

BF Biosciences Limited

Financial statements for the
year ended 30 June 2022



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 2022, 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 2022 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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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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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 Ahsin Tariq.

Lahore

Date: 09 September 2022

UDIN: AR202210119ITVKqtYZ0


KPMG Taseer Hadi & Co.
Chartered Accountants

BF Biosciences Limited
Statement of Financial Position

As at 30 June 2022

	Note	2022 Rupees	2021 Rupees		Note	2022 Rupees	2021 Rupees
EQUITY AND LIABILITIES				ASSETS			
<u>Share capital and reserves</u>				<u>Non-current assets</u>			
Authorized share capital 25,000,000 (2021: 25,000,000) ordinary shares of Rs. 10 each		<u>250,000,000</u>	<u>250,000,000</u>	Property, plant and equipment	12	<u>2,135,029,510</u>	1,034,283,303
Issued, subscribed and paid up capital	5	190,000,000	190,000,000	Long term deposits		<u>4,827,000</u>	4,827,000
Equity portion of convertible loan		132,704,377	76,272,590			<u>2,139,856,510</u>	1,039,110,303
Unappropriated profits		<u>1,502,448,341</u>	<u>1,200,365,229</u>				
		<u>1,825,152,718</u>	<u>1,466,637,819</u>	<u>Current assets</u>			
<u>Non-current liabilities</u>				Stores, spare parts and loose tools	13	<u>73,708,639</u>	41,984,179
Long term loan - secured	6	<u>1,537,069,424</u>	<u>873,060,571</u>	Stock in trade	14	<u>332,840,650</u>	314,173,383
Deferred grant	7	<u>331,334,784</u>	<u>172,670,805</u>	Trade debts	15	<u>52,708,453</u>	202,489,864
Deferred taxation	8	<u>26,550,021</u>	<u>15,992,223</u>	Loans and advances	16	<u>15,222,307</u>	27,518,225
		<u>1,894,954,228</u>	<u>1,061,723,599</u>	Deposits, prepayments and other receivables	17	<u>198,545,196</u>	27,277,175
<u>Current liabilities</u>				Short term investments	18	<u>1,299,583,607</u>	821,541,126
Current portion of:				Advance Income tax - net		<u>110,933,295</u>	98,973,632
- Long term loans - secured	6	<u>57,647,367</u>	<u>16,320,054</u>	Cash and bank balances	19	<u>211,672,728</u>	421,690,544
- Current portion of deferred grant	7	<u>76,405,325</u>	<u>29,052,049</u>			<u>2,295,214,875</u>	1,955,648,128
Trade and other payables	9	<u>394,282,308</u>	<u>401,737,857</u>				
Contract liabilities	10	<u>23,457,497</u>	<u>12,547,655</u>				
Short term borrowings	20	<u>149,347,843</u>	<u>-</u>				
Mark-up accrued on borrowings		<u>13,824,098</u>	<u>6,739,398</u>				
		<u>714,964,438</u>	<u>466,397,013</u>				
Contingencies and commitments	11						
		<u>4,435,071,385</u>	<u>2,994,758,431</u>			<u>4,435,071,385</u>	<u>2,994,758,431</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.



Lahore


Director


Director

BF Biosciences Limited

Statement of Profit or Loss


For the year ended 30 June 2022

	Note	2022 Rupees	2021 Rupees
Revenue - net	21	1,520,702,614	1,754,798,146
Cost of goods sold	22	<u>(1,062,929,536)</u>	<u>(958,331,033)</u>
Gross profit		457,773,078	796,467,113
Administrative expenses	23	(42,105,443)	(40,610,029)
Selling and distribution expenses	24	(145,015,171)	(111,943,099)
Other expenses	25	(28,423,347)	(42,734,845)
Other income	26	<u>172,149,685</u>	<u>69,698,089</u>
Operating profit		414,378,802	670,877,229
Finance cost	27	(65,618,568)	(25,269,864)
Profit before taxation		348,760,234	645,607,365
Taxation	28	(41,782,476)	(37,615,399)
Profit after taxation		306,977,758	607,991,966
Earning per share - basic and diluted	29	<u>16.16</u>	<u>32.00</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

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Lahore


Director


Director

BF Biosciences Limited
Statement of Comprehensive Income
For the year ended 30 June 2022

	2022 Rupees	2021 Rupees
Profit after taxation	306,977,758	607,991,966
<i><u>Items that may or may not classify to profit or loss</u></i>		
Other comprehensive income for the year	-	-
Total comprehensive income for the year	306,977,758	607,991,966

The annexed notes from 1 to 39 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 2022

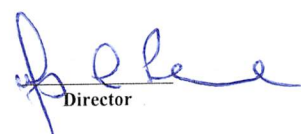
	Note	2022 Rupees	2021 Rupees
<u>Cash flow from operating activities</u>			
Profit before taxation		348,760,234	645,607,365
<i>Adjustments for non-cash and other items:</i>			
Depreciation on property, plant and equipment	12.1.4	28,325,018	23,434,750
Gain on disposal of property, plant and equipment	26	(3,197,866)	(2,069,540)
Dividend income	26	(130,715,028)	(34,441,759)
Finance cost	27	65,618,568	25,269,864
Provision for compensated absences -net		5,193,874	2,120,092
Gain on re-measurement of short term investments to fair value	18.1	(1,844,367)	(388,999)
(Gain) / Loss realized on sale of short term investments	18.1	(90,334)	(1,114,414)
Un realized exchange gain		(5,082,316)	(20,095,596)
Profit on bank deposits	26	(8,333,136)	(2,556,857)
Provision for Workers' Profit Participation Fund	25	18,387,252	34,072,939
Provision for Central Research Fund	25	3,714,596	6,883,422
Provision for Workers' Welfare Fund	25	597,554	1,778,484
		<u>(27,426,185)</u>	<u>32,892,386</u>
Cash generated from operations before working capital changes		321,334,049	678,499,751
<u>Effect on cash flow due to working capital changes</u>			
<i>(Increase) / decrease in current assets</i>			
Stores, spare parts and loose tools		(31,724,460)	(6,840,347)
Stock in trade		(18,667,267)	(112,962,803)
Trade debts		149,454,070	(153,286,322)
Loans and advances - considered good		12,295,918	(6,236,632)
Deposits, prepayments and other receivables		(175,835,326)	93,156,636
		<u>(64,477,065)</u>	<u>(186,169,468)</u>
<i>Increase / (decrease) in current liabilities</i>			
Trade and other payables		12,480,678	107,571,947
Contract Liability		10,909,842	5,568,940
Cash generated from / (used in) operations		280,247,504	605,471,170
Taxes paid		(60,001,771)	(31,641,053)
Central Research Fund paid		(6,883,422)	(650,327)
Workers' Profit Participation Fund paid		(35,301,765)	(3,206,780)
		<u>(102,186,958)</u>	<u>(35,498,160)</u>
Net cash generated from / (used in) operating activities		178,060,546	569,973,010
<u>Cash flow from investing activities</u>			
Fixed capital expenditure		(1,130,158,759)	(941,064,941)
Proceeds from sale of property, plant and equipment	12.1.5	4,285,398	2,866,432
Long term deposit		-	(280,000)
Dividend income	26	130,715,028	34,441,759
Payment against Short term investments		(476,107,780)	(438,275,484)
Profit on bank deposits received	26	8,333,136	2,556,857
Net cash used in from investing activities		(1,462,932,977)	(1,339,755,377)
<u>Cash flow from financing activities</u>			
Long term loan obtained - net		968,089,000	1,185,809,000
Long term loan paid		(17,500,000)	-
Finance cost paid		(25,082,228)	(23,287,797)
Net cash inflows financing activities		925,506,772	1,162,521,203
Net increase / (decrease) in cash and cash equivalents		(359,365,659)	392,738,836
Cash and cash equivalents at the beginning of the year		421,690,544	28,951,708
Cash and cash equivalents at the end of the year		62,324,885	421,690,544
Cash and cash equivalents comprise of the following:			
Cash and bank balances	19	211,672,728	421,690,544
Running finance		(149,347,843)	-
		<u>62,324,885</u>	<u>421,690,544</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

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Lahore


Director


Director

BF Biosciences Limited
Statement of Changes in Equity
As at 30 June 2022

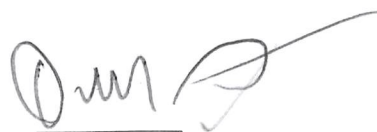
	Share capital	Capital reserve	Revenue reserve	Total
		Equity portion of convertible loan	Unappropriated profit	
	-----Rupees-----			
Balance as at 01 July 2020	190,000,000	-	592,373,263	782,373,263
Total comprehensive income for the year	-	-	607,991,966	607,991,966
Equity reserve pertaining to convertible loan obtained during the period - <i>net of tax</i>	-	76,272,590	-	76,272,590
Balance as at 30 June 2021 - as reported	190,000,000	76,272,590	1,200,365,229	1,466,637,820
Adjustment of IFRS 9 - net of tax -	-	-	(4,894,646)	(4,894,646)
Adjusted balance as at 01 July 2021	190,000,000	76,272,590	1,195,470,583	1,461,743,174
Total comprehensive income for the year	-	-	306,977,758	306,977,758
Equity reserve pertaining to convertible loan obtained during the period - <i>net of tax</i>	-	56,431,787	-	56,431,787
Balance as at 30 June 2022	190,000,000	132,704,377	1,502,448,341	1,825,152,719

Note

The annexed notes from 1 to 39 form an integral part of these financial statements.

