FEROZSONS
LABORATORIES LIMITED

ANNUAL REPORT 2017

60 YEARS
OF TRUST & DEVOTION

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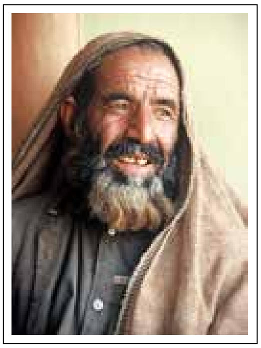
contents



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60 YEARS
OF TRUST & DEVOTION
FEROZSONS
LABORATORIES LIMITED

corporate information

Board of Directors

Mrs. Akhter Khalid Waheed	Chairperson	Non-Executive Director
Mr. Osman Khalid Waheed	Chief Executive	Executive Director
Mrs. Amna Piracha Khan		Non-Executive Director
Ms. Munize Azhar Peracha		Non-Executive Director
Mr. Nihal F. Cassim		Non-Executive Director
Mr. Shahid Anwar		Non-Executive Director
Mr. Arshad Saeed Husain		Independent Director

Audit Committee

Mr. Arshad Saeed Husain	Chairman
Mrs. Amna Piracha Khan	Member
Mr. Nihal F. Cassim	Member
Mr. Shahid Anwar	Member

Investment Committee

Mr. Nihal F. Cassim	Chairman
Mr. Osman Khalid Waheed	Member
Mr. Shahid Anwar	Member

HR & Remuneration Committee

Mr. Shahid Anwar	Chairman
Mr. Osman Khalid Waheed	Member
Mr. Nihal F. Cassim	Member
Mr. Arshad Saeed Husain	Member

Company Secretary / Chief Financial Officer
Syed Ghausuddin Saif

Head of Internal Audit
Mr. Rizwan Hameed Butt

External Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants

Internal Auditors
EY Ford Rhodes
Chartered Accountants

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

Legal Advisors
Khan & Piracha

Registered Office
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197-A, The Mall
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Telephone: +92-51-4252155-57
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Email: cs@ferozsons-labs.com

Share Registrar
CorpTec Associates (Pvt.) Limited
503-E, Johar Town
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Telephone: +92-42-35170336-37
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Lahore, Pakistan
Telephone: +92-42-37358194
Fax: +92-42-37313680

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House No. 9, Block 7/8,
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Shahrah-e-Faisal, Karachi, Pakistan
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Fax: +92-21-34386754

(The annual reports can be downloaded from the company's website: www.ferozsons-labs.com)

About Us

The foundations of the Ferozsons business group were laid in 1894 by Maulvi Ferozuddin Khan, who founded the Ferozsons publishing house. From the outset, the group's corporate vision involved playing a meaningful role in the education and health of the underprivileged population of the sub-continent. Ferozsons Laboratories Limited was thus established in 1956 as one of the first Pharmaceutical manufacturing companies in Pakistan, and has now entered its seventh decade of serving the cause of health and well-being in Pakistan and a growing number of international markets.

In 1960, we became the first Pakistani pharmaceutical company to be listed on the Karachi Stock Exchange (KSE) Limited, and have a consistent track record of financial performance. The company is a multiple-time recipient of the KSE Top 25 Companies Award.

Through our range of branded generics and in-licensed products, the company has established a leading presence in the areas of cardiology, gastroenterology, hepatology, oncology, dermatology and anti-infective treatments, and is expanding in other key therapeutic areas where unmet needs exist such as pediatrics and women's health.

In addition to representing Gilead Sciences Inc., one of the world's most innovative biotech companies in the viral hepatitis and HIV space, Ferozsons Laboratories Limited is the Pakistan marketing and distribution partner for the Boston Scientific Corporation, USA for its range of cardiac and peripheral products and interventional devices. This partnership allows us to offer complete medical solutions in cardiology, oncology, urology and gastroenterology. We are now distribution partners for GE Healthcare, a global leader in transformational medical technologies, for distribution, marketing and sales services for the Value segment of the ultrasound products in Pakistan.

In 2009, Ferozsons Laboratories Limited entered into a joint venture with the Bagó Group of Argentina to establish BF Biosciences Limited, Pakistan's first biotech pharmaceutical company. Our other international partners include BioGaia of Sweden and Performance Health of USA in pharma and OTC products respectively and MAVIG of Germany for medical equipment.

Ferozsons Laboratories Limited has a fully current Good Manufacturing Practices (cGMP) compliant production facility in Nowshera, which is ISO 9001 certified and we are fully equipped with state-of-the-art manufacturing and testing equipment. Our production capabilities include the manufacturing of tablets, capsules, syrups, suspensions, creams and ointments.

The Company has recently undertaken a major expansion in its manufacturing, adding a new production wing for the production of solid dosage forms, and offers an excellent manufacturing, marketing and distribution platform to principals for launching their products in the Pakistan market.

Our Vision

We will strive to attain market leadership by putting patients first and seeing every day as a new opportunity to earn trust and credibility

Mission Statement

We aim to improve the quality of life by providing innovative healthcare solutions, ensuring patient access to treatment and cure. In doing so we will,

- Enhance shareholder value
- Lead in employee development
- Collaborate for excellence
- Be ethical and transparent

Our Values

Putting Patients First
Our purpose for existence and ultimate measure of success is at impact on the improvement of human lives

Trustworthiness
We work hard every day to earn the trust of patients, healthcare providers, employees, business partners and stakeholders

Collaboration
None of us is as smart as all of us. We come together, work together and win together

Excellence
We are committed to a culture of excellence and raising the bar every time

PEOPLE TRUST US

Chairperson's Message

Dear Shareholders,

This year has been challenging one for the company, the major reason being the decline brought about by the phasing out of the Hepatitis C originator therapy after the generics stepped in. However, at the end of our financial year, despite these challenges, we are proud to say that we have remained committed to delivering on our promise to our patients.

We have worked on meeting patient needs in various segments including hepatology. We started supplying Gilead's single pill therapy for Genotype I, Harvoni, for Hepatitis C under the patient access program. We have also introduced other programs around hepatitis awareness and linkage to treatment and care that you will read about in this report.

We are also making progress in the field of Mother & Child Health, a critically important public health challenge for Pakistan. Our project with GE Healthcare to equip primary health workers with portable ultrasound technology will help mothers in peri-urban and rural parts of the country get access to diagnostic services at their doorstep in a country where maternal mortality rates are exceptionally high. Such interventions are a part of our effort as a patient centric organization to bring innovation that matters and is accessible to the population.

In order to contribute to the greater goal of the wellbeing of patients in Pakistan, we have worked alongside NGOs and patient organizations to establish programs that roll out general health, disease awareness and prevention programs in addition to treatment, to help alleviate the burden of disease from the communities. Our engagement on social media in partnership with the Sider Institute at Shalamar Hospital covered the importance of diet for diabetic patients throughout the month of Ramzan. We are investing in these platforms to reach the emerging generation of Pakistanis in an effective manner.

Other initiatives such as Baat Sehat Ki reach a large number of people with the right nutritional and dietary advice. We have planned to make this engagement stronger for the benefit of people at risk of metabolic diseases who are enrolled or wish to enroll in this program.

Ferozsons Laboratories Limited remains committed to continue bringing innovative healthcare to market, and to work hard every day to earn the trust of patients and healthcare providers in Pakistan and a growing number of export markets.

On behalf of the Board,
Mrs. Akhter Khalid Waheed

Our work in Hepatology

For nearly a decade, our work in the field of hepatology has been pivotal in changing the treatment landscape, initially through the local production of interferons, which reduced treatment costs by half, and subsequently through the introduction of Directly Acting Antivirals (DAAs) under a special access program in partnership with Gilead Sciences.

This year as well, we have worked with healthcare providers and medical societies on a number of programs raising awareness, and delivering education, screening and treatment in the field, including arranging medical education events that bring together top Hepatologists from Pakistan and global experts in the field from around the world. We intend to take medical education for the treatment and diagnosis of Hepatitis to the General Physicians in the next phase.

In an attempt to reach the wider community, we designed awareness and educational outreach programmes around hepatitis awareness and prevention in partnership with local NGOs and educational institutions. We plan to roll these out to other areas as well as creating alliances with NGOs to take these programmes to the next level. Key Highlights for the year are below:

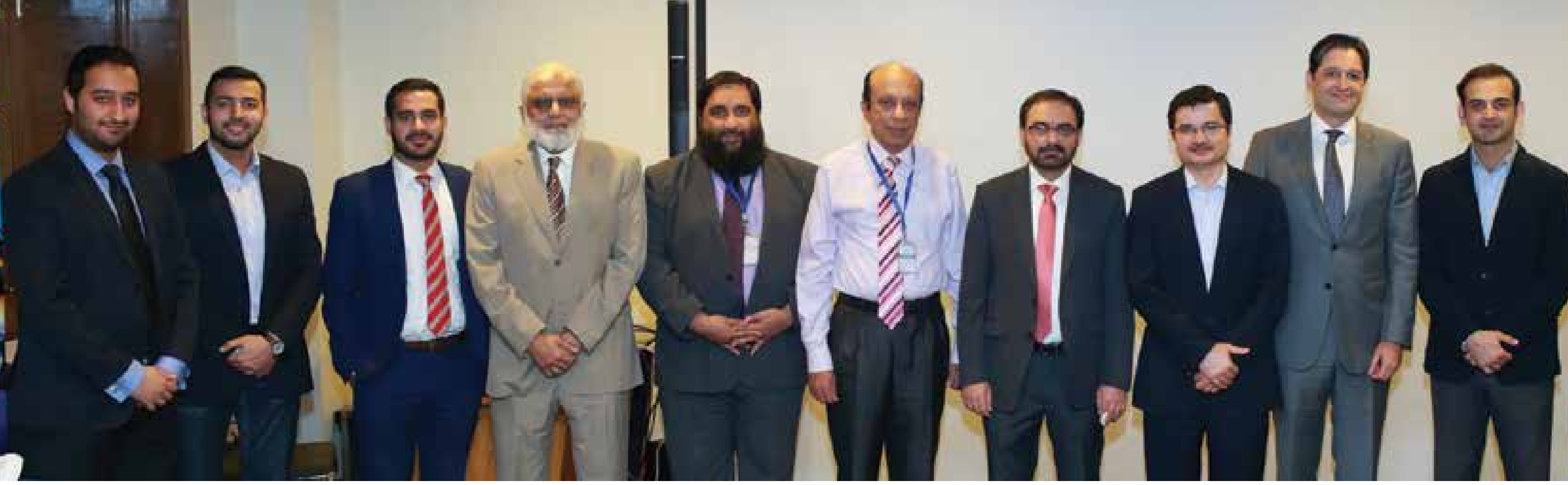
The Savera Success

Savera®, the first authorized generic of Sovaldi® in Pakistan, made it to the top 10 products launched in the last 24 months (IMS MAT Q2, 2017)

Ferozsons Laboratories Limited launched the first licensed generic Sofosbuvir tablets for the treatment of chronic hepatitis C in Pakistan, under the brand name Savera® (Sofosbuvir 400mg) in July last year coinciding with the World Hepatitis Day. In less than one year, it has been featured in the top 10 new products by value launched in the last 24 months.

Ferozsons obtained a license, along with requisite production process technology, from Gilead Sciences to manufacture an authorized generic of the breakthrough chronic hepatitis C treatment Sovaldi®, in order to expand access to high-quality, low-cost treatment for patients in Pakistan. To date over 70,000 patients have been prescribed the branded drug. The added availability of an authorized generic version of Sofosbuvir at a lower cost has further helped expand access to these curative treatments for patients in Pakistan.

Bringing new and innovative therapies in Pakistan is a time consuming process and is marred by significant challenges. According to an IMS Health report, out of the top ten new products introduced over the last year, only two are new chemical entities or innovative products. In an environment where most drug discoveries take place in the western hemisphere, these innovations normally take several years to reach developing countries, and even when they do, price remains a key barrier, since the majority of patients have to pay out of pocket for the prescribed treatments. We are committed to continue brining newer, more effective therapies with shortened treatment durations to help achieve Pakistan's goal of Elimination of Viral Hepatitis by 2030.



6th Annual Liver Summit

This year marked the 6th edition of our annual Liver Summit. This annual meeting has grown with each passing year, and aims to provide the latest scientific and evidence-based research results that will be applicable to everyday clinical practice, with the mission to advance and disseminate the knowledge and best practices in Hepatology, and to help make liver health and quality patient care accessible and achievable.

This forum has served as a platform for exchange of ideas and experiences on common prevailing hepatic illnesses between national and international experts, to explore new opportunities for joint research and to set better, improved standards in hepatic care.

The summit attracted a number of leading experts from the leading institutions in Pakistan, as well as international faculty from Virginia Commonwealth University, the University of Arizona, and the University of California, San Francisco.

Community Projects Promise Elimination of Hepatitis

We have worked on partnerships that link appropriate screening, prevention and treatment of Hepatitis C patients at the local level. These community based projects, pilots of which are being run at two locations in Central Punjab with the support of some leading NGOs as well as community clinics engaged in liver care, work on screening and treating patients, but also at educating communities regarding the disease and ways to prevent it. This holistic approach, encompassing awareness, education, prevention, screening and treatment, promises to help achieve the goal of elimination of Hepatitis C from Pakistan. The screening campaigns have reached out to thousands of people in the communities to date and is scheduled to continue whilst workshops are designed for awareness for school-teachers and general public. All these efforts will play a key role in addressing the burden of Hepatitis C in the communities. More projects on the same lines are being initiated in other parts of the country as well with an aim to cover a large population at risk of Hepatitis C.

PepsiCo Pakistan collaborates with Ferozsons Laboratories for Hepatitis C awareness

Another effort to spread the message of awareness and prevention against Hepatitis C to multiple stakeholders in the society is corporate outreach. Although, in its initial stages, our goal is to reach out to private sector companies to further the cause of the elimination of Hepatitis C. PepsiCo Pakistan, taking a leadership role in this area, collaborated with Ferozsons Laboratories Limited to spread the message of awareness and prevention at their head office to educate the employees. The kickoff session carried information about the disease, followed by screening of Hepatitis C, as well as a presentation form a renowned hepatologist. With components of awareness, prevention and screening, the project provides a holistic approach to the address this key challenge.

Advancing in
Medical Technologies

Our Medical Technologies Division has continued its focus on building and developing new alliances. Last year, Ferozsons partnered with GE Healthcare FZE, becoming an authorized non-exclusive distributor for their value range of ultrasound diagnostic products. Through this partnership Ferozsons is able to provide transformational medical technologies that that help address critical healthcare challenges and improve patient care.

Integrating portable ultrasound technology in the healthcare system

Pakistan has one of the highest rates of maternal mortality in the world. The majority of maternal deaths during childbirth are preventable, but continue to occur in the absence of skilled birth attendance, particularly in rural settings. Ferozsons, in collaboration with GE Healthcare, is working closely with the health sector on ultrasound-based interventions in maternal and child health that ensure better access for all.

Vscan Access is a portable ultrasound designed by GE Healthcare, particularly for use by primary healthcare workers, including midwives. This technology can assist primary healthcare workers in rural settings in the timely detection of maternal complications during pregnancy.

Ferozsons is also working on securing agreements with leading companies involved in the manufacture of specialized equipment for use in hospital settings. These include Ziehm Imaging, a global leader in C-ARM X-ray technology as well as MAVIG, which manufactures specialized personal protection equipment and innovative medical technology for radiology rooms.

MAVIG

Earlier this year, our Medical Technologies Division entered into a partnership with MAVIG, a leading global company involved in innovative medical technology and specialized equipment to protect healthcare providers against radiation. Our team held awareness sessions about healthcare provider safety in dealing with radiation processes in hospitals. The product range includes ceiling-suspended and table-mounted x-ray protective systems, mobile shields, and suspension systems for e.g. monitors and lamps, radiation protective observation windows and curtains as well as personal protective equipment and accessories.

Ziehm

Ziehm Imaging, specializes in the development, manufacturing and worldwide marketing of mobile X-ray-based imaging solutions. The complex C-Arm equipment has been marketed by Ziehm Imaging for more than 40 years is a leader in its field. Ziehm Imaging was the first company to introduce Flat Panel based C-Arms in 2007.

Nowshera Plant Expansion

Our manufacturing plant in Nowshera, KPK was one of the first national manufacturing facilities to be established in Pakistan for manufacturing high quality pharmaceuticals. The manufacturing facility, which is spread over 30 acres of land, has a total annual capacity of over 900 million tablets and capsules and about 20 million syrups, sachets and other pharmaceutical formulations. Over the years, the company has continually invested in the plant's modernization and upgradation.

A recent expansion phase was carried out with an area of approximately 5,000 sq. meters added to the facility. This includes a 2,500 Sq. meters cGMP-compliant production area dedicated to the production of oral solids, and we are adding manufacturing lines in the topical section for gels, lotions and creams over the next year.

Some key highlights of the plant expansion include our new capsule filling machine, which has taken the capacity of production of capsules up to 80,000 capsules per hour. The fully automated weight checking and rejection of out of specs capsules ensure a thorough accuracy of dosage for the patients. A high speed blister and carton-packaging line complements the capsule filling lines by producing 500 packs per minute with automatic camera inspection system to ensure accurate blister filling. A state-of-the-art Quality Control and Product Development Lab, fully equipped for pilot batch production of tablets and capsules as well as ointments and creams has also been added in the new facility. In addition to this, a new bottling, filling and capping line for tablets and capsules has also been added to the facility.

As a part of manufacturing plant expansion, a 1000 kg topical drugs production area for ointments and creams is expected to be completed by May 2018. The plant is fully automatic and has increased our production capacity by four folds.

Community Care Initiatives

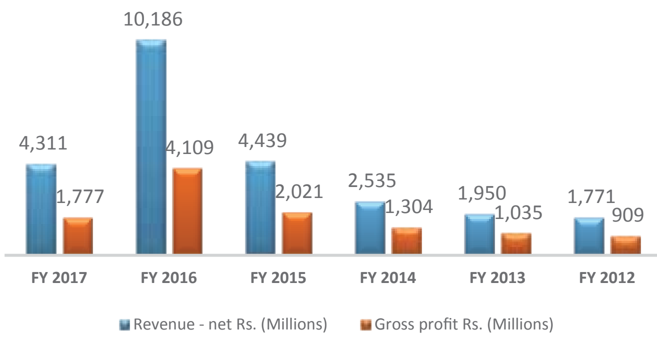
At Ferozsons Laboratories Limited, our continued commitment to promoting a healthier and more productive society through support to the health and education sector results in a number of engagements each year. The projects that we fund regularly include contributions to The Citizens Foundation (TCF) schools for the underprivileged and scholarship support for deserving students at the Lahore University of Management Sciences (LUMS). Apart from these regular engagements, in FY 2017 we have funded various health sector organizations working for the benefit of patients in Pakistan. Our donations have helped patient organizations in smaller towns provide quality dialysis to renal failure patients, as well as Ventilator machines for Bone Marrow Transplantation in Karachi.

A number of literary activities such as the Young Writers Workshop held at LUMS and the Lahore Literary Festival were also supported by Ferozsons this year, as well as several health awareness and education sessions held at public schools and community events.

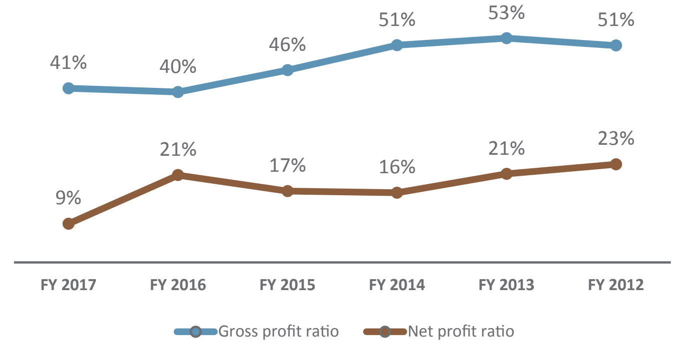
key operating and financial data for the last six years

DESCRIPTION		FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
unconsolidated							
Operating Results							
Revenue - net	(Rs. Million)	4,311	10,186	4,439	2,535	1,950	1,771
Gross Profit	(Rs. Million)	1,777	4,109	2,021	1,304	1,035	909
Profit Before Taxation	(Rs. Million)	602	2,654	1,083	567	451	425
Profit After Taxation	(Rs. Million)	394	2,104	749	418	409	411
Financial Position							
Share Capital	(Rs. Million)	302	302	302	302	302	287
Accumulated Profit	(Rs. Million)	3,733	3,766	2,401	2,039	1,919	1,649
Non Current Assets	(Rs. Million)	2,857	2,659	1,533	1,367	1,589	1,555
Non Current Liabilities	(Rs. Million)	167	149	40	46	42	84
Current Assets	(Rs. Million)	2,921	3,043	2,856	1,786	1,328	1,055
Current Liabilities	(Rs. Million)	767	652	1,275	392	276	206
Summary of Cashflow Statement							
Cash generated from Operations	(Rs. Million)	854	621	973	512	284	372
Net cash used in Investing activities	(Rs. Million)	(516)	(82)	(223)	(172)	(147)	(223)
Net cash used in Financing activities	(Rs. Million)	(454)	(743)	(400)	(303)	(128)	(111)
Key Financial Ratios							
Profitability Ratios							
Gross Profit Ratio	(%)	41.2	40.3	45.5	51.4	53.1	51.3
Net Profit After Tax to Sales	(%)	9.1	20.7	16.9	16.5	21.0	23.2
Return on Equity	(%)	9.8	51.7	27.7	17.8	18.4	21.2
Return on Capital Employed	(%)	15.3	65.5	40.6	24.9	20.8	22.4
Liquidity Ratios							
Current Ratio	(Times)	3.8	4.7	2.2	4.6	4.8	5.1
Quick Ratio/Acid Test Ratio	(Times)	1.8	1.8	1.3	2.9	2.7	3.1
Turnover Ratios							
Debtor Turnover Period	(Days)	31	14	19	21	26	22
Inventory Turnover Period	(Days)	226	113	187	196	230	179
Creditors Turnover Period	(Days)	90	18	141	82	78	54
Working Capital Cycle	(Days)	167	109	66	135	178	147
Non-Current Asset Turnover Ratio	(Times)	1.5	3.8	2.9	1.9	1.2	1.1
Operating Cash Flow To Sales Ratio	(%)	19.8	6.1	21.9	20.2	14.6	21.0
Investment/Market Ratios							
Earnings per Share Basic & Diluted (Adjusted)	(Rs.)	13.0	69.7	24.8	13.8	13.5	13.5
Cash Dividend per Share	(Rs.)	7.0	22.0	19.0	12.0	7.0	4.5
Bonus Share Issued	(%)	-	-	-	-	-	5.0
Price Earning Ratio	(Times)	29.6	14.8	25.8	16.7	8.2	6.0
Market Price per Share	(Rs.)	387	1,031	640	230	111	81
Cash Dividend Payout Ratio	(%)	53.7	31.6	76.6	86.8	51.7	33.3
Capital Structure Ratios							
Debt To Equity Ratio	(%)	-	-	-	-	-	-
Interest Cover	(Times)	38.0	239.0	78.5	34.2	39.4	54.9
consolidated							
Operating Results							
Revenue - net	(Rs. Million)	5,002	11,335	5,711	3,832	2,879	2,766
Gross Profit	(Rs. Million)	1,911	4,594	2,597	1,828	1,380	1,309
Profit Before Taxation	(Rs. Million)	591	2,859	1,360	761	523	493
Profit After Taxation	(Rs. Million)	395	2,233	944	552	466	476
Financial Position							
Share Capital	(Rs. Million)	302	302	302	302	302	287
Accumulated Profit	(Rs. Million)	4,265	4,280	2,811	2,289	2,061	1,744
Non Current Assets	(Rs. Million)	3,096	3,025	1,751	1,642	1,528	1,491
Non Current Liabiltiies	(Rs. Million)	246	269	101	122	65	103
Curent Assets	(Rs. Million)	3,745	3,838	3,474	2,115	1,737	1,529
Current Liabilties	(Rs. Million)	876	821	1,456	524	387	440

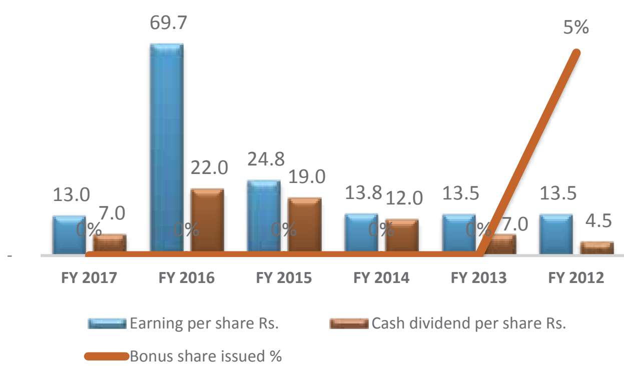
REVENUE & GROSS PROFIT (RS. MILLION)



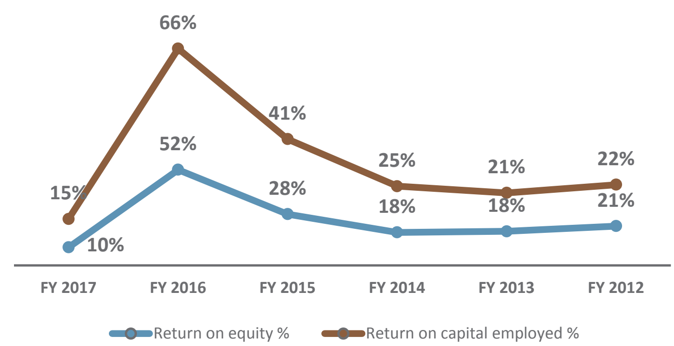
PROFITABILITY RATIOS (%)



