

ANNUAL REPORT
2018

WORKING TODAY
FOR A HEALTHIER TOMORROW

Macter

Macter International Limited

CONTENTS

Company Information	02
Vision, Mission and Values	04
Notice of Annual General Meeting	05
Chairman's Review	10
Directors' Report to the Members	12
Key Operating and Financial Data	27
Pattern of Shareholding	28
DuPont Analysis	30
Statement of Value Addition and its Distribution	31
Statement of Compliance	32
Independent Auditors' Review Report on Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017	35
Auditors' Report to Members	36
Statement of Financial Position	41
Statement of Profit or Loss	42
Statement of Comprehensive Income	43
Statement of Cash Flows	44
Statement of Changes in Equity	45
Notes to the Financial Statements	46
Jama Punji	70
Proxy Form	71

COMPANY INFORMATION

BOARD OF DIRECTORS

1.	Dr. Amanullah	Chairman	Independent Director
2.	Mr. Asif Misbah	Chief Executive	Executive Director
3.	Mr. Swaleh Misbah Khan		Executive Director
4.	Sheikh Muhammed Waseem		Independent Director
5.	Shaikh Aamir Naveed		Executive Director
6.	Mr. Mohammed Aslam		Independent Director
7.	Mr. Sohaib Umar		Independent Director
8.	Mr. Islahuddin Siddiqui		Independent Director
9.	Ms. Masarrat Misbah		Non-Executive Director

BOARD AUDIT COMMITTEE

1.	Sheikh Muhammed Waseem	Chairman
2.	Mr. Sohaib Umar	Member
3.	Mr. Islahuddin Siddiqui	Member

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

1.	Mr. Mohammed Aslam	Chairman
2.	Shaikh Aamir Naveed	Member
3.	Mr. Islahuddin Siddiqui	Member

CHIEF FINANCIAL OFFICER

Mr. Muhammad Asif

COMPANY SECRETARY

Mr. Asif Javed

INTERNAL AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

EXTERNAL AUDITORS

EY Ford Rhodes
Chartered Accountants

BANKERS

Al Baraka (Pakistan) Limited
Bank Al Habib Limited – Islamic Branch
Bank Alfalah Limited – Islamic Branch
Bankislami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Metropolitan Bank Pakistan Limited – Islamic Branch
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited

SHARE REGISTRAR

F.D. Registrar Services (SMC-Pvt) Limited
17th Floor, Saima Trade Tower-A
I. I. Chundrigar Road, Karachi
Telephone: + 92 21 32271905-6
Fax: + 92 21 32621233
Email: fdregistrar@yahoo.com

REGISTERED OFFICE

F-216, SITE, Karachi – 75700
Telephone: +92 21 32591000 / +92 21 32575311-14 (4 Lines)
Fax: +92 21 32564236
Email: info@macter.com

WEBSITE

www.macter.com

VISION, MISSION AND VALUES

VISION

We see Macter as an integrated global healthcare company serving patients, healthcare professionals and customers with high quality and innovative products and services. We are committed to achieving our vision in an ethical and socially responsible manner.

MISSION

Macter exists to:

- serve humanity by improving health and well-being;
- facilitating all associates to achieve their potential with dignity; and
- providing a means for an ethical and fair livelihood.

VALUES

- Shariah Compliance
- Benevolent Intent
- Customer Focus
- Communication & Teamwork
- Excellence
- Leadership

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (the meeting) of Macter International Limited (the Company) will be held on Saturday, October 27, 2018 at 11:45 am at Moosa D. Desai Auditorium, the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

A. ORDINARY BUSINESS:

1. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2018 together with the reports of the directors and auditors thereon.

2. To consider, declare and approve final cash dividend @18.5 % i.e. Rs. 1.85 per ordinary share for the year ended June 30, 2018, as recommended by the Board of Directors (the Board). This is in addition to interim cash dividend @ 14% i.e. Rs.1.40 per ordinary share, already paid.

3. To appoint auditors and fix their remuneration for the year ending June 30, 2019. The present auditors M/s. EY Ford Rhodes, Chartered Accountants, retire and being eligible, have offered themselves for reappointment. The Board of Directors, on recommendation of the Board Audit Committee, has proposed appointment of auditors M/s. EY Ford Rhodes, Chartered Accountants for the year ending June 30, 2019.

B. SPECIAL BUSINESS:

4. To obtain consent of the members in terms of S.R.O. 470(I)/2016 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan, for the transmission of the annual audited financial statements, Chairman's Review, Directors' Report and Auditor's Report, notices of general meetings and other information contained therein of the Company whether through CD or DVD or USB and to pass the following resolution with or without modification:

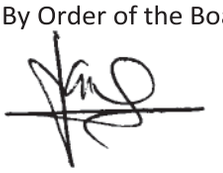
   "RESOLVED THAT consent and approval of the members of Macter International Limited (the "Company") be sought for transmission of annual audited financial statements, directors' report, auditor's report, notices of general meetings and other information contained therein of the Company to its members for future years commencing from the year ending June 30, 2019 through CD or DVD or USB at their registered addresses, in terms of the statutory notification (SRO 470(I)/2016) dated May 31, 2016 issued by the Securities and Exchange Commission of Pakistan."

C. OTHER BUSINESS:

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

A statement under Section 134(3) of the Companies Act, 2017 pertaining to the Special Business is being sent to the members with this notice.

By Order of the Board



ASIF JAVED
COMPANY SECRETARY

Karachi
October 5, 2018

NOTES:

1. **Closure of Share Transfer Books**

   The share transfer books of the Company will remain closed from October 20, 2018 to October 27, 2018 (both days inclusive). Transfers received, in order, at the office of the Company's Share Registrar M/s . F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachiby the close of business on October 19, 2018 will be considered in time to determine the above mentioned entitlement and vote at the meeting.

2. **Participation in the meeting**

   A member entitled to attend, speak and vote at this meeting may appoint any other member as his/her proxy to attend, speak and vote on his/her behalf. Proxies, in order, must be received at the Company's Registered Office, F-216, SITE, Karachi not later than 48 hours before the time of the meeting.

   CDC Account-holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).

   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 detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.

   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 the 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.

3. **CNIC / NTN Number**

Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), CNIC numbers of members are mandatorily required to be mentioned on Tax/Zakat certificate. Members are therefore requested to submit a copy of their valid CNIC (if not already provided) to Company's Share Registrar M/s. F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi.

4. **Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance (ITO), 2001**

(i) Members are informed that the rates of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001 from dividend payments, have been revised as follows:

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

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, members whose names are not entered into the Active Tax payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

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

In this regard all members who hold shares jointly are requested to provide shareholding proportions of Principal Member and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Company Name	Folio / CDS Account No.	Total Shares	Principal Member		Joint Member(s)	
			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 Member and Joint-holder(s).

(iii) For any query/problem/information, the investors may contact the Company Secretary at email address cosec@macter.com and/or M/s. F.D. Registrar Services (SMC-Pvt) Limited at phone 021-32271905-6 and email address: fdregistrar@yahoo.com.

(iv) The corporate members having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical members should send a copy of their NTN certificate to the Company or M/s. F.D. Registrar Services (SMC-Pvt) Limited. The members while sending NTN or NTN certificates, as the case may be, must quote Company Name and their respective Folio Numbers.

5. **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 members.

All members 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. Members who hold shares with CDC are advised to provide the bank mandate details as mentioned above, to the concerned Participant/CDC Investor Account Services.

6. **Unclaimed Dividends**
Members, who by any reason, could not claim their dividend did not collect their physical shares, are advised to contact our Share Registrar M/s. F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi to collect/enquire about their unclaimed dividend or pending shares, if any.

Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three (3) years from the date due and payable shall be deposited to the credit of the Federal Government and in case of shares, shall be delivered to the Securities & Exchange Commission of Pakistan.

7. **Change of Address/Zakat Declaration/Tax Exemption Certificate**
Members are requested to notify their change of address, Zakat declaration and Tax exemption certificate (if any) immediately to the Company's Share Registrar, M/s. F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi. Please further note that Zakat will be deducted from dividends at source in accordance with Zakat and Ushr laws and will be deposited within the prescribed period with the relevant authority. In the event that you would like to claim an exemption, please submit, with your broker/CDC/the Company's Share Registrar, your Zakat Declaration form CZ -50 under the Zakat and Ushr Ordinance 1980 and Rule 4 of the Zakat (Deduction and Refund) Rules 1981.

8. **Consent for Electronic Transmission of Audited Financial Statements and Notices**
SECP through its notification SRO 787(I)/2014 dated September 8, 2014 has permitted companies to circulate Audited Financial Statements alongwith Notice of Annual General Meeting to its members through email. Accordingly members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice which may be filled in and submitted to our Share Registrar M/s. F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi. A Standard Request Form is available at the Company's website www.macter.com for the purpose.

9. **Placement of Audited Financials on the website**
Annual Audited Financial Statements of the Company for the year ended June 30, 2018 have been placed on Company's website i.e. www.macter.com.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement is annexed to the notice of Annual General Meeting of the members of Macter International Limited to be held on October 27, 2018 and sets out the material facts concerning the following Special Business to be transacted at the Meeting for approval of members.

Circulation of Annual Report through CD/DVD/USB:

The Securities and Exchange Commission of Pakistan (SECP) vide SRO No. 470(I)/2016 dated May 31, 2016, has allowed listed companies to circulate their Annual Audited Accounts (i.e. the annual balance sheet and profit and loss account, auditor's report and director's report) to its members through CD/DVD/USB at their registered addresses instead of sending them in hard copies, subject to approval obtained from members in General Meeting. Accordingly, approval is hereby sought from members of the Company to comply with the requirements of said SRO vide an ordinary resolution.

Subject to the approval of resolution in the AGM, the company will circulate its annual accounts in future through CD/DVD/USB. However, members will have the right to request hard copies free of cost at their registered addresses after submitting the Standard Request Form which shall be made available on Company website. While members who wish to receive hard copies for all future annual audited accounts shall also require to give their preference in writing.

The Directors of the Company have no direct or indirect interest in this agenda.

CHAIRMAN'S REVIEW

I would like to share the board performance overview of your Company for the year ended June 30, 2018.

BOARD COMPOSITION AND PERFORMANCE

The Board comprises of an appropriate mix of well known business professionals who add real value to the board through their expertise, experience and strong value systems.

The primary objectives of the Board include providing strategic direction to the Company and supervising the management. During the year under review the board has effectively discharged its responsibilities as required under the Companies Act, 2017 and Listed Companies (Code of Corporate Governance), Regulations 2017.

All quarterly, half yearly and annual financial results were thoroughly reviewed and board extended its guidance to the management on regular basis. The board also played a key role in monitoring the management performance and focus on major risk areas. Board members also reviewed and approved Company's annual financial budget for FY 2018-19, capital expenditure requirements and significant investments.

The board met frequently enough to discharge its responsibilities. Board members showed high attendance during the year. The independent and other non-executive directors were actively involved in all business decisions.

To comply the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017, Board Audit Committee and Board Human Resource and Remuneration Committees were restructured. The committees also played their roles effectively.

As Chairman of your Company I will continue to be responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard and ensuring that the board hears from appropriate range of senior management. I will remain firmly committed to ensure that the board and its committees' should function in legally compliant manner and take timely decisions that will create value for you in short, medium and long term.

ACKNOWLEDGEMENTS

I would like to thank all our stakeholders for being with us throughout our journey till date, and hope to continue the relationship in future, as well.



DR. AMANULLAH
CHAIRMAN

Karachi
October 3, 2018

چیئرمین کا جائزہ

میں30جون،2018کو ختم ہونے والے سال کے لئے آپ کی کمپنی کے بورڈ کی کارکردگی کا جائزہ آپ سے شیئر کرنا چاہوں گا۔

بورڈ کی تقسیم اور کارکردگی

بورڈ معروف کاروباری پیشہ ور افراد کے مناسب مرکب پر مشتمل ہے جو اپنے مہارت، تجربے اور مضبوط اقدار کے نظام کے ذریعہ بورڈ پر حقیقی قدر شامل کرتے ہیں۔

بورڈ کے بنیادی مقاصد میں کمپنی کو اسٹریٹجک سمت فراہم کرنا اور مینیجمنٹ کی نگرانی شامل ہے۔زیر جائزہ سال کے دوران بورڈ نے کمپنیز ایکٹ، 2017 اور لسٹیڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) قواعد 2017 کے تحت اپنی مطلوبہ ذمہ داریوں کو مؤثر طریقے سے ادا کیا۔ تمام سہ ماہی، ششماہی اور سالانہ مالیاتی نتائج کا اچھی طرح سے جائزہ لیا گیا اور بورڈ نے مینیجمنٹ کو مستقل رہنمائی فراہم کی۔ بورڈ نے مینیجمنٹ کی کارکردگی اور اہم خطرات پر توجہ کے معاملے میں بھی اہم کردار ادا کیا۔ بورڈ کے ارکان نے کمپنی کے سالانہ مالیاتی بجٹ برائے سال 19-2018 ، سرمایہ کاری کے اخراجات کی ضروریات اور اہم سرمایہ کاری کا جائزہ لیا اور منظور کیا۔

بورڈ نے اپنی ذمہ داریوں کو ادا کرنے کے لئے مناسب تسلسل سے ملاقات کی۔ بورڈ کے ارکان نے سال کے دوران اعلی حاضری ظاہر کی۔ آزاد اور دیگر نان ایگزیکٹو ڈائریکٹرز فعال طور پر تمام کاروباری فیصلوں میں شامل رہے۔

لسٹیڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) قواعد 2017 کی تعمیل کے لئے، بورڈ آڈٹ کمیٹی اور بورڈ ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی تنظیم نو کی گئی ہے۔ کمیٹیوں نے بھی اپنا کردار مؤثر طریقے سے ادا کیا ہے۔

آپ کی کمپنی کے چیئرمین کے طور پر میں بورڈ کی قیادت کی ذمہ داریوں کو کشادہ اور تخلیقی بحث کے فروغ کے ساتھ جاری رکھوں گا، جس میں تمام خیالات کو سنا جائے اور اس بات کو یقینی بنایا جائے کہ سینئر مینجمنٹ کی مناسب حد کو شنوائی میسر ہو، میں اس بارے میں مضبوطی کے ساتھ پر عزم رہوں گا کہ بورڈ اور اس کی کمیٹیاں قانون کے مطابق کام کریں اور بروقت فیصلے کریں جو مختصر، درمیانی اور طویل مدت میں آپ کے لئے قدر پیدا کریں۔

اعتراف

ہمارے سفر میں اب تک ہمارے ساتھ رہنے پر میں ہمارے تمام اسٹیک ہولڈرز کا شکریہ ادا کرنا چاہتا ہوں اور امید کرتا ہوں کہ یہ تعلقات مستقبل میں بھی جاری رہیں گے۔



ڈاکٹر امان اللہ
چیئرمین

کراچی
اکتوبر 3، 2018

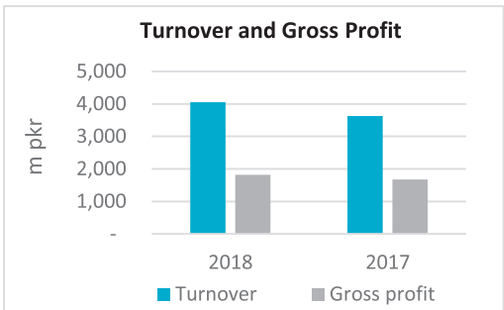
DIRECTORS' REPORT TO THE MEMBERS

The directors are pleased to present the Annual Report together with Audited Financial Statements of the Company for the year ended June 30, 2018.

