**	**(226,333,712)**
	-	**-**	**654,769,262**	**416,969,060**	**1,071,738,322**	**58,394,365**	**1,130,132,687**
Surplus transferred to accumulated profit:							-
- on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	**-**	**-**	**(43,692,502)**	**43,692,502**	**-**	**-**	**-**
Transactions with owners of the Company, recognized directly in equity - Distributions							
- 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 30 June 2020	**301,868,410**	**321,843**	**1,473,713,362**	**4,644,626,609**	**6,420,530,224**	**227,894,083**	**6,648,424,307**

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Chief Executive Officer **Chief Financial Officer** **Director**

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
Cash flow from operating activities			
Profit before taxation		**591,938,137**	338,064,472
Adjustments for non - cash and other items			
Depreciation on property, plant and equipment	12.4	**378,938,054**	394,892,304
Amortisation of intangible assets		**588,017**	1,626,444
Trade debts directly written off	26	**-**	39,920,925
Provision / (reversal) of loss allowance against trade debts	17.1	**5,288,914**	(5,121,922)
Gain on disposal of property, plant and equipment	12.5	**(23,778,459)**	(33,836,612)
Finance cost		**28,525,046**	24,760,408
(Gain) / loss on re-measurement of short term investments to fair value		**(3,131,383)**	14,284,164
(Gain) / loss on sale of short term investments		**(699,063)**	8,603,276
Amortized gain on Government Securities		**-**	6,154,627
Dividend income	28.1	**(52,521,192)**	(64,022,513)
Workers' Profit Participation Fund		**33,586,141**	17,597,332
Central Research Fund		**6,785,079**	3,555,017
Workers' Welfare Fund		**12,470,617**	8,872,286
		386,051,771	417,285,736
Cash generated from operations before working capital changes		**977,989,908**	755,350,208
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(16,273,945)**	22,539,678
Stock in trade		**(721,841,910)**	18,845,937
Trade debts - considered good		**(147,280,391)**	(400,135,764)
Loans and advances - considered good		**(38,655,437)**	20,617,402
Deposits and prepayments		**(110,055,244)**	24,864,741
Other receivables		**16,929,715**	28,415,741
		(1,017,177,212)	(284,852,265)
Increase in current liabilities			
Trade and other payables		**470,018,274**	185,626,939
Cash generated from operations		**430,830,970**	656,124,882
Taxes paid		**(297,866,828)**	(219,099,841)
Workers' Profit Participation Fund paid		**(17,597,332)**	(21,111,690)
Workers' Welfare Fund paid		**(8,872,286)**	(7,090,508)
Central Research Fund paid	9.1	**(3,555,017)**	(2,283,549)
Long term deposits - net		**(2,701,000)**	(20,000)
Net cash generated from operating activities		**100,238,507**	406,519,294
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(426,984,217)**	(361,511,055)
Acquisition of investment property		**-**	(826,351)
Acquisition of intangibles		**(280,336)**	-
Dividend income received		**52,521,192**	14,995,830
Proceeds from sale of property, plant and equipment	12.5	**35,529,319**	49,930,664
Short term investments - net		**108,067,703**	96,785,803
Net cash used in investing activities		**(231,146,339)**	(200,625,109)
Cash flow from financing activities			
Long term loan received		**133,000,000**	-
Finance cost paid		**(30,439,792)**	(20,838,839)
Dividend paid		**(118,939,327)**	(127,734,273)
Net cash used in financing activities		**(16,379,119)**	(148,573,112)
Net (decrease) / increase in cash and cash equivalents		**(147,286,951)**	57,321,073
Cash and cash equivalents at the beginning of the year		**247,662,659**	190,341,586
Cash and cash equivalents at the end of the year		**100,375,708**	247,662,659
Cash and cash equivalents comprise of the following:			
Cash and bank balances	22	**151,392,844**	267,853,581
Running finance	10	**(51,017,136)**	(20,190,922)
		100,375,708	247,662,659

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Chief Executive Officer **Chief Financial Officer** **Director**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

1 Reporting entity

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

"The Group" consists of the following subsidiaries:

Company / Entity	Country of incorporation	Nature of business	Effective holding %	
			2020	2019
BF Biosciences Limited	Pakistan	Import, manufacturing and sale of pharmaceutical products.	**80**	80
Farmacia	Pakistan	Sale and distribution of medicines and other related products.	**98**	98

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

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

2 Basis of preparation

2.1 Separate financial statements

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2020 and the audited financial statements of the subsidiaries for the year ended 30 June 2020.

2.2 Statement of compliance

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

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

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

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

2.3 Standards, amendments and interpretations and forth coming requirements

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

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

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 ‘Business Combinations’ – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

- Amendments to IFRS-16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 01 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

    i. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
    ii. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
    iii. there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 01 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 01 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sale proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS Standards 2018–2020 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The above amendments are effective from annual period beginning on or after 01 January 2022 and are not likely to have an impact on Group's financial statements.

2.4 Basis of measurement

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

2.5 Functional and presentation currency

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

2.6 Use of estimates and judgments

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

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

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

2.6.1 Property, plant and equipment

The Group reviews the useful lives and residual value of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the Group expects to derive. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.6.2 Intangibles

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

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

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

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

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

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

The Group has elected to measure loss allowances for trade debts other than due from 'Government of Pakistan' using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The financial assets due from Government of Pakistan continues to be measured under IAS-39 due to the exemption given by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 985 (I)/2019 dated 02 September 2019. SECP has deferred the requirements of IFRS 9 with respect to application of 'Expected Credit Loss Method' in respect of companies holding financial assets due from the Government of Pakistan till 30 June 2021. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

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

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

2.6.5 Provisions

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

2.6.6 Impairment

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

2.6.7 Fair value of investments

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

2.6.8 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuer. The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

2.6.9 Taxation

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

3 Significant accounting policies

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

3.1 Changes in accounting policies

During the year, the Group has adopted IFRS 16 'Leases' from 01 July 2019. Due to the transition methods chosen by the Group in applying this standard, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standard.

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

3.1.1 IFRS 16 - Leases

The Group has initially applied IFRS 16 from 01 July 2019. 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 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.

<u>As a lessee</u>

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

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative value. The Group has elected not to recognize right of use assets and liabilities for some leases of low value assets (warehouse/sales offices). The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term. The Group's accounting policy relating to leases is explained in note 3.21 of these financial statements.

<u>Transition</u>

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

– did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

– 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; and

<u>Impact of financial statements</u>

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 the purpose of application of IFRS 16 and accordingly the application of IFRS 16 has no impact on the opening consolidated retained earnings as at 01 July 2019. The comparative information presented for 2019 is not restated i.e. it is presented as previously reported under IAS 17 and related interpretations.

3.2 Basis of consolidation

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

3.2.1 Subsidiaries

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

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

3.2.2 Non-controlling interests

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

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

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

3.2.3 Loss of control

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

3.2.4 Transactions eliminated on consolidation

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

3.3 Employee benefits

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

3.3.1 Staff provident fund (Retirement benefit)

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

3.3.2 Compensated absences

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

3.4 Taxation

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

3.4.1 Current taxation

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

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

3.4.2 Deferred taxation

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

3.5 Property, plant and equipment

3.5.1 Owned

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

Depreciation is provided on a straight line basis and charged to consolidated statement of profit or loss to write off the depreciable amount of each asset, except for freehold land, over its estimated useful life at the rates specified in note 12 to these financial statements. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its property, plant and equipment as at statement of financial position date has not required any adjustment as its impact is considered insignificant.

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

Useful lives are determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

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

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

3.5.2 Capital work in progress

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

3.6 Investment property

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

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

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

3.7 Intangibles

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

3.8 Financial instruments

3.8.1 Recognition and initial measurement

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

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

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 985 (I)/2019 dated 02 September 2019 has deferred the requirements of IFRS 9 with respect to application of Expected Credit Loss Method in respect of companies holding financial assets due from the Government of Pakistan till 30 June 2021. In this regard, the companies shall follow relevant requirements of IAS 39 ' Financial Instruments: Recognition and Measurement' during the exemption period.

3.8.2 Classification and subsequent measurement

Financial assets

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

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

__Amortized cost__

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

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

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

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

__Debt Instrument - FVOCI__

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

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

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

__Equity Instrument - FVOCI__

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

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

__Fair value through profit or loss (FVTPL)__

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

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

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

Financial assets – Business model assessment

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

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

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

Financial liabilities

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

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

3.8.3 Derecognition

Financial assets

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

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

Financial liabilities

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

3.8.4 Trade debts - due from Government of Pakistan

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

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

3.9 Offsetting of financial instruments

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

3.10 Impairment

Financial assets

The Group recognizes loss allowances for ECLs on:

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

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

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

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

The financial assets due from Government of Pakistan continue to be measured under IAS-39 due to the exemption given by the Securities and Exchange Commission of Pakistan vide S.R.O. 985 (I)/2019 dated 02 September 2019. The financial assets due from Government of Pakistan are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset due from Government of Pakistan is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs other than that are due from Government (note 2.6.4). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

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

Non - financial assets

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

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

3.11 Trade and other payables

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

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

3.12 Provisions

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

3.13 Foreign currency

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

3.14 Stores, spare parts and loose tools

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

3.15 Stocks in trade

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

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

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

3.16 Cash and cash equivalents

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

3.17 Borrowings

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

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

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

3.18 Revenue recognition

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

3.19 Other income

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

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

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

3.20 Contract liabilities

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

3.21 Borrowing costs

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

3.22 Dividend distribution

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

3.23 Leases

At the inception of a contract, the Group assesses whether a contract is or contains lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

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 which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct cost incurred less any lease incentive received. The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability, if any. The right of use assets is depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment.

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 Group's incremental borrowing rate. The Group has used it incremental borrowing rate as the discount rate for leases where rate is not readily available. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

The lease liability is measured at amortized cost using the effective interest method. 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, if there is change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in consolidated statement of profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Short term leases and leases of low value assets

The Group has elected not to recognize right of use assets and liabilities for some leases of low value assets (warehouse/sales offices). The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

3.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and accessing performance of the operating segments, has been identified as the Chief executive officer of the Group that make strategic decisions. These consolidated financial statements are prepared on the basis of single reportable segment as the Chief executive officer views the Group's operations as one reportable segment. All non-current assets of the Group are located in Pakistan and 100% of the revenue is derived from sale of pharmaceuticals products and medical devices.

3.25 Government grant

The Group recognizes the benefit of a government loan at a below-market rate of interest as a Government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received and is presented as deferred grant. The recognition of government grants in consolidated profit or loss is done on a systematic basis over the periods in which the expenses for which the grants are intended to compensate.

4 Issued, subscribed and paid up capital	**2020 Rupees**	2019 Rupees
1,441,952 (2019: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	**14,419,520**	14,419,520
119,600 (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	**1,196,000**	1,196,000
28,625,289 (2019: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**286,252,890**	286,252,890
	301,868,410	301,868,410

KFW Factors (Private) Limited, an associated company holds 8,286,942 (2019: 8,286,942) ordinary shares of Rs. 10 each of the Holding Company.

5 Capital reserve

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

		Note	2020 Rupees	2019 Rupees
6	**Surplus on revaluation of property, plant and equipment - net of tax**			
	Revaluation surplus as at 01 July		**1,004,614,243**	1,071,431,315
	Revaluation surplus recognised during the year on:			
	- freehold land		**127,575,000**	-
	- building on freehold land		**426,305,692**	-
	- plant and machinery		**380,005,976**	-
			933,886,668	-
	Surplus transferred to accumulated profit on account of incremental depreciation charged during the year - net of deferred tax	*6.1*	**(47,780,063)**	(47,811,471)
	Related deferred tax liability		**(19,037,008)**	(19,005,601)
			(66,817,071)	(66,817,072)
	Revaluation surplus as at 30 June		**1,871,683,840**	1,004,614,243
	Less: Related deferred tax liability:			
	- on revaluation as at 01 July		**(115,251,564)**	(117,369,059)
	- deferred tax on surplus arise during the year		**(226,333,713)**	-
	- transferred on account of incremental depreciation charged during the year		**19,037,008**	19,005,601
	- tax rate adjustment - group		**-**	(14,819,330)
	- tax rate adjustment - non controlling interest		**-**	(2,068,776)
			(322,548,269)	(115,251,564)
	Revaluation surplus as at 30 June	*6.2*	**1,549,135,571**	889,362,679

6.1 Charge of incremental depreciation for the year net of tax attributable to:

	2020 Rupees	2019 Rupees
Owners of the group	**(43,692,502)**	(43,723,910)
Non-controlling interests	**(4,087,561)**	(4,087,561)
	(47,780,063)	(47,811,471)

6.2 Balance as at 30 June attributable to:

	2020 Rupees	2019 Rupees
Owners of the group	**1,473,713,362**	862,636,602
Non-controlling interests	**75,422,209**	26,726,077
	1,549,135,571	889,362,679

The freehold land, building and plant and machinery were revalued by independent valuers in years 1976, 1989, 2002, 2006, 2011, 2016 and 2020. The latest revaluation was conducted by M/s Asif Associates (Private) Limited (independent valuer and consultant) as at 30 June 2020, that resulted in a further surplus of Rs. 934 million. These revaluations had resulted in a cumulative surplus of Rs. 2,274 million, which has been included in the carrying values of free hold land, building on free hold land and plant and machinery respectively and credited to the surplus on revaluation of property plant and equipment. The surplus is adjusted on disposal of revalued assets, if any, and through incremental depreciation, net of deferred tax charged to retained earnings. The most significant input into this valuation approach is price per acre for land , price per square foot for building and present operational condition and age (replacement cost) of plant and machinery. The surplus on revaluation is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

7 Long term loan - secured

Under markup / interest arrangement	Note	2020 Rupees	2019 Rupees
Long term loans - HBL	7.1	**133,000,000**	-
Less: amortization of loan as deferred grant		**(10,007,979)**	-
Add: unwinding of loan		**396,292**	-
Balance as at 30 June 2020		**123,388,313**	-
Less: current portion of long term loan presented under current liabilities		**(28,317,862)**	-
		95,070,451	-

7.1 The Group obtained term finance facility under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan in order to prevent entities from laying-off employees during COVID-19 outbreak. The Group obtained Rs. 133 million for paying salaries for the month of April 2020 and May 2020 under this scheme. The facility carry mark-up at the rate specified by State Bank of Pakistan plus relevant bank's spread of 2% / 3%. The tenor of this facility is up to 01 October 2022. The loan has been measured at its fair value in accordance with IFRS 9 (Financial Instruments) using effective interest rate of 8.44% - 9.40% at respective draw down dates. The difference between fair value of loan and loan proceeds has been recognised as deferred grant as per requirements of IAS 20 (Accounting for Government grants and disclosure of Government assistance) and as per Circular 11/2020 issued by the Institute of Chartered Accountants of Pakistan.

