



FEROZSONS
LABORATORIES LIMITED

**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED
30 SEPTEMBER 2020**



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mrs. Akhter Khalid Waheed
Mr. Osman Khalid Waheed
Mrs. Amna Piracha Khan
Mrs. Munize Azhar Peracha
Mr. Shahid Anwar
Mr. Arshad Saeed Husain
Mr. Suleman Ghani

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

Chairperson
Chief Executive

AUDIT COMMITTEE

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

Chairman
Member
Member
Member

INVESTMENT COMMITTEE

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

Chairman
Member
Member

HR & REMUNERATION COMMITTEE

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

Chairman
Member
Member
Member

COMPANY SECRETARY

Syed Ghausuddin Saif

LEGAL ADVISORS

Khan & Piracha

REGISTERED OFFICE

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

CHIEF FINANCIAL OFFICIAL

Mr. Muhammad Farhan Rafiq

SHARE REGISTRAR

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

HEAD OF INTERNAL AUDIT

Mr. Rizwan Hameed Butt

FACTORY

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

SALES OFFICE, KARACHI

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

EXTERNAL AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

INTERNAL AUDITORS

EY Ford Rhodes
Chartered Accountant

HEAD OFFICE

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

BANKERS

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

SALES OFFICE, LAHORE

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

DIRECTORS' REVIEW

OF CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020

We are pleased to present a brief review of your Company's un-audited Standalone and Consolidated condensed interim financial information for the Quarter ended 30 September 2020. The consolidated condensed interim financial information incorporates the Company's 98% owned venture Farmacia and 80% owned subsidiary BF Biosciences Limited.

Operational and Financial Performance

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

	Individual		Consolidated	
	3 Months 30-Sep-20	3 Months 30-Sep-19	3 Months 30-Sep-20	3 Months 30-Sep-19
	(Rupees in thousand)			
Revenue (net)	1,288,708	1,188,828	1,501,568	1,336,877
Gross profit	572,747	512,330	604,729	525,961
Profit before tax	159,821	125,884	171,848	124,056
Taxation	(49,497)	(42,882)	(53,276)	(47,735)
Profit after tax	110,324	83,002	118,572	76,321

During the three months under review, the standalone Net Sales of your Company grew by 8% over the same period last year. At the group level, Net Sales grew by 12% over the same period last year. Our in-market generic sales increased by 13%, whereas our sales to institutions decreased by 51% over the same period last year, owing to reduced government buying by the provincial governments.

The gross profit (GP) margin of your Company stands at 44% against 43% in the same period last year. The slight improvement in the GP margin is mainly the result of a favorable change in the sales mix.

Selling and distribution expenses decreased by 2% during the Quarter, primarily due to reduced traveling and field activities by the field force team.

Other expenses increased by Rs. 3.3 million, primarily representing government levies. Other income decreased by Rs. 16.6 million, reflecting a reduced income from investments and share of profit from associate.

Your Company reported net profit after tax of Rs. 110.3 million for the three months ended 30 September 2020, depicting a growth of 33% compared to the same period last year.

Based on the net profit for the Quarter ended 30 September 2020, the earnings per share (EPS) both basic and diluted, stands at Rs. 3.65 compared to EPS of Rs. 2.75 in same period last year.

BF Biosciences Limited Operational Status

The net sales of the Company's subsidiary BF Biosciences Limited grew by 89% over the same period last year, closing at Rs. 189 million for the Quarter under review. The surge in sales mainly represents sales of Remidia injections (i.e. Remdesivir 100mg) during the three months period under review. Net profit after tax for the three months period ended closed at Rs. 18.4 million as compared to a net loss after tax of Rs. 5.7 million same period last year.

Future Outlook

During the quarter under review, the ease in lockdowns by the government led to a revival in economic activity. However, with the winter approaching, the next quarter is expected to be critical due to the risk of a second COVID-19 surge.

As mentioned in our latest Annual Report 2020, the Company has launched new products relating to Gastroenterology and Diabetes during and subsequent to the quarter under review. Based on the market conditions, the management plans to launch further new products in its core therapeutic areas in the upcoming quarters, which should further support the Company's revenues and bottom line.

Acknowledgments

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

For and on behalf of the Board of Directors

Mr. Osman Khalid Waheed
Chief Executive Officer

Mrs. Akhter Khalid Waheed
Chairperson

30 ستمبر 2020 پر ختم ہونے والی سہ ماہی کے دوران آپ کی کمپنی کا بعد از ٹیکس منافع 110.3 ملین روپے رہا، جس میں پچھلے سال کی اسی سہ ماہی کے مقابلے میں 33% اضافہ دیکھنے کو ملا۔

30 ستمبر 2020 پر ختم ہونے والی سہ ماہی کے خالص منافع کی بنیاد پر، بنیادی اور تحلیل کردہ فی حصص آمدن 3.65 روپے رہی جبکہ پچھلے سال کی اسی سہ ماہی میں بنیادی اور تحلیل کردہ فی حصص آمدن 2.75 روپے تھی۔

BF بائیوسائنسز لمیٹڈ کی آپریشنل صورتحال

اس سہ ماہی کے دوران کمپنی کی ذیلی کمپنی BF بائیوسائنسز لمیٹڈ کی خالص فروخت 189 ملین روپے رہی جس میں پچھلے سال کی اسی سہ ماہی کے مقابلے میں 89% اضافہ ہوا۔ فروخت میں اضافہ کی بڑی وجہ زیر جائزہ سہ ماہی کے دوران ریویڈ یا انجکشن (ریویڈ ایسویر 100 ملی گرام) کی فروخت ہے۔ اس سہ ماہی کا بعد از ٹیکس منافع 18.4 ملین روپے رہا، جبکہ پچھلے سال کی اس سہ ماہی کے دوران بعد از ٹیکس خسارہ 5.7 ملین روپے تھا۔

مستقبل کے امکانات کا جائزہ

زیر جائزہ سہ ماہی کے دوران حکومت نے لاک ڈاؤن میں نرمی کی جس سے معاشی سرگرمیاں بحال ہونا شروع ہوئیں۔ تاہم، موسم سرما کی آمد کے ساتھ کووڈ-19 کی دوسری لہر آنے کا خطرہ ہے جس سے اگلی سہ ماہی میں مشکلات پیش آسکتی ہیں۔

جیسا کہ ہم نے اپنی سالانہ رپورت برائے 2020 میں بیان کیا تھا، زیر جائزہ سہ ماہی کے دوران اور اس کے بعد کے عرصہ کے دوران کمپنی نے معدہ و آنت کے امراض اور ذیابیطس سے متعلقہ نئی مصنوعات متعارف کروائی ہیں۔ مارکیٹ کے حالات کے مطابق، انتظامیہ آئندہ سہ ماہیوں کے دوران علاج کے اپنے بنیادی شعبوں سے متعلقہ مزید نئی مصنوعات متعارف کروانے کا ارادہ رکھتی ہے، جس سے کمپنی کی فروخت اور منافع میں مزید بہتری آئے گی۔

