Macter International Limited

2019
ANNUAL REPORT

WORKING TODAY
FOR A HEALTHIER TOMORROW

Macter

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

1.	Dr. Amanullah Kassim	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. Sohaib Umar		Independent Director
7.	Mr. Islahuddin Siddiqui		Independent Director
8.	Ms. Masarrat Misbah		Non-Executive Director
9.	Mr. Muhammad Yahya Chawla		Non-Executive Director

BOARD AUDIT COMMITTEE

1.	Sheikh Muhammed Waseem	Chairman
2.	Mr. Sohaib Umar	Member
3.	Mr. Muhammad Yahya Chawla	Member

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

1.	Mr. Islahuddin Siddiqui	Chairman
2.	Shaikh Aamir Naveed	Member
3.	Mr. Muhammad Yahya Chawla	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
Allied Bank Ltd - Islamic Banking Branch
Bank Al Habib Limited - Islamic Banking Branch
Bank Alfalah Limited - Islamic Banking Branch
Bankislami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited - Islamic Banking Branch
Habib Metropolitan Bank Pakistan Limited - Islamic Banking 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 Friday, October 25, 2019 at 10:45 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 consolidated and un-consolidated financial statements of the Company for the year ended June 30, 2019 together with the reports of the directors and auditors thereon.

2. To consider, declare and approve final cash dividend @ 9% i.e. Rs. 0.90 per ordinary share for the year ended June 30, 2019, as recommended by the Board of Directors (the Board).

3. To appoint auditors and fix their remuneration for the year ending June 30, 2020. 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, 2020.

B. SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions as Special Resolutions with or without modifications:

RESOLVED THAT *Clause 37 of Articles of Association of the Company be and is hereby amended / altered to read as follows:*

"Islamic instruments or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meeting of the Company, appointment of directors and otherwise subject to the provisions of Section 66 of the Companies Act, 2017 and Shariah Standards, Shariah Regulations and Shariah Rules etc. issued / adopted by SECP and may be so framed that the same shall be assignable free from equities between the Company and the original or any intermediate holders."

"RESOLVED FURTHER THAT *the Chief Executive and the Company Secretary of the Company be and are hereby authorized by and on behalf of the Company to singly complete all requisite legal formalities and to take all steps necessary or incidental in this regard".*

C. OTHER BUSINESS:

4. 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 4, 2019

NOTES:

1. **Closure of Share Transfer Books**

The share transfer books of the Company will remain closed from October 18, 2019 to October 25, 2019 (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, Karachi by the close of business on October 17, 2019 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 in case of person not appearing in Active Tax Payer List (ATL) which is as under:

1	Rate of tax deduction for filer of income tax return	15%
2	Rate of tax deduction for non-filers of income tax return	30%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, 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 @ 30% instead of 15%.

(i) 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/Shares**

Members, who by any reason, could not claim their dividend or 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, 2019 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 25, 2019 and sets out the material facts concerning the following Special Business to be transacted at the Meeting for approval of members.

Amendment in Articles of Association:

The Board has recommended to amend Clause 37 of the Articles of Association of the Company to comply with the requirements of Clause 2/6 of Sharia Standard No. 21: "Financial Paper (Shares and Bonds)" issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and adopted by SECP, as reproduced below:

> *"2/6. It is not permissible to issue preference shares that have special financial features leading to the granting of priority to these shares at the time of liquidation or the distribution of profits. It is permitted to grant certain shares features related to procedural or administration matters, in addition to the rights attached to ordinary shares, like voting rights."*

In view of the above, Clause 37 of the Articles of Association of the Company is amended as under:

Existing Clause 37	Amended Clause 37
Islamic instruments or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meeting of the Company, appointment of directors and otherwise subject to the provisions of Section 120 of the Ordinance and may be so framed that the same shall be assignable free from equities between the Company and the original or any intermediate holders.	Islamic instruments or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meeting of the Company, appointment of directors and otherwise subject to the provisions of Section 66 of the Companies Act 2017 and Shariah Standards, Shariah Regulations and Shariah Rules etc. issued / adopted by SECP and may be so framed that the same shall be assignable free from equities between the Company and the original or any intermediate holders.