The facility is secured by first exclusive equitable mortgage charge of 252 million with 25% margin on land and building of head office of the Holding Company and lien on the Group's investments in mutual funds placed in HBL Asset Management Company (only money market and income funds) amounting to Rs. 7.53 million (note 21.1.1).

As per the financing arrangement, the Group has to comply the certain covenants imposed by bank including bank prior consent for payouts if any.

Habib Bank Limited	Balance (Rupees)	Number of installments Total	Payment rests	Repayment date	Ending date	Markup rate
Long term loans	133,000,000	8	Quarterly	1-Jan-21	1-Oct-22	SBP Rate (0%) + Spread (2%- 3%)

The unavailed finance facility available to the Group is Rs. 70 million (2019: Rs. nil).

7.2 Deferred grant

	2020 Rupees	2019 Rupees
Balance as at 01 July	-	-
Transaction during the year	**10,007,979**	-
Amortisation during the year	**(396,292)**	-
Unamortised balance of deferred grant	**9,611,687**	-
less: current maturity	**(4,932,138)**	-
Balance as at 30 June 2020	**4,679,549**	-

8 Deferred taxation

	2020			
		(Reversal from) / charge to		
	Opening	Profit or loss	Equity	Closing
	--------------------------------------(Rupees)--			
Taxable temporary difference				
Accelerated tax depreciation allowances	**102,787,623**	**2,842,433**	**-**	**105,630,056**
Surplus on revaluation of property, plant and equipment	**115,251,564**	**(19,037,008)**	**226,333,713**	**322,548,269**
Unrealized gain on short term investments - mutual funds	**2,692,015**	**952,195**	**-**	**3,644,210**
	220,731,202	**(15,242,380)**	**226,333,713**	**431,822,535**
Deductible temporary differences				
Provisions	**(364,573)**	**(71,377)**	**-**	**(435,950)**
Loss allowance against trade debts	**(3,698,539)**	**(1,460,444)**	**-**	**(5,158,983)**
	(4,063,112)	**(1,531,821)**	**-**	**(5,594,933)**
	216,668,090	**(16,774,201)**	**226,333,713**	**426,227,602**

	2019			
	(Reversal from) / charge to			
	Opening	Profit or loss	Equity	Closing
	--------(Rupees)--------			
Taxable temporary difference				
Accelerated tax depreciation allowances	98,693,544	4,094,079	-	102,787,623
Surplus on revaluation of property, plant and equipment	117,369,059	(19,005,601)	16,888,106	115,251,564
Unrealized gain on short term investments - mutual funds	7,765,417	(5,073,402)	-	2,692,015
	223,828,020	(19,984,924)	16,888,106	220,731,202
Deductible temporary differences				
Provisions	(1,325,852)	961,279	-	(364,573)
Loss allowance against trade debts	-	1,467,177	(5,165,716)	(3,698,539)
	(1,325,852)	2,428,456	(5,165,716)	(4,063,112)
	222,502,168	(17,556,468)	11,722,390	216,668,090

The Group has not recognized deferred tax asset on tax losses amounting to Rs. 61.15 million (2019: Rs. 108.40 million) related to a subsidiary company as sufficient taxable profits may not be available to the subsidiary to set these off in the foreseeable future.

	Note	**2020 Rupees**	2019 Rupees
9 Trade and other payables			
Trade creditors		**998,524,764**	793,410,817
Accrued liabilities		**312,805,626**	161,632,184
Tax deducted at source		**8,913,925**	380,912
Provision for compensated absences		**33,275,396**	28,382,413
Workers' Profit Participation Fund	*20.1*	**3,586,141**	-
Central Research Fund	*9.1*	**6,785,079**	3,555,017
Workers' Welfare Fund	*27*	**12,470,617**	8,872,286
Advances from employees against purchase of vehicles		**66,181,467**	51,501,073
Due to related parties - unsecured	*9.2*	**84,235,439**	25,856,720
Other payables		**1,163,265**	1,953,377
		1,527,941,719	1,075,544,799
9.1 Central Research Fund			
Balance as at 01 July		**3,555,017**	2,283,549
Provision for the year	*27*	**6,785,079**	3,555,017
		10,340,096	5,838,566
Payments made during the year		**(3,555,017)**	(2,283,549)
Balance as at 30 June		**6,785,079**	3,555,017
9.2 Due to related parties - unsecured			
Name of related party:			
Grupo Empresarial Bagó S.A		**20,796,730**	14,884,493
Bagó Laboratories Pte Ltd		**63,438,709**	10,972,227
		84,235,439	25,856,720
10 Short term borrowings			
Short term running finance - secured		**51,017,136**	20,190,922
10.1 Particulars of borrowings			
Interest / markup based financing	*10.2*	**50,806,268**	20,190,922
Islamic mode of financing	*10.3*	**210,868**	-
		51,017,136	20,190,922

10.2 Under Mark up arrangements

Holding Company

The Holding company has short term running finance facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 750 million (2019: Rs. 750 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0.1% to 1% (2019: one to three months KIBOR plus 0.1% to 1%) 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 (2019: Rs. 450 million) are secured by joint pari passu charge over present and future current assets of the Holding company and remaining Rs. 300 million (2019: Rs. 300 million) facility is secured by lien on holding company's short term investments (money market/cash fund) which should be 110% of the maximum limit allowed for utilization. Under this arrangement, short term investment of Rs. 333.33 million (2019: Rs. 333.33 million) is marked under lien. These facilities are renewable on annual basis latest by 31 December 2020.

Subsidiary company

The subsidiary company has short term borrowing facilities available from various commercial banks under mark-up arrangements having aggregate sanctioned limit of Rs. 550 million (2019: Rs. 125 million). These facilities carry mark-up at the rates ranging from one months KIBOR plus 0.1% to 1% per annum (2019: one to three months KIBOR plus 0.9% to 1%). Running finance facilities include interchange limits of non-funded facilities amounting to Rs. 200 million. The aggregate short term borrowings are secured by first pari passu charge of Rs. 234 million over current and future assets and lien on subsidiary company's investment in mutual funds placed with Asset Management Companies with margin of 5%. These facilities are renewable latest by 30 November 2020.

10.3 Under Shariah compliant arrangements

Holding Company

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 (2019: Rs. 200 million). This facility carries profit rate of one month KIBOR plus 0.25% (2019: one month to three months KIBOR plus 0.25% to 0.3%) per annum on the outstanding balance. This facility can interchangeably be utilized as non-funded. This facility is secured by joint pari passu charge (2019: joint pari passu charge) over current assets of the Holding company. This facility is renewable on annual basis latest by 30 November 2020.

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

11 Contingencies and commitments

11.1 Contingencies

There are no contingencies as of the reporting date.

11.2 Commitments

11.2.1 Letter of credits

11.2.1.1 Interest/ markup based arrangements

Holding Company

Out of the aggregate facility of Rs. 700 million (2019: Rs. 700 million) for opening letters of credit, the amount utilized as at 30 June 2020 for capital expenditure was Rs. 5.05 million (2019: Rs. 131.27 million) and for other than capital expenditure was Rs. 62.95 million (2019: Rs. 77.38 million). Out of these facilities, Rs. 300 million can interchangeably be utilized as running finance. These facilities are secured by joint pari passu charge (2019: joint pari passu charge) over all present and future current assets of the Holding Company.

Subsidiary company

Out of aggregate facility of Rs. 565 million (2019: Rs. 75 million) for letter of credits, amount utilized at 30 June 2020 was Rs. 247.7 million (2019: Rs. Nil).

11.2.1.2 Under Shariah compliant arrangements

Holding Company

The Holding company has facility i.e. letters of credit of Rs. 200 million (2019: Rs. 200 million) available from Islamic bank. The amount utilized as at 30 June 2020 for capital expenditure was Rs. 13.95 million (2019: Rs. 2.82 million) and for other than capital expenditure was Rs. 78.52 million (2019: Rs. 100.52 million). Lien is also marked over import documents.

11.2.2 Guarantees issued by banks on behalf of the Group

11.2.2.1 Under Mark up arrangements

Holding Company

Out of the aggregate facility of Rs. 375 million (2019: Rs. 375 million) for letter of guarantees (which is the sublimit of running finance and letter of credits), the amount utilized as at 30 June 2020 was Rs. 87.49 million (2019: Rs. 51.40 million).

Subsidiary company

Out of aggregate facility of Rs. 60 million (2019: Rs. 90 million) for letter of guarantees, the amount utilized at 30 June 2020 is Rs. 8.30 million (2019: Rs. 8.67 million).

11.2.2.2 Under Shariah compliant arrangements

Holding Company

The Holding Company has facility i.e. letter of guarantee of Rs. 25 million (2019: Rs. 25 million) available from Islamic bank, the amount utilized at 30 June 2020 was Rs. 6.45 million (2019: Rs. 6.45 million).

	Note	**2020** Rupees	2019 Rupees
12 Property, plant and equipment			
Operating assets	*12.1*	**3,898,409,478**	3,021,391,386
Capital work in progress	*12.6*	**97,461,608**	4,297,727
		3,995,871,086	3,025,689,113

12.1 Operating assets

	Owned							
	Freehold land	Buildings on freehold land	Plant and machinery	Office equipment	Furniture and fittings	Computers	Vehicles	Total
	Rupees							
30 June 2020								
Cost / revalued amount								
Balance as at 01 July 2019	721,576,127	980,792,695	1,787,196,249	109,764,797	105,555,322	48,714,515	453,811,578	4,207,411,283
Additions / transfers	-	7,604,853	208,808,433	9,922,052	6,184,330	10,737,507	90,563,162	333,820,337
Disposals / write off	-	-	-	(717,609)	-	(1,137,569)	(58,959,505)	(60,814,683)
Revaluation surplus	127,575,000	25,573,003	(300,133,917)	-	-	-	-	(146,985,914)
Balance as at 30 June 2020	**849,151,127**	**1,013,970,551**	**1,695,870,765**	**118,969,240**	**111,739,652**	**58,314,453**	**485,415,235**	**4,333,431,023**
Depreciation								
Balance as at 01 July 2019	-	313,709,560	494,614,126	61,310,386	38,075,624	38,763,133	239,547,068	1,186,019,897
Charge for the year	-	90,553,439	181,995,458	8,834,345	9,651,740	8,095,801	79,807,271	378,938,054
On disposals	-	-	-	(547,206)	-	(1,127,320)	(47,389,297)	(49,063,823)
Elimination of accumulated depreciation on revaluation	-	(404,262,999)	(676,609,584)	-	-	-	-	(1,080,872,583)
Balance as at 30 June 2020	**-**	**-**	**-**	**69,597,525**	**47,727,364**	**45,731,614**	**271,965,042**	**435,021,545**
Net book value as at 30 June 2020	**849,151,127**	**1,013,970,551**	**1,695,870,765**	**49,371,715**	**64,012,288**	**12,582,839**	**213,450,193**	**3,898,409,478**
30 June 2019								
Cost / revalued amount								
Balance as at 01 July 2018	721,576,127	931,231,818	1,489,540,077	107,300,031	91,162,825	43,051,881	441,616,420	3,825,479,179
Additions / transfers	-	49,560,877	297,656,172	2,517,266	14,392,497	7,805,899	90,416,854	462,349,565
Disposals / write off	-	-	-	(52,500)	-	(2,143,265)	(78,221,696)	(80,417,461)
Balance as at 30 June 2019	**721,576,127**	**980,792,695**	**1,787,196,249**	**109,764,797**	**105,555,322**	**48,714,515**	**453,811,578**	**4,207,411,283**
Depreciation								
Balance as at 01 July 2018	-	208,300,756	311,977,067	52,156,599	28,291,764	33,126,020	221,598,796	855,451,002
Charge for the year	-	105,408,804	182,637,059	9,164,288	9,783,860	7,760,489	80,137,804	394,892,304
On disposals	-	-	-	(10,501)	-	(2,123,376)	(62,189,532)	(64,323,409)
Balance as at 30 June 2019	**-**	**313,709,560**	**494,614,126**	**61,310,386**	**38,075,624**	**38,763,133**	**239,547,068**	**1,186,019,897**
Net book value as at 30 June 2019	**721,576,127**	**667,083,135**	**1,292,582,123**	**48,454,411**	**67,479,698**	**9,951,382**	**214,264,510**	**3,021,391,386**
Depreciation Rate %	**-**	**10**	**10**	**10**	**10**	**33.33**	**20**	

12.1.1 These include fully depreciated assets amounting to Rs. 706.43 million (2019: Rs. 666.90 million).

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

	2020 Rupees	2019 Rupees
Freehold land	**129,623,262**	129,623,262
Building on freehold land	**422,693,751**	477,189,128
Plant and machinery	**1,134,706,016**	1,069,814,751
	1,687,023,029	1,676,627,141

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

Location	**Usage of immovable property**	**Total area (acres)**	**Covered Area (square feet)**
Main G.T Road, Amanghar, District Nowshera, KPK	Manufacturing facility	29.81	336,222
5-K.M - Sunder Raiwind Road, Raiwind Lahore	Head office & biotech plant	25.65	88,101
197-A, The Mall, Rawalpindi Cantt, Rawalpindi	Registered office	0.66	28,749
Shop no. 2, Ground Floor, Ramzan Medical Centre, Lahore	Vacant shop	0.01	351
Phase II Extension Defence House Authority, Islamabad	Vacant plots	1.03	N/A
House No. 167, Khanuspur Ayubia, KPK	Guest house	0.33	5,000
Shahra-e-Faysal, Karachi	Sale office	0.23	6,650

12.3 As explained in note 6, the latest revaluation was carried as at 30 June 2020. As per the revaluation report, forced sale value of freehold land, buildings on freehold land and plant and machinery was Rs. 822 million, Rs. 850 million and Rs. 1355 million respectively.

