# BF Biosciences Limited

Financial Statements for the
year ended 30 June 2024

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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 2024, 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 material accounting policy information 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 2024 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.

***Key Audit Matters***

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

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Following is the key audit matter:

| Sr. No. | Key audit matter | How the matter was addressed in our audit |
|---|---|---|
| 1 | **Revenue recognition**<br><br>Refer to notes 6.9, 6.9.1 and 25 to the financial statements.<br><br>The Company recognized net revenue of Rs. 3.66 billion from the sale of goods to domestic as well as foreign customers during the year ended 30 June 2024.<br><br>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to a risk that revenue is recognized without transferring the control to meet expectations or targets. | Our audit procedures to assess the recognition of revenue, amongst others, included the following:<br><br>• Obtaining an understanding of the process relating to recording of revenue and testing the design, implementation of relevant key internal controls over recording of revenue;<br><br>• Assessing the appropriateness of the Company's accounting policies for recording of revenue and compliance of those policies with applicable accounting standards;<br><br>• Comparing, on a sample basis, specific revenue transactions recorded just before and just after the financial period end date to determine whether the revenue had been recognized in the appropriate financial period;<br><br>• Scanning for any manual journal entries relating to revenue recorded during the year which were considered to be material or met other specific risk-based criteria for inspecting underlying documentation; and<br><br>• Assessing the adequacy of presentation and disclosures related to the revenue as required under the accounting and reporting standards as applicable in Pakistan. |

***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.

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.

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***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.

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

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

***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.

KPMG Taseer Hadi & Co.

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

**Lahore**

**Date: 07 October 2024**

**UDIN: AR202410119G9b8wce3F**

BF Biosciences Limited

## Statement of Financial Position

*As at 30 June 2024*

| EQUITY AND LIABILITIES | Note | **2024 Rupees** | 2023 Rupees |
|---|---|---|---|
| ***Share capital and reserves*** | | | |
| Authorized share capital | | | |
| 400,000,000 (2023: 25,000,000) ordinary shares of Rs. 3 each (2023: Rs. 10 each) | | **1,200,000,000** | 250,000,000 |
| Issued, subscribed and paid up capital | *7* | **190,000,002** | 190,000,000 |
| Unappropriated profit | | **2,169,618,676** | 1,784,205,491 |
| | | **2,359,618,678** | 1,974,205,491 |
| ***Non-current liabilities*** | | | |
| Long term loan - *secured* | *8* | **1,590,848,705** | 1,772,448,871 |
| Deferred grant | *9* | **432,595,276** | 503,733,075 |
| Deferred taxation | *10* | **48,309,550** | 13,506,163 |
| | | **2,071,753,531** | 2,289,688,109 |
| ***Current liabilities*** | | | |
| Current portion of: | | | |
| - Long term loans - *secured* | *8* | **292,719,538** | 356,876,438 |
| - Current portion of deferred grant | *9* | **125,451,492** | 129,914,074 |
| Trade and other payables | *11* | **622,636,797** | 393,275,521 |
| Contract liabilities | *12* | **25,421,875** | 5,672,993 |
| Short term borrowings - *secured* | *13* | **328,698,729** | 473,389,542 |
| Mark-up accrued on borrowings | *14* | **33,664,334** | 43,827,494 |
| | | **1,428,592,765** | 1,402,956,062 |
| **Contingencies and commitments** | *15* | | |
| | | **5,859,964,974** | 5,666,849,662 |

| ASSETS | Note | **2024 Rupees** | 2023 Rupees |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Property, plant and equipment | *16* | **4,174,912,456** | 4,069,622,490 |
| Long term deposits | | **7,827,000** | 4,827,000 |
| Intangibles | *17* | **553,445** | 1,106,889 |
| | | **4,183,292,901** | 4,075,556,379 |
| ***Current assets*** | | | |
| Stores, spare parts and loose tools | *18* | **114,601,896** | 83,419,958 |
| Stock in Trade | *19* | **779,210,877** | 768,824,311 |
| Trade debts | *20* | **204,611,049** | 93,812,070 |
| Loans and advances | *21* | **26,132,856** | 14,247,289 |
| Deposits, prepayments and other receivables | *22* | **202,783,405** | 90,578,543 |
| Short term investments | *23* | **39,012,771** | 147,385,823 |
| Advance Income tax - *net* | | **31,549,367** | 137,582,926 |
| Cash and bank balances | *24* | **278,769,852** | 255,442,363 |
| | | **1,676,672,073** | 1,591,293,283 |
| | | **5,859,964,974** | 5,666,849,662 |

The annexed notes from 1 to 44 form an integral part of these financial statements.

M. K. Waheed

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

# BF Biosciences Limited

## Statement of Profit or Loss

*For the year ended 30 June 2024*

| | Note | **2024 Rupees** | 2023 Rupees *Re-stated* |
|---|---|---|---|
| Revenue - *net* | 25 | **3,658,720,487** | 1,809,519,838 |
| Cost of goods sold | 26 | **(2,126,213,134)** | (1,359,986,887) |
| **Gross profit** | | **1,532,507,353** | 449,532,951 |
| Administrative expenses | 27 | **(40,494,495)** | (23,336,345) |
| Selling and distribution expenses | 28 | **(716,853,333)** | (137,454,824) |
| Other expenses | 29 | **(64,226,543)** | (27,636,665) |
| Other income | 30 | **22,302,570** | 94,436,156 |
| **Profit from operations** | | **733,235,552** | 355,541,273 |
| Finance cost | 31 | **(151,356,821)** | (153,344,127) |
| **Profit before income tax, final tax and minimum tax differential** | | **581,878,731** | 202,197,146 |
| Minimum tax differential | 32 | **(2,155,750)** | (4,596,995) |
| Final Tax | 33 | **(4,117,333)** | (15,089,403) |
| **Profit before income tax** | | **575,605,648** | 182,510,748 |
| Income tax | 34 | **(190,192,461)** | (33,457,975) |
| **Profit after taxation** | | **385,413,187** | 149,052,773 |
| Earning per share - basic and diluted | 35 | **6.09** | 2.35 |

The annexed notes from 1 to 44 form an integral part of these financial statements.

| | | |
|---|---|---|
| **Chief Executive Officer** | **Chief Financial Officer** | **Director** |

# BF Biosciences Limited

## Statement of Comprehensive Income

*For the year ended 30 June 2024*

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| **Profit after taxation** | **385,413,187** | 149,052,773 |
| Other comprehensive income for the year | - | - |
| **Total comprehensive income for the year** | **385,413,187** | 149,052,773 |

The annexed notes from 1 to 44 form an integral part of these financial statements.

M. K. Waheed
**Chief Executive Officer**

**Chief Financial Officer**

**Director**

# BF Biosciences Limited
## Statement of Changes in Equity
*For the year ended 30 June 2024*

| | Share capital | Capital reserve<br>Equity portion of convertible loan | Revenue reserve<br>Unappropriated profit | Total |
|---|---|---|---|---|
| | ----------------- | ---Rupees--- | ----------------- | |
| **Balance as at 01 Jul 2022** | 190,000,000 | 132,704,377 | 1,502,448,341 | 1,825,152,718 |
| ***Total comprehensive income for the year*** | | | | |
| Profit after taxation | - | - | 149,052,773 | 149,052,773 |
| Other comprehensive income for the year | - | - | - | - |
| | - | - | **149,052,773** | **149,052,773** |
| Equity reserve pertaining to convertible loan | - | (132,704,377) | 132,704,377 | - |
| **Balance as at 30 June 2023** | **190,000,000** | - | **1,784,205,491** | **1,974,205,491** |
| ***Total comprehensive income for the year*** | | | | |
| Profit after taxation | - | - | 385,413,187 | 385,413,187 |
| Other comprehensive income for the year | - | - | - | - |
| | - | - | **385,413,187** | **385,413,187** |
| **Rounding off adjustment in lieu of shares split arrangements** | 2 | - | (2) | - |
| **Balance as at 30 June 2024** | **190,000,002** | - | **2,169,618,676** | **2,359,618,678** |

The annexed notes from 1 to 44 form an integral part of these financial statements.

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

# BF Biosciences Limited
## Statement of Cash Flows
*For the year ended 30 June 2024*

| | Note | 2024<br>Rupees | 2023<br>Rupees<br>*Re-stated* |
|---|---|---|---|
| ***Cash flow from operating activities*** | | | |
| Profit after taxation | | **385,413,187** | 149,052,773 |
| *Adjustments for non-cash and other items:* | | | |
| Depreciation on property, plant and equipment | *16.1.4* | **35,566,416** | 33,775,493 |
| Gain on disposal of property, plant and equipment | *30* | **(2,130,063)** | (1,061,751) |
| Amortization | *27* | **553,444** | 553,447 |
| Dividend income | *30* | **(12,850,074)** | (82,650,072) |
| Finance cost | *31* | **149,849,868** | 150,281,309 |
| Interest expense on Workers' Profit Participation Fund | *31* | **1,506,953** | 1,216,423 |
| Loss / (gain) on re-measurement of short term investments to fair value | *23.1* | **107,363** | (976,613) |
| Gain realized on sale of short term investments | *23.1* | **(317,789)** | (7,948,663) |
| Un-realized exchange (gain) / loss | | **(1,382,185)** | 7,328,688 |
| Profit on bank deposits | *30* | **(6,484,951)** | (750,146) |
| Minimum Tax | *32* | **2,155,750** | 4,596,995 |
| Final Tax | *33* | **4,117,333** | 15,089,403 |
| Income tax | *34* | **190,192,461** | 33,457,975 |
| Provision for Workers' Profit Participation Fund | *29* | **31,255,966** | 10,889,960 |
| Provision for Central Research Fund | *29* | **6,314,337** | 2,199,992 |
| Provision for Workers' Welfare Fund | *29* | **11,877,267** | 4,138,185 |
| | | **410,332,096** | 170,140,625 |
| **Cash generated from operations before working capital changes** | | **795,745,283** | 319,193,398 |
| ***Effect on cash flow due to working capital changes*** | | | |
| *(Increase) / decrease in current assets* | | | |
| Stores, spare parts and loose tools | | **(31,181,938)** | (9,711,319) |
| Stock in trade | | **(10,386,566)** | (435,983,661) |
| Trade debts | | **(110,819,310)** | (41,103,617) |
| Long term deposit | | **(3,000,000)** | - |
| Loans and advances - considered good | | **(11,885,567)** | 975,018 |
| Deposits, prepayments and other receivables | | **(112,204,862)** | 107,966,653 |
| | | **(279,478,243)** | (377,856,926) |
| *Increase / (decrease) in current liabilities* | | | |
| Trade and other payables | | **196,750,905** | (5,937,016) |
| Contract Liability | | **19,748,882** | (17,784,504) |
| **Cash generated from / (used in) operations** | | **732,766,827** | (82,385,048) |
| Income tax paid | | **(51,389,859)** | (73,399,217) |
| Minimum Tax paid | | **(1,789,003)** | (4,793,235) |
| Final Tax Paid | | **(2,318,519)** | (14,645,411) |
| Central Research Fund paid | *11.3* | **(2,199,992)** | (3,714,596) |
| Workers' Profit Participation Fund paid | *11.2* | **(13,365,908)** | (17,128,423) |
| | | **(71,063,281)** | (113,680,882) |
| **Net cash generated from / (used in) operating activities** | | **661,703,546** | (196,065,930) |
| ***Cash flow from investing activities*** | | | |
| Fixed capital expenditure incurred | | **(143,130,915)** | (1,968,368,481) |
| Proceeds from sale of property, plant and equipment | | **4,404,596** | 1,061,759 |
| Purchase of intangibles | | **-** | (1,660,336) |
| Dividend income | | **12,850,074** | 82,650,072 |
| Payment against Short term investments | | **108,583,478** | 1,161,123,060 |
| Profit on bank deposits received | | **6,484,951** | 750,146 |
| **Net cash used in investing activities** | | **(10,807,816)** | (724,443,780) |
| ***Cash flow from financing activities*** | | | |
| Long term loan received | | **-** | 811,015,559 |
| Long term loan paid | | **(321,357,447)** | (50,500,000) |
| Finance cost paid | | **(161,519,981)** | (120,277,913) |
| **Net cash (used in) / generated from financing activities** | | **(482,877,428)** | 640,237,646 |
| **Net increase / (decrease) in cash and cash equivalents** | | **168,018,302** | (280,272,064) |
| **Cash and cash equivalents at the beginning of the year** | | **(217,947,179)** | 62,324,885 |
| **Cash and cash equivalents at the end of the year** | | **(49,928,877)** | (217,947,179) |