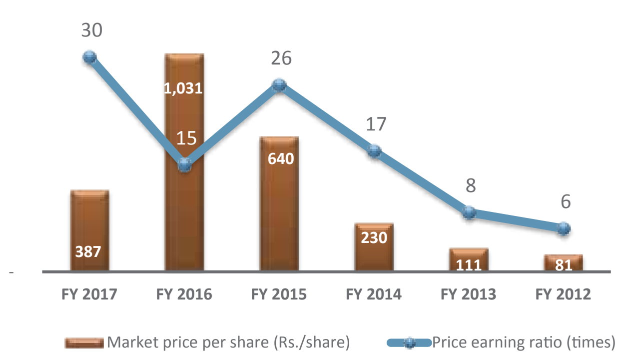
INVESTORS' RATIOS



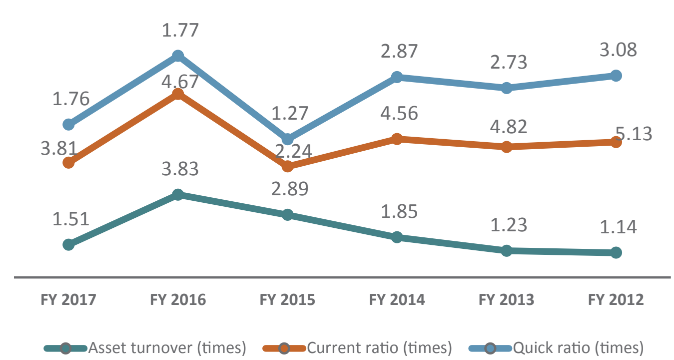
CAPITAL RETURNS RATIOS



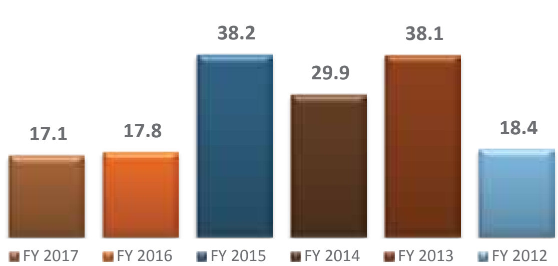
MARKET RATIOS



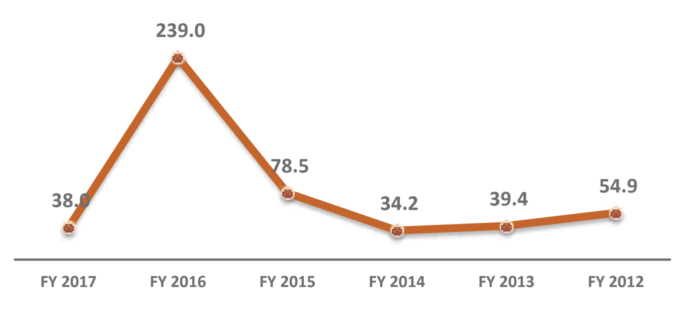
LIQUIDITY & ASSET TURNOVER RATIOS



NON CURRENT ASSETS TO NON CURRENT LIABILITIES (RATIO)



INTEREST COVER (TIMES)



horizontal analysis

	2017	2016	2015	2014	2013	2012
			% Change from preceding year			
BALANCE SHEET ANALYSIS						
Share Capital and Reserves	(1.2)	59.4	13.2	4.4	12.0	19.4
Non Current Liabilities	12.0	271.7	(12.4)	9.8	(50.6)	(4.2)
Current Liabilities	17.8	(48.9)	225.3	42.1	34.0	(12.1)
Total Equity and Liabilities	**1.3**	**29.9**	**39.2**	**8.1**	**11.7**	**15.2**
Non Current Assets	7.4	73.4	12.2	(14.0)	2.2	1.1
Current Assets	(4.0)	6.6	59.9	34.5	25.8	45.0
Total Assets	**1.3**	**29.9**	**39.2**	**8.1**	**11.7**	**15.2**
PROFIT AND LOSS ANALYSIS						
Revenue - net	(57.7)	129.5	75.1	30.0	10.1	23.2
Cost of Sales	(58.3)	151.4	96.4	34.6	6.2	22.0
Gross Profit	**(56.8)**	**103.3**	**55.0**	**25.9**	**13.9**	**24.5**
Administrative Expenses	4.7	43.2	20.2	14.4	4.8	16.7
Selling and Distribution Expenses	(11.5)	39.7	23.2	23.5	10.6	35.0
Other Expenses	(98.8)	221.7	68.3	47.3	14.0	6.9
Other Income	(62.2)	42.9	(0.9)	3.5	(31.6)	14.3
Operating Profit	**(76.8)**	**143.1**	**87.7**	**26.3**	**6.8**	**15.9**
Finance Costs	46.1	(20.1)	(18.3)	45.4	48.9	(29.1)
Profit Before Taxation	**(77.3)**	**145.2**	**90.9**	**25.8**	**6.0**	**17.3**
Taxation	(62.0)	64.6	123.3	253.2	202.8	(60.6)
Profit After Taxation	**(81.3)**	**181.1**	**79.3**	**2.2**	**(0.7)**	**25.8**

vertical analysis

	2017	2016	2015	2014	2013	2012
	%					
BALANCE SHEET ANALYSIS						
Share Capital and Reserves	83.8	86.0	70.0	86.1	89.1	88.9
Non Current Liabilities	2.9	2.6	1.0	1.5	1.4	3.2
Current Liabilities	13.3	11.4	29.0	12.4	9.5	7.9
Total Equity and Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Non Current Assets	49.4	46.6	34.9	43.4	54.5	59.6
Current Assets	50.6	53.4	65.1	56.6	45.5	40.4
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0
PROFIT AND LOSS ANALYSIS						
Revenue - net	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	58.8	59.7	54.5	48.6	46.9	48.7
Gross Profit	41.2	40.3	45.5	51.4	53.1	51.3
Administrative expenses	6.7	2.7	4.3	6.3	7.2	7.6
Selling and distribution expenses	21.2	10.1	16.7	23.7	24.9	24.8
Other expenses	0.1	2.6	1.8	1.9	1.7	1.6
Other income	1.1	1.2	2.0	3.5	4.4	7.1
Operating Profit	14.3	26.1	24.7	23.0	23.7	24.4
Finance costs	0.4	0.1	0.3	0.7	0.6	0.4
Profit Before Taxation	13.9	26.0	24.4	22.3	23.1	24.0
Taxation	4.8	5.4	7.5	5.9	2.2	0.8
Profit After Taxation	9.1	20.6	16.9	16.4	20.9	23.2

directors' report to shareholders for the year ended june 30, 2017

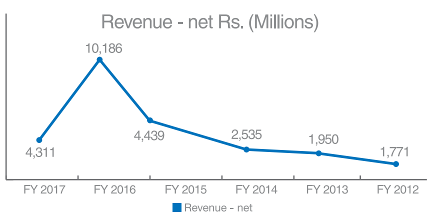
We are pleased to present the 61st Annual Report which includes the Audited Financial Statements of your Company for the financial year ended June 30, 2017 along with the Consolidated Financial Statements of its subsidiaries, BF Biosciences Limited and the Farmacia retail venture.

Your Company's Individual and Consolidated Financial Results

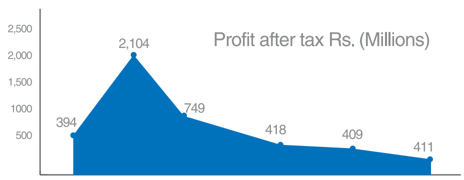
A summary of the financial and operating results for the year and appropriation of the divisible profits as compared to last year are given below:

	Individual		Consolidated	
	2017	2016	2017	2016
	(Rupees in thousands)			
Profit before tax	602,218	2,654,025	591,176	2,858,536
Taxation	(208,553)	(549,538)	(196,572)	(625,448)
Profit after tax	393,665	2,104,487	394,604	2,233,088
Profit available for appropriation	3,733,432	3,765,936	4,263,750	4,279,679
Appropriations				
Interim cash dividend for the FY 2017 @ Rs. 3/ share (FY 2016: @ Rs. 10/Share)	(90,561)	(301,868)	(90,561)	(301,868)
Final cash dividend for the FY 2017 @ Rs. 4/ share (FY 2016: @ Rs. 12/share)	(120,747)	(362,242)	(120,747)	(362,242)

During the year under review Consolidated Net Sales of your company closed at Rs. 5,002 million, a decrease of Rs. 6,293 million over the last year. On a stand-alone basis, Net Sales of your Company closed at Rs. 4,311 million against Rs 10,187 million last year, demonstrating a decline of 58%.
The decline in topline of the Company was contributed in large part by its portfolio of imported products, particularly its Hepatitis C franchise under license from GileadSciences Inc. The net sales of the company outside Gilead portfolio have been increased by 11% year on year basis.



The Gross profit (GP) of the Company in absolute terms decreased by 56% as compared to last year, which is mainly linked with decrease in sales and provision for slow moving stock. In the last quarter of current financial year we have recorded provision for slow moving stock amounting to Rs 140 million which significantly affected the GP ratio of the Company. The introduction of several cheaper generic brands of Sofsobuvir, regardless of whether these are licensed by the originator, has significantly influenced market dynamics in the treatment of HCV, and resultantly also impacted the sales of SOVALDI®. As a matter of prudence, we have made an estimated provision for slow moving stock in the financial statements of the company for the year under review.

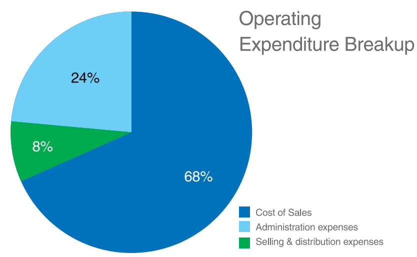


The Net Profit After Tax (NPAT) of the Company closed at Rs. 394 million, against Rs. 2,104 million achieved last year.

Sales of the subsidiary company BF Biosciences Limited closed at Rs. 609 Million with a decrease of 44% over the last year. Net Profit after Tax (NPAT) for the year stood at Rs. 24 million. The decline in operating results of the subsidiary is primarily due to the expanded use of oral treatment regimens for HCV patients and the corresponding decline in the market for interferons. The company is actively pursuing registrations with DRAP for new products that have been pending for over a year, and is in talks with potential partners in the biotech space for additional product portfolios.

Key Operating and Financial Data

A summary of key operating and financial data of the individual and consolidated financial statements for the last six years is annexed.



Capital Expenditure

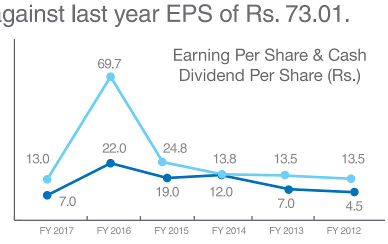
In order to keep pace with the latest technologies in pharmaceutical industry, during the year under review your Company has invested Rs. 307 million for balancing and modernization of its manufacturing facilities.

Subsequent Events

No material changes affecting financial position of the Company have occurred between the balance sheet date and the date of this report.

Earnings per Share

Based on the net profit for the year ended June 30, 2017 the earnings per share (EPS) stand at Rs. 13.04 per share, compared to prior year EPS of Rs. 69.72 on capital of Rs. 301.868 Million. Consolidated earnings per-share for the year under review closed at Rs.13.09 against last year EPS of Rs. 73.01.



Dividend Announcement

The Directors have recommended a final cash dividend of 40% i.e. Rs. 4 per 10-Rupee share. Added to the interim cash dividend of 30% declared earlier during the year, this amounts to a total payout of 70% for the year ended June 30, 2017.

These appropriations will be accounted for in the subsequent financial statements, in compliance with the Companies Act, 2017.

Statement of Compliance with the Code of Corporate Governance

Our statement of compliance with the Code of Corporate Governance of Pakistan along with the Auditors' Report thereon forms part of our Annual Report 2017.

Statement of Compliance with Corporate & Financial Reporting Framework

The Board of Directors of your Company is committed to the principal of good corporate management practices. The Management of Company is continuing to comply with the provisions of best practice set out in the Code of Corporate Governance.

As per the requirements of the Code of Corporate Governance, following specific statements are being given hereunder:

- The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.

- Proper books of account of the Company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of the Company's financial statements which conform to the approved accounting standards as applicable in Pakistan.

- The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

• The systems of internal controls are sound in design and have been effectively implemented by the management and monitored by the internal auditors as well as Board of Directors and the Audit Committee. The Board reviews the effectiveness of established internal controls through the Audit Committee and suggest, whenever required, further improvement in the internal control system.

• There are no significant doubts upon the Company's ability to continue as a going concern.

• There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.

• The Company does not envisage corporate restructuring or discontinuation of its operations in the foreseeable future.

• All major Government levies in the normal course of business, payable as on June 30, 2017 have been cleared subsequent to the year end.

• During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) regulations and listing requirements.

• Executive of the Company traded in a total of 8 shares of the Company during the year. Besides this no other trading in Company shares was carried out by the Directors, Executives or their spouse(s) and minor children. Transaction wise detail of aforesaid sale and purchase in the shares of the Company have been disclosed in pattern of shareholding.

• The values of investments of employees' provident fund based on latest audited accounts as of June 30, 2016 are Rs. 376 million.

Contribution to National Exchequer

During the current financial year out of the total wealth generated, your Company contributed approximately Rs. 450 million to the national exchequer in lieu of various levies including Income Tax, Custom Duty, Federal and Provincial Sales Taxes WWF, WPPF and Central Research Fund.

Related Party Transactions

Transactions with related parties during the year ended June 30, 2017 were placed before the audit committee and the board for their review and approval. These transactions were approved by the Board in their meetings held during the year. Detail of related party transactions is given in note 32 to the financial statements.

Meetings of the Board of Directors and Board Committees'

The information regarding the meetings of the board of directors and Board committees held during the year ended June 30, 2017 is annexed.

Share Capital and Pattern of Shareholding

The issued, subscribed and paid up capital of the Company as at June 30, 2017 was Rs. 301.868 million. The statement indicating the number of shareholders as on June 30, 2017 and their categories forming the pattern of shareholding as required under the Code of Corporate Governance is annexed.

Risk Management

Our risk management approach is primarily based on understanding, identifying, assessing and then prioritizing risk areas in order to mitigate these risks through evolving operational strategies.

The following are some of the primary risks being faced by our Company:

• Economic and political risks: The ever changing economic and political condition in our country has exposed our Company to this risk as well. In order to mitigate this risk the management monitors the financial market conditions and political climate very closely and appropriate actions and strategies are discussed at the management level to counter unfavorable situations.

• Competition risks: Due to the weak regulatory controls over illegal and low quality products in the market, the pharmaceutical industry in Pakistan is exposed to unhealthy competition risks. In order to mitigate these risks your Company along with other members of the Pakistan Pharmaceutical Manufacturers Association, is in continuous lobbying for improved Government regulations and policies.

• Supply chain risks: The supply chain process plays a pivotal role in day-to-day operations of the Company. We are mitigating this risk through comprehensive production planning and integrating it with the sales forecasting and ordering systems.

• Information technology risks: The Company continues to invest in its IT infrastructure keeping in mind its future needs.

• Financial risks: These are the risks that are directly attributable to the financial viability of the Company. These have been elaborated in detail in note 36 of the financial statements.

Auditors

The Auditors Messer KPMG Taseer Hadi & Co., Chartered Accountants retire and offer themselves for reappointment for the financial year ending June 30, 2018.

Industry Review and Future Outlook

As per the provisional census data presented to the Council of Common Interest (CCI), Pakistan's population is estimated to have crossed 207 million. Being home to the sixth-largest population in the world, Pakistan has great potential in the field of pharmaceuticals. However, meeting this potential will require a transparent and competitive pricing policy, a quality monitoring mechanism that is fair, keeps efficacy and the patients' health above all other concerns, and is applied with consistency across the board by the regulator. Counterfeit and low quality drugs remain a major concern for the organized industry players and concrete steps are necessary to protect the stake of the industry and the patients.

As the majority of the input cost of the pharmaceuticals comprises of imported Active Pharmaceutical Ingredients (APIs), a devaluation of PKR will substantially add to the production cost of the pharmaceutical industry, where prices are being regulated by the DRAP. Pharmaceuticals are exempt from sales tax on the finished product. However, this effectively makes the levy of sales tax on packaging inputs and import of plant and machinery a production and investment tax. GST on these inputs should be immediately eliminated in order to encourage industry become more competitive and invest in latest technologies.

Despite the fact that the import of finished pharmaceuticals is exempt from sales tax, custom authorities in Pakistan have begun collecting sales tax on named-patient imports of unregistered medicines, which adds to the cost of these critical drugs, often for use in diseases like cancer, to the end user almost by 19%. For all those medicines for which Drug Regulatory Authority of Pakistan (DRAP) issues an import permit, the levy of sales tax on these imports should be stopped to give immediate relief to the patients.

Looking ahead for next year, apart from challenges we are hopeful that we will be able to post a stable growth in our business. Our application for registration of Epclusa®, a pan-genotypic agent for the treatment of HCV is pending with DRAP, however patient basis import of Epclusa®, have started. Epclusa has a 50% reduced treatment duration, demonstrates high cure rates across all genotypes of HCV, and represents a single-tablet regimen that will once again change the treatment landscape of HCV in the country.

We have also launched new products in diabetes and heart disease during the year under review to broaden our revenue base, and are optimistic regarding these new launches. We are also trying our best to build a strong platform in the medical equipment business. With high rates of investment

expected in the hospitals sector, we have partnered with some of the world's best equipment manufacturers and are optimistic to capitalize upon the opportunities in future.

Acknowledgements

We would like to acknowledge the considerable efforts and dedication of our employees towards achievement of the Company's objectives.

We would also like to thank our principals and business partners for their continuous support and confidence in our Company as well as our valued customers for their continued trust in our products.

For and on behalf of the Board

Mrs. Akhter Khalid Waheed
Chairperson
Lahore
30 August 2017

dates and attendance of board meetings held during the year ended 30 june 2017

A total of Four Board Meetings were held during the Financial Year 2016-2017 on the following dates:

29 August 2016
20 October 2016
30 January 2017
27 April 2017

Sr. No.	Name of Directors	No. of Meeting Attended
1.	Mrs. Akhter Khalid Waheed	4
2.	Mr. Osman Khalid Waheed	4
3.	Mrs. Amna Piracha Khan	3
4.	Mrs. Munize Azhar Peracha	4
5.	Mr. Farooq Mazhar	3
6.	Mr. Nihal F. Cassim	2
7.	Mr. Shahid Anwar	4

Audit Committee Meetings:

Sr. No.	Name of Members	No. of Meeting Attended
1.	Mr. Shahid Anwar	4
2.	Mrs. Amna Piracha Khan	3
3.	Mr. Farooq Mazhar	3
4.	Mr. Nihal F. Cassim	2

HR&R Committee Meetings:

Sr. No.	Name of Members	No. of Meeting Attended
1.	Mr. Shahid Anwar	1
2.	Mr. Farooq Mazhar	1
3.	Mr. Nihal F. Cassim	0

statement of compliance with the code of corporate governance for the year ended 30 june 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Shahid Anwar
Executive Director	Mr. Osman Khalid Waheed
Non-Executive Directors	Mrs. Akhter Khalid Waheed
	Mrs. Amna Piracha Khan
	Mrs. Munize Azhar Peracha
	Mr. Farooq Mazhar
	Mr. Nihal F. Cassim

   The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy has occurred on the Board of Directors during the year.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.

8. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Most of the Directors meet the exemption requirement of the directors' training program. The remaining directors have obtained certification under the directors' training program.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises four members, of whom all are non-executive directors and the Chairman of the Committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a HR & Remuneration Committee. It comprises three members, of whom all are non-executive directors and the Chairman of the Committee is an independent director.

18. The Board has outsourced the internal audit function to EY Ford Rhodes, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management office in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

Mrs. Akhter Khalid Waheed
Chairperson

KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

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Fax + 92 (42) 3579 0907
Internet www.kpmg.com.pk

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Ferozsons Laboratories Limited** ("the Company") for the year ended 30 June 2017 to comply with the requirements of Listing Regulation no. 5.19 of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of the requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

KPMG Taseer Hadi & Co.

Lahore

KPMG Taseer Hadi & Co
Chartered Accountants
(Bilal Ali)

Date: 30 August 2017

financial statements

Quarter 1
Quarter 2
Quarter 3
September
October
November
December
10%
9%
23%
Fund

KPMG Taseer Hadi & Co.
Chartered Accountants
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Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

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Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of **Ferozsons Laboratories Limited ("the Company")** as at 30 June 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

KPMG

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, 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 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company, and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

Date: 30 August 2017

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

unconsolidated balance sheet

As at 30 June 2017

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 50,000,000 (2016: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid up capital	*4*	301,868,410	301,868,410
Capital reserve	*5*	321,843	321,843
Accumulated profit		3,733,431,676	3,765,936,024
		4,035,621,929	4,068,126,277
Surplus on revaluation of property, plant and equipment - net of tax	*6*	807,524,953	832,797,085
Non current liabilities			
Deferred taxation	*7*	167,046,631	149,191,075
Current liabilities			
Trade and other payables	*8*	763,465,926	651,474,148
Short term borrowings - secured	*9*	2,138,283	-
Accrued mark-up		1,646,851	32,767
		767,251,060	651,506,915
Contingencies and commitments	*10*		
		5,777,444,573	5,701,621,352

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

Chief Executive Officer

unconsolidated balance sheet

As at 30 June 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	2,566,321,990	2,384,990,408
Intangibles	*12*	2,319,638	4,174,991
Long term investments - related parties	*13*	280,949,050	263,310,134
Long term deposits		7,066,325	6,351,325
		2,856,657,003	2,658,826,858
Current assets			
Stores, spare parts and loose tools	*14*	20,951,720	22,249,383
Stock in trade	*15*	1,547,839,685	1,866,923,740
Trade debts - considered good	*16*	365,941,171	387,586,473
Loans and advances - considered good	*17*	72,918,451	35,476,550
Deposits and prepayments	*18*	151,421,998	92,321,784
Other receivables	*19*	10,595,528	7,637,820
Short term investments	*20*	487,884,889	335,000,000
Income tax - net		127,916,951	45,918,965
Cash and bank balances	*21*	135,317,177	249,679,779
		2,920,787,570	3,042,794,494
		5,777,444,573	5,701,621,352

Director

unconsolidated profit and loss account

For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
Revenue - net	22	4,311,441,718	10,186,496,154
Cost of sales	23	(2,534,669,504)	(6,077,657,868)
Gross profit		1,776,772,214	4,108,838,286
Administrative expenses	24	(289,129,914)	(276,235,535)
Selling and distribution expenses	25	(913,763,385)	(1,033,035,251)
Other expenses	26	(3,216,963)	(260,905,050)
Other income	27	47,849,556	126,515,313
Profit from operations		618,511,508	2,665,177,763
Finance cost	28	(16,293,573)	(11,152,570)
Profit before taxation		602,217,935	2,654,025,193
Taxation	29	(208,553,225)	(549,538,096)
Profit after taxation		393,664,710	2,104,487,097
Earnings per share - basic and diluted	30	13.04	69.72

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

Chief Executive Officer **Director**

unconsolidated statement of comprehensive income

For the year ended 30 June 2017

	2017 Rupees	2016 Rupees
Profit after taxation	393,664,710	2,104,487,097
Other comprehensive income for the year	-	-
Total comprehensive income for the year	393,664,710	2,104,487,097

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

Chief Executive Officer **Director**

unconsolidated statement of changes in equity

For the year ended 30 June 2017

	Share capital	Capital reserve	Accumulated profit	Total
	-------------------------	Rupees	-------------------------	
Balance as at 01 July 2015	301,868,410	321,843	2,401,056,940	2,703,247,193
Total comprehensive income for the year	-	-	2,104,487,097	2,104,487,097
Surplus transferred to accumulated profit:				
- on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	-	-	5,793,286	5,793,286
- on account of disposal of fixed assets during the year - net of tax	-	-	9,269,725	9,269,725
	-	-	15,063,011	15,063,011
Transactions with owners of the Company:				
-Final dividend for the year ended 30 June 2015 at Rs. 15 per share	-	-	(452,802,614)	(452,802,614)
-Interim dividend for the year ended 30 June 2016 at Rs. 10 per share	-	-	(301,868,410)	(301,868,410)
	-	-	(754,671,024)	(754,671,024)
Balance as at 30 June 2016	301,868,410	321,843	3,765,936,024	4,068,126,277
Balance as at 01 July 2016	301,868,410	321,843	3,765,936,024	4,068,126,277
Total comprehensive income for the year	-	-	393,664,710	393,664,710
Surplus transferred to accumulated profit:				
- on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	-	-	26,633,557	26,633,557
Transactions with owners of the Company:				
- Final dividend for the year ended 30 June 2016 at Rs. 12 per share	-	-	(362,242,092)	(362,242,092)
- Interim dividend for the year ended 30 June 2017 at Rs. 3 per share	-	-	(90,560,523)	(90,560,523)
	-	-	(452,802,615)	(452,802,615)
Balance as at 30 June 2017	301,868,410	321,843	3,733,431,676	4,035,621,929

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

Chief Executive Officer **Director**

unconsolidated cash flow statement

For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
Cash flow from operating activities			
Profit before taxation		602,217,935	2,654,025,193
Adjustments for:			
Depreciation on property, plant and equipment	*11.2*	209,789,257	138,760,682
Amortisation		1,855,353	1,150,797
Trade debts write off	*25*	15,350,017	-
Provision for slow moving stock in trade	*15*	140,000,000	-
Gain on disposal of property, plant and equipment	*11.3*	(10,941,817)	(21,923,497)
Finance costs		16,293,573	11,152,570
Gain on re-measurement of short term investments to fair value		(85,611)	-
Dividend income	*20.2*	(12,287,391)	-
Gain on sale of short term investments		(3,171,520)	(58,529,405)
Profit on term deposits		(834,747)	(9,364,205)
Share in profit of Farmacia	*13.1*	(17,638,916)	(21,602,047)
Workers' Profit Participation Fund		29,941,741	142,536,262
Central Research Fund		6,048,836	28,795,204
Prior years' reversal of Workers' Welfare Fund	*26*	(43,352,950)	-
Workers' Welfare Fund		10,028,086	54,163,779
		340,993,911	265,140,140
Cash generated from operations before working capital changes		943,211,846	2,919,165,333
Effect on cash flow due to working capital changes			
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		1,297,663	1,172,918
Stock in trade		179,084,055	(650,332,185)
Trade debts - considered good		6,295,285	(154,655,430)
Loans and advances - considered good		(37,441,901)	(1,916,945)
Deposits and prepayments		(59,100,214)	(40,825,756)
Other receivables		(2,116,118)	(4,320,724)
		88,018,770	(850,878,122)
Increase / (decrease) in current liabilities			
Trade and other payables		187,451,758	(636,137,384)
Cash generated from operations		1,218,682,374	1,432,149,827
Taxes paid		(227,981,280)	(598,029,926)
Workers' Profit Participation Fund paid	*8.1*	(53,034,847)	(187,211,241)
Workers' Welfare Fund paid		(54,163,779)	(11,864,141)
Central Research Fund paid	*8.2*	(28,795,204)	(11,636,394)
Long term deposits - net		(715,000)	(2,892,500)
Net cash generated from operating activities		853,992,264	620,515,625
Cash flow from investing activities			
Acquisition of property, plant and equipment		(395,980,754)	(688,205,229)
Acquisition of intangibles		-	(4,285,326)
Dividend income		12,287,391	-
Proceeds from sale of property, plant and equipment	*11.3*	15,801,732	37,600,620
Profit on term deposits received		1,522,185	8,676,767
(Acquisition) / redemption of short term investments - net		(149,627,758)	564,529,405
Net cash used in investing activities		(515,997,204)	(81,683,763)
Cash flow from financing activities			
Finance cost paid		(14,679,489)	(11,130,437)
Dividend paid		(439,816,456)	(731,987,875)
Net cash used in financing activities		(454,495,945)	(743,118,312)
Net decrease in cash and cash equivalents		(116,500,885)	(204,286,450)
Cash and cash equivalents at the beginning of the year		249,679,779	453,966,229
Cash and cash equivalents at the end of the year		133,178,894	249,679,779
Cash and cash equivalents comprise of the following:			
Cash and bank balances	*21*	135,317,177	249,679,779
Running finance		(2,138,283)	-
		133,178,894	249,679,779

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

Chief Executive Officer **Director**

1 Reporting entity

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

2 Basis of preparation

2.1 Separate financial statements

These unconsolidated financial statements are the separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared separately.

