

**BF Biosciences Limited**

Financial Statements for the year ended  
30 Jun 2020



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 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the 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 2020 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

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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.

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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 2020

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

**BF Biosciences Limited**  
Statement of Financial Position

As at 30 June 2020

	Note	2020 Rupees	2019 Rupees
<b>EQUITY AND LIABILITIES</b>			
<u>Share capital and reserves</u>			
Authorized share capital			
25,000,000 (2019: 25,000,000) ordinary shares of Rs. 10 each		250,000,000	250,000,000
Issued, subscribed and paid up share capital	4	190,000,000	190,000,000
Unappropriated profit		592,373,263	545,264,687
		782,373,263	735,264,687
<u>Non-current liabilities</u>			
Long term loan - secured	5	4,980,067	-
Deferred grant	5	269,933	-
		5,250,000	-
<u>Current liabilities</u>			
Trade and other payables	6	201,628,680	90,089,056
Contract liabilities		56,678,133	43,138,700
Short term borrowings - secured	7	-	20,190,922
Current portion of long term liabilities	5	1,750,000	-
Accrued mark-up		36,713	28,843
		260,093,526	153,447,521
<b>Contingencies and commitments</b>			
	8		
		1,047,716,789	888,712,208
		1,047,716,789	888,712,208
<b>ASSETS</b>			
<u>Non-current assets</u>			
Property, plant and equipment	9	117,450,004	117,606,797
Long term deposits		4,547,000	4,547,000
Deferred taxation	10	13,560,183	14,304,393
		135,557,187	136,458,190
<u>Current assets</u>			
Stores, spare parts and loose tools	11	35,143,832	28,384,415
Stock in trade	12	201,210,580	142,719,920
Trade debts - considered good	13	49,203,542	51,846,025
Loans and advances - considered good	14	21,281,593	2,851,499
Deposits and prepayments	15	120,433,811	15,238,861
Short term investments	16	381,762,229	393,097,386
Advance Income tax - net		74,172,307	49,722,115
Cash and bank balances	17	28,951,708	68,393,797
		912,159,602	752,254,018
		1,047,716,789	888,712,208
		1,047,716,789	888,712,208

The annexed notes from 1 to 37 form an integral part of these financial statements.

Kamran

Lahore



Director



Director

# BF Biosciences Limited

## Statement of Profit or Loss

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
Revenue - net	18	628,286,427	448,470,733
Cost of sales	19	<u>(541,832,463)</u>	<u>(462,866,302)</u>
<b>Gross profit / (loss)</b>		<b>86,453,964</b>	<b>(14,395,569)</b>
Administrative expenses	20	(27,472,593)	(26,229,441)
Selling and distribution expenses	21	(33,878,257)	(36,112,998)
Other expenses	22	(10,278,513)	(19,692,087)
Other income	23	<u>46,290,589</u>	<u>43,837,811</u>
<b>Operating profit / (loss)</b>		<b>61,115,190</b>	<b>(52,592,284)</b>
Finance cost	24	(1,175,169)	(1,155,637)
<b>Profit / (loss) before taxation</b>		<b>59,940,021</b>	<b>(53,747,921)</b>
Taxation	25	(12,831,445)	9,255,120
<b>Profit / (loss) after taxation</b>		<b>47,108,576</b>	<b>(44,492,801)</b>
Earning / (loss) per share - basic and diluted	26	<u>2.48</u>	<u>(2.34)</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

K.P.H. Khan

Lahore

  
Director

  
Director

BF Biosciences Limited  
Statement of Comprehensive Income  
For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
<b>Profit / (loss) after taxation</b>	<b>47,108,576</b>	<b>(44,492,801)</b>
<i>Items that may or may not classify to profit or loss</i>		
Other comprehensive income / (loss) for the year	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b><u>47,108,576</u></b>	<b><u>(44,492,801)</u></b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

KPMG

Lahore

  
Director

  
Director

BF Biosciences Limited  
Statement of Changes in Equity  
As at 30 June 2020

	Share capital	Unappropriated profit	Total
	-----Rupees-----		
Balance as at 01 July 2018	190,000,000	589,757,488	779,757,488
Total comprehensive loss for the year	-	(44,492,801)	(44,492,801)
Balance as at 30 June 2019	190,000,000	545,264,687	735,264,687
Total comprehensive income for the year	-	47,108,576	47,108,576
Balance as at 30 June 2020	190,000,000	592,373,263	782,373,263

The annexed notes from 1 to 37 form an integral part of these financial statements.