Cash and cash equivalents comprise of the following:

| | | | |
|---|---|---|---|
| Cash and bank balances | *24* | **278,769,852** | 255,442,363 |
| Running finance | *13* | **(328,698,729)** | (473,389,542) |
| | | **(49,928,877)** | (217,947,179) |

The annexed notes from 1 to 44 form an integral part of these financial statements.

M. K. Waheed

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

## 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
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 under the historical cost convention except for:

- translation of foreign currency at spot / average rate;
- certain financial instruments at fair value through profit and loss account as referred in note 6.13.

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

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing 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 future periods if the revision affects both current and future periods.

Judgments and estimates made by the management in the application of accounting and reporting standards, as applicable in Pakistan that are significant/relevant to financial statements are documented in the ensuing paragraphs:

#### 2.4.1 Property, plant and equipment

The Company reviews appropriateness of useful lives and residual values used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis.

In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future may affect the carrying amount of respective items of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

#### 2.4.2 Impairment

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

#### 2.4.3 Inventories

Inventories includes stock in trade and stores, spare parts and loose tools.

These are stated at lower of cost and net realisable value.

Stock in trade are valued at average moving cost and stores, spare parts and loose tools are valued at weighted average cost.

Cost comprises of cost of purchase and other costs incurred in bringing the items to their present location and condition. 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 amounts of stock in trade and stores, spare parts and loose tools basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stores, spare parts and loose tools.

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

For financial assets measured at amortized cost, recognition of impairment is based on expected credit loss (ECL) model. 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 including due from 'Government of Pakistan' 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.

**2.4.5 Provisions**

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

**2.4.6 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.

**2.4.7 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.

**2.4.8 Taxation**

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

## 3 Changes in accounting standards, interpretations and pronouncements

**3.1 New or amendments / interpretations to existing standards, interpretations and forthcoming requirements**

The following amendments to published standards are mandatory for the financial year beginning on 1 January 2023 and are relevant to the Company:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

The IASB amended IAS 1 Presentation of Financial Statements require entities to disclose their material rather than their significant accounting policies.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

  The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

- Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors).

  The amendments added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors.

The following new standards and amendments are effective for the period beginning 1 January 2023, however they are not relevant to the entity's operations:

| | **Effective from accounting period beginning on or after** |
|---|---|
| - IFRS 17 Insurance Contracts | January 01, 2023 |
| - International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) | May 23, 2023 |

**4 Standards, amendments and interpretations to accounting and reporting standards that are not yet effective**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2024:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. 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.

- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.

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Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

  After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend 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.

- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

  The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the period of initial application is available.

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– Lack of Exchangeability (amendments to IAS 21) clarify:

- when a currency is exchangeable into another currency; and
- how a Company estimates a spot rate when a currency lacks exchangeability.

Further, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable;
- the spot exchange rate used;
- the estimation process; and
- risks to the Company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted, however the Company has not early adopted these amendments and are not likely to have impact on the Company's financial statements.

– Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures:

- Financial Assets with ESG-Linked features:

Under IFRS 9, it was unclear whether the contractual cash flows of some financial assets with ESG-linked features represented SPPI. This could have resulted in financial assets with ESG-linked features being measured at fair value through profit or loss.

Although the new amendments are more permissive, they apply to all contingent features, not just ESG-linked features. While the amendments may allow certain financial assets with contingent features to meet the SPPI criterion, companies may need to perform additional work to prove this. Judgement will be required in determining whether the new test is met.

The amendments introduce an additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g., where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract.

The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are:

- not related directly to a change in basic lending risks or costs; and
- are not measured at fair value through profit or loss.

The amendments apply for reporting periods beginning on or after 1 January 2026. Companies can choose to early-adopt these amendments (including the associated disclosure requirements), separately from the amendments for the recognition and derecognition of financial assets and financial liabilities.

- Recognition / Derecognition requirements of Financial Assets / liabilities by Electronic Payments:

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The amendments to IFRS 9 clarify when a financial asset or a financial liability is recognized and derecognized and provide an exception for certain financial liabilities settled using an electronic payment system. Companies generally derecognize their trade payables on the settlement date (i.e., when the payment is completed). However, the amendments provide an exception for the derecognition of financial liabilities. The exception allows the company to derecognize its trade payable before the settlement date, when it uses an electronic payment system that meets all of the following criteria:

- no practical ability to withdraw, stop or cancel the payment instruction;
- no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

The amendments apply for reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

## 5. Changes in material accounting policies

### 5.1 Material accounting policy information

The Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 July 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 6 Material accounting policies (2023: Significant accounting policies).

### 5.2 Restatement in Financial Statements - Change in Accounting policy

#### 5.2.1 Classification of taxes and levies

The Institute of Chartered Accountants of Pakistan (ICAP) vide circular 07/2024 dated 15 May 2024 issued the application guidance on accounting for minimum taxes and final taxes. As per the guidance, minimum tax differential, final taxes and super tax differential should be classified as 'levies' and not income tax in the statement of profit or loss. Since, the impact of the said changes is material, per the abovesaid guide and IAS 8 'Accounting policies, changes in accounting estimates and others', the changes are to be applied retrospectively.

Accordingly, the Company has restated its comparative information by reclassifying levies amounting to Rs. 4.59 million from Taxation to minimum tax and Rs. 15.09 million from Taxation to final tax in the statement of Profit or Loss. In the statement of Cashflows, the Income tax paid under the Operating activities has been reclassified by Rs. 14.65 million to Final Tax Paid and Rs. 4.79 million to Minimum Tax Paid.

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| Statement of profit or loss | For the year ended 30 June 2023 | | |
|---|---|---|---|
| | As previously reported | Adjustments | As restated |
| | ---Rupees--- | | |
| Profit before income tax, final taxes and minimum tax differential | 202,197,146 | - | 202,197,146 |
| Minimum tax differential | - | 4,596,995 | (4,596,995) |
| Final Tax | - | 15,089,403 | (15,089,403) |
| **Profit before income tax** | 202,197,146 | (19,686,398) | 182,510,748 |
| Income Tax | (53,144,373) | 19,686,398 | (33,457,975) |
| **Profit after income tax** | **149,052,773** | - | **149,052,773** |

| Statement of Cash Flows | For the year ended 30 June 2023 | | |
|---|---|---|---|
| | As previously reported | Adjustments | As restated |
| | ---Rupees--- | | |
| **Cash flow from Operating Activities** | | | |
| Income tax paid | (92,837,863) | 19,438,646 | (73,399,217) |
| Minimum tax paid | - | (4,793,235) | (4,793,235) |
| Final tax paid | - | (14,645,411) | (14,645,411) |
| Other cashflows from operating activities | (103,228,067) | | (103,228,067) |
| Net cash from operating activities | **(196,065,930)** | - | **(196,065,930)** |
| **Cash flow from Investing Activities** | | | |
| Net cash used in investing activities | **(724,443,780)** | - | **(724,443,780)** |
| **Cash flow from Financing Activities** | | | |
| Net cash used in financing activities | **640,237,646** | - | **640,237,646** |
| **Net increase in cash and cash equivalents** | **(280,272,064)** | - | **(280,272,064)** |

**5.2.2** The impact of aforementioned restatement is not material on statement of financial position as at 01 July 2022 and as at 30 June 2023.

**5.2.3** Profit before taxation has been restated in line with above explained change, however there is no impact on the investing and financing cashflows for the year ended 30 June 2023.

**5.2.4** There is no impact on earning per share that needs to be disclosed in the financial statements.

## 6 Material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

### 6.1 Deferred grant

The Company follows deferred method of accounting for government grant related to subsidized long term loan. Government grant is initially recognized as deferred grant and measured as the difference between the initial carrying value of the long term loan recorded at market rate (i.e. fair value of the long term loan in this case) and the proceeds of subsidized long term loan received.

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In subsequent periods, the grant is recognized in the statement of profit or loss account, in line with the recognition of interest expenses the grant is compensating and is presented as a reduction of related interest expense.

### 6.2 Trade and other payables

Trade and other payables are initially carried at the fair value of the consideration to be paid in future for goods and services received. Subsequent to initial recognition, these are carried at amortized cost.

### 6.3 Property, plant and equipment

#### 6.3.1 Owned

Property, plant and equipment, except for freehold and leasehold land are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and leasehold land are stated at cost less impairment losses, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Depreciation charge is based on the straight-line method whereby the cost of an asset is written off to the statement of profit or loss over its estimated useful life after taking into account the residual value, if any. The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

Maintenance and normal repairs are charged to the statement of profit or loss as and when incurred. Improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in the statement of profit or loss.

#### 6.3.2 Capital work in progress

Capital work-in-progress is stated at cost less impairment loss if any and consists of expenditure made in the course of their construction and installation. Transfers are made to the relevant asset category as and when assets are available for intended use. Cost also includes applicable borrowing cost.

### 6.4 Intangibles

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets with finite useful life are amortized at 33% on straight-line basis. Amortization of intangible assets is commenced from the date an asset is capitalized.

### 6.5 Inventories

Inventories includes stock in trade and stores, spare parts and loose tools.

These are stated at lower of cost and net realisable value.

Cost comprises of cost of purchase and other costs incurred in bringing the items to their present location and condition. 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 amounts of stock in trade and stores, spare parts and loose tools basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stores, spare parts and loose tools.