The Company has following major investments:

Name of the company / firm	Shareholding
Subsidiaries	
- BF Biosciences Limited	80%
- Farmacia	98%

2.2 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as notified under the provisions of the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. Wherever the requirements of the repealed Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan ('SECP') differ with the requirements of IFRS, the requirements of the repealed Companies Ordinance, 1984 or the requirements of the said directives prevail.

On 30 May 2017 the Companies Act, 2017 was enacted which replaced and repealed the Companies Ordinance, 1984 (the "repealed Ordinance"). However, the Securities and Exchange Commission of Pakistan (SECP) vide its circular 17 dated 20 July 2017 and press release of the said date, has clarified that all the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017, can prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires certain additional disclosures which would be applicable for financial year ending after 30 June 2017.

Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of fixed assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of land, building and plant and machinery to bring it in line with the requirements of IAS 16 – "Property, plant and equipment". The effect of the change is disclosed in note 6 to these unconsolidated financial statements.

2.3 Standards, amendments and interpretations and forth coming requirements

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

During the year certain amendments to standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the unconsolidated financial statements of the Company.

2.3.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 01 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 01 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

The above amendments are not likely to have an impact on the Company's unconsolidated financial statements, except for certain additional disclosures.

2.4 Basis of measurement

These unconsolidated financial statements have been prepared on the historical cost convention except for certain items of property, plant and equipment that are stated at revalued amounts and investment in listed securities and financial instruments that are stated at their fair values. The methods used to measure fair values are discussed further in their respective policy notes.

2.5 Functional and presentation currency

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

2.6 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future periods affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the unconsolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.6.1 Property, plant and equipment

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

2.6.2 Intangibles

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

2.6.3 Stores, spare parts, loose tools and stock in trade

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

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

2.6.4 Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess impairment and provision required on annual basis.

2.6.5 Provisions

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

2.6.6 Impairment

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

2.6.7 Fair value of investments

The Company regularly reviews the fair value of investments, the estimate of fair values are directly linked to market value. Any change in estimate will effect the carrying value of investments with the corresponding impact on profit and loss account.

2.6.8 Taxation

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

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presenting, in these financial statements:

3.1 Employee benefits

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

3.1.1 Staff provident fund

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

3.1.2 Compensated absences

The Company provides for compensated absences for its employees on unavailed balance of leave in the period in which leave is earned.

3.2 Taxation

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

3.2.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

3.2.2 Deferred

Deferred tax is recognized using balance sheet 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 enacted or substantively enacted rates of taxation.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.3 Property, plant and equipment, depreciation and capital work in progress

3.3.1 Owned

Property, plant and equipment of the Company other than freehold land, building and plant and machinery are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs. Building, plant and machinery are stated at revalued amount less accumulated depreciation and impairment loss, if any. Freehold land is stated at revalued amount. Revaluation is carried out every five years unless earlier revaluation is necessitated.

Depreciation is provided on a straight line basis and charged to profit and loss account to write off the depreciable amount of each asset, except for freehold land, over its estimated useful life at the rates specified in note 11 to these financial statements. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired. Any accumulated depreciation at the date of revaluation is eliminated, against the gross carrying amount of the asset and the net amount is restated to the revalued amount.

As of 01 July 2016, the Company has revised its estimate of the remaining useful life of building on freehold land and plant and machinery. As a result, the remaining useful life of these revalued assets have been revised to their original life. This change in estimate of useful life of revalued assets has been applied prospectively as required under IAS-8 'Accounting policies, changes in accounting estimates and errors. Had the useful life estimate not been revised, the depreciation charge for financial years 2017 to 2020 and 2021 would have been higher by Rs. 57.72 million and Rs. 48.25 million respectively.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed asset account. Deficit, if any, arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the above mentioned surplus account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to equity, net of related deferred tax.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gain and loss on sale of an item of property, plant and equipment are determined by comparing the proceeds from sale with the carrying amount of property, plant and equipment, and are recognised net within "other income / other expenses" in profit or loss account. When revalued asset is sold, the amount included in the surplus on revaluation of property, plant and equipment, net of deferred tax, is transferred directly to equity.

3.3.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate directly attributable overheads. These costs are transferred to property, plant and equipment as and when assets are available for their intended use.

3.4 Intangibles

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets with finite useful life are amortized using the straight-line method over the estimated useful life of three years. Amortisation of intangible assets is commenced from the date an asset is capitalized.

3.5 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise looses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the balance sheet, when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition or de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

Significant financial assets include long term deposits, short term investments, trade debts, loans and advances, other receivables, mark-up accrued and cash and bank balances.

Significant financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include trade and other payables.

3.6 Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.7 Investments

3.7.1 Investments in subsidiaries

Investments in subsidiaries are initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

3.7.2 Investments at fair value through profit or loss

These include investments classified as held for trading or upon initial recognition are designated by the Company at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in income. Fair value of investments is their quoted bid price at the balance sheet date. Transaction costs are charged to income currently.

3.7.3 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition, these are measured at amortized cost using the effective interest rate method less impairment loss, if any.

3.7.3.1 Trade debts

Trade debts are stated initially at the fair value, subsequent to initial recognition. These are stated at their amortised cost as reduced by appropriate provision for impairment, known impaired receivables are written off, while receivables considered doubtful are fully provided for.

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

3.8 Settlement date accounting

Regular way purchases and sales of financial assets are recognized on trade dates.

3.9 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services received.

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Account payables are classified as current liabilities if amount is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.10 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when the Company has a legally enforceable right to set off the recognized amounts and intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

3.11 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.12 Foreign currency

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet 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 income currently.

3.13 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of cost and net realizable value. Cost is determined on weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other incidental charges incurred thereon.

3.14 Stocks in trade

Stocks are valued at the lower of average cost and net realizable value. Cost is determined as follows:

Raw and Packing materials	- at moving average cost
Work in process	- at weighted average cost
Finished goods	- at moving average cost and
Finished goods for resale	- at weighted average cost of purchase

Cost of finished goods purchased for resale and raw & packing materials comprises of purchase price and other costs incurred in bringing the material to its present location and condition. Cost of work in progress comprises of cost of raw & packing materials. Cost of manufactured finished goods comprises of raw & packing materials and applicable overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs necessarily to be incurred in order to make a sale.

3.15 Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalents mainly comprise cash and bank balances which are stated in the balance sheet at cost.

3.16 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of products, net of sales returns, discounts and commission. Revenue is recognized when the goods are dispatched and title passes to the customer, it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably and there is no continuing management involvement.

3.17 Borrowing costs

Mark-up, interest and other direct charges on borrowings are capitalized to the related qualifying asset till substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. All other mark-up, interest and related charges are charged to the profit and loss account as finance cost.

3.18 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 relating to post acquisition profit is recognized when the right to receive is established.

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

3.19 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognized.

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 profit and loss account. 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 amortisation, if no impairment loss had been recognized.

3.20 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.

3.21 Dividend distribution

Dividend is recognized in the financial statements in the period in which it is approved.

3.22 Operating segment

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and accessing performance of the operating segments, has been identified as the Board of Director of the Company that make strategic decisions.

	2017 Rupees	2016 Rupees
4 Issued, subscribed and paid up capital		
1,441,952 (2016: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (2016: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged	1,196,000	1,196,000
28,625,289 (2016: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares	286,252,890	286,252,890
	301,868,410	301,868,410

KFW Factors (Private) Limited, an associated company held 8,286,942 (2016: 8,286,942) ordinary shares of Rs. 10 each of the Company.

5 Capital reserve

This represents capital reserve which arose on conversion of shares of NWF Industries Limited and Sargodha Oil & Flour Mills Limited, since merged.

	2017 Rupees	2016 Rupees
6 Surplus on revaluation of property, plant and equipment - net of tax		
Surplus on revaluation of property, plant and equipment as at 01 July	933,032,737	386,753,173
Surplus on revaluation of property plant and equipment recognized during the year:		
- freehold land	-	268,076,127
- building on freehold land	-	225,413,183
- plant and machinery	-	70,500,081
	-	563,989,391
- related deferred tax liability	-	(87,288,495)
Surplus net of deferred tax	-	476,700,896
Surplus transferred to equity on account of incremental depreciation charged during the year net of deferred tax	(26,633,557)	(5,793,286)
Related deferred tax liability	(11,397,872)	(2,646,816)
	(38,031,429)	(8,440,102)
Surplus transferred to equity:		
- on account of disposal during the year net of deferred tax	-	(9,269,725)
- Related deferred tax liability	-	-
	-	(9,269,725)
Revaluation Surplus	895,001,308	933,032,737
Related deferred tax liability:		
- On revaluation as at 01 July	(100,235,652)	(15,651,353)
- Transferred / recognized		
- on revaluation surplus during the year	-	(87,288,495)
- on account of incremental depreciation charged during the year	11,397,872	2,646,816
- tax rate adjustment	1,361,425	57,380
	(87,476,355)	(100,235,652)
Surplus on revaluation of property, plant and equipment as at 30 June	807,524,953	832,797,085

The freehold land, building and plant and machinery were revalued by independent valuers in years 1976, 1989, 2002, 2006, 2011 and 2016. These revaluations had resulted in a cumulative surplus of Rs. 1,054 million, which has been included in the carrying values of free hold land, building and plant and machinery respectively and credited to the surplus on revaluation of property plant and equipment. The surplus is adjusted on disposal of revalued assets, if any, and incremental depreciation, net of deferred tax.

As stated in note 2.2 of these unconsolidated financial statements, the Companies Act, 2017 is applicable for financial year ending after 30 June 2017 which will result in reclassification of surplus on revaluation of land, building and plant and machinery as part of the shareholders' equity.

7 Deferred taxation

	2017			
		(Reversal from) / charge to		
	Opening	Profit or loss	Surplus on revaluation	Closing
	(Rupees)			
Taxable temporary difference				
Accelerated tax depreciation allowances	48,955,423	30,614,853	-	79,570,276
Surplus on revaluation of property, plant and equipment	100,235,652	(11,397,872)	(1,361,425)	87,476,355
	149,191,075	19,216,981	(1,361,425)	167,046,631

	2016			
		(Reversal from) / charge to		
	Opening	Profit or loss	Surplus on revaluation	Closing
	(Rupees)			
Taxable temporary difference				
Accelerated tax depreciation allowances	24,485,892	24,469,531	-	48,955,423
Surplus on revaluation of property, plant and equipment	15,651,353	(2,646,816)	87,231,115	100,235,652
	40,137,245	21,822,715	87,231,115	149,191,075

8 Trade and other payables

	Note	2017 Rupees	2016 Rupees
Trade creditors		420,783,911	321,280,215
Accrued liabilities		78,435,514	96,099,277
Advances from customers		102,146,513	15,359,560
Unclaimed dividend		80,854,747	67,868,588
Tax deducted at source		-	452,196
Provision for compensated absences		20,483,086	17,587,198
Workers' Profit Participation Fund	*8.1*	-	19,256,025
Central Research Fund	*8.2*	6,048,836	28,795,204
Workers' Welfare Fund	*26*	10,028,086	54,163,779
Advances from employees against purchase of vehicles		40,334,282	29,594,632
Other payables		4,350,951	1,017,474
		763,465,926	651,474,148

8.1 Workers' Profit Participation Fund

	2017 Rupees	2016 Rupees
Balance at the beginning of the year	19,256,025	62,211,241
Interest on funds utilized by the Company	2,308,053	1,719,763
Provision for the year	29,941,741	142,536,262
	51,505,819	206,467,266
Payments made during the year	(53,034,847)	(187,211,241)
	(1,529,028)	19,256,025

The fund balance has been utilized by the Company for its own business and interest at the rate of 165% (2016: 143%) has been credited to the fund. Interest is calculated at higher of 75% of dividend rate or 2.5% plus bank rate, as required under Companies Profits (Workers' Participation) Act, 1968.

8.2 Central Research Fund

	2017 Rupees	2016 Rupees
Balance at beginning of the year	28,795,204	11,636,394
Provision for the year	6,048,836	28,795,204
	34,844,040	40,431,598
Payments made during the year	(28,795,204)	(11,636,394)
	6,048,836	28,795,204

9 Short term borrowings - secured

9.1 Under Mark up arrangements

The Company has short term borrowing facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 750 million (2016: Rs. 750 million). These facilities carry mark-up at the rates ranging from three months KIBOR plus 0.1% to 0.9% (2016: three months KIBOR plus 0.1% to 0.9%) per annum on the outstanding balances. Out of the aggregate facilities, Rs. 450 million are secured by first pari passu charge of Rs. 1,000 million over all present and future assets of the Company (excluding land and building) and remaining Rs. 300 million (2016: Rs. 300 million) facility is secured by lien on Company's short term investments (money market/ income fund) which should be 110% of the maximum limit allowed for utilization. Under this arrangement, short term investment of Rs. 207.75 million (2016: Rs. 335 million) is marked under lien. These facilities are renewable on annual basis latest by 30 November 2017.

9.2 Under Shariah compliant arrangements

The Company has short term borrowing facility i.e. Running Musharakah available from Islamic bank under profit arrangements having sanctioned limit of Rs. 200 million (2016: Rs. 200 million). This facility carries profit rate of three months KIBOR plus 0.3% (2016: three months KIBOR plus 0.3%) per annum on the outstanding balance. This facility is secured by first pari passu charge over current assets of the Company. This facility is renewable on annual basis latest by 30 June 2017 and has been renewed subsequent to year end.

10 Contingencies and commitments

10.1 Contingencies

The Company has filed a suit before the Honorable High Court of Sindh challenging SRO related to pharmaceutical pricing issued by Drug Regulatory Authority being ultra vires the constitution. The issue relates to fixation of prices of certain products of the Company and the SRO issued in this regard whereby the products of the Company were notified as controlled drugs. The matter is subjudice. However, the management based on obtained legal opinion believes that the Company has a strong case on merit and is likely to succeed in obtaining relief.

10.2 Commitments

10.2.1 Letter of credits

10.2.1.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 600 million (2016: Rs. 600 million) for opening letters of credit, the amount utilized at 30 June 2017 for capital expenditure was Rs. Nil (2016: Rs. 183.83 million) and for other than capital expenditure was Rs. 166.15 million (2016: Rs. 163.17 million). These facilities are secured by first pari passu charge of Rs. 1,000 million over all present and future assets (excluding land & building) of the Company. Lien is also marked over import documents.

10.2.1.2 Under Shariah compliant arrangements

The Company has facility i.e. letters of credit of Rs.75 million (2016: Rs. 75 million) available from Islamic bank. The amount utilized at 30 June 2017 only for other than capital expenditure was Rs. 28.74 million (2016: Rs. 20.60 million). Lien is also marked over import documents.

10.2.2 Guarantees issued by banks on behalf of the Company

10.2.2.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 25 million (2016: Rs. 50 million) for letter of guarantees (which is the sublimit of running finance), the amount utilized at 30 June 2017 was Rs. 9.82 million (2016: Rs. 0.4 million).

10.2.2.2 Under Shariah compliant arrangements

The Company has facility i.e. LG of Rs. 25 million (2016: Rs. 25 million) available from Islamic bank, the amount utilized at 30 June 2017 was Rs. 1.96 million (2016: Rs. 1.96 million).

	Note	2017 Rupees	2016 Rupees
11 Property, plant and equipment			
Operating assets	*11.1*	2,349,059,821	2,036,908,038
Capital work in progress	*11.4*	217,262,169	348,082,370
		2,566,321,990	2,384,990,408

11.1 Operating assets

	Owned							
	Freehold land	Buildings on freehold land	Plant and machinery	Office equipment	Furniture and fittings	Computers	Vehicles	Total
	Rupees							
30 June 2017								
Cost / revalued amount								
Balance as at 01 July 2016	666,500,000	637,375,756	496,475,194	58,152,706	31,778,972	28,789,733	303,784,050	2,222,856,411
Additions / transfers	-	32,376,774	356,412,858	30,209,818	43,135,390	9,381,127	55,284,988	526,800,955
Disposals / write off	-	-	-	-	-	(2,772,532)	(26,883,791)	(29,656,323)
Balance as at 30 June 2017	666,500,000	669,752,530	852,888,052	88,362,524	74,914,362	35,398,328	332,185,247	2,720,001,043
Depreciation								
Balance as at 01 July 2016	-	-	-	30,082,198	9,284,117	18,426,604	128,155,454	185,948,373
Charge for the year	-	64,565,160	70,941,993	6,927,984	5,584,322	6,682,903	55,086,895	209,789,257
On disposals	-	-	-	-	-	(2,772,532)	(22,023,876)	(24,796,408)
Balance as at 30 June 2017	-	64,565,160	70,941,993	37,010,182	14,868,439	22,336,975	161,218,473	370,941,222
Net book value as at 30 June 2017	666,500,000	605,187,370	781,946,059	51,352,342	60,045,923	13,061,353	170,966,774	2,349,059,821
30 June 2016								
Cost / revalued amount								
Balance as at 01 July 2015	410,000,000	374,081,251	388,678,468	53,168,706	17,303,400	19,324,230	222,304,732	1,484,860,787
Additions / transfers	-	201,620,373	174,633,327	5,060,860	14,475,572	9,496,320	104,062,409	509,348,861
Disposals / write off	(11,576,127)	-	-	(76,860)	-	(30,817)	(22,583,091)	(34,266,895)
Revaluation surplus	268,076,127	61,674,132	(66,836,601)	-	-	-	-	262,913,658
Balance as at 30 June 2016	666,500,000	637,375,756	496,475,194	58,152,706	31,778,972	28,789,733	303,784,050	2,222,856,411
Depreciation								
Balance as at 01 July 2015	-	124,407,030	95,053,414	25,126,199	7,360,766	14,200,632	100,705,155	366,853,196
Charge for the year	-	39,332,021	42,283,268	5,005,639	1,923,351	4,250,922	45,965,481	138,760,682
On disposals	-	-	-	(49,640)	-	(24,950)	(18,515,182)	(18,589,772)
Revaluation surplus	-	(163,739,051)	(137,336,682)	-	-	-	-	(301,075,733)
Balance as at 30 June 2016	-	-	-	30,082,198	9,284,117	18,426,604	128,155,454	185,948,373
Net book value as at 30 June 2016	666,500,000	637,375,756	496,475,194	28,070,508	22,494,855	10,363,129	175,628,596	2,036,908,038
Depreciation Rate %	-	10	10	10	10	33.33	20	

11.1.1 These include fully depreciated assets amounting to Rs. 64.08 million (2016: Rs. 62.97 million).

11.1.2 Had there been no revaluation, carrying value of land, building and plant and machinery would have been as follows:

	Note	2017 Rupees	2016 Rupees
Freehold land		73,111,635	73,111,635
Building on freehold land		391,065,829	398,240,040
Plant and machinery		694,454,657	395,966,538
		1,158,632,121	867,318,213

11.2 Depreciation is allocated as under:

	Note	2017 Rupees	2016 Rupees
Cost of sales	*23*	132,043,041	71,248,648
Administrative expenses	*24*	44,039,257	34,891,814
Selling and distribution expenses	*25*	33,706,959	32,620,220
		209,789,257	138,760,682

11.3 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost / revalued amount	Net book Value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
		Rupees				
Vehicles						
Toyota Corolla GLI	Mr. Humayon Khalid Saeed	1,731,501	375,159	983,283	608,124	Company Policy
Toyota Corolla GLI	Mr. Dilshad Khan	1,691,200	366,426	913,000	546,574	Company Policy
Suzuki Mehran	Miss Gazala Ali	663,000	265,200	471,000	205,800	Tender
Suzuki Mehran	Mr. Rao Asad Umar	663,000	221,000	422,633	201,633	Company Policy
Suzuki Mehran	Miss Fariha Saleem	607,000	101,166	452,786	351,620	Tender
Suzuki Liana	Mr. Syed Pervaiz Hassan	1,511,000	428,117	765,000	336,883	Tender
Suzuki Cultus	Mr. Iftakhar Ghulam Rasool	1,019,000	356,650	713,300	356,650	Company Policy
Suzuki Cultus	Mr. Muhammad Qasim Paracha	1,019,000	390,617	812,500	421,883	Tender
Suzuki Cultus	Mr. Muhammad Qasim Paracha	1,019,000	390,618	848,500	457,882	Tender
Suzuki Cultus	Mr. Sajid Idrees	1,019,000	339,666	675,000	335,334	Company Policy
Suzuki Cultus	Mr. Ali Aslam	1,010,000	286,167	756,700	470,533	Company Policy
Suzuki Cultus	Mr. Usman Malik	985,000	229,833	721,000	491,167	Tender
Honda City	Mr. Rizwan Hameed Butt	1,639,000	191,216	874,133	682,917	Company Policy
Honda City	Mr. Aamir Yaqoob Mir	1,618,000	269,666	890,000	620,334	Company Policy
Honda CD 70	EFU Insurance Company	63,500	55,034	63,500	8,466	Insurance Claim
Honda CD 70	EFU Insurance Company	63,500	55,034	63,500	8,466	Insurance Claim
Honda CD 70	EFU Insurance Company	63,500	56,094	63,500	7,406	Insurance Claim
Honda CD 70	EFU Insurance Company	63,500	58,209	63,500	5,291	Insurance Claim
Vehicles with individual book value not exceeding Rs. 50,000		10,435,090	424,043	5,248,897	4,824,854	Company Policy
		26,883,791	4,859,915	15,801,732	10,941,817	
Assets written off						
Computers	N/A	2,772,532	-	-	-	Obsolete items written off
2017 Rupees		29,656,323	4,859,915	15,801,732	10,941,817	
2016 Rupees		34,266,895	15,677,123	37,600,620	21,923,497	

	Note	2017 Rupees	2016 Rupees
11.4 Capital work-in-progress			
The movement in capital work in progress is as follows:			
Balance at 1 July		348,082,370	169,226,002
Additions		326,129,941	555,142,828
Transfers		(456,950,142)	(376,286,460)
Balance at 30 June	11.4.1	217,262,169	348,082,370

11.4.1 Capital work-in-progress as at 30 June comprises of:

	2017 Rupees	2016 Rupees
Building and civil works	65,625,630	26,911,360
Plant and machinery	135,879,696	177,142,812
Advances to suppliers	15,756,843	144,028,198
	217,262,169	348,082,370

	Note	2017 Rupees	2016 Rupees
12 Intangibles			
12.1 Computer softwares and software license fees			
Cost			
Balance at 01 July		11,109,813	6,824,487
Addition during the year		-	4,285,326
Balance as at 30 June	12.1.1	11,109,813	11,109,813
Amortisation			
Balance at 01 July		6,934,822	5,784,025
Amortisation for the year		1,855,353	1,150,797
Balance as at 30 June		8,790,175	6,934,822
Net book value as at 30 June		2,319,638	4,174,991

12.1.1 These include fully amortized assets amounting to Rs. 5.54 million (2016: Rs. 5.54 million). Intangibles are amortised at 33% (2016: 33%) on straight line basis.

	Note	2017 Rupees	2016 Rupees
13 Long term investments			
Related parties - at cost			
Farmacia (Partnership firm)	13.1	128,949,090	111,310,174
BF Biosciences Limited (unlisted subsidiary)	13.2	151,999,960	151,999,960
		280,949,050	263,310,134

13.1 This represents Company's 98% share in "Farmacia", a subsidiary partnership duly registered under the Partnership Act, 1932 and engaged in operating retail pharmacy. Share of profit, if any, for the year not withdrawn is reinvested in capital account of partnership.

13.2 This represents investment made in 15,199,996 (2016: 15,199,996) ordinary shares of Rs. 10 each, in BF Biosciences Limited.

BF Biosciences Limited has been set up for establishing a Biotech Pharmaceutical Plant to manufacture mainly Cancer and Hepatitis related medicines. The Company holds 80% (2016: 80%) of equity of the subsidiary and the remaining 20% is held by Grupo Empresarial Bagó S.A., Spain.

	Note	2017 Rupees	2016 Rupees
14 Stores, spare parts and loose tools			
Stores		14,781,764	13,693,130
Spare parts		5,945,584	8,350,851
Loose tools		224,372	205,402
		20,951,720	22,249,383
15 Stock in trade			
Raw and packing materials		378,989,330	301,363,782
Work in process		33,156,171	24,195,375
Finished goods	15.1	1,219,226,890	1,526,340,345
Provision for slow moving items		(140,000,000)	-
		1,079,226,890	1,526,340,345
Stock in transit		56,467,294	15,024,238
		1,547,839,685	1,866,923,740

15.1 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounts to Rs. 4.48 million (2016: Rs. Nil).

	Note	2017 Rupees	2016 Rupees
16 Trade debts - considered good			
Other - secured	16.1	51,213,712	29,427,062
Other - unsecured		314,727,459	358,159,411
		365,941,171	387,586,473

16.1 The amount is secured against letter of credit and advances from customers.

	Note	2017 Rupees	2016 Rupees
17 Loans and advances - considered good			
Advances to employees - secured	17.1	13,991,693	13,384,599
Advances to suppliers - unsecured		57,958,111	21,119,686
Others		968,647	972,265
		72,918,451	35,476,550

17.1 Advances given to staff are in accordance with the Company's policy and terms of employment contract. These advances are secured against provident fund. Advances to staff includes amount due from executives of the Company amounting to Rs. 3.89 million (2016: Rs. 6.5 million).