12.4 **Depreciation is allocated as under:**

	Note	**2020 Rupees**	2019 Rupees
Cost of sales	*24*	**273,891,246**	289,711,761
Administrative expenses	*25*	**50,862,169**	51,003,815
Selling and distribution expenses	*26*	**54,184,639**	54,176,728
		378,938,054	394,892,304

12.5 Disposal of property, plant and equipment

Particulars of assets	Particulars of purchaser	Relationship with Company	Cost / revalued amount	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
			Rupees				
Vehicles							
Honda Civic	Mr. Ahmer Ashraf	Employee	2,637,000	1,230,600	1,793,160	562,560	Company Policy
Toyota Altis Grande	Mr. Syed Nayyer Khurshid	Employee	2,400,500	920,191	1,512,315	592,124	Negotiation
Toyota Corolla GLi	Mr. Muhammad Talha Kausar	Others	1,770,500	590,167	1,925,000	1,334,833	Negotiation
Suzuki Cultus	Mr. Sikandar Zaman	Employee	1,274,550	701,002	943,167	242,165	Company Policy
Suzuki Mehran	Mr. Tariq Saeed	Others	850,500	637,875	807,000	169,125	Insurance Claim
Suzuki Mehran	Mr. Aamir Khan	Others	771,700	565,913	790,000	224,087	Negotiation
Suzuki Mehran	Mr. Aamir Khan	Others	771,700	565,913	797,000	231,087	Negotiation
Suzuki Mehran	Mst. Aysha Ali	Employee	751,295	538,427	658,800	120,373	Company Policy
Suzuki Mehran	Mr. Ansar Ayub	Employee	663,000	-	349,000	349,000	Company Policy
Suzuki Mehran	Mr. Qulbe Abbas	Employee	671,158	-	306,000	306,000	Company Policy
Various assets having net book value up to Rs. 500,000 each			41,316,569	5,820,120	25,384,877	19,564,757	
			53,878,472	11,570,208	35,266,319	23,696,111	
Computers							
Various assets having net book value up to Rs. 500,000 each			1,137,569	10,249	181,000	170,751	
Office equipment							
Photocopier Machine			717,609	170,403	82,000	(88,403)	
Assets written off:							
Vehicles - CNG Kits	Not Applicable	Not Applicable	5,081,033	-	-	-	Written - off
2020 Rupees			**60,814,683**	**11,750,860**	**35,529,319**	**23,778,459**	
2019 Rupees			80,417,461	16,094,052	49,930,664	33,836,612	

		Note	2020 Rupees	2019 Rupees
12.6	**Capital work-in-progress**			
	The movement in capital work in progress is as follows:			
	Balance as at 01 July		**4,297,727**	105,136,237
	Additions during the year		**318,470,586**	261,324,271
	Transfers during the year		**(225,306,705)**	(362,162,781)
	Balance as at 30 June	*12.6.1*	**97,461,608**	4,297,727
12.6.1	**Capital work-in-progress comprises of:**			
	Building and civil works		**13,835,545**	-
	Plant and machinery	*12.6.1.1*	**74,096,063**	-
	Advances to suppliers	*12.6.1.2*	**9,530,000**	4,297,727
			97,461,608	4,297,727

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

12.6.1.2 The are interest free in the normal course of business for vehicles.

13 Intangible assets

		Note	2020 Rupees	2019 Rupees
13.1	**Computer softwares and software license fees**			
	Cost			
	Balance as at 01 July		**15,705,104**	15,705,104
	Addition during the year		**280,336**	-
	Balance as at 30 June	*13.1.1*	**15,985,440**	15,705,104
	Amortisation			
	Balance as at 01 July		**14,973,916**	13,347,472
	Amortisation for the year	*25*	**588,017**	1,626,444
	Balance as at 30 June		**15,561,933**	14,973,916
	Net book value		**423,507**	731,188

13.1.1 These include fully amortized assets amounting to Rs. 13.96 million (2019: Rs. 13.96 million). Intangibles are amortised at 33% (2019: 33%) on straight line basis.

	Note	2020 Rupees	2019 Rupees
14 Investment property			
Balance as at 01 July		**79,371,992**	78,545,641
Additions during the year		**-**	826,351
Balance as at 30 June	*14.1*	**79,371,992**	79,371,992

14.1 It represents following pieces of land:

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

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

The value of these peices of land was determined by approved external, independent valuers i.e. M/S Ali and Ali Engineers and Valuers (Pakistan Banks Association approved valuer). The most significant input into this valuation is market value. The valuation is considered to be level 3 in the fair value heirarchy due to non-observable inputs used in valuation. The different levels have been mentioned in note 38.4.2 (b). The forced sale value of these properties are Rs. 58.30 million.

		Note	2020 Rupees	2019 Rupees
15	**Stores, spare parts and loose tools**			
	Stores		**23,533,408**	16,454,605
	Spare parts		**29,770,546**	23,907,437
	Loose tools		**10,227,693**	8,900,496
	Stores in transit		**2,004,836**	-
			65,536,483	49,262,538
16	**Stock in trade**			
	Raw and packing materials		**633,498,787**	428,049,043
	Work in process		**154,578,524**	94,961,552
	Finished goods	*16.1*	**1,061,494,872**	644,180,004
	Stock in transit	*16.2*	**201,923,328**	162,216,874
	Provision for slow moving stock in trade	*16.3*	**(1,503,275)**	(1,257,147)
			2,049,992,236	1,328,150,326

16.1 The amount charged to consolidated statement of profit and loss on account of write down of finished goods to net realizable value amounts to Rs. 4.02 million (2019: Rs. 88.98 million).

16.2 It includes raw and packing material in transit amounting to Rs. 153.76 million (2019: Rs. 49.45 million) and finished goods in transit amounting to Rs. 48.16 million (2019: Rs. 112.77 million).

		2020 Rupees	2019 Rupees
16.3	**Movement in Provision for slow moving stock in trade**		
	Provision as at 01 July	**1,257,147**	-
	Provided during the year	**246,128**	1,257,147
	Written off during the year	**-**	-
	Closing provision as at 30 June	**1,503,275**	1,257,147

		Note	2020 Rupees	2019 Rupees
17	**Trade debts - considered good**			
	Secured - Considered good			
	- Exports		**6,127,128**	12,367,064
	Unsecured - Considered good			
	- Exports		**28,316,312**	30,972,382
	- Others		**1,077,519,472**	921,343,075
			1,105,835,784	952,315,457
	Loss allowance against trade debts	*17.1*	**(19,182,991)**	(13,894,077)
			1,092,779,921	950,788,444

		2020	2019
17.1	**Loss allowance against trade debts**		
	Loss allowance as at 01 July	**13,894,077**	19,015,999
	Loss allowance / (reversal) during the year	**5,288,914**	(5,121,922)
	Loss allowance as at 30 June	**19,182,991**	13,894,077

		Note	2020 Rupees	2019 Rupees
18	**Loans and advances - considered good**			
	Advances to employees - secured	*18.1*	**24,057,695**	21,054,122
	Advances to suppliers - unsecured	*18.2*	**39,893,265**	6,285,627
	Others		**2,312,931**	268,705
			66,263,891	27,608,454

18.1 Advances given to staff are in accordance with the Group's policy and terms of employment contract. These advances are secured against provident fund. Advances to staff include amount due from executives of the Holding Company of Rs. 5.94 million (2019: Rs. 2.13 million).

18.2 These are interest free in the ordinary course of business.

		Note	2020 Rupees	2019 Rupees
19	**Deposits and prepayments**			
	Deposits - considered good			
	Earnest Money	*19.1*	**167,879,986**	143,397,751
	Margins held with bank		**107,822,209**	22,346,967
			275,702,195	165,744,718
	Prepayments		**917,249**	819,482
			276,619,444	166,564,200

19.1 These are interest free and given in ordinary course of business.

		Note	2020 Rupees	2019 Rupees
20	**Other receivables**			
	Sales tax refundable - net		**2,640,214**	10,697,217
	Workers' profit participation fund	*20.1*	**-**	12,402,668
	Export rebate		**5,236,823**	6,253,321
	Others - unsecured, considered good		**30,193,425**	38,049,639
			38,070,462	67,402,845

20.1 **Workers' Profit Participation Fund**

	2020	2019
Balance receivable as at 01 July	**12,402,668**	8,888,310
Provision for the year	**(33,586,141)**	(17,597,332)
	(21,183,473)	(8,709,022)
Payments made during the year	**17,597,332**	21,111,690
Balance as at 30 June	**(3,586,141)**	12,402,668

		Note	2020 Rupees	2019 Rupees
21	**Short term investments**			
	Investments at fair value through profit or loss			
	Mutual funds	*21.1*	**760,707,781**	490,830,304
	Investments at amortized cost			
	Government Securities	*21.3*	**-**	374,114,733
			760,707,781	864,945,037

21.1 These investments are measured at 'fair value through Profit or Loss'

	Note	2020	2019
Carrying value at 01 July		**490,830,304**	941,746,224
Acquisition / re-invested during the year		**548,246,302**	154,983,875
Redemption during the year		**(282,199,271)**	(583,012,355)
Realized gain / (loss) on sale of investments during the year		**699,063**	(8,603,276)
Unrealized gain / (loss) on re-measurement of investment during the year		**3,131,383**	(14,284,164)
Carrying and fair value of short term investments	*21.1.1*	**760,707,781**	490,830,304

21.1.1 Mutual fund wise detail is as follows:

	Units 2020	Units 2019	Fair value 2020	Fair value 2019
	..........Number..........		..........Rupees..........	
HBL Money Market Fund	**2,589,813**	2,278,754	**265,076,470**	232,709,773
MCB Cash Management Optimizer Fund	**222,730**	209,854	**22,457,873**	21,099,828
HBL Cash Fund	**3,611,640**	2,163,177	**365,242,589**	218,038,050
ABL Cash Fund	**10,603,390**	101,802	**107,930,849**	1,035,004
MCB Pakistan Stock Market Fund	-	206,559	-	16,381,951
Faysal Savings Growth Fund	-	8,207	-	839,748
Faysal MTS Fund	-	7,207	-	725,950
	17,027,573	4,975,560	**760,707,781**	490,830,304

21.2 Realized gain of Rs. 0.70 million (2019: Realized loss of Rs. 8.60 million) on sale of mutual funds has been recorded in "Other income" (2019: Other expenses). Further, dividend income of Rs. 52.52 million (2019: 64.02) is also recorded in "Other income". These investments and related loss is from non shariah compliant arrangement. These are marked under lien as mentioned in note 7 and note 11.

	Note	2020 Rupees	2019 Rupees
21.3 These investments are measured at amortized cost			
<u>*Government securities*</u>			
- Market Treasury Bills	*21.3.1*	-	374,114,733

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

Issue date	Tenure - Months	Face value: As at 01 July 2019	Face value: Purchase during the period	Face value: Sales / matured during the period	Face value: As at 30 June 2020	Balance as at 30 June 2020: Carrying value	Balance as at 30 June 2020: Amortised value	Balance as at 30 June 2020: Appreciation from carrying value
		----------	----------	----------	Rupees	----------	----------	----------
11-Apr-19	3 Months	110,000,000	-	110,000,000	-	-	-	-
9-May-19	3 Months	62,000,000	-	62,000,000	-	-	-	-
23-May-19	3 Months	206,000,000	-	206,000,000	-	-	-	-
4-Jul-19	3 Months	-	120,000,000	120,000,000	-	-	-	-
1-Aug-19	3 Months	-	70,000,000	70,000,000	-	-	-	-
16-Aug-19	3 Months	-	215,000,000	215,000,000	-	-	-	-
26-Sep-19	3 Months	-	45,000,000	45,000,000	-	-	-	-
24-Oct-19	3 Months	-	80,000,000	80,000,000	-	-	-	-
30-Oct-19	7 Days	-	20,047,453	20,047,453	-	-	-	-
7-Nov-19	3 Months	-	35,000,000	35,000,000	-	-	-	-
7-Nov-19	6 Months	-	107,000,000	107,000,000	-	-	-	-
7-Nov-19	12 Months	-	113,000,000	113,000,000	-	-	-	-
17-Jan-20	3 Months	-	72,000,000	72,000,000	-	-	-	-
		378,000,000	**877,047,453**	**1,255,047,453**	-	-	-	-

Investments in Market Treasury Bills (MTBs) have been redeemed during the year and proceeds have been invested in mutual fund. These carry return from 11% to 13.75% (2019: 8.30% to 12.60%) .

22	Cash and bank balances	Note	2020 Rupees	2019 Rupees
	Cash in hand		**9,639,405**	12,054,957
	Cash at bank:			
	Current accounts			
	- foreign currency		**20,278,967**	19,640,915
	- local currency	*22.1*	**72,693,620**	164,929,368
			92,972,587	184,570,283
	Deposit accounts - local currency	*22.2*	**48,780,852**	71,228,341
			151,392,844	267,853,581

22.1 These include bank accounts of Rs. 0.002 million (2019: Rs. 0.003 million) maintained under Shariah compliant arrangements.

22.2 These include deposit accounts of Rs. 48.78 million (2019: Rs. 71.23 million) under mark up arrangements, which carry interest rates ranging from 6.5% - 11.28% (2019: 4.5% - 10.25%) per annum.

These also include deposit account of Rs. 0.000079 million (2019: Rs. 0.000073 million) under Shariah compliant arrangements, which carries profit rate of 3.25% - 7.06% (2019: 2.40% - 6.26%) per annum.