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

STATEMENT UNDER REGULATION 4(2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2012

Name of Company	Misbah Cosmetics (Pvt) limited
Date of Approval	July 28, 2018
Total Investments approved	Rs. 300 million
Amount of Investment made to date	Rs. 200 million
Reason for not making investment	Remaining investment of Rs.100 million will be made as and when required

Material change in financial statements since date of resolution passed on the basis of audited accounts		
Description	**June 2019**	**June 2018**
a) Break up Value per share - Rs.	0.53	(22.11)
b) Earnings per share - Rs.	(3.80)	(1.79)
c) Balance Sheet Footing - Rs. in '000	117,783	91,307

CHAIRMAN'S REVIEW

I would like to share the board performance overview of your Company for the year ended June 30, 2019.

BOARD COMPOSITION AND PERFORMANCE

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

The primary objectives of the Board includes 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 2019-20, capital expenditure requirements and significant investments. First time in the history of the company, a formal process of development of 5 years strategic plan was executed.

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.

Board Audit Committee and Board Human Resource and Remuneration Committees were restructured to include nominee director of other major shareholders. The committees also played their roles effectively.

In pursuant to the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017, a formal & effective mechanism is put in place for an annual evaluation of performance of the Board, Members of Board & its Sub-Committees. The mechanism has been duly established, approved & successfully implemented by the Board. The mechanism consists of Self-Evaluation Comprehensive Questionnaires, which were circulated to all the directors of the Board. On the basis of each Individual Director's feedback and thereby consolidated evaluated results, average rating of the Board, Individual Directors & Committees performance has been found satisfactory & effective.

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.

ACKNOWLEDGEMENT

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 KASSIM
CHAIRMAN

Karachi
September 30, 2019

چیئرمین کا جائزہ

میں 30 جون 2019 کو ختم ہونے والے سال میں 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 لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس)، ریگولیشنز 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 معاملہ میں بھی اہم کردار ادا کیا۔ بورڈ کے ارکان نے کمپنی کے سالانہ مالیاتی بجٹ برائے سال 20-2019، سرمایہ کاری کے اخراجات کی ضروریات اور اہم سرمایہ کاری کا جائزہ لیا اور منظور کیا۔ کمپنی کی تاریخ میں پہلی بار فارمل طریقہ کار سے 5 سال کا اسٹریٹجک منصوبہ تشکیل دیا گیا۔

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

بورڈ آڈٹ کمیٹی اور بورڈ ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی تنظیم نو کی گئی تا کہ دیگر بڑے حصص یافتگان کے نامزد ڈائریکٹرز کو بھی شامل کیا جا سکے۔ کمیٹیوں نے بھی اپنا کردار موثر طریقے سے ادا کیا۔

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 کے تقاضوں کے مطابق ایک باضابطہ اور موثر نظام بورڈ، بورڈ کے ممبران اور اس کی ذیلی کمیٹیوں کی کارکردگی کی سالانہ تشخیص کے لئے موجود ہے۔ بورڈ نے اس نظام کی باقاعدہ تشکیل بندی، منظوری اور نفاذ کیا ہے۔ یہ نظام خود تشخیصی جامع سوالنامے پر مشتمل ہے، جنہیں بورڈ کے تمام ڈائریکٹرز کے مابین تقسیم کیا گیا۔ ہر انفرادی ڈائریکٹر کے فیڈ بیک اور اجتماعی تشخیصی نتائج بورڈ کی اوسط ریٹنگ کی بنیاد پر انفرادی ڈائرکٹرز اور کمیٹیوں کی کارکردگی کو تسلی بخش اور مؤثر پایا گیا ہے۔