**6.6 Trade debts**

Trade debts represent the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). These are classified at amortized cost and are initially recognized when they are originated and measured at invoice value. These assets are written off when there is no reasonable expectation of recovery. The policy for impairment of trade debtors on account of expected credit loss is mentioned in note 6.14 to the financial statements.

**6.7 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.

**6.8 Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances, short term investments and short-term borrowings under mark-up / shariah arrangements, used by the Company in the management of its short-term commitments.

**6.9 Revenue recognition**

Revenue from contracts with customers is recognized, when a performance obligation has been fulfilled by transferring control of goods to the customers, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods excluding sales taxes, sales return and after deduction of any trade discounts. Specific revenue and other income recognition policies are as follows:

**6.9.1 Sale of goods**

Revenue represents the fair value of the consideration received or receivable for sale of products, net of sales tax, sales returns and related discount and commission. The contract contains distinct goods to be delivered and a single performance obligation to be satisfied.

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The revenue is recognized at point in time when goods are acknowledged by customers as they are enabled to consume the benefits, when goods are delivered to them and the Company's right to receive transaction price is developed.

### 6.9.2 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.

## 6.10 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.

## 6.11 Taxation

Income tax expense comprises current tax and deferred tax. It is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in the statement of profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognized outside profit and loss (either in the statement of other comprehensive income or directly in equity, respectively).

### 6.11.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous periods. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

### 6.11.2 Deferred taxation

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date. A deferred tax liability is recognized for all taxable temporary differences.

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A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognized in the statement of profit or loss, any related tax effects are also recognized in the statement of profit or loss. For transactions and other events recognized outside the statement of profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognized outside profit and loss (either in the statement of other comprehensive income or directly in equity, respectively).

### 6.11.3 Final tax and minimum tax differential

Tax charged under the Income Tax Ordinance, 2001 which is not based on taxable income or any amount paid / payable in excess of the calculation based on taxable income or any minimum tax which is not adjustable against future income tax liability is classified as levy in the statement of profit or loss and other comprehensive income as these levies fall under the scope of IFRIC 12/ IAS 37.

## 6.12 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:

### 6.12.1 Defined contribution plan

The Company operates an approved 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.

### 6.12.2 Compensated absences

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

## 6.13 Financial instruments

### 6.13.1 Recognition and initial measurement

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

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

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### 6.13.2 Classification and subsequent measurement

***Financial assets***

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

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

***Amortized cost***

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

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

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the 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, loan to employees, 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 the statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. However, the Company has no such instrument at the reporting date.

***Equity Instrument - FVOCI***

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

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

***Fair value through profit or loss (FVTPL)***

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

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

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

***Financial assets – Business model assessment:***

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse 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 the 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 loans from financial institutions (including current portion), markup accrued on borrowings, long term deposits and short term borrowings.

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.

### 6.13.3 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.

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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.

### 6.13.4 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.

## 6.14 Impairment

***Financial assets***

The Company recognizes loss allowances for ECLs on:

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

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

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

Loss allowances for financial assets measured at 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.

**6.15 Investments**

Investments in Mutual Fund are classified at fair value through profit or loss and is initially measured at fair value and is subsequently measured at fair value determined using the market value of instruments at each reporting date. Net gains and losses are recognized in the statement of profit or loss.

**6.16 Provisions**

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

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### 6.17 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.

### 6.18 Earnings per share (EPS)

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

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

| 7 Issued, subscribed and paid up capital | 2024 Rupees | 2023 Rupees |
|---|---|---|
| 63,333,334 (2023: 19,000,000) ordinary shares of Rs. 3 (2023: Rs. 10) each fully paid in cash (Note 35) | **190,000,002** | 190,000,000 |

### 7.1 Reconciliation of share capital

| | Note | 2024 Number of shares | 2024 Face value of shares | 2024 Rupees |
|---|---|---|---|---|
| Balance as at 1 July 2023 | | **19,000,000** | **10** | **190,000,000** |
| Effect of sub division of shares | *7.3* | **44,333,334** | | - |
| Balance as at 30 June 2024 | | **63,333,334** | **3** | **190,000,002** |

**7.2** 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.

**7.3** The shareholders of the Company, in their Extraordinary General Meeting held on 31 March 2024, resolved to increase the number of shares through share split. The sub-division has been performed by splitting every existing share having a par value of Rs. 10 per share to 3.33 shares having the par value of Rs. 3 per share.

**7.4** 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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## 8 Long term loan - *secured*

| Facilities | *Note* | Sanctioned Limit | 2024 | 2023 | Tenor of principal repayments | Security |
|---|---|---|---|---|---|---|
| MCB Bank Limited - TERF | | 850,000,000 | 814,940,731 | 849,931,000 | 32 quarterly installments started from 23 July 2023. | First joint pari passu charge over all present and future fixed assets and current assets of Company Rs. 1,134 million (2023: Rs. 1,134 million) with security margins of 25% (2023: 25%), to be upgraded to first joint pari passu charge. Alongside, cross corporate guarantee of Ferozsons Laboratories Ltd. |
| Habib Bank Limited. - TERF | | 1,240,000,000 | 1,067,582,500 | 1,222,580,000 | 16 equal semi-annual installments started from 7 October 2023. | First pari passu charge of Rs. 1,240 million (2023: Rs. 1,240 million) on fixed assets including land, building, plant & machinery (of Unit II) of BF Biosciences Ltd. 25% margin i.e. Rs. 457 Million (2023: Rs. 457 million) is covered by first pari passu charge on plant & machinery of Ferozsons Laboratories Ltd. Alongside, Cross-corporate guarantee of Ferozsons Laboratories Ltd. |
| Karandaaz Pakistan - Convertible loan | | 835,000,000 | 626,250,000 | 793,250,000 | 20 equal quarterly installments started from 30 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% (2023: 10%) margin i.e. Rs. 928 million (2023: Rs. 928 million). Alongside, cross-corporate guarantee of Ferozsons Laboratories Ltd. |
| **Total** | | | **2,508,773,231** | 2,865,761,000 | | |
| **Less:** | | | | | | |
| Impact of deferred grant | *9* | | **(795,165,452)** | (795,165,452) | | |
| Adjustment of loan as equity component | *8.2* | | **(177,896,871)** | (177,896,871) | | |
| | | | **(973,062,323)** | (973,062,323) | | |
| **Add:** | | | | | | |
| Unwinding of loan | | | **347,857,335** | 236,626,632 | | |
| | | | **1,883,568,243** | 2,129,325,309 | | |
| Current portion of long term loans | | | **(292,719,538)** | (356,876,438) | | |
| **Long term portion of loans** | | | **1,590,848,705** | 1,772,448,871 | | |

**8.1** TERF loan facilities obtained from MCB Bank Limited and Habib Bank Limited is being utilized by the Company for the purpose of installing a second production line in its existing facility which is being 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% (2023: 3 month KIBOR plus 1.5%) and the difference between fair values and net disbursement amounts is recognized as deferred grant.

**8.2** Loan facility obtained from Karandaaz Pakistan is being 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% (2023: 3 month KIBOR plus 1.5%) and the difference between fair value and disbursement amount has been recognized as equity component. During the prior year, the lender had forfeited its right for conversion of loan to equity.

**8.3** These loans carry mark-up at the rates ranging from 1.93% to 3% (2023: 1.93% to 3%).

| | | | 2024 | 2023 |
|---|---|---|---|---|
| **9** | **Deferred grant** | *Note* | **Rupees** | Rupees |
| | Balance as at 01 July | | **633,647,149** | 407,740,109 |
| | Recognized during the year | 8 | **-** | 340,796,441 |
| | Amortization during the year | | **(75,600,381)** | (114,889,401) |
| | Balance as at 30 June | | **558,046,768** | 633,647,149 |
| | **Current portion** | | **(125,451,492)** | (129,914,074) |
| | **Non - current portion** | | **432,595,276** | 503,733,075 |

**10 Deferred taxation**

| | 2024 | 2023 |
|---|---|---|
| **Deferred tax liability on taxable temporary differences arising in respect of:** | | |
| -Unrealized gain on re-measurement of short term investments - net | **-** | 302,750 |
| -Equity portion of convertible loan | **24,900,378** | 25,791,507 |
| | **24,900,378** | 26,094,257 |
| **Deferred tax asset on deductible temporary differences arising in respect of:** | | |
| -Accelerated tax depreciation | **55,748,297** | (4,423,745) |
| -Unrealized gain on re-measurement of short term investments - net | **(35,430)** | - |
| -Provisions and others | **(32,303,695)** | (8,164,349) |
| | **23,409,172** | (12,588,094) |
| **Deferred tax liabilities** | **48,309,550** | 13,506,163 |

**Movement in deferred tax balances is as follows:**

| | **2024** | | | |
|---|---|---|---|---|
| | **Balance as on 01 July** | **(Credited) / Charged to statement of profit or loss** | **Effect of Rate Change** | **Balance as on 30 June** |
| *Taxable temporary difference:* | **- - - - - Rupees - - - - -** | | | |
| -Equity portion of convertible loan | **25,791,507** | **(12,636,107)** | **11,744,978** | **24,900,378** |
| *Deductible temporary difference:* | | | | |
| -Accelerated tax depreciation | **(4,423,745)** | **62,186,534** | **(2,014,492)** | **55,748,297** |
| Unrealized gain on re-measurement of short term investments - net | **302,750** | **(478,279)** | **140,099** | **(35,430)** |
| -Provisions and others | **(8,164,349)** | **(20,421,452)** | **(3,717,894)** | **(32,303,695)** |
| | **(12,285,344)** | **41,286,803** | **(5,592,287)** | **23,409,172** |
| | **13,506,163** | **28,650,696** | **6,152,691** | **48,309,550** |

| | **2023** | | | |
|---|---|---|---|---|
| | **Balance as on 01 July** | **(Credited) / Charged to statement of profit or loss** | **Effect of Rate Change** | **Balance as on 30 June** |
| *Taxable temporary difference:* | **- - - - - Rupees - - - - -** | | | |
| -Unrealized gain on re-measurement of short term investments - net | 476,992 | (288,720) | 114,478 | 302,750 |
| -Equity portion of convertible loan | 36,800,100 | (17,141,943) | 6,133,350 | 25,791,507 |
| | 37,277,092 | (17,430,663) | 6,247,828 | 26,094,257 |
| *Deductible temporary differences:* | | | | |
| -Accelerated tax depreciation | (4,527,473) | 858,307 | (754,579) | (4,423,745) |
| -Provisions and others | (6,199,598) | (931,485) | (1,033,266) | (8,164,349) |
| | (10,727,071) | (73,178) | (1,787,845) | (12,588,094) |
| | 26,550,021 | (17,503,841) | 4,459,983 | 13,506,163 |

| 11 | Trade and other payables | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| | Trade creditors | | **269,062,784** | 175,680,449 |
| | Due to related parties - unsecured | *11.1* | **42,011,416** | 79,037,580 |
| | Workers' Profit Participation Fund | *11.2* | **32,762,223** | 13,365,212 |
| | Central Research Fund | *11.3* | **6,314,337** | 2,199,992 |
| | Workers Welfare Fund | *11.4* | **16,613,006** | 4,735,739 |
| | Advances from employees against purchase of vehicles | | **9,930,472** | 6,442,873 |
| | Provision for compensated absences | | **11,643,276** | 7,649,801 |
| | Tax deducted at source | | **6,398,660** | 2,347,402 |
| | Accrued liabilities | *11.5* | **123,080,976** | 43,588,177 |
| | Other payables | *11.6* | **104,819,647** | 58,228,296 |
| | | | **622,636,797** | 393,275,521 |