اعتراف

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

بورڈ آف ڈائریکٹرز کی جانب سے

مسز اختر خالد وحید

چیئر پرسن

مسٹر عثمان خالد وحید

چیف ایگزیکٹو آفیسر

30 ستمبر 2020 پر ختم ہونے والی سہ ماہی کے مختصر عبوری مالیاتی نتائج پر ڈائریکٹرز کی جائزہ رپورٹ

ہم انتہائی مسرت سے 30 ستمبر 2020 پر ختم ہونے والی سہ ماہی کیلئے کمپنی کے غیر آڈٹ شدہ انفرادی اور انضمام کردہ مالیاتی گوشواروں کا جائزہ پیش کرتے ہیں۔ انضمام کردہ مختصر عبوری مالیاتی گوشواروں میں فارمیٹیا ونچر (98 فیصد ملکیت) اور ذیلی کمپنی BF بائیوسائنسز لمیٹڈ (80 فیصد ملکیت) کے مالیاتی نتائج ضم کئے گئے ہیں۔

آپریٹیشن اور مالیاتی کارکردگی

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

انضمام کردہ		انفرادی		
سہ ماہی	سہ ماہی	سہ ماہی	سہ ماہی	
30 ستمبر 2019	30 ستمبر 2020	30 ستمبر 2019	30 ستمبر 2020	
(ہزار روپے)				
1,336,877	1,501,568	1,188,828	1,288,708	خالص فروخت
525,961	604,729	512,330	572,747	گراس منافع
124,056	171,848	125,884	159,821	قبل از ٹیکس منافع
(47,735)	(53,276)	(42,882)	(49,497)	ٹیکس
76,321	118,572	83,002	110,324	بعد از ٹیکس منافع

زیر جائزہ سہ ماہی کے دوران کمپنی کی انفرادی فروخت (خالص) میں گزشتہ سال کی اسی سہ ماہی کے مقابلے میں 8% اضافہ دیکھنے کو ملا۔ گروپ کے نتائج کے مطابق، زیر جائزہ پہلی سہ ماہی کے دوران فروخت (خالص) میں گزشتہ سال کی اسی سہ ماہی کے مقابلے میں 12% اضافہ ہوا۔ پرائیویٹ مارکیٹ میں ہماری جنرل مارکہ مصنوعات کی فروخت میں پچھلے سال کی اسی سہ ماہی کے مقابلے میں 13% اضافہ ہوا، جبکہ پچھلے سال کی اسی سہ ماہی کے مقابلے میں اداروں کو مصنوعات کی فروخت میں 51% کمی واقع ہوئی، جسکی وجہ یہ ہے کہ صوبائی حکومتوں کی جانب سے حکومتی سطح پر ادویات کی خریداری میں کمی واقع ہوئی۔

زیر جائزہ سہ ماہی کے دوران گراس منافع کی شرح 44% رہی جو کہ پچھلے سال کی اسی سہ ماہی میں 43% تھی۔ گراس منافع کی شرح میں معمولی بہتری کی وجہ مصنوعات کے تناسب فروخت میں تبدیلی واقع ہونا ہے۔

انفرادی قوت کے سفر اور دیگر سرگرمیوں میں کمی کے سبب فروخت اور ڈسٹری بیوشن کے اخراجات میں اس سہ ماہی کے دوران 2% کمی واقع ہوئی۔

دیگر اخراجات میں 3.3 ملین روپے کا اضافہ ہوا، جس کی بنیادی وجہ سرکاری محصول ہیں۔ سرمایہ کاری سے آمدن میں کمی اور ایسوسی ایٹس کے منافع کے حصہ میں کمی کے سبب دیگر آمدن میں 16.6 ملین روپے کی کمی واقع ہوئی۔

A man in a dark suit is shown in profile, working on a laptop. The scene is backlit by a bright light source, creating a silhouette effect and a lens flare. The background is a gradient of light blue. In the bottom left corner, there are faint, abstract blue geometric patterns, including a series of small squares and triangles, and a larger, stylized mountain-like shape.

OUR FINANCIAL STATEMENTS

Ferozsons Laboratories Limited

Condensed Interim Unconsolidated Statement of Financial Position

As at 30 September 2020

	Un-audited 30 Sep 2020	Audited 30 Jun 2020	Rupees		Rupees
EQUITY AND LIABILITIES					
<u>Share capital and reserves</u>					
Authorized share capital					
50,000,000 (30 June 2020: 50,000,000) ordinary shares of Rs. 10 each	500,000,000	500,000,000			
Issued, subscribed and paid up capital	301,868,410	301,868,410			
Capital reserve	321,843	321,843			
Accumulated profit	4,302,673,865	4,181,754,531			
Revaluation surplus on property, plant and equipment	1,125,302,091	1,135,897,569			
	5,730,166,209	5,619,842,353			
<u>Non current liabilities</u>					
Long term loan - secured	189,252,622	90,090,384			
Deferred grant	7,622,378	4,409,616			
Deferred taxation	277,065,069	282,742,428			
	473,940,069	377,242,428			
<u>Current liabilities</u>					
Trade and other payables	958,350,814	1,320,854,227			
Contract liabilities	37,560,560	44,671,521			
Short term borrowings - secured	78,177,291	51,017,136			
Current portion of long term loan	118,125,000	31,500,000			
Unclaimed dividend	76,243,378	76,964,852			
Accrued mark-up	6,682,131	2,509,734			
	1,275,139,174	1,527,517,470			
Contingencies and commitments					
	7,479,245,452	7,524,602,251			
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	3,286,850,703	3,308,834,762			
Intangibles	916,626	423,498			
Long term investments - related parties	337,844,816	334,863,185			
Long term deposits	9,787,325	9,787,325			
	3,635,399,470	3,653,908,770			
<u>Current assets</u>					
Stores, spare parts and loose tools	32,358,146	30,392,651			
Stock in trade	1,780,086,183	1,833,184,796			
Trade debts - considered good	1,033,033,755	1,026,879,355			
Loans and advances - considered good	43,948,963	42,851,733			
Deposits and prepayments	178,358,636	155,899,633			
Other receivables	49,250,834	38,117,556			
Advance income tax - net	287,933,666	286,479,315			
Short term investments	363,244,644	357,590,624			
Cash and bank balances	75,631,155	99,297,818			
	3,843,845,982	3,870,693,481			
	7,479,245,452	7,524,602,251			

Note

Note

The annexed notes from 1 to 18 form an integral part of this condensed interim unconsolidated financial information.