آپ کی کمپنی کے چیئرمین کی حیثیت سے، میں بورڈ کی قیادت کی ذمہ داریوں کو کشادہ اور تخلیقی بحث کے فروغ کے ساتھ جاری رکھوں گا، جس میں تمام آراء کو سنا جائے اور اس بات کو یقینی بنایا جائے کہ سنئیر مینجمنٹ کی مناسب حد کو شنوائی میسر ہو، میں اس بارے میں مضبوطی کے ساتھ پرعزم 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 قاسم
چیئرمین
کراچی۔
ستمبر 30، 2019

DIRECTORS' REPORT TO THE MEMBERS

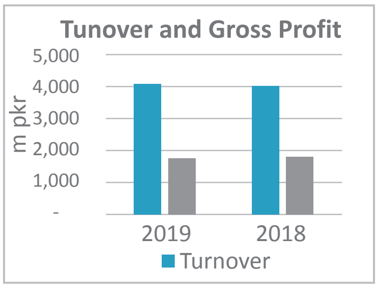
The directors are pleased to present the Annual Report together with Audited Financial Statements of the Company for the year ended June 30, 2019.

FINANCIAL RESULTS

The financial results of the Company are summarized hereunder:

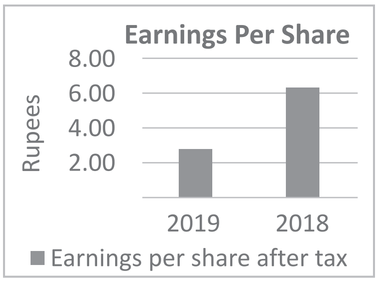
DESCRIPTION	2019		2018	CHANGES %
	UNCONSOLIDATED	*CONSOLIDATED	UNCONSOLIDATED	UNCONSOLIDATED
	m pkr			
Turnover - Net	4,081.8	4,194.9	4,053.2	0.7%
Gross profit	1,732.9	1,791.3	1,822.4	-4.9%
Operating Profit	242.2	191.2	388.1	-37.6%
Profit before tax	122.6	65.8	320.6	-61.8%
Profit after tax	106.4	43.0	246.3	-56.8%

* The investment in subsidiary was made during September 2018, hence only unconsolidated financials were prepared during last year.



EARNINGS PER SHARE

Earnings per share of the Company for the year ended June 30, 2019 was 2.72pkr as compared to earnings per share of 6.29pkr last year.



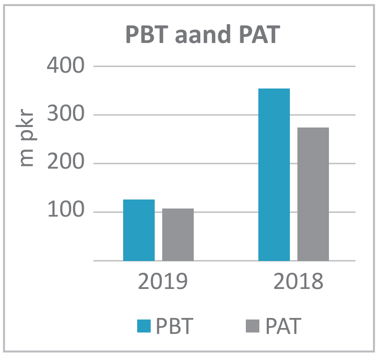
FINANCIAL PERFORMANCE

Total Net Sales during the year remained almost at the same level as last year. Prescription business, which is the most important segment increased by 400m pkr (14% growth over last year). Industry growth in the corresponding period was 13%. Overall sales however could not grow due to significant decline in Institutional Sales by 30% and Export Sales by 50% over last year, respectively. The main reason for decline in institutional sales was change in procurement criteria in Punjab which negatively affected success probability and volatile / uncertain exchange rate which made quoting in tenders difficult. Exports sales declined due to remittance challenges from an African country which is the main export destination.

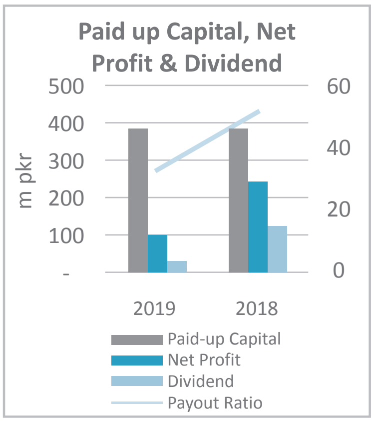
Gross profit to sales ratio decreased from 45.0% to 42.4% as compared to last year mainly due to extraordinary depreciation of PKR against USD and inflation, resulting in steep increase in cost of doing business. The decision by DRAP to allow special price increase of 9% and 15% (for controlled and de-controlled drugs) was effectively realized by March 2019.