FINANCIAL RESULTS

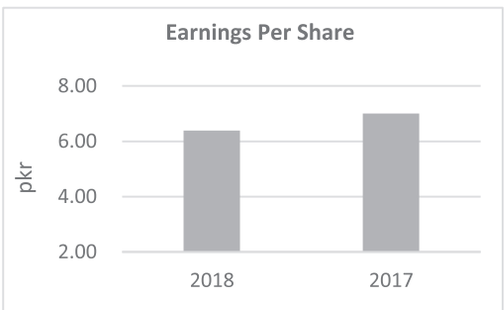
The financial results of the Company are summarized hereunder:

Particulars	2017-18	2016-17	Changes %
	m pkr		
Turnover - Net	4,053.2	3,629.9	11.7%
Gross Profit	1,822.4	1,673.3	8.9%
Operating Profit	388.1	413.2	-6.1%
Profit before tax	320.6	352.4	-9.0%
Profit after tax	246.3	274.2	-10.2%



EARNINGS PER SHARE

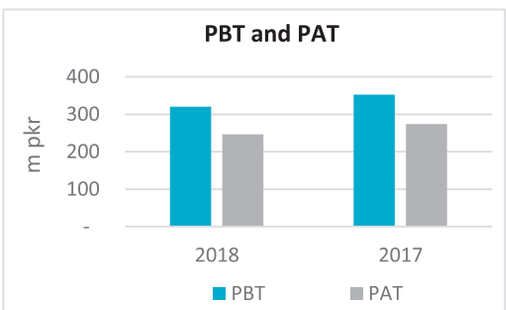
Earnings per share of the Company for the year ended June 30, 2018 was 6.29 pkr as compared to earnings per share of 7.01 pkr last year.



FINANCIAL PERFORMANCE

During the year under review, the introduction of several cheaper brands of Sofosbuvir (oral treatment for Hepatitis C) significantly eroded price levels (>60%) which negatively impacted Company's sales (144m pkr) and gross profits (112m pkr) over same period last year in this segment.

Excluding the Hep-C portfolio street sales grew by 20% to reach 2,400m pkr (Pakistan pharma market grew by 13% in the same period) whereas gross profits grew by 23% to 1,490m pkr versus same period last year respectively. Institutional and Export sales increased by 13% and 28% respectively.



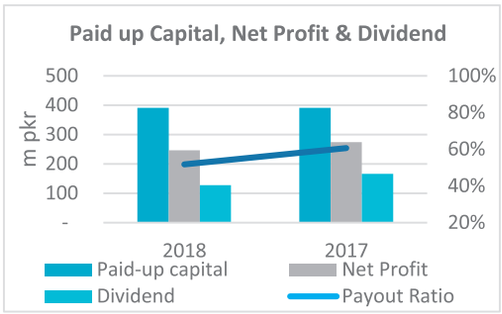
Apart from the adverse impact from the Hep-C segment, Gross profit to sales ratio decreased from 46.1% to 44.9% as compared to last year due to change of sales mix (higher proportion of institutional sales which has low margins), depreciation of Pak Rupees against US Dollar and increase in minimum wages.

Operating expenses (net of other income) increased by 13.8% from 1,260m pkr to 1,434m pkr mainly due to increase in selling and distribution costs, promotional spending on new launches, Institutional sales costs and field force headcount. Finance cost increased from 60.8m pkr to 67.5m pkr.

Investments in the marketing and sales is yielding above market growth rate in key brands and new product launches. During the year, the Company has introduced first of its Oncology product "Macdronic" (zoledronic acid) which attained leadership position within 6 months in its respective market segment. In the last three years the

Company has been consistently achieving number one position in new product launch category of Pakistan Pharmaceutical Market (based on total rupee value in the first 12 month), as rated by IMS.

Despite serious challenges, the profit after tax stood at 246.3m pkr as compared to 274.2m pkr last year.



DIVIDEND

The board of directors has recommended a final cash dividend of 18.5 % i.e. Rs. 1.85 per share, which is in addition to the interim cash dividend of 14% i.e. Rs. 1.40 per share (total 32.5 % i.e. Rs. 3.25 per share).

CAPITAL EXPENDITURE

During the year under review, the Company has made capital expenditure of 407.6m pkr in new manufacturing equipment and facility upgrades to ensure continuous cGMP & Regulatory compliance while increasing our product volumes and portfolio.

PRINCIPAL RISKS AND UNCERTAINITIES

The Company is exposed to some inherent risks and uncertainties. However, we consider the following as the key risks:

- Increasing local and international regulatory requirements and delays in product registration and price fixing
- Increasing competition in our product categories
- Adverse movement in foreign exchange rates and commodity prices
- Challenges in attracting and retaining key employees
- Increasing threats to data security and data privacy

The Company works with the internal and external stakeholders to mitigate / reduce to acceptable level the likely impacts of aforesaid risks.

SUBSEQUENT EVENT

The members of the Company in an Extra Ordinary General Meeting held on July 28, 2018 have approved investment of 300m pkr and issuance of corporate guarantee(s) up to 100m pkr at a time to M/s. Misbah Cosmetics (Pvt) Limited (MCPL), a private limited associated company. This investment will be made in three years on the basis of requirements.

CORPORATE SOCIAL RESPONSIBILITY

Service to the society is an integral part of Company's philosophy. The Company has undertaken a number of Corporate Social Responsibility (CSR) initiatives during the year, including:

a) Provision of free drugs to various charitable organizations / hospitals
b) Capacity-building of doctors and healthcare leadership in the country
c) Support to various educational institutions and hospitals
d) Free screening camps for hepatitis B and C
e) Support to poor and needy patients

HEALTH, SAFETY & ENVIRONMENT

Realizing its responsibilities towards employees, environment and society; the Company ensures complete adherence to the regulatory requirements in the area of health, safety and environment. The Company has ISO Certification for EMS (Environment management system) 14001-2015 and OHSAS (Occupational Health and Safety) 18001-2007.

The manufacturing facility is managed in accordance with prescribed EHS standards of the pharmaceutical industry. There is an “Emergency Response Committee" to deal with any emergency incidents. Smoke detectors, fire alarm and fire extinguishers are installed all over the facility. Firefighting trainings are conducted regularly. Wherever required, employees are provided with personal protective equipment, including protective gowning, goggles, gloves, helmets, ear plugs, gas masks etc.

All equipment's noise levels are measured and kept in controlled limits. Generators smoke emission are monitored and controlled. Boilers are regularly checked by third parties for safety. Solid chemical wastes are incinerated and the improvement project in the area of effluent treatment is in process.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company made a total contribution of 134.9m pkr (2017: 148.5m pkr) to the National Exchequer by way of Customs duties, income tax and sales tax.

CREDIT RATING

During the year the Company was awarded the initial entity rating of “A/A-1 (Single A / A-One)” by JCR-VIS Credit Rating Company Limited. Outlook on the assigned rating is “Stable”.

INTERNAL FINANCIAL CONTROLS

The directors are aware of their responsibility with respect to internal financial controls. Through discussion with management and auditors (internal and external), they confirm that adequate controls have been implemented by the Company.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Following are the statements on the corporate and financial reporting framework:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial Statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- Information about taxes and levies is given in the notes to and forming part of the financial statements.

- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- The values of investments of employees' provident fund based on its latest unaudited accounts as of June 30, 2018 are 103.4m pkr.

COMPOSITION OF BOARD

The composition of the existing board of directors is as under:

Particulars	Gender	Number
Independent Non-Executive Directors	Male	5
Other Non-Executive Director	Female	1
Executive Directors	Male	3
Total		**9**

The list of existing directors is as under:

S. No.	Name	Category
1	Dr. Amanullah	Independent Non-Executive
2	Sheikh Muhammed Waseem	Independent Non-Executive
3	Mr. Islahuddin Siddiqui	Independent Non-Executive
4	Mr. Sohaib Umar	Independent Non-Executive
5	Mr. Asif Misbah	Executive
6	Mr. Swaleh Misbah Khan	Executive
7	Ms. Masarrat Misbah	Other Non-Executive
8	Shaikh Aamir Naveed	Executive
9	Mr. Mohammed Aslam	Independent Non-Executive

BOARD AUDIT COMMITTEE

Board Audit Committee assists the Board of Directors in discharging their responsibilities in accordance with the Corporate Governance and Financial Reporting framework.
The Committee consists of the following three members, all of whom are independent non-executive directors, including its Chairman.

S. No.	Name	Category	Position
1	Sheikh Muhammed Waseem	Independent Non-Executive	Chairman
2	Mr. Sohaib Umar	Independent Non-Executive	Member
3	Mr. Islahuddin Siddiqui	Independent Non-Executive	Member

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Board Human Resource and Remuneration Committee also assists the Board of Directors in discharging their responsibilities with regard to devising and periodic review of human resource policies and practices within the Company. It also assist the Board in selection, evaluation, compensation and succession planning of key management personnel.

The Committee consists of following three members, majority of whom are non-executive directors, including its Chairman.

S. No.	Name	Category	Position
1	Mr. Mohammed Aslam	Independent Non-Executive	Chairman
2	Mr. Islahuddin Siddiqui	Independent Non-Executive	Member
3	Shaikh Aamir Naveed	Executive	Member

BOARD AND BOARD COMMITTEES ATTENDANCE

S. No.	Name	Board of Directors		Board Audit Committee		Board Human Resource and Remuneration Committee	
		Entitled	Attended	Entitled	Attended	Entitled	Attended
1	Dr. Amanullah	4	4	NA	NA	NA	NA
2	Mr. Asif Misbah	7	7	3	3	NA	NA
3	Mr. Swaleh Misbah Khan	7	7	NA	NA	NA	NA
4	Sheikh Muhammed Waseem	7	7	6	6	NA	NA
5	Mr. Sohaib Umar	4	3	3	3	NA	NA
6	Mr. Islahuddin Siddiqui	4	3	NA	NA	NA	NA
7	Shaikh Aamir Naveed	7	7	NA	NA	1	1
8	Mr. Mohammed Aslam	7	6	NA	NA	1	1
9	Ms. Masarrat Misbah	-	-	NA	NA	NA	NA
10	Mr. Muhammad Sajid	5	4	4	4	1	1
11	Mr. Muhammad Asif	3	3	NA	NA	NA	NA
12	Dr. Syed Salman Ahmed	3	3	NA	NA	NA	NA
13	Ms. Naureen Swaleh	3	2	NA	NA	NA	NA

CHANGES IN BOARD OF DIRECTORS

During the year under review, following changes were made in the Board of Directors:

Outgoing	Incoming	Mode	Effective
Mr. Muhammad Asif	Dr. Amanullah	Election	November 2017
Dr. Syed Salman Ahmed	Mr. Islahuddin Siddiqui	Election	November 2017
Ms. Naureen Swaleh	Mr. Sohaib Umar	Election	November 2017
Mr. Muhammad Sajid	Ms. Masarrat Misbah	Casual Vacancy	April 2018 / July 2018

The Board acknowledges and appreciates the services of outgoing Directors and welcomes new Directors.

DIRECTORS' TRAINING PROGRAM

Three directors are certified under Directors' Training Program, as per the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017.

The requisite trainings are planned for the remaining Board members to comply with these requirements within the given time frame under the Regulations.

REMUNERATION POLICY OF NON EXECUTIVE DIRECTORS

The fees of the non-executive directors (independent and others) to attend the board or board committee meetings is approved by the shareholders as per the terms of the Articles of Association of the Company.

KEY OPERATING AND FINANCIAL DATA

Key operating & financial data and ratios of last six years are annexed.

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding as at June 30, 2018 is annexed.

The Directors, executives, and their spouse and minor children have made no transactions of the Company's shares during the year.

Executives mean Chief Executive, Chief Financial Officer, Head of Internal Audit, Company Secretary and other executives (as defined by the Board).

INTERNAL AUDITORS

The Company's internal audit function is looked after by the Head of Internal Audit, who is assisted by Internal Auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants.

EXTERNAL AUDITORS

The present auditors M/s. EY Ford Rhodes, Chartered Accountants shall retire at the conclusion of ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year ending June 30, 2019.

FUTURE OUTLOOK

The impact of Pak Rupee depreciation is a major cause of concern for the pharmaceutical industry in general as majority of active pharmaceutical ingredients are imported and as per the pricing regulations this cost increase cannot be transferred to consumers. Pharmaceutical price increase is linked with inflation which is insufficient to cover the gap created by PKR depreciation and inflation taken together, hence this will put pressure on the bottom line.

To meet this challenge and to secure optimum results, the Company is focusing on efficient sales mix and productivity enhancement plans along with consistent monitoring of areas where measures can be taken to reduce cost. The Company is committed to launch new products in its key therapeutic areas and in the area of biologicals which will cater the un-met needs of the patients, so that profitable growth can be derived from these segments that will make business sustainable in the long run.

ACKNOWLEDGEMENTS

The Board of Directors would like to take this opportunity to express their profound appreciation of the commitment, dedication, and devotion of the employees and also like to acknowledge the support and cooperation received from our valued shareholders, customers, distributors, suppliers, financial institutions and regulatory authorities. Of course none of this would have been possible without the continued blessing and mercies from Allah SWT for which we are grateful.

