

**BF BioSciences Limited**  
Financial statements  
for the year ended 30 June 2019



KPMG Taseer Hadi & Co.  
Chartered Accountants  
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## INDEPENDENT AUDITOR'S REPORT

To the members of **BF Biosciences Limited**

Report on the audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **BF Biosciences Limited** ("the Company"), which comprise the statement of financial position as at 30 June 2019, 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 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 the 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 2019 and of the loss, the comprehensive loss, 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 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.

### Responsibilities of management and board of directors for the financial statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.



## KPMG Taseer Hadi & Co.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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.



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) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Lahore

Date: 30 September 2019

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

**BF Biosciences Limited**  
Statement of Financial Position

As at 30 June 2019

**EQUITY AND LIABILITIES**

Share capital and reserves

Authorized share capital  
25,000,000 (2018: 25,000,000) ordinary  
shares of Rs. 10 each

Issued, subscribed and paid up share capital  
Unappropriated profit

Non-current liabilities

Deferred taxation

Current liabilities

Trade and other payables  
Short term borrowings - secured  
Accrued mark-up

**Contingencies and commitments**

Note

2019  
Rupees

2018  
Rupees

**ASSETS**

Non-current assets

Property, plant and equipment  
Intangibles  
Long term deposits  
Deferred taxation

Current assets

Stores, spare parts and loose tools  
Stock in trade  
Trade debts - considered good  
Loans and advances - considered good  
Deposits and prepayments  
Short term investments  
Income tax - net  
Cash and bank balances

2019  
Rupees

2018  
Rupees

Note

9 117,606,797 210,257,447  
10 - 341,351  
5 4,547,000 4,547,000  
136,458,190 215,145,798

5 6,693,751

6 133,227,756 151,958,744  
7 20,190,922 3,673,490  
28,843 5,911  
153,447,521 155,638,145

8

888,712,208 942,089,383

11 28,384,415 25,584,029  
12 142,719,920 117,434,620  
13 51,846,025 57,426,919  
14 2,851,499 3,711,253  
15 15,238,861 14,480,106  
16 393,097,386 414,402,691  
49,722,115 31,553,277  
68,393,797 62,350,690  
752,254,018 726,943,585

888,712,208 942,089,383

The annexed notes from 1 to 35 form an integral part of these financial statements.

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Lahore

G. K. Waheed

Chief Executive



Director

BF Biosciences Limited  
Statement of Profit or Loss  
For the year ended 30 June 2019

	Note	2019 Rupees	2018 Rupees
Sales - net	18	448,470,733	529,057,137
Cost of sales	19	<u>(462,866,302)</u>	<u>(527,666,441)</u>
<b>Gross (loss)/profit</b>		<b>(14,395,569)</b>	<b>1,390,696</b>
Administrative expenses	20	(26,229,441)	(27,881,116)
Selling and distribution expenses	21	(36,112,998)	(96,690,352)
Other expenses	22	(19,692,087)	(2,127,457)
Other income	23	<u>43,837,811</u>	<u>27,745,120</u>
<b>Operating loss</b>		<b>(52,592,284)</b>	<b>(97,563,109)</b>
Finance cost	24	(1,155,637)	(787,069)
<b>Loss before taxation</b>		<b>(53,747,921)</b>	<b>(98,350,178)</b>
Taxation	25	9,255,120	639,986
<b>Loss after taxation</b>		<b>(44,492,801)</b>	<b>(97,710,192)</b>
Loss per share - basic and diluted	26	<u>(2.34)</u>	<u>(5.14)</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

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Lahore

R. K. Waheed  
Chief Executive

[Signature]  
Director

BF Biosciences Limited  
Statement of Comprehensive Income  
For the year ended 30 June 2019

	2019 Rupees	2018 Rupees
Loss after taxation	(44,492,801)	(97,710,192)
<i>Items that may or may not classify to profit or loss</i>		
Other comprehensive loss for the year	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(44,492,801)</u></b>	<b><u>(97,710,192)</u></b>

The annexed notes from 1 to 35 form an integral part of these financial statements.

KPMG

Lahore

*A. K. Waheed*  
Chief Executive

*[Signature]*  
Director

BF Biosciences Limited  
Statement of Changes in Equity  
As at 30 June 2019

	Share capital	Unappropriated profit	Total
	-----Rupees-----		
<b>Balance as at 01 July 2017</b>	<b>190,000,000</b>	<b>687,467,680</b>	<b>877,467,680</b>
Total comprehensive loss for the year	-	(97,710,192)	(97,710,192)
<b>Balance as at 30 June 2018</b>	<b>190,000,000</b>	<b>589,757,488</b>	<b>779,757,488</b>
Total comprehensive loss for the year	-	(44,492,801)	(44,492,801)
<b>Balance as at 30 June 2019</b>	<b>190,000,000</b>	<b>545,264,687</b>	<b>735,264,687</b>

The annexed notes from 1 to 35 form an integral part of these financial statements.

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Lahore

*G. K. Waheed*  
Chief Executive

*[Signature]*  
Director



BF Biosciences Limited  
Statement of Cash Flows  
For the year ended 30 June 2019

	Note	2019 Rupees	2018 Rupees
<b><u>Cash flow from operating activities</u></b>			
Loss before taxation		(53,747,921)	(98,350,178)
<i>Adjustments for non-cash items:</i>			
Depreciation on property, plant and equipment		78,506,354	83,284,553
Amortization of intangibles		341,351	511,500
Bad debts directly written off		1,044,144	-
Gain on sale of property, plant and equipment		(2,386,287)	(8,438,530)
Dividend income		(17,811,765)	-
Finance cost		1,155,637	787,069
Provision for compensated absences -net		650,587	347,213
Loss/ (gain) on re-measurement of short term investments to fair value		3,269,262	(11,923,372)
Loss/ (gain) realized on sale of short term investments		7,227,256	(3,572,950)
Profit on bank deposits		(767,763)	(561,918)
		<u>71,228,776</u>	<u>60,433,565</u>
<b>Operating profit/ (loss) before working capital changes</b>		<b>17,480,855</b>	<b>(37,916,613)</b>
<b><u>Effect on cash flow due to working capital changes</u></b>			
<i>(Increase)/decrease in current assets</i>			
Stores, spare parts and loose tools		(2,800,386)	(929,229)
Stock in trade		(25,285,300)	89,400,203
Trade debts		4,536,750	1,639,168
Loans and advances - considered good		859,754	(243,461)
Deposits, prepayments and other receivables		(758,756)	1,455,241
		<u>(23,447,938)</u>	<u>91,321,922</u>
<i>(Decrease)/increase in current liabilities</i>			
Trade and other payables		(19,411,371)	75,258,364
<b>Cash (used in) / generated from operations</b>		<b>(25,378,454)</b>	<b>128,663,673</b>
Taxes paid		(29,911,862)	(21,304,155)
Central Research Fund paid		-	(241,653)
Workers' Welfare Fund paid		-	(1,572,982)
Workers' Profit Participation Fund paid		29,798	(1,409,044)
Long term deposits - net		-	(560,000)
		<u>(29,882,064)</u>	<u>(25,087,834)</u>
<b>Net cash (used in) / generated from operating activities</b>		<b>(55,260,518)</b>	<b>103,575,839</b>
<b><u>Cash flow from investing activities</u></b>			
Capital expenditure incurred		(428,804)	(25,545,283)
Proceeds from sale of property, plant and equipment		16,959,387	9,461,539
Dividend income		17,811,765	-
Short term investments		384,923,520	(47,010,000)
Profit on bank deposits received		767,763	561,918
<b>Net cash generated from / (used in) investing activities</b>		<b>420,033,631</b>	<b>(62,531,826)</b>
<b><u>Cash flow from financing activities</u></b>			
Finance cost paid		(1,132,705)	(784,006)
<b>Net cash used in financing activities</b>		<b>(1,132,705)</b>	<b>(784,006)</b>
<b>Net increase in cash and cash equivalents</b>		<b>363,640,408</b>	<b>40,260,007</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>58,677,200</b>	<b>18,417,193</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>422,317,608</b>	<b>58,677,200</b>
Cash and cash equivalents comprise of the following:			
Cash and bank balances	17	68,393,797	62,350,690
Running finance	7	(20,190,922)	(3,673,490)
Government securities - Market Treasury Bills ("MTBs")	16.1	374,114,733	-
		<u>422,317,608</u>	<u>58,677,200</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