Chief Executive Officer

Chief Financial Officer

Director

Ferozsons Laboratories Limited

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

For the period ended 30 September 2020

	Note	Quarter Ended	
		30 Sep 2020	30 Sep 2019
		----- Rupees -----	
Revenue - net	11	1,288,708,343	1,188,827,828
Cost of sales	12	(715,961,293)	(676,498,250)
Gross profit		572,747,050	512,329,578
Administrative expenses		(99,990,167)	(92,814,682)
Selling and distribution expenses		(308,510,733)	(313,212,736)
Other expenses		(13,844,121)	(10,544,941)
Other income		17,839,232	34,475,083
Profit from operations		168,241,261	130,232,302
Finance cost		(8,420,166)	(4,347,989)
Profit before taxation		159,821,095	125,884,313
Taxation	13	(49,497,239)	(42,882,048)
Profit after taxation		110,323,856	83,002,265
Earnings per share - basic and diluted		3.65	2.75

The annexed notes from 1 to 18 form an integral part of this condensed interim unconsolidated financial information.

Chief Executive Officer

Chief Financial Officer

Director

Ferozsons Laboratories Limited

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

For the period ended 30 September 2020

	<u>Quarter Ended</u>	
	<u>30 Sep</u> <u>2020</u>	<u>30 Sep</u> <u>2019</u>
	<u>----- Rupees -----</u>	
Profit after taxation	110,323,856	83,002,265
<i>Items that will not be reclassified to profit or loss :</i>		
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>110,323,856</u>	<u>83,002,265</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim unconsolidated financial information.

Chief Executive Officer

Chief Financial Officer

Director

Ferozsons Laboratories Limited
Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)
For the period ended 30 September 2020

	Capital reserve		Revenue reserve		Total
	Share capital	Capital reserve	Revaluation surplus on Property, plant and equipment	Accumulated profit	
-----Rupees-----					
Balance as at 01 July 2019	301,868,410	321,843	755,732,295	3,879,504,557	4,937,427,105
Total comprehensive income for the period	-	-	-	83,002,265	83,002,265
<u>Surplus transferred to accumulated profit:</u> -on account of incremental depreciation charged during the period - net of tax	-	-	(6,843,416)	6,843,416	-
Balance as at 30 September 2019 - unaudited	<u>301,868,410</u>	<u>321,843</u>	<u>748,888,879</u>	<u>3,969,350,238</u>	<u>5,020,429,370</u>
Balance as at 01 July 2020	301,868,410	321,843	1,135,897,569	4,181,754,531	5,619,842,353
Total comprehensive income for the period	-	-	-	110,323,856	110,323,856
<u>Surplus transferred to accumulated profit:</u> -on account of incremental depreciation charged during the period - net of tax	-	-	(10,595,478)	10,595,478	-
Balance as at 30 September 2020 - unaudited	<u>301,868,410</u>	<u>321,843</u>	<u>1,125,302,091</u>	<u>4,302,673,865</u>	<u>5,730,166,209</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim unconsolidated financial information.

Chief Executive Officer

Chief Financial Officer

Director

Ferozsons Laboratories Limited
Condensed Interim Unconsolidated Statement of Cash Flows (Un-audited)
For the period ended 30 September 2020

	Quarter Ended	
	30 Sep 2020	30 Sep 2019
----- Rupees -----		
<u>Cash flow from operating activities</u>		
Profit before taxation	159,821,095	125,884,313
<i>Adjustments for non-cash and other items</i>		
Depreciation on property, plant and equipment	78,650,441	78,377,521
Amortisation of intangibles	142,416	145,065
Gain on disposal of property, plant and equipment	(1,745,992)	(6,236,722)
Finance cost	8,420,166	4,347,989
Dividend income	(1,217,402)	-
Profit on bank deposits	(366,996)	(635,925)
Gain on re-measurement of short term investments to fair value	(4,632,535)	(8,514,819)
Gain on sale of short term investments	-	(668,434)
Share in profit of Farmacia	(2,981,631)	(5,999,495)
Workers' Profit Participation Fund	8,596,428	6,753,248
Central Research Fund	1,736,652	1,364,293
Workers' Welfare Fund	3,511,041	2,427,400
	90,112,588	71,360,121
Cash generated from operations before working capital changes	249,933,683	197,244,434
<u>Effect on cash flow due to working capital changes</u>		
<i>(Increase) / decrease in current assets</i>		
Stores, spare parts and loose tools	(1,965,495)	(334,016)
Advances, deposits, prepayments and other receivables	(34,689,511)	(23,222,438)
Stock in trade	53,098,613	(133,229,736)
Trade debts - considered good	(6,154,400)	(163,055,123)
	10,289,207	(319,841,313)
<i>(Decrease) / increase in current liabilities</i>		
Trade and other payables	(383,458,485)	86,584,016
Cash generated from operations	(123,235,595)	(36,012,863)
Taxes paid	(56,628,959)	(57,573,515)
Long term deposits - net	-	(2,601,000)
Net cash generated from operating activities	(179,864,554)	(96,187,378)
<u>Cash flow from investing activities</u>		
Acquisition of property, plant and equipment	(56,902,490)	(187,963,671)
Acquisition of intangibles	(635,544)	-
Proceeds from sale of property, plant and equipment	1,982,100	10,670,368
Dividend income received	1,217,402	-
Profit on bank deposits received	366,996	635,925
(Acquisition) / redemption of short term investments - net	(1,021,485)	99,277,943
Net cash used in investing activities	(54,993,021)	(77,379,435)
<u>Cash flow from financing activities</u>		
Finance cost paid	(4,247,769)	(6,549,863)
Proceeds of long term loan	189,000,000	-
Dividend paid	(721,474)	(991,315)
Net cash used in financing activities	184,030,757	(7,541,178)
Net decrease in cash and cash equivalents	(50,826,818)	(181,107,991)
Cash and cash equivalents at the beginning of the period	48,280,682	183,447,782
Cash and cash equivalents at the end of the period	(2,546,136)	2,339,791
Cash and cash equivalents comprise of the following:		
Cash and bank balances	75,631,155	41,970,308
Running finance	(78,177,291)	(39,630,517)
	(2,546,136)	2,339,791

The annexed notes from 1 to 18 form an integral part of this condensed interim unconsolidated financial information.

Chief Executive Officer

Chief Financial Officer

Director

Ferozsons Laboratories Limited

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

For the period ended 30 September 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 Statement of compliance

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

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

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

2.2 Basis of accounting

2.2.1 This condensed interim unconsolidated financial information comprises the condensed interim unconsolidated statement of financial position of the Company, as at 30 September 2020 and the related condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity and condensed interim unconsolidated statement of cash flows together with the notes forming part thereof.

2.2.2 This condensed interim unconsolidated financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual unconsolidated financial statements for the year ended 30 June 2020.