Operating expenses (net of other income) increased by 4.0% from 1,434 m pkr to 1,491m pkr mainly due to increase in selling and distribution costs, promotional spending on new launches.

Finance cost increased from 67.5m pkr to 119.6m pkr over last year due to increase in KIBOR, increased working capital needs and planned CAPEX.



Despite serious challenges, the profit after tax stood at 106.4m pkr as compared to 246.3m pkr last year.



DIVIDEND

The board of directors has recommended a final cash dividend of 9% i.e. Rs. 0.90 per share.

CAPITAL EXPENDITURE

During the year under review, the Company has made capital expenditure of 149.0m 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.

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, safty shoes etc.

All equipment's noise levels are measured and kept in controlled limits. Generators smoke emission are monitored and controlled. Effluent treatment Plant is installed. ETP is running on trial basis to treat/neutralize effluents and maintain in control limits. 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 138.4m pkr (2018: 134.9m pkr) to the National Exchequer by way of Custom duties, income tax and sales tax.

CREDIT RATING

During the year the Company was awarded the rating of “A/A-2 (Single A / A-Two)” 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 system 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 latest unaudited accounts as of June 30, 2019 are 142.6m pkr.

COMPOSITION OF BOARD

The board consists of nine members, including 01 female and 08 male directors. The composition of the Board is as follows:

Particulars	Number
Independent Non-Executive Directors	4
Other Non-Executive Directors	2
Executive Directors	3
Total	9

The list of existing directors is as under:

S. No.	Name	Category
1	Dr. Amanullah Kassim	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. Muhammed Yahya Chawla	Other Non-Executive
6	Ms. Masarrat Misbah	Other Non-Executive
7	Mr. Asif Misbah	Executive
8	Mr. Swaleh Misbah Khan	Executive
9	Shaikh Aamir Naveed	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 non-executive members, two of them 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. Muhammad Yahya Chawla	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 assists 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. Islahuddin Siddiqui	Independent Non-Executive	Chairman
2	Mr. Muhammad Yahya Chawla	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 Kassim	5	4	NA	NA	NA	NA
2	Mr. Asif Misbah	5	5	NA	NA	NA	NA
3	Mr. Swaleh Misbah Khan	5	5	NA	NA	NA	NA
4	Sheikh Muhammed Waseem	5	5	4	4	NA	NA
5	Mr. Sohaib Umar	5	5	4	4	NA	NA
6	Mr. Islahuddin Siddiqui	5	4	4	4	1	1
7	Shaikh Aamir Naveed	5	5	NA	NA	1	1
8	Ms. Masarrat Misbah	5	-	NA	NA	NA	NA
9	Mr. Muhammad Yahya Chawla	3	3	NA	NA	NA	NA
10	Mr. Mohammed Aslam	2	2	NA	NA	1	1

CHANGE IN BOARD OF DIRECTORS

During the year under review, following change was made in the Board of Directors:

Outgoing	Incoming	Mode	Effective
Mr. Mohammed Aslam	Mr. Muhammad Yahya Chawla	Casual Vacancy	January 2019

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

DIRECTORS' TRAINING PROGRAM

Four directors are certified under Directors' Training Program, as per the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017. The training of one director is in process.

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, 2019 is annexed.

During the year shares traded by Directors, Executives and their spouses, if any, were notified in writing to the Company Secretary along with the price, number of share, form of share certificate and nature of transaction. All such transactions have been disclosed in the pattern of shareholdings.

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, 2020.