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Lahore


Director


Director

BF Biosciences Limited

Notes to the Financial Statements

For the year ended 30 June 2022

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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

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

In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 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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2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments and estimates 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.

2.4.1 Property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. Any change in 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 rates of depreciation are specified in note 12.

2.4.2 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.

2.4.3 Stores, spare parts and loose tools

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

2.4.4 Stock in trade

Inventories are stated at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

The Company reviews the carrying amount of stock in trade on a regular basis and as appropriate, inventory is written down to its net realizable value

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2.4.5 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 using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

Impairment on financial assets other than trade debts has been measured on 12 - months expected loss basis and reflects the short maturities of the exposure.

2.4.6 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4.7 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.

2.4.8 Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

2.4.9 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.

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3 Significant accounting policies

The accounting policies set out below have been consistently applied to all to all periods presented in these financial statements.

3.1 Change in accounting policy - IFRS 9

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 985 (I)/2019 dated 02 September 2019 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. This exemption was waived off from 1 July 2021. Accordingly the Company has applied the ECL model on financial assets due from the Government for the first time from 01 July 2021 using the modified retrospective approach.

3.1.1 *Impact of change in measurement of financial assets due to adoption of IFRS 9 for trade debts due from Government*

Under the modified retrospective approach, comparative information is not restated and the cumulative effect of applying IFRS 9 is recognized in retained earnings (accumulated profit) at the date of initial application, as described below.

Description	Note	Balance as at	Adjustment of	Adjusted balance
		30 June 2021 (As Reported)		
Trade debts - Government	15.1	3,578,665	(442,441)	3,136,224
Earnest Money - Government	17.2	21,171,126	(6,173,271)	14,997,855
Deferred Tax Liability	8	15,992,223	(1,721,066)	14,271,157
Accumulated Profit - net of tax	SOCE	1,200,365,229	(4,894,646)	1,195,470,583

3.1.2 *Impairment*

The adoption of IFRS 9 for financial assets due from the Government has changed the Company's impairment model by replacing the IAS 39 'incurred loss model' with a forward looking 'expected credit loss' (ECL) model when assessing the impairment of financial assets. The detailed policy with regards to the impairment of financial assets is described note 3.18

Impact of ECL

The Company has applied IFRS 9 in respect of trade receivable due from the Government using the modified retrospective approach as described in note 3.1.1.

1/1/2021

3.2 Deferred grant

The Company recognizes the benefit of a government loan at a below-market rate of interest as a Government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received and is presented as deferred grant. The recognition of government grants in profit or loss is 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.

3.3 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.

3.4 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.

3.5 Property, plant and equipment

3.5.1 Operating assets

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 12 to these financial statements. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired.

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

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3.5.2 Capital work in progress

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

3.6 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at weighted average cost except for items in transit 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.

3.7 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	- 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, labor 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.

3.8 Trade debts

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery.

3.9 Cash and cash equivalents

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

3.10 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.

6/2/2021

3.11 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.

3.12 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.

3.13 Dividend distribution

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

3.14 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.

3.14.1 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.

3.14.2 Deferred taxation

Deferred tax is recognized using the statement of financial position liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

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Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is charged or credited in the statement of profit or loss account, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in unconsolidated other comprehensive income or equity.

3.15 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:

3.15.1 Staff provident fund (Retirement benefit)

The Company operates a defined contributory approved Provident Fund Trust for all its employees. Equal monthly contributions are made both by the Company and employees at the rate of 10% of the basic salary to the Provident Fund Trust. Obligation for contributions to defined contribution plan is expensed as the related service is provided.

3.15.2 Compensated absences

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

3.16 Financial instruments

3.16.1 Recognition and initial measurement

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

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

3.16.2 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.

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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.

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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 classifies its investments in mutual funds as at FVTPL.

Financial assets – Business model assessment:

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

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

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

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in 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.

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

Long term loans 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.

Financial liability which carry a share conversion option represents convertible loans that can be converted into ordinary shares or can be settled in cash, are treated as compound financial instrument. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially directly in equity and represents at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

3.16.3 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.

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3.17 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.

3.18 Impairment

Financial assets

The Company recognizes loss allowances for ECLs on:

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

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

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

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

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

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

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

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

Non-financial assets

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

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in 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.

3.19 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.

3.20 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.

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4 Standards, amendments and interpretations and forth coming requirements

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 1 July 2020 and are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these unconsolidated financial statements.

4.2 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 1 July 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 clarifies that the 'cost of fulfilling a contract' for the purposes of the onerous contract assessment comprises the costs that relate directly to the contract, including both the incremental costs and an allocation of other direct costs to fulfil the contract. 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.

The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- 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. This amendment enables the fair value measurement of biological assets on a post-tax basis.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs 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.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.

Classification of liabilities as current or non-current (Amendments to IAS 1) apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified 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's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures.
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

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- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

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- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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.

	2022	2021
	Rupees	Rupees
5 Issued, subscribed and paid up capital		
19,000,000 (2021: 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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6 Long term loan - secured

Facilities	Note	Sanctioned Limit	2022 Rupees	2021 Rupees	Remaining tenor of principal repayments	Security
MCB Bank Limited - TERF	6.1	850,000,000	531,495,000	232,159,000	32 equal quarterly installments starting from June, 2023.	First joint pari passu charge over all present and future fixed assets and current assets of Company 1,134 million (2021: 1,134 million) with security margins of 25% (2021: 25%). (to be upgraded to first joint pari passu charge). Alongside, cross corporate guarantee of Ferozsons Laboratories Ltd.
Habib Bank Ltd. - TERF	6.1	1,240,000,000	768,153,000	434,400,000	16 equal semi-annual installments starting from September, 2023.	First pari passu charge of PKR 1,240 million (2021: PKR 1,240 million) on fixed assets including land, building, plant & machinery (of Unit II) of BF Biosciences Ltd. 25% margin i.e. PKR 457 Million (PKR 457 million) is covered by first pari passu charge on plant & machinery of Ferozsons Laboratories Ltd. Alongside, Cross-corporate guarantee of Ferozsons Laboratories Ltd.
HBL Bank Limited - SBP refinance for Wages and Salaries	6.2	35,000,000	8,196,119	25,696,119	8 equal quarterly installments starting from January, 2021.	Lien on the Company's investments in mutual funds placed with HBL Asset Management Company on 40% (2021: 40%) of total facility amount with margin of 5% (2021: 5%), as 60% of the facility amount will be secured under SBP Risk Sharing Scheme.
Karandaaz Pakistan - Convertible loan	6.3	835,000,000	835,000,000	500,000,000	20 equal quarterly installments starting from June, 2023.	First Pari Passu charge over all present and future current and fixed assets of Company for the total amount of the facility with 10% (2021: 10%) margin i.e. Rs. 928 million (2021: PKR 928 million). Alongside, Cross-corporate guarantee of Ferozsons Laboratories Ltd.
Total			2,142,844,119	1,192,255,119		
Less:						
Impact of deferred grant	7		(443,217,303)	(207,600,064)		
Adjustment of loan as equity component	6.3		(177,896,871)	(106,426,139)		
			(621,114,174)	(314,026,203)		
Add:						
Unwinding of loan			72,986,845	11,151,708		
			1,594,716,790	889,380,625		
Current portion of long term loans			(57,647,367)	(16,320,054)		
Long term portion of loans			1,537,069,424	873,060,571		

- 6.1 TERF loan facilities obtained from MCB Bank Limited and Habib Bank Limited will be utilized by the Company for the purpose of installing a second production line in its existing facility which will be used to manufacture the biological and non-biological medicines. These loans are recognized at fair value using the market interest rate of 3 month KIBOR plus 1.50% (2021: 3 month KIBOR plus 1.5%) and the difference between fair values and net disbursement amounts is recognized as deferred grant.
- 6.2 Term finance facility under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan in order to prevent entities from laying-off employees during COVID-19 outbreak. The Company obtained Rs. 35 million for paying salaries for the months of May to September, 2020. The loan has been measured at its fair value in accordance with IFRS 9 (Financial Instruments) using market interest rates of 1 month KIBOR plus 1% and 3 month KIBOR plus 1.50% (2021: 1 month KIBOR plus 1% and 3 month KIBOR plus 1.5%). The difference between fair value of loan and loan proceeds has been recognized 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.
- 6.3 Loan facility obtained from Karandaaz Pakistan will be utilized by the company to expand its production capacity by installing a second line of production in its existing facility. Furthermore this includes conversion option (equivalent to 50% of the outstanding principal amount) subject to the fact that all the conditions decided between the parties have been met/ fulfilled/ satisfied or waived. The loan is recognized at fair value using the market interest rate of 3 month KIBOR plus 1.50% (2021: 3 month KIBOR plus 1.5%) and the difference between fair value and disbursement amount is recognized as equity component.
- 6.4 These loans carry mark-up at the rates ranging from 1.93% to 3% (2021: 1.93% to 3%).