2.2.3 Comparative unconsolidated balance sheet numbers are extracted from the annual audited unconsolidated financial statements of the Company for the year ended 30 June 2020, whereas comparative unconsolidated profit and loss, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim unconsolidated financial information of the Company for the three months period ended 30 September 2019.

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

2.3 Judgements and estimates

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

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the unconsolidated financial statements as at and for the year ended 30 June 2020.

2.4 Statement of consistency in accounting policies

2.4.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2020.

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

Un-audited	Audited
30 Sep 2020	30 Jun 2020
-----Rupees-----	

3 Issued, subscribed and paid up capital

1,441,952 (30 June 2020: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (30 June 2020: 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 (30 June 2020: 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 (30 June 2020: 8,286,942) ordinary shares of Rs. 10 each of the Company.

4 Long term loan - secured

4.1 Under mark-up arrangements

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. During the period under review, the Company obtained Rs. 189 million for paying salaries under this scheme. 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 the guidelines of IFRS 9 (Financial Instruments) using effective interest rate. 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 502 million with 25% margin on land and building of head office of the Company.

5 Short term borrowings - secured

5.1 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 (2020: Rs. 750 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0.1% to 1% (2020: 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 (2020: Rs. 450 million) are secured by joint pari passu charge over present and future current assets of the Company and remaining Rs. 300 million (2020: 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 (2020: Rs. 333.33 million) is marked under lien. These facilities are renewable on annual basis latest by 31 December 2020.

5.2 Under shariah compliant arrangements

The Company has short term borrowing facility i.e. Running Musharakah available from Islamic bank under profit arrangements having sanctioned limit of Rs. 200 million (2020: Rs. 200 million). This facility carries profit rate of one month KIBOR plus 0.25% (2020: one month month KIBOR plus 0.25%) 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.

6 Contingencies and commitments

6.1 Contingencies

There are no contingencies as of the reporting date.

6.2 Commitments

6.2.1 Letter of credits

6.2.1.1 Under mark-up arrangements

Out of the aggregate facility of Rs. 700 million (2020: Rs. 700 million) for opening letters of credit, the amount utilized as at 30 September 2020 for capital expenditure was Rs. Nil (2020: Rs. 5.05 million) and for other than capital expenditure was Rs. 120.89 million (2020: Rs. 62.95 million). Out of these facilities, Rs. 300 million can interchangeably be utilized as running finance. These facilities are secured by joint pari passu charge (2020: joint pari passu charge) over all present and future current assets of the Company.

6.2.1.2 Under shariah compliant arrangements

The Company has facility i.e. letters of credit of Rs. 200 million (2020: Rs. 200 million) available from Islamic bank. The amount utilized as at 30 September 2020 for capital expenditure was Rs. 4.14 million (2020: Rs. 13.95 million) and for other than capital expenditure was Rs. 26.66 million (2020: Rs. 78.52 million). Lien is also marked over import documents.

		Un-audited	Audited
		30 Sep	30 Jun
		2020	2020
		-----Rupees-----	
7	Property, plant and equipment	<i>Note</i>	
	Operating fixed assets	3,243,051,695	3,227,904,469
	Capital work-in-progress	43,799,008	80,930,293
		3,286,850,703	3,308,834,762
7.1	Operating fixed assets		
	<u>Cost</u>		
	Opening balance at beginning of the period / year	3,610,253,397	3,528,087,489
	Additions / transfers during the period / year	94,033,775	328,145,650
	Disposals during the period / year	(4,274,835)	(59,480,525)
	Revaluation surplus during the period / year	-	(186,499,217)
	Closing balance at end of the period / year	3,700,012,337	3,610,253,397
	<u>Less: Accumulated depreciation</u>		
	Opening balance at beginning of the period / year	382,348,928	811,508,915
	Depreciation for the period / year	78,650,441	325,560,923
	On disposals	(4,038,727)	(47,729,665)
	Elimination of accumulated depreciation on revaluation	-	(706,991,245)
	Closing balance at end of the period / year	456,960,642	382,348,928
	Operating fixed assets - net book value	3,243,051,695	3,227,904,469
8	Long term investments	<i>Note</i>	
	<u>Related parties - at cost:</u>		
	Farmacia (partnership firm)	185,844,856	182,863,225
	BF Biosciences Limited (unlisted subsidiary)	151,999,960	151,999,960
		337,844,816	334,863,185
8.1	This represents the Company's 98% share in "Farmacia", a subsidiary partnership duly registered under the Partnership Act, 1932 and engaged in operating retail pharmacy. Share of profit, if any, for the period / year not withdrawn is reinvested in capital account of partnership.		
8.2	This represents investment made in 15,199,996 (30 June 2020: 15,199,996) ordinary shares of Rs. 10 each, in BF Biosciences Limited. BF Biosciences Limited has been set up for establishing a Biotech Pharmaceutical Plant to manufacture mainly Cancer and Hepatitis related medicines. The Company holds 80% (30 June 2020: 80%) of equity of the subsidiary and the remaining 20% (30 June 2020: 20%) is held by Gurpo Empresarial Bagó S.A, Argentina (previously known as Laboratories Bagó S.A., Argentina).		

		Un-audited	Audited
		30 Sep 2020	30 Jun 2020
	Note	----- Rupees -----	

9 Short term investments

Investments at fair value through profit or loss

Mutual funds	9.1	363,244,644	357,590,624
--------------	-----	--------------------	-------------

9.1 These investments are measured at 'fair value through profit or loss'

Fair value at 01 July		357,590,624	451,847,651
Acquisition during the period/year		1,021,485	35,634,121
Redemption during the period/year		-	(132,414,859)
Realized gain on sale of investments during the period / year		-	954,676
Unrealized gain on re-measurement of investment - during the period / year		4,632,535	1,569,035
Fair value of investments at 30 Sep / 30 Jun	9.1.1	363,244,644	357,590,624

Units		Fair value	
Un-audited	Audited	Un-audited	Audited
30 Sep 2020	30 Jun 2020	30 Sep 2020	30 Jun 2020
.....Number.....	Rupees.....	

9.1.1 Mutual fund wise detail is as follows:

HBL Money Market Fund	2,516,176	2,516,176	261,715,289	257,539,370
MCB Cash Management Optimizer Fund	10,939	10,939	1,105,020	1,102,945
HBL Cash Fund	988,531	978,434	100,424,335	98,948,309
			363,244,644	357,590,624

9.2 Changes in fair values of financial assets at fair value through profit or loss are recorded in profit and loss account. Realized gain of Rs. Nil (30 Sep 2019: Rs. 0.67) has been recorded in the current period in "other income". These investments comprise of mutual funds (money market / income fund).

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

10 Cash and bank balances

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

10.2 These include deposit accounts of Rs. 5.50 million (30 June 2020: Rs. 37.07 million) under mark up arrangements, which carries interest rate of 5.50% to 5.51% (30 June 2020: 6.5% to 11.28%) per annum.