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G. K. Wahneet  
Chief Executive

  
Director

**BF Biosciences Limited**  
**Notes to the Financial Statements**  
*For the year ended 30 June 2019*

**1 Reporting entity**

BF Biosciences Limited ("the Company") was incorporated on 24 February 2006 as an unlisted public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of the Company is import, manufacturing and sale of pharmaceutical products. 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 Company was incorporated pursuant to signing of an agreement between M/s Ferozsons Laboratories Limited, Pakistan ("the Parent Company") and M/s Grupo Empresarial Bagó S.A, Spain on 07 February 2006 in Islamabad for setting up a Biotech Pharmaceutical Plant to manufacture mainly Cancer and Hepatitis related medicines. The share holding of the Parent Company and M/s Grupo Empresarial Bagó S.A, Spain is 80% and 20% respectively.

The Company commenced its commercial operations on 01 July 2009.

**2 Basis of preparation**

**2.1 Statement of compliance**

These 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 Standards, amendments and interpretations and forth coming requirements**

**2.2.1 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 financial statements of the Company.

**2.2.2 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 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

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- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. 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. The Company is currently in the process of analysing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- 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.

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- On 29 March 2018, the International Accounting Standards Board (the IASB) 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 crystallise. 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.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 *Income Taxes* - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Company's financial statements.

### 2.3 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain financial instruments that are stated at their fair values. The methods used to measure fair values are discussed further in their respective policy notes.

### 2.4 Functional and presentation currency

These 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.

### 2.5 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 financial statements and estimates with a significant risk of material adjustment in the subsequent year are discussed in the ensuing paragraphs.

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#### **2.5.1 Property, plant and equipment**

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

#### **2.5.2 Intangibles**

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

#### **2.5.3 Stores, spare parts, loose tools and stock in trade**

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

#### **2.5.4 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 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 vide S.R.O. 985 (I)/2019 dated 02 September 2019 as explained in note 3.1.2. 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.

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 amortised cost are deducted from the gross carrying amount of the assets.

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

#### **2.5.5 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.

#### **2.5.6 Impairment**

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

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### 2.5.7 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 statement of profit or loss.

### 2.5.8 Taxation

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

## 3 Significant accounting policies

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

### 3.1 Changes in accounting policies

During the year, the Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

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

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement. The Company is engaged in the import, manufacture and sale of pharmaceutical products. The contracts with customers for the sale of medicines generally includes single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognized in these financial statements except for reclassification of selling and distribution expense of Rs. 14.18 million (2018: Rs. 7.51 million) to sales comprising of service charges on sales. This reclassification has no impact on the reported Earning Per Share (EPS) of the corresponding period.

Upon adoption of IFRS 15 amounts received for future sale of goods were reclassified to 'contract liabilities'. Previously, these amounts were classified as "advances from customers".

#### Impact of financial statements

As at 01 July 2018, contract liabilities were increased by Rs. 99.1 million and advance from customers decreased by the same amount.

#### 3.1.2 IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 ' Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The details of new significant accounting policies adopted and the nature and the effect of the changes to the previous accounting policies are set out below:

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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.

### 3.1.2.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value either through Other Comprehensive Income ("FVOCI"), or through profit or loss ("FVTPL"); and
- Those to be measured at amortized cost.

The classification depends upon entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within the 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 principal amount outstanding.

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

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. Dividend income is recognized in the statement of profit or loss. The Company's accounting policy relating to financial instruments is explained in note number 3.12 of these financial statements.

### 3.1.2.2 Impact of change in classification and measurement of financial assets due to adoption of IFRS 9

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets at 01 July 2018:

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Short term investments	FVTPL	FVTPL	414,402,691	414,402,691
Cash and bank balances	Loans and receivable	Amortized cost	62,350,690	62,350,690
Deposits and other receivables	Loans and receivable	Amortized cost	14,463,622	14,463,622
Long term deposits	Loans and receivable	Amortized cost	4,547,000	4,547,000
Trade debts - unsecured, considered good	Loans and receivable	Amortized cost	57,426,919	57,426,919

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### 3.1.2.3 Impairment

The adoption of IFRS 9 has changed the Company's impairment model by replacing the IAS 39 'incurred loss model' with a forward looking 'expected credit loss' (ECL) model when assessing the impairment of financial assets other than due from Government of Pakistan in the scope of IFRS 9. As explained in note 3.1.2, the SECP has granted exemption with respect to application of ECL for companies holding financial assets due from the Government of Pakistan. Accordingly Company's receivables of Rs. 38.83 million (2018: Rs. 38.89 million) and earnest money deposits of Rs. 15.24 million (2018: Rs. 14.48 million) that are due from Government of Pakistan continues to be assessed for impairment under the requirements of IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 requires the Company to recognize ECLs for trade debts earlier than IAS 39. Cash and bank balances, deposits (other than from Government of Pakistan) and other receivables are subject to ECLs model but there is no or immaterial impairment for the current year.

Under IFRS 9, the losses allowances are measured on either of the following bases:

- 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables other than due from Government of Pakistan. Trade and other receivables are written off when there is no reasonable expectation of recovery.

Loss allowance on bank balances is measured at 12 months expected credit losses. Since they are short term in nature and there is no adverse change in credit rating of the banks where the balances are maintained, therefore no credit loss is expected on these balances.

#### Impact of ECL

The Company has applied IFRS 9 using the modified retrospective approach. Under this approach, comparative information is not restated and cumulative effect of initially applying IFRS 9 is recognized in retained earning at the date of initial application. Considering the quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information, the impact of loss allowance for trade debts upon transition to IFRS 9 as of 01 July 2018 and for the year ended 30 June 2019 is immaterial to these financial statements.

## 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.

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### **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 statement of profit or loss.

### **3.3 Taxation**

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

#### **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 capital work in progress are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Depreciation is provided on a straight line basis and charged to the statement of profit or loss to write off the depreciable amount of each asset, over its estimated useful life at the rates specified in note 9 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.

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 the 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 recognised net within "other income / other expenses" in the statement of profit or loss.

### **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 if any. 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 or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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 receivable without a significant financing component is initially measured at the transaction price.

#### **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 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 statement of profit or loss. Any gain or loss on derecognition is recognized in the 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 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 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 the 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 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 the statement of profit or loss. The Company continues to classify 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;

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- 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 statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

Financial liabilities comprise trade and other payables, short term borrowings and accrued mark-up.