	Note	2017 Rupees	2016 Rupees
18 Deposits and prepayments			
Deposits			
Earnest Money	18.1	149,665,615	91,162,023
Security Margins		980,102	-
		150,645,717	91,162,023
Prepayments		776,281	1,159,761
		151,421,998	92,321,784

18.1 These are interest free and given in ordinary course of business.

	Note	2017 Rupees	2016 Rupees
19 Other receivables			
Sales tax refundable - net		8,809,800	2,743,073
Worker's profit participation fund	8.1	1,529,028	-
Interest accrued		-	687,438
Others		256,700	4,207,309
		10,595,528	7,637,820
20 Short term investments			
Loans and receivables			
Term deposits with banks - local currency	20.1	-	335,000,000
Investments at fair value through profit or loss - listed securities			
Held for trading	20.2	487,884,889	-
		487,884,889	335,000,000

20.1 The local currency short-term deposit has a maximum maturity period of 30 days and it carries markup at Nil (2016: 5.35%) per annum.

	Note	2017 Rupees	2016 Rupees
20.2 These investments are 'held for trading'			
Carrying value at 01 July		-	-
Acquisition during the year		724,215,542	3,138,489,372
Redemption during the year		(236,416,264)	(3,138,489,372)
Unrealized gain on re-measurement of investment during the period / year		85,611	-
Carrying and fair value of short term investments at 30 June	20.3	487,884,889	-

Realized gain of Rs. 3.17 million (2016: Rs. 58.53 million) on sale of mutual funds and bonus dividend of Rs. 12.29 million (2016: Rs. Nil) has been recorded in "other income". These investments and related gain is from non shariah compliant arrangement. These are marked under lien as mentioned in note 9.

	Units		Fair value	
	2017	2016	2017	2016
	....Number....		....Rupees....	
20.3 Mutual fund wise detail is as follows:				
Mutual Funds				
HBL Money Market Fund	2,041,354	-	207,745,379	-
MCB Cash Management Optimizer Fund	1,243,740	-	125,017,910	-
HBL Cash Fund	1,543,804	-	155,121,600	-
			487,884,889	-

21 Cash and bank balances	Note	2017 Rupees	2016 Rupees
Cash in hand		6,947,754	3,108,190
Cash at bank:			
Current accounts			
- foreign currency		11,397,194	28,231,402
- local currency	21.1	63,479,949	203,909,505
		74,877,143	232,140,907
Deposit accounts - local currency	21.2	53,492,280	14,430,682
		135,317,177	249,679,779

21.1 These include bank accounts of Rs. 0.67 million (2016: Rs. 0.67 million) maintained under Shariah compliant arrangements.

21.2 These include deposit accounts of Rs. 52.07 million (2016: Rs. 9.8 million) under mark up arrangements, which carry interest rates ranging from 3.75% - 5.4% (2016: 3.9% - 4.9%) per annum.

These also include deposit account of Rs. 1.42 million (2016: Rs. 4.6 million) under Shariah compliant arrangements, which carries profit rate ranging from 2.40% - 2.41% (2016: 2.50% - 2.85%) per annum.

	Note	2017 Rupees	2016 Rupees
22 Revenue - net			
Gross sales:			
Local		4,476,139,346	10,427,262,329
Export		180,179,417	211,704,988
		4,656,318,763	10,638,967,317
Less:			
Sales returns		(116,641,668)	(265,485,830)
Discounts and commission		(214,315,750)	(185,710,676)
Sales tax		(13,919,627)	(1,274,657)
		(344,877,045)	(452,471,163)
		4,311,441,718	10,186,496,154

22.1 This includes sale of both own manufactured and purchased products

	Note	2017 Rupees	2016 Rupees
23 Cost of sales			
Raw and packing materials consumed	*23.1*	701,825,947	680,119,089
Salaries, wages and other benefits	*23.2*	178,199,879	160,662,723
Fuel and power		20,784,495	18,421,048
Repair and maintenance		12,255,098	12,844,626
Stores, spare parts and loose tools consumed		32,738,097	40,069,999
Packing charges		27,740,619	21,650,836
Rent, rates and taxes		622,259	1,125,549
Printing and stationery		2,186,523	2,518,693
Postage and telephone		3,539,250	3,031,587
Insurance		9,575,365	9,258,468
Travelling and conveyance		7,193,700	8,867,005
Canteen expenses		9,430,337	9,126,739
Security expenses		3,113,451	3,719,172
Depreciation on property, plant and equipment	*11.2*	132,043,041	71,248,648
Laboratory and other expenses		23,688,904	18,872,131
		1,164,936,965	1,061,536,313
Work in process:			
Opening		24,195,375	31,321,035
Closing		(33,156,171)	(24,195,375)
		(8,960,796)	7,125,660
Cost of goods manufactured		1,155,976,169	1,068,661,973
Finished stock:			
Opening		1,526,340,345	890,680,428
Purchases made during the year		931,579,880	5,644,655,812
Closing		(1,079,226,890)	(1,526,340,345)
	23.3	1,378,693,335	5,008,995,895
		2,534,669,504	6,077,657,868

23.1 Raw and packing materials consumed

	2017 Rupees	2016 Rupees
Opening	301,363,782	279,911,865
Purchases made during the year	779,451,495	701,571,006
	1,080,815,277	981,482,871
Closing	(378,989,330)	(301,363,782)
	701,825,947	680,119,089

23.2 Salaries, wages and other benefits include Rs. 6.98 million (2016: Rs. 6 million), which represents employer's contribution towards provident fund.

23.3 This includes provision for slow moving stock in trade of Rs. 140 million (2016: Rs. Nil)

	Note	2017 Rupees	2016 Rupees
24 Administrative expenses			
Salaries and other benefits	24.1	154,713,943	151,342,280
Directors fees and expenses		1,246,516	1,513,121
Rent, rates and taxes		880,765	1,230,381
Postage and telephone		8,802,216	6,609,295
Printing, stationery and office supplies		3,514,348	3,049,038
Travelling and conveyance		9,899,646	9,039,186
Transportation		8,736,893	8,443,456
Legal and professional charges		10,160,326	8,292,277
Fuel and power		4,308,327	6,008,584
Auditors' remuneration	*24.2*	1,151,150	995,500
Repair and maintenance		11,047,024	9,797,956
Fee and subscriptions		5,999,347	3,587,268
Donations	*24.3*	10,280,583	16,242,699
Insurance		4,809,263	3,702,245
Depreciation on property, plant and equipment	*11.2*	44,039,257	34,891,814
Amortisation		1,855,353	1,150,797
Canteen expenses		6,065,953	7,094,968
Training expenses		41,000	1,495,680
Other administrative expenses		1,578,004	1,748,990
		289,129,914	276,235,535

24.1 Salaries and other benefits include Rs. 6.46 million (2016: Rs. 5 million), which represents employer's contribution towards provident fund.

	2017 Rupees	2016 Rupees
24.2 Auditors' remuneration		
Fee for annual audit	747,500	575,000
Audit of consolidated financial statements	74,750	57,500
Review of half yearly financial statements	112,125	86,250
Special certificates and others	112,125	196,250
Out-of-pocket expenses	104,650	80,500
	1,151,150	995,500

24.3 Donations include the payment to following institution in which the director is interested:

Name of director	Nature of interest in donee	Name and address of donee	2017 Rupees	2016 Rupees
Mr. Osman Khalid Waheed (Director)	Trustee	National Management Foundation	2,000,000	3,500,000

	Note	2017 Rupees	2016 Rupees
25 Selling and distribution expenses			
Salaries and other benefits	25.1	353,243,056	409,296,192
Travelling and conveyance		171,174,002	148,644,282
Trade debts written off		15,350,017	-
Fuel and power		5,292,778	7,423,416
Rent, rates and taxes		8,272,602	5,949,958
Sales promotion and advertisement		100,835,213	134,581,722
Freight and forwarding		18,637,693	34,278,117
Printing and stationary		6,257,356	4,645,127
Postage and telephone		15,930,808	16,665,048
Fee and subscription		11,378,019	9,923,267
Insurance		19,567,917	24,986,595
Repairs and maintenance		6,149,636	5,056,003
Conferences, seminars and training		103,128,608	114,456,903
Medical research and patient care		15,963,754	10,080,799
Depreciation on property, plant and equipment	11.2	33,706,959	32,620,220
Other selling expenses		808,306	1,209,800
Service charges on sales		28,066,661	73,217,802
		913,763,385	1,033,035,251

25.1 Salaries and other benefits include Rs. 12.96 million (2016: Rs. 12.23 million), which represents employer's contribution towards provident fund.

	Note	2017 Rupees	2016 Rupees
26 Other expenses			
Exchange loss	26.1	551,250	35,409,805
Workers' Profit Participation Fund	8.1	29,941,741	142,536,262
Workers' Welfare Fund		10,028,086	54,163,779
Central Research Fund		6,048,836	28,795,204
Prior years' reversal of Workers' Welfare Fund		(43,352,950)	-
		3,216,963	260,905,050

26.1 Loss incurred during the year was due to actual currency fluctuation.

	Note	2017 Rupees	2016 Rupees
27 Other income			
From financial assets	27.1	36,244,952	100,475,178
From non financial assets	27.2	11,604,604	26,040,135
		47,849,556	126,515,313
27.1 From financial assets			
- from related party			
Share in profit of Farmacia - 98% owned partnership firm		17,638,916	21,602,047
- others			
Profit on deposits with banks	27.1.1	2,226,767	10,979,521
Dividend income		12,287,391	-
Unrealized gain on re-measurement of short term investments to fair value	20.2	85,611	-
Profit on term deposits	27.1.2	834,747	9,364,205
Realized gain on sale of short term investments		3,171,520	58,529,405
		18,606,036	78,873,131
		36,244,952	100,475,178

27.1.1 These include profit of Rs. 0.05 million (2016: Rs. 0.01 million) earned on deposit account maintained under Shariah compliant arrangements.

27.1.2 These include profit of Rs. Nil (2016: Rs. 4 million) earned on term deposit receipt maintained under Shariah compliant arrangements.

	Note	2017 Rupees	2016 Rupees
27.2 From non financial assets			
- from related party			
Lease rental income from subsidiary		-	200,000
Gain on sale of property, plant and equipment - net of write off	*11.3*	-	12,348,873
		-	12,548,873
- others			
Gain on sale of property, plant and equipment - net of write off	*11.3*	10,941,817	9,574,624
Commission and rebates		662,787	3,916,638
		11,604,604	13,491,262
		11,604,604	26,040,135

28 Finance cost

	Note	2017 Rupees	2016 Rupees
Mark-up on bank financing	*28.1*	4,156,090	463,219
Bank charges		9,829,430	8,969,588
Interest on Workers' Profit Participation Fund	*8.1*	2,308,053	1,719,763
		16,293,573	11,152,570

28.1 This relates to facilities of short term borrowings availed under mark up arrangements.

29 Taxation

	2017 Rupees	2016 Rupees
Current tax for the year	189,336,244	527,715,381
Deferred tax for the year	19,216,981	21,822,715
	208,553,225	549,538,096

	Note	2017 Rupees	2016 Rupees

29.1 Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

	2017 Rupees	2016 Rupees
Profit before taxation	602,217,935	2,654,025,193

	2017	2016
	------ (Percentage)------	
Applicable tax rate as per Income Tax Ordinance, 2001	31%	32%

	2017 Rupees	2016 Rupees
Tax on accounting profit	186,687,560	849,288,062
Effect of final tax regime	54,241,670	(346,299,098)
Effect of tax credit	(36,611,254)	(19,849,621)
Not adjustable for tax purposes	(2,261,881)	19,465,570
Effect of super tax	19,936,544	46,933,183
Effect of prior years' reversal of Workers' Welfare Fund	(13,439,414)	-
	21,865,665	(299,749,966)
	208,553,225	549,538,096

Section 5A of the Income Tax Ordinance, 2001 imposes a tax on every public company other than a scheduled bank or modaraba, that derives profits for tax year 2017 and onwards and does not distribute at least fourty percent of its after tax profits through cash or bonus shares within six months of the end of the said tax year.

As explained in note 37 to the unconsolidated financial statements, the Board of Directors in their meeting held on 30 August 2017 has recommended a final cash dividend of Rs. 4 per ordinary share which is in addition to interim cash dividend of Rs. 3 per ordinary share for the year ended 30 June 2017 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these unconsolidated financial statements for the year ended 30 June 2017.

30 Earnings per share - basic and diluted

		2017	2016
Profit after taxation for distribution to ordinary shareholders	Rupees	393,664,710	2,104,487,097
Weighted average number of ordinary shares	Numbers	30,186,841	30,186,841
Basic and diluted earnings per share	Rupees	13.04	69.72

30.1 There is no dilutive effect on the basic earnings per share as the Company has no commitment for potentially issuable shares.

31 Remuneration of Chief Executive, Executive Director and Executives

	2017		
	Chief Executive	Executive Director	Executives
	Rupees		
Managerial remuneration	14,571,032	-	213,319,908
Utilities	-	-	-
LFA	1,178,253	-	12,570,864
Bonus	3,534,759	-	31,007,659
Contribution to provident fund	912,192	-	11,068,434
	20,196,236	-	267,966,865
Numbers	1	-	101

	2016		
	Chief Executive	Executive Director	Executives
	Rupees		
Managerial remuneration	13,324,973	7,069,516	175,738,934
Utilities	263,626	-	-
LFA	-	1,178,253	9,399,847
Bonus	-	3,213,417	19,909,081
Contribution to provident fund	893,670	449,186	9,275,378
	14,482,269	11,910,372	214,323,240
Numbers	1	1	84

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

The Company has 6 (2016: 5) non executive directors. Non executive directors are not paid any remuneration or benefits other than the meeting fee and reimbursement of expenses. All the members of the Board of Directors were paid Rs. 330,000 (2016: Rs. 420,000) as meeting fee and Rs. 916,516 (2016: Rs. 1,093,121) as reimbursement of expenses for attending the Board of Directors' meetings.

32 Related party transactions

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

	2017 Rupees	2016 Rupees
Farmacia - 98% owned subsidiary partnership firm		
Sale of medicines	31,377,008	2,242,113
Payment received from Farmacia against sale of medicine	31,377,008	2,381,616
Rentals paid	3,348,259	3,043,872
Share of profit reinvested	17,638,916	21,602,047
BF Biosciences Limited - 80% owned subsidiary company		
Sale of finished goods	98,818,067	125,999,855
Payment received	98,818,067	126,787,962
Purchase of goods	2,971,772	36,909,504
Payment made	2,971,772	37,420,769
Lease rentals	-	200,000
Marketing fee / (Income) - net	7,947,136	(1,894,332)
Expenses incurred	17,129,851	2,355,964
Expenses paid	25,076,987	2,862,142
Proceeds against sale of Land	-	23,925,000
Khan & Piracha - associated		
Professional services charges	-	9,000
Other related parties		
Contribution towards employees' provident fund	26,391,122	23,332,018
Remuneration including benefits and perquisites of key management personnel	135,750,539	106,080,584
Dividend to KFW Factors (Private) Limited	124,304,130	207,173,550
Dividend to directors	44,193,540	87,484,910

33 Plant capacity and production

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

34 Number of employees

	2017 Rupees	2016 Rupees
Total number of employees as at 30 June	876	795
Average number of employees during the year	855	785

	Un-audited 2017 Rupees	Audited 2016 Rupees
35 Disclosures relating to provident fund		
Size of the fund / trust	451,416,888	394,999,995
Cost of investments made	401,931,938	355,373,451
Percentage of investments made	97%	95%
Fair value of investment	437,079,943	376,016,812

Break up of investment	Un-audited 2017		Audited 2016	
	% of size of fund	**Rupees**	% of size of fund	Rupees
Special accounts in scheduled banks	10%	45,275,787	2%	8,794,277
Term deposit receipts	32%	144,079,295	5%	19,184,110
Government securities	9%	39,871,621	54%	212,037,580
Mutual funds	37%	165,711,680	28%	110,059,126
Shares of listed companies	9%	42,141,560	6%	25,941,719
	97%	437,079,943	95%	376,016,812

35.1 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 2017		Audited 2016	
	% of size of fund	**Rupees**	% of size of fund	Rupees
Ferozsons Laboratories Limited - Parent Company	79%	355,827,401	78%	308,401,933
BF Biosciences Limited	19%	87,901,720	21%	80,993,805
Farmacia - Partnership firm	2%	7,687,767	1%	5,604,257
	100%	451,416,888	100%	394,999,995

The figures for 2017 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance, 1984 and rules formulated for this purpose.

36 Financial risk management

The Company has exposure to the following risks arising from 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. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

36.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk arises from long term deposits, trade debts, other receivables, loans and advances, deposits, short term investments and balances with banks. The Company has no significant concentration of credit risk as its exposure is spread over a large number of counter parties.

36.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	2017 Rupees	2016 Rupees
Long term deposits	7,066,325	6,351,325
Trade debts - considered good	365,941,171	387,586,473
Loans and advances - considered good	968,647	972,265
Short term deposits	150,645,717	91,162,023
Other receivables	256,700	4,894,747
Short term investments	487,884,889	335,000,000
Bank balances	128,369,423	246,571,589
	1,141,132,872	1,072,538,422

36.1.2 Credit quality of financial assets

Bank balances & short term investments

The credit quality of Company's bank balances and short term investments can be assessed with reference to external credit rating agencies as follows:

Institutions	Rating Short term	Rating Long term	Rating Agency	2017 Rupees	2016 Rupees
Bank balances					
Habib Bank Limited	A-1+	AAA	JCR-VIS	37,863,242	102,765,068
Bank Al-Habib Limited	A1+	AA+	PACRA	33,591,323	67,107,081
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	27,794,370	27,105,728
Bank Alfalah Limited	A-1+	AA+	JCR-VIS	21,958,006	41,168,116
Meezan Bank Limited	A-1+	AA	JCR-VIS	4,459,190	5,295,732
MCB bank Limited	A1+	AAA	PACRA	2,670,831	3,095,418
Allied Bank Limited	A1+	AA+	PACRA	22,763	23,011
Faysal Bank Limited	A-1+	AA	JCR-VIS	9,698	9,733
NIB Bank Limited	A1+	AA-	PACRA	-	1,702
				128,369,423	246,571,589
Short term investments					
Habib Bank Limited - TDR	A-1+	AAA	JCR-VIS	-	335,000,000
HBL Money Market Fund	AA(f)	N / A	JCR-VIS	207,745,379	-
MCB Cash Management Optimizer Fund	AA(f)	N / A	PACRA	125,017,910	-
HBL Cash Fund	AA(f)	N / A	JCR-VIS	155,121,600	-
				487,884,889	335,000,000
				616,254,312	581,571,589

Trade debts

The aging of trade debts at the reporting date was:

	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees
	Related party	Related party	Other	Other
Past due 0 - 30 days	-	-	119,813,426	110,950,532
Past due 31 - 120 days	-	-	160,407,910	145,646,321
Past due 121 - 365 days	-	-	51,130,091	121,956,678
More than 365 days	-	-	34,589,744	9,032,942
	-	-	365,941,171	387,586,473

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. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets. There are reasonable grounds to believe that these amounts will be recovered in short course of time.

36.1.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

36.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity.

The following are the contractual maturities of financial liabilities:

	2017			
	Carrying amount	Less than one year	One to five years	More than 5 years
	Rupees			
Financial liabilities				
Trade and other payables	604,908,209	604,908,209	-	-
Accrued mark-up	1,646,851	1,646,851	-	-
	606,555,060	606,555,060	-	-

	2016			
	Carrying amount	Less than one year	One to five years	More than 5 years
	Rupees			
Financial liabilities				
Trade and other payables	503,852,752	503,852,752	-	-
Accrued mark-up	32,767	32,767	-	-
	503,885,519	503,885,519	-	-

36.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rates and equity price that will effect the Company's income or the value of its holdings of financial instruments.

Market risk comprises of three types of risks:

- currency risk.
- interest rate risk
- other price risk

36.3.1 Currency risk

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

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

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currency other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to currency risk

The Company's exposure to foreign currency risk at the reporting date was as follows:

	2017				
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling
Cash and cash equivalents	13,733,532	69,034	50,832	-	2,860
Trade and other payables	(395,012,909)	(3,765,614)	-	-	-
Trade receivables	77,620,863	401,371	-	1,243,594	-
Gross balance sheet exposure	(303,658,514)	(3,295,209)	50,832	1,243,594	2,860

	2016				
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling
Cash and cash equivalents	29,168,355	206,543	63,933	98	945
Trade and other payables	(264,434,796)	(2,528,057)	-	-	-
Trade receivables	77,158,496	505,121	9,530	815,149	-
Gross balance sheet exposure	(158,107,945)	(1,816,393)	73,463	815,247	945

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	2017	2016	2017	2016
US Dollars	104.90	104.60	104.65	104.39
Euro	120.03	116.20	114.28	115.42
UAE Dirham	28.56	28.48	28.49	28.42
Pound Sterling	136.55	140.26	132.92	153.41

Sensitivity analysis

A 10% strengthening of the Pakistani Rupee against foreign currencies at the reporting date would have increased / (decreased) profit by the amounts shown below, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis as for the previous year.

	Profit and loss	
	2017 Rupees	2016 Rupees
Profit and loss account	30,365,851	15,810,795

36.3.2 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee. The Company is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

36.3.3 Fair value of financial instruments

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying value of all financial assets and liabilities on the balance sheet approximate to their fair value.

a) Fair values versus carrying amounts

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

b) 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.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet 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.

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

	Carrying Amount					Fair Value		
	Cash and cash equivalents	Fair value through profit / loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	Rupees							
30 June 2017								
Financial assets measured at fair value:	-	487,884,889	-	-	487,884,889	487,884,889	-	-
Financial assets not measured at fair value								
Long term deposits	-	-	7,066,325	-	7,066,325	-	-	-
Trade debts - considered good	-	-	365,941,171	-	365,941,171	-	-	-
Loans and advances - considered good	-	-	968,647	-	968,647	-	-	-
Short term deposits	-	-	150,645,717	-	150,645,717	-	-	-
Other receivables	-	-	256,700	-	256,700	-	-	-
Bank balances	128,369,423	-	-	-	128,369,423	-	-	-
	128,369,423	-	524,878,560	-	653,247,983	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	-	604,908,209	604,908,209	-	-	-
Accrued mark-up	-	-	-	1,646,851	1,646,851	-	-	-
	-	-	-	606,555,060	606,555,060	-	-	-
30 June 2016								
Financial assets measured at fair value:	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Long term deposits	-	-	6,351,325	-	6,351,325	-	-	-
Trade debts - considered good	-	-	387,586,473	-	387,586,473	-		-
Loans and advances - considered good	-	-	972,265	-	972,265	-	-	-
Short term deposits	-	-	91,162,023	-	91,162,023	-	-	-
Other receivables	-	-	4,894,747	-	4,894,747	-	-	-
Short term investments	-	-	335,000,000	-	335,000,000	-	-	-
Bank balances	246,571,589	-	-	-	246,571,589	-	-	-
	246,571,589	-	825,966,833	-	1,072,538,422	-	-	-
Financial liabilities measured at fair value:	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	-	503,852,752	503,852,752	-	-	-
Accrued mark-up	-	-	-	32,767	32,767	-	-	-
	-	-	-	503,885,519	503,885,519	-	-	-

36.3.4 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2017	2016	2017	2016
	Interest range / Effective rate (in Percentage)		**Carrying amount (Rupees)**	
Fixed rate instruments				
Financial assets				
Short term investments	-	5.35	-	335,000,000
Net Exposure			-	335,000,000
Variable rate instruments				
Financial assets				
Cash at bank - deposit accounts	3.49	4.40	53,492,280	14,430,682
Net Exposure			53,492,280	14,430,682

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 for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit or loss	
	100 bps Increase	**100 bps Decrease**
	Rupees	
As at 30 June 2017		
Cash flow sensitivity - Variable rate financial liabilities	534,923	(534,923)
As at 30 June 2016		
Cash flow sensitivity - Variable rate financial liabilities	144,307	(144,307)

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

36.4 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 monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

37 Non adjusting events after the balance sheet date

The Board of Directors of the Company in its meeting held on 30 August 2017 has proposed a final cash dividend of Rs. 4 (2016: Rs. 12) per share, amounting to Rs. 120.75 million (2016: Rs. 362.24 million) for approval of the members in the Annual General Meeting to be held on 18 October 2017.

38 Corresponding figures

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

39 Date of authorization for issue

These unconsolidated financial statements have been authorized for issue by the Board of Directors of the Company on 30 August 2017.

Chief Executive Officer **Director**

consolidated financial statements for the year ended 30 june 2017

60 YEARS

OF TRUST & DEVOTION

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Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Ferozsons Laboratories Limited ("the Holding Company")** and its subsidiaries as at 30 June 2017 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Ferozsons Laboratories Limited and its subsidiaries. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Ferozsons Laboratories Limited and its subsidiaries as at 30 June 2017 and the results of their operations for the year then ended.

KPMG Taseer Hadi & Co.