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Lahore

  
Director

  
Director



BF Biosciences Limited

Statement of Cash Flows

For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
	Note	
<b><u>Cash flow from operating activities</u></b>		
Profit / (loss) before taxation	59,940,021	(53,747,921)
<i>Adjustments for non-cash and other items:</i>		
Depreciation on property, plant and equipment	22,362,794	78,506,354
Amortization of intangibles	-	341,351
Trade debts directly written off	-	1,044,144
Gain on disposal of property, plant and equipment	(655,000)	(2,386,287)
Dividend income	(8,066,544)	(17,811,765)
Finance cost	1,175,169	1,155,637
Provision for compensated absences -net	278,020	650,587
(Gain) / loss on re-measurement of short term investments to fair value	(1,562,348)	3,269,262
Loss realized on sale of short term investments	255,613	7,227,256
Profit on bank deposits	(1,333,990)	(767,763)
Workers' Profit Participation Fund	3,219,120	-
Central Research Fund	650,327	-
Workers' Welfare Fund	1,223,266	-
	<b>17,546,427</b>	<b>71,228,776</b>
<b>Cash generated from operations before working capital changes</b>	<b>77,486,448</b>	<b>17,480,855</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	(6,759,417)	(2,800,386)
Stock in trade	(58,490,660)	(25,285,300)
Trade debts	2,642,483	4,536,750
Loans and advances - considered good	(18,430,094)	859,754
Deposits, prepayments and other receivables	(105,194,951)	(758,756)
	<b>(186,232,639)</b>	<b>(23,447,938)</b>
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	125,079,057	(19,411,371)
<b>Cash generated from / (used in) operations</b>	<b>16,332,866</b>	<b>(25,378,454)</b>
Taxes paid	(36,537,427)	(29,911,862)
Workers' Profit Participation Fund paid	-	29,798
	<b>(36,537,427)</b>	<b>(29,882,064)</b>
<b>Net cash used in operating activities</b>	<b>(20,204,561)</b>	<b>(55,260,518)</b>
<b><u>Cash flow from investing activities</u></b>		
Capital expenditure incurred	(22,206,001)	(428,804)
Proceeds from sale of property, plant and equipment	655,000	16,959,387
Dividend income	8,066,544	17,811,765
Short term investments-net	7,271,160	10,808,787
Profit on bank deposits received	1,333,990	767,763
<b>Net cash (used in) / generated from investing activities</b>	<b>(4,879,307)</b>	<b>45,918,898</b>
<b><u>Cash flow from financing activities</u></b>		
Long term loan obtained	7,000,000	-
Finance cost paid	(1,167,299)	(1,132,705)
<b>Net cash inflows / (used in) financing activities</b>	<b>5,832,701</b>	<b>(1,132,705)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(19,251,167)</b>	<b>(10,474,325)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>48,202,875</b>	<b>58,677,200</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>28,951,708</b>	<b>48,202,875</b>
Cash and cash equivalents comprise of the following:		
Cash and bank balances	17 28,951,708	68,393,797
Running finance	7 -	(20,190,922)
	<b>28,951,708</b>	<b>48,202,875</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

*Khan*

Lahore

*[Signature]*  
Director

*[Signature]*  
Director

# BF Biosciences Limited

## Notes to the Financial Statements

For the year ended 30 June 2020

### 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 forthcoming 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 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.

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- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 01 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 01 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

reference

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 01 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

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

### **2.3 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.

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## **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.

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

The Company reviews the useful lives and residual value of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the Company expects to derive. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. The Company determines the recoverable value of its operating assets with respect to impairment based on valuation performed by an independent valuation expert.

### **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.C348. 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.

*Wahid*

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.

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

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

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

The Company has initially applied IFRS 16 from 01 July 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

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

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

#### As a lessee

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

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

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

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative value. The Company has elected not to recognize right of use assets and liabilities for some leases of low value assets (residential flats for employees). The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term. The Company's accounting policy relating to leases is explained in note 3.20 of these financial statements.

#### Transition

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

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value items;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determination of lease term if the contracts contains option to extend or terminate the lease.

#### Impact of financial statements

The Company has applied IFRS 16 using the modified retrospective approach. However none of the leases prior to 01 July 2019 have been considered as significant for the purpose of application of IFRS 16 and accordingly the application of IFRS 16 has no impact on the opening retained earnings as at 01 July 2019. The comparative information presented for 2018 is not restated i.e. it is presented as previously reported under IAS 17 and related interpretations.

### **3.2 Employee benefits**

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

#### **3.2.1 Staff provident fund (Retirement benefit)**

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

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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.

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### 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.

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

#### 3.6.2 Classification and subsequent measurement

##### Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI), fair value through profit or loss (FVTPL) and in case of 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 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;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse

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### **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, long term loan, 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.

#### **3.7 Impairment**

##### **Financial assets**

The Company recognizes loss allowances for ECLs on:

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

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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).

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

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.

### **3.8 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.

### **3.9 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.

### **3.10 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.

### **3.11 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.

### **3.12 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;
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.

### **3.13 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.

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### **3.14 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.

### **3.15 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.

### **3.16 Other income**

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

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

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

### **3.17 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.

### **3.18 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.

### **3.19 Dividend distribution**

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

### **3.20 Leases**

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has used its incremental borrowing rate as the discount rate for leases where rate is not readily available. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

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

#### Short term leases and leases of low value assets

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

### 3.21 Government grants

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

	2020 Rupees	2019 Rupees
<b>4 Issued, subscribed and paid up capital</b>		
19,000,000 (2019: 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 Long term loan - secured**

Under interest/markup arrangements:

	2020	2019
	Rupees	Rupees
Term finance facility	7,000,000	-
Less: amortization of loan as deferred grant	(556,039)	-
Add: unwinding of loan	2,159	-
Balance as at 30 June 2020	6,446,120	-
Less: current portion of term finance facility	(1,466,053)	-
	<u>4,980,067</u>	-

**5.1** The Company obtained term finance facility of Rs 14 million under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan in order to prevent entities from laying-off employees during COVID-19 outbreak. The Company has received Rs. 7 million for paying salaries for the month of May 2020. The facility carry mark-up at the rate specified by State Bank of Pakistan plus relevant bank's spread of 2%. The tenure of this facility is up to 01 October 2022. The loan has been measured at its fair value in accordance with IFRS 9 (Financial Instruments) using effective interest rate of 8.44% at draw down date of 29 June 2020. The difference between fair value of loan and loan proceeds has been recognised as deferred grant as per requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and as per Circular 11/2020 issued by the Institute of Chartered Accountants of Pakistan.

The facility is secured by lien on the Company's investments in mutual funds placed in HBL Asset Management Company (only money market and income funds). Under this arrangement, short term investment of Rs. 7.53 million (2019: Rs. Nil) in HBL funds as mentioned in note 16.2.1 is marked under lien.

As per the financing arrangement, The company has to comply with certain covenants imposed by bank including bank's prior consent for pay-outs if any.

Habib Bank Limited	Balance	Number of installments	Repayment date	Ending date	Markup rate
	(Rupees)	Balance			

Term finance facility	7,000,000	8	Quarterly	1-Oct-22	SBP Rate (0%) + Spread (2%)
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The unavailed finance facility available to the Company is Rs. 7 million (2019: Rs. nil).