On behalf of the board



ASIF MISBAH
CHIEF EXECUTIVE



MOHAMMED ASLAM
DIRECTOR

Karachi
October 3, 2018

ڈائریکٹرز رپورٹ برائے ممبران

ڈائریکٹرز انتہائی مسرت کے ساتھ کمپنی کی سالانہ رپورٹ بمع آڈٹ شدہ مالی دستاویزات برائے ختم شدہ سال جون 30، 2018ء پیش کر رہے ہیں۔

مالیاتی نتائج

کمپنی کے مالیاتی نتائج کا خلاصہ درج ذیل ہے:

مندرجات	2017-18	2016-17	فیصد میں تبدیلی
	روپے ملین میں		
فروخت۔خالص	4,053.2	3,629.9	11.7%
خام منافع	1,822.4	1,673.3	8.9%
آپریٹنگ منافع	388.1	413.2	-6.1%
قبل از ٹیکس منافع	320.6	352.4	-9.0%
بعد از ٹیکس منافع	246.3	274.2	-10.2%

فی حصص منافع

کمپنی کے پچھلے سال کے فی حصص منافع 7.01 پاکستانی روپے کے مقابلے میں 30 جون 2018ء کو ختم ہونے والے سال کے لئے فی حصص منافع 6.29 پاکستانی روپے رہا۔

مالیاتی کارکردگی

زیر جائزہ سال کے دوران Sofosbuvir (Hepatitis C کے Oral علاج) کے مختلف سستے برانڈز کا متعارف ہونا قیمتوں میں نمایاں کمی (60%) کا باعث ہوا ہے جس کا منفی اثر اس خاص شعبے میں گذشتہ سال کی اسی مدت کے مقابلے میں کمپنی کی فروخت پر (144 ملین روپے) اور خام منافع پر (112 ملین روپے) رہا۔

HEP-C کو ہٹا کر گذشتہ سال کے مقابلے میں اسٹریٹ فروخت 20 فیصد سے بڑھ کر 2,400 ملین روپے تک پہنچ گئی (پاکستان فارماماکیٹ اسی مدت میں 13 فیصد سے بڑھی) جبکہ خام منافع 23 فیصد سے بڑھ کر 1,490 ملین روپے تک جا پہنچا۔ انسٹی ٹیوشنل اور ایکسپورٹ فروخت بالترتیب 13 اور 28 فیصد سے بڑھ گئیں۔

Hepatitis C کے شعبے میں منفی اثر کے علاوہ اس مدت میں خام منافع کا فروخت سے تناسب پچھلے سال کی اسی مدت کے 46.10 فیصد سے کم ہو کر 44.9 فیصد ہو گیا۔ جس کی وجوہات میں فروخت مکس میں تبدیلی (کم منافع والی انسٹی ٹیوٹ سیل کا زیادہ تناسب) ، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی اور کم از کم اجرت میں اضافہ ہے۔

آپریٹنگ اخراجات(other income سے خالص) میں 13.8 فیصد اضافہ ہوااور یہ 1,260.1 ملین روپے سے بڑھ کر 1,434.4 ملین روپے ہوگئے، جس کی بنیادی وجوہات میں فروخت اور تقسیم کی لاگت، نئی جاری ہونے والی پروڈکٹس کے پروموشنل اخراجات،انسٹی ٹیوٹ کی فروخت کی لاگت اور فیلڈ فورس کی تعداد میں اضافہ رہا۔ مالیاتی لاگت 60.8 ملین روپے سے بڑھ کر 67.5 ملین روپے ہوگئی۔

مارکیٹنگ اور فروخت میں کی جانے والی انویسمنٹ، کلیدی برانڈز اور نئی پراڈکٹس کے اجراء میں مارکیٹ شرح نمو سے زیادہ نتائج دے رہی ہے۔ سال کے دوران کمپنی نے اپنی پہلی Oncology پراڈکٹ(zoledronic acid)"Macdronic" متعارف کروائی جس نے 6 ماہ کے اندر متعلقہ شعبے میں قائدانہ مقام حاصل کرلیا۔ گذشتہ 3 سال سے کمپنی تسلسل سے نئی پراڈکٹس متعارف کروانے والی پاکستانی فارماکیٹ کی درجہ بندی میں IMS کی رینٹنگ کے مطابق (گذشتہ 12 ماہ کی روپے کی قدر کی بنیاد پر)اول نمبر پر رہی ہے۔

سنگین چیلنجز کے باوجود بعد از ٹیکس منافع گذشتہ سال کے 274.2 ملین روپے کے مقابلے میں 246.3 ملین روپے رہا۔

ڈیویڈنڈ(Dividend)

بورڈ آف ڈائریکٹرز نے 18.5%(یعنی 1.85 روپے فی حصص) فائنل کیش ڈیویڈنڈ کی سفارش کی ہے جو کہ 14%(یعنی 1.40 روپے فی حصص)عبوری کیش ڈیویڈنڈ کے علاوہ ہے۔

کیپیٹل مصارف

کمپنی نے دوران سال مینوفیکچرنگ کے جدید آلات اور سہولیات کے بنیادی ڈھانچے کو اپ گریڈ کرنے کی غرض سے سرمایہ کاری میں 407.6 ملین روپے خرچ کیے تاکہ CGMP اور ریگولیٹری کے تقاضوں سے ہم آہنگی رہے جبکہ ہماری مصنوعات کے حجم اور پورٹ فولیو میں اضافہ ہو۔

بنیادی خطرات اور غیر یقینی صورتحال

کمپنی کو کچھ موروثی خطرات اور غیر یقینی صورتحال درپیش ہیں تاہم ہم درج ذیل کو کلیدی خطرات تصور کرتے ہیں:

- بڑھتے ہوئے مقامی اور بین الاقوامی ریگولیٹری تقاضے اور پراڈکٹس کی رجسٹریشن اور قیمت فکسنگ میں تاخیر
- ہماری پراڈکٹس کی اقسام میں اہم مقابلہ
- غیر ملکی زرِمبادلہ کی شرح اور اشیاء کی قیمتوں میں منفی تحریک
- کلیدی ملازمین کو اپنی طرف مائل اور برقرار رکھنے میں ناکامی
- ڈیٹا کی حفاظت اور ڈیٹا کی رازداری کے بڑھتے ہوئے خطرات

مندرجہ بالا خطرات کے متوقع اثرات کو قابل قبول سطح تک لانے یا کم کرنے میں کمپنی داخلی اور خارجی اسٹیک ہولڈرز کے ساتھ کام کرتی ہے۔

بعدازاں واقعات

28 جولائی، 2018 کو منعقدہ ایک غیر معمولی جنرل اجلاس میں کمپنی کے ارکان نے 300 ملین روپے سرمایہ کاری کرنے اور 100 ملین روپے تک کی کارپوریٹ گارنٹی میسرز مصباح کا سمینٹکس (پرائیوٹ) لمیٹڈ (MCPL) ایک پرائیویٹ لمیٹڈ ایسوسی ایٹڈ کمپنی میں جاری کرنے کی منظوری دی۔ یہ سرمایہ کاری بوقت ضرورت تین سالوں میں کی جائے گی۔

کارپوریٹ سماجی ذمہ داری

سماجی خدمت کمپنی کی فلاسفی کا بنیادی جز ہے۔ کمپنی نے سال کے دوران کارپوریٹ سماجی ذمہ داری کے اقدامات بشمول ذیل کئے ہیں:

a) مختلف خیراتی تنظیموں/ ہسپتالوں کو مفت ادویات کی فراہمی

b) ملک میں ڈاکٹروں اور صحت کی دیکھ بھال کرنے والوں کی صلاحیت میں اضافہ

c) مختلف تعلیمی اداروں اور ہسپتالوں کی امداد

d) ہیپاٹائٹس بی اور سی کے لئے مفت اسکریننگ کیمپ

e) غریب اور ضرورت مند مریضوں کے ساتھ تعاون

صحت، حفاظت اور ماحول

ملازمین، ماحول اور معاشرے سے متعلق اپنی ذمہ داریوں کا ادراک کرتے ہوئے کمپنی، صحت، حفاظت اور ماحول کے حوالے سے ریگولیٹری ضروریات کی طرف مکمل توجہ کو یقینی بناتی ہے۔ کمپنی کے پاس مندرجہ ذیل ISO سرٹیفکیٹس ہیں: EMS (Environment management system) 14001:2015 اور OHSAS (Occupational Health and Safety) 18001:2017

مینوفیکچرنگ کی سہولیات ادویات کی صنعت کے مقرر کردہ EHS کے معیار کے مطابق ہیں۔ کسی بھی ہنگامی واقعات سے نمٹنے کے لئے ایک ''ہنگامی ردعمل کمیٹی'' موجود ہے۔ دھویں کا پتہ چلانے والے آلات، آگ کی صورت میں الارم اور آگ بجھانے والے آلات پوری فیکٹری میں نصب ہیں۔ فائر فائٹنگ کی تربیت باقاعدگی سے دی جاتی ہے۔ جہاں بھی ضرورت ہو، ملازمین کو حفاظتی سامان بشمول حفاظتی لباس جیسے چشمے، دستانے، ہیلمٹس، کان پلگز، گیس ماسکس وغیرہ فراہم کیے جاتے ہیں۔

تمام آلات کے شور کی پیائش کی جاتی ہے اور اسے کنٹرول کی حد میں رکھا جاتا ہے۔ جنریٹرز کے دھویں کے اخراج کی نگرانی کی جاتی ہے اور اسے کنٹرول کیا جاتا ہے۔ بوائلرز کی ایک تھرڈ پارٹی کے ذریعے باقاعدگی سے حفاظتی نظر سے جانچ کی جاتی ہے۔ ٹھوس کیمیائی فضلہ ضائع کیا جاتا ہے اور effluent treatment کو بہتر بنانے کا منصوبہ زیرِ تکمیل ہے۔

قومی خزانے میں حصہ

کمپنی نے کسٹم ڈیوٹیز، انکم ٹیکس اور سیلز ٹیکس کی مدات میں مجموعی طور پر 134.9 ملین روپے (2017: 148.5 ملین روپے) قومی خزانے میں جمع کروائے۔

کریڈٹ ریٹنگ

سال کے دوران JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ کی طرف سے کمپنی کو "A-1 / A (A-One/ سنگل A)" کی ابتدائی درجہ بندی سے نوازا گیا ۔ تفویض کردہ درجہ بندی پر صورتحال "مستحکم" ہے۔

داخلی مالیاتی کنٹرولز

ڈائریکٹرز داخلی مالیاتی کنٹرولز کے حوالے سے اپنی ذمہ داری سے بخوبی واقف ہیں۔ مینیجمنٹ اور آڈیٹرز (انٹرنل اور ایکسٹرنل) کے ساتھ بات چیت کے ذریعے، وہ اس بات کی تصدیق کرتے ہیں کہ کمپنی میں مناسب کنٹرولز لاگو ہیں۔

کارپوریٹ فائنانشل رپورٹنگ فریم ورک

کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک کے بیانات درج ذیل ہیں:

- مینیجمنٹ کی طرف سے تیار کردہ مالیاتی اسٹیٹمنٹ اس کی صورتحال، کارکردگی، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کا واضح اظہار کرتی ہے۔
- کمپنی کے اکاؤنٹس کی مناسب / درست کتابیں تیار کی گئی ہیں۔
- مالیاتی اسٹیٹمنٹ کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اور مسلسل اطلاق کیا گیا ہے۔ اکاؤنٹنگ تخمینے موزوں اور محتاط اندازوں پر مبنی ہیں ۔
- مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیارات کی، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔
- انٹرنل کنٹرول کا سسٹم ڈیزائن میں مضبوط ہے اور موثر طریقے سے لاگو ہے اور زیرِ نگرانی بھی ہے۔
- بطورِ ادارہ کمپنی کے کام جاری رکھنے کی اہلیت پر کسی شک وشبہ کی گنجائش نہیں ہے۔
- مالی گوشواروں کے منسلکہ نوٹس میں ٹیکسز اور لیویز کی معلومات دی گئی ہیں۔
- لسٹنگ ریگولیشن میں تفصیلی طور پر دیے گئے کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی انحراف نہیں کیا گیا ۔
- 30 جون 2018 کو تازہ ترین غیر آڈٹ شدہ اکاؤنٹس کے مطابق ملازمین کے پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت 103.4 ملین روپے ہے۔

بورڈ کی تشکیل

موجودہ بورڈ آف ڈائریکٹر کی ساخت درج ذیل ہے:

مندرجات	جنس	تعداد
انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹرز	مرد	5
دیگر نان ایگزیکٹو ڈائریکٹرز	عورت	1
ایگزیکٹو ڈائریکٹرز	مرد	3
مجموعہ		9

موجودہ ڈائریکٹرز کی فہرست درج ذیل ہے۔

نمبر شمار	نام	درجہ بندی
1	ڈاکٹر امان اللہ	انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹر
2	جناب آصف مصباح	ایگزیکٹو ڈائریکٹر
3	شیخ محمد وسیم	انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹر
4	جناب اصلاح الدین صدیقی	انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹر
5	جناب صہیب عمر	انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹر
6	جناب صالح مصباح خان	ایگزیکٹو ڈائریکٹر
7	محترمہ مسرت مصباح	دیگر نان ایگزیکٹو ڈائریکٹر
8	شیخ عامر نوید	ایگزیکٹو ڈائریکٹر
9	جناب محمد اسلم	انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹر

بورڈ آڈٹ کمیٹی

بورڈ آڈٹ کمیٹی، کارپوریٹ گورننس اور مالیاتی رپورٹنگ فریم ورک کے مطابق بورڈ آف ڈائریکٹرز کو ان کی ذمہ داریوں کو سرانجام دینے کے لیے ان کی معاونت کرتی ہے۔

کمیٹی مندرجہ ذیل تین ارکان پر مشتمل ہے، جو تمام کے تمام بشمول اس کے چیئرمین کے انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹرز ہیں ۔

نمبر شمار	نام	درجہ بندی	عہدہ
1	شیخ محمد وسیم	انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹر	چیئرمین
2	جناب اصلاح الدین صدیقی	انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹر	ممبر
3	جناب صہیب عمر	انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹر	ممبر

بورڈ ہیومن ریسورس اینڈ ریمونریشن کمیٹی

بورڈ ہیومن ریسورس اینڈ ریمونریشن کمیٹی بھی کمپنی کے اندر ہیومن ریسورس کی پالیسیوں کو وضع کرنے اور ان پر عمل درآمد کا متواتر جائزہ لینے کے حوالے سے بورڈ آف ڈائریکٹرز کو ان کی ذمہ داریوں کی تکمیل میں معاونت کرتی ہے۔ مینجمنٹ کے کلیدی عملے کے انتخاب، تشخیص، مشاہرہ اور جانشینی کی منصوبہ بندی میں بھی بورڈ کی مدد کرتی ہے۔

کمیٹی مندرجہ ذیل تین ارکان پر مشتمل ہے، جن میں سے اکثریت بشمول کمیٹی چیئرمین کے نان ایگزیکٹو ڈائریکٹرز ہیں ۔

نمبر شمار	نام	درجہ بندی	عہدہ
1	جناب محمد اسلم	انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹر	چیئرمین
2	جناب اصلاح الدین صدیقی	انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹر	ممبر
3	شیخ عامر نوید	ایگزیکٹو ڈائریکٹر	ممبر