These also include deposit account of Rs. Rs. 0.000079 million (30 June 2020: Rs. 0.000079 million) under Shariah compliant arrangements, which carries profit rate of 2.75% to 2.83% (30 June 2020: 3.25% to 7.06) per annum.

		(Un-audited) Quarter Ended	
		30 Sep 2020	30 Sep 2019
		----- Rupees -----	
11	Sales - net		
	<i>Gross sales:</i>		
	Local	1,217,759,146	1,239,839,501
	Export	95,576,593	65,430,477
		<u>1,313,335,739</u>	<u>1,305,269,978</u>
	<i>Less:</i>		
	Sales returns	(17,880,704)	(6,339,373)
	Discounts	(2,260,451)	(108,306,411)
	Service charges on sales	(2,018,618)	(759,001)
	Sales tax	(2,467,623)	(1,037,365)
		<u>(24,627,396)</u>	<u>(116,442,150)</u>
		<u><u>1,288,708,343</u></u>	<u><u>1,188,827,828</u></u>

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

		(Un-audited) Quarter Ended	
		30 Sep 2020	30 Sep 2019
		----- Rupees -----	
12	Cost of sales		
	Raw and packing materials consumed	314,363,676	258,873,012
	Other manufacturing expenses	205,690,275	180,591,237
		<u>520,053,951</u>	<u>439,464,249</u>
	<i>Work in process:</i>		
	Opening	93,642,720	58,928,282
	Closing	(46,372,471)	(58,114,674)
		<u>47,270,249</u>	<u>813,608</u>
	Cost of goods manufactured	<u>567,324,200</u>	<u>440,277,857</u>
	<i>Finished stock:</i>		
	Opening	1,007,744,405	587,932,285
	Purchases made during the period	80,253,377	370,038,769
	Closing	(939,360,689)	(721,750,661)
		<u>148,637,093</u>	<u>236,220,393</u>
		<u><u>715,961,293</u></u>	<u><u>676,498,250</u></u>
	12.1 Raw and packing materials consumed		
	Opening	539,746,654	370,003,918
	Purchases made during the period	423,596,141	265,636,875
		<u>963,342,795</u>	<u>635,640,793</u>
	Closing	(648,979,119)	(376,767,781)
		<u><u>314,363,676</u></u>	<u><u>258,873,012</u></u>
13	Taxation		
	<i>Current</i>		
	- For the period/year	55,174,599	49,844,088
	<i>Deferred</i>		
	- For the period/year	(5,677,360)	(6,962,040)
		<u>49,497,239</u>	<u>42,882,048</u>

14 Transactions with related parties

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

	(Un-audited) Quarter Ended	
	30 Sep 2020	30 Sep 2019
----- Rupees -----		
<u>Pharmacia - 98% owned subsidiary partnership firm</u>		
Sale of medicines	7,815,494	11,830,074
Payment received against sale of finished goods	7,815,494	11,830,074
Share of profit reinvested	2,981,631	5,999,495
Rentals	1,167,183	1,061,076
<u>BF Biosciences Limited - 80% owned subsidiary company</u>		
Sale of finished goods	9,488,577	8,683,684
Payment received against sale of finished goods	9,488,577	8,683,684
Purchase of finished goods	5,052,000	165,540
Payment made against purchase of finished goods	5,052,000	165,540
Expenses incurred	2,647,604	472,335
Payment made against marketing fee and expenses re-imburement	2,647,604	472,335
<u>Other related parties</u>		
Fee paid to M/S Khan and Piracha	-	162,500
Rent paid to Director against office	1,089,000	990,000
Contribution towards employees' provident fund	10,536,410	9,866,668
Remuneration including benefits and perquisites of key management personnel	35,173,292	32,374,178

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

	Unclaimed dividend	Accrued mark-up	Long term loan	Total
----- Rupees -----				
<u>As at 30 June 2020</u>	76,964,852	2,509,734	126,000,000	205,474,586
<u>Changes from financing cash flows</u>				
Inflows from financing arrangement	-	-	189,000,000	189,000,000
Finance cost	-	(4,247,769)	-	(4,247,769)
Dividend paid	(721,474)	-	-	(721,474)
Total changes from financing cash flows	(721,474)	(4,247,769)	189,000,000	(184,030,757)
<u>Non-cash changes</u>				
Dividend approved	-	-	-	-
Interest / markup expense	-	8,420,166	-	8,420,166
Total non-cash changes	-	8,420,166	-	8,420,166
<u>As at 30 September 2020</u>	<u>76,243,378</u>	<u>6,682,131</u>	<u>315,000,000</u>	<u>397,925,509</u>

16 Financial risk management and financial instruments - fair value

16.1 The Company's financial risk management objective and policies are consistent with that disclosed in the annual unconsolidated financial statements of the Company for the year ended 30 June 2020.

16.2

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

	Carrying Amount		Fair Value				
	Fair value through profit or loss	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- Rupees -----							
30 September 2020							
Financial assets measured at fair value:	363,244,644	-	-	363,244,644	363,244,644	-	-
<i>Financial assets not measured at fair value</i>							
Long term deposits and prepayments	-	9,787,325	-	9,787,325	-	-	-
Trade debts - considered good	-	1,033,033,755	-	1,033,033,755	-	-	-
Loans and advances - considered good	-	19,918,738	-	19,918,738	-	-	-
Short term deposits	-	163,274,427	-	163,274,427	-	-	-
Other receivables	-	42,870,311	-	42,870,311	-	-	-
Cash and bank balances	-	75,631,155	-	75,631,155	-	-	-
	-	1,344,515,711	-	1,344,515,711	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-
<i>Financial liabilities not measured at fair value</i>							
Trade and other payables	-	-	856,128,383	856,128,383	-	-	-
Unclaimed dividend	-	-	76,243,378	76,243,378	-	-	-
Long term loans - secured	-	-	315,000,000	315,000,000	-	-	-
Short term borrowings - secured	-	-	78,177,291	78,177,291	-	-	-
Accrued mark-up	-	-	6,682,131	6,682,131	-	-	-
	-	-	1,332,231,183	1,332,231,183	-	-	-

	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
	357,590,624	-	-	357,590,624	357,590,624	-	-
30 June 2020							
Financial assets measured at fair value:							
<u>Financial assets not measured at fair value</u>							
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:							
<u>Financial liabilities not measured at fair value</u>							
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	-	-	-

17 Subsequent event and date of authorization for issue

The Board of Directors of the Company in its meeting held on 26 October 2020 has authorized to issue these condensed interim unconsolidated financial statements. There are no subsequent events after the reporting date.