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7	Deferred grant	Note	2022	2021
			Rupees	Rupees
	Balance as at 01 July		201,722,854	553,880
	Recognized during the year	6	246,768,947	207,600,064
	Amortization during the year		(40,751,692)	(6,431,090)
	Balance as at 30 June		407,740,109	201,722,854
	Current portion		(76,405,325)	(29,052,049)
	Non - current portion		331,334,784	172,670,805

8 Deferred taxation

Deferred tax liability on taxable temporary differences arising in respect of:

-Unrealized gain on re-measurement of short term investments - net	476,992	487,837
-Equity portion of convertible loan	36,800,100	28,969,615
	37,277,092	29,457,452

Deferred tax asset on deductible temporary differences arising in respect of:

-Accelerated tax depreciation	(4,527,473)	(11,966,706)
-Provision for slow moving stocks	(432,381)	(185,175)
-Provision for compensated absences	(2,557,076)	(1,313,348)
-Provision for Expected Credit Loss	(3,210,141)	-
	(10,727,071)	(13,465,229)
	26,550,021	15,992,223

Movement in deferred tax balances is as follows:

	2022			Balance as on 30 June
	Balance as on 01 July	(Credited) / Charged to statement of profit or loss	Equity reserve	
<u>Taxable temporary difference:</u>				
----- Rupees -----				
Unrealized gain on re-measurement of short term investments - net	487,837	(10,845)	-	476,992
-Equity portion of convertible loan	28,969,615	(7,208,460)	15,038,945	36,800,100
<u>Deductible Temporary difference:</u>				
-Accelerated tax depreciation	(11,966,706)	7,439,233	-	(4,527,473)
-Provision for slow moving stocks	(185,175)	(247,206)	-	(432,381)
-Provision for compensated absences	(1,313,348)	(1,243,728)	-	(2,557,076)
-Provision for Expected Credit Loss	-	(1,489,075)	(1,721,066)	(3,210,141)
	15,992,223	(2,760,081)	13,317,879	26,550,021

	2021			Balance as on 30 June
	Balance as on 01 July	(Credited) / Charged to statement of profit or loss	Equity reserve	
<u>Taxable temporary difference:</u>				
----- Rupees -----				
Unrealized gain on re-measurement of short term investments - net	390,587	97,250	-	487,837
-Equity portion of convertible loan	-	(1,183,934)	30,153,549	28,969,615
<u>Deductible Temporary difference:</u>				
-Accelerated tax depreciation	(13,514,820)	1,548,114	-	(11,966,706)
-Provision for slow moving stocks	(435,950)	250,775	-	(185,175)
-Provision for compensated absences	-	(1,313,348)	-	(1,313,348)
	(13,560,183)	(601,143)	30,153,549	15,992,223

WDM/UT/1

9	Trade and other payables	Note	2022 Rupees	2021 Rupees
	Trade creditors		146,859,419	158,937,684
	Due to related parties - unsecured	9.1	62,015,348	38,034,357
	Workers' Profit Participation Fund	9.2	18,387,252	34,085,279
	Central Research Fund	9.3	3,714,596	6,883,422
	Workers Welfare Fund	9.4	597,554	1,778,484
	Advances from employees against purchase of vehicles		3,539,999	2,918,316
	Provision for compensated absences		9,829,301	4,635,427
	Tax deducted at source		3,897,697	2,554,793
	Accrued liabilities		106,952,467	81,555,776
	Other payables		38,488,675	70,354,320
			<u>394,282,308</u>	<u>401,737,857</u>
9.1	Due to related parties - unsecured			
	<i>Name of related parties:</i>			
	Grupo Empresarial Bagó S.A	24.2	29,336,314	26,702,172
	Bago Laboratories Pte Ltd		32,679,034	11,332,185
	Farmacia		-	-
			<u>62,015,348</u>	<u>38,034,357</u>
9.2	Workers' Profit Participation Fund			
	Balance on 1 July		34,085,279	3,219,120
	Interest on funds utilized by the Company	27	1,216,486	-
	Provision for the year	25	18,387,252	34,072,939
	Payments during the year		(35,301,765)	(3,206,780)
	Closing balance as on 30 June		<u>18,387,252</u>	<u>34,085,279</u>
9.3	Central Research Fund			
	Balance as at 01 July		6,883,422	650,327
	Provision for the year	25	3,714,596	6,883,422
	Payments made during the year		(6,883,422)	(650,327)
	Balance as at June 30		<u>3,714,596</u>	<u>6,883,422</u>
9.4	Workers' Welfare Fund			
	Balance as at 01 July		1,778,484	1,223,266
	Provision for the year	25	597,554	1,778,484
	Adjusted during the year		(1,778,484)	(1,223,266)
	Balance as at June 30		<u>597,554</u>	<u>1,778,484</u>

10 Contract liabilities

This represents advance received from customers for future sale of goods. During the year, the Company has recognized revenue amounting to Rs. 7 million, out of the contract liability as at 01 July 2021.

WPM/UM

11 Contingencies and commitments

11.1 Contingencies:

- 11.1.1 On 15 June 2020, the ACIR issued a show-cause notice to the Company u/s 122(9) of the Income Tax Ordinance, 2001 for the tax year 2014. The proceedings were concluded on 29 June 2020, and an order was issued amounting to Rs. 35,992,726 on various contentions which mainly includes promotional expenses, amortization and finance costs.

The Company had filed an appeal against this demand before Commissioner Appeals who deleted the existing demand and remanded back some matters to the learned officer for re-assessment. The Income Tax Department has filed an appeal against this order before the Appellate Tribunal Inland Revenue, which is currently pending. Management is confident that the eventual outcome of the matter will be decided in favor of the Company.

- 11.1.2 In February 2017, the ACIR issued a show-cause notice to the Company u/s 122(9) of the Income Tax Ordinance, 2001 for the tax year 2015. The proceedings were concluded on 06 October 2020, and an order was issued amounting to Rs. 77,075,217 on various contentions. Which mainly includes expenses apportionment, promotional expenses, amortization and excess depreciation.

The Company had filed an appeal against this demand before Commissioner Appeals which is currently pending. Management is confident that the eventual outcome of the matter will be decided in favor of the Company.

11.2 Commitments:

11.2.1 Letter of credits

11.2.1.1 Under Mark-up arrangements

Out of aggregate facility of Rs. 2,840 million (2021: Rs. 2,640 million) for letter of credits, amount utilized at 30 June 2022 was Rs. 1,069.7 million (2021: Rs. 1,419.10). Utilized facility includes commitment of capital nature of Rs. 992.77 million (2021: 1,384.55). These facilities are secured by first pari passu charge (2021: first pari passu charge) over all present and future fixed and current assets of the Company.

11.2.1.2 Under Shariah compliant arrangements

The Company has facility i.e. letters of credit of Rs. 150 million (2021: Rs. 100 million) available from Islamic banks. The amount utilized as at 30 June 2022 was Rs. 1.536 million (2021: Rs. 15.805 million). Lien is also marked over import documents. These facilities are secured by first pari passu charge over all present and future fixed and current assets (excluding land, building and plant and machinery of line-II) of the Company.

11.2.1 Guarantees issued by banks on behalf of the Company

11.2.1.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 75 million (2021: Rs. 75 million) for letter of guarantees (which is the sublimit of running finance and letter of credits), the amount utilized as at 30 June 2022 was Rs. 9.38 million (2021: Rs. 8.74 million).

11.2.1.2 Under Shariah compliant arrangements

The Company has facility i.e. letter of guarantee of Rs. 50 million (2021: Rs. 50 million) available from Islamic banks, the amount utilized at 30 June 2022 was Rs. NIL million (2021: Rs. NIL).