### **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 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 or cancelled, or expire. 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 the 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 amortised cost as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful are fully provided for.

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

### **3.6.5 Offsetting of financial instruments**

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

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### 3.6.6 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 and bank balances 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).

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 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. 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 amortised 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 the 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.

### **3.7 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.

### **3.8 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.

### **3.9 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 included in the statement of profit or loss.

### **3.10 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.

### **3.11 Stock in trade**

Stocks are valued at the lower of weighted 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;

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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 in relation to work in process and finished goods include direct production costs such as raw material, consumables, labour and appropriate portion of production 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.

### **3.12 Cash and cash equivalents**

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

### **3.13 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 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 an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### **3.14 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.

### **3.15 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.

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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.

### 3.16 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.

### 3.17 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 the statement of profit or loss as incurred.

### 3.18 Dividend distribution

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

### 3.19 Operating lease

Lease where a significant portion of the risks and rewards of ownership are retained by the lessor is classified as operating lease. Payments made under operating lease are charged to statement of profit or loss on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the Company's benefit.

	2019 Rupees	2018 Rupees
<b>4 Issued, subscribed and paid up capital</b>		
19,000,000 (2018: 19,000,000) ordinary shares of Rs 10 each fully paid in cash	<u>190,000,000</u>	<u>190,000,000</u>

80% of the paid-up capital of the Company is held by Ferozsons Laboratories Limited and the remaining 20% is held by M/s Grupo Empresarial Bagó S.A, Spain, an associated company. The Chief Executive Officer of M/s Grupo Empresarial Bagó S.A is Juan Carlos Bagó.

The holders of ordinary shares are entitled to receive dividends as declared (if any), and are entitled to one vote per share at meetings of the Company.

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## 5 Deferred taxation

### *Taxable temporary difference:*

Unrealized gain on re-measurement of short term investments-net

2019		
Opening balance	(Credited) / Charged to statement of profit or loss	Closing balance
----- Rupees -----		
2,980,842	(3,798,158)	(817,316)

### *Deductible Temporary difference:*

Accelerated tax depreciation Provisions

5,038,761	(18,161,265)	(13,122,504)
(1,325,852)	961,279	(364,573)

<b>6,693,751</b>	<b>(20,998,144)</b>	<b>(14,304,393)</b>
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2018

Opening balance	(Credited) / Charged to statement of profit or loss	Closing balance
----- Rupees -----		

### *Taxable temporary difference:*

Accelerated tax depreciation

15,454,116	(10,415,355)	5,038,761
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Unrealized gain on re-measurement of short term investments-net

-	2,980,842	2,980,842
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### *Deductible temporary differences:*

Provisions

(7,615,919)	6,290,067	(1,325,852)
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<b>7,838,197</b>	<b>(1,144,446)</b>	<b>6,693,751</b>
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- 5.1 The Company has not recognized deferred tax asset on tax losses amounting to Rs. 134.25 million (2018: Rs. 93.65 million) and tax credit on account of minimum tax paid available for carry forward under section 113 of the Income Tax Ordinance, 2001 amounting to Rs. 11.01 million (2018: Rs. 5.94 million) as sufficient taxable profits may not be available to set these off in the foreseeable future. Minimum tax aggregating to Rs. 11.01 million will not be available for carry forward against future tax liabilities subsequent to years 2019 to 2025.

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		2019	2018
	<i>Note</i>	Rupees	Rupees
<b>6 Trade and other payables</b>			
Trade creditors		49,886,797	31,455,261
Advances from customers		-	99,116,603
Contract liabilities		43,138,700	-
Due to related parties - unsecured	6.1	34,012,228	10,869,542
Workers' Profit Participation Fund		-	29,798
Advances from employees against purchase of vehicles	28.1	2,234,012	6,148,414
Provision for compensated absences		2,237,315	2,887,902
Accrued liabilities		551,530	541,830
Other payables		1,167,174	909,394
		<u>133,227,756</u>	<u>151,958,744</u>

**6.1 Due to related parties - unsecured**

*Name of related party:*

Grupo Empresarial Bagó S.A	21.2	14,884,493	8,139,437
Bago Laboratories Pte Ltd		19,127,735	2,730,105
		<u>34,012,228</u>	<u>10,869,542</u>

**7 Short term borrowings - secured**

*Under interest / markup arrangements:*

- Short term running finance - secured	7.1	<u>20,190,922</u>	<u>3,673,490</u>
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**7.1 Interest/ Mark up based financing**

The Company has short term borrowing facilities available from various commercial banks under mark-up arrangements having aggregate sanctioned limit of Rs. 125 million (2018: Rs. 250 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0.9% to 1% per annum (2018: one to three months KIBOR plus 0.5% to 1% per annum). The aggregate short term borrowings are secured by first pari passu charge of Rs. 421 million over current and fixed assets of the Company. These facilities are renewable latest by 30 November 2019.

**7.2 Un-availed credit facilities**

The facilities for opening letters of credits and guarantees as at 30 June 2019 amount to Rs. 255 million (2018: Rs. 380 million) including interchangeable limits of funded facilities for Rs. 90 million of which the unutilized amount as of this date was Rs. 246.33 million (2018: Rs. 371.33 million).

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

**8 Contingencies and commitments**

**8.1 Contingencies:**

**Guarantees issued by banks on behalf of the Company**

Out of aggregate facility of Rs. 90 million (2018: Rs. 140 million) for letter of guarantees, the amount utilized at 30 June 2019 is Rs. 8.67 million (2018: Rs. 8.67 million).

**8.2 Commitments:**

**8.2.1. Letter of credits**

Out of aggregate facility of Rs. 75 million (2018: Rs. 75 million) for letter of credits, there is no amount utilized at 30 June 2019 (2018: Rs. Nil).

	2019	2018
	Rupees	Rupees
117,606,797	117,606,797	208,014,494
-	-	2,242,953
<u>117,606,797</u>	<u>117,606,797</u>	<u>210,257,447</u>