**11.1 Due to related parties - unsecured**

*Name of related parties:*

| | Note | 2024 | 2023 |
|---|---|---|---|
| Grupo Empresarial Bagó S.A | *11.1.1* | **29,336,314** | 29,336,314 |
| Bago Laboratories Pte Ltd | | **12,675,102** | 49,701,266 |
| | | **42,011,416** | 79,037,580 |

**11.1.1** This pertains to royalty payable to Grupo Empresarial Bagó S.A - Spain (non controlling share holder) against sales of patent products.

| 11.2 | Workers' Profit Participation Fund | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| | Balance on 1 July | | **13,365,212** | 18,387,252 |
| | Interest on funds utilized by the Company | *31* | **1,506,953** | 1,216,423 |
| | Provision for the year | *29* | **31,255,966** | 10,889,960 |
| | Payments during the year | | **(13,365,908)** | (17,128,423) |
| | Closing balance as on 30 June | | **32,762,223** | 13,365,212 |

**11.3 Central Research Fund**

| | Note | 2024 | 2023 |
|---|---|---|---|
| Balance on 1 July | | **2,199,992** | 3,714,596 |
| Provision for the year | *29* | **6,314,337** | 2,199,992 |
| Payments made during the year | | **(2,199,992)** | (3,714,596) |
| Closing balance as on 30 June | | **6,314,337** | 2,199,992 |

**11.4 Workers' Welfare Fund**

| | Note | 2024 | 2023 |
|---|---|---|---|
| Balance on 1 July | | **4,735,739** | 597,554 |
| Provision for the year | *29* | **11,877,267** | 4,138,185 |
| Payments during the year | | - | - |
| Closing balance as on 30 June | | **16,613,006** | 4,735,739 |

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**11.5** This majorly includes the bonus payable to employees amounting to Rs. 31.63 million (2023: Rs. 12.05 million), incentives payable to employees amounting to Rs. 12.99 million (2023: Rs. 8.39 million) and service charges payable to distributors on the sales amounting to Rs. 42.42 million (2023: Rs. 21.37 million).

**11.6** This includes amounts obtained from distributors as security deposits against trade debtors as mentioned in note 20.1 of the financial statements. In accordance with the terms agreed with the distributors, these are repayable on demand and are not required to be kept in separate bank account.

| | | **2024** | 2023 |
|---|---|---|---|
| **12 Contract liabilities** | *Note* | **Rupees** | Rupees |
| Balance as at 01 July | | **5,672,993** | 23,457,497 |
| Advance received during the year | *12.1* | **25,421,875** | 5,672,993 |
| Revenue recognized during the year | *12.1* | **(5,672,993)** | (23,457,497) |
| Balance as at June 30 | | **25,421,875** | 5,672,993 |

**12.1** The contract liabilities primarily relates to the advances received from customers out of which Rs. 5.67 million (2023: Rs. 23.46 million) pertains to revenue recognized at point in time. Further, the Company has received advances amounting to Rs. 25.42 million (2023: Rs. 5.67 million).

| | | **2024** | 2023 |
|---|---|---|---|
| **13 Short term borrowings - *secured*** | *Note* | **Rupees** | Rupees |
| Interest / Markup based financing | *13.1* | **89,514,282** | 226,555,421 |
| Islamic mode of financing | *13.2* | **239,184,447** | 246,834,121 |
| | | **328,698,729** | 473,389,542 |

### 13.1 Interest/ Mark up based financing under non shariah arrangements

The Company has short term borrowing facilities available from various commercial banks under mark-up arrangements having aggregate sanctioned limit of Rs. 375 million (2023: Rs. 610 million). These facilities carry mark-up at the rates ranging from one to three months KIBOR plus 0% to 0.75% per annum (2023: one to three months KIBOR plus 0% to 0.75%). This facility can interchangeably be utilized as non-funded. The aggregate short term borrowings are secured by first pari passu charge of Rs. 500 million (2023: Rs. 500 million) over present and future current assets and plant and machinery of the Company and lien over shipping documents. These facilities are renewable latest by 31 January 2025.

### 13.2 Interest/ Mark up based financing under shariah 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. 250 million (2023: Rs. 250 million). These facilities carry mark-up at the rates of one month KIBOR plus 0.25% per annum (2023: one month KIBOR plus 0.25% per annum) on the outstanding balance.

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This facility can interchangeably be utilized as non-funded. The aggregate short term borrowings are secured by first pari passu charge of Rs. 334 million (2023: Rs. 333.34 million) over current assets and plant and machinery of the Company. This facilities are renewable latest by 30 November 2024.

**13.3** 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.

| **14 Mark-up accrued on borrowings** | **2024 Rupees** | 2023 Rupees |
|---|---|---|
| **Long term loans - secured** | | |
| -Conventional Interest / mark-up based loans | **17,074,782** | 17,793,436 |
| **Short term borrowings** | | |
| -Conventional Interest / mark-up based loans | **5,015,978** | 12,838,051 |
| -Islamic mode of financing | **11,573,574** | 13,196,007 |
| | **33,664,334** | 43,827,494 |

## 15 Contingencies and commitments

### 15.1 Contingencies:

**15.1.1** 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.

**15.1.2** As a result of monitoring proceedings of withholding taxes for tax year 2017, the Assessing Officer has issued Order and raised the demand of Rs. 5,218,952 (inclusive of default surcharge) on account of non-withholding of tax on certain expenses including sales promotion and advertisement under section 156 of the Ordinance. 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 and upheld demand of Rs. 664,128 on account of travelling and daily allowance. Appeal effect proceedings were initiated by the Department in April 2024 and Company resubmitted required data. These proceedings are not yet finalized by the department.

The Company has filed an appeal against this order before the Appellate Tribunal Inland Revenue which is pending. Management is confident that the eventual outcome of the matter will be decided in favor of the Company.

**15.1.3** On 30 August 2023, the Additional Commissioner Punjab Revenue Authority issued a show cause notice u/s 52 of Punjab Sales Tax on services Act 2012 regarding the withholding of sales tax on services for the years 2018, 2019, 2020, 2021, and 2022. The proceedings were concluded on 8 November 2023, and an order was issued amounting to Rs. 53,148,911 on the contention that the Company did not withhold tax on services for these years.

The Company has filed an appeal with the Commissioner PRA on the grounds that the method of calculating tax is incorrect. The department calculates tax at a rate of 16% on the whole amount appearing in the notes to the financial statements of the Company, considering it as service received, which in fact are not services received. The matter is currently pending adjudication and management is confident that the eventual outcome of the matter will be decided in favor of the Company.

**15.2 Commitments:**

**15.2.1 Letter of credits**

**15.2.1.1** ***Under Mark up arrangements***

Out of aggregate facility of Rs. 705 million (2023: Rs. 605 million) for opening letters of credits, the amount utilized as at 30 June 2024 for capital expenditure was Rs. Nil (2023: Rs. 1.00 million) and for other than capital expenditure was Rs. 64.4 million (2023: Nil). These facilities are secured by pari passu charge (2023: pari passu charge) over all present and future current assets and plant and machinery of the Company.

**15.2.1.2** ***Under Shariah compliant arrangements***

The Company has facility i.e. letters of credit of Rs. 250 million (2023: Rs. 250 million) available from Islamic banks. The amount utilized as at 30 June 2024 for capital expenditure was Rs. Nil (2023: Rs. Nil) and for other than capital expenditure was Rs. Nil (2023: Rs. Nil). This facility is secured by pari passu charge (2023: pari passu charge) over all present and future current assets and plant and machinery of the Company.

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

**15.2.2.1** ***Under Mark up arrangements***

Out of the aggregate facility of Rs. 185 million (2023: Rs. 85 million) for letter of guarantees (which is the sublimit of running finance and letter of credits), the amount utilized as at 30 June 2024 was Rs. 40.1 million (2023: Rs. 12.75 million).

**15.2.2.2** ***Under Shariah compliant arrangements***

The Company has facility i.e. letter of guarantee of Rs. 50 million (2023: Rs. 50 million) available from Islamic bank, the amount utilized as at 30 June 2024 was Rs. Nil (2023: Rs. Nil).

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| 16 | Property, plant and equipment | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| | Operating assets | 16.1 | **658,963,133** | 185,286,486 |
| | Capital work in progress | 16.2 | **3,515,949,323** | 3,884,336,004 |
| | | | **4,174,912,456** | 4,069,622,490 |

| 16.1 Operating assets | Note | Freehold land | Building on freehold land | Plant and machinery | Office equipment | Furniture and fittings | Computers | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | 2024 | | | | | | | |
| | | Rupees | | | | | | | |
| *Owned* | | | | | | | | | |
| **30 June 2024** | | | | | | | | | |
| **Cost** | | | | | | | | | |
| Balance as at 01 July 2023 | | 25,360,500 | 214,163,830 | 635,891,048 | 15,773,367 | 7,534,680 | 14,692,996 | 35,045,477 | 948,461,898 |
| Additions / transfers | 16.1.3 | - | 21,893,377 | 474,625,959 | 1,544,519 | 1,253,278 | 3,085,803 | 9,114,660 | 511,517,596 |
| Disposals | | - | - | - | - | - | - | (7,331,595) | (7,331,595) |
| **Balance as at 30 June 2024** | 16.1.1 | **25,360,500** | **236,057,207** | **1,110,517,007** | **17,317,886** | **8,787,958** | **17,778,799** | **36,828,542** | **1,452,647,899** |
| **Depreciation** | | | | | | | | | |
| Balance as at 01 July 2023 | | - | 210,011,682 | 508,884,909 | 9,010,499 | 6,261,260 | 9,536,514 | 19,470,548 | 763,175,412 |
| Charge for the year | 16.1.4 | - | 1,387,349 | 24,886,046 | 1,002,918 | 263,652 | 3,442,376 | 4,584,075 | 35,566,416 |
| On disposals | | - | - | - | - | - | - | (5,057,062) | (5,057,062) |
| **Balance as at 30 June 2024** | | - | **211,399,031** | **533,770,955** | **10,013,417** | **6,524,912** | **12,978,890** | **18,997,561** | **793,684,766** |
| **Net book value as at 30 June 2024** | | **25,360,500** | **24,658,176** | **576,746,052** | **7,304,469** | **2,263,046** | **4,799,909** | **17,830,981** | **658,963,133** |
| **Depreciation rate %** | | - | **10** | **5 - 10** | **10** | **10** | **33** | **20** | |