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12 Property, plant and equipment

	Note	2022 Rupees	2021 Rupees
Operating assets	12.1	185,749,806	125,220,226
Capital work in progress	12.2	1,949,279,704	909,063,077
		<u>2,135,029,510</u>	<u>1,034,283,303</u>

		2022							
		Freehold land	Building on freehold land	Plant and machinery	Office equipment	Furniture and fittings	Computers	Vehicles	Total
12.1	Operating assets	----- Rupees -----							
	<u>Owned</u>								
	30 June 2022								
	Cost								
	Balance as at 01 July 2021	25,360,500	212,482,967	542,018,964	10,903,118	7,034,440	6,687,510	33,399,481	837,886,980
	Additions / transfers	-	-	73,796,761	351,270	322,207	6,722,274	8,749,620	89,942,132
	Disposals	-	-	-	-	-	(215,922)	(9,684,633)	(9,900,555)
	Balance as at 30 June 2022	<u>25,360,500</u>	<u>212,482,967</u>	<u>615,815,725</u>	<u>11,254,388</u>	<u>7,356,647</u>	<u>13,193,862</u>	<u>32,464,468</u>	<u>917,928,557</u>
	Depreciation								
	Balance as at 01 July 2021	-	207,797,740	466,765,305	7,434,066	5,690,629	5,328,850	19,650,164	712,666,754
	Charge for the year	-	1,036,932	19,340,445	633,014	334,673	1,474,915	5,505,039	28,325,018
	On disposals	-	-	-	-	-	(215,922)	(8,597,098)	(8,813,020)
	Balance as at 30 June 2022	<u>-</u>	<u>208,834,672</u>	<u>486,105,750</u>	<u>8,067,080</u>	<u>6,025,302</u>	<u>6,587,842</u>	<u>16,558,105</u>	<u>732,178,752</u>
	Net book value as at 30 June 2022	<u>25,360,500</u>	<u>3,648,295</u>	<u>129,709,975</u>	<u>3,187,308</u>	<u>1,331,345</u>	<u>6,606,020</u>	<u>15,906,363</u>	<u>185,749,806</u>
	Depreciation rate %	<u>-</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>33</u>	<u>20</u>	

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	2021							
	Freehold land	Building on freehold land	Plant and machinery	Office equipment	Furniture and fittings	Computers	Vehicles	Total
	----- Rupees -----							
<i>Owned</i>								
<u>30 June 2021</u>								
Cost								
Balance as at 01 July 2020	25,360,500	212,482,967	506,923,508	8,569,068	6,614,892	5,323,386	30,246,479	795,520,800
Additions / transfers	-	-	35,095,456	2,334,050	419,548	1,443,099	9,241,025	48,533,178
Disposals	-	-	-	-	-	(78,975)	(6,088,023)	(6,166,998)
Balance as at 30 June 2021	<u>25,360,500</u>	<u>212,482,967</u>	<u>542,018,964</u>	<u>10,903,118</u>	<u>7,034,440</u>	<u>6,687,510</u>	<u>33,399,481</u>	<u>837,886,980</u>
Depreciation								
Balance as at 01 July 2020	-	206,137,998	451,199,775	6,832,692	5,333,572	4,808,544	20,289,529	694,602,110
Charge for the year	-	1,659,742	15,565,530	601,374	357,057	599,281	4,651,766	23,434,750
On disposals	-	-	-	-	-	(78,975)	(5,291,131)	(5,370,106)
Balance as at 30 June 2021	<u>-</u>	<u>207,797,740</u>	<u>466,765,305</u>	<u>7,434,066</u>	<u>5,690,629</u>	<u>5,328,850</u>	<u>19,650,164</u>	<u>712,666,754</u>
Net book value as at 30 June 2021	<u>25,360,500</u>	<u>4,685,227</u>	<u>75,253,659</u>	<u>3,469,052</u>	<u>1,343,811</u>	<u>1,358,660</u>	<u>13,749,317</u>	<u>125,220,226</u>
Depreciation rate %	<u>-</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>33</u>	<u>20</u>	

12.2 These include fully depreciated assets amounting to Rs. 625.2 million (2021: Rs. 612.5 million)

12.3 Building and biotech plant is located at freehold land measuring 16 kanal and 10 marla located at 5 Km Sunder Raiwind road Lahore.

12.4 Additions in operating fixed assets include transfers from capital work-in-progress amounting to Rs. 73.80 million (2021: Rs. 35.10 million).

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

	Note	2022 Rupees	2021 Rupees
Cost of sales	22	26,154,342	21,853,658
Administrative expenses	23	1,001,200	122,943
Selling and distribution cost	24	1,169,476	1,458,149
		<u>28,325,018</u>	<u>23,434,750</u>

12.1.5 Disposal of property, plant and equipment

Particulars	Cost	Net book value	Sale proceeds	Gain on disposal	Mode of disposal	Relationship with the Company	Particulars of purchaser
-----Rupees-----							
<u>Vehicles</u>							
Motor Cycle 70 CC	49,000	-	12,000	12,000	Negotiation	Others	Mr. Manzoor Hussain Bhutto
Suzuki Cultus	1,019,000	-	415,838	415,838	Company Policy	Employee	Mr. AsadUllah Khan
Suzuki Mehran	703,134	-	379,000	379,000	Company Policy	Employee	Mr. Muhammad Nasir
Honda Civic	2,560,210	-	725,394	725,394	Company Policy	Employee	Mr. Muhammad Ajmal Nasir
Motor Cycle 70 CC	50,990	-	16,000	16,000	Company Policy	Employee	Mr. Rehman Ali
Motor Cycle 70 CC	66,885	15,605	34,406	18,801	Company Policy	Employee	Mr. Muhammad Farrukh Fida
Suzuki Mehran	751,295	137,738	383,160	245,422	Company Policy	Employee	Mr. Muhammad Waseem
Toyota Corolla	2,242,061	448,409	1,129,440	681,031	Company Policy	Employee	Mr. Muhammad Tahir Iqbal
Toyota Corolla	2,242,060	485,780	1,151,160	665,380	Company Policy	Employee	Mr. Shams ul Arifeen
	9,684,635	1,087,532	4,246,398	3,158,866			
<u>Computers</u>							
Dell N5010 i3-390	50,900	-	5,000	5,000	Company Policy	Employee	Mr. Saeed Ahmad
HP Probook 450G4	73,222	-	10,000	10,000	Company Policy	Employee	Mr. Muhammad Adnan Khan
Lenovo V330 Ci-7	91,800	-	24,000	24,000	Company Policy	Employee	Mr. Ateeq ur Rehman
	215,922	-	39,000	39,000			
30 June 2022	9,900,557	1,087,532	4,285,398	3,197,866			
30 June 2021	6,166,998	796,892	2,866,432	2,069,540			

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		2022	2021
	Note	Rupees	Rupees
12.2 Capital work-in-progress			
<i>The movement in capital work in progress is as follows:</i>			
Balance as at 01 July		909,063,077	16,531,314
Additions during the year		1,114,013,388	927,627,219
Transfers during the year		(73,796,761)	(35,095,456)
Balance at 30 June		<u>1,949,279,704</u>	<u>909,063,077</u>
11.2.1 Capital work-in-progress comprises of:			
Building, civil works & others		443,420,606	143,120,384
Plant and machinery		973,226,936	103,821,428
Advances to suppliers	11.2.2	532,632,162	662,121,265
		<u>1,949,279,704</u>	<u>909,063,077</u>
11.2.2	These are interest free and are provided in the normal course of business.		
11.2.3	Capital work in progress represents expenditure incurred by the company in order to expand its' production capacity by installing a second production line in the existing facility.		
13 Stores, spare parts and loose tools	Note	2022 Rupees	2021 Rupees
Stores		21,615,920	13,192,074
Spare parts		25,820,916	15,425,503
Loose tools		18,123,577	12,022,099
Stores in transit		8,148,226	1,344,503
		<u>73,708,639</u>	<u>41,984,179</u>
14 Stock in trade			
Raw and packing materials		131,854,674	149,818,963
Work in process		31,757,437	53,480,884
Finished goods		91,644,324	59,100,142
Stock in transit	14.3	79,246,272	52,426,964
		<u>334,502,707</u>	<u>314,826,953</u>
Less: provision for slow moving stock in trade - raw and packing materials	14.1	<u>(1,662,057)</u>	<u>(653,570)</u>
		<u>332,840,650</u>	<u>314,173,383</u>
14.1 Movement in Provision for slow moving stock in trade			
Balance as at 01 July		653,570	1,503,275
Provided during the year		1,008,487	(849,705)
Balance as at 30 June		<u>1,662,057</u>	<u>653,570</u>
14.2	The amount charged to statement of profit or loss on account of write down of raw material, work in process and finished goods to net realizable value amounts to Rs. 18.74 million (2021: 0.79 million), Rs. 6.44 million (2021: Nil) and Rs. 15.12 million (2021: Rs. 0.64), respectively.		
14.3	It includes raw and packing material in transit amounting to Rs. 78.18 million (2021: Rs. 52.43 million).		
15 Trade debts	Note	2022 Rupees	2021 Rupees
<i>Export debtors</i>			
Considered good - secured		4,291,980	149,072,951
<i>Local debtors</i>			
Considered good - unsecured		52,690,002	53,416,913
Less: Provision for expected credit loss	15.1	(4,273,529)	-
		<u>48,416,473</u>	<u>53,416,913</u>
		<u>52,708,453</u>	<u>202,489,864</u>