9 Property, plant and equipment

Operating assets  
Capital work in progress

Note

9.1  
9.2

9.1 Operating assets

	Owned						Total
	Freehold land	Building on freehold land	Plant and machinery	Office equipment	Furniture and fittings	Computers	
<b>30 June 2019</b>	----- Rupees -----						
<b>Cost</b>							
Balance as at 01 July 2018	25,360,500	212,482,967	502,874,210	8,330,517	6,071,683	4,961,527	59,099,564
Additions / transfers	-	-	771,821	-	-	257,966	1,641,970
Disposals	-	-	-	-	-	(173,472)	(30,498,982)
<b>Balance as at 30 June 2019</b>	<b>25,360,500</b>	<b>212,482,967</b>	<b>503,646,031</b>	<b>8,330,517</b>	<b>6,071,683</b>	<b>5,046,021</b>	<b>30,242,552</b>
<b>Depreciation</b>							
Balance as at 01 July 2018	-	183,165,157	386,270,460	5,314,152	4,356,894	3,998,597	28,061,214
Charge for the year	-	21,248,275	50,314,647	833,049	588,447	533,066	4,988,870
On disposals	-	-	-	-	-	(167,157)	(15,932,197)
<b>Balance as at 30 June 2019</b>	<b>-</b>	<b>204,413,432</b>	<b>436,585,107</b>	<b>6,147,201</b>	<b>4,945,341</b>	<b>4,364,506</b>	<b>17,117,887</b>
<b>Net book value as at 30 June 2019</b>	<b>25,360,500</b>	<b>8,069,535</b>	<b>67,060,924</b>	<b>2,183,316</b>	<b>1,126,342</b>	<b>681,515</b>	<b>13,124,665</b>
<b>30 June 2018</b>							
Balance as at 01 July 2017	25,360,500	212,092,713	500,188,255	8,253,602	6,055,193	4,053,040	55,631,039
Additions / transfers	-	390,254	2,685,955	76,915	16,490	908,487	21,442,075
Disposals	-	-	-	-	-	-	(17,973,550)
<b>Balance as at 30 June 2018</b>	<b>25,360,500</b>	<b>212,482,967</b>	<b>502,874,210</b>	<b>8,330,517</b>	<b>6,071,683</b>	<b>4,961,527</b>	<b>59,099,564</b>
<b>Depreciation</b>							
Balance as at 01 July 2017	-	161,928,415	336,090,062	4,483,389	3,750,127	3,529,185	35,051,284
Charge for the year	-	21,236,742	50,180,398	830,763	606,767	469,412	9,960,471
On disposals	-	-	-	-	-	-	(16,950,541)
<b>Balance as at 30 June 2018</b>	<b>-</b>	<b>183,165,157</b>	<b>386,270,460</b>	<b>5,314,152</b>	<b>4,356,894</b>	<b>3,998,597</b>	<b>28,061,214</b>
<b>Net book value as at 30 June 2018</b>	<b>25,360,500</b>	<b>29,317,810</b>	<b>116,603,750</b>	<b>3,016,365</b>	<b>1,714,789</b>	<b>962,930</b>	<b>31,038,350</b>
<b>Depreciation rate %</b>		10	10	10	10	33	20

9.1.1 These include fully depreciated assets amounting to Rs. 569.6 million (2018: Rs. 7.6 million)

9.1.2 Biotech Plant is located at 5 Km Sunder Raiwind road Lahore, total owned and covered area of building is 16 kanal and 10 marla.

9.1.3 Depreciation charge for the year has been allocated as follows:

	2019	2018
	Rupees	Rupees
Cost of sales	76,324,275	76,061,712
Administrative expenses	348,162	491,945
Selling and distribution cost	1,833,917	6,730,896
	<u>78,506,354</u>	<u>83,284,553</u>

9.1.4 Disposal of property, plant and equipment

Particulars	Relationship with the Company	Particulars of purchaser	Cost	Net book value	Sale proceeds	Gain on disposal	Mode of disposal
<b>Vehicles</b>							
Suzuki Cultus	Parent Company	Ferozsons Laboratories Limited	1,265,000	1,117,417	1,117,417	-	Company Policy
Suzuki Cultus	Parent Company	-----do-----	1,274,550	1,104,609	1,104,609	-	Company Policy
Suzuki Cultus	Parent Company	-----do-----	1,264,700	1,096,074	1,096,074	-	Company Policy
Suzuki Cultus	Parent Company	-----do-----	1,274,550	1,083,367	1,083,367	-	Company Policy
Suzuki Cultus	Parent Company	-----do-----	1,227,790	900,379	900,379	-	Company Policy
Suzuki Cultus	Parent Company	-----do-----	1,227,790	900,379	900,379	-	Company Policy
Suzuki Mehran	Parent Company	-----do-----	761,395	748,705	748,705	-	Company Policy
Suzuki Mehran	Parent Company	-----do-----	761,395	748,705	748,705	-	Company Policy
Suzuki Mehran	Parent Company	-----do-----	761,395	736,015	736,015	-	Company Policy
Suzuki Mehran	Parent Company	-----do-----	741,650	642,763	642,763	-	Company Policy
Suzuki Mehran	Parent Company	-----do-----	797,554	571,580	571,580	-	Company Policy
Various vehicles having net book value below Rs. 500,000	Parent Company	-----do-----	14,446,287	4,699,320	4,699,320	-	Company Policy
Various vehicles having net book value up to Rs. 500,000			4,694,926	217,472	2,564,074	2,346,602	Company Policy
<b>Computers</b>							
Various computers having net book value up to Rs. 500,000			173,472	6,315	46,000	39,685	Company Policy
<b>30 June 2019</b>			<u>30,672,454</u>	<u>14,573,100</u>	<u>16,959,387</u>	<u>2,386,287</u>	
30 June 2018			<u>17,973,550</u>	<u>1,023,009</u>	<u>9,461,539</u>	<u>8,438,530</u>	

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	Note	2019 Rupees	2018 Rupees
<b>9.2 Capital work-in-progress</b>			
Balance as at 01 July		2,242,953	2,217,846
Additions during the year		-	24,543,391
Transfers during the year		<u>(2,242,953)</u>	<u>(24,518,284)</u>
Balance at 30 June		<u>-</u>	<u>2,242,953</u>
<b>10 Intangible assets</b>			
<i>Cost:</i>			
Balance as at 01 July		2,854,315	2,854,315
Additions during the year		-	-
Balance as at 30 June		<u>2,854,315</u>	<u>2,854,315</u>
<i>Amortization:</i>			
Balance as at 01 July		2,512,964	2,001,464
Amortization for the year	20	<u>341,351</u>	<u>511,500</u>
Balance as at 30 June		<u>2,854,315</u>	<u>2,512,964</u>
<b>Carrying Value</b>		<u>-</u>	<u>341,351</u>
<b>Amortization rate per annum ( % )</b>		33%	33%
<b>10.1</b>	Amortization on intangible asset has been charged to administrative expenses.		
<b>11 Stores, spare parts and loose tools</b>		<b>2019 Rupees</b>	<b>2018 Rupees</b>
Stores		6,679,955	6,486,001
Spare parts		12,970,933	10,674,028
Loose tools		<u>8,733,527</u>	<u>8,424,000</u>
		<u>28,384,415</u>	<u>25,584,029</u>
<b>12 Stock in trade</b>			
Raw and packing materials		58,045,125	53,679,711
Work in process		36,033,270	20,468,915
Finished goods		41,743,163	33,417,382
Stock in transit		<u>8,155,509</u>	<u>9,868,612</u>
		<u>143,977,067</u>	<u>117,434,620</u>
Less; provision for slow moving stock in trade - raw and packing materials		<u>(1,257,147)</u>	-
		<u>142,719,920</u>	<u>117,434,620</u>
<b>12.1</b>	The amount charged to statement of profit or loss on account of write down of stock in trade goods to net realizable value amounts to Rs. 7.97 million (2018: Rs. 40.98 million).		

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	2019 Rupees	2018 Rupees
<b>13 Trade debts - considered good</b>		
Due from related parties - unsecured	4,593,611	-
<i>Unsecured - Considered good</i>		
- Exports	2,580,808	9,134,880
- Others	44,671,606	48,292,039
	<b>47,252,414</b>	<b>57,426,919</b>
	<b>51,846,025</b>	<b>57,426,919</b>

**13.1 The balance is receivable from Farmacia and its ageing is as under:**

	Not due yet	Past due 61 - 90 days	2019	2018
Farmacia Lahore	3,839,119	754,492	4,593,611	-

**13.2 Maximum outstanding balance with reference to month end balances:**

	In the month of	In the month of	2019	2018
Farmacia Lahore	Feb-19	Jul-17	7,661,813	7,981,189

**14 Loans and advances - considered good**

	Note	2019 Rupees	2018 Rupees
Advances to employees - secured	14.1	747,967	1,321,348
Advances to suppliers - unsecured		2,103,532	2,351,617
Others		-	38,288
		<b>2,851,499</b>	<b>3,711,253</b>

**14.1** Advances given to staff are in accordance with the Company's human resource policy and terms of employment contract. These advances are secured against provident fund.