23	Revenue - net	Note	2020 Rupees	2019 Rupees
	Gross sales:			
	Local		**6,434,694,472**	6,025,343,095
	Export		**235,270,721**	181,508,566
			6,669,965,193	6,206,851,661
	Less:			
	Sales returns		**(66,193,194)**	(80,433,132)
	Discounts and commission		**(382,856,355)**	(283,649,193)
	Service charges on sales		**(20,526,181)**	(30,560,596)
	Sales tax		**(8,573,193)**	(9,352,875)
			(478,148,923)	(403,995,796)
	Revenue from contracts with customers		**6,191,816,270**	5,802,855,865

23.1 This includes sale of both own manufactured and purchased products. Revenue from contracts with customers relates to both local (Pakistan) and foreign markets and it is recongised at the point in time.

24	Cost of sales	Note	2020 Rupees	2019 Rupees
	Raw and packing materials consumed	*24.1*	**1,369,566,717**	1,221,716,568
	Salaries, wages and other benefits	*24.2*	**364,348,293**	344,085,236
	Fuel and power		**104,566,464**	69,059,469
	Repair and maintenance		**21,173,179**	16,790,350
	Stores, spare parts and loose tools consumed		**84,926,667**	89,602,579
	Freight and forwarding		**38,311,797**	36,751,622
	Packing charges		**13,995,801**	17,874,145
	Rent, rates and taxes		**4,646,646**	4,847,632
	Printing and stationery		**3,986,987**	3,945,307
	Postage and telephone		**4,869,643**	5,476,363
	Insurance		**18,736,527**	15,029,021
	Travelling and conveyance		**16,353,875**	13,361,854
	Canteen expenses		**18,137,453**	16,778,572
	Depreciation on property, plant and equipment	*12.4*	**273,891,246**	289,711,761
	Laboratory and other expenses		**29,461,071**	35,796,653
			2,366,972,366	2,180,827,132
	Work in process:			
	Opening		**94,961,552**	71,287,001
	Closing		**(154,578,524)**	(94,961,552)
			(59,616,972)	(23,674,551)
	Cost of goods manufactured		**2,307,355,394**	2,157,152,581
	Finished stock:			
	Opening		**644,180,006**	773,414,600
	Purchases made during the year		**1,983,613,462**	1,475,515,282
	Closing		**(1,061,494,872)**	(644,180,004)
			1,566,298,596	1,604,749,878
			3,873,653,990	3,761,902,459

24.1 Raw and packing materials consumed

		2020	2019
Opening		**426,791,896**	392,398,201
Purchases made during the year		**1,574,770,333**	1,256,110,263
		2,001,562,229	1,648,508,464
Closing		**(631,995,512)**	(426,791,896)
		1,369,566,717	1,221,716,568

24.2 Salaries, wages and other benefits include Rs. 12.78 million (2019: Rs. 12.00 million), which represents employer's contribution towards provident fund.

25 Administrative expenses

	Note	2020 Rupees	2019 Rupees
Salaries and other benefits	*25.1*	**237,618,109**	234,602,996
Directors fees and expenses		**1,133,612**	1,213,423
Rent, rates and taxes		**908,869**	1,069,007
Postage and telephone		**8,537,208**	8,816,922
Printing, stationery and office supplies		**2,650,232**	3,830,728
Travelling and conveyance		**22,550,323**	25,252,953
Transportation		**7,556,600**	7,690,559
Legal and professional charges		**6,405,398**	7,664,275
Fuel and power		**7,085,256**	6,066,154
Auditors' remuneration	*25.2*	**2,957,418**	1,960,004
Repair and maintenance		**12,801,266**	13,586,505
Fee and subscriptions		**8,525,268**	6,635,143
Donations	*25.3 & 25.4*	**6,617,621**	5,480,369
Insurance		**6,674,615**	6,888,556
Depreciation on property, plant and equipment	*12.4*	**50,862,169**	51,003,815
Amortisation of intangibles		**588,053**	1,626,218
Canteen expenses		**7,739,872**	7,820,156
Other expenses		**2,590,684**	2,396,746
		393,802,573	393,604,529

25.1 Salaries and other benefits include Rs. 9.89 million (2019: Rs. 8.42 million), which represents employer's contribution towards provident fund.

25.2 Auditors' remuneration

	2020 Rupees	2019 Rupees
Fee for annual audit	**1,276,000**	866,250
Audit of consolidated financial statements	**78,500**	78,500
Review of half yearly financial statements	**290,000**	117,750
Annual audit - BF Biosciences Limited	**315,000**	315,000
Annual audit - Farmacia	**125,000**	54,500
Special certificates and others	**576,125**	345,825
Out-of-pocket expenses	**296,793**	182,179
	2,957,418	1,960,004

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

Name of director	Nature of interest in donee	Name of donee	2020 Rupees	2019 Rupees
Mr. Osman Khalid Waheed (Director)	Trustee	National Management Foundation (LUMS)	**3,050,443**	3,428,034

25.4 Donations to following organizations equals to or exceeds Rs. 0.5 million:

	2020 Rupees	2019 Rupees
- Cancer Research and Treatment Foundation	**1,500,000**	1,500,000
- American Business Forum	**500,000**	-
- The Pakistan Society of Health System Pharmacist	**800,000**	-

		Note	2020 Rupees	2019 Rupees
26	**Selling and distribution expenses**			
	Salaries and other benefits	*26.1*	**624,336,072**	603,095,712
	Travelling and conveyance		**256,897,398**	264,930,574
	Trade debts directly written off		**-**	39,920,925
	Earnest money written off		**1,065,159**	-
	Fuel and power		**7,356,843**	6,096,866
	Rent, rates and taxes		**6,281,110**	7,451,558
	Sales promotion and advertisement		**147,303,895**	143,387,890
	Printing and stationary		**5,508,903**	5,232,024
	Postage and telephone		**20,642,321**	18,172,933
	Royalty, fee and subscription		**41,267,177**	33,841,232
	Insurance		**23,013,217**	23,997,763
	Repairs and maintenance		**23,567,586**	15,887,334
	Conferences, seminars and training		**107,114,475**	128,081,474
	Medical research and patient care		**6,830,016**	8,313,833
	Depreciation on property, plant and equipment	*12.4*	**54,184,639**	54,176,728
	Other expenses		**1,327,725**	999,048
			1,326,696,536	1,353,585,894

26.1 Salaries and other benefits include Rs. 21.64 million (2019: Rs. 19.95 million), which represents employer's contribution towards provident fund.

		Note	2020 Rupees	2019 Rupees
27	**Other expenses**			
	Exchange loss	*27.1*	**41,718,995**	90,045,426
	Unrealized loss on re-measurement of short term investments to fair value	*21.1*	**-**	14,284,164
	Realized loss on sale of short term investments	*21.1*	**-**	8,603,276
	Loss allowance against trade debts	*17.1*	**5,288,914**	-
	Workers' Profit Participation Fund	*20.1*	**33,586,141**	17,597,332
	Workers' Welfare Fund	*9*	**12,470,617**	8,872,286
	Central Research Fund	*9.1*	**6,785,079**	3,555,017
			99,849,746	142,957,501

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

		Note	2020 Rupees	2019 Rupees
28	**Other income**			
	From financial assets	*28.1*	**95,129,324**	95,597,012
	From non financial assets	*28.2*	**27,520,434**	116,422,386
			122,649,758	212,019,398
28.1	**From financial assets**			
	Profit on deposits with banks	*28.1.1*	**5,279,302**	3,658,402
	Income on maturity of Government Securities		**33,498,384**	16,639,548
	Amortized gain on Government Securities	*21.3.1*	**-**	6,154,627
	Dividend income		**52,521,192**	64,022,513
	Reversal of loss allowance against trade debts	*17.1*	**-**	5,121,922
	Unrealized gain on re-measurement of short term investments to fair value	*21.1*	**3,131,383**	-
	Realized gain on sale of short term investments	*21.1*	**699,063**	-
			95,129,324	95,597,012

28.1.1 These include profit of Rs. Nil million (2019: Rs. 0.02 million) earned on deposit account maintained under Shariah

		Note	2020 Rupees	2019 Rupees
28.2	**From non financial assets**			
	Gain on sale of property, plant and equipment - net of write off	*12.5*	**23,778,459**	33,836,612
	Export rebate		**3,741,975**	1,696,908
	Commission income		**-**	80,888,866
			27,520,434	116,422,386

		Note	2020 Rupees	2019 Rupees
29	**Finance cost**			
	Mark-up			
	- short term borrowings	*29.1*	**21,942,831**	18,868,757
	- long term loan		**220,409**	-
	Bank charges		**6,361,806**	5,891,651
			28,525,046	24,760,408

29.1 This includes markup paid under Shariah compliant arrangements amounting to Rs. 5.68 million (2019: Rs. 5.46 million) against facilities of short term borrowings.

		2020 Rupees	2019 Rupees
30	**Taxation**		
	Current		
	- For the year	**185,240,654**	157,935,505
	- For prior years	**891,955**	9,690,119
	Deferred		
	- For the year	**(16,774,202)**	(15,474,351)
	- For prior years	**-**	(2,082,117)
		169,358,407	150,069,156

30.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

	2020	2019
Profit before taxation	**591,938,137**	338,064,472
	- - - - - (Percentage) - - - - -	
Applicable tax rate as per Income Tax Ordinance, 2001	**29%**	**29%**
	2020 Rupees	2019 Rupees
Tax on accounting profit	**171,662,060**	98,038,697
Effect of final tax regime	**(8,655,332)**	19,350,207
Effect of brought forward losses	**(13,642,052)**	-
Effect of tax credit	**-**	(14,882,809)
Effect of prior year tax	**121,500**	
Not adjustable for tax purposes	**10,619,584**	15,831,711
Effect of super tax	**-**	11,787,403
Effect of proration and tax rate adjustment	**21,891**	5,183,811
Effect of minimum tax	**8,217,301**	5,070,017
Prior year tax adjustment	**1,013,455**	9,690,119
	(2,303,653)	52,030,459
	169,358,407	150,069,156

30.2 The Group's current tax provision represents tax under the normal tax regime at the rate of 29% of taxable income (2019: 29%), minimum tax paid on turnover and final taxes paid under final tax regime under Income Tax Ordinance, 2001.

31 Earnings per share - basic and diluted

		2020	2019
Profit for the year after taxation attributable to equity holders of the Holding Company	*Rupees*	**416,969,060**	200,775,867
Weighted average number of ordinary shares	*Numbers*	**30,186,841**	30,186,841
Earnings per share	*Rupees*	**13.81**	6.65

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

32 Remuneration of Chief Executive, Executive Director and Executives

	2020		
	Chief Executive	**Executive Director**	**Executives**
	Rupees		
Managerial remuneration	**34,252,911**	**-**	**241,807,571**
Utilities	**1,337,667**	**-**	**-**
LFA	**3,660,467**	**-**	**11,714,229**
Bonus	**3,855,663**	**-**	**26,419,836**
Contribution to provident fund	**2,097,798**	**-**	**12,938,262**
	45,204,506	**-**	**292,879,898**
Numbers	**2**	**-**	**53**

	2019		
	Chief Executive	Executive Director	Executives
	Rupees		
Managerial remuneration	31,365,791	-	212,180,919
Utilities	501,999	-	-
LFA	2,590,375	-	15,402,643
Bonus	2,545,026	-	30,271,389
Contribution to provident fund	2,050,675	-	10,966,796
	39,053,866	-	268,821,747
Numbers	2	-	46

In addition, the Chief Executive of the Holding Company and Subsidiary Company are allowed free use of the Group's vehicles. The directors and managing partner of the subsidiary companies are not paid any remuneration.

The Holding Company has 6 (2019: 6) non executive directors. Non executive directors are not paid any remuneration or benefits other than the meeting fee and reimbursement of expenses. All the members of the Board of Directors were paid Rs. 370,000 (2019: Rs. 400,000) as meeting fee and Rs. 763,612 (2019: Rs. 813,423) as reimbursement of expenses for attending the Board of Directors' meetings.

33 Related party transactions

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

	2020 Rupees	2019 Rupees
Contribution towards employees' provident fund	**45,165,257**	41,295,173
Remuneration including benefits and perquisites of key management personnel	**178,261,056**	169,203,570
Dividend to KFW Factors (Private) Limited - associated company (27.45 % equity held)	**33,147,768**	33,147,768
Dividend to Directors	**13,561,688**	12,899,804
Fee paid to M/s Khan and Piracha	**267,500**	240,500
Rent paid to Director against office	**4,092,000**	4,290,000

34 Plant capacity and production

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

35 Number of employees

	Total employees	
	2020	2019
Total number of employees as at 30 June	**1180**	1172
Average number of employees during the year	**1175**	1145

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

	2020			
	Liabilities			
	Unclaimed dividend	**Accrued mark-up**	**Long term loan - secured**	**Total**
	(Rupees)			
Balance as at 01 July 2019	75,156,815	4,461,193	-	79,618,008
Changes from financing cash flows				
Inflows from financing arrangement	-	-	133,000,000	133,000,000
Finance cost paid	-	(30,439,792)	-	(30,439,792)
Dividends paid	(118,939,327)	-	-	(118,939,327)
Total changes from financing cash flows	**(118,939,327)**	**(30,439,792)**	**133,000,000**	**(16,379,119)**
Non-cash changes				
Dividend approved	120,747,364	-		120,747,364
Interest / markup expense	-	28,525,046		28,525,046
Total non-cash changes	**120,747,364**	**28,525,046**	**-**	**149,272,410**
Closing as at 30 June 2020	**76,964,852**	**2,546,447**	**133,000,000**	**212,511,299**

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

37 Disclosures relating to provident fund

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

	Un-Audited 2020		Audited 2019	
	% of Total Size Fund	**Rupees**	% of Total Size Fund	Rupees
Ferozsons Laboratories Limited - Parent Company	**81%**	**529,309,413**	81%	428,921,024
BF Biosciences Limited - Subsidiary	**17%**	**111,089,630**	17%	91,006,094
Farmacia - Partnership firm	**2%**	**13,069,368**	2%	10,608,830
	100%	**653,468,411**	100%	530,535,948