WORLDWIDE

15.1	The movement in provision for expected credit loss is as follows:	Note	2022 Rupees	2021 Rupees
	Balance as at 01 July		-	-
	Effect of IFRS 9	3.1	442,441	-
	Charge of Expected credit loss during the year		3,831,088	-
	Balance as at 30 June		<u>4,273,529</u>	<u>-</u>
16	Loans and advances			
	<i>Advances - secured, considered good</i>			
	Advances to employees	16.1	1,078,887	604,645
	<i>Advances - unsecured, considered good</i>			
	Advances to suppliers	16.2	14,143,420	17,835,545
	Others		-	9,078,035
			<u>15,222,307</u>	<u>27,518,225</u>
16.1	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.			
16.2	These are interest free in the ordinary course of business.			
17	Deposits, prepayments and other receivables	Note	2022 Rupees	2021 Rupees
	Earnest money	17.1	22,008,145	21,171,126
	Less: Impairment loss allowance	17.2	(8,066,128)	-
			13,942,017	21,171,126
	Margins against letter of credit		9,186,524	6,106,049
	Sales tax refundable	17.3	175,416,655	-
			<u>198,545,196</u>	<u>27,277,175</u>
17.1	These are interest free and given in the ordinary course of business for acquiring government tenders.			
17.2	The movement in provision for expected credit loss is as follows:			
17.3	This represents sales tax (input) levied on purchases due to change in pharma industry's tax status i.e from 'Exempt' to 'Zero-rated' during the year.			
		Note	2022 Rupees	2021 Rupees
	Balance as at 01 July		-	-
	Effect of IFRS 9	3.1	6,173,271	-
	Charge of Expected credit loss during the year		1,892,857	-
	Balance as at 30 June		<u>8,066,128</u>	<u>-</u>
18	Short term investments			
	Investments at fair value through profit or loss - Mutual Funds	18.1	1,299,583,607	821,541,126
			<u>1,299,583,607</u>	<u>821,541,126</u>
18.1	These investments are measured at 'fair value through profit or loss'			
	Carrying value as at 01 July		821,541,126	381,762,229
	Acquisition / (redemption) - net		476,107,780	438,275,484
	Realized gain / (loss) on sale of investments		90,334	1,114,414
	Unrealized gain on re-measurement of investment during the year	18.1.1	1,844,367	388,999
	Carrying / fair value of investments at 30 June	18.1.2	<u>1,299,583,607</u>	<u>821,541,126</u>
18.1.1	Realized gain of Rs. 0.09 million (2021: gain amounting to Rs. 1.11 million) on sale of mutual funds and dividend of Rs. 130.71 million (2021: Rs. 34.44 million) has been recorded in "other income". These investments and related gain is from non shariah compliant arrangement.			

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18.1.2 Mutual fund wise detail is as follows:

	Units		Fair value	
	2022	2021	2022	2021
	-----Number-----		-----Rupees-----	
ABL Cash Fund	32,026,317	19,529,031	326,716,480	198,825,080
HBL Money Market Fund	340,503	313,747	34,999,214	32,190,101
HBL Cash Fund	9,257,133	5,835,150	937,867,913	590,525,945
	<u>41,623,953</u>	<u>25,677,928</u>	<u>1,299,583,607</u>	<u>821,541,126</u>

	Note	2022 Rupees	2021 Rupees
19 Cash and bank balances			
<u>Cash in hand</u>		3,186,127	3,639,122
<u>Cash at banks</u>			
<i>Current accounts:</i>			
- Foreign currency		162,097,962	58,989,738
- Local currency	19.1	31,243,288	29,217,658
		193,341,250	88,207,396
- Deposit accounts - local currency	19.2	15,145,351	329,844,026
		<u>211,672,728</u>	<u>421,690,544</u>

19.1 These bank accounts have been maintained under non shariah compliant arrangement.

19.2 These carry interest at the rates ranging from 5.50% to 12.26% (2021: 5.51% to 5.59%) per annum.

	Note	2022 Rupees	2021 Rupees
20 Short term borrowings - secured			
<i>Under interest / markup arrangements:</i>			
Short term running finance - secured		149,347,843	-
Interest / Markup based financing	20.1	7,295,930	-
Islamic mode of financing	20.2	142,051,913	-
		<u>149,347,843</u>	<u>-</u>

20.1 Interest/ Mark up based financing under non sharia arrangements

The Company has short term borrowing facilities available from various commercial banks under mark-up arrangements having aggregate sanctioned limit of Rs. 635 million (2021: Rs. 635 million). These facilities carry mark-up at the rates ranging from three months KIBOR plus 0% to 0.75% per annum (2021: one to three months KIBOR plus 0.1% to 1%). The aggregate short term borrowings are secured by first pari passu charge of Rs. 421 million over present and future assets of the Company whereas Rs. 350 million is secured by lien on Company's investment in mutual funds placed with Asset Management Companies with margin of 5%. These facilities are renewable latest by 31 January 2023.

20.2 Interest/ Mark up based financing under sharia arrangements

The Company has short term borrowing facilities i.e. Running Musharakah available from Islamic bank under profit arrangements having aggregate sanctioned limit of Rs. 150 million (2021: 100). These facilities carry mark-up at the rates of one month KIBOR plus 0.25% per annum (2021: one month KIBOR plus 0.25%) on the outstanding balance. This facility can interchangeably be utilized as non-funded. The aggregate short term borrowings are secured by first pari passu charge of Rs. 200 million over current and future assets of the Company. This facilities are renewable latest by 30 November 2022.

20.3 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.

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21	Revenue - net	Note	2022 Rupees	2021 Rupees
	Gross sales:			
	Local		1,184,917,404	972,525,476
	Export		495,944,050	910,800,162
		21.1	<u>1,680,861,454</u>	<u>1,883,325,638</u>
	Less:			
	Sales returns		(5,971,571)	(5,281,893)
	Discounts		(154,187,269)	(123,245,599)
			<u>(160,158,840)</u>	<u>(128,527,492)</u>
	Revenue from contracts with customers		<u>1,520,702,614</u>	<u>1,754,798,146</u>
	Disaggregation of Revenue (Net sales)			
	21.1 Primary Geographical Markets (Net Sales)			
	Pakistan		1,049,785,984	851,904,347
	Indonesia		212,111,985	539,584,772
	Philippines		22,127,000	129,089,468
	Ukraine		-	109,655,348
	Belarus		109,094,401	31,896,881
	Singapore		-	20,889,540
	Nepal		60,319,696	13,161,151
	Dominican Republic		-	11,837,000
	Sri Lanka		20,484,000	-
	Australia		1,536,300	-
	Others		45,243,248	46,779,639
			<u>1,520,702,614</u>	<u>1,754,798,146</u>
	22 Cost of goods sold			
	Raw and packing materials consumed	22.1	420,285,646	459,224,241
	Fuel and power		117,103,114	92,617,084
	Depreciation on property, plant and equipment	12.1.4	26,154,342	21,853,658
	Salaries, wages and other benefits	22.2	141,127,431	134,827,045
	Stores and spares consumed		22,073,971	19,674,598
	Laboratory and other expenses		31,497,110	43,215,283
	Insurance		7,250,863	5,590,523
	Repairs and maintenance		7,482,577	9,892,465
	Traveling and conveyance		7,882,685	4,040,593
	Transportation		2,947,449	3,384,444
	Canteen expenses		7,211,139	5,397,330
	Freight and forwarding		14,712,629	10,770,967
	Postage and telephone		842,031	1,083,183
			<u>806,570,987</u>	<u>811,571,414</u>
	Work in process:			
	At beginning of the year		53,480,884	60,935,804
	At end of the year		(31,757,437)	(53,480,884)
			<u>21,723,447</u>	<u>7,454,920</u>
	Cost of goods manufactured		<u>828,294,434</u>	<u>819,026,334</u>
	Finished goods:			
	At beginning of the year		59,100,142	38,153,607
	Add: purchases made during the year		267,179,284	160,251,234
	At end of the year		(91,644,324)	(59,100,142)
			<u>234,635,102</u>	<u>139,304,699</u>
			<u>1,062,929,536</u>	<u>958,331,033</u>

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	Note	2022 Rupees	2021 Rupees
22.1 Raw and packing materials consumed			
At beginning of the year		149,165,393	92,248,858
Add: purchases made during the year		401,312,870	516,140,776
		<u>550,478,263</u>	<u>608,389,634</u>
Less: At end of the year	22.3	(130,192,617)	(149,165,393)
		<u>420,285,646</u>	<u>459,224,241</u>

22.2 Salaries, wages and other benefits include Rs. 4.28 million (2021: Rs. 3.85 million) charged on account of defined contribution plan.