**5.2 Deferred grant**

	2020
	Rupees
Balance as at 01 July	-
Transaction during the year	556,039
Amortisation during the year	(2,159)
Unamortised balance of deferred grant	553,880
less: current maturity	(283,947)
<b>Balance as at 30 June 2020</b>	<u>269,933</u>

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6 Trade and other payables	Note	2020 Rupees	2019 Rupees
Trade creditors		95,790,044	49,886,797
Due to related parties - unsecured	6.1	84,261,939	34,012,228
Workers' Profit Participation Fund		3,219,120	-
Central Research Fund		650,327	-
Workers Welfare Fund		1,223,266	-
Advances from employees against purchase of vehicles		2,043,094	2,234,012
Provision for compensated absences		2,515,335	2,237,315
Tax deducted at source		2,453,301	-
Accrued liabilities		8,331,810	551,530
Other payables		1,140,444	1,167,174
		<u>201,628,680</u>	<u>90,089,056</u>

#### 6.1 Due to related parties - unsecured

Name of related party:

Grupo Empresarial Bagó S.A	21.2	20,796,730	14,884,493
Bago Laboratories Pte Ltd		63,438,709	19,127,735
Farmacia		26,500	-
		<u>84,261,939</u>	<u>34,012,228</u>

#### 7 Short term borrowings - secured

Under interest / markup arrangements:

Short term running finance - secured	7.1	-	20,190,922
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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. 550 million (2019: Rs. 125 million). These facilities carry mark-up at the rates ranging from one months KIBOR plus 0.1% to 1% per annum (2019: one to three months KIBOR plus 0.9% to 1% ). Running finance facilities include interchange limits of non-funded facilities amounting to Rs. 200 million. The aggregate short term borrowings are secured by first pari passu charge of Rs. 234 million over current and future assets and lien on Company's investment in mutual funds placed with Asset Management Companies with margin of 5%. These facilities are renewable latest by 30 November 2020.

#### 7.2 Un-availed credit facilities

The facilities for opening letters of credits and guarantees as at 30 June 2020 amount to Rs. 625 million (2019: Rs. 255 million), including interchange limites of funded facilities amounting to Rs. 340 million, of which the unutilized amount as of this date was Rs. 368.92 million (2019: Rs. 246.33 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:

There are no contingencies as of the reporting date.

##### 8.2 Commitments:

##### 8.2.1 Letter of credits

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

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

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

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9 Property, plant and equipment

	2020	2019
	Rupees	Rupees
Operating assets		
Capital work in progress	100,918,690	117,606,797
Intangible	16,531,314	-
	<u>117,450,004</u>	<u>117,606,797</u>

Note

9.1  
9.2  
9.3

Owned

	Freehold land	Building on freehold land	Plant and machinery	Office equipment	Furniture and fittings	Computers	Vehicles	Total
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9.1 Operating assets

30 June 2020

Cost

Balance as at 01 July 2019	25,360,500	212,482,967	503,646,031	8,330,517	6,071,683	5,046,021	30,242,552	791,180,271
Additions/transfers	-	-	3,277,477	238,551	543,209	277,365	1,338,085	5,674,687
Disposals	-	-	-	-	-	-	(1,334,158)	(1,334,158)
<b>Balance as at 30 June 2020</b>	<b>25,360,500</b>	<b>212,482,967</b>	<b>506,923,508</b>	<b>8,569,068</b>	<b>6,614,892</b>	<b>5,323,386</b>	<b>30,246,479</b>	<b>795,520,800</b>

Depreciation

Balance as at 01 July 2019	-	204,413,432	436,585,107	6,147,201	4,945,341	4,364,506	17,117,887	673,573,474
Charge for the year	-	1,724,566	14,614,668	685,491	388,231	444,038	4,505,800	22,362,794
On disposals	-	-	-	-	-	-	(1,334,158)	(1,334,158)
<b>Balance as at 30 June 2020</b>	<b>-</b>	<b>206,137,998</b>	<b>451,199,775</b>	<b>6,832,692</b>	<b>5,333,572</b>	<b>4,808,544</b>	<b>20,289,529</b>	<b>694,602,110</b>

Net book value as at 30 June 2020

	<b>25,360,500</b>	<b>6,344,969</b>	<b>55,723,733</b>	<b>1,736,376</b>	<b>1,281,320</b>	<b>514,842</b>	<b>9,956,950</b>	<b>100,918,690</b>
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30 June 2019

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	819,180,968
Additions/transfers	-	-	771,821	-	-	257,966	1,641,970	2,671,757
Disposals	-	-	-	-	-	(173,472)	(30,498,982)	(30,672,454)
<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>791,180,271</b>

Depreciation

Balance as at 01 July 2018	-	183,165,157	386,270,460	5,314,152	4,356,894	3,998,597	28,061,214	611,166,474
Charge for the year	-	21,248,275	50,314,647	833,049	588,447	533,066	4,988,870	78,506,354
On disposals	-	-	-	-	-	(167,157)	(15,932,197)	(16,099,354)
<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>673,573,474</b>

Net book value as at 30 June 2019

	<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>117,606,797</b>
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Depreciation rate %

	-	10	10	10	10	33	20	
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9.1.1 These include fully depreciated assets amounting to Rs. 578.8 million (2019: Rs. 569.6 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:

	Note	2020 Rupees	2019 Rupees
Cost of sales	19	20,622,234	76,324,275
Administrative expenses	20	97,037	348,162
Selling and distribution cost	21	1,643,523	1,833,917
		<u>22,362,794</u>	<u>78,506,354</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
<u>Vehicles</u>							
Suzuki Mehran	Employee	Mr. Ansar Ayub	663,000	-	349,000	349,000	Company Policy
Suzuki Mehran	Employee	Mr. Qulbe Abbas	671,158	-	306,000	306,000	Company Policy
<b>30 June 2020</b>			<u>1,334,158</u>	<u>-</u>	<u>655,000</u>	<u>655,000</u>	
30 June 2019			<u>30,672,454</u>	<u>14,573,100</u>	<u>16,959,387</u>	<u>2,386,287</u>	