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

38 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

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

38.1 Credit risk

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

38.1.1 Exposure to credit risk

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

	2020	2019
Financial assets at amortized cost	**Rupees**	Rupees
Long term deposits	**14,334,325**	11,633,325
Trade debts - considered good	**1,092,779,921**	950,788,444
Loans and advances - considered good	**2,312,931**	268,705
Short term deposits and margins	**275,702,195**	165,744,718
Other receivables	**30,193,425**	38,049,639
Short term investments	**-**	374,114,733
Bank balances	**141,753,439**	255,798,624
Financial assets at fair value through profit or loss		
Short term investments	**760,707,781**	490,830,304
	2,317,784,017	2,287,228,492

38.1.2 Credit quality and impairment

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

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

This represents banking companies and financial institutions, which are counterparties to bank balances and investments. Short term investments includes Rs Nil (2019: Rs 374.11 million) in government securities (MTB's) for which there is no credit risk as they are government secured bonds and accordingly excluded from credit risk exposure. Impairment on these balances has been measured on 12 month expected loss basis and reflects the shortest maturities of the exposure. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Group. Following are the credit ratings of counterparties with external credit ratings:

Institutions	Rating		Rating Agency	2020	2019
	Short term	Long term		---Rupees---	
Bank balances					
Habib Bank Limited	A1+	AAA	JCR-VIS	**26,250,227**	87,718,822
Bank Al-Habib Limited	A1+	AA+	PACRA	**18,470,601**	69,135,323
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**45,212,021**	58,130,669
Bank Alfalah Limited	A1+	AA+	PACRA	**41,025,018**	19,805,764
Meezan Bank Limited	A1+	AA+	JCR-VIS	**8,102,802**	4,810,760
MCB Bank Limited	A1+	AAA	PACRA	**1,208,054**	3,076,887
Allied Bank Limited	A1+	AAA	PACRA	**659,756**	12,295,439
Faysal Bank Limited	A1+	AA	PACRA	**824,960**	824,960
				141,753,439	255,798,624
Short term investments					
HBL Money Market Fund	N/A	AA(f)	JCR-VIS	**265,076,470**	232,709,773
MCB Cash Management Optimizer Fund	N/A	AA+(f)	PACRA	**22,457,873**	21,099,828
HBL Cash Fund	N/A	AA(f)	JCR-VIS	**365,242,589**	218,038,050
ABL Cash Fund	N/A	AA(f)	PACRA	**107,930,849**	1,035,004
MCB Pakistan Stock Market Fund	N/A	AA+(f)	PACRA	**-**	16,381,951
Faysal Savings Growth Fund	N/A	AA-(f)	PACRA	**-**	839,748
Faysal MTS Fund	N/A	A+(f)	PACRA	**-**	725,950
				760,707,781	490,830,304
Margin against bank gaurantee					
Habib Bank Limited	A1+	AAA	JCR-VIS	**783,934**	783,934
Meezan Bank Limited	A1+	AA+	JCR-VIS	**196,168**	196,168
				980,102	980,102
Margin against letter of credit					
MCB Bank Limited	A1+	AAA	PACRA	**-**	12,755,060
Habib Bank Limited	AAA	A1+	JCR-VIS	**12,754,148**	-
Allied Bank Limited	AAA	A1+	PACRA	**70,760,157**	-
Meezan Bank Limited	A1+	AA+	JCR-VIS	**22,871,803**	8,245,306
				106,386,108	21,000,366
				1,009,827,430	768,609,396

Trade debts

These mainly include customers which are counter parties to local and foreign trade debts. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables other than due from Government departments / hospitals. Trade receivables are written off when there is no reasonable expectation of recovery. On adoption of IFRS 9, management uses an provision matrix to base the calculation of ECL of trade receivables from individual customers. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Group has used three years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro-economic factors. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2020 was determined as follows:

The aging of trade debts at the reporting date was:

	2020	2019
	Rupees	Rupees
Not past due yet	**218,162,689**	474,903,912
Past due 61 - 90 days	**171,513,436**	64,850,333
Past due 91 - 180 days	**185,303,926**	154,730,341
Past due 181 - 365 days	**196,956,945**	219,746,091
More than 365 days	**340,025,916**	50,451,845
Less: Loss allowance on trade debts	**(19,182,991)**	(13,894,077)
	1,092,779,921	950,788,444

Export sales are majorly secured through letter of credit while majority of the local sales are made to Government departments / hospitals. Trade debts are essentially due from government departments / projects and the Group is actively pursuing for recovery of debts and the Group does not expect these companies to fail to meet their obligations.

Deposits and other receivables are mostly due from Government Institutions, utility companies and a major supplier. Impairment on these balances has been measured on 12 month expected loss basis and reflects the shortest maturities of the exposure. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets. There are reasonable grounds to believe that these amounts will be recovered in short course of time.

38.1.3 Concentration of credit risk

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

38.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	2020				2019			
	Carrying amount	**Less than one year**	**One to five years**	**More than 5 years**	Carrying amount	Less than one year	One to five years	More than 5 years
	---Rupees---				---Rupees---			
Financial liabilities								
Long term loan - secured	**133,000,000**	**33,250,000**	**99,750,000**	**-**	-	-	-	-
Trade and other payables	**1,430,004,490**	**1,430,004,490**	**-**	**-**	1,011,235,511	1,011,235,511	-	-
Unclaimed dividend	**76,964,852**	**76,964,852**	**-**	**-**	75,156,815	75,156,815	-	-
Short term borrowings - secured	**51,017,136**	**51,017,136**	**-**	**-**	20,190,922	20,190,922	-	-
Accrued mark-up	**2,546,447**	**2,546,447**	**-**	**-**	4,461,193	4,461,193	-	-
	1,693,532,925	**1,593,782,925**	**99,750,000**	**-**	1,111,044,441	1,111,044,441	-	-

38.3 Market risk

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

Market risk comprises of three types of risks:

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

38.3.1 Currency risk

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

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

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

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

	2020						
	Rupees	**US Dollars**	**Euro**	**UAE Dirham**	**Pound Sterling**	**JPY**	**Aus Dollars**
Cash and cash equivalents	**25,351,854**	**81,666**	**159,089**	**45,741**	**4,675**	**3,410**	**1,000**
Trade and other payables	**(927,877,426)**	**(4,733,979)**	**(12,912)**	**(774,637)**	-	-	-
Trade receivables	**32,354,767**	**175,823**	-	**16,708**	-	-	-
Other receivables	**30,749,117**	**182,976**	-	-	-	-	-
Gross financial position exposure	**(839,421,688)**	**(4,293,514)**	**146,177**	**(712,188)**	**4,675**	**3,410**	**1,000**
	2019						
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling	JPY	Aus Dollars
Cash and cash equivalents	25,456,440	130,775	17,869	4,145	3,735	146,000	1,000
Trade and other payables	(730,103,307)	(4,544,302)	(1,642)	(57,112)	-	-	-
Trade receivables	43,339,459	270,787	-	-	-	-	-
Other receivables	36,782,051	229,816	-	-	-	-	-
Gross financial position exposure	(624,525,357)	(3,912,924)	16,227	(52,967)	3,735	146,000	1,000

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

	Reporting date rate		Average rate	
	2020	2019	**2020**	2019
US Dollars	**168.05**	160.05	**140.89**	140.89
Euro	**188.61**	182.32	**160.89**	160.89
UAE Dirham	**45.75**	43.57	**38.34**	38.34
Pound Sterling	**206.50**	203.01	**181.27**	181.27
JPY	**1.56**	1.49	**1.24**	1.24
Australian dollars	**115.18**	112.23	**98.17**	98.17

Sensitivity analysis

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

	Profit or loss	
	2020	2019
	-------------------**Rs.**-------------------	
Statement of profit or loss	**(83,942,169)**	(62,452,536)

38.3.3 Interest rate risk

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

	2020	2019	**2020**	2019
Variable rate instruments	**Average rate (in Percentage)**		**Carrying amount (Rupees)**	
Financial assets				
Cash at bank - deposit accounts	**6.5% to 11.3%**	4.5 to 9.5	**48,780,852**	71,228,341
Financial liabilities				
Long term loan - including current portion	**8.4% to 9.4%**	-	**133,000,000**	-
Short term borrowings secured	**8.5% to 14.8%**	9.5	**(51,017,136)**	(20,190,922)
Net Exposure			**130,763,716**	51,037,419

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	Profit or loss	
	100 bps Increase	**100 bps Decrease**
	Rupees	
As at 30 June 2020		
Cash flow sensitivity - Variable rate financial assets	**1,307,637**	**(1,307,637)**
As at 30 June 2019		
Cash flow sensitivity - Variable rate financial assets	510,374	(510,374)

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

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

38.3.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee. The Group is exposed to price risk arising from its investment in mutual funds that are classified as fair value through profit or loss. The Group has no investments in equity instruments traded in the market at the reporting date. The Group is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

Sensitivity analysis

The table below summarizes the Group's equity price risk as of 30 June 2020 and 2019 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Group's equity investment portfolio.

	Fair value	**Hypothetical price change**	**Estimated fair value after hypothetical change in prices**	**Hypothetical increase / (decrease) in profit / (loss) before tax**
As at 30 June 2020		**Rupees**		
Short term investments				
Investments at fair value through profit or loss	**760,707,781**	**10% increase**	**836,778,559**	**76,070,778**
		10% decrease	**684,637,003**	**(76,070,778)**

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in profit / (loss) before tax
As at 30 June 2019		Rupees		
Short term investments				
Investments at fair value through profit or loss	490,830,304	10% increase	539,913,334	49,083,030
		10% decrease	441,747,274	(49,083,030)

38.4 Fair value of financial instruments

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

38.4.1 a) Fair values versus carrying amounts

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

38.4.2 b) *Valuation of financial instruments*

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

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

Level 2: Valuation techniques based on observable inputs.

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

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

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

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

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

	Fair Value through profit or loss	Financial assets at amortised cost	Other financial liabilities	Total	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
30 June 2020							
Financial assets measured at fair value:	**760,707,781**	-	-	**760,707,781**	**760,707,781**	-	-
Financial assets not measured at fair value							
Long term deposits	-	**14,334,325**	-	**14,334,325**	-	-	-
Trade debts - considered good	-	**1,092,779,921**	-	**1,092,779,921**	-	-	-
Loans and advances - considered good	-	**26,370,626**	-	**26,370,626**	-	-	-
Short term deposits	-	**275,702,195**	-	**275,702,195**	-	-	-
Other receivables	-	**30,193,425**	-	**30,193,425**	-	-	-
Short term investments	-	-	-	-	-	-	-
Cash and bank balances	-	**151,392,844**	-	**151,392,844**	-	-	-
	-	**1,590,773,336**	-	**1,590,773,336**	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-
Financial liabilities not measured at fair value							
Trade and other payables	-	-	**1,430,004,490**	**1,430,004,490**	-	-	-
Unclaimed dividend	-	-	**76,964,852**	**76,964,852**	-	-	-
Short term borrowings - secured	-	-	**51,017,136**	**51,017,136**	-	-	-
Accrued mark-up	-	-	**2,546,447**	**2,546,447**	-	-	-
	-	-	**1,560,532,925**	**1,560,532,925**	-	-	-
30 June 2019							
Financial assets measured at fair value:	460,830,304	-	-	460,830,304	460,830,304	-	-
Financial assets not measured at fair value							
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 investment	-	374,114,733	-	374,114,733	-	-	-
Cash and bank balances	-	267,853,581	-	267,853,581	-	-	-
	-	1,829,507,267	-	1,829,507,267	-	-	-
Financial liabilities measured at fair value:	-	-	-	-	-	-	-
Financial liabilities not measured at fair value							
Trade and other payables	-	-	717,349,450	717,349,450	-	-	-
Unclaimed dividend	-	-	82,143,724	82,143,724			
Short term borrowings - secured	-	-	100,525,853	100,525,853	-	-	-
Accrued mark-up	-	-	539,624	539,624	-	-	-
	-	-	900,558,651	900,558,651	-	-	-

Fair value of property, plant and equipment

Freehold land, buildings on freehold land and plant and machinery have been carried at revalued amounts determined by professional valuers (level 3) based on their assessment of market value as disclosed in note 6. The valuations are conducted by the valuation experts appointed by the Group. The valuation experts used a market based approach to arrive at the fair value of the Group's properties. This revaluation was carried out by Asif Associates (Private) Limited (Independent valuers and consultants). Freehold land was revalued on the basis of current market value whereas other assets were revalued on the basis of depreciated market values. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery and other assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

38.5 Capital management

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

The Group's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

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

39 Group entities

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

30 June 2020 *Amount in Rupees*	**BF Biosciences Limited**	**Farmacia**	**Intra-Group eliminations**	**Total**
NCI percentage	**20%**	**2%**		
Non current assets	**135,557,187**	**94,554,131**		
Revaluation surplus	**373,096,944**	**-**		
Current assets	**912,159,602**	**96,990,493**		
Non-current liabilities	**5,250,000**	**-**		
Current liabilities	**260,093,526**	**5,532,028**		
Net assets	**1,155,470,207**	**186,012,596**		
Carrying amount of NCI	**231,094,041**	**3,720,252**	**(6,920,210)**	**227,894,083**
Revenue - net	**628,286,427**	**295,569,154**		
Profit after taxation	**47,108,576**	**20,731,899**		
Other comprehensive income	**259,904,367**	**40,141,058**		
Total comprehensive income	**307,012,943**	**60,872,957**		
Total comprehensive income allocated to NCI	**61,402,589**	**1,217,459**	**(4,225,683)**	**58,394,365**
Cash flows from operating activities	**(20,204,561)**	**6,083,784**		
Cash flows from investing activities	**(4,879,307)**	**1,047,532**		
Cash flows from financing activities (dividends to NCI : Nil)	**5,832,701**	**-**		
Net increase / (decrease) in cash and cash equivalents	**(19,251,167)**	**7,131,316**		

30 June 2019 *Amount in Rupees*	**BF Biosciences Limited**	**Farmacia**	**Intra-Group eliminations**	**Total**
NCI percentage	20%	2%		
Non current assets	136,458,190	96,782,828		
Revaluation surplus	133,630,384	-		
Current assets	752,254,018	81,981,266		
Non-current liabilities	-	-		
Current liabilities	153,447,521	13,483,396		
Net assets	868,895,071	165,280,698		
Carrying amount of NCI	173,779,014	3,305,614	(7,584,910)	169,499,718
Revenue - net	448,470,733	284,744,228		
(Loss) / profit after taxation	(44,492,801)	17,089,249		
Other comprehensive income	-	-		
Total comprehensive income	(44,492,801)	17,089,249		
Total comprehensive income allocated to NCI	(8,898,560)	341,785	(4,223,776)	(12,780,551)
Cash flows from operating activities	(55,260,518)	6,915,918		
Cash flows from investing activities	45,918,898	(22,241,375)		
Cash flows from financing activities (dividends to NCI : Nil)	(1,132,705)	-		
Net (decrease) / increase in cash and cash equivalents	(10,474,325)	(15,325,457)		

40 Impact of COVID-19 (CORONAVIRUS)

On 11 March 2020, COVID-19 (Coronavirus) was declared a pandemic by the World Health Organization. The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but also adversely impacted the global economy. On 23 March 2020, the Federal and Provincial Governments of Pakistan announced a temporary lock down as a measure to reduce the spread of the COVID-19. However, being a Group in Pharmaceutical Sector, it was exempt from lockdown measures. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Group continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Management believes that there is no significant accounting adverse impact of the effects of COVID-19 on the operations of the Group and on these consolidated financial statements. However, pursuant to relaxation announced by the State Bank of Pakistan in view of this pandemic, the Group has availed long term loan under refinance scheme for payment of wages and salaries as fully explained in note 7 to these consolidated financial statements.