22.3 This includes provision for slow moving stocks of Rs. 1.66 million (2021: Rs. 0.65 million).

	Note	2022 Rupees	2021 Rupees
23 Administrative expenses			
Salaries and other benefits	23.1	32,929,751	33,138,254
Depreciation on property, plant and equipment	12.1.4	1,001,200	122,943
Traveling, conveyance and transportation		733,637	42,233
Printing and stationary		126,887	158,962
Donation	23.2	400,000	202,500
Auditors' remuneration	23.3	800,000	457,125
Rent, rates and taxes		127,719	132,488
Insurance		269,448	164,844
Postage and telephone		107,504	209,467
Repairs and maintenance		123,702	76,883
Subscriptions		264,778	596,565
Legal and professional charges		5,099,971	5,078,526
Fuel and Power		2,000	-
Others		118,846	229,239
		<u>42,105,443</u>	<u>40,610,029</u>

23.1 Salaries and other benefits include Rs. 1.50 million (2021: Rs. 1.39 million) charged on account of defined contribution plan.

23.2 Donation was given to LUMS and one of Non-Executive Directors is also a trustee in LUMS.

	2022 Rupees	2021 Rupees
23.3 Auditor's remuneration		
Annual	604,000	315,000
Half Year	115,000	112,125
Out of pocket	81,000	30,000
	<u>800,000</u>	<u>457,125</u>

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24	Selling and distribution expenses	Note	2022 Rupees	2021 Rupees
	Salaries and other benefits	24.1	53,226,563	55,277,071
	Conferences, seminars and training		22,707,779	748,586
	Sales promotion		17,150,341	15,925,054
	Service charges		31,154,720	24,334,944
	Traveling and conveyance		8,093,505	2,876,797
	Depreciation on property, plant and equipment	12.1.4	1,169,476	1,458,149
	Royalty, subscriptions and fees	24.2	5,229,909	6,656,047
	Rent, rates and taxes		433,585	432,873
	Insurance		1,179,379	1,749,498
	Postage and telephone		1,878,074	758,970
	Repairs and maintenance		1,975,969	570,818
	Printing and stationary		236,190	89,246
	Others		579,681	1,065,046
			<u>145,015,171</u>	<u>111,943,099</u>

24.1 Salaries and other benefits include Rs. 1.04 million (2021: Rs. 0.57 million) charged on account of defined contribution plan.

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

25	Other expenses	Note	2022 Rupees	2021 Rupees
	Central Research Fund		3,714,596	6,883,422
	Workers Profit Participation Fund		18,387,252	34,072,939
	Workers Welfare Fund		597,554	1,778,484
	Loss allowance against trade debts		5,723,945	-
			<u>28,423,347</u>	<u>42,734,845</u>

26 Other income

Income from financial assets

	Profit on bank deposits	26.1	8,333,136	2,556,857
	Unrealised gain on re-measurement of short term investments to fair value	18.1	1,844,367	388,999
	Dividend income	18.1.1	130,715,028	34,441,759
	Realized gain on sale of short term investments		90,334	1,114,414
			<u>140,982,865</u>	<u>38,502,029</u>

Income from non-financial assets

	Export rebates		4,702,694	9,030,924
	Gain on sale of property, plant and equipment	12.1.5	3,197,866	2,069,540
	Exchange gain	26.2	23,266,260	20,095,596
			<u>31,166,820</u>	<u>31,196,060</u>
			<u>172,149,685</u>	<u>69,698,089</u>

26.1 These include profit of Rs. 1,449 (2021: Nil) earned on deposits maintained under Shariah compliant arrangements.

26.2 The exchange gain was incurred due to actual currency fluctuation.

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27	Finance cost	Note	2022 Rupees	2021 Rupees
	Profit / interest / mark up on:			
	- short term borrowings	27.1	2,463,316	5,088,028
	- long term loan	27.1	43,372,314	7,176,367
	- Unwinding effect of convertible loan		4,596,486	4,178,663
	- Interest on WPPF		1,216,486	-
	-corporate guarantee expense	27.2	7,020,000	3,510,000
			58,668,602	19,953,058
	Bank charges		6,949,966	5,316,806
			65,618,568	25,269,864

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

27.2 This represents interest on corporate guarantee, given to the bank by the Parent Company on behalf of the Company, as per the legal requirements.

28	Taxation	2022 Rupees	2021 Rupees
	<i>Current</i>		
	- For the year	44,542,557	38,705,888
	- For prior years	-	(489,346)
		44,542,557	38,216,542
	<i>Deferred</i>		
	- For the year	(2,760,081)	(601,143)
		41,782,476	37,615,399

28.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting loss:

Profit before taxation	348,760,234	645,607,365
Applicable tax rate as per Income Tax Ordinance, 2001	29%	29%
Tax on accounting profit	101,140,468	187,226,136
Effect of final tax regime	(80,120,486)	(144,912,939)
Effect of tax losses not previously recognised	-	(16,057,562)
Effect of prior year tax	-	489,346
Effect of Separate block	3,253	(4,895,727)
Effect of proration	3,978,188	365,085
Effect of minimum tax	4,207,827	8,230,269
Effect of minimum tax on turnover	4,457,786	-
Poverty alleviation tax	1,826,931	-
Others	6,288,510	7,170,791
	(59,357,992)	(149,610,737)
	41,782,476	37,615,399

29	Earning per share - basic and diluted	2022	2021
	Profit after taxation for distribution to ordinary shareholders	(Rupees) 306,977,758	607,991,966
	Weighted average number of ordinary shares	(Numbers) 19,000,000	19,000,000
	Basic earning per share	(Rupees) 16.16	32.00

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

WOMALIM

30 Remuneration of Chief Executive and Executives

	2022		2021	
	Chief Executive	Executives	Chief Executive	Executives
	-----Rupees-----		-----Rupees-----	
Managerial remuneration	12,884,107	34,973,020	12,066,684	30,542,066
Leave Fare Assistance / Leave encashment	1,603,863	3,026,477	1,458,057	1,873,291
Bonus	2,916,114	8,572,884	2,675,334	4,551,141
Contribution to provident fund	1,288,411	2,148,536	1,206,671	2,063,519
Utilities and house rent	7,086,259	21,713,217	5,430,008	16,377,015
Medical reimbursement / Travelling reimbursement	-	2,395,177	-	2,124,215
	25,778,754	72,829,311	22,836,754	57,531,247
Numbers	1	10	1	9

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

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

31 Related party transactions

The Company's related parties include the parent company, associated companies, entities over which directors are able to exercise influence and staff retirement fund. Balances with the related parties are shown in respective notes to the financial statements. Transactions with related parties are as follows:

Name of parties	Relationship	Transactions	2022 Rupees	2021 Rupees
Ferozsons Laboratories Limited (80% share holder)	Parent Company	Purchase of medicine	186,776,447	59,410,031
		Payment made against purchase of medicine	186,776,447	59,410,031
		Sale of medicine - <i>net of returns and discounts</i>	7,886,501	8,944,345
		Receipts received against sale of medicine	7,894,190	8,944,344
		Collection of Advance Tax on Sales	7,688	-
		Premium against corporate guarantee paid by FLL	7,020,000	3,510,000
		Payment made against premium on corporate guarantee	7,020,000	3,510,000
		Expenses incurred by FLL on behalf of the Company - <i>net</i>	13,775,127	-
		Expenses incurred by the Company on behalf of FLL - <i>net</i>	-	8,884,641
		Receipts received by FLL on behalf of the Company - <i>net</i>	-	4,117,799
		Receipts received by the Company on behalf of FLL - <i>net</i>	246,488	-
		Payments made to FLL - <i>net</i>	14,021,614	-
Receipts received from FLL - <i>net</i>	-	13,002,440		