18 Corresponding figures

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

Chief Executive Officer

Chief Financial Officer

Director

The image features a dark blue silhouette of a person's head and shoulders in profile, facing left. The person appears to be in a thoughtful pose, with their hand near their chin. The background is a light, hazy blue with soft, out-of-focus light spots. In the lower right quadrant, there are several thin, light blue curved lines that resemble abstract paths or orbits. The overall aesthetic is clean, modern, and professional.

**CONSOLIDATED
FINANCIAL
STATEMENTS**

Ferozsons Laboratories Limited
Condensed Interim Consolidated Statement of Financial Position

As at 30 September 2020

	Un-audited 30 Sep 2020	Audited 30 Jun 2020	Rupees
EQUITY AND LIABILITIES			
<u>Share capital and reserves</u>			
Authorized share capital 50,000,000 (30 June 2020: 50,000,000) ordinary shares of Rs. 10 each	500,000,000	500,000,000	
Issued, subscribed and paid up capital	301,868,410	301,868,410	
Accumulated profit	4,780,275,443	4,644,626,609	
Capital reserve	321,843	321,843	
Revaluation surplus on property, plant and equipment	1,454,830,290	1,473,713,362	
Equity attributable to owners of the Company	6,537,295,986	6,420,530,224	
Non-controlling interests	229,699,897	227,894,083	
	6,766,995,883	6,648,424,307	
<u>Non current liabilities</u>			
Long term loan - secured	8,327,212	95,070,451	
Deferred grant	418,055,419	4679,549	
Deferred taxation	632,430,419	525,977,602	
Current liabilities	1,144,155,627	1,527,941,719	
Trade and other payables	77,156,693	101,349,654	
Contract liabilities	411,523,703	51,017,136	
Short term borrowings - secured	128,625,000	33,250,000	
Current portion of long term liabilities	76,243,378	76,964,852	
Unclaimed dividend	8,999,039	2,546,447	
Accrued mark-up	1,846,703,440	1,793,069,808	
Contingencies and commitments	9,246,129,742	8,967,471,717	
	9,246,129,742	8,967,471,717	
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	3,971,985,074	3,995,871,086	
Investment property	79,371,993	79,371,992	
Intangibles	916,626	423,507	
Long term deposits	14,334,325	14,334,325	
	4,066,608,018	4,090,000,910	
<u>Current assets</u>			
Stores, spare parts and loose tools	71,620,458	65,536,483	
Stock in trade	2,303,076,997	2,049,992,236	
Trade debts - considered good	1,157,038,208	1,092,779,921	
Loans and advances - considered good	65,179,457	66,263,891	
Deposits and prepayments	220,380,824	276,619,444	
Other receivables	49,247,688	38,070,462	
Income tax - net	384,913,519	376,107,745	
Short term investments	795,519,157	760,707,781	
Cash and bank balances	132,545,416	151,392,844	
	5,179,521,724	4,877,470,807	

Note

Note

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

Chief Executive Officer

Chief Financial Officer

Director

Ferozsons Laboratories Limited
Condensed Interim Consolidated Statement of Profit or Loss (Un-audited)
For the period ended 30 September 2020

	<i>Note</i>	Quarter Ended	
		30 Sep 2020	30 Sep 2019
		----- Rupees -----	
Revenue - net	11	1,501,567,550	1,336,876,530
Cost of sales	12	(896,838,295)	(810,915,070)
Gross profit		604,729,255	525,961,460
Administrative expenses		(112,016,562)	(102,815,608)
Selling and distribution expenses		(319,678,524)	(326,447,783)
Other expenses		(16,064,254)	(11,071,030)
Other income		26,295,580	43,180,685
Profit from operations		183,265,495	128,807,724
Finance cost		(11,417,902)	(4,751,187)
Profit before taxation		171,847,593	124,056,538
Taxation		(53,276,017)	(47,735,317)
Profit after taxation		118,571,576	76,321,221
<i>Attributable to:</i>			
Owners of the Company		116,765,762	77,505,391
Non-controlling interests		1,805,814	(1,184,170)
Profit after taxation		118,571,576	76,321,221
Earnings per share - basic and diluted		3.87	2.57

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

Chief Executive Officer

Chief Financial Officer

Director

Ferozsons Laboratories Limited

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

For the period ended 30 September 2020

	Quarter Ended	
	30 Sep 2020	30 Sep 2019
	----- Rupees -----	
Profit after taxation	118,571,576	76,321,221
<i>Items that will not be reclassified to profit and loss account:</i>		
Other comprehensive income for the period	-	-
Total comprehensive income for the period	118,571,576	76,321,221
Attributable to:		
Owners of the Company	116,765,762	77,505,391
Non-controlling interests	1,805,814	(1,184,170)
	118,571,576	76,321,221

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

Chief Executive Officer

Chief Financial Officer

Director

Ferozsons Laboratories Limited

Condensed Interim Consolidated Statement of Cash Flows (Un-audited)

For the period ended 30 September 2020

	Quarter Ended	
	30 Sep 2020	30 Sep 2019
----- Rupees -----		
<u>Cash flow from operating activities</u>		
Profit before taxation	171,847,593	124,056,538
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	97,919,004	84,539,146
Amortisation of intangibles	142,416	145,065
Gain on disposal of property, plant and equipment	(2,107,910)	(6,236,722)
Finance costs	11,417,902	4,751,187
Dividend income	(6,037,194)	(25,707)
Gain on re-measurement of short term investments to fair value	(6,986,510)	(7,988,730)
Gain on sale of short term investments	-	(668,434)
Profit on bank deposits	(583,116)	(449,879)
Workers' Profit Participation Fund	9,999,781	6,753,248
Workers' Welfare Fund	4,044,315	1,364,293
Central Research Fund	2,020,158	2,427,400
	109,828,846	84,610,867
Cash generated from operations before working capital changes	281,676,439	208,667,405
Effect on cash flow due to working capital changes		
<i>(Increase) / decrease in current assets</i>		
Stores, spare parts and loose tools	(6,083,975)	(11,518,728)
Loans, advances, deposits and prepayments	46,145,828	(31,579,702)
Stock in trade	(253,084,761)	(154,040,239)
Trade debts - considered good	(64,258,287)	(153,790,201)
	(277,281,195)	(350,928,870)
<i>Increase in current liabilities</i>		
Trade and other payables	(424,043,307)	88,426,006
	(419,648,063)	(53,835,460)
Cash generated from operations	(419,648,063)	(53,835,460)
Taxes paid	(70,253,957)	(64,272,770)
Long term deposits	-	(2,601,000)
Net cash generated from operating activities	(489,902,020)	(120,709,229)
<u>Cash flow from investing activities</u>		
Acquisition of property, plant and equipment	(74,607,183)	(188,863,362)
Acquisition of intangibles	(635,553)	-
Proceeds from sale of property, plant and equipment	2,682,101	10,670,368
Dividend income	6,037,194	25,707
Profit on bank deposits	583,116	449,879
(Acquisition) / redemption of short term investments - net	(27,824,866)	148,272,259
Net cash used in investing activities	(93,765,191)	(29,445,149)
<u>Cash flow from financing activities</u>		
Finance cost paid	(4,965,310)	(6,801,949)
Proceeds of long term loan	210,000,000	-
Dividend paid	(721,474)	(991,315)
Net cash used in financing activities	204,313,216	(7,793,264)
Net decrease in cash and cash equivalents	(379,353,995)	(157,947,642)
Cash and cash equivalents at the beginning of the period	100,375,708	247,662,659
Cash and cash equivalents at the end of the period	(278,978,287)	89,715,017
Cash and cash equivalents comprise of the following:		
Cash and bank balances	132,545,416	129,345,534
Running finance	(411,523,703)	(39,630,517)
	(278,978,287)	89,715,017