بورڈ اور بورڈ کمیٹیز کی حاضری

نمبر شمار	نام	بورڈ آف ڈائریکٹرز		بورڈ آڈٹ کمیٹی		بورڈ ہیومن ریسورس اینڈ ریمونریشن کمیٹی	
		استحقاق	حاضری	استحقاق	حاضری	استحقاق	حاضری
1	ڈاکٹر امان اللہ	4	4	NA	NA	NA	NA
2	جناب آصف مصباح	7	7	3	3	NA	NA
3	جناب صالح مصباح خان	7	7	NA	NA	NA	NA
4	شیخ محمد وسیم	7	7	6	6	NA	NA
5	جناب صہیب عمر	4	3	3	3	NA	NA
6	جناب اصلاح الدین صدیقی	4	3	NA	NA	NA	NA
7	شیخ عامر نوید	7	7	NA	NA	1	1
8	جناب محمد اسلم	7	6	NA	NA	1	1
9	محترمہ مسرت مصباح	-	-	NA	NA	NA	NA
10	جناب محمد ساجد	5	4	4	4	1	1
11	جناب محمد آصف	3	3	NA	NA	NA	NA
12	ڈاکٹر سید سلمان احمد	3	3	NA	NA	NA	NA
13	محترمہ نورین صالح	3	2	NA	NA	NA	NA

بورڈ آف ڈائریکٹرز میں تبدیلیاں

زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز میں درج ذیل تبدیلیاں کی گئیں:

جانے والے ڈائریکٹرز	آنے والے ڈائریکٹرز	طریقہ انتخاب	مؤثر
جناب محمد آصف	ڈاکٹر امان اللہ	الیکشن	نومبر 2017ء
ڈاکٹر سید سلمان احمد	جناب اصلاح الدین صدیقی	الیکشن	نومبر 2017ء
محترمہ نورین صالح	جناب صہیب عمر	الیکشن	نومبر 2017ء
جناب محمد ساجد	محترمہ مسرت مصباح	اتفاق آسامی	اپریل 2018/ جولائی 2018

بورڈ رخصت ہونے والے ڈائریکٹرز کی خدمات کو تسلیم کرتے ہوئے ان کا معترف ہے اور نئے ڈائریکٹرز کو خوش آمدید کہتا ہے۔

ڈائریکٹرز ٹریننگ پروگرام

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضابطہ 2017 کے تقاضوں کے مطابق تین ڈائریکٹرز، ڈائریکٹرز ٹریننگ پروگرام کے تحت سند یافتہ ہیں۔ بورڈز کے بقیہ ارکان کو ان ضوابط کے تحت دیے گئے مقررہ وقت کے اندر متعلقہ ٹریننگ دینے کی منصوبہ بندی کی گئی ہے۔

نان ایگزیکٹو ڈائریکٹرز کو مالی مراعات دینے کی پالیسی

نان ایگزیکٹو ڈائریکٹرز (انڈیپنڈنٹ اور دیگر) کے لیے بورڈ یا بورڈ کمیٹی کے اجلاسوں میں شرکت کی فیس کمپنی کے آرٹیکلز آف ایسوسی ایشن کی شرائط کے تحت کمپنی کے حصص یافتگان کی طرف سے منظور کی گئی ہے۔

کلیدی آپریٹنگ اور مالیاتی ڈیٹا

گذشتہ چھ سالوں کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا اور تناسب منسلک ہیں۔

شیئر ہولڈنگ کا پیٹرن

30 جون 2018ء کے شیئر ہولڈنگ کے پیٹرن کا اسٹیٹمنٹ منسلک ہے۔

سال کے دوران ڈائریکٹرز، ایگزیکٹوز اور ان کے / کی شریک حیات اور چھوٹے بچوں نے کمپنی کے شیئرز میں کوئی لین دین نہیں کیا ہے۔

ایگزیکٹو سے مراد چیف ایگزیکٹو، چیف فائنانشیل آفیسر، ہیڈ آف انٹرنل آڈٹ، کمپنی سیکریٹری اور دیگر ایگزیکٹوز ہیں (جو کہ بورڈ نے متعین کیے ہیں)۔

انٹرنل آڈیٹرز

کمپنی کے انٹرنل آڈٹ کی نگرانی ہیڈ آف انٹرنل آڈٹ کرتے ہیں، جن کی معاونت انٹرنل آڈیٹرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کرتے ہیں۔

ایکسٹرنل آڈیٹرز

موجودہ آڈیٹرز میسرز EY فورڈ روڈز چارٹرڈ اکاؤنٹنٹس آنے والے سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے اور اہل ہونے کے باعث انہوں نے اپنے آپ کو دوبارہ تقرری کیلئے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے 30 جون، 2019 تک ختم ہونے والے مالی سال کے لئے کمپنی کے آڈیٹرز کے طور پر ان کی دوبارہ تقرری کی آڈٹ کمیٹی کی سفارش کی توثیق کر دی ہے۔

مستقبل کا جائزہ

ماضی قریب میں پاکستانی روپیہ کی قدر میں کمی کا اثر دواؤں کی صنعت کے لئے عمومی طور پر تشویش کا ایک اہم سبب بنا، کیونکہ دوا کے اکثر ایکٹو (فعال) اجزائے ترکیبی درآمد کیے جاتے ہیں اور قیمتوں کا تعین کرنے کے ضوابط کے تحت اس طرح کی لاگت میں اضافہ صارفین کو منتقل نہیں کیا جاسکتا۔ دواؤں کی قیمت میں اضافہ افراطِ زر کے ساتھ منسلک ہے جو کہ پاکستانی روپے کی قدر میں کمی اور افراطِ زر کے نتیجے میں پیدا ہونے والے فرق کا احاطہ کرنے کے لئے ناکافی ہے، چنانچہ یہ کاروباری نفع پر دباؤ ڈالے گا۔

اس چیلنج کو پورا کرنے اور زیادہ سے زیادہ نتائج کو محفوظ بنانے کے لئے کمپنی موثر فروخت مکس اور پیداواریت بڑھانے کی منصوبہ بندی بشمول ایسے مواقع پر مسلسل توجہ جہاں لاگت کو کم کرنے کے اقدامات کئے جاسکتے ہیں، پر توجہ دے رہی ہے۔ کمپنی علاج کے کلیدی شعبوں اور بائیولوجیکل کے شعبے میں نئی پراڈکٹس کے اجراء کے لیے پُرعزم ہے، جو کہ مریضوں کی ناکافی ضروریات کو پورا کریں گی تاکہ ان شعبوں سے منافع بخش ترقی ہوسکے جو طویل مدت تک کاروبار کو مستحکم رکھے گا۔

اعتراف

بورڈ آف ڈائریکٹرز اس موقع سے فائدہ اٹھاتے ہوئے ملازمین کے عزم، لگن اور خدمت کی گہری قدردانی کا اظہار کرتا ہے اور اپنے تمام قابل قدر شیئر ہولڈرز، کسٹمرز، ڈسٹری بیوٹرز، سپلائرز، مالیاتی اداروں اور ریگولیٹری اتھارٹیز کی خدمات و تعاون کا اعتراف کرتا ہے۔ بلاشبہ اللہ سبحانہ و تعالیٰ کے مسلسل فضل و کرم اور احسان کے بغیر یہ سب کچھ نہیں ہوسکتا تھا جس پر ہم شکر گزار ہیں۔

منجانب بورڈ



آصف مصباح
چیف ایگزیکٹیو
کراچی

محمد اسلم
ڈائریکٹر

اکتوبر 03، 2018ء

KEY OPERATING AND FINANCIAL DATA

	Unit	2018	2017	2016	2015	2014	2013
Summary of Statement of Financial Position							
Non-Current Assets	m pkr	1,271	927	811	897	858	837
Current Assets	m pkr	1,773	1,813	1,581	1,231	1,232	928
Total Assets	m pkr	**3,044**	**2,740**	**2,392**	**2,128**	**2,090**	**1,765**
Total Equity	m pkr	**1,168**	**1,143**	**984**	**868**	**917**	**840**
Non-Current Liabilities	m pkr	444	248	258	316	279	249
Current Liabilities	m pkr	1,432	1,349	1,150	944	894	676
Total Liabilities	m pkr	**1,876**	**1,597**	**1,408**	**1,260**	**1,173**	**925**
Total Equity and Liabilities	m pkr	**3,044**	**2,740**	**2,392**	**2,128**	**2,090**	**1,765**
Summary of Profit or loss							
Turnover - net	m pkr	4,053	3,630	3,064	2,385	2,560	2,246
Gross profit	m pkr	1,822	1,673	1,257	846	959	965
Operating profit	m pkr	388	413	267	93	154	222
Profit before taxation	m pkr	320	352	212	31	129	192
Taxation	m pkr	74	78	65	12	29	17
Net profit	m pkr	246	274	147	19	100	175
Ratios							
Profitability Ratios							
Gross profit to turnover	%	44.95	46.09	41.02	35.47	37.46	42.97
Operating profit to turnover	%	9.57	11.38	8.71	3.90	6.02	9.88
Profit before tax to turnover	%	7.90	9.70	6.92	1.30	5.04	8.55
Net profit to turnover	%	6.07	7.55	4.80	0.80	3.91	7.79
Return on equity before tax	%	27.40	30.80	21.54	3.57	14.07	22.86
Return on equity after tax	%	21.06	23.97	14.94	2.19	10.91	20.83
Return on capital employed	%	24.07	29.69	21.50	7.94	12.88	20.39
Return on assets	%	8.08	10.00	6.15	0.89	4.78	9.92
Market Ratios							
Market price per share at year end	pkr	208.00	-	-	-	-	-
Market capitalization	m pkr	8,142	-	-	-	-	-
Price earning ratio	pkr	33.06	-	-	-	-	-
Break up value / share	pkr	29.87	29.23	25.17	22.31	23.57	21.59
Basic / diluted earnings per share	pkr	6.29	7.01	3.76	0.49	2.57	4.50
Dividend payout ratio	%	51.62	61.00	99.77	42.97	37.13	14.47
Dividend cover ratio	Times	1.93	1.65	1.00	0.44	2.70	7.00
Liquidity Ratios							
Current ratio	Times	1.24	1.34	1.37	1.30	1.38	1.37
Quick / acid test ratio	Times	0.57	0.62	0.78	0.50	0.48	0.43

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2018

Number of Certificate Holders	Certificate Holding From		To	Certificate Held
573	1	-	100	18,063
186	101	-	500	49,406
28	501	-	1000	20,890
43	1001	-	5000	89,956
7	5001	-	10000	54,347
1	10001	-	15000	12,600
1	20001	-	25000	25,000
1	25001	-	30000	30,000
2	30001	-	35000	62,501
1	40001	-	45000	40,001
1	1695001	-	1700000	1,699,998
1	1910001	-	1915000	1,912,499
1	3245001	-	3250000	3,248,964
1	6430001	-	6435000	6,430,868
1	12665001	-	12670000	12,668,380
1	12780001	-	12785000	12,780,878
849				**39,144,351**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	829	32,674,007	83.47
Joint Stock Companies	12	6,457,964	16.50
Investment Companies	1	1,825	0.00
Modarabas	3	2,930	0.01
Others	4	7,625	0.02
	849	**39,144,351**	**100.00**

Categories Shareholders as on June 30, 2018

S. No.	Categories Shareholders	Shareholders	Shares Held	Total
1	**Directors and their spouse(s) and minor children**	**9**		**25,474,264**
	Mr. Asif Misbah		12,668,380	
	Mr. Swaleh Misbah Khan		12,780,878	
	Shaikh Aamir Naveed		25,000	
	Sheikh Muhammed Waseem		1	
	Mrs. Naureen Swaleh		1	
	Mr. Mohammed Aslam		1	
	Mr. Islahuddin Siddiqui		1	
	Dr. Amanullah		1	
	Mr. Sohaib Umar		1	
2	**Associate Companies, Undertakings and related parties**		**NIL**	
3	**Executives**	**3**	83,852	**83,852**
4	**Mutual Fund**		**NIL**	
5	**Public Sector Companies and Corporations**	**1**		**1,825**
	Investment Corporation of Paksitan		1,825	
6	**Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds**	**15**	6,460,894	**6,460,894**
7	**Others**	**4**	7,625	**7,625**
8	**General Public**	**817**		**7,115,891**
	Total	**849**		**39,144,351**

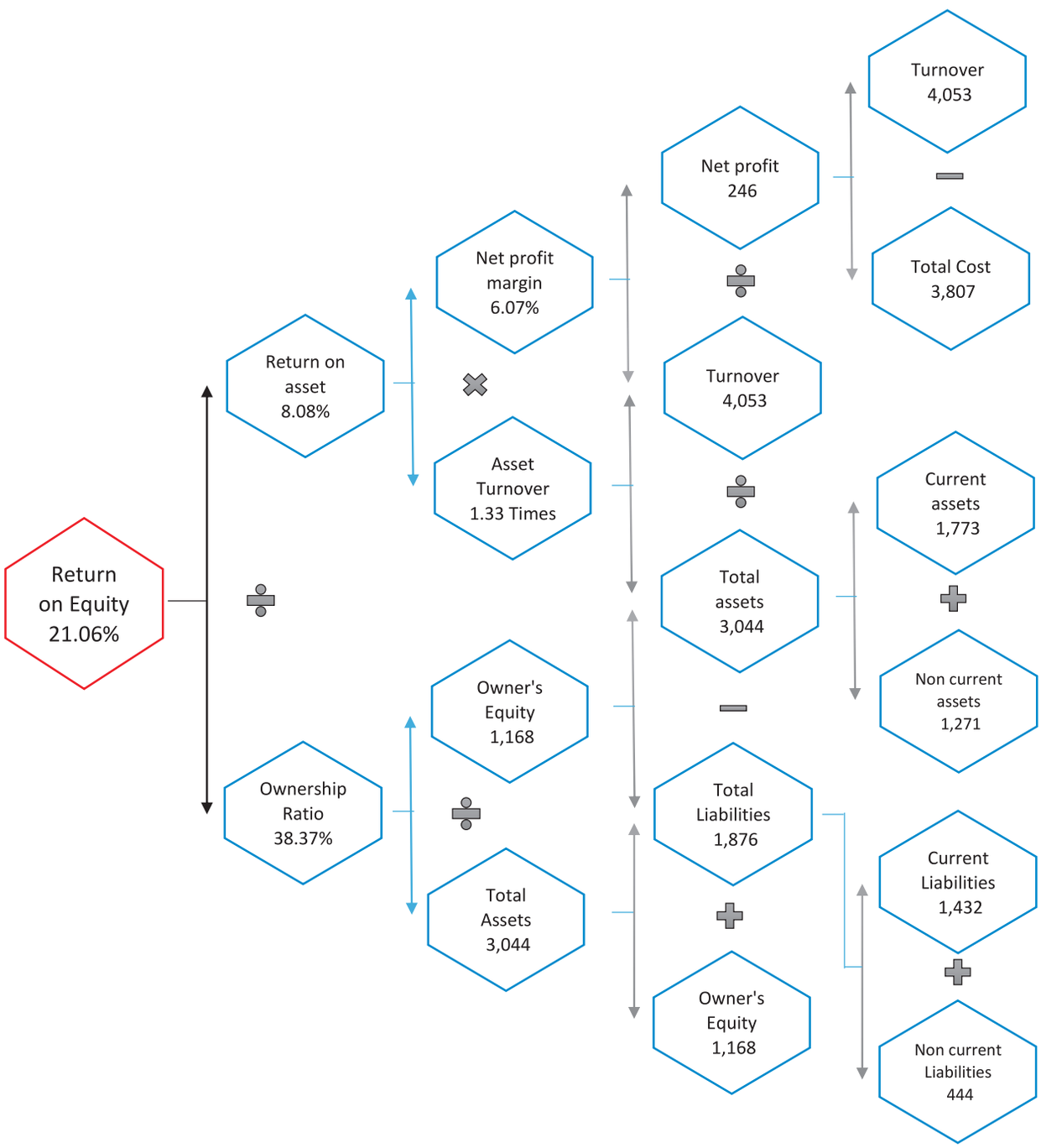
Shareholders Holding 5% or More In The Company