**9.2** Capital work-in-progress

	Note	2020 Rupees	2019 Rupees
Balance as at 01 July		-	2,242,953
Additions during the year		19,808,791	-
Transfers during the year		(3,277,477)	(2,242,953)
Balance at 30 June	9.2.1	<u>16,531,314</u>	<u>-</u>

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

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	<i>Note</i>	<b>2020 Rupees</b>	2019 Rupees
<b>9.3 Intangibles</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		2,854,315	2,512,964
Amortization for the year	20	-	341,351
Balance as at 30 June		<u>2,854,315</u>	<u>2,854,315</u>
<b>Carrying Value</b>	9.3.1	<u>-</u>	<u>-</u>
<b>Amortization rate per annum ( % )</b>		<u>33%</u>	<u>33%</u>

9.3.1 The intangible assets have been fully amortized.

	<b>2020</b>		
	<b>Balance as on 01 July</b>	<b>(Credited) / Charged to statement of profit or loss</b>	<b>Balance as on 30 June</b>
<b>10 Deferred taxation</b>			
<i>Taxable temporary difference:</i>			
Unrealized gain on re-measurement of short term investments - net	(817,316)	1,207,903	390,587
<i>Deductible Temporary difference:</i>			
Accelerated tax depreciation	(13,122,504)	(392,316)	(13,514,820)
Provisions	(364,573)	(71,377)	(435,950)
	<u>(14,304,393)</u>	<u>744,210</u>	<u>(13,560,183)</u>

revenue

	2019		
	Balance as on 01 July	(Credited) / Charged to statement of profit or loss	Balance as on 30 June
----- Rupees -----			
<b>Deductible temporary differences:</b>			
Unrealized gain on re-measurement of short term investments-net	2,980,842	(3,798,158)	(817,316)
Accelerated tax depreciation	5,038,761	(18,161,265)	(13,122,504)
Provisions	(1,325,852)	961,279	(364,573)
	<u>6,693,751</u>	<u>(20,998,144)</u>	<u>(14,304,393)</u>

10.1 The Company has not recognized deferred tax asset on tax losses amounting to Rs. 61.15 million (2019: Rs. 108.40 million) as sufficient taxable profits may not be available to set these off in the foreseeable future. Tax losses on account of unabsorbed tax depreciation amounts to Rs. 39.36.

	Note	2020 Rupees	2019 Rupees
<b>11 Stores, spare parts and loose tools</b>			
Stores		10,331,387	6,679,955
Spare parts		14,791,592	12,970,933
Loose tools		10,020,853	8,733,527
		<u>35,143,832</u>	<u>28,384,415</u>
<b>12 Stock in trade</b>			
Raw and packing materials		93,752,133	58,045,125
Work in process		60,935,804	36,033,270
Finished goods		38,153,607	41,743,163
Stock in transit		9,872,311	8,155,509
		<u>202,713,855</u>	<u>143,977,067</u>
Less: provision for slow moving stock in trade - raw and packing materials	12.1	<u>(1,503,275)</u>	<u>(1,257,147)</u>
		<u>201,210,580</u>	<u>142,719,920</u>
<b>12.1 Movement in Provision for slow moving stock in trade</b>			
Provision as at 01 July		1,257,147	-
Provided during the year		246,128	1,257,147
Closing provision as at 30 June		<u>1,503,275</u>	<u>1,257,147</u>

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12.2 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. 2.12 million (2019: Rs. 7.97 million).

	<i>Note</i>	<b>2020</b> <b>Rupees</b>	2019 Rupees
<b>13 Trade debts - considered good</b>			
Due from related parties - unsecured	13.1	-	4,593,611
<i>Unsecured - Considered good</i>			
- Exports		2,807,712	2,580,808
- Others		46,395,830	44,671,606
		<b>49,203,542</b>	47,252,414
		<b>49,203,542</b>	<b>51,846,025</b>

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

	Not due yet	Past due 61 - 90 days	2020	2019
Farmacia Lahore	-	-	-	<b>4,593,611</b>

	<i>Note</i>	<b>2020</b> <b>Rupees</b>	2019 Rupees
<b>14 Loans and advances - considered good</b>			
Advances to employees - secured	14.1	703,981	747,967
Advances to suppliers - unsecured	14.2	19,376,820	2,103,532
Others		1,200,792	-
		<b>21,281,593</b>	<b>2,851,499</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.

	<i>Note</i>	<b>2020</b> <b>Rupees</b>	2019 Rupees
<b>15 Deposits and prepayments</b>			
Earnest money	15.1	20,461,547	15,238,861
L/C margins		99,972,264	-
		<b>120,433,811</b>	<b>15,238,861</b>

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

12/11/19

**16 Short term investments**

**Investments at amortized cost**

Government securities

	Note	2020 Rupees	2019 Rupees
	16.1	-	374,114,733

**Investments at fair value through profit or loss**

Mutual Funds

	16.2	381,762,229	18,982,653
		<u>381,762,229</u>	<u>393,097,386</u>

**16.1 These investments are measured at amortized cost**

Government securities

- Market Treasury Bills

	16.1.1	-	374,114,733
		<u>-</u>	<u>374,114,733</u>

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

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

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

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

	Note	2020 Rupees	2019 Rupees
Carrying value as at 01 July		18,982,653	414,402,691
Acquisition / (Redemption) - net		361,472,841	(384,923,520)
Realized loss on sale of investments		(255,613)	(7,227,256)
Unrealized gain / (loss) on re-measurement of investment during the year		1,562,348	(3,269,262)
Carrying/fair value of investments at 30 June	16.2.1	<u>381,762,229</u>	<u>18,982,653</u>