FUTURE OUTLOOK

Overall macro-economic situation, USD-PKR parity, normal working of DRAP operations (which affect licensing, new product registrations and pricing matters) and increasing competition will be the major external factors affecting business operations.

Keeping in view these challenges 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 launching new products in its key therapeutic areas and in the area of biologicals to cater the un-met needs of the patients and derive profitable growth.

With these measures, the Company expects to mitigate the cost increase pressure and strive for better performance during next year.

ACKNOWLEDGEMENT

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

ISLAHUDDIN SIDDIQUI
DIRECTOR

Karachi
September 30, 2019

ڈائریکٹرز رپورٹ برائے ممبران

ڈائریکٹرز انتہائی مسرت کے ساتھ کمپنی کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالی دستاویزات برائے ختم شدہ سال جون 30، 2019 پیش کر رہے ہیں۔

مالیاتی نتائج

کمپنی کے مالیاتی نتائج کا خلاصہ درج ذیل ہے:

مندرجات	2019		2018	فیصد میں تبدیلی
	غیر مدغم شدہ	*مدغم شدہ	غیر مدغم شدہ	غیر مدغم شدہ
	پاکستانی روپے ملین میں			
فروخت - خالص	4,081.8	4,194.9	4,053.2	0.7%
خام منافع	1,732.9	1,791.3	1,822.4	-4.9%
آپریٹنگ منافع	242.2	191.2	388.1	-37.6%
قبل از ٹیکس منافع	122.6	65.8	320.6	-61.8%
بعد از ٹیکس منافع	106.4	43.0	246.3	-56.8%

* ستمبر 2018 کے دوران ذیلی ادارے میں سرمایہ کاری کی گئی، چنانچہ گزشتہ سال کے صرف غیر مدغم شدہ مالیاتی گوشوارے تیار ہوئے۔

فی حصص منافع

کمپنی کے پچھلے سال کے فی حصص منافع 6.29 پاکستانی روپے کے مقابلے میں 30 جون 2019 کو ختم ہونے والے سال کے لئے فی حصص منافع 2.72 پاکستانی روپے رہا۔

مالیاتی کارکردگی

سال کے دوران کل خالص فروخت گزشتہ سال کے اعتبار سے تقریباً ایک ہی سطح پر برقرار رہی۔ بذریعہ نسخہ کاروبار جو سب سے زیادہ اہم حصہ ہے میں 400 ملین پاکستانی روپے کا اضافہ ہوا (گزشتہ سال سے 14% فیصد اضافہ)۔ اسی مدت میں صنعت کی نمو 13 فیصد تھی۔ گزشتہ سال کے مقابلے میں مجموعی طور پر فروخت میں اضافہ نہیں ہو سکا جس کی وجہ انسٹی ٹیوشنل فروخت میں 30 فیصد اور ایکسپورٹ فروخت 50 فیصد تک بالترتیب کمی ہوئی۔ انسٹی ٹیوشنل فروخت میں کمی کی سب سے بڑی وجہ پنجاب میں خریداری کے معیار میں تبدیلی تھی جس نے کامیابی کے امکانات اور غیر مستحکم/ غیر یقینی شرح تبادلہ کو منفی طور پر متاثر کیا جس نے ٹینڈرز میں نرخ کے تعین کو مشکل بنا دیا۔ ایک افریقی ملک جو کہ ایکسپورٹ کا بڑا مرکز ہے سے ترسیلات زر میں چیلنجز کی وجہ سے ایکسپورٹ فروخت میں کمی واقع ہوئی۔

فروخت کے تناسب سے خام منافع پچھلے سال کے مقابلے میں 45.0 فیصد سے کم ہو کر 42.4 فیصد رہ گیا ہے جس کی بنیادی وجہ امریکی ڈالر کے مقابلے میں پاکستانی روپے کی غیر معمولی کمی اور افراط زر ہے جس کے نتیجے میں کاروباری لاگت میں تیزی سے اضافہ ہوا ہے۔ DRAP نے دواؤں (کنٹرول شدہ اور غیر کنٹرول شدہ) کی قیمتوں میں 9% سے 15% تک خصوصی اضافے کی اجازت دی تھی جسے مارچ 2019 تک مؤثر انداز میں محسوس کیا گیا۔