Date: 30 August 2017

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

consolidated balance sheet

As at 30 June 2017

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (2016: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid up capital	*4*	301,868,410	301,868,410
Capital reserve	*5*	321,843	321,843
Accumulated profit		4,265,339,789	4,279,679,051
Equity attributable to owners of the Company		4,567,530,042	4,581,869,304
Non-controlling interests		171,535,961	168,681,094
		4,739,066,003	4,750,550,398
Surplus on revaluation of property, plant and equipment - net of tax	*6*	979,164,891	1,022,739,340
Non-current liabilities			
Deferred taxation	*7*	246,490,537	268,664,070
Current liabilities			
Trade and other payables	*8*	849,897,469	778,287,566
Short term borrowings - secured	*9*	24,888,862	42,851,551
Accrued mark-up		1,646,851	138,692
		876,433,182	821,277,809
Contingencies and commitments	*10*		
		6,841,154,613	6,863,231,617

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

Chief Executive Officer

consolidated balance sheet

As at 30 June 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	11	3,082,250,380	3,009,074,944
Intangibles	12	3,172,498	5,539,396
Long term deposits		11,053,325	10,338,325
		3,096,476,203	3,024,952,665
Current assets			
Stores, spare parts and loose tools	*13*	45,606,521	44,734,010
Stock in trade	*14*	1,766,705,139	2,071,316,936
Trade debts - considered good	*15*	429,773,583	447,354,701
Loans and advances - considered good	*16*	77,152,418	43,691,073
Deposits and prepayments	*17*	170,092,045	116,441,665
Other receivables	*18*	9,003,812	7,637,820
Short term investments	*19*	855,943,421	667,166,585
Income tax - net		146,034,709	55,178,359
Cash and bank balances	*20*	244,366,762	384,757,803
		3,744,678,410	3,838,278,952
		6,841,154,613	6,863,231,617

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

Director

consolidated profit and loss account

For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
Revenue - net	21	5,002,429,682	11,294,980,050
Cost of sales	22	(3,090,966,615)	(6,700,677,823)
Gross profit		1,911,463,067	4,594,302,227
Administrative expenses	23	(335,594,707)	(314,218,472)
Selling and distribution expenses	24	(1,023,216,945)	(1,249,627,236)
Other expenses	25	(7,321,244)	(280,600,848)
Other income	26	63,547,445	121,283,603
Profit from operations		608,877,616	2,871,139,274
Finance cost	27	(17,701,190)	(12,603,245)
Profit before taxation		591,176,426	2,858,536,029
Taxation	28	(196,572,511)	(625,447,767)
Profit after taxation		394,603,915	2,233,088,262
Attributable to:			
Owners of the Company		395,765,198	2,204,040,027
Non-controlling interests		(1,161,283)	29,048,235
Profit after taxation		394,603,915	2,233,088,262

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

Chief Executive Officer **Director**

consolidated statement of comprehensive income

For the year ended 30 June 2017

	2017 Rupees	2016 Rupees
Profit after taxation	394,603,915	2,233,088,262
Other comprehensive income for the year	-	-
Total comprehensive income for the year	394,603,915	2,233,088,262
Attributable to:		
Owners of the Company	395,765,198	2,204,040,027
Non-controlling interests	(1,161,283)	29,048,235
	394,603,915	2,233,088,262

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

Chief Executive Officer **Director**

consolidated statement of changes in equity

For the year ended 30 June 2017

	Attributable to Owners of the Company					
	Share capital	Capital reserve	Accumulated profit	Total	Non-controlling interests	Total
	------	------	------	Rupees	------	------
Balance as at 01 July 2015	301,868,410	321,843	2,811,333,056	3,113,523,309	138,654,363	3,252,177,672
Total comprehensive income for the year	-	-	2,204,040,027	2,204,040,027	29,048,235	2,233,088,262
Surplus transferred to accumulated profit:						
-on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	-	-	9,707,267	9,707,267	978,496	10,685,763
-on account of disposal of fixed assets during the year - net of tax			9,269,725	9,269,725	-	9,269,725
	-	-	18,976,992	18,976,992	978,496	19,955,488
Transactions with owners of the Company:						
-Final dividend for the year ended 30 June 2015 at Rs. 15 per share	-	-	(452,802,614)	(452,802,614)	-	(452,802,614)
-Interim dividend for the year ended 30 June 2016 at Rs. 10 per share	-	-	(301,868,410)	(301,868,410)	-	(301,868,410)
-	-	-	(754,671,024)	(754,671,024)	-	(754,671,024)
Balance as at 30 June 2016	301,868,410	321,843	4,279,679,051	4,581,869,304	168,681,094	4,750,550,398
Balance as at 01 July 2016	301,868,410	321,843	4,279,679,051	4,581,869,304	168,681,094	4,750,550,398
Total comprehensive income for the year	-	-	395,765,198	395,765,198	(1,161,283)	394,603,915
Surplus transferred to accumulated profit:						
-on account of incremental depreciation on property, plant and equipment charged during the year - net of tax	-	-	42,698,155	42,698,155	4,016,150	46,714,305
Transactions with owners of the Company:						
-Final dividend for the year ended 30 June 2016 at Rs. 12 per share	-	-	(362,242,092)	(362,242,092)	-	(362,242,092)
-Interim dividend for the year ended 30 June 2017 at Rs. 3 per share	-	-	(90,560,523)	(90,560,523)	-	(90,560,523)
	-	-	(452,802,615)	(452,802,615)	-	(452,802,615)
Balance as at 30 June 2017	301,868,410	321,843	4,265,339,789	4,567,530,042	171,535,961	4,739,066,003

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

Chief Executive Officer **Director**

consolidated cash flow statement

For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
Cash flow from operating activities			
Profit before taxation		591,176,426	2,858,536,029
Adjustments for:			
Depreciation on property, plant and equipment	*11.2*	326,993,412	233,406,272
Amortisation		2,366,898	1,769,901
Gain on disposal of property, plant and equipment		(15,984,759)	(12,001,520)
Finance cost		17,701,190	12,603,245
Trade debts write off	*24*	15,356,017	12,927
Provision for slow moving stock in trade	*14.1*	165,386,397	-
Un-realised gain on re-measurement of short term investments to fair value		(5,047,578)	(3,396,439)
Dividend income		(16,169,325)	-
Gain on sale of short term investments		(19,983,118)	(76,435,113)
Profit on term deposits		(834,747)	(9,364,205)
Workers' Profit Participation Fund	*8.1*	31,137,923	154,859,805
Workers' Welfare Fund		11,601,068	58,846,725
Prior years' reversal of Workers' Welfare Fund	*25*	(43,352,950)	-
Central Research Fund		6,290,489	31,284,809
		475,460,917	391,586,407
Cash generated from operations before working capital changes		1,066,637,343	3,250,122,436
Effect on cash flow due to working capital changes			
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		(872,511)	(3,228,592)
Stock in trade		139,225,400	(681,449,340)
Trade debts - considered good		2,225,101	(166,596,896)
Loans and advances - considered good		(33,461,345)	(2,205,146)
Deposits and prepayments		(53,650,380)	(38,240,080)
Other receivables		(1,963,244)	(4,320,724)
		51,503,021	(896,040,778)
Increase / (decrease) in current liabilities			
Trade and other payables		165,075,142	(690,763,004)
Cash generated from operations		1,283,215,506	1,663,318,654
Taxes paid		(263,109,587)	(686,487,067)
Workers' Profit Participation Fund paid		(65,439,531)	(200,879,712)
Workers' Welfare Fund paid		(58,846,725)	(17,669,077)
Central Research Fund paid		(31,284,809)	(14,722,486)
Long term deposits - net		(715,000)	(2,907,500)
Net cash generated from operating activities		863,819,854	740,652,812
Cash flow from investing activities			
Acquisition of property, plant and equipment		(407,298,834)	(739,048,029)
Acquisition of intangibles		-	(5,820,226)
Proceeds from sale of property, plant and equipment		23,114,745	29,276,349
Profit on term deposits received		1,522,185	8,676,767
(Acquisition) / Redemption of short term investments - net		(147,576,815)	270,590,061
Net cash used in investing activities		(530,238,719)	(436,325,078)
Cash flow from financing activities			
Finance cost paid		(16,193,031)	(12,475,422)
Dividend paid		(439,816,456)	(731,987,875)
Net cash used in financing activities		(456,009,487)	(744,463,297)
Net decrease in cash and cash equivalents		(122,428,352)	(440,135,563)
Cash and cash equivalents at the beginning of the year		341,906,252	782,041,815
Cash and cash equivalents at the end of the year		219,477,900	341,906,252
Cash and cash equivalents comprise of the following:			
Cash and bank balances	*20*	244,366,762	384,757,803
Running finance	*9*	(24,888,862)	(42,851,551)
		219,477,900	341,906,252

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

Chief Executive Officer | **Director**

1 Reporting entity

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

"The Group" consists of the following subsidiaries:

Company / Entity	Country of incorporation	Nature of business	Effective holding %	
			2017	2016
BF Biosciences Limited	Pakistan	Import, manufacturing and sale of pharmaceutical products.	**80**	80
Farmacia	Pakistan	Sale and distribution of medicines and other related products.	**98**	98

2 Basis of preparation

2.1 Consolidated financial statements

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2017 and the audited financial statements of the subsidiaries for the year ended 30 June 2017.

2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as notified under the provisions of the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. Wherever the requirements of the repealed Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan ('SECP') differ with the requirements of IFRS, the requirements of the repealed Companies Ordinance, 1984 or the requirements of the said directives prevail.

On 30 May 2017 the Companies Act, 2017 was enacted which replaced and repealed the Companies Ordinance, 1984 (the "repealed Ordinance"). However, the Securities and Exchange Commission of Pakistan (SECP) vide its circular 17 dated 20 July 2017 and press release of the said date, has clarified that all the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017, can prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires certain additional disclosures which would be applicable for financial year ending after 30 June 2017.

Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of fixed assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of land, building and plant and machinery to bring it in line with the requirements of IAS 16 – "Property, plant and equipment". The effect of the change is disclosed in note 6 to these consolidated financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards

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

During the year certain amendments to standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the consolidated financial statements of the Group.

2.3.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 01 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 01 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

  Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

The above amendments are not likely to have an impact on the Company's unconsolidated financial statements, except for certain additional disclosures.

2.4 Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention except for certain items of property, plant and equipment that are stated at revalued amounts and investment in listed securities and financial instruments that are stated at their fair values. The methods used to measure fair values are discussed further in their respective policy notes.

2.5 Functional and presentation currency

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

2.6 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future periods affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.6.1 Property, plant and equipment

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

2.6.2 Intangibles

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

2.6.3 Stores, spare parts, loose tools and stock in trade

The Group reviews the stores, spare parts, loose tools and stock in trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spare parts, loose tools and stock in trade with a corresponding affect on the provision and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

2.6.4 Provision against trade debts, advances and other receivables

The Group reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

2.6.5 Provisions

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

2.6.6 Impairment

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

2.6.7 Fair value of investments

The Group 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 profit and loss account.

2.6.8 Taxation

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

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presenting, in these financial statements:

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the change explained below:

3.1.1 Subsidiaries

Subsidiaries are those entities in which the Parent Company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value of investment held by the Parent Company is eliminated against the Parent Company's share in paid up capital of the subsidiaries. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

3.1.2 Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Holding Company's interest in a subsidiary that do not result in a loss of control are accounted for as a equity transactions.

3.1.3 Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available for sale financial asset depending on the level of influence retained.

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

3.2 Employee benefits

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

3.2.1 Staff provident fund

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

3.2.2 Compensated absences

The Holding Company and the subsidiary companies provide for compensated absences for its employees on unavailed balance of leave in the period in which leave is earned.

3.3 Taxation

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

3.3.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

3.3.2 Deferred

Deferred tax is recognized using balance sheet 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 enacted or substantively enacted rates of taxation.

The Group recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.4 Property, plant and equipment, depreciation and capital work in progress

3.4.1 Owned

Property, plant and equipment of the Group other than freehold land, building and plant and machinery are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs. Building, plant and machinery are stated at revalued amount less accumulated depreciation and impairment loss, if any. Freehold land is stated at revalued amount. Revaluation is carried out every five years unless earlier revaluation is necessitated.

Depreciation is provided on a straight line basis and charged to profit and loss account to write off the depreciable amount of each asset, except for freehold land, over its estimated useful life at the rates specified in note 11 to these financial statements. Depreciation on depreciable assets is commenced from the date asset is available for use up to the date when asset is retired. Any accumulated depreciation at the date of revaluation is eliminated, against the gross carrying amount of the asset and the net amount is restated to the revalued amount.

As of 01 July 2016, the Group has revised its estimate of the remaining useful life of building on freehold land and plant and machinery. As a result, the remaining useful life of these revalued assets have been revised to their original life. This change in estimate of useful life of revalued assets has been applied prospectively as required under IAS-8 'Accounting policies, changes in accounting estimates and errors. Had the useful life estimate not been revised, the depreciation charge for financial years 2017 to 2020 and 2021 would have been higher by Rs. 98.06 million and Rs. 87.23 million respectively.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed asset account. Deficit, if any, arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the above mentioned surplus account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to equity, net of related deferred tax.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gain and loss on sale of an item of property, plant and equipment are determined by comparing the proceeds from sale with the carrying amount of property, plant and equipment, and are recognized net within “other income / other expenses” in profit or loss account. When revalued asset is sold, the amount included in the surplus on revaluation of property, plant and equipment, net of deferred tax, is transferred directly to equity.

3.4.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate directly attributable overheads. These costs are transferred to property, plant and equipment as and when assets are available for their intended use.

3.5 Intangibles

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets with finite useful life are amortized using the straight-line method over the estimated useful life of three years. Amortisation of intangible assets is commenced from the date an asset is capitalized.

3.6 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instruments. The Group de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the balance sheet, when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition or de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

Significant financial assets include long term deposits, short term investments, trade debts, loans and advances, other receivables, advance tax - net and cash and bank balances. Significant financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include trade and other payables.

3.7 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.8 Investments

3.8.1 Investments at fair value through profit or loss

These include investments classified as held for trading or upon initial recognition are designated by the Group at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in income. Fair value of investments is their quoted bid price at the balance sheet date. Transaction costs are charged to income currently.

3.8.2 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition, these are measured at amortised cost using the effective interest rate method less impairment loss, if any.

3.8.2.1 Trade debts

Trade debts are stated initially at the fair value, subsequent to initial recognition. These are stated at their amortised cost as reduced by appropriate provision for impairment, known impaired receivables are written off, while receivables considered doubtful are fully provided for.

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

3.9 Settlement date accounting

Regular way purchases and sales of financial assets are recognized on trade dates.

3.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services received.

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Account payables are classified as current liabilities if amount is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when the Group has a legally enforceable right to set off the recognized amounts and intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

3.12 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.13 Foreign currency

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet 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 income currently.

3.14 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of cost and net realizable value. Cost is determined on weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other incidental charges incurred thereon.

3.15 Stocks in trade

Stocks are valued at the lower of average cost and net realizable value. Cost is determined as follows:

Raw and Packing materials	- at moving average cost
Work in process	- at weighted average cost
Finished goods	- at moving average cost and
Finished goods for resale	- at moving average cost of purchase

Cost of finished goods purchased for resale and raw & packing materials comprises of purchase price and other costs incurred in bringing the material to its present location and condition. Cost of work in progress comprises of cost of raw & packing materials. Cost of manufactured finished goods comprises of raw & packing materials and applicable overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs necessarily to be incurred in order to make a sale.

3.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances and short term running finance facilities.

3.17 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of pharmaceutical products, net of sales return, commission and discounts. Revenue is recognized when the goods are dispatched and title passes to the customer, it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably and there is no continuing management involvement.

3.18 Borrowing costs

Mark-up, interest and other direct charges on borrowings are capitalized to the related qualifying asset till substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. All other mark-up, interest and related charges are charged to the profit and loss account as finance cost.

3.19 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 is recognized when the right to receive is established.

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

3.20 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognized.

Non financial assets

The carrying amount of the Group'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 profit and loss account. 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 amortisation, if no impairment loss had been recognized.

3.21 Operating segment

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and accessing performance of the operating segments, has been identified as the Board of Director of the Holding Company that make strategic decisions. The management has determined that the Group has a single reportable segment as the Board of Directors views the Group's operations as one reportable segment.

3.22 Dividend distribution

Dividend is recognized in the financial statements in the period in which it is approved.

	2017 Rupees	2016 Rupees
4 Issued, subscribed and paid up capital		
1,441,952 (2016: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (2016: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged	1,196,000	1,196,000
28,625,289 (2016: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares	286,252,890	286,252,890
	301,868,410	301,868,410

5 Capital reserve

This represents capital reserve which arose on conversion of shares of NWF Industries Limited and Sargodha Oil & Flour Mills Limited, since merged.

	2017 Rupees	2016 Rupees
6 Surplus on revaluation of property, plant and equipment - net of tax		
Surplus on revaluation of property, plant and equipment as at 01 July	1,205,064,027	451,506,554
Surplus on revaluation of property plant and equipment recognized during the year:		
- freehold land	-	266,640,627
- building on freehold land	-	270,809,831
- plant and machinery	-	241,011,662
	-	778,462,120
- related deferred tax liability	-	(152,276,872)
Surplus net of deferred tax	-	626,185,248
Surplus transferred to equity on account of incremental depreciation charged during the year net of deferred tax	(46,714,305)	(10,685,764)
- Related deferred tax liability	(20,102,767)	(4,949,158)
	(66,817,072)	(15,634,922)
(Surplus) / deficit transferred to equity:		
- on account of disposal of assets during the year net of deferred tax	-	(9,269,725)
- Related deferred tax liability	-	-
	-	(9,269,725)
Revaluation Surplus	1,138,246,955	1,205,064,027
Related deferred tax liability:		
- On revaluation as at 01 July	(182,324,687)	(35,077,377)
- Transferred / recognized		
- on revaluation surplus during the year	-	(152,276,872)
- on account of incremental depreciation	-	
charged during the year	20,102,767	4,949,158
- tax rate adjustment	3,139,856	80,403
	(159,082,064)	(182,324,687)
Surplus on revaluation of property, plant and equipment as at 30 June	979,164,891	1,022,739,340

Surplus net of tax at the year end includes Rs. 34.33 million (2016: Rs. 37.72 million) which relates to shareholders of the subsidiaries (Non-controlling interests). This amount has not been included in statement of changes in equity due to the requirements of 4th Schedule of the repealed Companies Ordinance, 1984.

The revaluations had resulted in a cumulative surplus of Rs. 1,340 million to date, which has been included in the carrying values of free hold land, building and plant and machinery respectively and credited to the surplus on revaluation of property, plant and equipment. The surplus is adjusted on disposal of revalued assets, if any, and incremental depreciation, net of deferred tax.

As stated in note 2.2 of these consolidated financial statements, the Companies Act, 2017 is applicable for financial year ending after 30 June 2017 which will result in reclassification of surplus on revaluation of land, building and plant and machinery as part of the shareholders' equity.

7 Deferred taxation

	2017			
		Charge to / (reversal from)		
	Opening	**Profit or loss**	**Surplus on revaluation**	**Closing**
	Rupees			
Taxable temporary difference				
Accelerated tax depreciation allowances	86,339,383	8,685,009	-	95,024,392
Surplus on revaluation of property, plant and equipment	182,324,687	(20,102,767)	(3,139,856)	159,082,064
Deductible temporary differences				
Provision for slow moving stock in trade	-	(7,615,919)	-	(7,615,919)
	268,664,070	(19,033,677)	(3,139,856)	246,490,537

	2016			
		Charge to / (reversal from)		
	Opening	Profit or loss	Surplus on revaluation	Closing
	Rupees			
Taxable temporary difference				
Accelerated tax depreciation allowances	65,482,188	20,857,195	-	86,339,383
Surplus on revaluation of property, plant and equipment	35,077,377	(4,949,158)	152,196,469	182,324,687
	100,559,565	15,908,037	152,196,469	268,664,070

	Note	2017 Rupees	2016 Rupees
8 Trade and other payables			
Trade creditors		439,117,638	359,183,035
Accrued liabilities		81,531,562	97,100,894
Advances from customers		138,768,457	60,249,689
Unclaimed dividend		80,854,747	67,868,588
Tax deducted at source		15,353	1,396,037
Provision for compensated absences		23,023,775	20,152,972
Workers' Profit Participation Fund	*8.1*	-	31,660,709
Central Research Fund	*8.2*	6,290,865	31,285,185
Workers' Welfare Fund		11,601,068	58,846,725
Advances from employees against purchase of vehicles		47,853,044	36,217,615
Due to related parties - unsecured		15,568,379	12,464,893
Other payables		5,272,581	1,861,224
		849,897,469	778,287,566
8.1 Workers' Profit Participation Fund			
Balance at the beginning of year		31,660,709	77,680,616
Interest on funds utilized		2,550,713	1,800,904
Provision for the year		31,137,923	154,859,805
		65,349,345	234,341,325
Payments made during the year		(65,439,531)	(202,680,615)
	18	(90,186)	31,660,710

The fund balance has been utilized by the Holding Company and the subsidiary company, BF Biosciences Limited, for their own business and interest at the rate of 165% (2016 : 143%) per annum by Holding Company and 10.02% (2016: 11.10%) per annum by subsidiary company, BF Biosciences have been credited to the funds respectively. Interest is calculated at higher of 75% of dividend rate or 2.5% plus bank rate, as required under Companies Profit (Workers' Participation) Act, 1968.

	Note	2017 Rupees	2016 Rupees
8.2 Central Research Fund			
Balance at the beginning of the year		31,285,186	14,722,862
Provision for the year	*25*	6,290,489	31,284,809
		37,575,675	46,007,671
Payments made during the year		(31,284,809)	(14,722,485)
		6,290,866	31,285,186

9 Short term borrowings - secured

9.1 Under Mark up arrangements

The Group has short term borrowing facilities available from various commercial banks under mark up arrangements having aggregate sanctioned limit of Rs. 1,000 million (2016: Rs. 1,000 million). These facilities carry mark-up at the rates ranging from three months KIBOR plus 0.1% to 1.5% (2016: three months KIBOR plus 0.1% to 1.5%) per annum on the outstanding balances. Out of aggregate facilities, Rs. 700 million (2016: Rs. 700 million) are secured by first pari passu charge of Rs. 1,621 million over all present and future assets (excluding land and building) of the the respective Companies in the Group and remaining facility amounting to Rs. 300 million (2016: Rs. 300 million) is secured by lien on Holding Company's short term investments (money market / income fund) which should be 110% of the maximum limit allowed for utilization. Under this arrangement, short term investment of Rs. 207.75 million (2016: Rs. 335 million) is marked under lien. These facilities are renewable on annual basis latest by 30 November 2017.

9.2 Under Shariah compliant arrangements

The Holding Company has short term borrowing facility i.e. Running Musharakah available from Islamic bank under profit arrangements having sanctioned limit of Rs. 200 million (2016: Rs. 200 million). This facility carries profit rate of three months KIBOR plus 0.3% (2016: three months KIBOR plus 0.3%) per annum on the outstanding balance. This facility is secured by first pari passu charge over current assets of the the Holding Company. This facility is renewable on annual basis latest by 30 June 2017 and has been renewed subsequent to the year end.

10 Contingencies and commitments

10.1 Contingencies

The Holding Company has filed a suit before the Honorable High Court of Sindh challenging SRO related to pharmaceutical pricing issued by Drug Regulatory Authority being ultra vires the constitution. The issues relates to fixation of prices of certain products of the Holding Company and the SRO issued in this regard whereby the products of the Holding Company were notified as controlled drugs. The matter is subjudice. However, the management based on obtained legal opinion believes that the Holding Company has a strong case on merit and is likely to succeed in obtaining relief.

10.2 Commitments

10.2.1 Letters of credit

10.2.1.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 850 million (2016: Rs. 850 million) for opening letters of credit, the amount utilized by the Group at 30 June 2017 for capital expenditure was Rs. Nil million (2016: Rs. 183.83 million) and for other than capital expenditure was Rs. 184.15 (2016: Rs. 217.17 million). These facilities are secured by first pari passu charge of Rs. 1,621 million over all present and future assets (excluding land and building) of the the respective Companies in the Group. Lien is also marked over import documents.

10.2.1.2 Under Shariah compliant arrangements

The Holding Company has facility i.e letters of credit of Rs. 75 million (2016: Rs. 75 million) availed from Islamic bank. The amount utilized at 30 June 2017 only for other than capital expenditure was Rs. 28.74 million (2016: Rs. 20.60 million). Lien is also marked over import documents.

10.2.2 Guarantees issued by banks on behalf of the Company

10.2.2.1 Under Mark up arrangements

Out of the aggregate facility of Rs. 180 million (2016: Rs. 180 million) for letter of guarantees (out of aggregate facility, Rs. 25 million is the sublimit of running finance of the respective Companies in the Group), the amount utilized by the Group at 30 June 2017 was Rs. 18.52 million (2016: Rs. 8.70 million).

10.2.2.2 Under Shariah compliant arrangements

The Holding Company has facility i.e LG of Rs. 25 million (2016: Rs. 25 million) available from Islamic bank, the amount utilized at 30 June 2017 was Rs. 1.96 million (2016: Rs. 1.96 million).