Realized loss of Rs. 0.26 million (2019: Rs. 7.23 million) on sale of mutual funds and bonus dividend of Rs. 8.07 million (2019: Rs. 17.81) 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	
	2020	2019	2020	2019
	Number		Rupees	
ABL Cash Fund	10,603,390	101,802	107,930,849	1,035,004
HBL Money Market Fund	73,638	-	7,537,100	-
HBL Cash Fund	2,633,206	-	266,294,280	-
MCB Pakistan Stock Market Fund	-	206,559	-	16,381,947
Faysal Savings Growth Fund	-	8,207	-	839,752
Faysal Bank MTS Fund	-	7,207	-	725,950
	<u>13,310,234</u>	<u>323,775</u>	<u>381,762,229</u>	<u>18,982,653</u>

	Note	2020 Rupees	2019 Rupees
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17 Cash and bank balances

Cash in hand		2,955,681	3,109,252
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Cash at banks

Current accounts:

- Foreign currency		6,006,924	6,359,022
- Local currency	17.1	19,414,480	47,176,006
		25,421,404	53,535,028
- Deposit accounts - local currency	17.2	574,623	11,749,517
		<u>28,951,708</u>	<u>68,393,797</u>

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

17.2 These carry interest at the rates ranging from 6.53% to 11.38% (2019: 4.58% to 10.25%) per annum.

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	Note	2020 Rupees	2019 Rupees
<b>18 Revenue - net</b>			
<i>Gross sales:</i>			
Local		666,435,274	485,422,161
Export		26,103,776	16,922,645
	18.1	<u>692,539,050</u>	<u>502,344,806</u>
<i>Less:</i>			
Sales returns		(3,327,492)	(5,338,518)
Discounts		(48,087,586)	(34,349,543)
Service charges		(12,837,545)	(14,186,012)
		<u>(64,252,623)</u>	<u>(53,874,073)</u>
<b>Revenue from contracts with customers</b>		<u><u>628,286,427</u></u>	<u><u>448,470,733</u></u>

**18.1** This includes sale of both own manufactured and purchased products. Revenue from contracts with customers relates to both local (Pakistan) and foreign markets and revenue is recognised at the point of time.

	Note	2020 Rupees	2019 Rupees
<b>19 Cost of sales</b>			
Raw and packing materials consumed	19.1	245,148,795	185,311,545
Fuel and power		63,215,987	38,815,037
Depreciation on property, plant and equipment	9.1.3	20,622,234	76,324,275
Salaries, wages and other benefits	19.2	82,484,525	80,011,708
Stores and spares consumed		12,222,032	9,737,750
Laboratory and other expenses		13,318,408	10,362,269
Insurance		4,270,803	4,080,583
Repairs and maintenance		6,575,333	5,561,336
Traveling and conveyance		2,972,583	3,006,104
Transportation		2,438,557	2,514,696
Canteen expenses		5,042,915	4,416,438
Freight and forwarding		2,966,886	2,103,099
Packing charges		16,793	43,115
Postage and telephone		467,839	683,045
		<u>461,763,690</u>	<u>422,971,000</u>
<i>Work in process:</i>			
Opening		36,033,270	20,468,915
Closing		(60,935,804)	(36,033,270)
		<u>(24,902,534)</u>	<u>(15,564,355)</u>
<b>Cost of goods manufactured</b>		<u>436,861,156</u>	<u>407,406,645</u>
<i>Finished stock:</i>			
Opening		41,743,163	33,417,382
Add: purchases made during the year		101,381,751	63,785,438
Closing		(38,153,607)	(41,743,163)
		<u>104,971,307</u>	<u>55,459,657</u>
		<u><u>541,832,463</u></u>	<u><u>462,866,302</u></u>

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	<i>Note</i>	<b>2020 Rupees</b>	<b>2019 Rupees</b>
<b>19.1 Raw and packing materials consumed</b>			
Opening stock		56,787,978	53,679,711
Add: purchases made during the year		280,609,675	188,419,812
		<u>337,397,653</u>	<u>242,099,523</u>
Less: closing stock	19.3	(92,248,858)	(56,787,978)
		<u>245,148,795</u>	<u>185,311,545</u>

19.2 Salaries, wages and other benefits include Rs. 2.87 million (2019: Rs. 2.90 million) charged on account of defined contribution plan.

19.3 This includes provision for slow moving stocks of Rs. 1.50 million (2019: Rs. 1.25 million).

	<i>Note</i>	<b>2020 Rupees</b>	<b>2019 Rupees</b>
<b>20 Administrative expenses</b>			
Salaries and other benefits	20.1	25,286,281	22,602,982
Depreciation on property, plant and equipment	9.1.3	97,037	348,162
Amortization	9	-	341,125
Traveling, conveyance and transportation		19,980	221,060
Printing and stationary		146,085	189,042
Auditors' remuneration	20.2	457,125	497,438
Rent, rates and taxes		132,185	78,080
Insurance		141,893	262,636
Postage and telephone		159,512	139,312
Repairs and maintenance		167,771	149,464
Subscriptions		195,310	78,465
Legal and professional charges		653,307	1,222,732
Others		16,107	98,943
		<u>27,472,593</u>	<u>26,229,441</u>

20.1 Salaries and other benefits include Rs. 1.27 million (2019: Rs. 0.39 million ) charged on account of defined contribution plan.

	<b>2020 Rupees</b>	<b>2019 Rupees</b>
<b>20.2 Auditor's remuneration</b>		
Fee for annual audit	315,000	315,000
Other certifications	112,125	139,125
Out of pocket expenses	30,000	43,313
	<u>457,125</u>	<u>497,438</u>

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21	Selling and distribution expenses	Note	2020 Rupees	2019 Rupees
	Salaries and other benefits	21.1	12,885,911	10,882,903
	Conferences, seminars and training		3,489,270	2,571,828
	Sales promotion and advertisement		3,692,339	2,445,007
	Trade debts directly written off		-	1,044,144
	Traveling and conveyance		2,496,953	2,287,513
	Depreciation on property, plant and equipment	9.1.3	1,643,523	1,833,917
	Royalty, subscriptions and fees	21.2	6,437,709	6,993,039
	Rent, rates and taxes		214,783	2,870,480
	Insurance		744,438	470,681
	Product registration		880,265	3,248,511
	Postage and telephone		244,842	252,543
	Repairs and maintenance		480,358	473,533
	Printing and stationary		80,260	131,615
	Others		587,606	607,284
			<u>33,878,257</u>	<u>36,112,998</u>

21.1 Salaries and other benefits include Rs. 0.51 million (2019: Rs. 1.20 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.