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| | Note | Freehold land | Building on freehold land | Plant and machinery | Office equipment | Furniture and fittings | Computers | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | 2023 | | | | | | | |
| | | Rupees | | | | | | | |
| ***Owned*** | | | | | | | | | |
| **30 June 2023** | | | | | | | | | |
| **Cost** | | | | | | | | | |
| Balance as at 01 July 2022 | | 25,360,500 | 212,482,967 | 615,815,725 | 11,254,388 | 7,356,647 | 13,193,862 | 32,464,468 | 917,928,557 |
| Additions / transfers | *16.1.3* | - | 1,680,863 | 20,075,323 | 4,518,979 | 178,033 | 1,728,874 | 5,130,109 | 33,312,181 |
| Disposals | | - | - | - | - | - | (229,740) | (2,549,100) | (2,778,840) |
| **Balance as at 30 June 2023** | *16.1.1* | 25,360,500 | 214,163,830 | 635,891,048 | 15,773,367 | 7,534,680 | 14,692,996 | 35,045,477 | 948,461,898 |
| **Depreciation** | | | | | | | | | |
| Balance as at 01 July 2022 | | - | 208,834,672 | 486,105,750 | 8,067,080 | 6,025,302 | 6,587,842 | 16,558,105 | 732,178,751 |
| Charge for the year | *16.1.4* | - | 1,177,010 | 22,779,159 | 943,419 | 235,958 | 3,178,404 | 5,461,543 | 33,775,493 |
| On disposals | | - | - | - | - | - | (229,732) | (2,549,100) | (2,778,832) |
| **Balance as at 30 June 2023** | | - | 210,011,682 | 508,884,909 | 9,010,499 | 6,261,260 | 9,536,514 | 19,470,548 | 763,175,412 |
| **Net book value as at 30 June 2023** | | 25,360,500 | 4,152,148 | 127,006,139 | 6,762,868 | 1,273,420 | 5,156,482 | 15,574,929 | 185,286,486 |
| **Depreciation rate %** | | - | 10 | 10 | 10 | 10 | 33 | 20 | |

**16.1.1** These include fully depreciated assets amounting to Rs. 649.8 million (2023: Rs. 635.1 million)

**16.1.2** Building and biotech plant is located at freehold land measuring 16 kanal and 10 marla located at 5-km Sunder Raiwind road, Lahore.

**16.1.3** Additions in operating fixed assets include transfers from capital work-in-progress amounting to Rs. 502.83 million (2023: Rs. 21.76 million).

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**16.1.4** Depreciation charge for the year has been allocated as follows:

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Cost of sales | *26* | **31,043,870** | 30,237,070 |
| Administrative expenses | *27* | **3,013,934** | 2,187,102 |
| Selling and distribution cost | *28* | **1,508,612** | 1,351,321 |
| | | **35,566,416** | 33,775,493 |

**16.2 Capital work-in-progress**

*The movement in capital work in progress is as follows:*

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Balance as at 01 July | | **3,884,336,004** | 1,949,279,704 |
| Additions during the year | | **134,445,763** | 1,956,812,486 |
| Transfers during the year | | **(502,832,444)** | (21,756,186) |
| Balance at 30 June | *16.2.1* | **3,515,949,323** | 3,884,336,004 |

**16.2.1 Capital work-in-progress comprises of:**

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Building, civil works & others | *16.2.2* | **808,799,832** | 785,083,343 |
| Plant and machinery | | **2,707,149,491** | 3,099,252,661 |
| | | **3,515,949,323** | 3,884,336,004 |

**16.2.2** This includes borrowing cost amounting to Rs. 36.79 million (2023: Rs. 40.67 million) capitalized during the year at the rate of 9.04% (2023: 9.04%)

## 17 Intangibles

**17.1 Computer software and software license fees**

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| ***Cost*** | | | |
| Balance as at 01 July | | **4,514,651** | 2,854,315 |
| Additions during the year | | **-** | 1,660,336 |
| Balance as at 30 June | *17.1.1* | **4,514,651** | 4,514,651 |
| ***Amortization*** | | | |
| Balance as at 01 July | | **3,407,762** | 2,854,315 |
| Amortization for the year | *27* | **553,444** | 553,447 |
| Balance as at 30 June | | **3,961,206** | 3,407,762 |
| **Net book value** | | **553,445** | 1,106,889 |

**17.1.1** These include fully amortized assets amounting to Rs. 2.85 million (2023: Rs. 2.85 million). Intangibles are amortized at the rate of 33% (2023: 33%) on straight line basis.

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| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **18 Stores, spare parts and loose tools** | | | |
| Stores, spare parts and loose tools | | **114,601,896** | 74,378,734 |
| Stores in transit | | **-** | 9,041,224 |
| | | **114,601,896** | 83,419,958 |

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **19 Stock in Trade** | | | |
| Raw and packing materials | | **481,819,700** | 433,674,746 |
| Work in process | | **180,428,216** | 91,884,608 |
| Finished goods | | **143,982,950** | 124,747,020 |
| Stock in transit | *19.3* | **4,599,500** | 120,179,994 |
| | | **810,830,366** | 770,486,368 |
| Less: provision for slow moving stock | *19.1* | **(31,619,489)** | (1,662,057) |
| | | **779,210,877** | 768,824,311 |

**19.1 Movement in provision for slow moving stock**

| | 2024 | 2023 |
|---|---|---|
| Balance as at 01 July | **1,662,057** | 1,662,057 |
| Provided during the year | **29,957,432** | - |
| Balance as at 30 June | **31,619,489** | 1,662,057 |

**19.2** The amount charged to the 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. 23.30 million (2023: Rs. 11.00 million), Rs. 23.08 million (2023: Rs. 26.36 million) and Rs. 28.07 million (2023: Rs. 16.27 million), respectively.

**19.3** It includes raw and packing material in transit amounting to Rs. 4.60 million (2023: Rs. 107.21 million).

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **20 Trade debts** | | | |
| *Export debtors* | | | |
| Considered good - *secured* | | **12,007,639** | - |
| *Local debtors* | | | |
| Considered good - *secured* | *20.1* | **103,769,926** | - |
| Considered good - *unsecured* | | **88,833,484** | 93,812,070 |
| Considered doubtful | | **20,287,362** | 8,134,008 |
| | | **224,898,411** | 101,946,078 |
| *Less* : Provision for expected credit loss | *20.2* | **(20,287,362)** | (8,134,008) |
| | | **204,611,049** | 93,812,070 |

**20.1** These receivables are secured against the security deposit received from distributors as per the terms of agreement in the normal course of business.

### 20.2 Movement in provision for expected credit loss

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Balance as at 01 July | | **8,134,008** | 4,273,529 |
| Charge of expected credit loss during the year | *29* | **12,153,354** | 3,925,699 |
| Trade debts written off | | **-** | (65,220) |
| Balance as at 30 June | | **20,287,362** | 8,134,008 |

## 21 Loans and advances

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| *Advances - secured, considered good* | | | |
| Advances to employees | *21.1* | **15,126,831** | 2,166,316 |
| *Advances - unsecured, considered good* | | | |
| Advances to suppliers | *21.2* | **11,006,025** | 12,080,973 |
| Others | | **-** | - |
| | | **26,132,856** | 14,247,289 |

**21.1** 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.

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

## 22 Deposits, prepayments and other receivables

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Earnest money - considered good | *22.1* | **28,326,818** | 28,191,665 |
| Earnest money - considered doubtful | | **8,772,827** | 6,368,608 |
| | | **37,099,645** | 34,560,273 |
| Less: Provision for expected credit loss | *22.2* | **(8,772,827)** | (6,368,608) |
| | | **28,326,818** | 28,191,665 |
| Margins held by bank | | **119,249,541** | 10,474,408 |
| Prepayments | | **5,875,830** | 2,276,006 |
| Sales tax refundable | | **48,882,484** | 49,636,464 |
| Others | | **448,732** | - |
| | | **202,783,405** | 90,578,543 |

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

**22.2** The movement in provision for expected credit loss is as follows:

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Balance as at 01 July | | **6,368,608** | 8,066,128 |
| Charge / (Reversal) of expected credit loss during the year | *29* | **2,404,219** | (1,697,520) |
| Balance as at 30 June | | **8,772,827** | 6,368,608 |

| 23 Short term investments | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Investments at fair value through profit or loss - Mutual Funds | 23.1 | **39,012,771** | 147,385,823 |

**23.1** The movement in short term investments is as follows:

| | Note | 2024 | 2023 |
|---|---|---|---|
| Carrying value as at 01 July | | **147,385,823** | 1,299,583,607 |
| Redemption - *net* | | **(108,583,478)** | (1,161,123,060) |
| Realized gain on sale of investments | 23.1.1 | **317,789** | 7,948,663 |
| Unrealized (loss) / gain on re-measurement of investment during the year | | **(107,363)** | 976,613 |
| Carrying value at 30 June | 23.1.2 | **39,012,771** | 147,385,823 |

**23.1.1** Realized gain of Rs. 0.32 million (2023 : Rs. 7.95 million) on sale of mutual funds and dividend of Rs. 12.85 million (2023: Rs. 82.65 million) has been recorded in "other income". These investments and related gain is from non shariah compliant arrangement.

**23.1.2 Mutual fund wise detail is as follows:**

| | Units | | Fair value | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | Number | | Rupees | |
| ABL Cash Fund | **1,226,287** | 12,224,156 | **12,555,825** | 125,037,256 |
| HBL Money Market Fund | **2,686** | 2,277 | **277,006** | 234,998 |
| HBL Cash Fund | **254,378** | 216,449 | **26,179,940** | 22,113,569 |
| | | | **39,012,771** | 147,385,823 |

| 24 Cash and bank balances | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Cash in hand | | **4,813,140** | 4,556,666 |
| Cash at bank: | | | |
| - Conventional banks | 24.1 | **273,268,328** | 250,885,697 |
| - Islamic banks | 24.2 | **688,384** | - |
| | | **273,956,712** | 250,885,697 |
| | | **278,769,852** | 255,442,363 |

**24.1 Conventional Banks**

| | Note | 2024 | 2023 |
|---|---|---|---|
| *- current accounts in local currency* | | **45,739,941** | 21,016,106 |
| *- current accounts in foreign currency* | | **218,072,258** | 221,441,401 |
| *- savings accounts in local currency* | 24.1.1 | **9,456,129** | 8,428,190 |
| | | **273,268,328** | 250,885,697 |

**24.2 Islamic Banks**

| | Note | 2024 | 2023 |
|---|---|---|---|
| *- current accounts in local currency* | | - | - |
| *- savings accounts in local currency* | 24.2.1 | **688,384** | - |
| | | **688,384** | - |

**24.1.1** These carry interest ranging from 19.51% to 20.51% (2023: 12.25% to 19.51%) per annum under markup arrangements.