	Number of Shares	%
Mr. Swaleh Misbah Khan	12,780,878	32.65
Mr. Asif Misbah	12,668,380	32.36
M/s. Pharmalux Holdings Limited	6,430,868	16.43
Mr. Misbahuddin Khan	3,248,964	8.30

DuPont Analysis

For the year ended June 30, 2018

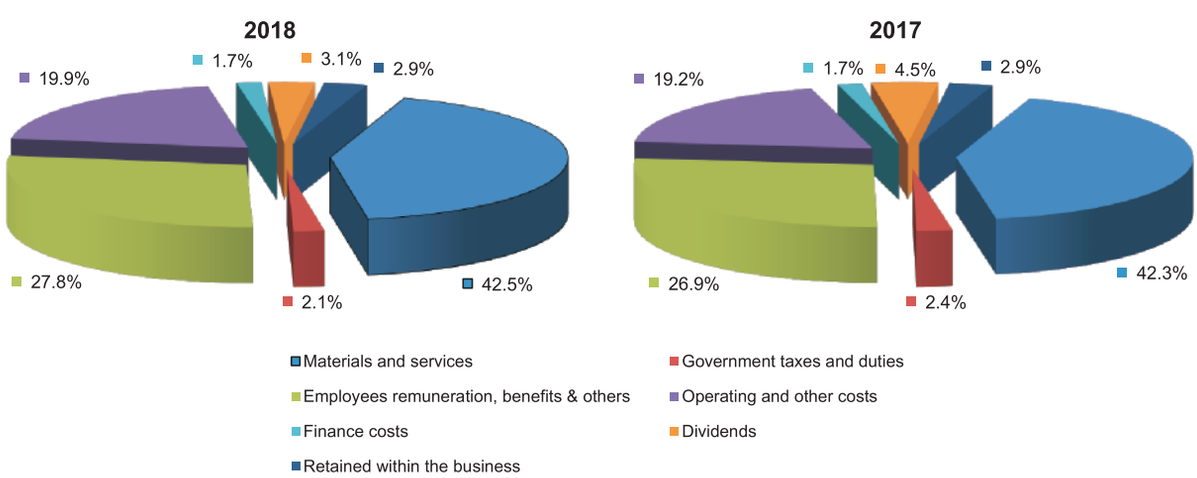
m pkr



*Total Cost includes COGS, Selling, Admin, Other Expenses (less other income), Financial Charges and Taxation

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2018	%	2017	%
	(Rupees in '000)			
VALUE ADDITION				
Turnover - net	4,053,174	99.3%	3,629,959	99.1%
Other operating income	27,655	0.7%	32,710	0.9%
	4,080,829	**100%**	**3,662,669**	**100%**
VALUE DISTRIBUTION				
Materials and services	1,734,348	42.5%	1,550,656	42.4%
Government taxes and duties	84,180	2.1%	89,046	2.4%
Employees remuneration, benefits & others	1,134,836	27.8%	986,387	26.9%
Operating and other costs	813,323	19.9%	701,573	19.2%
Finance costs	67,507	1.7%	60,783	1.7%
Dividends	127,219	3.1%	166,364	4.5%
Retained within the business	119,416	2.9%	107,860	2.9%
	4,080,829	**100%**	**3,662,669**	**100%**



Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of company : MACTER INTERNATIONAL LIMITED
Year ending : JUNE 30, 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors is 09 as per the following:
   a. Male : **08**
   b. Female : **01***
2. The composition of board is as follows:

Category	Names
Non-executive Independent Directors	Dr. Amanullah Sheikh Muhammed Waseem Mr. Mohammed Aslam Mr. Sohaib Umar Mr. Islahuddin Siddiqui
Non-executive Other Director	Ms. Masarrat Misbah*
Executive Directors	Mr. Asif Misbah Mr. Swaleh Misbah Khan Sheikh Aamir Naveed

* During April 2018 a casual vacancy was occurred due to sad demise of Mr. Muhammad Sajid. The same was filled in within 90 days (during July 2018) by appointment of a female Director Ms. Masarrat Misbah.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. 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.

5. 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.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been takenby board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and the board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directorshas a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. As at June 30, 2018, three directors namely; Mr. Asif Misbah, Mr. Swaleh Misbah Khan and Sheikh Muhammed Waseem are certified under Directors' Training Program, as per the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017.

   The requisite trainings are planned for the remaining Board members to comply with these requirements within the given time frame under the Regulations.

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. CFO and CEO duly endorsed the financial statements of the Company before approval of the board.

12. The board has formed committees comprising of members given below:

a.	Audit Committee	Sheikh Muhammed Waseem Mr. Sohaib Umar Mr. Islahuddin Siddiqui	Chairman Member Member
b.	HR and Remuneration Committee	Mr. Mohammed Aslam Sheikh Aamir Naveed Mr. Islahuddin Siddiqui	Chairman Member Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

a.	Audit Committee	Quarterly
b.	HR and Remuneration Committee	Yearly

15. The board has outsourced the internal audit function to KPMG Taseer Hadi & Co, Chartered Accountant who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. 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 and registered with Audit Oversight Board of Pakistan, 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 the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied.



DR. AMANULLAH
CHAIRMAN

Karachi

Dated: October 3, 2018

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Macter International Limited (the Company)

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Macter International Limited for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

As a part of our audit of the 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 Directors' 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 Regulations require 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, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 03 October 2018

A member firm of Ernst & Young Global Limited

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S REPORT

To the members of Macter International Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Macter International Limited** (the Company), which comprise the statement of financial position as at **30 June 2018**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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

A member firm of Ernst & Young Global Limited

EY
Building a better working world

Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matter
1. Existence and Valuation of stock in trade	
As disclosed in note 10 to the accompanying financial statements, the Stock in Trade represents 28.9% of total assets of the Company. The cost of Work in Process (WIP) and finished goods is determined at weighted average manufacturing cost including a proportion of production overheads. We focused on Stock in Trade as it is a significant portion of Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation.	We performed a range of audit procedures with respect to inventory items including, amongst others, physical observation of inventory counts, testing valuation methods and their appropriateness in accordance with the applicable accounting standards. We also tested the calculations of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads. We also assessed the adequacy of the disclosures made in respect of the accounting policies and the inventory balances held by the Company at the year end.
2. Acquisition of new fixed assets	
As disclosed in note 5 to the accompanying financial statements, during the year, the Company capitalized Rs.250 million in its operating fixed assets. The company has also made an addition of Rs.324 million in its Capital work-in-progress out of which Rs.139 million relates to plant and machinery. The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the recognition criteria as stipulated in IAS 16, 'Property, Plant and Equipment' (IAS 16), and the application of the management's judgement in assigning appropriate useful economic lives. As this capitalisation represents a significant transaction for the year due to its impact on the current year's financial statements, we have considered the said transaction as a key audit matter.	Our key audit procedures in this area included, amongst others, assessing the Company's capitalisation policy for compliance with the relevant accounting standards. We assessed the costs capitalised against the capitalisation policy by testing samples of capital expenditure. We also reviewed the completion certificates to ascertain that property, plant and equipment is in available for use condition which makes it eligible for capitalization and whether some portion needs to be in capital work in progress and corroborated the same with the post capitalization production reports to support our conclusions. We also evaluated the basis used by the management for determining the useful lives of the operating fixed assets and the depreciation charged in relation thereto, by considering factors such as the current depreciation, estimates for similar or comparable assets, expected utilization of the assets and the estimated residual values at the end of the useful lives.

A member firm of Ernst & Young Global Limited

EY
Building a better working world

Key audit matters	How our audit addressed the key audit matter
	We further evaluated the adequacy of financial statement disclosures applicable to the entity in accordance with the applicable financial reporting framework as disclosed in note 3.1 to the accompanying financial statements.
3. Preparation of financial statements under Companies Act, 2017	
As referred to in note 3.1 to the accompanying financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as referred to note 3.2 to the financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.	We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

A member firm of Ernst & Young Global Limited

EY
Building a better working world

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

A member firm of Ernst & Young Global Limited

EY
Building a better working world

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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.

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

Chartered Accountants

Place: Karachi

Date: 03 October 2018

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

ASSETS	Note	2018	2017
		---------- (Rupees in '000) ----------	
NON-CURRENT ASSETS			
Property, plant and equipment	5	**1,182,304**	845,204
Intangible assets	6	**8,049**	10,944
Long-term loans	7	**2,890**	2,644
Long-term deposits	8	**70,112**	46,944
Deferred tax asset	9	**7,782**	21,697
		1,271,137	927,433
CURRENT ASSETS			
Stores and spares		**1,863**	1,640
Stock-in-trade	10	**878,742**	905,111
Trade debts	11	**561,444**	535,582
Loans and advances	12	**102,215**	99,632
Short-term deposits and prepayments	13	**80,998**	70,919
Other receivables		**639**	767
Accrued mark-up		**47**	88
Taxation - net		**99,972**	96,679
Cash and bank balances	14	**46,995**	102,088
		1,772,915	1,812,506
TOTAL ASSETS		**3,044,052**	2,739,939
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	**391,444**	391,444
Reserves		**776,083**	751,800
		1,167,527	1,143,244
NON-CURRENT LIABILITIES			
Long-term financing	16	**271,902**	81,353
Deferred liabilities	17	**171,868**	166,130
Long-term deposit		**500**	500
		444,270	247,983
CURRENT LIABILITIES			
Trade and other payables	18	**1,275,691**	1,184,618
Short-term borrowings	19	**59,349**	93,800
Accrued mark-up	20	**13,717**	13,202
Current portion of long-term financing		**83,286**	57,092
Unclaimed dividends		**212**	-
		1,432,255	1,348,712
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		**3,044,052**	2,739,939

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

CHIEF EXECUTIVE | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		---------- (Rupees in '000) ----------	
Turnover	22	**4,053,174**	3,629,959
Cost of sales	23	**(2,230,743)**	(1,956,580)
Gross profit		**1,822,431**	1,673,379
Distribution costs	24	**(1,235,391)**	(1,061,311)
Administrative expenses	25	**(198,780)**	(201,546)
Other expenses	26	**(27,793)**	(30,004)
Other income	27	**27,655**	32,710
Operating profit		**388,122**	413,228
Finance costs	28	**(67,507)**	(60,783)
Profit before taxation		**320,615**	352,445
Taxation	29	**(74,332)**	(78,221)
Net profit for the year		**246,283**	274,224
Basic and diluted earnings per share (Rs.)	30	**6.29**	7.01

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

CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	---------- (Rupees in '000) ----------	
Net profit for the year	**246,283**	274,224
Other comprehensive (loss)		
Items that may not be reclassified subsequently to profit or loss account		
Remeasurement loss on defined benefit plans – net of tax	**(835)**	(19,079)
Total comprehensive income for the year	**245,448**	255,145

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

CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**320,615**	352,445
Adjustments:			
Depreciation		**68,895**	65,115
Amortization		**4,375**	10,879
Finance costs		**67,507**	60,783
Provision for gratuity		**16,125**	13,078
Gain on disposal of property, plant and equipment		**(14,991)**	(21,823)
Provision for slow moving and obsolete stock-in-trade		**6,110**	11,471
Provision for doubtful debts		**(1,951)**	11,150
		146,070	150,653
		466,685	503,098
(Increase) / decrease in current assets			
Stores and spares		**(223)**	(492)
Stock-in-trade		**20,259**	(291,294)
Trade debts		**(23,911)**	(131,060)
Loans and advances		**(2,583)**	7,111
Short-term deposits and prepayments		**(10,079)**	(10,091)
Other receivables		**169**	511
		(16,368)	(425,315)
Increase in current liabilities			
Trade and other payables		**91,285**	136,033
		74,917	(289,282)
Finance costs paid		**(66,992)**	(59,550)
Income tax paid		**(63,393)**	(69,887)
Gratuity paid		**(11,762)**	(15,138)
Long-term loans		**(246)**	(313)
Long-term deposits		**(23,168)**	(20,103)
Deferred liabilities		**223**	291
		(165,338)	(164,700)
Net cash generated from operating activities		**376,264**	49,116
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(407,620)**	(174,203)
Proceeds from disposal of property, plant and equipment		**16,616**	26,440
Acquisition of intangible assets		**(1,480)**	(3,290)
Net cash used in investing activities		**(392,484)**	(151,053)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(221,165)**	(95,904)
Short term borrowings (repaid) / obtained		**(34,451)**	63,659
Long-term financing obtained / (repaid)		**216,743**	(37,412)
Net cash used in financing activities		**(38,873)**	(69,657)
Net decrease in cash and cash equivalents during the year		**(55,093)**	(171,594)
Cash and cash equivalents at the beginning of the year		**102,088**	273,682
Cash and cash equivalents at the end of the year	14	**46,995**	102,088

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

CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid-up share capital	Reserves		Total reserves	Total equity
		Capital reserves	Revenue reserves Unappropriated profit		
	(Rupees in '000)				
Balance as at July 01, 2016	391,444	217,808	374,751	592,559	984,003
Final cash dividend @ Rs.2.46 Per Share for the year ended June 30, 2016	-	-	(95,904)	(95,904)	(95,904)
Net profit for the year	-	-	274,224	274,224	274,224
Other comprehensive loss			(19,079)	(19,079)	(19,079)
Total comprehensive income for the year	-	-	255,145	255,145	255,145
Balance as at June 30, 2017	391,444	217,808	533,992	751,800	1,143,244
Balance as at July 01, 2017	**391,444**	**217,808**	**533,992**	**751,800**	**1,143,244**
Final cash dividend @ Rs.4.25 per share for the year ended June 30, 2017	**-**	**-**	**(166,363)**	**(166,363)**	**(166,363)**
Net profit for the year	**-**	**-**	**246,283**	**246,283**	**246,283**
Other comprehensive loss	**-**	**-**	**(835)**	**(835)**	**(835)**
Total comprehensive income for the year	**-**	**-**	**245,448**	**245,448**	**245,448**
Interim cash dividend @ Rs.1.40 per share for the year ended June 30, 2018	**-**	**-**	**(54,802)**	**(54,802)**	**(54,802)**
Balance as at June 30, 2018	**391,444**	**217,808**	**558,275**	**776,083**	**1,167,527**

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

CHIEF EXECUTIVE | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. THE COMPANY AND ITS OPERATIONS

1.1 Macter International Limited (the Company) was incorporated in Pakistan in 1992 as a private limited company and was converted into a public limited company in 2011. Effective from August 1, 2017 the Company has been listed on Pakistan Stock Exchange Limited. The geographical location and registered office of the Company is situated at F-216, S.I.T.E. Karachi.