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Name of parties	Relationship	Transactions	2022 Rupees	2021 Rupees
Grupo Empresarial Bagó S.A - (20% share holder)	Non-Controlling Shareholder	Royalty expense	2,634,142	5,905,442
Bago Laboratories Pte. Limited	Associated Company	Purchase of medicine Payment made against purchase of medicine	81,796,292 67,638,336	64,247,683 114,177,212
Farmacia	Associated Company	Purchase of medicine Laboratory expenses Payment made against purchase of medicine/ expenses Sale of medicine - <i>net of returns and discounts</i> Payment received against sale of medicine	104,400 23,763 128,163 139,717,089 139,717,089	295,958 - 322,458 211,515,018 211,515,018
Employees provident fund	Post employment benefit fund	Provident fund contribution	6,818,727	5,801,887
Khan & Piracha	Associated Company	Services received Payments made	- -	1,043,350 1,043,350
Akhtar Khalid Waheed	Chief Executive Officer	Remuneration including benefits and perquisites	25,778,754	22,836,754

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

	Long term loan	Accrued mark-up	Total
	----- Rupees -----		
As at 30 June 2021	1,091,103,479	6,739,398	1,204,269,016
<u>Changes from financing cash flows</u>			
Dividend paid	-	-	-
Proceeds from long term loan	968,089,000	-	968,089,000
Finance cost paid	(17,500,000)	(25,082,228)	(42,582,228)
Total changes from financing cash flows	950,589,000	(25,082,228)	925,506,772
<u>Other changes</u>			
Interest expense	32,235,154	64,402,082	96,637,236
Equity reserve pertains to convertible loan	(71,470,733)	-	-
Impact of effective rate	-	(32,235,154)	(32,235,154)
Total liability related other changes	(39,235,579)	32,166,928	64,402,082
As at 30 June 2022	2,002,456,900	13,824,098	2,194,177,870

	Long term loan	Accrued mark-up	Total
	----- Rupees -----		
As at 30 June 2020	7,000,000	36,713	7,036,713
<u>Changes from financing cash flows</u>			
Dividend paid	-	-	-
Proceeds from long term loan	1,194,559,000	-	1,194,559,000
Finance cost paid	(8,750,000)	(23,287,797)	(32,037,797)
Total changes from financing cash flows	1,185,809,000	(23,287,797)	1,162,521,203
<u>Other changes</u>			
Interest expense	4,720,618	25,269,864	29,990,482
Equity reserve pertains to convertible loan	(106,426,139)	-	-
Impact of effective rate	-	4,720,618	4,720,618
Total liability related other changes	(101,705,521)	29,990,482	34,711,100
As at 30 June 2021	1,091,103,479	6,739,398	1,204,269,016

Actual production

2022 2021

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2,144,778 828,776

33 Capacity and productions

Liquid And Others

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

34 Number of employees

Total number of employees as at 30 June
Average number of employees during the year

Total number of employees

2022 2021

148 94

121 91

35 Disclosures relating to provident fund

Ferozsons Laboratories Limited -

Parent Company

BF Biosciences Limited

Farmacia - Partnership firm

	Un-Audited 2022		Audited 2021	
	% of Total Fund	Rupees	% of Total Fund	Rupees
	81%	740,598,716	81%	641,114,422
	17%	157,759,592	17%	133,272,204
	2%	19,110,105	2%	16,022,063
	100%	917,468,413	100%	790,408,689

35.1 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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36 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.

36.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

36.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the end of the reporting period was as follows:

	2022 Rupees	2021 Rupees
<u>Financial assets at amortized cost</u>		
Long term deposits	4,827,000	4,827,000
Trade debts - considered good	52,708,453	202,489,864
Deposits and other receivables	13,942,017	21,171,126
Deposit - L/C margin	9,186,524	6,106,049
Loans and advances - considered good	1,078,887	9,682,680
Bank balances	208,486,601	418,051,422
<u>Financial assets at fair value through profit or loss</u>		
Short term investments	1,299,583,607	821,541,126
	<u>1,589,813,089</u>	<u>1,483,869,267</u>

36.1.1.1 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2022 Rupees	2021 Rupees
Customers	52,708,453	202,489,864
Banking companies and financial institutions	1,508,070,208	1,239,592,548
Others	29,034,428	41,786,855
	<u>1,589,813,089</u>	<u>1,483,869,267</u>

36.1.1.2 Credit quality and impairment

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

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36.1.1.3 Counterparties with external credit ratings

These represents banking companies and financial institutions, which are counterparties to bank balances and investments. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Institutions	Rating		Rating Agency	2022	2021
	Long term	Short term		-----Rupees-----	
Allied Bank Limited	AAA	A1+	PACRA	27,837,517	14,543,570
Bank Alfalah Limited	AA+	A1+	VIS- PACRA	509,435	1,943,657
Habib Bank Limited	AAA	A1+	PACRA	19,491,488	38,602,855
Habib Metropolitan Bank Limited	AA+	A1+	PACRA	159,711,512	59,787,408
Meezan Bank Limited	AAA	A1+	JCR-VIS	-	2,773,933
MCB Bank Limited	AAA	A1+	PACRA	936,649	300,399,999
				208,486,601	418,051,422
Deposit - L/C margin					
Habib Bank Limited	AAA	A1+	PACRA	7,255,303	4,943,055
Allied Bank Limited	AAA	A1+	PACRA	-	1,053,894
Meezan Bank Limited	AAA	A1+	JCR-VIS	1,931,221	109,100
				9,186,524	6,106,049
Short term investments					
ABL Cash Fund	AA+(f)	N/A	JCR-VIS	326,716,480	198,825,080
HBL Money Market Fund	AA+(f)	N/A	JCR-VIS	34,999,214	32,190,101
HBL Cash Fund	AA+(f)	N/A	JCR-VIS	937,867,913	590,525,945
				1,299,583,607	821,541,126
				1,517,256,732	1,245,698,597

36.1.1.4 Counterparties without external credit ratings

These mainly include customers which are counter parties to local and foreign trade debts against sale of pharmaceutical products. As explained in note 3.17, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables other than due from Government departments / hospitals. Trade receivables are written off when there is no reasonable expectation of recovery.

Management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Company has used two years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro economic factors. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2022 was determined as follows:

The aging of trade debts other than due from Government at the reporting date was:

	Other	
	2022 Rupees	2021 Rupees
Current	9,378,676	171,411,694
Past due 61 - 90 days	11,471,595	2,354,330
Past due 91 - 180 days	126,111	834,632
Past due 181 - 365 days	1,259,131	166,716
More than 365 days	498,417	9,904
Less: Impairment loss allowance	(2,959,173)	-
	19,774,757	174,777,276

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	Other	
	2022 Rupees	2021 Rupees
The aging of trade debts due from Government at the reporting date was:		
0 - 90 days	16,294,926	11,807,500
91 - 180 days	6,612,114	5,683,104
181 - 365 days	3,139,020	2,354,444
More than 365 days	8,201,992	7,867,540
Less: Impairment loss allowance	(1,314,356)	-
	<u>32,933,696</u>	<u>27,712,588</u>

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

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

36.1.2 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.

36.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner unfavorable to the Company. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in notes 6 and 20 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Exposure to liquidity risk

Contractual maturities of financial liabilities, including estimated interest payments

The following are the contractual maturities of financial liabilities as on 30 June.

	2022			
	Carrying amount	Less than one year	One to five years	More than 5 years
<u>Financial liabilities</u>	-----Rupees-----			
Trade and other payables	364,145,210	364,145,210	-	-
Long term loan - secured	2,002,456,900	4,375,000	1,219,359,750	932,688,250
Accrued mark-up	13,824,098	13,824,098	-	-
	<u>2,380,426,208</u>	<u>382,344,308</u>	<u>1,219,359,750</u>	<u>932,688,250</u>

	2021			
	Carrying amount	Less than one year	One to five years	More than 5 years
<u>Financial liabilities</u>	-----Rupees-----			
Trade and other payables	353,517,564	353,517,564	-	-
Long term loan - secured	1,091,103,479	43,978,849	720,047,340	618,128,333
Accrued mark-up	6,739,398	6,739,398	-	-
	<u>1,451,360,440</u>	<u>404,235,811</u>	<u>720,047,340</u>	<u>618,128,333</u>

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36.3 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

36.3.1 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.

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Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows. The figures represent foreign currency balances after conversion in Pak Rupees using exchange rates prevailing at the statement of financial position date.