**24.2.1** This carries profit of 11.01% (2023: Nil) per annum under Shariah compliant arrangements.

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| 25 | **Revenue - *net*** | *Note* | **2024 Rupees** | 2023 Rupees |
|---|---|---|---|---|
| | ***Gross sales:*** | | | |
| | Local | | **3,982,086,797** | 1,987,281,317 |
| | Export | | **52,222,519** | 41,543,751 |
| | | | **4,034,309,316** | 2,028,825,068 |
| | ***Less:*** | | | |
| | Sales return | | **(12,594,312)** | (14,200,522) |
| | Sales Tax | | **(13,878,103)** | (14,045,652) |
| | Discounts | | **(349,116,414)** | (191,059,056) |
| | | | **(375,588,829)** | (219,305,230) |
| | **Revenue from contracts with customers** | *25.1* | **3,658,720,487** | 1,809,519,838 |

**Disaggregation of Revenue (Revenue - *net*)**

**25.1 Primary Geographical Markets (Revenue - *net*)**

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| Pakistan | **3,606,497,968** | 1,768,597,798 |
| Nepal | **33,889,834** | 30,486,600 |
| Sri Lanka | **8,435,288** | 5,720,400 |
| Others | **9,897,397** | 4,715,040 |
| | **3,658,720,487** | 1,809,519,838 |

| 26 | **Cost of goods sold** | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| | Raw and packing materials consumed | *26.1* | **797,499,739** | 481,464,869 |
| | Fuel and power | | **245,099,635** | 141,212,147 |
| | Depreciation on property, plant and equipment | *16.1.4* | **31,043,870** | 30,237,070 |
| | Salaries, wages and other benefits | *26.2* | **168,672,298** | 122,921,190 |
| | Stores and spares consumed | | **95,993,217** | 29,607,963 |
| | Laboratory and other expenses | | **43,113,072** | 72,620,263 |
| | Insurance | | **15,502,961** | 11,854,726 |
| | Repairs and maintenance | | **17,631,189** | 14,962,325 |
| | Traveling and conveyance | | **17,296,333** | 10,213,945 |
| | Transportation | | **4,585,611** | 6,738,430 |
| | Canteen expenses | | **598,183** | 2,079,134 |
| | Freight and forwarding | | **8,430,272** | 8,268,385 |
| | Postage and telephone | | **1,070,972** | 1,342,391 |
| | | | **1,446,537,352** | 933,522,838 |
| | ***Work in process:*** | | | |
| | At beginning of the year | | **91,884,608** | 31,757,437 |
| | At end of the year | | **(180,428,216)** | (91,884,608) |
| | | | **(88,543,608)** | (60,127,171) |
| | **Cost of goods manufactured** | | **1,357,993,744** | 873,395,667 |
| | **Finished goods:** | | | |
| | At beginning of the year | | **124,747,020** | 91,644,324 |
| | Add: purchases made during the year | | **787,455,320** | 519,693,916 |
| | At end of the year | | **(143,982,950)** | (124,747,020) |
| | | | **768,219,390** | 486,591,220 |
| | | | **2,126,213,134** | 1,359,986,887 |

| 26.1 Raw and packing materials consumed | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| At beginning of the year | | **432,012,689** | 130,192,617 |
| Add: purchases made during the year | | **815,687,261** | 783,284,941 |
| | | **1,247,699,950** | 913,477,558 |
| Less: At end of the year | *26.3* | **(450,200,211)** | (432,012,689) |
| | | **797,499,739** | 481,464,869 |

**26.2** Salaries, wages and other benefits include Rs. 5.78 million (2023: Rs. 5.14 million) charged on account of defined contribution plan.

**26.3** This includes provision charged for slow moving stocks of Rs. 29.96 million (2023: Rs. Nil).

## 27 Administrative expenses

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Salaries and other benefits | *27.1* | **11,598,894** | 14,554,999 |
| Depreciation on property, plant and equipment | *16.1.4* | **3,013,934** | 2,187,102 |
| Amortization | *17* | **553,444** | 553,447 |
| Traveling, conveyance and transportation | | **3,018,269** | 1,227,723 |
| Printing and stationery | | **149,336** | 51,946 |
| Canteen expenses | | **57,993** | - |
| Auditors' remuneration | *27.2* | **4,465,000** | 1,091,600 |
| Rent, rates and taxes | | **108,700** | 120,000 |
| Insurance | | **352,789** | 276,137 |
| Postage and telephone | | **185,871** | 161,189 |
| Repairs and maintenance | | **644,498** | 254,356 |
| Subscriptions | | **13,898,370** | 46,195 |
| Legal and professional charges | | **2,016,920** | 2,776,305 |
| Others | | **430,477** | 35,346 |
| | | **40,494,495** | 23,336,345 |

**27.1** Salaries and other benefits include Rs. 0.32 million (2023: Rs. 1.05 million) charged on account of defined contribution plan.

### 27.2 Auditor's remuneration

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| Fee for annual audit | **1,500,000** | 749,000 |
| Fee for special audit | **1,800,000** | - |
| Special certificates and others | **600,000** | 142,600 |
| Out-of-pocket expenses | **565,000** | 200,000 |
| | **4,465,000** | 1,091,600 |

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| 28 | **Selling and distribution expenses** | *Note* | **2024 Rupees** | 2023 Rupees |
|---|---|---|---|---|
| | Salaries and other benefits | *28.1* | **282,046,114** | 24,354,212 |
| | Conferences, seminars and training | | **87,534,632** | 24,279,992 |
| | Sales promotion | | **149,492,934** | 32,026,412 |
| | Patient care activities | | - | 1,114,673 |
| | Service charges | | **38,702,816** | 19,943,330 |
| | Traveling and conveyance | | **141,752,141** | 24,641,054 |
| | Depreciation on property, plant and equipment | *16.1.4* | **1,508,612** | 1,351,321 |
| | Royalty, subscriptions and fees | | **296,148** | 2,341,370 |
| | Rent, rates and taxes | | **1,459,115** | 411,514 |
| | Insurance | | **8,378,579** | 2,308,966 |
| | Postage and telephone | | **2,671,568** | 1,664,913 |
| | Repairs and maintenance | | **1,089,299** | 2,035,819 |
| | Printing and stationery | | **275,814** | 390,560 |
| | Others | | **1,645,561** | 590,688 |
| | | | **716,853,333** | 137,454,824 |

**28.1** Salaries and other benefits include Rs. 6.91 million (2023: Rs. 2.55 million) charged on account of defined contribution plan.

| 29 | **Other expenses** | *Note* | **2024 Rupees** | 2023 Rupees |
|---|---|---|---|---|
| | Exchange loss - *net* | *30.1* | **114,037** | 8,180,349 |
| | Central research fund | *11.3* | **6,314,337** | 2,199,992 |
| | Workers profit participation fund | *11.2* | **31,255,966** | 10,889,960 |
| | Workers welfare fund | *11.4* | **11,877,267** | 4,138,185 |
| | Charge for provision for expected credit loss | *20.2 & 22.2* | **14,557,573** | 2,228,179 |
| | Unrealized loss on re-measurement of short term investments to fair value | *23.1* | **107,363** | - |
| | | | **64,226,543** | 27,636,665 |

| 30 | **Other income** | | | |
|---|---|---|---|---|
| | ***Income from financial assets*** | | | |
| | Profit on bank deposits | *24.2.1* | **6,484,951** | 750,146 |
| | Unrealized gain on re-measurement of short term investments to fair value | *23.1* | - | 976,613 |
| | Dividend income | *23.1.1* | **12,850,074** | 82,650,072 |
| | Realized gain on sale of short term investments | *23.1* | **317,789** | 7,948,663 |
| | | | **19,652,814** | 92,325,494 |
| | ***Income from non-financial assets*** | | | |
| | Export rebates | | **519,693** | 1,048,911 |
| | Gain on sale of property, plant and equipment | | **2,130,063** | 1,061,751 |
| | | | **2,649,756** | 2,110,662 |
| | | | **22,302,570** | 94,436,156 |

**30.1** The exchange gain / loss was incurred due to actual currency fluctuation.

| 31 Finance cost | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| *Mark-up on financing from conventional banks / institutions:* | | | |
| Long term loans | | **66,493,787** | 64,356,778 |
| Short term borrowings | | **22,196,634** | 50,588,223 |
| | | **88,690,421** | 114,945,001 |
| *Mark-up on Islamic mode of financing:* | | | |
| Short term borrowings | *31.1* | **51,041,269** | 28,316,308 |
| Bank charges | | **3,098,178** | 1,846,395 |
| Corporate guarantee expense | *31.2* | **7,020,000** | 7,020,000 |
| Interest on Workers' Profit Participation Fund | | **1,506,953** | 1,216,423 |
| | | **151,356,821** | 153,344,127 |

**31.1** This represents markup expense incurred under Shariah compliant arrangements against facilities of short term borrowings.

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

| 32 Minimum tax differential | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Minimum tax differential | *32.1* | **2,155,750** | 4,596,995 |

**32.1** This represents portion of minimum tax paid under section 148 (2023: section 148) of Income Tax Ordinance (ITO, 2001), representing levy in terms of requirements of IFRIC 21 / IAS 37.

| 33 Final Tax | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Final taxes | *33.1* | **4,117,333** | 15,089,403 |

**33.1** This represents final taxes paid under sections 150 and 154 (2023: sections 150 and 154) of Income Tax Ordinance, 2001 (ITO, 2001), representing levy in terms of requirements of IFRIC 21 / IAS 37.

| 34 Income tax | Note | 2024 Rupees | 2023 Rupees *Re-stated* |
|---|---|---|---|
| *Current* | | | |
| - For the year | | **161,058,408** | 47,039,729 |
| - For prior years | | **(5,669,333)** | (537,896) |
| | | **155,389,075** | 46,501,833 |
| *Deferred* | | | |
| - For the year | | **28,650,695** | (17,503,841) |
| - Effect of rate change | | **6,152,691** | 4,459,983 |
| | | **34,803,386** | (13,043,858) |
| | *34.1* | **190,192,461** | 33,457,975 |

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**34.1 Tax charge reconciliation**

| | **2024 Rupees** | 2023 Rupees |
|---|---|---|
| *Numerical reconciliation between tax expense and accounting profit:* | | |
| Profit before income tax | **575,605,648** | 182,510,748 |
| Applicable tax rate as per Income Tax Ordinance, 2001 | **29%** | 29% |
| Tax on accounting profit | **166,925,638** | 52,928,117 |
| Effect of final tax regime | **(3,822,297)** | (26,065,300) |
| Effect of rate change | **6,152,691** | 4,459,983 |
| Effect of prior year tax | **(5,669,333)** | (537,896) |
| Effect of separate block | **(3,707,845)** | (422,961) |
| Effect of proration | **-** | 5,258,111 |
| Effect of minimum tax | **(894,093)** | 7,220,326 |
| Super tax under section 4C | **37,036,664** | 1,887,523 |
| Permanent differences and others | **(5,828,964)** | (11,269,928) |
| | **23,266,823** | (19,470,142) |
| | **190,192,461** | 33,457,975 |

**34.2** Reconciliation of current tax charge charged as per tax laws for the year, with current tax recognised in the profit and loss account

| | *Note* | **2024 Rupees** | 2023 Rupees |
|---|---|---|---|
| Current tax liability for the year as per applicable tax laws | *34.2.1* | **196,465,544** | 53,144,373 |
| Portion of current tax liability as per tax laws, representing income tax under IAS 12 | *34* | **(190,192,461)** | (33,457,975) |
| Portion of current tax liability as per tax laws, representing levy in terms of requirements of IFRIC 21/ IAS 37 | *32 & 33* | **(6,273,083)** | (19,686,398) |
| **Difference** | | **-** | - |

**34.2.1** The aggregate of minimum tax, final tax and income tax, amounting to Rs. 196.47 million (2023: Rs. 53.14 million) represents tax liability of the Company calculated under the relevant provisions of the Income Tax Ordinance, 2001.