1.2 The principal activity of the Company is to manufacture and market pharmaceutical products.

2. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

All significant transactions and events that have affected the Company's statements of financial position and performance during the year have been adequately disclosed in the notes of these financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

3.2 The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, include changes in nomenclature of the primary statements. Further, the disclosure requirements under the Act have been revised, resulting in elimination of duplicate disclosures with IFRS disclosure requirements and incorporation of additional / amended disclosures as mentioned in notes geographical location of the Company (note 1), summary of significant transactions and events occurred during the year (note 2), particulars of immovable assets of the Company (note 5.3), management assessment of sufficiency of tax provision (note 29.2) and transactions with related parties (note 32).

3.3 Accounting convention

These financial statements have been prepared under the historical cost convention.

3.4 New Standards, Interpretations and Amendments

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes — Recognition of Deferred Tax Assets for Unrealized losses (Amendment)

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

3.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 - Share Based Payments - Classification and Measurement of Share Based Payment Transactions (Amendments)	01 January 2018
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — (Amendments)	01 January 2018
IFRS 9 - Financial Instruments	01 July 2018
IFRS 9 - Prepayment Features with Negative Compensation — (Amendments)	01 January 2018
IFRS 15 - Revenue from Contracts with Customers	01 July 2018
IFRS 16 - Leases	01 January 2019
lAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
lAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019

The above standards and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS-15 - Revenue from Contracts with Customers. The Company is currently evaluating the impact of this Standard on the financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 17	Insurance Contracts	January 1, 2021

3.6 Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the end of the reporting period. However, uncertainty about these estimates and judgments could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognized prospectively.

In the process of applying the accounting policies, management has made the following judgments and estimates which are significant to the financial statements:

	Notes
- determining the residual values, useful lives and impairment of property, plant and equipment / intangible assets	4.1, 4.2, 4.3, 5 & 6
- valuation of inventories	4.4,4.5 & 10
- provision against trade debts	4.6 & 11
- provision for tax and deferred tax	4.18, 9 & 29
- provision for employee retirement benefits	4.13 & 17.1.2
- contingencies	21.1

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any, except for leasehold land and capital work-in-progress which are stated at cost less impairment loss, if any.

Depreciation is charged to the profit or loss account applying the reducing balance method at the rates specified in note 5.1 to the financial statements. Depreciation on additions is charged from the month asset is available for use and in case of disposal up to the preceding month of disposal.

Maintenance and repairs are charged to profit or loss account as and when incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the assets so replaced, if any, are retired.

Gains or losses on disposals of property, plant and equipment, if any, are recognized in profit or loss account.

4.2 Intangible assets

These are stated at cost less accumulated amortization and impairment loss, if any. These are amortized on a straight line method when assets are available for use at the rates specified in note 6 to the financial statement. Amortization is charged from the month when asset is available for use while no amortization is charged in the month in which an asset is disposed off.

4.3 Impairment

The carrying values of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized in the profit or loss account.

4.4 Stores and spares

These are stated at lower of weighted average cost and net realizable value.

4.5 Stock-in-trade

These are valued at the lower of cost and net realisable value. Cost is determined as follows:

- Raw and packing material	- on weighted average basis.
- Finished goods and work in process	- at weighted average cost of purchases and applicable manufacturing expenses.
- Stock-in-transit	- valued at cost comprising invoice value plus other charges paid thereon up to the statement of financial position date.

4.6 Trade debts

These are recognised and carried at original invoice amount less an estimate made for doubtful receivables which is determined based on management's review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off when identified.

4.7 Loans, advances, deposits and prepayments

These are carried at cost.

4.8 Cash and cash equivalents

These are carried at cost.

4.9 Long term and short term borrowings

These are recorded at the proceeds received. Installments due within one year are shown as a current liability and mark-up on borrowings is charged to profit or loss as an expense, on accrual basis.

4.10 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.11 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument and are de-recognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

4.12 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

4.13 Employee retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all eligible permanent employees. Provision is made on the basis of actuarial recommendations. The latest actuarial valuation is carried out as at June 30, 2018 using the Project Unit Credit Method.

Defined contribution plan

The Company operates a provident fund plan for all permanent management employees. Contribution is made to the fund equally by the company and the employees at the rate of 8.33% of basic and / or gross salary, as per the respective entitlement grades.

4.14 Revenue recognition

- Sales are recognised on dispatch of goods to customers.
- Income from toll manufacturing is accounted for on accrual basis.
- Profit on bank accounts is recognized on accrual basis.

4.15 Ijarah rentals

Leases under Shariah compliant Ijarah contracts, where significant portion of the risk and reward of ownership is retained by the lesser, are classified as Ijarah. Rentals under these arrangements are charged to profit or loss account on straight line basis over the lease term.

4.16 Foreign currency translations

Transactions in foreign currencies are recorded in Pakistan rupees (functional currency) at the rates of exchange approximating those prevalent on the date of transaction. Monetary assets and liabilities in foreign currencies are reported in Pakistan rupees at the rate of exchange prevailing on the statement of financial position date. Exchange gains or losses are taken to the profit or loss account.

4.17 Provisions

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

4.18 Taxation

Currents

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with the Income Tax Ordinance, 2001.

Deferred

Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credit and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the statement of financial position date.

4.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4.20 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is also the Company's functional currency.

	Note	2018	2017
		---------- (Rupees in '000) ----------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	**943,524**	764,349
Capital work-in-progress	5.5	**238,780**	80,855
		1,182,304	845,204

5.1 **Statement of operating fixed assets:**

	Cost as at July 01, 2017	Additions / (Deletion)	Cost as at June 30, 2018	Accumulated depreciation as at July 01, 2017	Depreciation charge for the year	Accumulated depreciation on Transfers / (Deletion)	Accumulated depreciation as at June 30, 2018	Net book value as at June 30, 2018	Depreciation rate % per annum
	---------- (Rupees in '000) ----------								
Owned									
Leasehold land (note 5.3)	90,415	117,215 -	207,630	-	-	-	-	207,630	-
Buildings on leasehold land (note 5.3)	338,642	23,995 -	362,637	107,413	12,570	-	119,983	242,654	5
Plant and machinery	524,516	24,542 (775)	548,283	292,140	24,355	(675)	315,820	232,463	10
Tools and equipment	60,986	19,893 -	80,879	25,365	4,664	-	30,029	50,850	10
Gas and other installation	158,007	11,422 -	169,429	81,501	8,371	-	89,872	79,557	10
Furniture and fixture	37,376	11,437 -	48,813	18,550	2,656	-	21,206	27,607	10
Office equipment	28,953	2,364 -	31,317	12,664	1,781	-	14,445	16,872	10
Computer equipment	31,550	3,352 (126)	34,776	24,115	2,856	(102)	26,869	7,907	30
Motor Vehicles	107,716	35,475 (3,149)	140,042	52,064	11,642	- (1,648)	62,058	77,984	20
	1,378,161	**249,695 (4,050)**	**1,623,806**	**613,812**	**68,895**	**- (2,425)**	**680,282**	**943,524**	

Statement of operating fixed assets:

	Cost as at July 01, 2016	Additions / (Deletion)	Cost as at June 30, 2017	Accumulated depreciation as at July 01, 2016	Depreciation charge for the year	Accumulated depreciation on Transfers / (Deletion)	Accumulated depreciation as at June 30, 2017	Net book value as at June 30, 2017	Depreciation rate % per annum
	---------- (Rupees in '000) ----------								
Owned									
Leasehold land (note 5.3)	90,415	-	90,415	-	-	-	-	90,415	-
Buildings on leasehold land (note 5.3)	317,754	20,888	338,642	95,774	11,639	-	107,413	231,229	5
Plant and machinery	507,097	17,419	524,516	267,014	25,126		292,140	232,376	10
Tools and equipment	48,706	12,280	60,986	22,057	3,308	-	25,365	35,621	10
Gas and other installation	149,085	8,922	158,007	73,519	7,982	-	81,501	76,506	10
Furniture and fixture	36,609	767	37,376	16,486	2,064	-	18,550	18,826	10
Office equipment	27,716	1,237	28,953	10,944	1,720	-	12,664	16,289	10
Computer equipment	27,502	4,122 (74)	31,550	21,831	2,350	(66)	24,115	7,435	30
Motor Vehicles	88,484	29,429 (10,197)	107,716	46,727	10,926	- (5,589)	52,064	55,652	20
	1,293,368	**95,064 (10,271)**	**1,378,161**	**554,352**	**65,115**	**- (5,655)**	**613,812**	**764,349**	

5.2 The details of operating fixed assets disposed of, having net book value in excess of Rs. 500,000 are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars buyer
			(Rupees in '000)				
Hp Probook 4540	64	51	13	14	1	Ex-employee via company policy	Mr. Saeed Iqbal
HP 2000 Sleekbook	62	51	11	17	6	Ex-employee via company policy	Mr. Mehmood Yousuf
Computer equipment	**126**	**102**	**24**	**31**	**7**		
AWG-192 Suzuki Cultus	47	6	41	700	659	3rd party via bid	Mr. Shahid Ali
AUC-215 Honda Civic	82	26	56	1,010	954	3rd party via bid	Mr. Shahid Ali
AVP-689 Suzuki Mehran	44	21	23	315	292	3rd party via bid	Mr. Shahid Ali
AUN-519 Honda City	-	-	-	970	970	3rd party via bid	Mr. Shahid Ali
AWY-801 Suzuki Mehran	47	15	32	309	277	Employee via bid	Mr. Muhammad Ali Qureshi
AQV-435 Daihatsu Coure	429	384	45	344	299	Employee via bid	Mr. Muhammad Ali Qureshi
KQ-3564 Suzuki Pickup	401	348	53	354	301	Employee via bid	Mr. Muhammad Ali Qureshi
AWZ-366 Suzuki Mehran	47	15	32	375	343	3rd party via bid	Mr. Tariq Alam
AWV-189 Suzuki Mehran	47	16	31	390	359	3rd party via bid	Mr. Tariq Alam
AWZ-913 Suzuki Mehran	47	15	32	371	339	3rd party via bid	Mr. Rizwan M. Khan
ATZ-559 Suzuki Mehran	45	23	22	318	296	3rd party via bid	Mr. Ahmed Waqas
AQJ-802 Suzuki Mehran	372	334	38	209	171	Employee via company policy	Mr. Afsar Gul
AYJ-028 Suzuki Cultus	99	-	99	575	476	Ex-employee via company policy	Mr. Saeed Iqbal
AYJ-017 Suzuki Cultus	99	-	99	495	396	Employee via company policy	Mr. Atif Ali Miraz
AWP-718 Suzuki Mehran	46	18	28	386	358	3rd party via bid	Mr. Muhammad Sadiq
AYD-834 Suzuki Mehran	74	13	61	391	330	3rd party via bid	Mr. Muhammad Sadiq
AYD-995 Suzuki Mehran	74	13	61	406	345	3rd party via bid	Mr. Muhammad Sadiq
AUA-350 Suzuki Mehran	43	16	27	601	574	3rd party via bid	Mr. Muhammad Sadiq
AWZ-626 Suzuki Mehran	47	18	29	381	352	3rd party via bid	Mr. Muhammad Sadiq
ASF-074 Honda Citi	121	62	59	1,014	955	Employee via bid	Mr. Muhammad Ali Qureshi
AUN-576 Honda Citi	-	-	-	919	919	Employee via bid	Mr. Muhammad Ali Qureshi
AWC-590 Honda Civic	92	19	73	1,026	953	3rd party via bid	Mr. Shahid Ali
AXW-716 Suzuki Mehran	84	42	42	337	295	Employee via company policy	Mr. Imran Ahmed
AXW-713 Suzuki Mehran	84	42	42	337	295	Employee via company policy	Mr. Abdul Samad
AYK 188 Suziki Mehran	76	18	58	352	294	3rd party via bid	Mr. A. Aziz Siddiqui
ATZ-573 Suzuki Mehran	45	27	18	330	312	3rd party via bid	Mr. Shahid Ali
AUD-392 Suzuki Cultus	43	19	24	565	541	3rd party via bid	Mr. Shahid Ali
AYQ 291 Suziki Cultus	99	-	99	640	541	3rd party via bid	Mr. Shahid Ali
AYH-021 Suzuki Cultus	99	8	91	655	564	Employee via bid	Mr. Muhammad Ali Qureshi
AVN-942 Honda City	316	130	186	1,160	974	Employee via bid	Mr. Muhammad Ali Qureshi
Motor vehicles	**3,149**	**1,648**	**1,501**	**16,235**	**14,734**		
Wilhelm Fette Machine	775	675	100	350	250	3rd party via negotiation	M/s. Star Pharma Engineering, Madina Market, Sumandari Road, Faisalabad
Plant and machinery	**775**	**675**	**100**	**350**	**250**		
	4,050	**2,425**	**1,625**	**16,616**	**14,991**		

5.3 Particulars of immovable fixed assets:

Location	Usage	Total Area (Square feet)
F-216 S.I.T.E, Karachi	Manufacturing Facility	44,020
E-40/A S.I.T.E, Karachi	Manufacturing Facility	44,226
Gadap Town, District Malir, Karachi		718,741

	Note	2018	2017
		(Rupees in '000)	
5.4 Depreciation charge for the year has been allocated as follows:			
Cost of sales	23	**51,542**	49,253
Distribution cost	24	**11,538**	9,654
Administrative expenses	25	**5,815**	6,208
		68,895	65,115

5.5 Capital work-in-progress

	Civil works	Plant and machinery	Others	Total
Opening balance	**20,244**	**15,338**	**45,273**	**80,855**
Capital expenditure incurred / advances made	**77,288**	**138,519**	**107,768**	**323,575**
Transfer to operating fixed assets	**(17,845)**	**(6,656)**	**(141,149)**	**(165,650)**
Closing balance	**79,687**	**147,201**	**11,892**	**238,780**

6. INTANGIBLE ASSETS

	Cost as at July 01, 2017	Additions	Cost as at June 30, 2018	Accumulated amortization as at July 01, 2017	Amortization charge for the year	Accumulated amortization as at June 30, 2018	Net book value as at June 30, 2018	Amortization rate % per annum
	(Rupees in '000)							
Software licenses	**16,326**	**1,480**	**17,806**	**8,410**	**3,130**	**11,540**	**6,266**	**20-33.33%**
SAP ERP	**41,802**	**-**	**41,802**	**38,774**	**1,245**	**40,019**	**1,783**	**20%**
Manufacturing and	**20,000**	**-**	**20,000**	**20,000**	**-**	**20,000**	**-**	**20%**
	78,128	**1,480**	**79,608**	**67,184**	**4,375**	**71,559**	**8,049**	

	Cost as at July 01, 2016	Additions	Cost as at June 30, 2017	Accumulated amortization as at July 01, 2016	Amortization charge for the year	Accumulated amortization as at June 30, 2017	Net book value as at June 30, 2017	Amortization rate % per annum
	(Rupees in '000)							
Software licenses	**13,036**	**3,290**	**16,326**	**5,892**	**2,518**	**8,410**	**7,916**	**20-33.33%**
SAP ERP	**41,802**	**-**	**41,802**	**30,413**	**8,361**	**38,774**	**3,028**	**20%**
Manufacturing and	**20,000**	**-**	**20,000**	**20,000**	**-**	**20,000**	**-**	**20%**
	74,838	**3,290**	**78,128**	**56,305**	**10,879**	**67,184**	**10,944**	

	Note	2018	2017
		(Rupees in '000)	
6.1 Amortization charge for the year has been allocated as follows:			
Cost of sales	23	**117**	78
Distribution cost	24	**515**	292
Administrative expenses	25	**3,743**	10,509
		4,375	10,879

	Note	2018	2017
		------- (Rupees in '000) -------	
7. LONG-TERM LOANS - secured, considered good			
Due from:			
- Executives		**3,955**	4,004
- Other employees	7.1	**5,978**	6,058
	7.2	**9,933**	10,062
Current portion:			
- Executives		**(2,359)**	(2,845)
- Other employees		**(4,684)**	(4,573)
	12	**(7,043)**	(7,418)
		2,890	2,644

7.1 This includes mark-up free loan obtained by Mr. Mumtaz Zaidi amounting to Rs. 2.2 million repayable in 22 equal monthly installments which is secured against his gratuity dues.