	2022								
	Rupees	JPY	US Dollars	CNY	Euro	Pound	UAE Dirham	CHF	Aus. Dollars
Assets									
Cash and bank balances	164,965,829	146,000	798,991	-	2,160	3,410	-	-	1,000
Trade debts	4,291,980	-	21,000	-	-	-	-	-	-
	<u>169,257,809</u>	<u>146,000</u>	<u>819,991</u>	<u>-</u>	<u>2,160</u>	<u>3,410</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Liabilities									
Trade and other payables	(109,168,012)	-	(499,927)	-	(32,706)	-	-	-	-
	<u>(109,168,012)</u>	<u>-</u>	<u>(499,927)</u>	<u>-</u>	<u>(32,706)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net statement of financial position exposure	<u>60,089,797</u>	<u>146,000</u>	<u>320,064</u>	<u>-</u>	<u>(30,546)</u>	<u>3,410</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Off statement of financial position items									
- Outstanding letters of credit	(1,050,745,861)	-	(402,089)	(14,302,668)	(2,487,084)	-	-	-	-
Net exposure	<u>(990,656,064)</u>	<u>146,000</u>	<u>(82,025)</u>	<u>(14,302,668)</u>	<u>(2,517,630)</u>	<u>3,410</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	2021								
Assets	Rupees	JPY	US Dollars	CNY	Euro	Pound	UAE Dirham	CHF	Aus. Dollars
Cash and bank balances	61,398,868	146,000	379,106	-	2,160	3,410	-	-	1,000
Advances to suppliers	15,186,681	-	29,612	6,063,420	2,432,262	552	-	-	-
Trade and other receivables	1,348,776	-	943,200	-	-	-	-	-	-
	<u>77,934,325</u>	<u>146,000</u>	<u>1,351,918</u>	<u>6,063,420</u>	<u>2,434,422</u>	<u>3,962</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Liabilities									
Contract liabilities	(3,796,361)	-	(24,020)	-	-	-	-	-	-
Trade and other payables	(87,405,285)	-	(374,200)	-	(150,000)	-	-	-	-
	<u>(91,201,646)</u>	<u>-</u>	<u>(398,220)</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Statement of financial position exposure	<u>(13,267,321)</u>	<u>146,000</u>	<u>953,698</u>	<u>6,063,420</u>	<u>2,284,422</u>	<u>3,962</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Off statement of financial position items									
- Outstanding letters of credit	1,296,149,193	-	86,632	16,763,895	4,545,090	-	209,328	11,200	-
Net exposure	<u>1,282,881,872</u>	<u>146,000</u>	<u>1,040,330</u>	<u>22,827,315</u>	<u>6,829,512</u>	<u>3,962</u>	<u>209,328</u>	<u>11,200</u>	<u>1,000</u>

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The following significant exchange rates were applied during the year:

	Reporting date rate		Average rate	
	2022	2021	2022	2021
US Dollars	204.38	158.05	183.77	159.53
Euro	213.81	188.42	204.13	190.06
UAE Dirham	55.68	43.34	50.07	43.51
Pounds	248.23	218.93	239.22	215.35
JPY	1.50	1.43	1.52	1.52
Australian dollars	140.79	118.90	132.30	117.04
CHF	214.26	171.86	197.18	174.40
CNY	30.54	24.76	28.40	24.62

36.3.1.1 Sensitivity analysis

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected statement of profit or loss by the amounts shown below at the statement of financial position date . The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss	
	2022	2021
	Rupees	Rupees
Statement of profit or loss	(6,008,980)	1,326,732

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.

36.3.1.2 Currency risk management

Since the maximum amount exposed to currency risk is only 2.44% (2021: 2.44%) of the Company's total assets, any adverse / favorable movement in functional currency with respect to foreign currencies will not have any material impact on the operational results.

36.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2022	2021	2022	2021
	Effective rate (in Percentage)		Rupees	Rupees
<u>Financial assets</u>				
Cash at bank - deposit accounts	5.5% to 12.6%	5.51% to 5.59%	15,145,351	329,844,026
<u>Financial liabilities</u>				
Long term loan - secured	8.42% to 16.28%	8.42% to 9.09%	2,002,456,900	1,091,103,479
Net			2,017,602,251	1,420,947,505

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 2022.

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	Profit or loss	
	100 bps Increase	100 bps Decrease
As at 30 June 2022		
Cash flow sensitivity - Variable rate financial assets	20,176,023	(20,176,023)
As at 30 June 2021		
Cash flow sensitivity - Variable rate financial assets	14,209,475	(14,209,475)

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

36.3.2.1 Interest rate risk management

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

36.3.3 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.

36.4 Fair value of financial instruments

Fair value is 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.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

36.4.1 Valuation of financial instruments

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

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

Level 2: Valuation techniques based on observable inputs.

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

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.

The fair value of financial instruments traded in active markets is based on Net Asset Values (NAVs) of the units of the mutual funds at the reporting date. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on going basis.

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36.4.3 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
----- Rupees -----							
30 June 2022							
<i>Financial assets at fair value</i>							
Short term investments	1,299,583,607	-	-	1,299,583,607	1,299,583,607	-	-
<i>Financial assets at amortised cost</i>							
Long term deposits	-	4,827,000	-	4,827,000	-	-	-
Trade debts - considered good	-	52,708,453	-	52,708,453	-	-	-
Loans and advances - considered good	-	1,078,887	-	1,078,887	-	-	-
Deposits and other receivables	-	13,942,017	-	13,942,017	-	-	-
Deposits - L/C margin	-	9,186,524	-	9,186,524	-	-	-
Bank balances	-	208,486,601	-	208,486,601	-	-	-
	-	290,229,482	-	290,229,482	-	-	-
<i>Financial liabilities measured at fair value</i>							
	-	-	-	-	-	-	-
<i>Financial liabilities not measured at fair value</i>							
Trade and other payables	-	-	364,145,210	364,145,210	-	-	-
Long term loan - secured	-	-	2,002,456,900	2,002,456,900	-	-	-
Accrued mark-up	-	-	13,824,098	13,824,098	-	-	-
	-	-	2,380,426,208	2,380,426,208	-	-	-

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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

----- Rupees -----

30 June 2021

Financial assets measured at fair value

Short term investments	821,541,126	-	-	821,541,126	821,541,126	-	-
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Financial assets not measured at fair value

Long term deposits	-	4,827,000	-	4,827,000	-	-	-
Trade debts - considered good	-	202,489,864	-	202,489,864	-	-	-
Loans and advances - considered good	-	9,682,680	-	9,682,680	-	-	-
Deposits, prepayments and other receivables	-	21,171,126	-	21,171,126	-	-	-
Deposits - L/C margin	-	6,106,049	-	6,106,049	-	-	-
Bank balances	-	418,051,422	-	418,051,422	-	-	-
	-	662,328,141	-	662,328,141	-	-	-

Financial liabilities not measured at fair value

Trade and other payables	-	-	353,517,564	353,517,564	-	-	-
Long term loan - secured	-	-	1,091,103,479	1,091,103,479	-	-	-
Short term borrowings - secured	-	-	-	-	-	-	-
Accrued mark-up	-	-	6,739,398	6,739,398	-	-	-
	-	-	1,451,360,440	1,451,360,440	-	-	-

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36.5 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.

	Unit	2022	2021
Total debt	<i>Rupees</i>	2,002,456,900	1,091,103,479
Total Equity	<i>Rupees</i>	1,825,152,718	1,466,637,819
Total capital employed	<i>Rupees</i>	<u>3,827,609,618</u>	<u>2,557,741,298</u>
Gearing	<i>Percentage</i>	<u>52%</u>	<u>43%</u>

Total debt comprises of long term loans from banking company and short term borrowings.

Total equity includes issued, subscribed and paid-up share capital, capital reserves, accumulated profits and surplus on revaluation of fixed assets.

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.

37 Impact of COVID-19 (Corona Virus)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. During the previous years, the Government of Pakistan, from time to time announced a temporary smart lock downs as a measure to reduce the spread of the COVID-19, however, no lock down was announced during the year. 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 is actively monitoring the impact of the pandemic on its financial condition, liquidity, operations, supply chain, and workforce, which at this point is not considered significant. The Company also availed financing under State Bank of Pakistan (SBP) Temporary Economic Refinance Facility (TERF), for setting up a new manufacturing plant and for Balancing, Modernization and Replacement ("BMR") of existing plant and machinery, amounting to Rs. 633.09 million

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Furthermore to expand its production capacity by installing a second line of production in its existing facility the company also received further drawdowns from Karandaaz Pakistan, amounting to Rs. 335 million. Balance amount of the loan is appearing in note 6 to these financial statements. Management believes that the Company has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future when they become due. From the very outset of Covid-19, the management has adopted various policies and practices to minimize adverse impact of Covid-19 on the business and is continuously monitoring the situation in order to proactively address any challenges which may arise from Covid-19

38 Events after the reporting date

There are no subsequent events occurring after the reporting period.


39 General

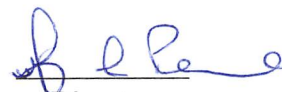
39.1 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 30 AUG 2022

39.2 Figures have been rounded off to the nearest rupee.

MARUWA

Lahore


Director


Director