41 Non adjusting events after the reporting date

The Board of Directors of the Holding Company in its meeting held on 24 September 2020 has proposed a final cash dividend of Rs. 4 (2019: Rs. 4) per share and bonus shares at the rate of 20% (2019: Nil) subject to the approval of the members in the upcoming Annual General Meeting to be held on 26 October 2020.

42 Corresponding figures

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

43 Date of authorization for issue

These consolidated financial statements have been authorized for issue by the Board of Directors of the Holding Company on 24 September 2020.

Chief Executive Officer **Chief Financial Officer** **Director**

PATTERN OF SHAREHOLDING

As at 30 June 2020

Sr. No.	No. of Shareholders	Shareholdings		Total Shares Held
		From	To	
1	1,940	1	100	86,405
2	1,663	101	500	521,629
3	826	501	1,000	674,577
4	927	1,001	5,000	2,189,022
5	167	5,001	10,000	1,240,283
6	42	10,001	15,000	532,204
7	32	15,001	20,000	569,925
8	19	20,001	25,000	431,233
9	7	25,001	30,000	195,481
10	6	30,001	35,000	197,433
11	4	35,001	40,000	148,760
12	7	40,001	45,000	299,948
13	7	45,001	50,000	340,913
14	2	50,001	55,000	102,700
15	2	55,001	60,000	116,698
16	5	60,001	65,000	314,249
17	1	65,001	70,000	69,300
18	1	80,001	85,000	83,400
19	1	85,001	90,000	85,654
20	2	95,001	100,000	196,111
21	2	105,001	110,000	215,100
22	2	150,001	155,000	308,374
23	1	155,001	160,000	157,142
24	2	160,001	165,000	324,644
25	1	180,001	185,000	180,235
26	1	215,001	220,000	217,503
27	1	280,001	285,000	284,458
28	1	295,001	300,000	295,463
29	1	330,001	335,000	333,473
30	1	350,001	355,000	352,690
31	1	355,001	360,000	359,116
32	1	360,001	365,000	362,314
33	1	365,001	370,000	369,531
34	1	380,001	385,000	384,955
35	1	410,001	415,000	410,979
36	1	430,001	435,000	434,941
37	1	435,001	440,000	437,416
38	1	560,001	565,000	560,041
39	1	650,001	655,000	651,347
40	1	900,001	905,000	904,934
41	1	1,070,001	1,075,000	1,073,164
42	1	1,505,001	1,510,000	1,506,491
43	1	1,635,001	1,640,000	1,639,875
44	1	1,825,001	1,830,000	1,825,442
45	1	8,200,001	8,205,000	8,201,288
Total	**5,689**			**30,186,841**

Categories of Shareholders	Share Held	Percentage
Directors, CEO, Their Spouse and Minor Childern	3,223,685	10.68
Associated Companies, Undertakings & Related Parties	8,286,942	27.45
NIT & ICP	1,640,452	5.43
Banks, DFIs, NBFIs	56,294	0.19
Insurance Companies	2,585,180	8.56
Modarabas and Mutual Funds	425,149	1.41
General Public		
a) Local	12,991,176	43.04
b) Foreign	376,454	1.25
Other Companies (Local)	601,509	1.99
Total	**30,186,841**	**100**

Shareholders holding 10% or more:		
The KFW Factors (Pvt.) Limited - Associate Company	8,286,942	27.45

Trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children are as follows:		
Mrs. Munize Azhar Peracha - gift of shares	Director	333,473
Mr. Osman Khalid Waheed - gift received	Director	166,736

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 64th Annual General Meeting of **FEROZSONS LABORATORIES LIMITED** will be held on **Monday, 26 October 2020 at 12:15 P.M**. virtually through video-link (as permitted by Securities and Exchange Commission of Pakistan through Circular 25 of 2020). The instructions for participation in AGM through video-link are mentioned in the notes section.

Ordinary Business:

1. To confirm the Minutes of the Extraordinary General Meeting held on 06 July 2020.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30 June 2020 together with the Reports of the Directors, Chairperson and Auditors thereon.

3. To consider and approve the final cash dividend for the year ended 30 June 2020 at the rate of 40% (i.e. Rs. 4 per share) as recommended by the Board of Directors.

4. To appoint Auditors of the Company for the year ending 30 June 2021 and fix their remuneration. The present auditors Messrs. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

Special Business:

5. To consider and approve the bonus shares at the rate of 20% (i.e. 20 shares for every 100 shares) as recommended by the Board of Directors. In this connection, the following ordinary resolutions (with or without modifications) are proposed to be passed:

   Resolved that a sum of Rs. 60,373,690 be capitalized out of the free reserves of the Company for issuance of 6,037,369 ordinary shares of Rs. 10 each as fully paid bonus shares.

   Further resolved that the bonus shares shall rank pari passu in all aspects with the existing shares of the Company. However, these shares shall not be eligible for final cash dividend declared by the Company for the year ended 30 June 2020.

   Further resolved that fractional entitlements of the members shall be consolidated into whole shares and sold in the stock market and the sale proceeds shall be donated to a charitable institution.

6. To transact any other business with the permission of the Chair.

By order of the Board

Rawalpindi
24 September 2020

Syed Ghausuddin Saif
Company Secretary

NOTES:

1. CLOSURE OF SHARE TRANSFER BOOKS:

The Share Transfer Books of the Company will be closed from 17 October 2020 to 26 October 2020 (both days inclusive). Transfers received at the Company's Share Registrar, M/s CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore, at the close of business on 16 October 2020 will be treated in time for the purpose of above entitlement to the transferees.

2. PARTICIPATION IN THE AGM THROUGH VIDEO LINK FACILITY:

Due to current COVID-19 situation, the AGM proceedings shall be held through video link facility. Only those persons whose names appear in the Register of Members of the Company as at 16 October 2020 are entitled to attend and vote at the Annual General Meeting.

A member entitled to attend and vote at this meeting is also entitled to appoint another member, as a proxy to attend and vote on his/her behalf. In order the proxy to be valid, the instrument of proxy and the power of attorney or any other authority, under which it is signed, must be shared through e-mail on cs@ferozsons-labs.com not less than 48 hours before the time of AGM. The Proxy form is annexed.

3. PROCEDURE FOR ATTENDING THE AGM THROUGH VIDEO LINK FACILITY:

Shareholders interested to participate in the meeting through video link are requested to email their Name, Folio Number, Cell Number and Number of Shares held in their name with subject **"Registration for Ferozsons Laboratories Limited AGM - 2020"** along with valid copy of both sides of Computerized National Identify Card (CNIC) at cs@ferozsons-labs.com. The video link and login credentials will be shared with only those members/designated proxies whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address cs@fersozsons-labs.com.

4. GUIDELINES FOR CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED ('CDC') ACCOUNT HOLDERS:

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).

A. For attending the AGM:

(i) In case of individuals, the account holders or sub-account holders whose securities and their registration details are uploaded as per the regulations, shall authenticate his / her identity by sharing a copy of his / her Computerized National Identity Card (CNIC) or Passport through e-mail (as mentioned in the notes) at least 48 hours before the time of the AGM.

(ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be shared through e-mail (as mentioned in the notes) (unless it has been provided earlier) at least 48 hours before the time of the AGM.

B. For appointing proxies:

(i) In case of individuals, the account holder or sub account holder whose registration details are uploaded as per CDC regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy form shall be witnessed by two persons whose names, address and CNIC number shall be mentioned on the form.

(iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) The proxy shall share a copy of his / her Computerized National Identity Card (CNIC) or Passport through e-mail (as mentioned in the notes) at least 48 hours before the time of the AGM.

(v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature along with proxy form shall be shared through e-mail (as mentioned in the notes) (unless it has not been provided earlier) at least 48 hours before the time of the AGM.

5. WITHHOLDING TAX ON DIVIDEND:

The Government of Pakistan through Finance Act, 2020 under Section 150 of the Income Tax Ordinance, 2001 whereby following rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as under:

a.	Persons appearing in the Active Tax Payers' List (ATL)	15%
b.	Persons not appearing in the Active Tax Payers' List (ATL)	30%

Members whose names are not entered into the Active Tax Payers List (ATL) provided on the website of the FBR, despite the fact that they are filers are advised to make sure that their names are entered into ATL to avoid higher tax deductions against any future payment of dividend.

In case of joint shareholders, each shareholder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each shareholder as may be notified by the shareholders, in writing as follows, to our share registrar or if no such notification is received, each shareholder shall be assumed to have an equal number of shares:

Folio/ CDS ID/ A/C #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC No.	Shareholding proportion (No. of Shares)	Name and CNIC No.	Shareholding proportion (No. of Shares)

The required information must reach the shares registrar of the Company by the close of business on 16 October 2020 otherwise it will be assumed that the shares are equally held by principal shareholder and Joint shareholders.

6. EXEMPTION FROM DEDUCTION OF INCOME TAX / ZAKAT:

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate, are requested to submit a valid tax exemption / reduced rate certificate or necessary documentary evidence as the case may be. Members desiring no deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat.

7. ELECTRONIC DIVIDEND MANDATE:

Under the Section 242 of the Companies Act, 2017, it is mandatory for all listed Companies to pay cash dividend to its shareholders through electronic mode directly into the bank account designated by the entitled shareholders. In order to receive dividend directly into their bank account, shareholders are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend available on the Company's website and send it duly signed along with a copy of CNIC to the Share Registrar, M/s. CorpTec Associates (Pvt.) Limited in case of physical shares.

In case of shares held in CDC then Electronic Dividend Mandate Form must be directly submitted to shareholder's brokers / participant / CDC account services.

8. SUBMISSION OF VALID CNIC:

Pursuant to the SECP directives the dividend of shareholders whose valid CNICs are not available with the Share Registrar could be withheld. All shareholders having physical shareholding are therefore advised to submit a photocopy of their valid CNIC immediately, if already not provided, to the Company's Share Registrar without any further delay.

9. UNCLAIMED DIVIDEND:

Shareholders, who by any reason, could not claim their dividend, if any, are advised to contact our Share Registrar, M/s. CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore to collect / enquire about their unclaimed dividend.

10. TRANSFER OF PHYSICAL SHARES TO CDC ACCOUNT

Pursuant to the section 72 of the Companies Act, 2017 listed companies are required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of the Act, i.e. 30 May 2017.

The Shareholders who hold physical shares are encouraged to open CDC sub- account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form.

11. ELECTRONIC VOTING:

Members can exercise their right to demand a poll subject to meeting requirements of Section 143–145 of the Companies Act, 2017 and applicable clauses of the Companies (Postal Ballot) Regulations, 2018.

12. CONSENT FOR VIDEO CONFERENCING FACILITY:

Pursuant to Section 132(2) of the Companies Act, 2017, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility, please submit such request to the Company Secretary.

13. ELECTRONIC TRANSMISSION OF FINANCIAL STATEMENTS AND NOTICES:

Pursuant to notification vide SRO 787(1)/2014 dated 8 September 2014, the SECP has directed all companies to circulate annual financial statements and notices of annual/extraordinary general meetings through Email/CD/DVD or any other media to their shareholders at their registered addresses.

Shareholders, who wish to receive the hardcopy of the annual financial statements, shall email at cs@ferozsons-labs.com. The same shall be provided to the shareholders free of cost within seven days of receipt of such request.

14. PLACEMENT OF FINANCIAL STATEMENTS ON COMPANY'S WEBSITE:

The financial statements of the Company for the year ended 30 June 2020 have been placed on the website of the Company: www.ferozsons-labs.com

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts pertaining to the special business to be transacted at the upcoming Annual General Meeting of the Company, which is to be held on 26 October 2020.

ITEM NO. 5 OF THE AGENDA - ISSUE OF BONUS SHARES TO MEMBERS:

The Board of Directors in their meeting held on 24 September 2020, have recommended to issue 20% fully paid bonus shares (i.e. 20 shares for each 100 shares held by the members) by capitalizing a sum of Rs. 60,373,690 from free reserves of the Company. The directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves.

The Directors of the Company are not directly or indirectly interested in this special business, except to the extent of entitlements of bonus shares on their shareholdings.