22	Other expenses	Note	2020 Rupees	2019 Rupees
	Exchange loss	22.1	4,930,187	9,195,569
	Central Research Fund		650,327	-
	Workers Profit Participation Fund		3,219,120	-
	Workers Welfare Fund		1,223,266	-
	Unrealised loss on re-measurement of short term investments to fair value		-	3,269,262
	Realized loss on sale of short term investments	16.2	255,613	7,227,256
			<u>10,278,513</u>	<u>19,692,087</u>

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

23	Other income	Note	2020 Rupees	2019 Rupees
	<u><i>From financial assets</i></u>			
	Profit on bank deposits	23.1	1,333,990	767,763
	Income on maturity of Government Securities		33,498,384	16,639,548
	Amortized gain on Government Securities		-	6,154,627
	Unrealised gain on re-measurement of short term investments to fair value	16.2	1,562,348	-
	Dividend income	16.2	8,066,544	17,811,765
			<u>44,461,266</u>	<u>41,373,703</u>
	<u><i>From non-financial assets</i></u>			
	Export rebates		1,174,323	77,821
	Gain on sale of property, plant and equipment	9.1.4	655,000	2,386,287
			<u>1,829,323</u>	<u>2,464,108</u>
			<u>46,290,589</u>	<u>43,837,811</u>

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

	Note	2020 Rupees	2019 Rupees
<b>24 Finance cost</b>			
Bank charges		788,008	717,958
Mark-up on			
- short term borrowings	24.1	384,231	437,679
- long term loan		2,930	-
		<u>1,175,169</u>	<u>1,155,637</u>

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

	Note	2020 Rupees	2019 Rupees
<b>25 Taxation</b>			
<i>Current</i>			
- For the year	25.1	12,208,735	11,743,024
- For prior years		(121,500)	-
		<u>12,087,235</u>	<u>11,743,024</u>
<i>Deferred</i>			
- For the year		744,210	(17,365,180)
- For prior years		-	(3,632,964)
		<u>12,831,445</u>	<u>(9,255,120)</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:*

	2020 Rupees	2019 Rupees
Profit/ (loss) before taxation	<u>59,940,021</u>	<u>(53,747,921)</u>
Applicable tax rate as per Income Tax Ordinance, 2001	29%	29%
Tax on accounting profit/ (loss)	17,382,606	(15,586,897)
Effect of final tax regime	186,315	(4,428,107)
Effect of tax losses not previously recognised	(13,642,051)	
Effect of tax credits	-	(38,591)
Effect of prior year tax	121,500	-
Effect of proration and tax rate adjustment	21,891	3,632,964
Effect of minimum tax	8,217,301	5,070,017
Not adjustable for tax purposes	543,882	2,095,494
	<u>(4,551,161)</u>	<u>6,331,777</u>
	<u>12,831,445</u>	<u>(9,255,120)</u>

		<u>2020</u>	<u>2019</u>
<b>26 Profit/ (loss) per share - basic and diluted</b>			
Profit/ (loss) after taxation for distribution to ordinary shareholders	<i>(Rupees)</i>	<u>47,108,576</u>	<u>(44,492,801)</u>
Weighted average number of ordinary shares	<i>(Numbers)</i>	<u>19,000,000</u>	<u>19,000,000</u>
Basic profit/ (loss) per share	<i>(Rupees)</i>	<u>2.48</u>	<u>(2.34)</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.

	<u>2020</u>		<u>2019</u>	
	<u>Chief Executive</u>	<u>Executives</u>	<u>Chief Executive</u>	<u>Executives</u>
	-----Rupees-----		-----Rupees-----	
Managerial remuneration	16,052,004	29,852,851	14,592,732	30,126,481
Leave Fare Assistance	1,337,667	1,391,927	1,216,061	1,754,685
Bonus	2,128,107	3,211,851	-	3,561,019
Contribution to provident fund	1,107,035	1,060,510	1,006,394	1,134,416
Utilities	1,077,106	-	501,999	-
	<u>21,701,919</u>	<u>35,517,139</u>	<u>17,317,186</u>	<u>36,576,601</u>
Numbers	<u>1</u>	<u>6</u>	<u>1</u>	<u>6</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:

	<u>2020</u>	<u>2019</u>
	<u>Rupees</u>	<u>Rupees</u>
<b><u>Grupo Empresarial Bagó S.A - (20% share holder)</u></b>		
Royalty expense	5,912,237	6,790,056
Purchase of medicine	190,147,680	106,091,461
Payment made against purchase of medicine	137,681,198	89,693,831

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	2020 Rupees	2019 Rupees
<b><u>Ferozsons Laboratories Limited - Parent company (80% share holder)</u></b>		
Purchase of medicine	37,274,618	28,999,254
Payment made against purchase of medicine	37,274,618	28,999,254
Sale of medicine/ (sale returns)	4,499,000	(501,162)
Payment against sale of medicine / refund against (sale return)	4,499,000	(501,162)
Sale of vehicles	-	14,349,313
Payment received against sale of vehicles	-	14,349,313
Expenses incurred	5,285,098	11,397,079
Payment received against expenses incurred	5,285,098	11,397,079
Amount received on account of inter company transfer of funds	-	867,380
<b><u>Farmacia - (98% subsidiary of parent company)</u></b>		
Expense directly paid	96,900	30,620
Payment received against expenses paid	70,400	30,620
Sale of medicine	54,416,969	46,232,765
Payment received against sale of medicine	59,010,580	41,639,145
<b><u>Other related parties</u></b>		
Company's share of contribution in employees provident fund	4,639,110	4,619,997
Remuneration to key management personnel	36,869,432	31,631,231