آپریٹنگ اخراجات (other income سے خالص) میں 4.0 فیصد اضافہ ہوا اور یہ 1,434 ملین پاکستانی روپے سے بڑھ کر 1,491 ملین پاکستانی روپے ہو گئے جس کی بنیادی وجوہات میں فروخت اور تقسیم کی لاگت، نئی جاری ہونے والی پروڈکٹس کے پروموشنل اخراجات میں اضافہ رہا۔

KIBOR میں اضافہ، ورکنگ کیپٹل کی ضروریات اور طے شدہ CAPEX میں اضافہ کی وجہ سے فنانسنگ لاگت گذشتہ سال کے دوران 67.5 ملین پاکستانی روپے سے بڑھ کر 119.6 ملین پاکستانی روپے ہوگئی۔

سنگین چیلنجز کی وجہ سے بعد از ٹیکس منافع گذشتہ سال 246.3 ملین پاکستانی روپے کے مقابلے میں 106.4 ملین پاکستانی روپے رہا۔

ڈیویڈنڈ (Dividend)

بورڈ آف ڈائریکٹرز نے 9% (یعنی 0.90 روپے فی حصص) فائنل کیش ڈیویڈنڈ کی سفارش کی 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 149.0 ملین پاکستانی روپے خرچ کیے تا کہ 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 حالات

کمپنی کو کچھ موروثی خطرات اور غیر یقینی صورتحال درپیش ہیں تاہم 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 زرمبادلہ کی شرح اور اشیاء کی قیمتوں میں منفی تحریک
- کلیدی ملازمین کو اپنی طرف مائل اور برقرار رکھنے کے چیلنجز
- ڈیٹا کی حفاظت اور ڈیٹا کی رازداری کے لیے بڑھتے ہوئے خطرات

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

کارپوریٹ سماجی ذمہ داری

سماجی خدمت کمپنی کی فلاسفی کا بنیادی جز ہے۔ کمپنی نے دوران سال کارپوریٹ سماجی ذمہ داری (CSR) کے اقدامات بشمول ذیل کیے 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 لیے 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: 14001-2015 (Environment management system) EMS 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 کیلئے 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، حفاظتی جوتے وغیرہ فراہم کیے جاتے ہیں۔

effluent treatment پلانٹ نصب ہے۔ Effluent کو ٹریٹ کرنے/ بے اثر کرنے اور کنٹرول حد تک برقرار رکھنے کے لیے ETP آزمائشی بنیاد پر کام کر رہا ہے۔

تمام آلات کے شور کی پیمائش 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 غرض سے جانچ کی جاتی ہے۔ ٹھوس کیمیائی فضلہ ضائع کیا جاتا ہے اور effluent treatment کو بہتر بنانے کے منصوبہ پر عملدرآمد جاری ہے۔

قومی خزانے میں حصہ

کمپنی نے کسٹم ڈیوٹیز، انکم ٹیکس اور سیلز ٹیکس کی مدات میں مجموعی طور پر 138.4 ملین پاکستانی روپے (2018: 134.9 ملین روپے) قومی خزانے میں جمع کروائے۔

کریڈٹ ریٹنگ

سال کے دوران JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ کی طرف سے کمپنی کو "A/A-2 (A-Two/ سنگل A)" کی 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۔ مینجمنٹ 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 فنانشل رپورٹنگ فریم ورک

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

- مینجمنٹ 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 موزوں 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 مؤثر طریقے سے لاگو ہے اور زیر نگرانی بھی ہے۔
- بطور 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 دیئے گئے کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- 30 جون 2019 کو تازہ ترین غیر آڈٹ شدہ اکاؤنٹس کے مطابق ملازمین کے پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت 142.6 ملین پاکستانی روپے ہے۔