**14.2** These are interest free in the ordinary course of business.

	Note	2019 Rupees	2018 Rupees
<b>15 Deposits and prepayments</b>			
Earnest money	15.1	15,238,861	14,463,622
Prepayments		-	16,484
		<b>15,238,861</b>	<b>14,480,106</b>

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

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16 Short term investments

Investments at amortized cost  
Government securities

Investments at fair value through profit or loss  
Mutual Funds

	Note	2019 Rupees	2018 Rupees
	16.1	374,114,733	-
	16.2	18,982,653	414,402,691
		<u>393,097,386</u>	<u>414,402,691</u>
16.1.1	16.1.1	374,114,733	-
	16.1.2	-	-
		<u>374,114,733</u>	<u>-</u>

16.1 These investments are measured at amortized cost  
*Government securities*  
- *Market Treasury Bills*  
- *Pakistan Investment Bonds*

16.1.1 Government securities - Market Treasury Bills ("MTBs")

Issue date	Tenure - Months	Face value				Balance as at 30 June 2019		
		As at 1 July 2018	Purchase during the period	Sales / matured during the period	As at 30 June 2019	Carrying value	Amortised value	Appreciation from carrying value
8-Nov-18	3 Months	-	50,000,000	50,000,000	-	-	-	-
6-Dec-18	3 Months	-	208,000,000	208,000,000	-	-	-	-
20-Dec-18	3 Months	-	116,000,000	116,000,000	-	-	-	-
9-May-19	3 Months	-	62,000,000	-	62,000,000	60,469,096	61,416,798	947,702
14-Feb-19	3 Months	-	60,000,000	60,000,000	-	-	-	-
11-Apr-19	3 Months	-	110,000,000	-	110,000,000	107,284,760	109,870,703	2,585,943
14-Mar-19	3 Months	-	117,000,000	117,000,000	-	-	-	-
23-May-19	3 Months	-	206,000,000	-	206,000,000	200,206,250	202,827,232	2,620,982
28-Feb-19	3 Months	-	209,000,000	209,000,000	-	-	-	-
6-Feb-19	6 Months	-	60,000,000	60,000,000	-	-	-	-
		-	<u>1,198,000,000</u>	<u>820,000,000</u>	<u>378,000,000</u>	<u>367,960,106</u>	<u>374,114,733</u>	<u>6,154,627</u>

Investments in Market Treasury Bills (MTBs) have carrying value of Rs. 374.11 million (2018: Nil). These carry return from 8.30 % to 12.60 %.

16.1.2 Government securities - Pakistan Investment Bond ("PIB")

Issue date	Tenure	Face value			Balance as at 30 June 2019			
		As at 1 July 2018	Purchase during the period	Sales / matured during the period	As at 30 June 2019	Carrying value	Amortised value	Appreciation from carrying value
19-Nov-18	5 years	-	202,000,000	202,787,854	-	-	-	-

return

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

	Note	2019 Rupees	2018 Rupees
Carrying value as at 01 July		414,402,691	351,896,369
(Redemption)/acquisition - net during the year		(384,923,520)	47,010,000
Realized (loss)/gain on sale of investments		(7,227,256)	3,572,950
Unrealized (loss)/gain on re-measurement of investment during the year		(3,269,262)	11,923,372
Carrying and fair value of investments at 30 June	16.2.1	<u>18,982,653</u>	<u>414,402,691</u>

Realized loss of Rs. 7.23 million (2018: gain of Rs. 3.57 million) on sale of mutual funds and bonus dividend of Rs. 17.81 million (2018: Rs. nil) has been recorded in "other income". These investments and related gain is from non shariah compliant arrangement.

16.2.1 Mutual fund wise detail is as follows:

	Units		Fair value	
	2019	2018	2019	2018
	Number		Rupees	
ABL Government Securities Fund	-	3,371,142	-	35,481,940
ABL Cash Fund	101,802	-	1,035,004	-
HBL Money Market Fund	-	1,272	-	136,350
HBL Cash Fund	-	302,175	-	32,019,492
MCB Pakistan Stock Market Fund	206,559	206,559	16,381,947	19,584,236
MCB Cash Management Optimizer Fund	-	2,029,436	-	214,986,544
Faysal Savings Growth Fund	8,207	7,425	839,752	794,481
Faysal Bank MTS Fund	7,207	6,414	725,950	679,363
NAFA Money Market Fund	-	10,641,065	-	110,720,285
	<u>323,775</u>	<u>16,565,488</u>	<u>18,982,653</u>	<u>414,402,691</u>

17 Cash and bank balances

	Note	2019 Rupees	2018 Rupees
Cash in hand		3,109,252	3,418,569
<b><u>Cash at banks</u></b>			
<i>Current accounts:</i>			
- Foreign currency		6,359,022	3,871,655
- Local currency	17.1	47,176,006	51,166,169
		53,535,028	55,037,824
- Deposit accounts - local currency	17.2	11,749,517	3,894,297
		<u>68,393,797</u>	<u>62,350,690</u>

17.1 There are no bank accounts maintained under shariah compliant arrangement.

17.2 These carry interest at the rates ranging from 4.58% to 10.25% (2018: 3.81% to 3.91%) per annum.

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	Note	2019 Rupees	2018 Rupees
<b>18 Sales - net</b>			
<i>Gross sales:</i>			
Local		485,422,161	600,347,298
Export		16,922,645	9,978,161
	18.1	502,344,806	610,325,459
<i>Less:</i>			
Sales returns		(5,338,518)	(3,682,487)
Discounts		(34,349,543)	(70,084,203)
Service charges		(14,186,012)	(7,501,632)
		448,470,733	529,057,137

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

	Note	2019 Rupees	2018 Rupees
<b>19 Cost of sales</b>			
Raw and packing materials consumed	19.1	185,311,545	97,541,243
Fuel and power		38,815,037	29,159,500
Depreciation on property, plant and equipment	9.1.3	76,324,275	76,061,712
Salaries, wages and other benefits	19.2	80,011,708	76,226,998
Stores and spares consumed		9,737,750	5,910,355
Laboratory and other expenses		10,362,269	9,447,066
Insurance		4,080,583	3,901,921
Repairs and maintenance		5,561,336	6,607,855
Traveling and conveyance		3,006,104	2,859,444
Transportation		2,514,696	2,279,846
Canteen expenses		4,416,438	4,632,277
Freight and forwarding		2,103,099	3,177,229
Packing charges		43,115	-
Postage and telephone		683,045	455,921
		422,971,000	318,261,367
<i>Work in process:</i>			
Opening		20,468,915	43,262,945
Closing		(36,033,270)	(20,468,915)
		(15,564,355)	22,794,030
<b>Cost of goods manufactured</b>		407,406,645	341,055,397
<i>Finished stock:</i>			
Opening		33,417,382	69,423,880
Add: purchases made during the year		63,785,438	150,604,546
Closing		(41,743,163)	(33,417,382)
		55,459,657	186,611,044
		462,866,302	527,666,441

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		2019 Rupees	2018 Rupees
<b>19.1 Raw materials consumed</b>			
Opening stock		53,679,711	93,692,625
Add: purchases made during the year		<u>188,419,812</u>	<u>57,528,329</u>
		<b>242,099,523</b>	151,220,954
Less: closing stock	19.3	<u>(56,787,978)</u>	<u>(53,679,711)</u>
		<u><b>185,311,545</b></u>	<u>97,541,243</u>

19.2 Salaries, wages and other benefits include Rs. 2.90 million (2018: Rs. 2.80 million) charged on account of defined contribution plan.