**35 Earning per share - basic and diluted**

| | | **2024** | 2023 *Re-stated* |
|---|---|---|---|
| Profit after taxation for distribution to ordinary shareholders | *(Rupees)* | **385,413,187** | 149,052,773 |
| Weighted average number of ordinary shares | *(Numbers)* | **63,333,334** | 63,333,334 |
| Basic earning per share | *(Rupees)* | **6.09** | 2.35 |

**35.1 Weighted average number of ordinary shares**

| | *Note* | **2024 Rupees** | 2023 Rupees *Re-stated* |
|---|---|---|---|
| Outstanding number of shares before shares split | | **19,000,000** | 19,000,000 |
| Add: Element of shares split in number of shares at the start of the year | *7.1* | **44,333,334** | 44,333,334 |
| | | **63,333,334** | 63,333,334 |

**35.2** 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.

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**36 Remuneration of Chief Executive, Non Executive Directors and Executives**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Chief Executive** | **Executives** | Chief Executive | Executives |
| | -------------Rupees------------- | | -------------Rupees------------- | |
| Managerial remuneration | - | **39,436,613** | 7,742,791 | 34,708,835 |
| Leave fare assistance / leave encashment | - | **4,532,821** | - | 2,788,104 |
| Bonus / Incentives | - | **5,841,932** | - | 6,125,965 |
| Contribution to provident fund | - | **3,943,662** | 774,277 | 2,898,428 |
| Utilities and others | - | **28,438,287** | 3,484,250 | 22,900,067 |
| Medical reimbursement | - | **2,998,550** | - | 3,947,345 |
| | - | **85,191,865** | 12,001,318 | 73,368,744 |
| Numbers | **1** | **13** | 1 | 12 |

**36.1** The Directors of the Company are not paid any remuneration.

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

**37 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 | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| **Ferozsons Laboratories Limited (80% share holder)** | Parent Company | Purchase of medicine | **696,974,490** | 437,877,760 |
| | | Payment made against purchase of medicine | **696,974,490** | 437,877,760 |
| | | Short term borrowing extended by FLL | - | 170,000,000 |
| | | Short term borrowing repaid to FLL | - | 170,000,000 |
| | | Expenses incurred by the Company on behalf of FLL - net | **108,179,756** | 46,150,073 |
| | | Receipts received from FLL - net | **107,106,594** | 44,761,586 |
| | | Receipts received by the Company on behalf of FLL - net | **1,073,162** | 1,388,487 |
| | | Sale of medicine - net of returns and discounts | **825,204** | 23,594,211 |
| | | Receipts received against sale of medicine | **825,204** | 23,594,211 |
| | | Premium against corporate guarantee paid by FLL | **7,020,000** | 7,020,000 |
| | | Payment made against premium on corporate guarantee | **7,020,000** | 7,020,000 |
| | | Markup expense on short term borrowing facility by FLL | - | 950,806 |
| | | Payment against markup expense on short term borrowing facility by FLL | - | 950,806 |
| **Bago Laboratories Pte. Limited** | Associated Company | Purchase of medicine | **57,326,775** | 77,000,756 |
| | | Payment made against purchase of medicine | **94,182,434** | 83,920,122 |
| **Farmacia** | Associated Company | Sale of medicine - net of returns and discounts | **179,445,341** | 126,857,426 |
| | | Payment received against sale of medicine | **179,445,341** | 126,857,426 |
| | | Purchase of medicine | **38,347** | - |
| | | Payment made against purchase of medicine | **38,347** | - |
| **Employees provident fund** | Post employment benefit fund | Provident fund contribution | **13,012,097** | 8,742,242 |
| **Akhtar Khalid Waheed** | Chief Executive Officer | Remuneration including benefits and perquisites | - | 12,001,318 |
| **Key Management Personnel** | Key management personnel | Remuneration including benefits and perquisites | **404,519** | - |

**37.1** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers Chief Executive Officer, Chief Financial Officer and Company Secretary to be its key management personnel.

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

| | Long term loan | Accrued mark-up | Total |
|---|---|---|---|
| | --------- Rupees - ------- | | |
| **As at 30 June 2023** | **2,762,972,458** | **43,827,494** | **2,806,799,952** |
| ***Changes from financing cash flows*** | | | |
| Proceeds from long term loan | - | - | - |
| Principal / finance cost paid | **(321,357,447)** | **(161,519,981)** | **(482,877,428)** |
| **Total changes from financing cash flows** | **(321,357,447)** | **(161,519,981)** | **(482,877,428)** |
| ***Other changes*** | | | |
| Interest expense | - | **151,356,821** | **151,356,821** |
| Impact of effective rate | - | - | - |
| **Total liability related other changes** | - | **151,356,821** | **151,356,821** |
| **As at 30 June 2024** | **2,441,615,011** | **33,664,334** | **2,475,279,345** |

| | Long term loan | Accrued mark-up | Total |
|---|---|---|---|
| | --------- Rupees - ------- | | |
| **As at 30 June 2022** | 2,002,456,900 | 13,824,098 | 2,016,280,998 |
| ***Changes from financing cash flows*** | | | |
| Proceeds from long term loan | 772,863,000 | - | 772,863,000 |
| Principal / finance cost paid | (50,500,000) | (120,277,913) | (170,777,913) |
| **Total changes from financing cash flows** | 722,363,000 | (120,277,913) | 602,085,087 |
| ***Other changes*** | | | |
| Interest expense | - | 150,281,309 | 150,281,309 |
| Impact of effective rate | 38,152,558 | - | 38,152,558 |
| **Total liability related other changes** | 38,152,558 | 150,281,309 | 188,433,867 |
| **As at 30 June 2023** | 2,762,972,458 | 43,827,494 | 2,806,799,952 |

39 **Capacity and productions**

| | Actual production | |
|---|---|---|
| | **2024** | 2023 |
| | ---------**Packs**-------- | |
| Liquid And Others | **2,462,215** | 2,168,156 |

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

40 **Number of employees**

| | Total number of employees | |
|---|---|---|
| | **2024** | 2023 |
| Total number of employees as at 30 June | **386** | 263 |
| Average number of employees during the year | **325** | 206 |

41 **Disclosures relating to provident fund**

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

| | **Un-Audited 30-Jun-24** | | Audited 30-Jun-23 | |
|---|---|---|---|---|
| | **% of Total Size Fund** | **Rupees** | % of Total Size Fund | Rupees |
| Ferozsons Laboratories Limited - *Parent Company* | **77%** | **1,028,207,228** | 79% | 880,702,298 |
| BF Biosciences Limited - *Subsidiary* | **22%** | **283,335,444** | 20% | 223,069,169 |
| Farmacia - *Partnership firm* | **1%** | **18,908,118** | 1% | 15,606,275 |
| | **100%** | **1,330,450,790** | 100% | 1,119,377,742 |

41.1 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.

## 42 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

***Risk management framework***

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

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

### 42.1 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.

### 42.1.1 Exposure to credit risk

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

| | **2024** | 2023 |
|---|---|---|
| | **Rupees** | Rupees |
| ***Financial assets at amortized cost*** | | |
| Long term deposits | **7,827,000** | 4,827,000 |
| Trade debts | **204,611,049** | 93,812,070 |
| Deposits and other receivables | **147,576,359** | 38,666,073 |
| Bank balances | **273,956,712** | 250,885,697 |
| | **633,971,120** | 388,190,840 |
| ***Financial assets at fair value through profit or loss*** | | |
| Short term investments | **39,012,771** | 147,385,823 |
| | **672,983,891** | 535,576,663 |

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### 42.1.1.1 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:

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| Customers | **204,611,049** | 93,812,070 |
| Banking companies and financial institutions | **312,969,483** | 398,271,520 |
| Others | **155,403,359** | 43,493,073 |
| | **672,983,891** | 535,576,663 |

### 42.1.1.2 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.

### 42.1.1.3 Counterparties with external credit ratings

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

| Institutions | Rating - Long term | Rating - Short term | Rating Agency | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|---|
| Allied Bank Limited | AAA | A1+ | PACRA | **17,903,490** | 16,844,012 |
| Bank Alfalah Limited | AAA | A1+ | PACRA | **9,413,318** | 8,355,633 |
| Habib Bank Limited | AAA | A1+ | VIS | **24,144,317** | 10,343,801 |
| Habib Metropolitan Bank Limited | AA+ | A1+ | PACRA | **205,820,877** | 215,126,141 |
| Bank Islami Pakistan Limited | AA- | A1 | PACRA | **10,000,000** | - |
| Meezan Bank Limited | AAA | A1+ | VIS | **688,384** | - |
| MCB Bank Limited | AAA | A1+ | PACRA | **5,986,326** | 216,110 |
| | | | | **273,956,712** | 250,885,697 |
| **Deposit - L/C margin** | | | | | |
| Habib Bank Limited | AAA | A1+ | VIS | **80,634,114** | - |
| Allied Bank Limited | AAA | A1+ | PACRA | **28,141,019** | - |
| Meezan Bank Limited | AAA | A1+ | VIS | **10,474,408** | 10,474,408 |
| | | | | **119,249,541** | 10,474,408 |
| **Short term investments** | | | | | |
| ABL Cash Fund | AA+(f) | N/A | VIS | **12,555,825** | 125,037,256 |
| HBL Money Market Fund | AA+(f) | N/A | VIS | **277,006** | 234,998 |
| HBL Cash Fund | AA+(f) | N/A | VIS | **26,179,940** | 22,113,569 |
| | | | | **39,012,771** | 147,385,823 |
| | | | | **432,219,024** | 408,745,928 |

### 42.1.1.4 Counterparties without external credit ratings - Trade debts

These mainly include customers which are counter parties to local and foreign trade debts against sale of pharmaceutical products. As explained in note 6.14, 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.