	Note	**2017 Rupees**	2016 Rupees
11 Property, plant and equipment			
Operating assets	*11.1*	2,862,770,364	2,654,857,177
Capital work in progress	*11.4*	219,480,016	354,217,767
		3,082,250,380	3,009,074,944

11.1 Operating assets

	Owned							
	Freehold land	Buildings on freehold land	Plant and machinery	Office equipments	Furniture and fittings	Computers	Vehicles	Total
	-----	-----	-----	Rupees	-----	-----	-----	-----
30 June 2017								
Cost / revalued amount								
Balance as at 01 July 2016	678,076,127	779,564,255	941,786,054	68,029,388	39,490,452	33,190,875	367,265,054	2,907,402,205
Additions / transfers		35,160,737	361,811,277	31,733,119	43,135,390	9,592,191	60,603,871	542,036,585
Disposals / write off		-	-	(83,900)	(144,672)	(3,239,413)	(38,442,139)	(41,910,124)
Balance as at 30 June 2017	678,076,127	814,724,992	1,303,597,331	99,678,607	82,481,170	39,543,653	389,426,786	3,407,528,666
Depreciation								
Balance as at 01 July 2016	-	20,336,033	-	34,655,514	13,410,415	22,058,824	162,084,242	252,545,028
Charge for the year	-	92,769,836	146,121,960	7,985,017	6,399,278	7,065,461	66,651,860	326,993,412
On disposals / write off	-	-	-	(83,900)	(144,672)	(3,239,413)	(31,312,153)	(34,780,138)
Balance as at 30 June 2017	-	113,105,869	146,121,960	42,556,631	19,665,021	25,884,872	197,423,949	544,758,302
Net book value as at 30 June 2017	678,076,127	701,619,123	1,157,475,371	57,121,976	62,816,149	13,658,781	192,002,837	2,862,770,364
30 June 2016								
Cost / revalued amount								
Balance as at 01 July 2015	410,000,000	598,271,525	1,012,957,697	62,751,933	24,980,380	23,049,360	284,946,153	2,416,957,048
Additions / transfers	1,435,500	202,342,277	199,017,379	5,354,315	14,510,072	10,172,332	112,702,500	545,534,375
Disposals / write off	-	-	-	(76,860)	-	(30,817)	(30,383,599)	(30,491,276)
Revaluation surplus	266,640,627	(21,049,547)	(270,189,022)	-	-	-	-	(24,597,942)
Balance as at 30 June 2016	678,076,127	779,564,255	941,786,054	68,029,388	39,490,452	33,190,875	367,265,054	2,907,402,205
Depreciation								
Balance as at 01 July 2015	-	249,373,426	412,046,970	28,726,330	10,716,203	17,535,105	128,593,358	846,991,392
Charge for the year	-	62,821,985	99,153,714	5,978,824	2,694,212	4,548,669	58,208,868	233,406,272
On disposals / write off	-	-	-	(49,640)	-	(24,950)	(24,717,984)	(24,792,574)
Revaluation surplus	-	(291,859,378)	(511,200,684)	-	-	-	-	(803,060,062)
Balance as at 30 June 2016	-	20,336,033	-	34,655,514	13,410,415	22,058,824	162,084,242	252,545,028
Net book value as at 30 June 2016	678,076,127	759,228,222	941,786,054	33,373,874	26,080,037	11,132,051	205,180,812	2,654,857,177
Depreciation Rate %	-	10	10	10	10	33.33	20	

11.1.1 These include fully depreciated assets amounting to Rs. 72.2 million (2016: Rs. 69 million).

11.1.2 Had there been no revaluation, carrying value of land, building and plant and machinery would have been as follows:

	Note	2017 Rupees	2016 Rupees
Freehold land		86,123,262	86,123,262
Buildings		454,247,553	483,389,520
Plant and machinery		858,552,851	604,513,594
Balance as at 30 June		1,398,923,666	1,174,026,376

11.2 Depreciation is allocated as under:

	Note	2017 Rupees	2016 Rupees
Cost of sales	*22*	236,079,596	151,742,954
Administrative expenses	*23*	49,255,224	40,087,472
Selling and distribution expenses	*24*	41,658,592	41,575,846
		326,993,412	233,406,272

11.3 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost	Net book Value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal
		Rupees				
Vehicles						
Toyota Corolla GLI	Mr. Humayon Khalid Saeed	1,731,501	375,159	983,283	608,124	Company Policy
Toyota Corolla GLI	Mr. Dilshad Khan	1,691,200	366,426	913,000	546,574	Company Policy
Suzuki Liana	Mr. Syed Pervaiz Hassan	1,511,000	428,117	765,000	336,883	Tender
Suzuki Cultus	Mr. Iftakhar Ghulam Rasool	1,019,000	356,650	713,300	356,650	Company Policy
Suzuki Cultus	Mr. Muhammad Qasim Paracha	1,019,000	390,617	812,500	421,883	Tender
Suzuki Cultus	Mr. Muhammad Qasim Paracha	1,019,000	390,618	848,500	457,882	Tender
Suzuki Cultus	Mr. Sajid Idrees	1,019,000	339,666	675,000	335,334	Company Policy
Suzuki Cultus	Mr. Ali Aslam	1,010,000	286,167	756,700	470,533	Company Policy
Suzuki Cultus	Mr. Usman Malik	985,000	229,833	721,000	491,167	Tender
Suzuki Cultus	Mr. Zahid Ali Khan	1,014,000	422,500	822,500	400,000	Company Policy
Suzuki Cultus	Mr. Qasim Piracha	1,019,000	407,599	760,500	352,901	Company Policy
Suzuki Cultus	Mr. Amir Saleem	1,014,000	321,100	788,500	467,400	Company Policy
Suzuki Cultus	Mr. Amir Saleem	1,124,188	599,567	838,500	238,933	Company Policy
Honda City	Mr. Rizwan Hameed Butt	1,639,000	191,216	874,133	682,917	Company Policy
Honda City	Mr. Aamir Yaqoob Mir	1,618,000	269,666	890,000	620,334	Company Policy
Honda CD 70	EFU Insurance Compnay	63,500	55,034	63,500	8,466	Insurance Claim
Honda CD 70	EFU Insurance Compnay	63,500	55,034	63,500	8,466	Insurance Claim
Honda CD 70	EFU Insurance Compnay	63,500	56,094	63,500	7,406	Insurance Claim
Honda CD 70	EFU Insurance Compnay	63,500	58,209	63,500	5,291	Insurance Claim
Suzuki Mehran	Mr. Adnan Ikram	690,820	115,137	403,000	287,863	Company Policy
Suzuki Mehran	Mr. Faheem Akhter	673,000	224,334	542,256	317,922	Company Policy
Suzuki Mehran	Miss Gazala Ali	663,000	265,200	471,000	205,800	Tender
Suzuki Mehran	Mr. Rao Asad Umar	663,000	221,000	422,633	201,633	Company Policy
Suzuki Mehran	Miss Fariha Saleem	607,000	101,166	452,786	351,620	Tender
Vehicles with individual book value not exceeding Rs. 50,000	Various persons	16,458,430	603,877	8,406,654	7,802,777	Company Policy
		38,442,139	7,129,986	23,114,745	15,984,759	
Assets written off						
Office equipment	N/A	83,900	-	-	-	Obsolete items-written off
Furniture and fittings	N/A	144,672	-	-	-	Obsolete items-written off
Computers	N/A	3,239,413	-	-	-	Obsolete items-written off
2017 Rupees		41,910,124	7,129,986	23,114,745	15,984,759	
2016 Rupees		30,491,277	5,698,703	17,700,223	12,001,520	

	Note	2017 Rupees	2016 Rupees
11.4 Capital work-in-progress			
The movement in capital work in progress is as follows:			
Balance at 01 July		354,217,767	172,280,240
Additions		335,713,656	583,329,943
Transfers		(470,451,407)	(401,392,416)
Balance at 30 June	11.4.1	219,480,016	354,217,767

11.4.1 Capital work-in-progress as at 30 June comprises of:

	2017 Rupees	2016 Rupees
Building and civil works	65,625,630	28,410,228
Plant and machinery	137,816,372	179,798,850
Advances to suppliers	16,038,013	146,008,688
	219,480,015	354,217,766

	Note	2017 Rupees	2016 Rupees
12 Intangibles			
12.1 Computer softwares and software license fees			
Cost:			
Balance at 01 July		13,964,128	8,143,902
Addition during the year		-	5,820,226
Balance at 30 June	*12.1.1*	13,964,128	13,964,128
Amortization:			
Balance at 01 July		8,424,732	6,654,831
Amortisation for the year		2,366,898	1,769,901
Balance at 30 June		10,791,630	8,424,732
Net book value as at 30 June		3,172,498	5,539,396

12.1.1 These include fully amortized assets amounting to Rs. 6.84 million (2016: Rs. 5.54 million). Intangibles are amortised at 33% (2016: 33%) on straight line basis.

	Note	2017 Rupees	2016 Rupees
13 Stores, spare parts and loose tools			
Stores		21,496,812	19,161,211
Spare parts		15,924,274	19,098,568
Loose tools		8,185,435	6,474,231
		45,606,521	44,734,010
14 Stock in trade			
Raw and packing materials		481,959,789	357,353,488
Work in process		78,514,365	96,389,129
Finished goods	*14.2*	1,314,694,715	1,597,678,787
		1,875,168,869	2,051,421,404
Provision for slow moving items	*14.1*	(165,386,397)	-
		1,709,782,472	2,051,421,404
Stock in transit		56,922,667	19,895,532
		1,766,705,139	2,071,316,936

14.1 Provision for slow moving stock in trade as at 30 June comprises of:

		2017 Rupees	2016 Rupees
Raw Materials		9,277,834	-
Work In process		2,095,249	-
Finished Goods		154,013,314	-
		165,386,397	-

14.2 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounts to Rs. 7.65 million (2016: Rs. 3.99 million).

		Note	2017 Rupees	2016 Rupees
15	**Trade debts - considered good**			
	Considered good:			
	Trade debts - secured	*15.1*	74,753,742	55,563,370
	Trade debts - unsecured		355,019,841	391,791,331
			429,773,583	447,354,701

15.1 The amount is secured against letter of credit and advances from customers.

		Note	2017 Rupees	2016 Rupees
16	**Loans and advances - considered good**			
	Advances to employees - secured	*16.1*	16,080,948	15,774,139
	Advances to suppliers - unsecured		59,458,496	26,874,429
	Others		1,612,974	1,042,505
			77,152,418	43,691,073

16.1 Advances given to staff are in accordance with the Group's policy and terms of employment contract. These advances are secured against provident fund. Advances to staff include amount due from executives of the Holding Company of Rs. 8.03 million (2016: Rs. 7.08 million).

		Note	2017 Rupees	2016 Rupees
17	**Deposits and prepayments**			
	Deposits			
	Earnest money	*17.1*	168,330,957	106,997,573
	Security Margins		980,102	8,282,000
			169,311,059	115,279,573
	Prepayments		780,986	1,162,092
			170,092,045	116,441,665

17.1 These are interest free and given in ordinary course of business.

		Note	2017 Rupees	2016 Rupees
18	**Other receivables**			
	Sales tax refundable - net		8,656,926	2,743,073
	Worker's profit participation fund	*8.1*	90,186	-
	Interest accrued		-	687,438
	Others		256,700	4,207,309
			9,003,812	7,637,820

	Note	2017 Rupees	2016 Rupees
19 Short term investments			
Loans and receivables			
Term deposits with banks - local currency	19.1	-	335,000,000
Investments at fair value through profit or loss - listed securities			
Held for trading	19.2	855,943,421	332,166,585
		855,943,421	667,166,585

19.1 The local currency short-term deposit has a maximum maturity period of 30 days and it carries markup at Nil (2016: 5.35%) per annum.

	Note	2017 Rupees	2016 Rupees
19.2 These investments are 'held for trading'			
Carrying value at 30 June:		332,166,585	16,925,094
Acquisition during the year		1,072,379,518	4,412,704,072
Redemption during the year		(553,650,260)	(4,100,651,486)
Unrealized gain on re-measurement of investment during the year		5,047,578	3,188,905
Fair value of short term investments at 30 June	19.3	855,943,421	332,166,585

Realized gain of Rs. 19.98 million (2016: Rs. 76.44 million) on sale of mutual funds and bonus dividend of Rs. 16.17 million (2016: Rs. Nil) has been recorded in "other income". These investments and related gain is from non shariah compliant arrangement. These are marked under lien as mentioned in note 9.

	Units		Carrying / Fair value	
	2017	2016	2017	2016
	---- Number ----		---- Rupees ----	
19.3 Mutual fund wise detail is as follows:				
Mutual Funds				
MCB Pakistan Cash Management Fund	-	5,126,903	-	257,366,938
MCB Pakistan Stock Market Fund	206,559	189,850	21,172,676	16,534,010
Faysal Money Market Fund	159,626	255,964	16,162,163	25,941,373
ABL Government Securities Fund	3,371,142	3,206,485	33,772,097	32,200,804
HBL Money Market Fund	2,042,627	1,216	207,874,880	123,460
Faysal MTS Fund	155,713	-	15,616,439	-
Faysal Bank Savings Growth Fund	7,425	-	757,430	-
MCB Cash Management Optimizer Fund	4,033,778	-	405,466,136	-
HBL Cash Fund	1,543,804	-	155,121,600	-
			855,943,421	332,166,585

	Note	2017 Rupees	2016 Rupees
20 Cash and bank balances			
Cash in hand		10,309,874	6,842,689
Cash at banks:			
Current accounts			
- foreign currency		13,186,391	28,569,668
- local currency	*20.1*	93,391,348	255,602,028
		106,577,739	284,171,696
Deposit accounts - local currency	*20.2*	127,479,149	93,743,418
		244,366,762	384,757,803

20.1 These include bank accounts of Rs. 0.67 million (2016: Rs. 0.67 million) maintained under Shariah compliant arrangements.

20.2 These include deposit accounts of Rs. 126.06 million (2016: Rs. 89.14 million) under mark up arrangements, which carry interest rates ranging from 3.75% - 6% (2016: 3.82% - 6%) per annum.

These also include deposit account of Rs. 1.42 million (2016: Rs. 4.6 million) under shariah compliant arrangements, which carry profit rate ranging from 2.40% - 2.41% (2016: 2.50% - 2.85%) per annum.

	2017 Rupees	2016 Rupees
21 Revenue - net		
Gross sales		
Less: Sales tax		
Local	5,251,325,294	11,651,408,338
Export	220,655,474	227,381,458
	5,471,980,768	11,878,789,796
Less:		
Sales returns	(138,558,186)	(263,113,129)
Discounts and commission	(313,514,151)	(317,541,304)
Sales tax	(17,478,749)	(3,155,313)
	(469,551,086)	(583,809,746)
	5,002,429,682	11,294,980,050

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

	Note	2017 Rupees	2016 Rupees
22 Cost of sales			
Raw and packing materials consumed	22.1	805,691,075	981,044,773
Salaries, wages and other benefits	22.2	249,357,479	226,789,600
Fuel and power		55,037,193	63,116,172
Repairs and maintenance		18,663,203	24,414,277
Stores, spare parts and loose tools consumed		39,819,113	49,653,883
Packing charges		27,740,619	21,714,242
Rent, rates and taxes		622,259	1,125,549
Printing and stationery		2,186,523	2,518,693
Postage and telephone		4,248,297	3,452,009
Insurance		13,871,323	13,409,358
Travelling and conveyance		11,948,679	14,559,976
Canteen expenses		13,604,599	13,009,247
Security expenses		3,113,451	3,719,172
Depreciation on property, plant and equipment		236,079,596	151,742,954
Laboratory and other expenses		35,025,333	35,808,393
		1,517,008,742	1,606,078,298
Work in process:			
Opening		96,389,128	44,914,516
Closing	14.1	(76,419,116)	(96,389,128)
		19,970,012	(51,474,612
Cost of goods manufactured		1,536,978,754	1,554,603,686
Finished stock:			
Opening		1,597,678,787	956,803,313
Purchases made during the year		1,116,990,476	5,786,949,611
Closing	14.1	(1,160,681,402)	(1,597,678,787)
		1,553,987,861	5,146,074,137
		3,090,966,615	6,700,677,823

22.1 Raw and packing materials consumed

	Note	2017 Rupees	2016 Rupees
Opening		357,353,488	365,200,196
Purchases made during the year		921,019,542	973,198,065
		1,278,373,030	1,338,398,261
Closing	14.1	(472,681,955)	(357,353,488)
		805,691,075	981,044,773

22.2 Salaries, wages and other benefits include Rs. 9.68 million (2016: Rs. 8.60 million), which represents employer's contribution towards provident fund.

	Note	2017 Rupees	2016 Rupees
23 Administrative expenses			
Salaries and other benefits	*23.1*	188,469,388	176,632,762
Directors fees and expenses		1,246,516	1,513,121
Rent, rates and taxes		1,683,279	1,881,345
Postage and telephone		9,353,881	7,273,222
Printing, stationery and office supplies		4,318,092	3,781,050
Travelling and conveyance		10,317,189	9,714,124
Transportation		8,751,588	8,469,156
Legal and professional charges		10,267,032	8,370,453
Fuel and power		4,879,864	6,727,285
Auditors' remuneration	*23.2*	1,680,486	1,399,255
Repairs and maintenance		12,098,932	10,829,278
Fee and subscriptions		6,236,682	3,767,021
Donations	*23.3*	10,280,583	16,242,699
Insurance		5,788,907	4,601,298
Depreciation on property, plant and equipment	*11.2*	49,255,224	40,087,472
Amortisation	*12*	2,366,898	1,769,901
Canteen expenses		6,828,413	7,682,999
Training Expenses		41,000	1,495,680
Other administrative expenses		1,730,753	1,980,351
		335,594,707	314,218,472

23.1 Salaries and other benefits include Rs. 7.89 million (2016: Rs. 6.05 million), which represents employer's contribution towards provident fund.

23.2 Auditors' remuneration	2017 Rupees	2016 Rupees
Fee for annual audit	747,500	575,000
Audit of consolidated financial statements	74,750	57,500
Review of half yearly financial statements	112,125	86,250
Annual audit - BF Biosciences	224,250	172,500
Annual audit - Farmacia	62,368	39,800
Special certificates and others	264,250	322,500
Out-of-pocket expenses	195,243	145,705
	1,680,486	1,399,255

23.3 Donations include the payments to following institutions in which the directors/their spouses are interested:

Name of director	Nature of interest in donee	Name and address of donee	2017 Rupees	2016 Rupees
Mr. Osman Khalid Waheed (Director)	Trustee	National Management Foundation	2,000,000	3,500,000

	Note	2017 Rupees	2016 Rupees
24 Selling and distribution expenses			
Salaries and other benefits	*24.1*	397,483,267	467,777,411
Travelling and conveyance		184,679,367	164,630,843
Trade debts written off		15,356,017	12,927
Fuel and power		5,292,778	7,423,416
Rent, rates and taxes		5,936,687	3,250,452
Sales promotion and advertisement		113,449,316	170,183,925
Freight and forwarding		22,065,043	40,778,105
Printing and stationary		6,443,403	4,992,371
Postage and telephone		17,102,596	18,094,201
Royalty, fee and subscription		17,138,012	19,094,434
Insurance		21,625,620	27,113,647
Repairs and maintenance		7,084,594	6,023,525
Conferences, seminars and training		115,916,971	159,687,314
Medical research and patient care		16,509,032	25,032,858
Depreciation on property, plant and equipment		41,658,592	41,575,846
Other selling expenses		1,898,558	2,391,942
Service charges on sales		33,577,092	91,564,019
		1,023,216,945	1,249,627,236

24.1 Salaries other benefits include Rs. 14.52 million (2016: Rs. 14.04 million), which represents employer's contribution towards provident fund.

	Note	2017 Rupees	2017 Rupees
25 Other expenses			
Exchange loss	*25.1*	1,644,714	35,609,509
Workers' Profit Participation Fund	*8.1*	31,137,923	154,859,805
Workers' Welfare Fund		11,601,068	58,846,725
Central Research Fund	*8.2*	6,290,489	31,284,809
Prior years' reversal of Workers' Welfare Fund		(43,352,950)	-
		7,321,244	280,600,848

25.1 Loss incurred during the year was due to actual currency fluctuation.

	Note	2017 Rupees	2016 Rupees
26 Other income			
From financial assets	26.1	46,866,634	105,365,444
From non financial assets	26.2	16,680,811	15,918,159
		63,547,445	121,283,603

	Note	2017 Rupees	2016 Rupees
26.1 From financial assets			
Profit on bank deposits	26.1.1	4,831,866	16,169,687
Dividend income		16,169,325	-
Profit on term deposits	26.1.2	834,747	9,364,205
Unrealised gain on re-measurement of short term investments to fair value		5,047,578	3,396,439
Gain on sale of short term investments		19,983,118	76,435,113
		46,866,634	105,365,444

26.1.1 These include profit of Rs. 0.05 million (2016: Rs. 0.01 million) earned on deposit account maintained under Shariah compliant arrangements.

26.1.2 These include profit of Rs. Nil (2016: Rs. 4.0 million) earned on term deposit receipt maintained under Shariah compliant arrangements.

	Note	2017 Rupees	2016 Rupees
26.2 From non financial assets			
Gain on sale of property, plant and equipment - net of write off	11.3	15,984,759	12,001,520
Commission & rebates		696,052	3,916,639
		16,680,811	15,918,159
27 Finance costs			
Mark-up on bank financing	27.1	4,386,844	622,686
Bank charges		10,763,633	10,179,655
Interest on Workers' Profit Participation Fund	8.1	2,550,713	1,800,904
		17,701,190	12,603,245

27.1 This related to facilities of short term borrowings availed under markup arrangements.

	2017 Rupees	2016 Rupees
28 Taxation		
Current tax		
- For the year	215,606,188	609,097,706
- Prior years	-	442,024
	215,606,188	609,539,730
Deferred	(19,033,677)	15,908,037
	196,572,511	625,447,767

Tax charge reconciliation

Numerical reconciliation between tax expense and accounting profit:

	2017 Rupees	2016 Rupees
Profit before taxation	591,176,426	2,858,536,029
	--------------(Percentage)--------------	
Applicable tax rate as per Income Tax Ordinance, 2001	31%	32%

	2017 Rupees	2016 Rupees
Tax on accounting profit	183,264,692	914,731,529
Effect of final tax regime	53,687,252	(347,559,235)
Effect of tax credit	(37,151,096)	(22,288,026)
Prior year's tax	-	442,024
Not adjustable for tax purposes	(9,725,467)	33,188,292
Effect of prior years' reversal of Workers' Welfare Fund	(13,439,415)	-
Effect of super tax	19,936,544	46,933,183
	13,307,819	(289,283,762)
	196,572,511	625,447,767

Section 5A of the Income Tax Ordinance, 2001 imposes a tax on every public company other than a scheduled bank or modaraba, that derives profits for tax year 2017 and onwards and does not distribute at least fourty percent of its after tax profits through cash or bonus shares within six months of the end of the said tax year.

As explained in note 37 to the consolidated financial statements, the Board of Directors in their meeting held on 30 August 2017 has recommended a final cash dividend of Rs. 4 per ordinary share which is in addition to interim cash dividend of Rs. 3 per ordinary share for the year ended 30 June 2017 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these unconsolidated financial statements for the year ended 30 June 2017.

29 Remuneration of Chief Executive, Executive Director and Executives

	2017			2016		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	---- Rupees ----			---- Rupees ----		
Managerial remuneration	27,081,944	-	253,985,635	19,580,429	7,069,516	213,313,186
Utilities	465,598	-	-	485,525	-	-
LFA	2,220,829	-	14,851,875	-	1,178,253	12,195,678
Bonus	6,662,487	-	36,845,138	1,042,576	3,213,417	25,310,589
Contribution to provident fund	1,775,016	-	12,929,124	1,325,082	449,186	11,525,435
	38,205,874	-	318,611,722	22,433,612	11,910,372	262,344,888
Numbers	2	-	119	2	1	104

In addition, the Chief Executive, one working director and certain executives of the Holding Company and Chief Executive of Subsidiary Company are allowed free use of the Company vehicles. The directors and managing partner of the subsidiary companies are not paid any remuneration.

The Holding Company has 6 (2016: 5) non executive directors. Non executive directors are not paid any remuneration or benefits other than the meeting fee and reimbursement of expenses. All the members of the Board of Directors were paid Rs. 330,000 (2016: Rs. 420,000) as meeting fee and Rs.916,516 (2016: Rs. 1,093,121) as reimbursement of expenses for attending the Board of Directors' meetings.

30 Related party transactions

The Group's related parties include entities over which directors are able to exercise influence, staff retirement fund, directors and key management personnel. Balances with the related parties are shown else where in the consolidated financial statements. The transactions with related parties are as follows:

	2017 Rupees	2016 Rupees
Khan & Piracha - associated		
Professional service charges	-	9,000
Other related parties		
Contribution towards employees' provident fund	32,079,540	28,829,294
Remuneration including benefits and perquisites of key management personnel	165,890,469	127,488,758
Dividend to KFW Factors (Private) Limited	124,304,130	207,173,550
Dividend to directors	44,193,540	87,484,910

31 Plant capacity and production

The production capacity of the holding company and subsidiary companies' plants cannot be determined, as it is a multi-product production facility with varying manufacturing processes.

32 Number of employees

	2017	2016
Total number of employees as at 30 June	1038	969
Average number of employees during the year	1029	955

	Un-audited 2017 Rupees	Audited 2016 Rupees

33 Disclosures relating to provident fund

Size of the fund / trust	451,416,888	394,999,996
Cost of investment made	401,931,938	355,373,451
Percentage of investment made	97%	95%
Fair value of investment	437,079,942	376,016,812

	Un-audited 2017		Audited 2016	
	% of size of fund	Rupees	% of size of fund	Rupees
Break up of investment				
Special accounts in scheduled banks	10%	45,275,787	2%	8,794,277
Term deposit receipts	32%	144,079,295	5%	19,184,110
Government securities	9%	39,871,621	54%	212,037,580
Mutual funds	37%	165,711,680	28%	110,059,126
Shares of listed companies	9%	42,141,560	7%	25,941,719
	97%	437,079,943	95%	376,016,812

33.1 Credit risk

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 2017		Audited 2016	
	% of Total Fund	Rupees	% of Total Fund	Rupees
Ferozsons Laboratories Limited - the Holding Company	79%	355,827,401	78%	307,897,698
BF Biosciences Limited	19%	87,901,720	21%	81,365,284
Farmacia - Partnership firm	2%	7,687,767	1%	5,737,014
	100%	451,416,888	100%	394,999,996

The figures for 2017 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance, 1984 and rules formulated for this purpose.

34 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

34.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk arises from long term deposits, trade debts, other receivables, loans and advances, short term deposits, short term investments and balances with banks. The Group has no significant concentration of credit risk as its exposure is spread over a large number of counter parties.

34.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	2017 Rupees	2016 Rupees
Long term deposits	11,053,325	10,338,325
Trade debts - considered good	429,773,583	447,354,701
Loans and advances - considered good	1,612,974	1,042,505
Short term deposits	169,311,059	115,279,573
Other receivables	256,700	4,894,747
Short term investments	855,943,421	667,166,585
Bank balances	234,056,888	377,915,114
	1,702,007,950	1,623,991,550

34.1.2 Credit quality of financial assets

Bank balances & short term investments

The credit quality of Group's bank balances and short term investments can be assessed with reference to external credit rating agencies as follows:

Institutions	Rating Short term	Rating Long term	Rating Agency	2017 Rupees	2016 Rupees
Habib Bank Limited	A-1+	AAA	JCR-VIS	54,199,417	141,300,104
Bank Al-Habib Limited	A1+	AA+	PACRA	33,591,323	67,107,081
Bank Alfalah Limited	A-1+	AA+	JCR-VIS	89,548,991	96,436,705
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	30,678,962	27,654,001
Meezan Bank Limited	A-1+	AA	JCR-VIS	4,459,190	5,295,732
MCB Bank Limited	A1+	AAA	PACRA	5,610,747	3,404,664
Allied Bank Limited	A1+	AA+	PACRA	15,958,558	36,705,392
Faysal Bank Limited	A-1+	AA	JCR-VIS	9,698	9,733
NIB Bank Limited	A1+	AA-	PACRA	-	1,702
				234,056,886	377,915,114
Short term investments					
Habib Bank Limited - TDR	A-1+	AAA	JCR-VIS	-	335,000,000
MCB Pakistan Cash Management Fund	AA(f)	N / A	PACRA	-	257,366,938
MCB Pakistan Stock Market Fund	4 Star	N / A	PACRA	21,172,676	16,534,010
HBL Money Market Fund	AA(f)	N / A	JCR-VIS	207,874,880	123,460
ABL Government Securities Fund	A(f)	N / A	JCR-VIS	33,772,097	32,200,804
Faysal Money Market Fund	AA(f)	N / A	PACRA	16,162,163	15,349,998
MCB Cash Management Optimizer Fund	AA(f)	N / A	PACRA	405,466,136	-
HBL Cash Fund	AA(f)	N / A	JCR-VIS	155,121,600	-
Faysal MTS Fund	A+(f)	N / A	PACRA	15,616,439	-
Faysal Bank Savings Growth Fund	AA-(f)	N / A	PACRA	757,430	10,591,375
				855,943,421	667,166,585
				1,090,000,307	1,045,081,699

Trade debts

The aging of trade debts at the reporting date was:

	2017 Rupees	2016 Rupees
Past due 0 - 30 days	156,710,926	138,160,192
Past due 31 - 120 days	175,863,972	166,654,323
Past due 121 - 365 days	56,642,977	132,079,058
More than 365 days	40,555,708	10,461,128
	429,773,583	447,354,701

Trade debts are essentially due from government departments / projects and the Group is actively pursuing for recovery of debts and the Group does not expect these companies to fail to meet their obligations.