19.3 This includes provision for slow moving stocks of Rs. 1.25 million (2018: Rs. 4.57 million).

	Note	2019 Rupees	2018 Rupees
<b>20 Administrative expenses</b>			
Salaries and other benefits	20.1	22,602,982	24,273,651
Depreciation on property, plant and equipment	9.1.3	348,162	491,945
Amortization	10.0	341,125	511,500
Traveling and conveyance		193,645	202,716
Printing and stationary		189,042	528,765
Auditor's remuneration	20.2	497,438	416,108
Rent, rates and taxes		78,080	84,700
Insurance		262,636	618,773
Postage and telephone		139,312	259,454
Repairs and maintenance		149,464	293,390
Subscriptions		78,465	63,240
Legal and professional charges		1,222,732	83,607
Transportation		27,415	1,400
Others		98,943	51,867
		<u><b>26,229,441</b></u>	<u>27,881,116</u>

20.1 Salaries and other benefits include Rs. 0.39 million (2018: Rs. 1.26 million ) charged on account of defined contribution plan.

	2019 Rupees	2018 Rupees
<b>20.2 Auditor's remuneration</b>		
Fee for annual audit	315,000	224,250
Other certifications	139,125	152,125
Out of pocket expenses	43,313	39,733
	<u><b>497,438</b></u>	<u>416,108</u>

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21 Selling and distribution expenses	Note	2019 Rupees	2018 Rupees
Salaries and other benefits	21.1	10,882,903	38,878,738
Conferences, seminars and training		2,571,828	16,773,207
Sales promotion and advertisement		2,445,007	11,915,807
Bad debts directly written off		1,044,144	-
Traveling and conveyance		2,287,513	10,882,923
Medical research and patient care		-	139,840
Depreciation on property, plant and equipment	9.1.3	1,833,917	6,730,896
Royalty, subscriptions and fees	21.2	6,993,039	5,711,692
Rent, rates and taxes		2,870,480	231,688
Insurance		470,681	2,188,998
Product registration		3,248,511	-
Postage and telephone		252,543	1,344,566
Repairs and maintenance		473,533	1,171,515
Printing and stationary		131,615	292,548
Others		607,284	427,934
		<b>36,112,998</b>	<b>96,690,352</b>

21.1 Salaries and other benefits include Rs. 1.20 million (2018: Rs. 1.31 million) charged on account of defined contribution plan.

21.2 Royalty expense payable to Grupo Empresarial Bagó S.A -Spain (non controlling share holder) against sales of patent products.

21.3 During the year, the Company has transferred its Hepatology department to Ferozsons Laboratories Limited (the Parent Company) as part of an arrangement to achieve overall synergies at group level.

22 Other expenses	Note	2019 Rupees	2018 Rupees
Exchange loss	22.1	9,195,569	2,127,457
Unrealised loss on re-measurement of short term investments to fair value	16.2	3,269,262	-
Realized loss on sale of short term investments		7,227,256	-
		<b>19,692,087</b>	<b>2,127,457</b>

22.1 The exchange loss was incurred due to actual currency fluctuation.

23 Other income	Note	2019 Rupees	2018 Rupees
<b><u>From financial assets</u></b>			
Profit on bank deposits	23.1	767,763	561,918
Income on maturity of Government Securities		16,639,548	-
Amortized gain on Government Securities	16.1.1	6,154,627	-
Unrealised gain on re-measurement of short term investments to fair value	16.2	-	11,923,372
Dividend income	16.2	17,811,765	-
Realized gain on sale of short term investments		-	3,572,950
		<b>41,373,703</b>	<b>16,058,240</b>
<b><u>From non-financial assets</u></b>			
Marketing fee income	23.2	-	3,248,350
Export rebates		77,821	-
Gain on sale of property, plant and equipment	9.1.4	2,386,287	8,438,530
		<b>43,837,811</b>	<b>27,745,120</b>

23.1 Profit from bank deposits has been earned from non shariah compliant arrangement.

23.2 The income is charged from the Parent Company against marketing of its products.

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24	Finance cost	Note	2019 Rupees	2018 Rupees
	Bank charges		717,958	704,993
	Mark-up on short term borrowings	24.1	437,679	52,278
	Interest on Workers' Profit Participation Fund		-	29,798
			<u>1,155,637</u>	<u>787,069</u>

24.1 The markup is on short term borrowings availed under non shariah compliant arrangements.

25	Taxation	Note	2019 Rupees	2018 Rupees
	<i>Current</i>			
	- For the year	25.1	11,743,024	8,856,095
	- For prior years		-	(8,351,635)
			<u>11,743,024</u>	<u>504,460</u>
	<i>Deferred</i>			
	- For the year		(17,365,180)	(1,144,446)
	- For prior years		(3,632,964)	
			<u>(9,255,120)</u>	<u>(639,986)</u>

25.1 The provision for the current taxation represents minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001 and tax on exports and commercial imports under 'Final Tax Regime'.

#### 25.2 Tax charge reconciliation

*Numerical reconciliation between tax expense and accounting loss:*

	2019 Rupees	2018 Rupees
Loss before taxation	<u>(53,747,921)</u>	<u>(98,350,178)</u>
Applicable tax rate as per Income Tax Ordinance, 2001	29%	30%
Tax on accounting loss	(15,586,897)	(29,505,053)
Effect of final tax regime	(4,428,107)	(2,015,938)
Effect of tax credits	(38,591)	(268,596)
Effect of prior year tax	-	(8,351,635)
Effect of proration and tax rate adjustment	3,632,964	3,585,230
Effect of minimum tax	5,070,017	5,941,751
Not adjustable for tax purposes	2,095,494	29,974,255
	<u>6,331,777</u>	<u>28,865,067</u>
	<u>(9,255,120)</u>	<u>(639,986)</u>

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		2019	2018
<b>26</b>	<b>Loss per share - basic and diluted</b>		
	Loss after taxation for distribution to ordinary shareholders	(Rupees) <u>(44,492,801)</u>	<u>(97,710,192)</u>
	Weighted average number of ordinary shares	(Numbers) <u>19,000,000</u>	<u>19,000,000</u>
	Basic loss per share	(Rupees) <u>(2.34)</u>	<u>(5.14)</u>

26.1 There is no dilutive effect on the basic earning per share of the Company as the Company has no commitments for potentially issuable shares.