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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 'roll 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 2024 was determined as follows:

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

| | Other | | | |
|---|---|---|---|---|
| | **2024** | | 2023 | |
| | **Gross carrying amount** | **Expected credit loss** | Gross carrying amount | Expected credit loss |
| Current | **27,610,749** | **1,052,494** | 20,017,149 | 671,979 |
| Past due 0 - 90 days | **11,286,367** | **2,462,308** | 7,605,844 | 1,734,405 |
| Past due 91 - 180 days | **764,569** | **534,528** | 398,494 | 322,143 |
| Past due 181 - 365 days | **7,771,433** | **6,154,776** | 1,397,441 | 1,196,512 |
| More than 365 days | **106,903** | **106,903** | 663,892 | 645,040 |
| | **47,540,021** | **10,311,009** | 30,082,820 | 4,570,079 |

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

| | Government | | | |
|---|---|---|---|---|
| | **2024** | | 2023 | |
| | **Gross carrying amount** | **Expected credit loss** | Gross carrying amount | Expected credit loss |
| Past due 0 - 90 days | **47,105,151** | **285,938** | 16,135,160 | 22,322 |
| Past due 91 - 180 days | **37,099,701** | **832,423** | 30,842,084 | 501,208 |
| Past due 181 - 365 days | **68,363,914** | **2,778,121** | 21,261,378 | 2,335,805 |
| More than 365 days | **24,789,624** | **6,079,871** | 3,624,636 | 704,594 |
| | **177,358,390** | **9,976,353** | 71,863,258 | 3,563,929 |

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.

### 42.2 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 8 and 13 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

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**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.

| | 2024 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual Cashflows | | |
| | | Less than one year | One to five years | More than 5 years |
| ***Financial liabilities*** | ----------Rupees---------- | | | |
| Trade and other payables | 550,486,882 | 550,486,882 | - | - |
| Long term loan - secured | 2,441,615,011 | 475,047,725 | 1,599,471,743 | 549,255,621 |
| Short term borrowings | 328,698,729 | 328,698,729 | - | - |
| Accrued mark-up | 33,664,334 | 33,664,334 | - | - |
| | 3,354,464,956 | 1,387,897,670 | 1,599,471,743 | 549,255,621 |

| | 2023 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual Cashflows | | |
| | | Less than one year | One to five years | More than 5 years |
| *Financial liabilities* | ----------Rupees---------- | | | |
| Trade and other payables | 364,184,303 | 364,184,303 | - | - |
| Long term loan - secured | 2,762,972,458 | 356,876,438 | 2,086,793,536 | 442,047,633 |
| Short term borrowings | 473,389,542 | 473,389,542 | - | - |
| Accrued mark-up | 43,827,494 | 43,827,494 | - | - |
| | 3,644,373,797 | 1,238,277,777 | 2,086,793,536 | 442,047,633 |

**42.3 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

**42.3.1 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:

**42.3.1.1 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.

**42.3.1.2 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.

**42.3.1.3 Exposure to currency risk**

The figures represent foreign currency balances after conversion in Pak Rupees using exchange rates prevailing at the statement of financial position date. The Company's exposure to foreign currency risk at the reporting date was as follows:

| | 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Assets*** | **Rupees** | **JPY** | **US Dollars** | **CNY** | **Euro** | **Pound** | **Aus. Dollars** |
| Cash and bank balances | **221,800,438** | **146,000** | **789,342** | - | **1,535** | **3,410** | **1,000** |
| Advances to suppliers | - | - | - | - | - | - | - |
| Trade and other receivables | **12,007,639** | - | **43,140** | - | - | - | - |
| | **233,808,077** | **146,000** | **832,482** | - | **1,535** | **3,410** | **1,000** |
| ***Liabilities*** | | | | | | | |
| Contract liabilities | - | - | - | - | - | - | - |
| Trade and other payables | **(197,962,850)** | - | **(523,392)** | **(430,474)** | **(120,234)** | - | - |
| | **(197,962,850)** | - | **(523,392)** | **(430,474)** | **(120,234)** | - | - |
| **Net Statement of financial position exposure** | **35,845,227** | **146,000** | **309,090** | **(430,474)** | **(118,699)** | **3,410** | **1,000** |
| **Off statement of financial position items** | | | | | | | |
| - Outstanding letters of credit | (64,435,988) | - | (231,500) | - | - | - | - |
| **Net exposure** | **(28,590,761)** | **146,000** | **77,590** | **(430,474)** | **(118,699)** | **3,410** | **1,000** |

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Assets*** | Rupees | JPY | US Dollars | CNY | Euro | Pound | Aus. Dollars |
| Cash and bank balances | 225,331,625 | 146,000 | 379,106 | - | 1,535 | 3,410 | 1,000 |
| Advances to suppliers | 1,520,731 | - | 5,310 | - | - | - | - |
| Trade and other receivables | - | - | - | - | - | - | - |
| | 226,852,356 | 146,000 | 384,416 | - | 1,535 | 3,410 | 1,000 |
| ***Liabilities*** | | | | | | | |
| Contract liabilities | (1,714,617) | - | (5,987) | - | | | |
| Trade and other payables | (178,360,448) | - | (482,676) | (1,010,570) | - | - | - |
| | (180,075,065) | - | (488,663) | (1,010,570) | - | - | - |
| **Net Statement of financial position exposure** | 46,777,291 | 146,000 | (104,247) | (1,010,570) | 1,535 | 3,410 | 1,000 |
| **Off statement of financial position items** | | | | | | | |
| - Outstanding letters of credit | (997,797) | - | (3,484) | - | - | - | - |
| **Net exposure** | 45,779,494 | 146,000 | (107,731) | (1,010,570) | 1,535 | 3,410 | 1,000 |

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The following significant exchange rates were applied during the year:

| | Reporting date rate | | Average rate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| US Dollars | **278.34** | 286.39 | **283.24** | 247.90 |
| Euro | **297.69** | 313.07 | **306.48** | 260.36 |
| UAE Dirham | **75.78** | 77.97 | **77.15** | 67.54 |
| Pounds | **351.92** | 365.01 | **356.66** | 299.06 |
| JPY | **1.73** | 2.04 | **1.90** | 1.81 |
| Australian dollars | **184.49** | 185.74 | **185.64** | 166.96 |
| CHF | **309.41** | 320.16 | **319.48** | 265.09 |
| CNY | **38.31** | 39.71 | **39.22** | 35.66 |

**42.3.1.4 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 the 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 | |
|---|---|---|
| | **2024** | 2023 |
| | **Rupees** | Rupees |
| Statement of profit or loss | **(3,584,523)** | (4,677,729) |

A 10% 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.

**42.3.1.5 Currency risk management**

Since the maximum amount exposed to currency risk is only 0.55% (2023: 0.80%) 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.

**42.3.2 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:

| | **2024** | 2023 | **2024** | 2023 |
|---|---|---|---|---|
| | **Effective rate (in Percentage)** | | **Rupees** | Rupees |
| **Financial assets** | | | | |
| Cash at bank - deposit accounts | **11.01% to 20.51%** | 12.25% to 19.51% | **10,144,513** | 8,428,190 |
| **Financial liabilities** | | | | |
| Long term loan - secured | **8.42% to 18.42%** | 8.42% to 18.42% | **2,441,615,011** | 2,762,972,458 |
| **Net** | | | **2,451,759,524** | 2,771,400,648 |

**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 period 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 30 June 2023.

| | Profit or loss | |
|---|---|---|
| | 100 bps Increase | 100 bps Decrease |
| **As at 30 June 2024** | ----- Rupees ----- | |
| Cash flow sensitivity - Variable rate financial assets | 24,517,595 | (24,517,595) |
| As at 30 June 2023 | | |
| Cash flow sensitivity - Variable rate financial liabilities | 27,714,006 | (27,714,006) |

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

**42.3.3 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.

**42.4 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.

**42.4.1 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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42.4.2 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Carrying 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 2024** | | | | | | | |
| *Financial assets at fair value* | | | | | | | |
| Short term investments | 39,012,771 | - | - | 39,012,771 | 39,012,771 | - | - |
| *Financial assets at amortized cost* | | | | | | | |
| Long term deposits | - | 7,827,000 | - | 7,827,000 | - | - | - |
| Trade debts - considered good | - | 204,611,049 | - | 204,611,049 | - | - | - |
| Deposits and other receivables | - | 147,576,359 | - | 147,576,359 | - | - | - |
| Cash and bank balances | - | 278,769,852 | - | 278,769,852 | - | - | - |
| | - | 638,784,260 | - | 638,784,260 | - | - | - |
| *Financial liabilities measured at fair value* | - | - | - | - | - | - | - |
| *Financial liabilities not measured at fair value* | | | | | | | |
| Trade and other payables | - | - | 550,618,099 | 550,618,099 | - | - | - |
| Long term loan - secured | - | - | 2,441,615,011 | 2,441,615,011 | - | - | - |
| Short term borrowings | - | - | 328,698,729 | 328,698,729 | - | - | - |
| Accrued mark-up | - | - | 33,664,334 | 33,664,334 | - | - | - |
| | - | - | 3,354,596,173 | 3,354,596,173 | - | - | - |

| | 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 2023** | | | | | | | |
| ***Financial assets measured at fair value*** | | | | | | | |
| Short term investments | 147,385,823 | - | - | 147,385,823 | 147,385,823 | - | - |
| ***Financial assets not measured at fair value*** | | | | | | | |
| Long term deposits | - | 4,827,000 | - | 4,827,000 | - | - | - |
| Trade debts - considered good | - | 93,812,070 | - | 93,812,070 | - | - | - |
| Deposits, prepayments and other receivables | - | 38,666,073 | - | 38,666,073 | - | - | - |
| Cash and bank balances | - | 255,442,363 | - | 255,442,363 | - | - | - |
| | - | 392,747,506 | - | 392,747,506 | - | - | - |
| ***Financial liabilities not measured at fair value*** | | | | | | | |
| Trade and other payables | - | - | 364,184,303 | 364,184,303 | - | - | - |
| Long term loan - secured | - | - | 2,762,972,458 | 2,762,972,458 | - | - | - |
| Short term borrowings | - | - | 473,389,542 | 473,389,542 | - | - | - |
| Accrued mark-up | - | - | 43,827,494 | 43,827,494 | - | - | - |
| | - | - | 3,644,373,797 | 3,644,373,797 | - | - | - |

### 42.5 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* | **2024** | 2023 |
|---|---|---|---|
| Total debt | *Rupees* | **2,441,615,011** | 2,762,972,458 |
| Total equity | *Rupees* | **2,359,618,678** | 1,974,205,491 |
| **Total capital employed** | *Rupees* | **4,801,233,689** | 4,737,177,949 |
| **Gearing** | *Percentage* | **51%** | 58% |

Total debt comprises of long term loans from banking company.

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 period nor the Company is subject to externally imposed capital requirements.

## 43 Events after the reporting date

Subsequent to the year end, the Company has completed its Initial Public Offering Proceedings for enlistment on Pakistan Stock Exchange. The Book building and retail subscription were held on 25-26 September 2024 and 02-03 October 2024 respectively, which resulted in total funds raising of Rs 1,925 million.

## 44 General

**44.1** Figures have been rounded off to the nearest rupee.

**44.2** These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 03 October 2024.

KPMG

M. K. Waheed

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