Deposits and other receivables are mostly due from Government Institutions. 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.

34.1.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

34.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Group is not materially exposed to liquidity risk as substantially all obligations / commitments of the Group are short term in nature and are restricted to the extent of available liquidity.

The following are the contractual maturities of financial liabilities:

	2017			
	Carrying amount	Less than one year	One to five years	More than 5 years
	Rupees			
Financial liabilities				
Trade and other payables	645,368,682	645,368,682	-	-
Short term borrowings	24,888,862	24,888,862	-	-
Accrued mark-up	1,646,851	1,646,851	-	-
	671,904,395	671,904,395	-	-

	2016			
	Carrying amount	Less than one year	One to five years	More than 5 years
	Rupees			
Financial liabilities				
Trade and other payables	558,631,606	558,631,606	-	-
Short term borrowings	42,851,551	42,851,551	-	-
Accrued mark-up	138,692	138,692		
	601,621,849	601,621,849	-	-

34.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rates and equity price that will effect the Group'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

34.3.1 Currency risk

Pakistani Rupee is the functional currency of the Group 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 cashflow volatility. The Group's potential currency exposure comprises of:

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

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Group are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Group in currency other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Group. These currency risks are managed as a part of overall risk management strategy. The Group does not enter into forward exchange contracts.

Exposure to currency risk

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2017						
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling	JPY	Aus Dollars
Cash and cash equivalents	17,112,716	92,261	52,992	-	6,270	146,000	1,000
Trade and other payables	(408,015,788)	(3,889,569)	-	-	-	-	-
Trade receivables	98,009,244	466,388	-	1,718,666	-	-	-
Gross balance sheet exposure	(292,893,828)	(3,330,920)	52,992	1,718,666	6,270	146,000	1,000

	2016						
	Rupees	US Dollars	Euro	UAE Dirham	Pound Sterling	JPY	Aus Dollars
Cash and cash equivalents	31,131,091	215,948	66,293	98	4,355	146,000	1,000
Trade and other payables	(284,367,731)	(2,675,021)	(39,247)	-	-	-	-
Trade receivables	83,894,736	569,521	9,530	815,149	-	-	-
Gross balance sheet exposure	(169,341,904)	(1,889,552)	36,576	815,247	4,355	146,000	1,000

The following significant exchange rates were applied during the year:

	Balance sheet date rate		Average rate	
	2017	2016	2017	2016
US Dollars	104.90	104.60	104.65	104.39
Euro	120.03	116.20	114.28	115.42
UAE Dirham	28.56	28.48	28.49	28.42
Pound Sterling	136.55	140.26	132.92	153.41
JPY	0.94	1.0177	0.96	0.90
Aus Dollars	80.78	77.87	78.94	75.96

Sensitivity analysis

A 10% strengthening of the Pakistani Rupee against foreign currencies at the reporting date would have increased / (decreased) profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis as for the previous year.

	Profit and loss	
	2017 Rupees	2016 Rupees
Profit and loss account	29,289,383	16,934,190

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.

34.3.2 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),whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee. The Group is not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

Sensitivity analysis

The table below summarizes the Group's equity price risk as of 30 June 2017 and 2016 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Group's equity investment portfolio.

	Fair value	**Hypothetical price change**	**Estimated fair value after hypothetical change in prices**	**Hypothetical increase / (decrease) in profit / (loss) before tax**
	Rupees			
2017				
Short term investments				
Investments at fair value through profit or loss	855,943,421	10% increase	941,537,763	85,594,342
		10% decrease	770,349,079	(85,594,342)
	855,943,421			

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in profit / (loss) before tax
	Rupees			
2016				
Short term investments				
Investments at fair value through profit or loss	332,166,585	10% increase	365,383,244	33,216,659
		10% decrease	298,949,927	(33,216,659)
	332,166,585			

34.3.3 Fair value of financial instruments

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying value of all financial assets and liabilities on the balance sheet approximate to their fair value.

a) Fair values versus carrying amounts

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

b) 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.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques used by the Group 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 balance sheet 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.

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

	Carrying Amount					Fair Value		
	Cash and cash	Fair Value through profit / loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	Rupees							
30 June 2017								
Financial assets measured at fair value								
Short term investments	-	855,943,421	-	-	-	855,943,421	-	-
Financial assets not measured at fair value								
Long term deposits	-	-	11,053,325	-	11,053,325	-	-	-
Trade debts - considered good	-	-	429,773,583	-	429,773,583	-	-	-
Loans and advances - considered good	-	-	1,612,974	-	1,612,974	-	-	-
Short term deposits	-	-	169,311,059	-	169,311,059	-	-	-
Other receivables	-	-	256,700	-	256,700	-	-	-
Short term investments	-	-	-	-	-	-	-	-
Bank balances	234,056,888	-	-	-	234,056,888	-	-	-
	234,056,888	-	612,007,641	-	846,064,529	-	-	-
Financial liabilities measured at fair value:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	-	645,368,682	645,368,682	-	-	-
Short term borrowing	-	-	-	24,888,862	24,888,862	-	-	-
Accrued mark-up	-	-	-	1,646,851	1,646,851	-	-	-
	-	-	-	671,904,395	671,904,395	-	-	-
30 June 2016								
Financial assets measured at fair value								
Short term investments	-	332,166,585	-	-	332,166,585	332,166,585	-	-
Financial assets not measured at fair value								
Long term deposits	-	-	10,338,325	-	10,338,325	-	-	-
Trade debts - considered good	-	-	447,354,701	-	447,354,701	-		-
Loans and advances - considered good	-	-	1,042,505	-	1,042,505	-	-	-
Short term deposits	-	-	115,279,573	-	115,279,573	-	-	-
Other receivables	-	-	4,894,747	-	4,894,747	-	-	-
Short term investments	-	-	335,000,000	-	335,000,000	-	-	-
Bank balances	377,915,114	-	-	-	377,915,114	-	-	-
	377,915,114	-	913,909,851	-	1,291,824,965	-	-	-
Financial liabilities measured at fair value:	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	-	558,631,606	558,631,606	-	-	-
Short term borrowing	-	-	-	42,851,551	42,851,551	-	-	-
Accrued mark-up	-	-	-	138,692	138,692	-	-	-
	-	-	-	601,621,849	601,621,849	-	-	-

34.3.4 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Group's significant interest bearing financial instruments was as follows:

	2017	2016	2017	2016
	Interest range / Effective rate (in Percentage)		Carrying amount (Rupees)	
Fixed rate instruments				
Financial assets				
Short term investments	-	5.35	-	335,000,000
Financial liabilities	-	-	-	-
Net Exposure			-	335,000,000
Variable rate instruments				
Financial assets				
Cash at bank - deposit accounts	2.40 to 5.40	2.65 to 6	127,479,149	93,743,418
Financial liabilities				
Short term borrowings secured	6.61 to 7.11	7.52	(24,888,862)	(42,851,551)
Net Exposure			102,590,287	50,891,867

Fair value sensitivity analysis for fixed rate instruments

The Group 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 account.

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 for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit and loss	
	100 bps Increase	100 bps Decrease
	------Rupees------	
As at 30 June 2017		
Cash flow sensitivity - Variable rate financial liabilities	1,025,903	(1,025,903)
As at 30 June 2016		
Cash flow sensitivity - Variable rate financial liabilities	508,919	(508,919)

35 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 monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group'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 Group 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 Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

36 Group entities

The following table summarizes the information relating to the Group's subsidiaries that have non controlling interest (NCI).

30 June 2017 Amount in Rupees	**BF Biosciences Limited**	**Farmacia**	**Intra-Group eliminations**	**Total**
NCI percentage	20%	2%		
Non current assets	273,859,577	19,542,197		
Current assets	13,776,572	125,214,717		
Non-current liabilities	7,838,197	-		
Current liabilities	102,330,272	13,176,211		
Net assets	877,467,680	131,580,703		
Carrying amount of NCI	175,493,536	2,631,614	(6,589,189)	171,535,961
Revenue - net	609,513,026	268,399,784		
Profit after taxation	24,430,289	17,998,894		
Other comprehensive income	-	-		
Total comprehensive income	24,430,289	17,998,894		
Total comprehensive income allocated to NCI	4,886,058	359,978	(6,407,319)	(1,161,283)
Cash flows from operating activities	(4,368,448)	14,269,329		
Cash flows from investing activities	(12,515,951)	(2,300,421)		
Cash flows from financing activities (dividends to NCI : nil)	(1,011,975)	-		
Net (decrease) / increase in cash and cash equivalents	(17,896,374)	11,968,908		

30 June 2017 Amount in Rupees	**BF Biosciences Limited**	**Farmacia**	**Intra-Group eliminations**	**Total**
NCI percentage	20%	2%		
Non current assets	350,810,564	20,605,955		
Current assets	701,131,852	102,700,027		
Non-current liabilities	37,383,960	-		
Current liabilities	161,521,064	9,724,173		
Net assets	853,037,392	113,581,809		
Carrying amount of NCI	170,607,478	2,271,636	(4,198,020)	168,681,094
Revenue - net	1,092,651,265	340,975,451		
Profit after taxation	151,252,354	22,042,905		
Other comprehensive income	-	-		
Total comprehensive income	151,252,354	22,042,905		
Total comprehensive income allocated to NCI	30,250,471	440,858	(1,643,094)	29,048,235
Cash flows from operating activities	99,714,624	18,731,661		
Cash flows from investing activities	(351,200,352)	-		
Cash flows from financing activities (dividends to NCI : nil)	(1,220,034)	-		
Net (decrease) / increase in cash and cash equivalents	(252,705,762)	18,731,661		

37 Non Adjusting events after the balance sheet date

The Board of Directors of the Holding Company in its meeting held on 30 August 2017 has proposed a final cash dividend of Rs. 4 (2016: Rs. 12) per share amounting to Rs. 120.75 million (2016: Rs. 362.24 million), for the year ended 30 June 2017, for approval of the members in the Annual General Meeting to be held on 18 October 2017.

38 Corresponding figures

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

39 Date of authorization for issue

These consolidated financial statements have been authorized for issue by the Board of Directors of the Holding Company on 30 August 2017.

Chief Executive Officer **Director**

pattern of shareholding

As at 30 June 2017

No. of Shareholders	Shareholding		Total Shares held
	From	To	
1,605	1	100	58,274
1,122	101	500	326,353
483	501	1,000	371,496
505	1,001	5,000	1,156,031
107	5,001	10,000	799,104
28	10,001	15,000	347,051
19	15,001	20,000	340,529
16	20,001	25,000	371,250
15	25,001	30,000	419,876
9	30,001	35,000	290,516
4	35,001	40,000	146,854
5	40,001	45,000	211,476
4	45,001	50,000	189,163
1	50,001	55,000	51,200
3	55,001	60,000	174,012
2	60,001	65,000	122,548
1	75,001	80,000	76,100
2	95,001	100,000	191,352
1	110,001	115,000	114,420
1	145,001	150,000	145,256
1	155,001	160,000	157,142
2	160,001	165,000	324,644
1	175,001	180,000	179,503
1	180,001	185,000	180,235
1	185,001	190,000	186,500
1	225,001	230,000	228,800
1	270,001	275,000	274,696
1	295,001	300,000	295,463
1	300,001	305,000	304,150
2	330,001	335,000	666,946
1	350,001	355,000	352,690
1	355,001	360,000	359,116
1	360,001	365,000	362,314
1	365,001	370,000	369,531
1	380,001	385,000	384,955
1	410,001	415,000	410,979
1	430,001	435,000	434,941
1	435,001	440,000	437,416
1	470,001	475,000	472,800
1	650,001	655,000	651,347
1	720,001	725,000	724,500
1	745,001	750,000	749,650
1	900,001	905,000	904,934
1	905,001	910,000	906,427
1	950,001	955,000	954,441
1	1,335,001	1,340,000	1,339,755
1	1,640,001	1,645,000	1,643,375
1	1,825,001	1,830,000	1,825,442
1	8,200,001	8,205,000	8,201,288
3,964			30,186,841

Categories of Shareholder	Physical	CDC	Total	% age
i. Associated Companies, Undertakings & Related Parties				
KFW Factors (Pvt) Limited	58,181	8,228,761	8,286,942	27.45
	58,181	8,228,761	8,286,942	27.45
ii. Mutual Funds				
CDC - Trustee Al Meezan Mutual Fund	-	650	650	0.00
CDC - Trustee Meezan Islamic Fund	-	19,650	19,650	0.07
Trustee Pak Qatar Family Takaful Ltd - Balance Fund (BF)	-	5,000	5,000	0.02
Trustee Pak Qatar Family Takaful Limited Aggressive Fund	-	5,000	5,000	0.02
Pak Qatar Individual Family Participant Invest Fund	-	4,000	4,000	0.01
CDC - Trustee NAFA Islamic Asset Allocation Fund	-	51,200	51,200	0.17
CDC - Trustee NAFA Islamic Stock Fund	-	186,500	186,500	0.62
CDC - Trustee NIT Islamic Equity Fund	-	28,850	28,850	0.10
CDC - Trustee NITIPF Equity Sub Fund	-	1,850	1,850	0.01
CDC - Trustee Meezan Balanced Fund	-	45,750	45,750	0.15
CDC - Trustee AKD Index Tracker Fund	-	2,550	2,550	0.01
CDC - Trustee NIT - Equity Market Opportunity Fund	-	6,500	6,500	0.02
CDC - Trustee Meezan Asset Allocation Fund	-	1,850	1,850	0.01
	-	359,350	359,350	1.20
iii Directors and their Spouses and Minor Childern				
Mrs. Akhter Khalid Waheed (Chairperson)	5,000	-	5,000	0.02
Mr. Osman Khalid Waheed (Chief Executive)	1,339,755	651,347	1,991,102	6.60
Mrs. Amna Piracha Khan	437,416	8,531	445,947	1.48
Mrs. Munize Azhar Peracha	333,473	-	333,473	1.10
Mr. Nihal F. Cassim	-	9,762	9,762	0.03
Mr. Farooq Mazhar	-	160,952	160,952	0.53
Mrs. Sadia Amin (Spouse of Mr. Osman Khalid Waheed)	-	3,000	3,000	0.00
	2,115,644	833,592	2,949,236	9.76
iv. Executives	906,427	-	906,427	3.00
v. Public Sector Companies and Corporations	-	1,827,905	1,827,905	6.06
vi. Banks, DFIs, NBFCs, Insurance Companies, Takaful, Modarabas and Pension Funds				
Banks, NBFCs, DFIs, Takaful, Pension Funds	3,223	521,525	524,748	1.74
Insurance Companies	163,792	1,688,596	1,852,388	6.14
Modarabas	-	7,700	7,700	0.03
Other Companies,Corporate Bodies, Trust etc.	7,408	3,628,261	3,635,669	12.04
	174,423	5,846,082	6,020,505	19.95
General Public				
A. Local	5,587,777	3,568,095	9,155,872	30.33
B. Foreign	-	680,604	680,604	2.25
	5,587,777	4,248,699	9,836,476	32.58
	8,842,452	21,344,389	30,186,841	100.00
vii. Shareholders holding five percent or more voting rights in the listed company				
KFW Factors (Pvt) Limited			8,201,288	27.17
State Life Insurance Corp. of Pakistan			1,825,442	6.05
CDC - Trustee National Investment (Unit) Trust			1,643,375	5.44

No transaction has been made in Shares of the Company by Directros, CEO, CFO, Company Secretary, Executives and their spouces and minor children except for share mentioned below:

Name	Category	Nature of Transactions	No. of Shares
Mr. Osman Khalid Waheed	Director	Gift	904,933
Mrs. Munize Azhar Peracha	Director	Gift	904,933
Syed Ghausuddin Saif	Executive	Sale	8

notice of annual general meeting

Notice is hereby given that the 61st Annual General Meeting of **FEROZSONS LABORATORIES LIMITED** will be held on Wednesday, 18 October 2017 at 12:30 P.M. at the registered office of the Company, 197-A, The Mall, Rawalpindi, to transact the following business:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30 June 2017 together with the Reports of the Directors' and the Auditors' thereon.

2. To approve, as recommended by the Board of Directors, the payment of final cash dividend at the rate of Rs. 4 per ordinary share (40%). It is in addition to the interim cash dividend at the rate of Rs. 3 per ordinary share (30%) already paid to the shareholders, thus making a total cash dividend of Rs. 7 per ordinary share (70%) for the year ended 30 June 2017.

3. To appoint Auditors and fix their remuneration for the year ending 30 June 2018. The present Auditors Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

4. To transact any other business with the permission of the Chair.

By Order of the Board

Rawalpindi
30 August 2017

Syed Ghausuddin Saif
Company Secretary

Notes:

1. Closure of Share Transfer Books:

The share Transfer Books of the Company will remain closed from 11 October 2017 to 18 October 2017 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/S CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore, by the close of the business on 10 October 2017 will be considered in time to determine the above mentioned entitlement.

2. Participation in the Annual General Meeting:

A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote on his/her behalf. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the Secretary of the Company at the Company's registered office Company at least 48 hours before the time of the Meeting.

3. Change of address:

Any change of address of Members should be immediately notified to the Company's share registrars, CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore.

4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

*A) **For attending the meeting:***

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

*B) **For appointing proxies:***

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

5. Deduction of Income Tax from Dividend under Section 150 the Income Tax Ordinance, 2001 (Mandatory)

(i) Pursuant to the provisions of Finance Act, 2017, effective 01 July 2017 the rates of deduction of income tax from dividend payments under section 150 of the Income Tax Ordinance, 2001 have been revised as follows:

1	Rate of tax deduction for filer of income tax return	15%
2	Rate of tax deduction for non-filer of income tax return	20%

To enable the Company to make tax deduction on the amount of cash dividend at the rate of 15% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are fillers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted at the rate of 20% instead of 15%.

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holders based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holders in respect of shares held by them to our Share Registrar, in writing as follows:

Company Name	Folio/CDS ID/ AC #	Total Shares	Principle Shareholder		Joint Shareholder	
			Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

The required information must reach our Share Registrar within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint-holders.

(iii) As per FBR Circular C. No. 1 (29) WHT/2006 dated 30 June 2010 and C. 1 (43) DG (WHT)/2008-Vol. II-66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part – IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail such exemption, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.

(iv) For any query/problem/information, the investors may contact the Company Secretary at Phone: 051-4252157 and email address: cs@ferozsons-labs.com and/or CorpTec Associates (Pvt.) Limited at Phone: 042-35170335-7 and email address: info@corptec.com.pk

(v) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or CorpTec Associates (Pvt.) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

6. Circulation of Annual Audited Accounts through Email/CD/USB or any other Media (Optional).

Pursuant to the directions given by the SECP through its SRO 787(1) 2014 dated 8 September 2014 and SRO 470(1)/2016 dated 31 May 2016 whereby Securities and Exchange Commission of Pakistan (SECP) has allowed the companies to circulate Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Statement of Comprehensive income, Cash Flow Statement, Notes to the Financial Statements, Auditors' and Directors' Report) along with notice of Annual General Meeting to its members through e-mail/CD/DVD/USB/or any other Electronic media at their registered Addresses.

Shareholders who wish to receive the hardcopy of Financial Statements shall have to fill the standard request form available on the Company's website www.ferozsons-labs.com.

7. Request for Video Conference Facility

If the Company receives a request from shareholders holding an aggregate ten percent (10%) or more shareholding residing at another city, such shareholders may request a video conferencing facility for the purposes of participating in the meeting at such location by sending a request to the Company at least 10(ten) days prior to the date of meeting, subject to the availability of a video conferencing facility in that city. To avail such facility, please submit the following form with the requisite information at the registered office of the Company.

I/we ____of________________________________

being a member of Ferozsons Laboratories Limited, holding____

ordinary shares as per register Folio / CDC Account No.____

hereby opt for video conference facility at____

____ __________________________

Name and Signature Date

The Company will intimate members regarding venue of video conference facility at least 7 days before the date of Annual General Meeting along with complete information necessary to enable them to access such facility.

8. CNIC/NTN Number on Dividend Warrant (Mandatory)

In accordance with the notification of the Securities and Exchange Commission of Pakistan vide SRO 275(I)/2016 dated 31 March 2016 and read with SRO 19(I)/2014 dated 10 January 2014 and SRO 831(1)/2012 dated 5 July 2012, dividend warrants should bear CNIC number of the registered shareholder or the authorized person, except in case of minor and corporate shareholders.

Accordingly, members who have not yet submitted copy of their valid CNIC or NTN in case of corporate entities are requested to submit the same to the Company's Share Registrar. In case of non-compliance, the Company may withhold dispatch of dividend warrants till such time they provide the valid copy of their CNIC as per law.

9. Payment of Cash Dividend Electronically

In accordance with the provision of section 242 of the companies Act, 2017, dividend payable in cash shall only be paid through electronic mode directly into bank account designated by the entitled shareholders. SECP vide circular No. 18 of 2017 dated August 01, 2017, has presently waived this condition till October 31, 2017. Any dividend payable after this due date shall be paid in the manner prescribed only.

All shareholders are requested to provide details of their bank mandate specifying; (i) title of account, (ii) account number (iii) IBAN number (iv) bank name and (v) branch name, code & address, to the Company's Share registrar. Shareholders who hold shares with CDC are advised to provide the bank mandate details as mentioned above, to the concerned CDC.

10. Audited Financial Statement of the company for the year ended 30 June 2017 has been placed on the website www.ferozsons-labs.com.

form of proxy

61st Annual General Meeting

I/We,________________________________of__________ being a member of Ferozsons Laboratories Limited and holder of________________ ordinary Shares as per share register Folio/CDC Account No.__________hereby appoint Mr./Mrs.______________________________of____________ CNIC No._______________________or Passport No.________________________ or failing him/her Mr./Mrs.___________________________________of______________ Folio/CDC Account No.__________________CNIC No. or Passport No._________________________ as my/our proxy to attend and vote for me/us and on my/our behalf at the 61st Annual General Meeting of the Company to be held on Wednesday, 18 October 2017 at 12:30 p.m. or at any adjournment thereof.

Five Rupee Revenue Stamp

____

Signature of Shareholder

(The signature should agree with the specimen registered with the Company)

Dated this _________day of_______2017

Signature of Proxy____________________

1. Witness:

Signature: ____________________

Name: _______________________

Address:_____________________

____

CNIC No._____________________

2. Witness:

Signature: ____________________

Name: _______________________

Address: _____________________

____

CNIC No. _____________________

Note: Proxies, in order to be effective, must be received with the secretary of the company at the company's registered office 197-A, The Mall, Rawalpindi at least 48 hours before the time of the Meeting.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.