**27 Remuneration of Chief Executive and Executives**

27.1 The Directors of the Company (other than the Chief Executive) are not paid any remuneration.

	2019		2018	
	Chief Executive	Executives	Chief Executive	Executives
	-----Rupees-----		-----Rupees-----	
Managerial remuneration	14,592,732	30,126,481	13,511,784	27,360,414
Leave Fare Assistance	1,216,061	1,754,685	1,125,982	1,288,851
Bonus	-	3,561,019	2,085,152	4,220,402
Contribution to provident fund	1,006,394	1,134,416	931,848	1,018,435
Utilities	501,999	-	482,097	-
	<u>17,317,186</u>	<u>36,576,601</u>	<u>18,136,863</u>	<u>33,888,102</u>
Numbers	<u>1</u>	<u>6</u>	<u>1</u>	<u>5</u>

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

**28 Related party transactions**

The Company's related parties include the Parent company, associated companies, 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 to the financial statements. Transactions with related parties are as follows:

	2019	2018
	Rupees	Rupees
<b><u>Grupo Empresarial Bagó S.A - (20% share holder)</u></b>		
Royalty expense	6,790,056	5,573,938
Purchase of medicine	106,091,461	28,171,704
Payment made against purchase of medicine	89,693,831	38,444,479

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	2019 Rupees	2018 Rupees
<b><u>Ferozsons Laboratories Limited - Parent company (80% share holder)</u></b>		
Purchase of medicine	28,999,254	121,812,937
Payment made against purchase of medicine	28,999,254	121,812,937
(Sale returns)/sale of medicine	(501,162)	6,934,592
Refund / payment against (sale return)/sale of medicine	(501,162)	6,934,592
Vehicles sold - note 28.1	14,349,313	-
Payment received against sale of vehicles	14,349,313	-
Expenses incurred	11,397,079	4,593,657
Payment received against expenses incurred	11,397,079	7,842,007
Amount received on account of inter company transfer of funds	867,380	(3,248,350)
<b><u>Farmacia - (98% subsidiary of parent company)</u></b>		
Expense directly paid	30,620	107,892
Payment received against expenses paid	30,620	107,892
Sale of medicine	46,232,765	47,361,102
Payment received against sale of medicine	41,639,154	52,094,121
<b><u>Other related parties</u></b>		
Company's share of contribution in employees provident fund	4,619,997	5,376,405
Remuneration to key management personnel	31,631,231	30,946,734

28.1 During the year, the Company sold vehicles to the Parent Company having a net book value of Rs. 14.35 million. These vehicles relate to employees that have been transferred to the Parent Company on transfer of Hepatology Department as part of the group arrangement to attain synergies.

29 **Reconciliation of movement of liabilities to cash flows arising from financing activities**

	Accrued mark-up	Total
	----- Rupees -----	
<b><u>As at 30 June 2018</u></b>	5,911	5,911
<b><u>Changes from financing cash flows</u></b>		
Financial cost paid	(1,132,705)	(1,132,705)
Total changes from financing cash flows	(1,132,705)	(1,132,705)
<b><u>Other changes</u></b>		
Interest expense	1,155,637	1,155,637
Total liability related other changes	1,155,637	1,155,637
<b><u>As at 30 June 2019</u></b>	<b>28,843</b>	<b>28,843</b>

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	Accrued mark-up	Total
	----- Rupees -----	
<b><u>As at 30 June 2017</u></b>	2,848	2,848
<b><u>Changes from financing cash flows</u></b>		
Financial cost paid	(784,006)	(784,006)
Total changes from financing cash flows	<u>(784,006)</u>	<u>(784,006)</u>
<b><u>Other changes</u></b>		
Interest expense	787,069	787,069
Total liability related other changes	<u>787,069</u>	<u>787,069</u>
<b><u>As at 30 June 2018</u></b>	<u>5,911</u>	<u>5,911</u>

**30 Capacity and productions**

Capacity of the pharmaceutical unit cannot be determined as the unit is used for manufacturing different products in varying quantities and packing.

**31 Number of employees**

	<b>Total number of employees</b>	
	<b>2019</b>	<b>2018</b>
Total number of employees as at 30 June	<u>82</u>	<u>138</u>
Average number of employees during the year	<u>110</u>	<u>133</u>

**32 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:

	<b>Un-Audited 2019</b>		<b>Audited 2018</b>	
	<b>% of Total Fund</b>	<b>Rupees</b>	<b>% of Total Fund</b>	<b>Rupees</b>
Ferozsons Laboratories Limited - Parent Company	81%	431,966,294	79%	391,358,275
BF Biosciences Limited	17%	90,659,592	19%	94,839,371
Farmacia - Partnership firm	2%	10,665,834	2%	8,902,639
	<u>100%</u>	<u>533,291,720</u>	<u>100%</u>	<u>495,100,285</u>

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.

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### 33 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

#### 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 analyse 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.

#### 33.1 Credit risk

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

##### 33.1.1 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:

	2019 Rupees	2018 Rupees
<u>Financial assets at amortized cost</u>		
Long term deposits	4,547,000	4,547,000
Trade debts - considered good	51,846,025	57,426,919
Deposits and other receivables	15,238,861	14,463,622
Loans and advances - considered good	747,967	1,359,636
Bank balances	65,284,545	58,932,121
<u>Financial assets at fair value through profit or loss</u>		
Short term investments	18,982,653	414,402,691
	<u>156,647,051</u>	<u>551,131,989</u>

#### Credit quality of financial assets

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 defaults rates and present ages.

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**Bank balances and short term investments**

These include banking companies and financial institutions, which are counterparties to bank balances and investments. 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	2019	2018
	Long term	Short term		-----Rupees-----	
Allied Bank Limited	AA+	A1+	PACRA	12,286,811	32,110,797
Bank Alfalah Limited	AA+	A1+	PACRA	1,207,397	500,536
Habib Bank Limited	AAA	A-1+	JCR-VIS	45,038,103	20,638,171
Habib Metropolitan Bank Limited	AA+	A1+	PACRA	6,662,514	4,369,736
MCB Bank Limited	AAA	A1+	PACRA	89,720	1,312,881
				<b>65,284,545</b>	<b>58,932,121</b>
<b>Short term investments</b>					
ABL Government Securities Fund	A(f)	N/A	PACRA	-	35,481,942
ABL Cash Fund	AA(f)	N/A	PACRA	1,035,004	-
HBL Money Market Fund	AA(f)	N/A	PACRA	-	136,349
HBL Cash Fund	AA(f)	N/A	JCR-VIS	-	32,019,492
MCB Pakistan Stock Market Fund	AA+(f)	N/A	PACRA	16,381,947	19,584,235
MCB Cash Management Optimizer Fund	AA+(f)	N/A	PACRA	-	214,986,543
Faysal Savings Growth Fund	AA-(f)	N/A	PACRA	839,752	794,481
Faysal Bank MTS Fund	A+(f)	N/A	PACRA	725,950	679,363
NAFA Money Market Fund	AA(f)	N/A	PACRA	-	110,720,285
				<b>18,982,653</b>	<b>414,402,690</b>

**Trade debts**

These include customers which are counter parties to trade debts. The Company recognises ECL for trade debts (other than debts due from Government of Pakistan) using the simplified approach as explained in note 3.1.2 and 3.6.

The aging of trade debts at the reporting date was:

	Related party		Other	
	2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
Not past due yet	3,839,119	-	29,023,328	34,358,181
Past due 61 - 90 days	754,492	-	6,251,348	6,598,419
Past due 91 - 180 days	-	-	7,243,347	4,749,649
Past due 181 - 365 days	-	-	2,404,878	2,082,579
More than 365 days	-	-	2,329,515	9,638,090
	<b>4,593,611</b>	<b>-</b>	<b>47,252,415</b>	<b>57,426,920</b>

Export sales are majorly secured through letter of credit. 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. Being immaterial, the Company has not recognized any loss allowance upon adoption of IFRS 9 as at 01 July 2018 and for the year ended 30 June 2019.