کمپنی کی فروخت میں اضافے کیلئے انتظامیہ نے علاج کے بنیادی شعبوں میں کئی نئی مصنوعات متعارف کروانے کی منصوبہ بندی کر رکھی ہے، ان شعبوں میں کارڈیوویسکولر (دل سے متعلقہ)، گیسٹرو اینٹرولوجی (معدہ اور آنتوں سے متعلقہ)، ذیابیطس، اور اینٹی انفیکشن شامل ہیں۔ مارکیٹ کی صورتحال کو مدنظر رکھتے ہوئے انتظامیہ یہ مصنوعات 2021 کے آغاز یا درمیان میں متعارف کروانا شروع کردے گی۔

پاکستان کی فارماسیوٹیکل انڈسٹری مقامی اور بیرون ملک کی مارکیٹوں میں ترقی کرنے کی زبردست استعداد رکھتی ہے۔ تاہم ان مواقع سے پوری طرح فائدہ اٹھانے کیلئے انڈسٹری کو ایک متوازن قانونی ماحول کی اشد ضرورت ہے جس میں توجہ کا مرکز قیمتوں کے بے قاعدہ کنٹرول کی بجائے کوالٹی کا معیار ہو۔

اعتراف

ہم کمپنی کے مقاصد کے حصول کیلئے اپنے ملازمین کی بے انتہا کوششوں اور لگن کا اعتراف کرتے ہیں۔

ہم مسلسل حمایت اور ہماری کمپنی پر اعتماد رکھنے کیلئے اپنے پرنسپلز اور کاروباری شراکت داروں کا شکریہ ادا کرتے ہیں، اور ہماری مصنوعات پر مسلسل اعتماد رکھنے کیلئے اپنے قابل قدر گاہکوں کا شکریہ بھی ادا کرتے ہیں۔

بورڈ کے جانب سے

مسٹر عثمان خالد وحید
چیف ایگزیکٹو آفیسر

مسز اختر خالد وحید
چیئرپرسن

لاہور
24 ستمبر 2020

آڈیٹرز

آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ریٹائر ہوتے ہیں اور انھوں نے مالی سال 21-2020 کیلئے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔
بورڈ کی آڈٹ کمیٹی نے KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو سال 21-2020 کیلئے کمپنی کا آڈیٹر مقرر کرنے کی تجویز دی ہے۔ چنانچہ بورڈ نے بھی آئندہ سالانہ اجلاسِ عام میں حصص داروں کی منظوری کیلئے انھی آڈیٹرز کو تجویز کیا ہے۔

انڈسٹری کا جائزہ اور مستقبل کے امکانات کا جائزہ

پاکستان کی فارماسیوٹیکل انڈسٹری کی قدر تقریباً 470 ارب روپے ہے۔ یہ انڈسٹری قومی معیشت میں ایک بڑا حصہ رکھتی ہے اور ملک میں یونیورسٹی گریجویٹس کو سب سے زیادہ ملازمتیں فراہم کرتی ہے۔ پچھلے کچھ سالوں میں مہنگائی کی وجہ اس اہم انڈسٹری کی مالیاتی حالت بگڑی ہے کیونکہ قومی سطح پر مہنگائی میں اضافے اور امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی کے باوجود قیمتوں میں موافق تبدیلی نہیں کی گئی ہے۔ اس سال COVID-19 کے پھیلاؤ کی وجہ سے ان مسائل کی شدت اور بھی بڑھ گئی ہے۔

COVID-19 کے پھیلاؤ نے انڈسٹری کو کئی طرح سے متاثر کیا ہے۔ لاک ڈاؤن کے دوران ہسپتالوں کے شعبہ آؤٹ ڈور اور پرائیوٹ کلینک بند ہونے اور میڈیکل سٹورز پر گاہکوں کی تعداد میں کمی کے باعث فارماسیوٹیکل کی فروخت پر برا اثر پڑا ہے، اور اسکے ساتھ طبی آلات کا بزنس بھی متاثر ہوا کیونکہ اختیاری پروسیجرز ہونا تقریباً بالکل بند ہو گئے۔ لاک ڈاؤن میں حالیہ نرمی سے انڈسٹری کے آپریشنز پھر سے شروع ہو رہے ہیں اور مثبت نشوونما دیکھنے کو مل رہی ہے۔ انتظامیہ عالمی وباء کے پھیلاؤ کے اثرات کا مسلسل جائزہ لے رہی ہے اور اثرات کو کم کرنے کیلئے حکمتِ عملیاں تیار کر رہی ہے، ان حکمت عملیوں میں مال کی ذخیرہ کردہ مقدار (Inventory Levels) میں اضافہ کرنا، اور سلسلہ فراہمی (سپلائی چین) کے ذرائع میں تنوع پیدا کرنا شامل ہیں، تاکہ دوسری لہر کی صورت میں COVID-19 کی وجہ سے پیدا ہونے والے غیر یقینی حالات پر قابو پایا جا سکے۔

ہم سٹیٹ بنک آف پاکستان کے بروقت اقدامات کی تعریف کرنا چاہیں گے، ان اقدامات میں خاص طور پر معیشت کو سہارا دینے کیلئے پالیسی ریٹ میں نمایاں کمی، ملازمین کو تنخواہ اور اجرت دینے کیلئے اداروں کو کم شرح سود پر قرضہ دینے کی اسکیمیں، اور اس کے ساتھ اس مشکل وقت میں توسیع کے منصوبوں پر سرمایہ کاری میں آسانی پیدا کرنے کیلئے طویل مدتی سہولیات کی فراہمی شامل ہیں۔

صوبائی حکومتوں نے بھی COVID-19 پر قابو پانے کیلئے کئی امدادی اقدامات کئے۔ تاہم، ان اقدامات کیلئے زیادہ تر صحت کا بجٹ استعمال کیا گیا جس سے زرِ نقد کے مسائل (Liquidity Problems) پیدا ہوئے اور صحت کی نگہداشت کی انڈسٹری سمیت دیگر سپلائرز کو ادائیگیاں مؤخر ہو گئیں۔

آپ کی کمپنی نے صحت کے ان حکومتی اداروں سے تقریباً 800 ملین روپے وصول کرنے ہیں۔ ان اداروں کی جانب سے ادائیگی میں تاخیر کی وجہ سے ہمیں مال کے سلسلہ فراہمی (سپلائی چین) اور گردشی سرمایہ (Working Capital) سے متعلق شدید مشکلات کا سامنا ہے۔ حکومت کو چاہیئے کہ صحت کی نگہداشت کی ایسی کمپنیوں کی مشکلات کو فوری طور پر حل کرے جنھوں نے نیک نیتی سے حکومتی اداروں کو ادویات اور مصنوعات مہیا کیں اور اب واجب الادا رقوم کی وصولی کی منتظر ہیں۔

کمپنی کی سماجی ذمہ داری

اپنے کاروباری ضابطِ اخلاق اور امتیازی فریم ورک کے عین مطابق، ہم ماحولیاتی تحفظ اور سماج کی صحت اور تعلیم میں سرمایہ کاری کرنے کیلئے پُرعزم ہیں۔

آپکی کمپنی نے اس سال سماجی ذمہ داری کی کئی سرگرمیوں (CSR activities) میں شرکت کی اور یہ شرکت زیادہ تر درج ذیل تنظیموں کے ساتھ کی گئی:

- کینسر ریسرچ اینڈ ٹریٹمنٹ فاؤنڈیشن (Cancer Research and Treatment Foundation)
- دی سٹیزنز فاؤنڈیشن (The Citizens Foundation)
- نیشنل مینجمنٹ فاؤنڈیشن (لمز) (National Management Foundation – LUMS)

خطرات سے بچاؤ

خطرات سے بچنے کا ہمارے طریقہ کار بنیادی طور پر خطرے والے حصوں کو سمجھنا، پہچاننا اور پھر ترجیح کی بنیاد پر درجہ بندی کرنا ہے تاکہ جدید آپریشنل حکمتِ عملیوں کے ذریعے ان خطرات کو کم کیا جاسکے۔

بنیادی طور پر ہماری کمپنی کو درج ذیل خطرات کا سامنا ہے:

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

مسابقت کے خطرات: ہماری مارکیٹ میں غیر قانونی اور غیر معیاری ادویات پر کمزور قانونی گرفت کی وجہ سے پاکستانی فارماسیوٹیکل انڈسٹری کو نقصان دہ مسابقتی خطرات کا سامنا ہے۔ اس کو خطرے کو کم کرنے کیلئے آپکی کمپنی پاکستان فارماسیوٹیکل مینوفیکچررز ایسوسی ایشن کے دیگر ارکان کے ساتھ مل کر گورنمنٹ کے قوانین اور پالیسیوں کو بہتر بنانے کیلئے مسلسل لابنگ کررہی ہے۔

سلسلہِ فراہمی (سپلائی چین) کے خطرات: کمپنی کے روزمرہ کے آپریشنز میں سلسلہِ فراہمی (سپلائی چین) کا پروسیس بہت اہمیت کا حامل ہے۔ اس خطرے کو کم کرنے کیلئے ہم پروڈکشن کی جامع منصوبہ بندی کرتے ہیں اور اسے فروخت کی پیش بینی اور آرڈرنگ سسٹم کے ساتھ ہم آہنگ کرتے ہیں۔

انفارمیشن ٹیکنالوجی کے خطرات: مستقبل کی ضروریات کو مدنظر رکھتے ہوئے کمپنی IT انفراسٹرکچر میں مسلسل سرمایہ کاری کرتی رہتی ہے۔

مالیاتی خطرات: یہ وہ خطرات ہیں جو براہِ راست کمپنی کی مالیاتی بقا سے تعلق رکھتے ہیں۔ ان خطرات کو مالیاتی گوشواروں کے نوٹ نمبر 38 میں تفصیل سے بیان کیا گیا ہے۔

ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کے معاوضے کی پالیسی

چیف ایگزیکٹو آفیسر کے علاوہ (جو کمپنی کے پیرول پر ملازم ہے) نان ایگزیکٹو ڈائریکٹرز بشمول خودمختار (انڈیپنڈنٹ) ڈائریکٹرز کو صرف میٹنگز میں شرکت کی فیس اور دیگر اخراجات ادا کیے جاتے ہیں جن کی تفصیل انفرادی مالی بیانات کے نوٹ نمبر 32 میں دی گئی ہے۔

- اندرونی کنٹرولز کا نظام مستحکم ہے اورانتظامیہ نے اس کا مؤثر اطلاق کیا ہے، اور اندرونی آڈیٹرز، بورڈ آف ڈائریکٹرز اور آڈٹ کمیٹی نے اس کی نگرانی کی ہے۔ بورڈ، آڈٹ کمیٹی کے ذریعے، اندرونی کنٹرولز کے مؤثر پن کا جائزہ لیتا ہے اور، اگر ضروری ہو، اندرونی کنٹرول کے نظام میں مزید بہتری لانے کیلئے تجاویز دیتا ہے۔
- بطور ایک چلتے ادارے کمپنی کے کاروبار جاری رکھنے کی اہلیت پر کوئی قابلِ ذکر خدشات موجود نہیں ہیں۔
- لسٹڈ ضوابط میں بتائی گئی کارپوریٹ گورننس کی بہترین روایات سے کوئی نمایاں انحراف نہیں کیا گیا۔
- پچھلے سال کے مقابلے میں مالیاتی نتائج میں ہونے والی اہم تبدیلیوں کی تفصیل اور وجوہات سالانہ رپورٹ میں بیان کی گئی ہیں۔
- کمپنی قابلِ قیاس مستقبل کے دوران کسی کارپوریٹ تنظیم نو یا آپریشن کی بندش پر غور نہیں کر رہی۔
- 30 جون 2020 تک کے گورنمنٹ کے نافذ کردہ ایسے تمام محصولات، جو عمومی کاروباری معاملات میں نافذ کئے جاتے ہیں، سال کے اختتام کے بعد ادا کئے جا چکے ہیں۔
- تازہ ترین آڈٹ شدہ اکاؤنٹس کے مطابق 30 جون 2019 پر ملازمین کی پروویڈنٹ فنڈ کی سرمایہ کاری کی قدر 506 ملین روپے ہے۔

قومی خزانے میں حصہ

اس مالی سال کے دوران، کمپنی نے مختلف ٹیکسوں اور محصولات کی مد میں (جیسے کہ انکم ٹیکس، کسٹم ڈیوٹی، وفاقی اور صوبائی سیلز ٹیکس، ورکرز ویلفیئر فنڈ، ورکرز پرافٹ پارٹیسپیشن فنڈ اور سنٹرل ریسرچ فنڈ) پیدا کردہ دولت میں سے 399 ملین روپے قومی خزانے میں جمع کروائے۔

پیسے کی وصولی اور ادائیگی کا انتظام

پیسے کی وصولی اور ادائیگی کے انتظام کیلئے کمپنی باقاعدگی سے موصول ہونے والی رقم اور ادا کی جانے والی رقم کا تخمینہ لگاتی ہے اور نقد رقم (کیش) کی صورتحال پر روزانہ کی بنیاد پر نظر رکھتی ہے۔

متعلقہ پارٹی لین دین

30 جون 2020 پر اختتام شدہ سال کے دوران متعلقہ پارٹیوں سے ہونے والے معاملات بورڈ اور آڈٹ کمیٹی کے سامنے جائزے اور منظوری کیلئے پیش کئے گئے۔ سال کے دوران ہونے والی میٹنگز میں بورڈ نے ان معاملات کی منظوری دی۔ متعلقہ پارٹی لین دین کی تفصیل مالیاتی گوشواروں کے نوٹ نمبر 33 میں دی گئی ہے۔

بورڈ آف ڈائریکٹرز اور بورڈ کمیٹیوں کی میٹنگز

بورڈ آف ڈائریکٹرز کی تشکیل، بورڈ کی کمیٹیوں اور منعقد کردہ میٹنگز کے بارے معلومات اور ایسے افراد کے بارے میں معلومات ساتھ لف کری دی گئی ہیں جو مالی سال 2019-20 کے دوران کسی بھی وقت کمپنی کے ڈائریکٹر رہے ہیں۔