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

	Long term loan	Accrued mark-up	Total
	----- Rupees -----		
<b><u>As at 30 June 2019</u></b>	-	28,843	28,843
<b><u>Changes from financing cash flows</u></b>			
Proceeds from long term loan	7,000,000	-	7,000,000
Finance cost paid	-	(1,167,299)	(1,167,299)
<b>Total changes from financing cash flows</b>	<b>7,000,000</b>	<b>(1,167,299)</b>	<b>5,832,701</b>
<b><u>Other changes</u></b>			
Interest expense	-	1,175,169	1,175,169
<b>Total liability related other changes</b>	<b>-</b>	<b>1,175,169</b>	<b>1,175,169</b>
<b><u>As at 30 June 2020</u></b>	<b>7,000,000</b>	<b>36,713</b>	<b>7,036,713</b>

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	Long term loan	Accrued mark-up	Total
	----- Rupees -----		
<b>As at 30 June 2018</b>	-	5,911	5,911
<b><u>Changes from financing cash flows</u></b>			
Finance 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>As at 30 June 2019</b>	-	28,843	28,843

### 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>	
	2020	2019
Total number of employees as at 30 June	87	82
Average number of employees during the year	84	110

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

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:

	2020 Rupees	2019 Rupees
<b><u>Financial assets at amortized cost</u></b>		
Long term deposits	4,547,000	4,547,000
Trade debts - considered good	49,203,542	51,846,025
Deposits and other receivables	20,461,547	15,238,861
Deposit - L/C margin	99,972,264	-
Loans and advances - considered good	1,904,773	747,967
Bank balances	25,996,027	65,284,545
<b><u>Financial assets at fair value through profit or loss</u></b>		
Short term investments	381,762,229	18,982,653
	<u>583,847,382</u>	<u>156,647,051</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**

Short term investments includes Rs Nil ( 2019: Rs 374.11 million) in government securities (MTB's) for which there is no credit risk as they are government secured bonds and accordingly excluded from credit risk exposure. These represents banking companies and financial institutions, which are counterparties to bank balances and investments. Impairment on these balances has been measured on 12 month expected loss basis and reflects the shortest maturities of the exposure. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Institutions	Rating		Rating Agency	2020	2019
	Long term	Short term		-----Rupees-----	
Allied Bank Limited	AAA	A1+	PACRA	<b>3,570,822</b>	12,286,811
Bank Alfalah Limited	AA+	A1+	PACRA	<b>547,512</b>	1,207,397
Habib Bank Limited	AAA	A1+	JCR-VIS	<b>12,705,167</b>	45,038,103
Habib Metropolitan Bank Limited	AA+	A1+	PACRA	<b>8,100,345</b>	6,662,514
Meezan Bank Limited	AA+	A1+	JCR-VIS	<b>718,623</b>	-
MCB Bank Limited	AAA	A1+	PACRA	<b>353,558</b>	89,720
				<b>25,996,027</b>	65,284,545
<b>Deposit - L/C margin</b>					
Habib Bank Limited	AAA	A1+	JCR-VIS	<b>12,754,148</b>	-
Allied Bank Limited	AAA	A1+	PACRA	<b>70,760,157</b>	-
Meezan Bank Limited	AA+	A1+	JCR-VIS	<b>16,457,960</b>	-
				<b>99,972,265</b>	-
<b>Short term investments</b>					
ABL Cash Fund	AA+(f)	N/A	JCR-VIS	<b>107,930,849</b>	1,035,004
HBL Money Market Fund	AA(f)	N/A	PACRA	<b>7,537,100</b>	-
HBL Cash Fund	AA(f)	N/A	JCR-VIS	<b>266,294,280</b>	-
MCB Pakistan Stock Market Fund	AA+(f)	N/A	PACRA	-	16,381,947
Faysal Savings Growth Fund	AA-(f)	N/A	PACRA	-	839,752
Faysal Bank MTS Fund	AA-(f)	N/A	PACRA	-	725,950
				<b>381,762,229</b>	18,982,653

**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 3.6.

The aging of trade debts at the reporting date was:

	Related party		Other	
	2020 Rupees	2019 Rupees	2020 Rupees	2019 Rupees
Not past due yet	-	3,839,119	<b>26,968,163</b>	29,023,328
Past due 61 - 90 days	-	754,492	<b>7,634,081</b>	6,251,348
Past due 91 - 180 days	-	-	<b>4,967,127</b>	7,243,347
Past due 181 - 365 days	-	-	<b>3,039,068</b>	2,404,878
More than 365 days	-	-	<b>6,595,103</b>	2,329,515
	-	4,593,611	<b>49,203,542</b>	47,252,416

*12/11/20*

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.

Loans and deposits are mostly due from employees, utility companies and Government Institutions. Impairment on these balances has been measured on 12 month expected loss basis and reflects the shortest maturities of the exposure. Based on past experience the management believes that no impairment allowance is necessary in respect of 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.