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

### 33.1.2 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 assets is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

### 33.2 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 as on 30 June.

	2019			
	Carrying amount	Less than one year	One to five years	More than 5 years
-----Rupees-----				
<b><i>Financial liabilities</i></b>				
Trade and other payables	88,055,301	88,055,301	-	-
Short term borrowings - secured	20,190,922	20,190,922	-	-
Accrued mark-up	28,843	28,843	-	-
	<b>108,275,066</b>	<b>108,275,066</b>	-	-
-----Rupees-----				
<b><i>Financial liabilities</i></b>				
<b><i>Financial liabilities</i></b>				
Trade and other payables	46,663,929	46,663,929	-	-
Short term borrowings - secured	3,673,490	3,673,490	-	-
Accrued mark-up	5,911	5,911	-	-
	<b>50,343,330</b>	<b>50,343,330</b>	-	-

### 33.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices 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

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### 33.3.1 Currency risk

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

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

The potential currency exposures are discussed below:

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

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit 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:

	2019					
	Rupees	AED	JPY	US Dollars	Euro	Aus. Dollars
Cash and bank balances	8,441,776	-	146,000	43,902	2,160	3,410
Trade and other payables	(47,569,803)	-	-	(296,136)	(950)	-
Trade and other receivables	2,580,806	-	-	16,125	-	-
Gross financial position exposure	(36,547,221)	-	146,000	(236,109)	1,210	3,410
						1,000
	2018					
	Rupees	AED	JPY	US Dollars	Euro	Aus. Dollars
Cash and bank balances	5,720,073	-	146,000	38,036	2,160	3,410
Trade and other payables	(22,879,544)	-	-	(188,309)	-	-
Trade and other receivables	9,134,856	-	-	75,184	-	-
Gross financial position exposure	(8,024,615)	-	146,000	(75,089)	2,160	3,410
						1,000

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

### 33.1.2 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 assets is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

### 33.2 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 as on 30 June.

	2019			
	Carrying amount	Less than one year	One to five years	More than 5 years
	-----Rupees-----			
<b><i>Financial liabilities</i></b>				
Trade and other payables	87,855,044	87,855,044	-	-
Short term borrowings - secured	20,190,922	20,190,922	-	-
Accrued mark-up	28,843	28,843	-	-
	<b>108,074,809</b>	<b>108,074,809</b>	-	-
	-----Rupees-----			
	2018			
	Carrying amount	Less than one year	One to five years	More than 5 years
	-----Rupees-----			
<b><i>Financial liabilities</i></b>				
Trade and other payables	46,663,929	46,663,929	-	-
Short term borrowings - secured	3,673,490	3,673,490	-	-
Accrued mark-up	5,911	5,911	-	-
	<b>50,343,330</b>	<b>50,343,330</b>	-	-

### 33.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices 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

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The following significant exchange rates were applied during the year:

	Reporting date rate		Average rate	
	2019	2018	2019	2018
US Dollars	160.05	121.50	137.44	110.54
Euro	182.32	141.45	156.65	131.87
JPY	1.4860	1.0982	1.2397	1.0019
Pounds	203.01	159.28	177.43	149.21
Australian dollars	112.23	89.69	98.17	85.50
UAE Dirham	43.57	33.08	37.42	30.09

**Sensitivity analysis**

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

	Profit or loss	
	2019	2018
	Rupees	Rupees
Statement of profit or loss	3,654,722	802,462

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

**33.3.2 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:

	2019	2018	2019	2018
	Effective rate (in Percentage)			
<b><u>Financial assets</u></b>				
Cash at bank - deposit accounts	9.53	4.19	11,749,517	3,894,297
<b><u>Financial liabilities</u></b>				
Short term borrowings secured	9.50	7.12	(20,190,922)	(3,673,490)
<b>Net Exposure</b>			<b>(8,441,405)</b>	<b>220,807</b>

**Fair value sensitivity analysis for fixed rate instruments**

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

**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 loss 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 2018.

	Profit or loss	
	100 bps Increase	100 bps Decrease
	----- Rupees -----	
<b><u>As at 30 June 2019</u></b>		
Cash flow sensitivity - Variable rate financial assets	(84,414)	84,414
<b><u>As at 30 June 2018</u></b>		
Cash flow sensitivity - Variable rate financial liabilities	2,208	(2,208)

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

### **33.3.3 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). The Company is exposed to equity price risk because of investments held by the Company in mutual funds and classified in the statement of financial position at fair value through profit or loss. To manage its price risk arising from investments, the Company diversifies its portfolio within the eligible stocks/ funds in accordance with the risk investment guidelines approved by the investment committee.

### **33.4 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 reporting date approximate to their fair value.

#### **33.4.1 Fair values versus carrying amounts**

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

#### **33.4.2 Valuation of financial instruments**

In case of equity instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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.

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33.4.3 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 Amounts					Fair Value		
	Fair Value through profit or loss	Financial Assets Amortized Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	
<b>30 June 2019</b>								
<i>Financial assets measured at fair value</i>								
Short term investments	18,982,653	-	-	18,982,653	18,982,653	-	-	
<i>Financial assets not measured at fair value</i>								
Long term deposits	-	4,547,000	-	4,547,000	-	-	-	
Trade debts - considered good	-	51,846,025	-	51,846,025	-	-	-	
Loans and advances - considered good	-	747,967	-	747,967	-	-	-	
Deposits and other receivables	-	15,238,861	-	15,238,861	-	-	-	
Short term investments	-	374,114,733	-	374,114,733	-	-	-	
Bank balances	-	65,284,545	-	65,284,545	-	-	-	
	-	511,779,132	-	511,779,132	-	-	-	
Financial liabilities measured at fair value	-	-	-	-	-	-	-	
<i>Financial liabilities not measured at fair value</i>								
Trade and other payables	-	-	87,855,044	87,855,044	-	-	-	
Short term borrowings - secured	-	-	20,190,922	20,190,922	-	-	-	
Accrued mark-up	-	-	28,843	28,843	-	-	-	
	-	-	108,074,809	108,074,809	-	-	-	

	Carrying Amounts				Fair Value		
	Fair Value through profit or loss	Financial Assets Amortized Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
<b>30 June 2018</b>							
<i>Financial assets measured at fair value</i>							
Short term investments	414,402,691	-	-	414,402,691	414,402,691	-	-
<i>Financial assets not measured at fair value</i>							
Long term deposits	-	4,547,000	-	4,547,000	-	-	-
Trade debts - considered good	-	57,426,919	-	57,426,919	-	-	-
Loans and advances - considered good	-	1,359,636	-	1,359,636	-	-	-
Deposits, prepayments and other receivables	-	14,463,622	-	14,463,622	-	-	-
Bank balances	-	58,932,121	-	58,932,121	-	-	-
	-	136,729,298	-	136,729,298	-	-	-
<i>Financial liabilities not measured at fair value</i>							
Trade and other payables	-	-	46,663,929	46,663,929	-	-	-
Short term borrowings - secured	-	-	3,673,490	3,673,490	-	-	-
Accrued mark-up	-	-	5,911	5,911	-	-	-
	-	-	50,343,330	50,343,330	-	-	-

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### 33.5 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 monitor the return on capital employed, which the Company defines as operating income divided by total capital employed.

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.

### 34 Corresponding figures

Corresponding figures have been re-arranged, where ever necessary, for the purpose of comparison and better presentation as per reporting framework however, no significant re-arrangement have been made.

### 35 General

35.1 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on **21 SEP 2019**

35.2 Figures have been rounded off to the nearest rupee.

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*G. K. Waheed*  
Chief Executive

*[Signature]*  
Director