حصص داری کی ترتیب

30 جون 2020 پر حصص داری کی ترتیب ساتھ لف کر دی گئی ہے۔ ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری اور انکے شریک حیات یا چھوٹے بچوں کی جانب سے کی گئی کمپنی کے شئیرز میں خرید و فروخت (اگر کوئی کی گئی ہو تو) کی معلومات بھی ساتھ لف کر دی گئی ہیں۔

سرمایہ کاری کے اخراجات

فارماسیوٹیکل انڈسٹری میں متعارف کرائی جانے والی جدید ترین ٹیکنالوجی کے ساتھ ہم آہنگی رکھنے کیلئے آپکی کمپنی نے زیرِ جائزہ سال کے دوران مینوفیکچرنگ آلات میں توازن اور جدت کیلئے 264 ملین روپے کی سرمایہ کاری کی۔

سال کے اختتام کے بعد ہونے والے واقعات

فردِ میزان (بیلنس شیٹ) کی تاریخ اور اس رپورٹ کی تاریخ کے دوران ایسا واقعہ نہیں ہوا جس نے کمپنی کی مالیاتی حالت پر خاص اثر چھوڑا ہو۔

فی حصص آمدن

30 جون 2020 پر اختتام شدہ سال کے خالص منافع کی بنیاد پر 301.87 ملین روپے کے سرمایہ کی مد میں فی حصص آمدن (EPS) 13.11 روپے فی حصص رہی، جبکہ پچھلے سال کی فی حصص آمدن (EPS) 8.32 روپے تھی۔ زیرِ جائزہ سال کی انضمام کردہ فی حصص آمدن 13.81 روپے رہی جو کہ پچھلے سال 6.65 روپے تھی۔

ڈیویڈنڈ کا اعلان

30 جون 2020 پر ختم ہونے والے مالی سال کیلئے ڈائریکٹرز نے ٪40 حتمی نقد ڈیویڈنڈ (4 روپے فی شئیر) اور ٪20 بونس شئیرز (ہر 100 شئیرز کیلئے 20 شئیرز) کی تجویز دی ہے، جو 26 اکتوبر 2020 پر ہونے والے سالانہ اجلاس عام میں شئیر ہولڈرز کی منظوری سے مشروط ہے۔

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

کوڈ آف کارپوریٹ گورننس کی تعمیل کا اعلامیہ

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی شرائط پر کمپنی پوری طرح عمل پیرا ہے اور اس تعمیل کا اعلامیہ اور آڈیٹرز رپورٹ ہماری سالانہ رپورٹ میں شامل ہیں۔

کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک

آپ کی کمپنی کا بورڈ آف ڈائریکٹرز کمپنی کو چلانے کی بہترین روایات کے اصولوں کی پیروی کیلئے پر عزم ہے۔ کمپنی کی انتظامیہ کوڈ آف کارپوریٹ گورننس میں بتائی گئی بہترین روایات کی مسلسل تعمیل کر رہی ہے۔

- انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات کی صورتحال، سرگرمیوں کے نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- کمپنی کے اکاؤنٹس کے موزوں کھاتے تیار رکھے گئے ہیں۔
- کمپنی کے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی موزوں پالیسیوں کا تسلسل سے اطلاق کیا گیا ہے۔ اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو مالیاتی رپورٹنگ کے بین الاقوامی معیارات (IFRS) کو اختیار کیا گیا ہے، اور ان معیارات سے کئے گئے انحراف (اگر کوئی ہو) کی مناسب انداز میں نشاندہی اور وضاحت کی گئی ہے۔

مارکیٹ میں ہماری جنیرک مارکہ مصنوعات کی فروخت میں پچھلے سال کے مقابلے میں 11٪ اضافہ ہوا، جبکہ اداروں کو فروخت میں پچھلے سال کے مقابلے میں 40٪ کمی واقع ہوئی۔ فروخت میں کمی کی بڑی وجہ سرکاری سطح پر صحت کے شعبے کیلئے خریداری میں کمی واقع ہونا ہے کیونکہ صوبائی حکومتوں نے صحت کا بجٹ COVID-19 سے متاثرہ لوگوں کو امدادی پیکج فراہم کرنے کیلئے استعمال کر لیا۔

اس سال گراس منافع (GP) کی شرح 41٪ رہی جو کہ پچھلے سال 39٪ تھی۔ حقیقی لحاظ سے، گراس منافع (GP) کی شرح میں 8٪ اضافہ ہوا۔ گراس منافع (GP) کی شرح میں بہتری کی بنیادی وجہ تناسبِ فروخت کی تبدیلی ہے۔

اس مالی سال کی چوتھی سہ ماہی میں COVID-19 کے پھیلنے اور متعلقہ لاک ڈاؤن کی وجہ سے افرادی قوت کیلئے طے شدہ کئی سرگرمیاں منسوخ یا ملتوی کر دی گئی ہیں۔ جس کے نتیجے میں ہمارے فروخت اور ڈسٹری بیوشن کے اخراجات میں پچھلے سال کی نسبت 2٪ کمی واقع ہوئی ہے۔

دیگر اخراجات میں پچھلے سال کی نسبت 31٪ کمی واقع ہوئی جس کی بنیادی وجہ اس سال مبادلہ کے نقصان (Exchange Loss) میں کمی ہے۔

کمپنی کا بعد از ٹیکس منافع 396 ملین روپے رہا جو کہ پچھلے سال 251 ملین روپے تھا۔ 30 جون 2020 پر ختم ہونے والے مالی سال کیلئے مؤثر شرحِ ٹیکس 29٪ رہی جو کہ پچھلے سال 40٪ تھی۔ مؤثر شرحِ ٹیکس میں فرق کی بنیادی وجہ یہ ہے کہ پچھلے سال بعض تخمینہ کردہ لاگت (Provisions) ریکارڈ کی گئی تھیں۔

BF بائیو سائنسز لمیٹڈ (ذیلی کمپنی) کا مالیاتی اور آپریشنل جائزہ:

ذیلی کمپنی BF بائیو سائنسز لمیٹڈ کی فروخت 628 ملین روپے رہی جس میں پچھلے سال کے مقابلے میں 40٪ اضافہ ہوا۔ اس سال کا بعد از ٹیکس منافع 47 ملین روپے رہا جبکہ پچھلے سال 45 ملین روپے کا خسارہ تھا۔

اس سال BF بائیو سائنسز کا گلیڈ سائنسز کے ساتھ ریمڈیسویر (Remdesivir) کی تیاری اور فروخت کیلئے رضاکارانہ لائسنس کا معاہدہ کامیابی کے ساتھ طے پا گیا۔ یہ دوا ڈرگ ریگولیٹری اتھارٹی آف پاکستان کے ساتھ ریمیڈیا (Remidia) کے برانڈ نام کے تحت رجسٹرڈ ہے۔ اس مالی سال کے اختتام کے بعد کے عرصہ میں ریمیڈیا (Remidia) کی تیاری اور فروخت شروع ہو چکی ہے۔

زیرِ جائزہ سال کے دوران BF بائیو سائنسز نے رگ میں لگائے جانے والے ٹیکے اومیگا (اومیپرازول) اور ساتھ اریٹروجن (اریتھروپوئیٹن) IU 10000 کی تیاری اور فروخت بھی شروع کر دی ہے۔ تاہم، ڈرگ ریگولیٹری اتھارٹی آف پاکستان کے پاس کئی بائیولوجیکل اور نان-بائیولوجیکل مصنوعات کی رجسٹریشن منظوری کیلئے زیرِ التوا ہے۔ انتظامیہ پُر اعتماد ہے کہ ان درخواستوں کی منظوری کے بعد آئندہ سالوں میں ذیلی کمپنی کی فروخت اور منافع میں مزید بہتری آئے گی۔

کلیدی عملی اور مالیاتی اعداد و شمار

پچھلے 6 سال کے انفرادی اور انضمام کردہ مالیاتی گوشواروں سے لئے گئے کلیدی عملی اور مالیاتی اعداد و شمار کا خلاصہ ساتھ لف کیا گیا ہے۔

شیئر ہولڈرز کی خدمت میں ڈائریکٹرز کی رپورٹ

30جون2020 پر اختتام شدہ سال سے متعلق

ہم انتہائی مسرت سے 64ویں سالانہ رپورٹ پیش کرتے ہیں جس میں آپ کی کمپنی کے پڑتال شدہ (آڈٹ شدہ) مالیاتی گوشوارے (30جون 2020 پر ختم ہونے والے سال سے متعلق) شامل ہیں اور ان کے ساتھ ذیلی کمپنیوں، BF بائیو سائنسز لمیٹڈ اور فارمیشیا ریٹیل وینچر، کے انضمام کردہ مالیاتی گوشوارے بھی شامل ہیں۔

آپ کی کمپنی کے انفرادی اور انضمام کردہ مالیاتی نتائج

اس سال کے مالیاتی نتائج، عملی نتائج، اور منافع کی تقسیم کا خلاصہ اور پچھلے سال سے موازنہ نیچے دیا گیا ہے:

	انفرادی		انضمام کردہ	
	2020	2019	2020	2019
	(ہزار روپے)			
فروخت-خالص	5,394,043	5,180,804	6,191,816	5,802,856
گراس منافع	2,217,954	2,045,849	2,318,162	2,040,953
قبل از ٹیکس منافع	560,530	418,718	591,938	338,065
بعد از ٹیکس منافع	395,655	251,046	422,580	187,995
فی حصص آمدن (روپے)	13.11	8.32	13.81	6.65
تقسیم کیلئے موجود منافع	4,181,755	3,879,505	4,644,627	4,304,712
تقسیم:				
نقد ڈیویڈنڈ:				
مالیاتی سال 2020 کیلئے حتمی نقد ڈیویڈنڈ @4روپے فی حصص (2019 میں @4روپے فی حصص)	(120,747)	(120,747)	(120,747)	(120,747)
بونس شیئرز:				
مالیاتی سال 2020 کیلئے بونس شئیرز @20 فیصد (2019 میں کوئی نہیں)	(60,374)	-	(60,374)	-

فیروز سنز لیبارٹریز لمیٹڈ کا مالیاتی اور آپریشنل جائزہ:

اس سال کمپنی کی انضمام کردہ خالص فروخت 6,192 ملین روپے رہی، جو کہ پچھلے سال کے مقابلے میں 7٪ زیادہ ہے۔ انفرادی طور پر، آپکی کمپنی کی خالص فروخت 5,394 ملین روپے رہی جو کہ پچھلے سال کے مقابلے میں 4٪ زیادہ ہے۔

FORM OF PROXY

64th Annual General Meeting

I/We,____of_________________

_____________ being a member of **Ferozsons Laboratories Limited** and holder of_____________

_______ordinary Shares as per share register Folio/CDC Account No.__________________hereby

appoint Mr./Mrs.____

Folio/CDC Account No.______________of___________________CNIC No. or Passport No.__________

______________or failing him/her Mr./Mrs.____

Folio/CDC Account No.______________of___________________CNIC No. or Passport No.______

____________________who is also a member of the Company as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 64th Annual General Meeting of the Company to be held on Monday, 26 October 2020 at 12:15 P.M. or at any adjournment thereof.

Five Rupees Revenue Stamp

____

Signature of Shareholder

(The signature should agree with the specimen registered with the Company)

Dated this _____day of_________2020

Signature of Proxy________________

1. Witness:

Signature:

Name: ________________

Address: ________________

____

CNIC No. ________________

2. Witness:

Signature:

Name: ________________

Address: ________________

____

CNIC No. ________________

CUT HERE

Note: Proxies, in order to be effective, the instrument of proxy and the power of attorney or any other authority, under which it is signed, must be shared through e-mail on cs@ferozsons-labs.com not less than 48 hours before the time of AGM.

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

نمائندگی کا فارم (پراکسی فارم)

64 واں سالانہ اجلاسِ عام

میں/ہم________________ کا/کی________________ بحیثیت رکن **فیروزسنز لیبارٹریز لمیٹڈ** اور بذریعہ حصص رجسٹر کے فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر ________________ حامل ________________ عام حصص، کمپنی کے ایک دوسرے رکن ________________ کا/کی________________ فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر ________________ شناختی کارڈ نمبر ________________ یا پاسپورٹ نمبر ________________ ، یا بصورتِ دیگر کمپنی کے اور رکن ________________ کا/کی________________ فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر ________________ شناختی کارڈ نمبر ________________ یا پاسپورٹ نمبر________________ ، کو میری/ہماری غیر حاضری میں کمپنی کے 64ویں سالانہ اجلاسِ عام میں، جو بتاریخ 26 اکتوبر 2020، دوپہر 12:15 بجے منعقد ہو رہا ہے، یا کسی بھی ملتوی شدہ اجلاس میں حاضری، اظہارِ خیال اور حق رائے دہی کے استعمال کیلئے اپنا نمائندہ (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

پانچ روپے کی ریونیو سٹامپ

____

حصص دار کے دستخط

(دستخط کمپنی میں رجسٹرڈ نمونے سے مطابقت رکھتے ہونے چاہئے)

بتاریخ________ مہینہ________ 2020

نمائندہ کے دستخط:________________

1. گواہ

دستخط:

نام:________________

پتہ:________________

____

شناختی کارڈ نمبر:________________

2. گواہ

دستخط:

نام:________________

پتہ:________________

____

شناختی کارڈ نمبر:________________

نوٹ:

نمائندگی فارم (پراکسی فارم)، اور مختار نامہ یا دیگر دستاویز جس کے تحت اس پر دستخط کئے گئے ہوں، ای میل ایڈریس cs@ferozsons-labs.com پر سالانہ اجلاسِ عام کے وقت سے کم از کم 48 گھنٹے پہلے ای میل کے ذریعے بھجوا دیں، بصورتِ دیگر یہ فارم موثر تصور نہیں کیا جائے گا۔

سی ڈی سی حصص یافتگان اور انکے نمائندوں (پراکسی) سے درخواست ہے کہ نمائندگی فارم (پراکسی فارم) کمپنی کو ای میل کرنے سے پہلے اس کے ساتھ اپنے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی لف کریں۔

FEROZSONS LABORATORIES LIMITED