فیروز سنز لیبارٹریز لمیٹڈ

نمائندگی کا فارم (پراکسی فارم)

61واں سالانہ اجلاسِ عام

میں/ہم ____________ کا/کی ____________ بحثیت رکن **فیروز سنز لیبارٹریز لمیٹڈ** اور بذریعہ حصص رجسٹر کے فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر ____________ حامل ____________ عام حصص، کمپنی کے ایک دوسرے رکن ____________ کا/کی ____________ فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر ____________ شناختی کارڈ نمبر ____________ یا پاسپورٹ نمبر ____________، یا بصورتِ دیگر کمپنی کے اور رکن ____________ کا/کی ____________ فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر ____________ شناختی کارڈ نمبر ____________ یا پاسپورٹ نمبر ____________، کو میری/ہماری غیر حاضری میں کمپنی کے 61ویں سالانہ اجلاسِ عام میں، جو بتاریخ 18 اکتوبر 2017، دوپہر 12:30 بجے منعقد ہو رہا ہے، یا کسی بھی ملتوی شدہ اجلاس میں حاضری اور حق رائے دہی کے استعمال کیلئے اپنا نمائندہ (پراکسی) مقرر کرتا/کرتے ہیں۔

پانچ روپے کی ریونیو سٹامپ	____________ حصص دار کے دستخط (دستخط کمپنی میں رجسٹرڈ نمونے سے مطابقت رکھتے ہونے چاہئے)

بتاریخ ____________ مہینہ ____________ 2017

نمائندہ کے دستخط: ____________

1. گواہ

دستخط:

نام: ____________

پتہ: ____________

____

شناختی کارڈ نمبر: ____________

2. گواہ

دستخط:

نام: ____________

پتہ: ____________

____

شناختی کارڈ نمبر: ____________

نوٹ:

نمائندگی فارم (پراکسی فارم) کمپنی سیکرٹری کے پاس کمپنی کے رجسٹرڈ پتہ A-197، دی مال، راولپنڈی پر اجلاس کے وقت سے کم از کم 48 گھنٹے پہلے موصول ہو جانا چاہئے، بصورتِ دیگر یہ فارم موثر تصور نہیں کیا جائے گا۔

سی ڈی سی حصص یافتگان اور انکے نمائندوں (پراکسی) سے درخواست ہے کہ نمائندگی فارم (پراکسی فارم) کمپنی کو جمع کروانے سے پہلے اس کے ساتھ اپنے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی لف کریں۔

(Inputs) پر لگنے والے سیلز ٹیکس فوری طور پر ختم کر دیا جانا چاہئے تا کہ انڈسٹری میں زیادہ مسابقت پیدا ہو سکے اور انڈسٹری جدید ترین ٹیکنالوجیز میں سرمایہ کاری کر سکے۔

باوجود اسکے کہ فارماسیوٹیکل کی تیار مصنوعات کی درآمد پر سیلز ٹیکس لاگو نہیں ہوتا، پاکستان میں کسٹم حکام مریض کے نام سے غیر رجسٹرڈ ادویات کی درآمد پر سیلز ٹیکس وصول کرتے ہیں، اس وجہ سے مریض کیلئے ان انتہائی اہم ادویات کی لاگت میں 19 فیصد تک اضافہ ہو جاتا ہے، اکثر یہ ادویات کینسر جیسی بیماریوں کے علاج کیلئے استعمال ہوتی ہیں۔ ایسی تمام ادویات، جن کیلئے ڈرگ ریگولیٹری اتھارٹی آف پاکستان (DRAP) درآمد کا اجازت نامہ جاری کرتی ہے، کی درآمد کو فوری طور پر سیلز ٹیکس سے مستثنیٰ کر دینا چاہئے تا کہ مریضوں کو فوری ریلیف ملے۔

چیلنجز کے باوجود ہم امید کرتے ہیں کہ اگلے سال ہمارا بزنس مستحکم طریقے سے ترقی کرے گا۔ ہم نے ایپکلوسا® (HCV کے علاج کیلئے ایک پین- جینوٹائپ ایجنٹ) کی رجسٹریشن کیلئے DRAP کو درخواست جمع کروار کھی ہے جو کہ زیرِ التوا ہے، تاہم، مریضوں کی بنیاد پر ایپکلوسا® کی درآمد شروع ہو چکی ہے۔ ایپکلوسا سے علاج کا دورانیہ 50 فیصد تک کم ہو جاتا ہے، HCV کے تمام جینوٹائپس کیلئے بلند شرح علاج دیکھنے کو ملتی ہے، اور اسکے ذریعے واحد گولی کے ذریعے علاج کیا جا سکتا ہے، ان وجوہات کی بنا پر ملک میں HCV کے علاج کا منظر نامہ ایک دفعہ پھر بدل جائے گا۔

زیر جائزہ سال کے دوران ہم نے ذیابیطس اور امراضِ دل کیلئے نئی مصنوعات متعارف کروائی ہیں تا کہ ہماری آمدنی کے ذرائع بڑھیں، ہم ان نئی مصنوعات کیلئے پر امید ہیں۔ ہم طبی آلات کے بزنس میں بھی مضبوط پلیٹ فارم تعمیر کرنے کی پوری کوشش کر رہے ہیں۔ ہسپتالوں کے سیکٹر میں سرمایہ کاری کی بلند شرح کی توقع میں ہم نے آلات بنانے والے دنیا کے بہترین مینوفیکچررز سے شراکت داری کر لی ہے، ہم مستقبل میں ان مواقعوں سے فائدہ اٹھانے کی امید رکھتے ہیں۔

اعتراف

ہم کمپنی کے مقاصد کے حصول کیلئے اپنے ملازمین کی بے انتہا کوششوں اور لگن کا اعتراف کرتے ہیں۔

ہم مسلسل حمایت اور ہماری کمپنی پر اعتماد رکھنے کیلئے اپنے پرنسپلز اور کاروباری شراکت داروں کا شکریہ ادا کرتے ہیں، اور ہماری مصنوعات پر مسلسل اعتماد رکھنے کیلئے اپنے قابل قدر گاہکوں کا شکریہ بھی ادا کرتے ہیں۔

منجانب بورڈ

لاہور
30 اگست 2017

مسز اختر خالد وحید
چیئرپرسن

خطرات سے بچاؤ

خطرات سے بچنے کا ہمارے طریقہ کار بنیادی طور پر خطرے والے حصوں کو سمجھنا، پہچاننا اور پھر ترجیح کی بنیاد پر درجہ بندی کرنا ہے تاکہ جدید آپریشنل حکمتِ عملیوں کے ذریعے ان خطرات کو کم کیا جاسکے۔

بنیادی طور پر ہماری کمپنی کو درج ذیل خطرات کا سامنا ہے:

معاشی اور سیاسی خطرات: ملک میں مسلسل تبدیل ہوتے معاشی اور سیاسی حالات کی وجہ سے ہماری کمپنی کو بھی خطرات کا سامنا ہے۔ یہ خطرہ کم کرنے کیلئے انتظامیہ مالی مارکیٹ کے حالات اور سیاسی منظرنامے پر گہری نظر رکھتی ہے اور ناسازگار حالات کا ادراک کرنے کیلئے مینجمنٹ کی سطح پر مناسب فعل اور حکمت عملیاں ڈسکس کی جاتی ہیں۔

مسابقت کے خطرات: ہماری مارکیٹ میں غیر قانونی اور غیر معیاری ادویات پر کمزور قانونی گرفت کی وجہ سے پاکستانی فارماسیوٹیکل انڈسٹری کو نقصان دہ مسابقتی خطرات کا سامنا ہے۔ اس کو خطرے کو کم کرنے کیلئے آپکی کمپنی پاکستان کی دیگر فارماسیوٹیکل کمپنیوں کے ساتھ مل کر گورنمنٹ کے قوانین اور پالیسیوں کو بہتر بنانے کیلئے مسلسل لابنگ کررہی ہے۔

سلسلۂِ فراہمی کے خطرات: کمپنی کے روزمرہ کے آپریشنز میں سلسلۂِ فراہمی کا پروسیس بہت اہمیت کا حامل ہے۔ اس خطرے کو کم کرنے کیلئے ہم پروڈکشن کی جامع منصوبہ بندی کرتے ہیں اور اسے فروخت کی پیش بینی اور آرڈرنگ سسٹم کے ساتھ ہم آہنگ کرتے ہیں۔

انفارمیشن ٹیکنالوجی کے خطرات: مستقبل کی ضروریات کو مدنظر رکھتے ہوئے کمپنی IT انفراسٹرکچر میں مسلسل سرمایہ کاری کرتی رہتی ہے۔

مالیاتی خطرات: یہ وہ خطرات ہیں جو براہِ راست کمپنی کی مالیاتی بقا سے تعلق رکھتے ہیں۔ ان خطرات کو مالیاتی گوشواروں کے نوٹ نمبر 36 میں تفصیل سے بیان کیا گیا ہے۔

آڈیٹرز

آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ریٹائر ہوتے ہیں اور انھوں نے 30 جون 2018 پر ختم ہونے والے مالی سال کیلئے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔

انڈسٹری کا جائزہ اور مستقبل کے امکانات کا جائزہ

مشترکہ مفادات کی کونسل (CCI) کو پیش کئے گئے تخمینہ کردہ اعدادوشمار کے مطابق پاکستان کی آبادی 207 ملین سے بڑھ چکی ہے۔ چھٹی بڑی قوم ہونے کی وجہ سے پاکستان میں فارماسیوٹیکل کے شعبے میں بے شمار مواقع موجود ہیں۔ تاہم، ان موقعوں سے فائدہ اٹھانے کیلئے ضروری ہے کہ قیمتوں کے تعین کیلئے ایک شفاف اور مسابقتی پالیسی موجود ہو، معیار کی نگرانی کا منصفانہ اور مریضوں کی صحت اور تاثیر کو اولین ترجیح دینے والا طریقہ کار موجود ہو، اور قانون نافذ کرنے والے ادارے اسے سب اداروں پر یکساں طور پر تسلسل سے نافذ کریں۔ انڈسٹری کے منظم اداروں کیلئے جعلی اور غیر معیاری ادویات بڑی پریشانی کا باعث ہیں اور انڈسٹری اور مریضوں کے مفادات کے تحفظ کیلئے ٹھوس اقدامات کرنے کی ضرورت ہے۔

کیونکہ فارماسیوٹیکل اداروں کی پیداواری لاگت کا بڑا حصہ درآمد کردہ فعال فارماسیوٹیکل اجزا (APIs) پر مشتمل ہوتا ہے اسلئے پاکستانی روپے کی قدر میں کمی ہونے سے فارماسیوٹیکل انڈسٹری کی پیداواری لاگت میں نمایاں اضافہ ہو جاتا ہے، جبکہ ادویات کی قیمتیں DRAP طے کرتا ہے۔ فارماسیوٹیکل کی تیار مصنوعات پر سیلز ٹیکس لاگو نہیں ہوتا۔ تاہم، اس وجہ سے پیکنگ میٹریل اور درآمد کردہ پلانٹ اور مشینری پر لگنے والا سیلز ٹیکس درحقیقت پیداواری اور سرمایہ کاری ٹیکس بن جاتا ہے۔ ان اجزا

- ان مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو مالیاتی رپورٹنگ کے بین الاقوامی معیارات (IFRS) کو اختیار کیا گیا ہے، اور ان معیارات سے کئے گئے انحراف (اگر کوئی ہو) کی مناسب انداز میں نشاندہی اور وضاحت کی گئی ہے۔
- اندرونی کنٹرولز کا نظام مستحکم ہے اور انتظامیہ نے اس کا مؤثر اطلاق کیا ہے، اور اندرونی آڈیٹرز، بورڈ آف ڈائریکٹرز اور آڈٹ کمیٹی نے اس کی نگرانی کی ہے۔ بورڈ، آڈٹ کمیٹی کے ذریعے، اندرونی کنٹرولز کے مؤثرپن کا جائزہ لیتا ہے اور، اگر ضروری ہو، اندرونی کنٹرول کے نظام میں مزید بہتری لانے کیلئے تجاویز دیتا ہے۔
- بطور ایک چلتے ادارے کمپنی کے کاروبار جاری رکھنے کی اہلیت پر کوئی قابلِ ذکر خدشات موجود نہیں ہیں۔
- لسٹڈ ضوابط میں بتائی گئی کارپوریٹ گورننس کی بہترین روایات سے کوئی نمایاں انحراف نہیں کیا گیا۔
- کمپنی قابلِ قیاس مستقبل کے دوران کسی کارپوریٹ تنظیم نو یا آپریشن کی بندش پر غور نہیں کر رہی۔
- 30 جون 2017 تک کے گورنمنٹ کے نافذ کردہ ایسے تمام محصولات، جو عمومی کاروباری معاملات میں نافذ کئے جاتے ہیں، سال کے اختتام کے بعد ادا کئے جا چکے ہیں۔
- سال کے دوران، کمپنی نے کمپنیز آرڈیننس 1984 اور متعلقہ ضوابط، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے قوانین اور لسٹنگ کے ضوابط کے تحت درکار تمام متعلقہ معلومات فراہم کی ہیں، تمام دفعات کی پابندی کی ہے، تمام گوشوارے / فارم جمع کروائے ہیں۔
- سال کے دوران ڈائریکٹرز کی شریکِ حیات اور کمپنی کے ایگزیکٹوز نے کمپنی کے کل 8 حصص کی خرید و فروخت کی۔ اسکے علاوہ، کمپنی کے ڈائریکٹرز، ایگزیکٹوز یا انکی شریک حیات اور چھوٹے بچوں نے کمپنی کے حصص کی کوئی خرید و فروخت نہیں کی۔ کمپنی کے حصص کی خرید و فروخت کی ٹرانزیکشن کے لحاظ سے معلومات حصص داری کی ترتیب میں افشاں کی گئی ہیں۔
- تازہ ترین آڈٹ شدہ اکاؤنٹس کے مطابق 30 جون 2016 پر ملازمین کی پروویڈنٹ فنڈ کی سرمایہ کاری کی قدر 376 ملین روپے ہے۔

قومی خزانے میں حصہ

اس مالی سال کے دوران، کمپنی نے مختلف ٹیکسوں اور محصولات کی مد میں (جیسے کہ انکم ٹیکس، کسٹم ڈیوٹی، وفاقی اور صوبائی سیلز ٹیکس، ورکرز ویلفیئر فنڈ، ورکرز پرافٹ پارٹیسپیشن فنڈ اور سنٹرل ریسرچ فنڈ) پیدہ کردہ دولت میں سے 450 ملین روپے قومی خزانے میں جمع کروائے۔

متعلقہ پارٹی لین دین

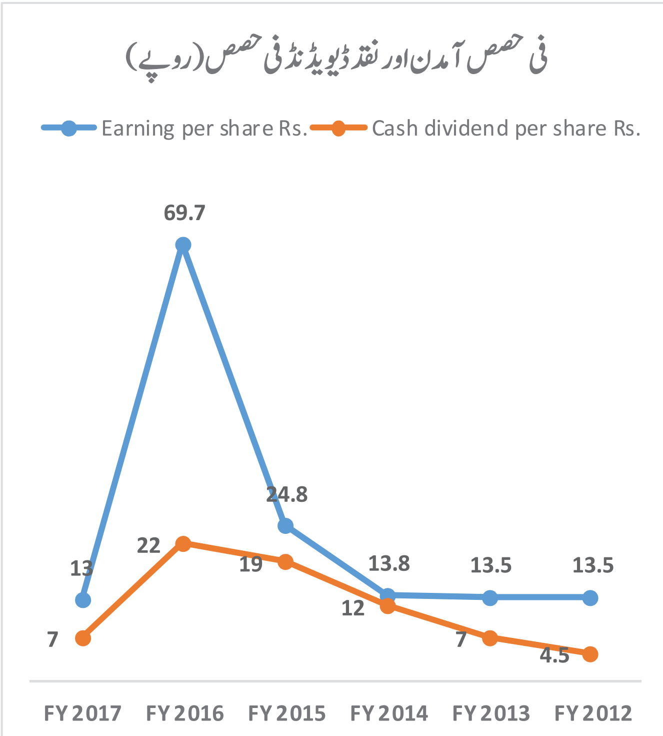
30 جون 2017 پر اختتام شدہ سال کے دوران متعلقہ پارٹیوں سے ہونے والے معاملات بورڈ اور آڈٹ کمیٹی کے سامنے جائزے اور منظوری کیلئے پیش کئے گئے۔ سال کے دوران ہونے والی میٹنگز میں بورڈ نے ان معاملات کی منظوری دی۔ متعلقہ پارٹی لین دین کی تفصیل مالیاتی گوشواروں کے نوٹ نمبر 32 میں دی گئی ہے۔

بورڈ آف ڈائریکٹرز اور بورڈ کمیٹیوں کی میٹنگز

30 جون 2017 پر اختتام شدہ سال کے دوران ہونے والی بورڈ آف ڈائریکٹرز کی میٹنگز اور بورڈ کمیٹیوں کی میٹنگز کے بارے معلومات ساتھ لف کر دی گئی ہیں۔

سرمایہ حصص اور حصص داری کی ترتیب

30 جون 2017 پر کمپنی کا جاری کردہ، سبسکرائبڈ اور ادا کردہ سرمایہ 301.868 ملین روپے تھا۔ کوڈ آف کارپوریٹ گورننس کے تحت درکار 30 جون 2017 پر حصص داروں کی تعداد اور انکی اقسام کے بارے اعلامیہ ساتھ لف کر دیا گیا ہے۔



فی حصص آمدن

30 جون 2017 پر اختتام شدہ سال کے خالص منافع کی بنیاد پر فی حصص آمدن (EPS) 13.04 روپے فی حصص رہی، جس کا موازنہ 301.868 ملین روپے کے سرمایہ کی مد میں پچھلے سال کی فی حصص آمدن 69.72 روپے سے کیا جا سکتا ہے۔ اس سال انضمام کردہ فی حصص آمدن 13.09 روپے رہی جو کہ پچھلے سال 73.01 روپے تھی۔

ڈیویڈنڈ کا اعلان

ڈائریکٹرز نے 40 فیصد حتمی نقد ڈیویڈنڈ تجویز کیا ہے جس کا مطلب ہے 10 روپے والے حصص پر 4 روپے ڈیویڈنڈ تجویز کیا ہے۔ سال کے دوران اعلان کردہ 30 فیصد عبوری نقد ڈیویڈنڈ کو حتمی نقد ڈیویڈنڈ میں شامل کریں تو 30 جون 2017 پر اختتام شدہ سال کیلئے 70 فیصد ڈیویڈنڈ تقسیم کیا گیا۔

کمپنیز ایکٹ، 2017 (Companies Act, 2017) پر عمل کرتے ہوئے اس تقسیم کاری کا اندراج بعد کے مالیاتی گوشواروں میں کیا جائے گا۔

کوڈ آف کارپوریٹ گورننس کی تعمیل کا اعلامیہ

ہمارا پاکستان کے کوڈ آف کارپوریٹ گورننس کی تعمیل کا اعلامیہ اور آڈیٹرز رپورٹ ہماری سالانہ رپورٹ 2017 کا حصہ ہیں۔

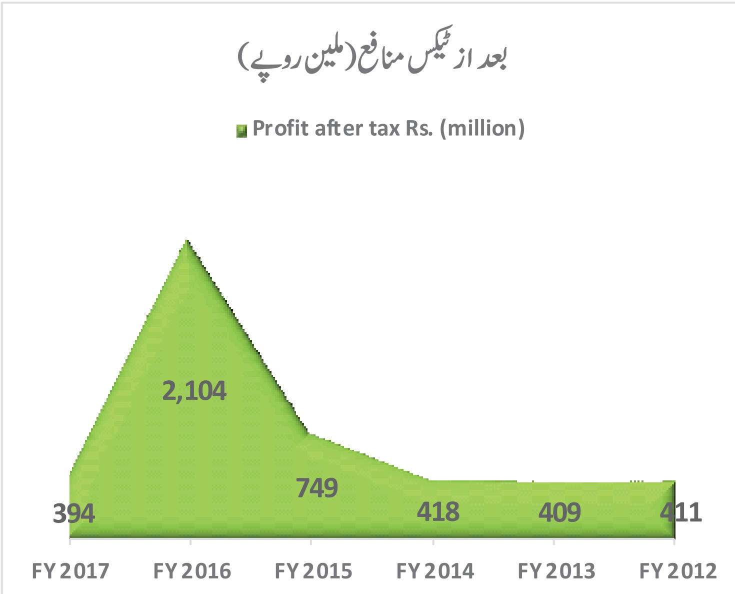
کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک کی تعمیل کا اعلامیہ

آپ کی کمپنی کا بورڈ آف ڈائریکٹرز کمپنی کو چلانے کی بہترین روایات کے اصولوں کی پیروی کیلئے پر عزم ہے۔ کمپنی کی انتظامیہ کوڈ آف کارپوریٹ گورننس میں بتائی گئی بہترین روایات کی مسلسل تعمیل کر رہی ہے۔

کوڈ آف کارپوریٹ گورننس کے تحت درکار بیانات نیچے پیش کئے جا رہے ہیں:

- انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات کی صورتحال، سرگرمیوں کے نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- کمپنی کے اکاؤنٹس کے موزوں کھاتے تیار رکھے گئے ہیں۔
- کمپنی کے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی موزوں پالیسیوں کا مسلسل اطلاق کیا گیا ہے جو کہ پاکستان میں اکاؤنٹنگ کے منظور شدہ معیارات سے مطابقت رکھتی ہیں۔

حقیقی لحاظ سے کمپنی کے گراس منافع (GP) میں پچھلے سال کے مقابلے میں 56٪ کمی آئی جسکی بڑی وجہ فروخت میں کمی اور سست رفتار سے فروخت ہونے والے سٹاک کی تخمینہ کردہ لاگت (Provision) ریکارڈ کرنا ہے۔ اس مالی سال کی آخری سہ ماہی میں ہم نے سست رفتار سے فروخت ہونے والے سٹاک کی 140 ملین روپے کی تخمینہ کردہ لاگت (Provision) ریکارڈ کی ہے جس سے کمپنی کی گراس منافع (GP) کی شرح بری طرح متاثر ہوئی ہے۔ سوفوسبور کے کئی سستے جنیرک برانڈز (لائسنس شدہ یا غیر لائسنس شدہ) متعارف ہونے سے HCV کے علاج کی مارکیٹ بری طرح متاثر ہوئی ہے اور اسکے نتیجے میں سووالڈی® کی فروخت پر بھی اثر پڑا ہے۔ سمجھداری (Prudence) کے تقاضے سے زیرِ جائزہ سال میں ہم نے کمپنی کے مالیاتی گوشواروں میں سست رفتار سے فروخت ہونے والے سٹاک کی تخمینہ کردہ لاگت (Provision) ریکارڈ کر لی ہے۔

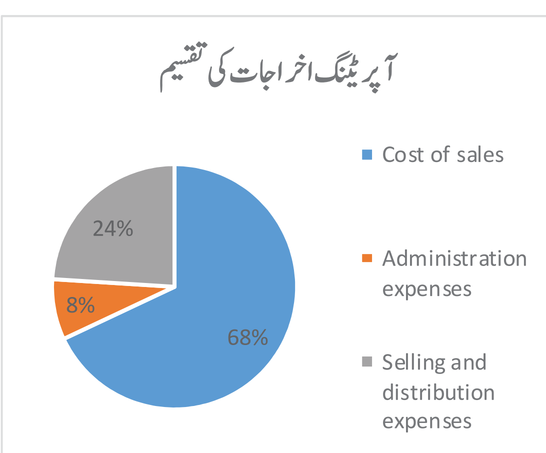


کمپنی کا بعد از ٹیکس خالص منافع 394 ملین روپے رہا جبکہ پچھلے سال یہ 2,104 ملین روپے تھا۔

ذیلی کمپنی BF بائیو سائنسز لمیٹڈ کی آمدنی 609 ملین روپے رہی جس میں پچھلے سال کی نسبت 44٪ کمی دیکھنے میں آئی۔ بعد از ٹیکس خالص منافع 24 ملین روپے رہا۔ ذیلی کمپنی کی آمدنی میں کمی کی وجہ یہ ہے کہ HCV کے مریضوں کیلئے منہ کے ذریعے لئے جانے والے طریقہ علاج کا استعمال زیادہ ہو گیا ہے، جس کی وجہ سے ٹیکہ کے ذریعے دی جانے والی ادویات کے فروخت میں کمی آئی ہے۔ کمپنی نئی ادویات کی DRAP کے ساتھ رجسٹریشن کیلئے فعال رہتے ہوئے کوشش کر رہی ہے، اور مصنوعات کے پورٹ فولیو کے اضافے کیلئے بائیوٹیک سے متعلقہ ممکنہ شراکت داروں سے بات چیت بھی کر رہی ہے۔

کلیدی عملی اور مالیاتی اعداد و شمار

پچھلے 6 سال کے انفرادی اور انضمام کردہ مالیاتی گوشواروں سے لئے گئے کلیدی عملی اور مالیاتی اعداد و شمار کا خلاصہ ساتھ لف کیا گیا ہے۔



سرمایہ کاری کے اخراجات

فارماسیوٹیکل انڈسٹری میں متعارف کرائے جانے والی جدید ترین ٹیکنالوجی کے ساتھ ہم آہنگی رکھنے کیلئے آپکی کمپنی نے اس سال مینوفیکچرنگ آلات میں توازن اور جدت کیلئے 307 ملین روپے کی سرمایہ کاری کی۔

سال کے اختتام کے بعد ہونے والے واقعات

فرِمیزان (بیلنس شیٹ) کی تاریخ اور اس رپورٹ کی تاریخ کے دوران ایسا واقعہ نہیں ہوا جس نے کمپنی کی مالیاتی حالت پر خاص اثر چھوڑا ہو۔

حصص داروں کی خدمت میں ڈائریکٹرز کی رپورٹ

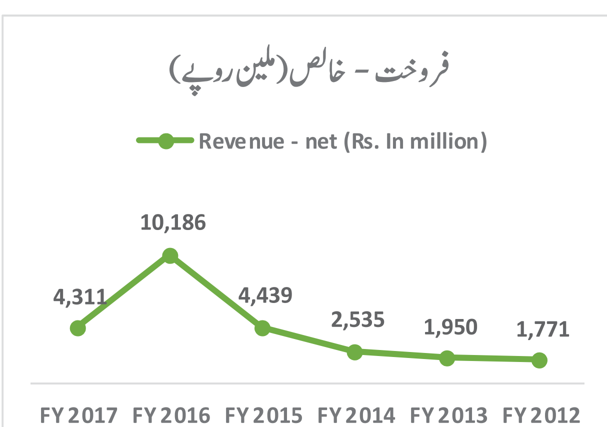
30 جون 2017 پر اختتام شدہ سال سے متعلق

ہم انتہائی مسرت سے 61ویں سالانہ رپورٹ پیش کرتے ہیں جس میں آپ کی کمپنی کے پڑتال شدہ (آڈٹ شدہ) مالیاتی گوشوارے (30 جون 2017 پر ختم ہونے والے سال سے متعلق) شامل ہیں اور ان کے ساتھ ذیلی کمپنیوں، BF بائیو سائنسز لمیٹڈ اور فارمیشیا بیٹیل وینچر، کے انضمام کردہ مالیاتی گوشوارے بھی شامل ہیں۔

آپ کی کمپنی کے انفرادی اور انضمام کردہ مالیاتی نتائج

اس سال کے مالیاتی نتائج، عملی نتائج، اور قابل تقسیم منافع کی تقسیم کا خلاصہ اور پچھلے سال سے موازنہ نیچے دیا گیا ہے:

	انفرادی		انضمام کردہ	
	2017	2016	2017	2016
	(ہزار روپے)			
قبل از ٹیکس منافع	602,218	2,654,025	591,176	2,858,536
ٹیکس	(208,553)	(549,538)	(196,572)	(625,448)
بعد از ٹیکس منافع	393,665	2,104,487	394,604	2,233,088
تقسیم کیلئے موجود منافع	3,733,432	3,765,936	4,263,750	4,279,679
تقسیم:				
مالیاتی سال 2017 کیلئے عبوری نقد ڈیویڈنڈ @3 روپے فی حصص (2016 میں 10 روپے فی حصص)	(90,561)	(301,868)	(90,561)	(301,868)
مالیاتی سال 2017 کیلئے ختمی نقد ڈیویڈنڈ @0 روپے فی حصص (2016 میں 12 روپے فی حصص)	(120,747)	(362,242)	(120,747)	(362,242)



اس سال کمپنی کی انضمام کردہ خالص فروخت 5,002 ملین روپے رہی، جو کہ پچھلے سال سے 6,293 ملین روپے کم ہے۔ انفرادی طور پر، آپکی کمپنی کی خالص فروخت 4,311 ملین روپے رہی جو کہ پچھلے سال 10,187 ملین روپے تھی، اس طرح اس میں 58٪ کمی دیکھنے میں آئی۔ کمپنی کی فروخت میں کمی کی بڑی وجہ کمپنی کا درآمد کردہ صنوعات کا پورٹ فولیو ہے بالخصوص کمپنی کی گلیڈ سائنسز انکارپوریٹڈ سے لائسنس شدہ ہیپاٹائٹس C کی فرنچائز ہے۔ گلیڈ کے پورٹ فولیو کے علاوہ کمپنی کی خالص فروخت میں سالانہ بنیاد پر 11٪ اضافہ ہوا ہے۔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