7.2 These loans are markup free and secured against retirement benefits of respective employees.

8. LONG-TERM DEPOSITS			
- Ijarah / Diminishing musharakah		**67,404**	44,236
- Utilities		**1,998**	1,998
- Rent		**710**	710
		70,112	46,944
9. DEFERRED TAX ASSETS			
Deductible temporary differences:			
Provisions		**72,747**	86,484
Minimum tax		**26,893**	26,923
		99,640	113,407
Taxable temporary differences:			
Accelerated tax depreciation		**(91,858)**	(91,710)
		7,782	21,697
10. STOCK-IN-TRADE			
In hand			
raw materials		**324,748**	366,100
packing materials		**197,011**	206,728
work-in-process		**52,716**	95,598
finished goods	10.1	**348,966**	275,202
		923,441	943,628
Less: Provision for slow moving and obsolete items	10.2	**(46,482)**	(40,372)
		876,959	903,256
In transit		**1,783**	1,855
		878,742	905,111

10.1 These include cost of physician samples, aggregating Rs. 23.272 million (2017: Rs. 8.957 million).

		Note	2018	2017
			------- (Rupees in '000) -------	
10.2	**Provision for slow moving and obsolete items**			
	Opening balance		**40,372**	28,901
	Charge for the year	23	**27,654**	32,225
	Write off during the year		**(21,544)**	(20,754)
	Closing balance		**46,482**	40,372
11.	**TRADE DEBTS - unsecured**			
	Considered good	11.1	**561,444**	535,582
	Considered doubtful		**46,625**	48,576
	Provision for doubtful debts	11.2	**(46,625)**	(48,576)
			-	-
			561,444	535,582

11.1 Trade debts include amount of Rs. 23.852 (2017: Rs. 23.006) million representing receivable against export sales to Africa.

11.2	**Provision for doubtful debts**			
	Opening balance		**48,576**	37,426
	Charge during the year	24	**4,134**	26,290
	Write off during the year		**(6,085)**	(15,140)
	Closing balance		**46,625**	48,576
12.	**LOANS AND ADVANCES - considered good**			
	Current portion of long term loans	7	**7,043**	7,418
	Advances to:			
	Employees	12.1	**9,703**	24,170
	Suppliers		**85,277**	67,859
	Others		**192**	185
			95,172	92,214
			102,215	99,632

12.1 Advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.

13.	**SHORT-TERM DEPOSITS AND PREPAYMENTS**		
	Deposits		
	Ijarah / Diminishing musharakah	**11,489**	3,400
	Margin against bank guarantees	**16,477**	16,485
	Tender deposits	**40,274**	35,236
	Others	**550**	5,371
		68,790	60,492
	Prepayments		
	Rent	**10,289**	8,000
	Software license	**1,814**	1,487
	Fees, rates and taxes	**105**	82
	Motor vehicles maintenance	**-**	858
		12,208	10,427
		80,998	70,919

		Note	2018	2017
			------- (Rupees in '000) -------	
14.	**CASH AND BANK BALANCES**			
	Cash in hand		**16**	22
	With banks in:			
	- current accounts		**2,690**	86,584
	- saving accounts	14.1	**44,289**	15,482
			46,979	102,066
			46,995	102,088

14.1 These carry profit at the rates ranging from 2.46% to 3.10% (2017: 2.40% to 4.33%) per annum.

15. SHARE CAPITAL

15.1 Authorized share capital

2018	2017		2018	2017
Number of shares				
65,000,000	65,000,000	Ordinary shares of Rs.10/- each	**650,000**	650,000

15.2 Issued, subscribed and paid up share capital

2018	2017		2018	2017
Number of shares				
		Fully paid in cash		
8,430,868	8,430,868	Issued for cash	**84,309**	84,309
30,489,649	30,489,649	Issued as fully paid bonus shares	**304,897**	304,897
		Issued pursuant to merger		
223,834	223,834	with Associated Services Limited	**2,238**	2,238
39,144,351	39,144,351		**391,444**	391,444

16. LONG-TERM FINANCING

	Note		
Secured			
Diminishing musharakah on:			
- Leasehold land and buildings	16.1	**125,093**	65,173
- plant and machinery	16.2	**163,028**	25,304
- vehicles	16.3	**65,429**	44,761
- equipment	16.4	**1,638**	2,994
		355,188	138,232
Less: Current maturity		**(83,286)**	(57,092)
		271,902	81,140
Unsecured			
From others		**-**	213
		271,902	81,353

16.1 These facilities have been obtained from Meezan Bank Limited. These carry markup at the rate of 6 months KIBOR plus 1.25% to 2.0% (2017 : KIBOR plus 1.5% to 2.0%) per annum and are repayable latest by August 2022. These facilities are secured against the respective assets.

During the year, the Company has utilized an additional facility of Rs. 90 million from Meezan Bank Limited under diminishing musharakah for the purchase of leasehold land, which carries markup at the rate of 6 months KIBOR plus 1.25% per annum and is repayable latest by August 2022. This facility is secured against an exclusive charge created over existing leasehold land and building.

16.2 These facilities have been obtained from First Habib Modaraba and Dubai Islamic Bank Limited. These carry markup at the rates ranging from 6 months KIBOR plus 1.4% to 2.0% (2017 : KIBOR plus 1.4% to 2.5%) per annum and are repayable latest by June 2023. These facilities are secured against the respective assets.

16.3 These facilities have been obtained from First Habib Modaraba. These carry markup at the rates ranging from 6 months KIBOR plus 1.25% to 2% (2017 : KIBOR plus 1.25% to 2%) per annum and are repayable by June 2023 in monthly installments. These facilities are secured against the respective assets.

16.4 These facilities have been obtained from First Habib Modaraba. These carry markup at the rates ranging from 6 months KIBOR plus 2% (2017 : KIBOR plus 2%) per annum and are repayable latest by December 2018. These facilities are secured against the respective assets.

		Note	2018	2017
			------- (Rupees in '000) -------	
17.	**DEFERRED LIABILITIES**			
	Advance against motor vehicles		**839**	616
	Employees gratuity	17.1	**171,029**	165,514
			171,868	166,130
17.1	**Employee gratuity**			
	Opening balance		**165,514**	140,781
	Charge for the year		**16,125**	13,078
	Other comprehensive income		**1,152**	26,793
	Benefits paid during the year		**(11,762)**	(15,138)
	Closing balance		**171,029**	165,514
17.1.1	**Movement in the present value of defined benefit obligation:**			
	Opening balance		**165,514**	140,781
	Service cost		**4,951**	4,419
	Interest cost		**11,174**	8,659
	Benefits paid during the year		**(11,762)**	(15,138)
	Remeasurement loss on defined benefit plans		**1,152**	26,793
	Closing balance		**171,029**	165,514
17.1.2	**Amounts recognized in the profit or loss account**			
	Current service cost		**4,951**	4,419
	Interest cost		**11,174**	8,659
	Charge for the year		**16,125**	13,078

		2018	2017
17.1.3	**Significant actuarial assumptions**		
	Discount rate	**8.75%**	7%
	Expected rate of increase in salary	**8.75%**	7%

		Note	2018	2017
			------- (Rupees in '000) -------	
18.	**TRADE AND OTHER PAYABLES**			
	Creditors		**456,325**	325,941
	Advances from customers		**106,782**	161,109
	Murabaha payables	18.1	**563,581**	588,575
	Accrued liabilities		**37,682**	30,323
	Provision for gas infrastructure development cess	18.2	**54,150**	44,412
	Sindh workers' profit participation fund	18.3	**17,393**	2,120
	Workers' welfare fund		**19,197**	12,588
	Central research fund		**3,239**	3,560
	Provident fund	18.4	**1,734**	2,864
	Others liabilities		**15,608**	13,126
			1,275,691	1,184,618

18.1 Represent outstanding murabaha facilities with various Islamic banks. The repayment varies from 60 to 180 days (2017: 110 to 180 days) and carries profit at the rate ranging from 3 to 6 months KIBOR plus 1.0% to 1.5% per annum (2017: from 3 to 6 months of KIBOR plus 1.0% to 1.5% per annum). These are secured against hypothecation of stock in trade and trade debts of the Company.

18.2 Provision for gas infrastructure development cess

Opening balance	**44,412**	28,701
Provision for the year	**9,738**	15,711
	54,150	44,412

18.3 Sindh workers' profit participation fund

Opening balance	**2,120**	2,339
Markup thereon	**200**	59
Charge for the year	**17,393**	19,120
	19,713	21,518
Less: Payment made during the year	**(2,320)**	(19,398)
Closing balance	**17,393**	2,120

18.4 Provident fund

18.4.1 General disclosures

Size of the fund	**121,288**	77,096
Percentage of investments made	**90%**	97%
Cost of investments	**109,456**	74,585
Fair value of investments made	**103,421**	71,429

18.4.2 Breakup of investments

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	2018 Unaudited		2017 Audited	
	Investment (Rupees in '000)	% of investment as size of fund	Investment (Rupees in '000)	% of investment as size of fund
Saving bank account	**51,893**	**50%**	17,022	24%
Term deposit receipts	**30,000**	**29%**	30,000	42%
Mutual funds	**21,528**	**21%**	24,407	34%
	103,421	**100%**	71,429	100%

18.4.3 Investments of provident fund have been made in accordance with the provisions of section 218 of the Act and the rules formulated for this purpose.

	Note	2018	2017
		------- (Rupees in '000) -------	
19. SHORT TERM BORROWINGS - secured			
Istisna'a	19.1	**59,349**	93,800

19.1 Represents finance facilities obtained from various Islamic banks. These carry mark up at the rate of 3 to 6 months KIBOR plus 1.0% to 1.25% per annum (2017: 3 to 6 months KIBOR plus 1.0% to 1.5% per annum) and are repayable after 180 days. These are secured by way of hypothecation on stock-in-trade and trade debts of the Company.

20. ACCRUED MARK-UP

- Diminishing musharka	**1,702**	468
- Istisna'a	**839**	1,800
- Murabaha	**11,097**	10,934
- Shirkat-ul-melk	**79**	-
	13,717	13,202

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 Certain cases have been filed against the Company by some employees against their termination / dismissal. If cases go in favour of employees, Rs. 6.32 million (2017: Rs. 8.35 million) may be paid as remuneration. Provision has not been made in these financial statements for the said amount as the management of the Company, based on the advice of its legal counsel handling the subject cases, is of the opinion that matters shall be decided in the Company's favour.

21.1.2 Outstanding letters of guarantee	**85,124**	82,336

21.1.3 During the year ended June 30, 2015, the Additional Commissioner Inland Revenue (ACIR) framed an order under section 122(5A) of Income Tax Ordinance, 2001 amounting to Rs. 6.399 million for tax year 2013 on account of disallowance of certain expenses. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR (A)] who reverted the case back to the ACIR for re-adjudication. Being aggrieved, the tax authorities filed an appeal before the Appellate Tribunal Inland Revenue, which is pending adjudication. The management, based on tax advice, is confident for a favorable outcome, accordingly, no provision is made in these financial statements in this respect.