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

Chief Executive Officer

Chief Financial Officer

Director

Ferozsons Laboratories Limited

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

For the period ended 30 September 2020

1 The Group and its operation

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

"The Group" consists of the following subsidiaries:

Company / Entity	County of incorporation	Nature of business	Effective holding %	
			Sep-20	Jun-20
BF Biosciences Limited	Pakistan	Import, manufacturing and sale of pharmaceutical products	80	80
Farmacia	Pakistan	Sale and distribution of medicines and other related products	98	98

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

2 Basis of consolidation

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

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

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

3 Basis of preparation

3.1 Statement of compliance

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

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

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

3.2 Basis of accounting

3.2.1 This condensed interim consolidated financial information comprises the condensed interim consolidated statement of financial position of the Holding Company, as at 30 September 2020 and the related condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows together with the notes forming part thereof.

3.2.2 This condensed interim consolidated financial information do not include all of the information required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Holding Company as at and for the year ended 30 June 2020.

3.2.3 Comparative figures of the statement of financial position are extracted from the annual financial statements for the year ended 30 June 2020, whereas comparatives of statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows are stated from unaudited condensed interim consolidated financial information for the three months period ended 30 September 2019.

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

3.3 Judgements and estimates

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

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2020.

3.4 Statement of consistency in accounting policies

3.4.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim consolidated financial information are same as those applied in the preparation of the annual audited consolidated financial statements for the year ended 30 June 2020.

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

	Un-audited 30 Sep 2020	Audited 30 Jun 2020
	-----Rupees-----	
4 Issued, subscribed and paid up capital		
1,441,952 (30 June 2020: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (30 June 2020: 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 (30 June 2020: 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

5 Long term loan - secured

5.1 Under mark-up arrangements

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. During the period under review, the Group obtained Rs. 210 million for paying salaries 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 the guidelines of IFRS 9 (Financial Instruments) using effective interest rate. 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 amounting to Rs. 29.5 million.

6 Short term borrowings - secured

6.1 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 (2020: Rs. 750 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0.1% to 1% (2020: 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 (2020: 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 (2020: 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 (2020: 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 (2020: Rs. 125 million). These facilities carry mark-up at the rates ranging from one months KIBOR plus 0.1% to 1% per annum (2020: one months KIBOR plus 0.1% to 1% per annum). Running finance facilities include interchangeable 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.

6.2 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 (2020: Rs. 200 million). This facility carries profit rate of one month KIBOR plus 0.25% (2020: one month KIBOR plus 0.25%) per annum on the outstanding balance. This facility can interchangeably be utilized as non-funded. This facility is secured by joint pari passu charge (2020: joint pari passu charge) over current assets of the Holding company. This facility is renewable on annual basis latest by 30 November 2020.

7 Contingencies and commitments

7.1 Contingencies:

There are no contingencies as of the reporting date.

7.2 Commitments

7.2.1 Letter of credits

7.2.1.1 With conventional financial institutions

Holding Company

Out of the aggregate facility of Rs. 700 million (2020: Rs. 700 million) for opening letters of credit, the amount utilized as at 30 September 2020 for capital expenditure was Rs. Nil (2020: Rs. 5.05 million) and for other than capital expenditure was Rs. 120.89 million (2020: Rs. 62.95 million). Out of these facilities, Rs. 300 million can interchangeably be utilized as running finance. These facilities are secured by joint pari passu charge (2020: joint pari passu charge) over all present and future current assets of the Holding Company.

Subsidiary Company

Out of aggregate facility of Rs. 640 million (2020: Rs. 565 million) for letter of credits, amount utilized at 30 September 2020 was Rs. Nil (2019: Rs. 247.7 million).

7.2.1.2 With shariah compliant financial institutions

Holding Company

The Holding Company has facility i.e. letters of credit of Rs. 200 million (2020: Rs. 200 million) available from Islamic bank. The amount utilized as at 30 September 2020 for capital expenditure was Rs. 4.14 million (2020: Rs. 13.95 million) and for other than capital expenditure was Rs. 26.66 million (2020: Rs. 78.52 million). Lien is also marked over import documents.

		Un-audited 30 Sep 2020	Audited 30 Jun 2020
		-----Rupees-----	
8 Property, plant and equipment	<i>Note</i>		
Operating fixed assets	<i>8.1</i>	3,912,859,523	3,898,409,478
Capital work-in-progress		59,125,551	97,461,608
		3,971,985,074	3,995,871,086
8.1 Operating fixed assets			
<u>Cost</u>			
Opening balance at beginning of the period / year		4,333,431,023	4,207,411,283
Additions / transfers during the period / year		112,943,240	333,820,337
Disposals during the period / year		(5,026,130)	(60,814,683)
Revaluation surplus during the period / year		-	(146,985,914)
Closing balance at end of the period / year		4,441,348,133	4,333,431,023
<u>Less: Accumulated depreciation</u>			
Opening balance at beginning of the period / year		435,021,545	1,186,019,897
Depreciation for the period / year		97,919,004	378,938,054
On disposals		(4,451,939)	(49,063,823)
Elimination of accumulated depreciation on revaluation		-	(1,080,872,583)
Closing balance at end of the period / year		528,488,610	435,021,545
Operating fixed assets - net book value		3,912,859,523	3,898,409,478

	Note	Un-audited 30 Sep 2020	Audited 30 Jun 2020
		----- Rupees -----	
9 Short term investments			
<u>Investments at fair value through profit or loss - Mutual Funds</u>			
Held for trading	9.1	795,519,157	760,707,781
		<u>795,519,157</u>	<u>760,707,781</u>
9.1 These investments are 'held for trading'			
Carrying value at 01 July		760,707,781	490,830,304
Acquisition during the period/year		27,824,866	548,246,302
Redemption during the period/year		-	(282,199,271)
Realized gain on sale of investment - during the period/year		-	699,063
Unrealized gain on re-measurement of investment - during the period/year		6,986,510	3,131,383
Carrying and fair value of short term investments at 30 September / 30 June	9.1.1	<u>795,519,157</u>	<u>760,707,781</u>

Units		Fair value	
Un-audited 30 Sep 2020	Audited 30 Jun 2020	Un-audited 30 Sep 2020	Audited 30 Jun 2020
.....Number.....	Rupees.....	