	2020			
	Carrying amount	Less than one year	One to five years	More than 5 years
-----Rupees-----				
<i><u>Financial liabilities</u></i>				
Trade and other payables	192,039,572	192,039,572	-	-
Long term loan - secured	7,000,000	1,466,053	5,533,947	-
Short term borrowings - secured	-	-	-	-
Accrued mark-up	36,713	36,713	-	-
	<u>199,076,285</u>	<u>193,542,338</u>	<u>5,533,947</u>	<u>-</u>
-----Rupees-----				
<i><u>Financial liabilities</u></i>				
Trade and other payables	87,855,301	87,855,301	-	-
Short term borrowings - secured	20,190,922	20,190,922	-	-
Accrued mark-up	28,843	28,843	-	-
	<u>108,075,066</u>	<u>108,075,066</u>	<u>-</u>	<u>-</u>

### 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:

	2020					2019						
	Rupees	JPY	US Dollars	Euro	Pound	Aus. Dollars	Rupees	JPY	US Dollars	Euro	Pound	Aus. Dollars
Cash and bank balances	8,451,100	146,000	41,616	2,160	3,410	1,000	8,441,776	146,000	43,902	2,160	3,410	1,000
Trade and other payables	(129,791,905)	-	(772,341)	-	-	-	(47,569,803)	-	(296,136)	(950)	-	-
Trade and other receivables	2,807,712	-	16,708	-	-	-	2,580,806	-	16,125	-	-	-
Gross financial position exposure	(118,533,093)	146,000	(714,018)	2,160	3,410	1,000	(36,547,221)	146,000	(236,109)	1,210	3,410	1,000

The following significant exchange rates were applied during the year:

	Reporting date rate		Average rate	
	2020	2019	2020	2019
US Dollars	168.05	160.05	164.05	137.44
Euro	188.61	182.32	185.47	156.65
JPY	1.5607	1.486	1.523	1.2397
Pounds	207.37	203.01	205.19	177.43
Australian dollars	115.18	112.23	113.71	98.17
UAE Dirham	45.75	43.57	44.66	37.42

#### Sensitivity analysis

A ten percent strengthening of the Pakistani Rupee against foreign currencies at the reporting date would have increased profit (2019: 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	
	2020	2019
	<b>Rupees</b>	<b>Rupees</b>
Statement of profit or loss	<b>11,853,309</b>	<b>3,654,722</b>

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:

	2020	2019	2020	2019
	Effective rate (in Percentage)		Rupees	Rupees
<u>Financial assets</u>				
Cash at bank - deposit accounts	6.53	9.53	574,623	11,749,517
<u>Financial liabilities</u>				
Long term loan - secured	2.00	-	7,000,000	-
Short term borrowings secured	9.36	9.50	-	(20,190,922)
<b>Net Exposure</b>			<b>7,574,623</b>	<b>(8,441,405)</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 2019.

	Profit or loss	
	100 bps Increase	100 bps Decrease
	----- Rupees -----	
<u>As at 30 June 2020</u>		
Cash flow sensitivity - Variable rate financial assets	<b>75,746</b>	<b>(75,746)</b>
<u>As at 30 June 2019</u>		
Cash flow sensitivity - Variable rate financial liabilities	<b>(84,414)</b>	<b>84,414</b>

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

#### **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 2020</b>							
<u>Financial assets measured at fair value</u>							
Short term investments	381,762,229	-	-	381,762,229	381,762,229	-	-
<u>Financial assets not measured at fair value</u>							
Long term deposits	-	4,547,000	-	4,547,000	-	-	-
Trade debts - considered good	-	49,203,542	-	49,203,542	-	-	-
Loans and advances - considered good	-	1,904,773	-	1,904,773	-	-	-
Deposits and other receivables	-	20,461,547	-	20,461,547	-	-	-
Deposits - L/C margin	-	99,972,264	-	99,972,264	-	-	-
Bank balances	-	25,996,027	-	25,996,027	-	-	-
	-	202,085,153	-	202,085,153	-	-	-
<b>Financial liabilities measured at fair value</b>	-	-	-	-	-	-	-
<u>Financial liabilities not measured at fair value</u>							
Trade and other payables	-	-	192,039,572	192,039,572	-	-	-
Long term loan - secured	-	-	7,000,000	7,000,000	-	-	-
Short term borrowings - secured	-	-	-	-	-	-	-
Accrued mark-up	-	-	36,713	36,713	-	-	-
	-	-	199,076,285	199,076,285	-	-	-

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	Carrying Amounts				Fair Value		
	Fair Value through profit or loss	Financial Assets Amortized Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- Rupees -----							
Short term investments	18,982,653	-	-	18,982,653	18,982,653	-	-
<b><i>Financial assets not measured at fair value</i></b>							
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, prepayments 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	-	-	-
	-	511,779,131	-	511,779,131	-	-	-
<b><i>Financial liabilities not measured at fair value</i></b>							
Trade and other payables	-	-	87,855,301	87,855,301	-	-	-
Short term borrowings - secured	-	-	20,190,922	20,190,922	-	-	-
Accrued mark-up	-	-	28,843	28,843	-	-	-
	-	-	108,075,066	108,075,066	-	-	-

**30 June 2019**

**Financial assets measured at fair value**

Short term investments

**Financial assets not measured at fair value**

Long term deposits

Trade debts - considered good

Loans and advances - considered good

Deposits, prepayments and other receivables

Short term investments

Bank balances

**Financial liabilities not measured at fair value**

Trade and other payables

Short term borrowings - secured

Accrued mark-up

108075066

### 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 Impact of COVID-19 (Corona Virus)

On 11 March 2020, COVID-19 (Coronavirus) was declared a pandemic by the World Health Organization. The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but also adversely impacted the global economy. On 23 March 2020, the Federal and Provincial Governments of Pakistan announced a temporary lock down as a measure to reduce the spread of the COVID-19. However, being a Company in Pharmaceutical Sector, it was exempt from lockdown measures. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Management believes that there is no significant accounting adverse impact of the effects of COVID-19 on the operations of the Company and on these unconsolidated financial statements. However, pursuant to relaxation announced by the State Bank of Pakistan in view of this pandemic, the Company has availed long term loan under refinance scheme for payment of wages and salaries as fully explained in note 5 to these financial statements.

### 35 Events after the reporting date

There are no subsequent events occurring after the reporting period.

### 36 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. The Chief Executive Officer is for the time being not available in Pakistan, therefore, these financial statements are signed by two directors.

### 37 General

37.1 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 24 SEP 2020

37.2 Figures have been rounded off to the nearest rupee.

Lahore

  
Director

  
Director