21.2 Commitments

Outstanding letters of credit	**111,801**	86,171
Commitments for capital expenditure	**108,393**	101,390

		Note	2018	2017
			------- (Rupees in '000) -------	
	Commitments for ijarah rentals in respect of plant and machinery, motor vehicles and equipment:			
		2018	-	76,981
		2019	**105,618**	75,575
		2020	**90,316**	60,242
		2021	**80,699**	50,582
		2022	**54,091**	24,609
		2023	**6,130**	-
			336,854	287,989
22.	**TURNOVER**			
	Gross Sales			
	Local		**3,872,560**	3,499,172
	Export		**124,032**	63,340
			3,996,592	3,562,512
	Less: Sales tax		**23,205**	15,602
			3,973,387	3,546,910
	Toll manufacturing		**79,787**	83,049
			4,053,174	3,629,959
23.	**COST OF SALES**			
	Raw and packing materials consumed	23.1	**1,614,416**	1,440,398
	Salaries, wages and benefits		**381,816**	320,222
	Fuel and power		**106,260**	105,044
	Ijarah lease rentals		**49,985**	26,001
	Repairs and maintenance		**54,048**	52,974
	Laboratory and factory supplies		**13,724**	16,041
	Takaful		**3,129**	2,287
	Provision for slow moving and obsolete stock-in-trade	10.2	**27,654**	32,225
	Printing and stationery		**5,675**	4,314
	Rent, rates and taxes		**8,544**	6,427
	Legal and professional		**1,591**	453
	Travelling and conveyance		**3,570**	1,544
	Depreciation	5.4	**51,542**	49,253
	Amortization	6.1	**117**	78
	Postage and communication		**1,021**	1,094
	Others		**241**	562
			2,323,333	2,058,917
	Work-in-process			
	Opening		**95,598**	79,160
	Closing		**(52,716)**	(95,598)
			42,882	(16,438)
	Cost of goods manufactured		**2,366,215**	2,042,479
	Finished goods			
	Opening		**275,202**	233,833
	Closing		**(348,966)**	(275,202)
			(73,764)	(41,369)
	Physician samples		**(61,708)**	(44,530)
			2,230,743	1,956,580

		Note	2018	2017
			------- (Rupees in '000) -------	
23.1	**Raw and packing materials consumed**			
	Opening stock		**572,828**	337,431
	Purchases		**1,563,347**	1,675,795
			2,136,175	2,013,226
	Closing stock		**(521,759)**	(572,828)
			1,614,416	1,440,398
24.	**DISTRIBUTION COSTS**			
	Salaries and benefits		**607,681**	514,511
	Sales promotion expenses		**235,521**	174,024
	Repair and maintenance		**22,415**	20,584
	Fuel and power		**13,064**	11,750
	Ijarah lease rentals		**25,318**	19,315
	Printing and stationery		**2,862**	2,774
	Takaful		**4,238**	3,365
	Postage and communication		**4,499**	4,246
	Rent, rate and taxes		**28,143**	16,616
	Legal and professional		**2,274**	2,240
	Provision for doubtful debts	11.2	**4,134**	26,290
	Freight charges		**65,704**	51,568
	Training and development cost		**67,411**	65,608
	Depreciation	5.4	**11,538**	9,654
	Amortization	6.1	**515**	292
	Traveling, conveyance and entertainment		**59,395**	49,060
	Service charges		**68,491**	79,823
	Subscription charges		**12,188**	9,591
			1,235,391	1,061,311
25.	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits		**127,746**	132,475
	Fuel and power		**7,130**	6,023
	Ijarah lease rentals		**3,914**	3,113
	Legal and professional		**15,789**	13,058
	Printing and stationery		**3,269**	2,341
	!uditors' remuneration	25.1	**1,985**	2,030
	Rent, rates and taxes		**4,506**	3,044
	Takaful		**919**	1,000
	Repairs and maintenance		**16,128**	15,145
	Postage and communication		**2,595**	2,854
	Depreciation	5.4	**5,815**	6,208
	Amortization	6.1	**3,743**	10,509
	Traveling, conveyance and entertainment		**2,494**	1,660
	Others		**2,747**	2,086
			198,780	201,546

		2018	2017
		------- (Rupees in '000) -------	
25.1	**Auditors' remuneration**		
	Annual audit fee	**1,000**	650
	Half year review	**300**	-
	Special audit fee	**-**	650
	Other services	**494**	408
	Out of pocket expenses	**191**	322
		1,985	2,030
26.	**OTHER EXPENSES**		
	Sindh workers' profit participation fund	**17,393**	19,120
	Workers' welfare fund	**6,609**	7,265
	Central research fund	**3,239**	3,560
	Exchange loss - net	**352**	-
	Mark up on sindh workers' profit participation fund	**200**	59
		27,793	30,004
27.	**OTHER INCOME**		
	Income from financial assets		
	Profit on bank accounts	**983**	4,159
	Income from non financial assets		
	Gain on disposal of property, plant and equipment	**14,991**	21,823
	Rental income	**190**	177
	Scrap sales	**7,342**	4,336
	Exchange gain - net	**-**	242
	Others	**4,149**	1,973
		26,672	28,551
		27,655	32,710
28.	**FINANCE COSTS**		
	Mark up on:		
	- Istasna'a	**6,781**	2,703
	- Diminishing musharakah	**15,195**	11,927
	- Murabaha	**44,317**	45,513
	- Shirkat-ul-melk	**200**	-
		66,493	60,143
	Bank charges and commission	**1,014**	640
		67,507	60,783
29.	**TAXATION**		
	Current	**62,366**	69,352
	Prior	**(2,266)**	-
	Deferred	**14,232**	8,869
		74,332	78,221

		2018	2017
		------- (Rupees in '000) -------	
29.1	**Relationship between tax expenses and accounting profit**		
	Profit before taxation	**320,615**	352,445
	Tax at the applicable tax rate of 30%	**96,185**	109,258
	Tax effect of:		
	Income subject to final tax regime	**(13,317)**	(14,177)
	Tax credits	**(21,737)**	(27,031)
	Expenses/income are not allowed for tax purposes	**14,233**	8,757
	Others	**(1,032)**	1,414
		74,332	78,221

29.2 Adequate provision for tax has been provided in these financial statements for the current year in accordance with requirements laid under Income Tax Ordinance, 2001 (ITO 2001). The provision for current year tax represents tax on taxable income at the rate of 30% (2017: 31%). The returns of income have been filed on due date and are treated as deemed assessment order under section 120 of the ITO 2001. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017	2016	2015
	------- (Rupees in '000) -------		
Income tax provision for the year	69,352	12,799	32,222
Income tax as per tax assessment	67,086	12,799	32,130
Excess	2,266	-	92

		Note	2018	2017
			------- (Rupees in '000) -------	
30.	**BASIC AND DILUTED EARNINGS PER SHARE**			
	Net profit for the year		**246,283**	274,224
	Weighted average number of ordinary shares in issue		**39,144**	39,144
	Basic earnings per share (Rupees)	30.1	**6.29**	7.01

30.1 There is no dilutive effect on basic earnings per share of the Company.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

31.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The maximum exposure to credit risk at the reporting date is:

	2018	2017
	------- (Rupees in '000) -------	
Trade debts	**561,444**	535,582
Loans	**9,933**	10,062
Deposits	**138,902**	107,436
Other receivables	**639**	767
Bank balances	**46,979**	102,066
	757,897	755,913
Credit quality of financial assets		
Bank balances		
A1+	**43,187**	101,988
A1	**3,792**	78
	46,979	102,066
Trade debts		
Neither past due nor impaired	**253,923**	255,944
Past due but not impaired		
- Within 30 days	**94,409**	83,076
- Within 31 to 90 days	**74,787**	62,897
- Within 91 to180 days	**52,579**	39,773
- Within 181 to 360 days	**31,227**	43,991
- Over 360 days	**54,519**	49,901
	561,444	535,582

31.2 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 applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates:

2018	Less than 3 months	3 to 12 months	More than 1 year	Total
	---------- (Rupees in '000) ----------			
Long-term financing	**18,857**	**64,428**	**271,903**	**355,188**
Long-term deposit	**-**	**-**	**500**	**500**
Trade and other payables	**536,411**	**645,299**	**-**	**1,181,710**
Accrued markup	**10,931**	**2,786**	**-**	**13,717**
Short-term borrowings	**29,261**	**30,088**	**-**	**59,349**
	595,460	**742,601**	**272,403**	**1,610,464**

2017	Less than 3 months	3 to 12 months	More than 1 year	Total
	---------- (Rupees in '000) ----------			
Long-term financing	15,606	41,699	81,140	138,445
Long-term deposit	-	-	500	500
Trade and other payables	629,672	492,266	-	1,121,938
Accrued markup	10,588	2,613	-	13,201
Short-term borrowings	66,030	27,770	-	93,800
	721,896	564,348	81,640	1,367,884

31.3 Foreign Currency Risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at the statement of financial position date, the Company is not materially exposed to such risk.

31.4 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates mainly relates to the long-term, short term borrowings, murabaha payables and bank deposits.

The following figures demonstrate the sensitivity to a reasonably possible change in profit rate, with all other variables held constant, of the Company's profit before tax:

	Increase / (decrease) in basis points	Effect on profit before tax (Rupees in '000)
2018		
	+100	**(9,338)**
	-100	**9,338**
2017		
	+100	(8,051)
	-100	8,051

31.5 Fair value of financial instruments

Fair value as 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 following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As of the reporting date, the Company does not have any financial assets carried at fair value that required categorization in Level 1, Level 2 and Level 3.

31.6 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company has a long-term debt to equity ratio of 23.29% (2017: 7.12%) as of the statement of financial position date, which in view of the management is adequate considering the size of the operations.

31.7 Capacity and Production

The capacity and production of the Company's machines are indeterminable as these are multi-product and involve varying processes of manufacture.

32. TRANSACTIONS WITH RELATED PARTIES

32.1 Related parties of the Company comprise associates and companies with common directorship, directors and key management personnel. Detail of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Descriptions	Nature of transactions	2018	2017
		---- (Rupees in '000) ----	
Key Management Personnel	Dividend	**144,404**	62,789
	Technical advisory services	**3,800**	4,800
	Financing obtained and repaid for working capital requirements	**94,513**	-
Non-Executive Director	Meeting fees	**522**	15
Provident Fund	Contribution paid	**32,365**	25,337

32.2 There are no such related parties with whom the Company had entered into transactions or has arrangement/ agreement in place.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief executive		Directors		Executives		Total	
	(Rupees in '000)							
	2018	2017	2018	2017	2018	2017	2018	2017
Managerial remuneration	**18,216**	16,560	**40,067**	45,073	**134,594**	89,167	**192,877**	150,800
Bonus	**2,760**	-	**9,070**	4,487	**3,761**	5,638	**15,591**	10,125
Other benefits	**1,521**	1,382	**3,612**	4,460	**15,416**	8,364	**20,549**	14,206
Retirement benefits	**1,049**	1,031	**2,585**	3,062	**10,597**	7,668	**14,231**	11,761
Perquisites and benefits								
- Housing utilities and other	**2,763**	2,352	**3,913**	3,823	**2,117**	1,742	**8,793**	7,917
- Medical expenses	**218**	239	**515**	367	**1,321**	729	**2,054**	1,335
	26,527	21,564	**59,762**	61,272	**167,806**	113,308	**254,095**	196,144
Number of persons	**1**	1	**2**	4	**37**	36	**40**	41

33.1 The Chief Executive, Directors and Executives are also provided with free use of Company maintained cars as per the terms of their employment.

33.2 The Chief Executive and the directors represent key management personnel of the Company that is the personnel having authority and responsibility for planning, directing and controlling the activities of the Company.

34. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 1,187 (2017: 1,122), the average number of persons employed during the year were 1,161 (2017: 1,082) and number of person employed in factory as at year end were 305 (2017: 325).

35. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

Under section 5A of the Income Tax Ordinance, 2001 (the Ordinance), the Company is obligated to pay tax at a prescribed rate on its accounting profit before tax, if it derives profit for a tax year but does not distribute prescribed level of such profits within six months of the end of the tax year, through dividend.

Subsequent to year ended June 30, 2018, the Board of Directors in its meeting held on October 03, 2018 has proposed final cash dividend at the rate of Rs. 1.85 per ordinary share of Rs.10 each, amounting to Rs. 72.417 million (2017: Rs. 4.25 per share amounting to Rs.166.363 million) for approval of the members at the Annual General Meeting.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on October 03, 2018 by the Board of Directors of the Company.

37. GENERAL

37.1 Figures have been rounded off to the nearest thousands unless otherwise stated.

37.2 Certain prior year figures have been reclassified for better presentation. However, there are no material reclassifications to report.

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR

www.jamapunji.pk

Jama Punji

سرمایہ کاری سمجھداری کے ساتھ



Be aware, Be alert, Be safe

Learn about investing at www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

jamapunji.pk @jamapunji_pk

Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

*Mobile apps are also available for download for android and ios devices

FORM OF PROXY

Annual General Meeting

I / We, _____ of _____being the member(s) of **Macter International Limited** and holder of _____ Ordinary Shares as per Share Register Folio/CDC Account No. _____hereby appoint Mr./Ms. _____ having CNIC No. or Passport No. _____ Folio/CDC Account No._____of_____ or failing him/her_____ having CNIC No. or Passport No._____ Folio/CDC Account No. _____of _____ who is also a member of the Company as my/our proxy to attend and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on October 27, 2018 at 11:45 am and/or at any adjournment thereof.

Signed this _____day of _____ 2018

Rupees Five Revenue Stamp)

Witnesses: 1. Signature:_____
Name:_____
CNIC#:_____
Address:_____
2. Signature:_____
Name:_____
CNIC#:_____
Address:_____

Signature_____
(The signature should be agree the specimen signature with the Company)

IMPORTANT:

1. This proxy form, duly completed and signed, must be received at the Registered Office of the Company, F-216, SITE, Karachi at least 48 hours before the time fixed for the meeting.

2. This form should be signed by the member or by his/her attorney duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.

For CDC Account Holders/Corporate Entities

In addition to the above the following requirements have to be met.

(i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC or Passport Numbers shall be mentioned on the form.

(ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iii) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

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

پراکسی فارم

سالانہ اجلاس عام

میں/ہم ---------- از ---------- بحیثیت میکٹر انٹرنیشنل لمیٹڈ کے ممبر(ز) اور ----------
عام حصص یافتہ مطابق شیئر رجسٹر ڈ فولیو/سی ڈی سی اکاؤنٹ نمبر ---------- محترم/محترمہ ---------- جن کا سی این آئی سی نمبر یا
پاسپورٹ نمبر ---------- فولیو/سی ڈی سی اکاؤنٹ نمبر ---------- از ---------- یا ان کے حاضر نہ ہوسکنے کی
صورت میں محترم/محترمہ ---------- از ---------- جن کا سی این آئی سی نمبر یا پاسپورٹ نمبر ---------- فولیو/سی ڈی سی
اکاؤنٹ نمبر ---------- کو اپنے/ہمارے ایماء پر کمپنی کے 27 اکتوبر 2018 کو صبح 11:45 بجے ہونے والے سالانہ اجلاس عام میں شرکت کرنے، حق رائے دہی استعمال کرنے
یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا/کرتے ہیں۔

آج بتاریخ ---------- اکتوبر 2018 میرے/ہمارے دستخط ہوئے۔

پانچ روپے کا رسیدی ٹکٹ

دستخط _____

(اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے
سے مشابہت ہونا لازمی ہے۔)

گواہ نمبر 1۔ دستخط: _____
نام: _____
سی این آئی سی نمبر: _____
پتہ: _____

گواہ نمبر 2۔ دستخط: _____
نام: _____
سی این آئی سی نمبر: _____
پتہ: _____

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس ایف 216، سائٹ، کراچی میں موصول ہوجانا چاہئے۔

2۔ فارم پر ممبر یا اس کا تحریراً مقرر کردہ اٹارنی دستخط کرے گا۔ ممبر کارپوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔

سی ڈی سی اکاؤنٹ رکھنے والے/کارپوریٹ ادارے کے لئے

مزید برآں درج ذیل شرائط کو پورا کیا جائے گا۔

(i) پراکسی فارم پر دو افراد کی گواہی ہونی چاہئے جن کے نام، پتے اور سی این آئی سی یا پاسپورٹ نمبر فارم میں درج ہوں۔

(ii) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں گی۔

(iii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ سے میٹنگ کے وقت دکھانا ہوگا۔

(iv) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہوگی۔



Macter

Macter International Limited
F-216 SITE, Karachi - Pakistan
www.macter.com