9.1.1 Mutual fund wise detail is as follows:

HBL Money Market Fund	2,813,008	2,589,813	292,589,759	265,076,470
HBL Cash Fund	3,648,912	3,611,640	370,691,154	365,242,589
ABL Cash Fund	10,706,968	10,603,390	109,478,747	107,930,849
MCB Cash Management Optimizer Fund	209,855	222,730	22,759,497	22,457,873
			<u>795,519,157</u>	<u>760,707,781</u>

9.1.2 Changes in fair values of financial assets at fair value through profit or loss are recorded in profit and loss account. Realized gain of Rs. Nil (30 Sep 2019: Realized loss of Rs. 3.04 million) has been recorded in the current period in "other income" (30 Sep 2019: "other expenses"). These investments comprise of mutual funds (money market / income fund).

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

10 Cash and bank balances

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

10.2 These include deposit accounts of Rs. 5.60 million (2020: Rs. 48.78 million) under mark up arrangements, which carry interest rates ranging from 5.50 % to 5.51% (2020: 6.50% - 11.28%) per annum.

These also include deposit account of Rs. 0.000079 million (2020: Rs. 0.000079 million) under Shariah compliant arrangements, which carries profit rate of 2.75% to 2.83% (2020: 3.25% - 7.06%) per annum.

	(Un-audited) Quarter Ended	
	30 Sep	30 Sep
	2020	2019
	----- Rupees -----	
11 Revenue - net		
<i>Gross sales:</i>		
Local	1,395,894,609	1,412,607,899
Export	160,938,266	69,375,880
	1,556,832,875	1,481,983,779
<i>Less:</i>		
Sales returns	(19,444,511)	(11,770,928)
Discounts and commission	(23,191,244)	(127,687,923)
Service charges on sales	(7,547,065)	(3,373,828)
Sales tax	(5,082,505)	(2,274,570)
	(55,265,325)	(145,107,249)
	1,501,567,550	1,336,876,530

Note

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

	(Un-audited) Quarter Ended	
	30 Sep	30 Sep
	2020	2019
	----- Rupees -----	
12 Cost of sales		
Raw and packing materials consumed	451,980,101	284,231,625
Other manufacturing expenses	306,027,835	228,411,457
	758,007,936	512,643,082
<i>Work in process:</i>		
Opening	154,578,524	94,961,552
Closing	(177,533,517)	(99,246,456)
	(22,954,993)	(4,284,904)
Cost of goods manufactured	735,052,943	508,358,178
<i>Finished stock:</i>		
Opening	1,061,511,581	648,456,844
Purchases made during the period	171,801,723	436,141,242
Closing	(1,071,527,952)	(782,041,194)
	161,785,352	302,556,892
	896,838,295	810,915,070
12.1 Raw and packing materials consumed		
Opening	633,498,787	426,791,896
Purchases made during the period	701,799,872	322,209,338
	1,335,298,659	749,001,234
Closing	(883,318,558)	(464,769,609)
	451,980,101	284,231,625

13 Transactions with related parties

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

	(Un-audited) Quarter Ended	
	30 Sep 2020	30 Sep 2019
----- Rupees -----		
Other related parties		
Contribution towards employees' provident fund	12,082,003	10,997,362
Remuneration including benefits and perquisites of key management personnel	45,318,155	40,278,633
Fee paid to M/S Khan and Piracha	-	162,500
Rent paid to Director against office	1,089,000	990,000

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

	Unclaimed dividend	Unclaimed dividend	Long term loan	Total
----- Rupees -----				
<u>As at 01 July 2020</u>	76,964,852	2,546,447	133,000,000	212,511,299
<u>Changes from financing cash flows</u>				
Inflows from financing arrangement	-	-	210,000,000	210,000,000
Dividend paid	(721,474)	-	-	(721,474)
Financial charges paid	-	(4,965,310)	-	(4,965,310)
Total changes from financing cash flows	(721,474)	(4,965,310)	210,000,000	204,313,216
<u>Other changes</u>				
Dividend approved	-	-	-	-
Interest / markup expense	-	11,417,902	-	11,417,902
Total liability related other changes	-	11,417,902	-	11,417,902
<u>As at 30 September 2020</u>	76,243,378	8,999,039	343,000,000	428,242,417

15 Financial risk management and financial instruments - fair value

15.1 The Group's financial risk management objective and policies are consistent with that disclosed in the annual consolidated financial statements of the Holding Company for the year ended 30 June 2020. The exposure to credit risk relates to trade and other receivables which are majorly due from Government institutions and the Company does not expect these institutions to fail to meet their obligations. The increase in trade receivables is due to increase in sales to Government institutions as historically recovery from these are slow.

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

	Carrying Amount		Total	Fair Value		
	Financial assets at amortised cost	Other financial liabilities		Level 1	Level 2	Level 3
----- Rupees -----						
30 September 2020						
Financial assets measured at fair value:			795,519,157	795,519,157	-	-
Short term investments	795,519,157	-	795,519,157	795,519,157	-	-
Financial assets not measured at fair value:						
Long term deposits	-	14,334,325	14,334,325	-	-	-
Trade debts - considered good	-	1,157,038,208	1,157,038,208	-	-	-
Loans and advances - considered good	-	23,874,353	23,874,353	-	-	-
Short term deposits	-	205,079,167	205,079,167	-	-	-
Other receivables	-	49,022,664	49,022,664	-	-	-
Cash and bank balances	-	132,545,416	132,545,416	-	-	-
	-	1,581,894,133	1,581,894,133	-	-	-
Financial liabilities measured at fair value:						
	-	-	-	-	-	-
Financial liabilities not measured at fair value:						
Trade and other payables	-	1,111,749,891	1,111,749,891	-	-	-
Unclaimed dividend	-	76,243,378	76,243,378	-	-	-
Short term borrowing	-	411,523,703	411,523,703	-	-	-
Accrued mark-up	-	76,243,378	76,243,378	-	-	-
	-	1,675,760,350	1,675,760,350	-	-	-

	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:							
Short term investments	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	-	-	-
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 borrowing	-	-	51,017,136	51,017,136	-	-	-
Accrued mark-up	-	-	2,546,447	2,546,447	-	-	-
	-	-	1,560,532,925	1,560,532,925	-	-	-

16 Subsequent event and date of authorization for issue

The Board of Directors of the Holding Company in its meeting held on 26 October 2020 has authorized to issue these condensed interim consolidated financial statements. There are no subsequent events after the reporting date.

17 Corresponding figures

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

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

Chief Executive Officer

Chief Financial Officer

Director



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