بورڈ کی تشکیل

موجودہ بورڈ نو ممبران پر مشتمل ہے، جن میں ایک خاتون اور آٹھ مرد ڈائریکٹرز شامل ہیں۔ بورڈ کی تشکیل درج ذیل ہے:

مندرجات	تعداد
انڈیپنڈنٹ نان ایگزیکٹیو ڈائریکٹرز	4
دیگر نان ایگزیکٹیو ڈائریکٹرز	2
ایگزیکٹیو ڈائریکٹرز	3
مجموعہ	9

موجودہ ڈائریکٹرز کی فہرست درج ذیل ہے:

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

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، ان میں سے دو انڈیپنڈنٹ نان ایگزیکٹو ڈائریکٹرز بشمول اس کے چیئرمین ہیں۔

نمبر شمار	نام	درجہ بندی	مقام
1	شیخ محمد وسیم	انڈیپنڈنٹ نان ایگزیکٹیو	چیئرمین
2	جناب صہیب عمر	انڈیپنڈنٹ نان ایگزیکٹیو	ممبر
3	جناب محمد یحییٰ چاؤلہ	نان ایگزیکٹیو	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 اکثر بشمول کمیٹی چیئرمین کے نان ایگزیکٹو ڈائریکٹرز ہیں۔

نمبر شمار	نام	درجہ بندی	مقام
1	جناب اصلاح الدین صدیقی	انڈیپنڈنٹ نان ایگزیکٹیو	چیئرمین
2	جناب محمد یحییٰ چاؤلہ	نان ایگزیکٹیو	ممبر
3	شیخ عامر نوید	ایگزیکٹیو	ممبر

بورڈ اور بورڈ کمیٹیز کی حاضری

نمبر شمار	نام	بورڈ آف ڈائریکٹرز		بورڈ آڈٹ کمیٹی		بورڈ ہیومن ریسورس اینڈ ریمونریشن کمیٹی	
1	ڈاکٹر امان اللہ قاسم	5	4	NA	NA	NA	NA
2	جناب آصف مصباح	5	5	NA	NA	NA	NA
3	جناب صالح مصباح خان	5	5	NA	NA	NA	NA
4	شیخ محمد وسیم	5	5	4	4	NA	NA
5	جناب صہیب عمر	5	5	4	4	NA	NA
6	جناب اصلاح الدین صدیقی	5	4	4	4	1	1
7	شیخ عامر نوید	5	5	NA	NA	1	1
8	مس مسرت مصباح	5	-	NA	NA	NA	NA
9	جناب محمد یحیٰ چاؤلہ	3	3	NA	NA	NA	NA
10	جناب محمد اسلم	2	2	NA	NA	1	1

بورڈ آف ڈائریکٹرز میں تبدیلیاں

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

جانے والے ڈائریکٹرز	آنے والے ڈائریکٹرز	طریقہ انتخاب	مؤثر
جناب محمد اسلم	جناب محمد یحیٰ چاؤلہ	اتفاقیہ اسامی	جنوری 2019ء

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) ریگیولیشنز 2017 کے تقاضوں کے مطابق چار ڈائریکٹرز، ڈائریکٹرز ٹریننگ پروگرام کے تحت سند یافتہ ہیں۔ ایک ڈائریکٹر کی تربیت جاری ہے۔ بورڈ کے بقیہ ارکان کو ضوابط کے تحت دیئے گئے مقررہ وقت کے اندر 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

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

شیئر ہولڈنگ کا پیٹرن

30 جون 2019ء کے شیئر ہولڈنگ کے پیٹرن کا اسٹیٹمنٹ منسلک ہے۔

دورانِ سال ڈائریکٹرز، ایگزیکٹوز اوران کے/کی شریک حیات کے حصص کے لین دین، اگر کوئی ہے، کے بارے میں قیمت، حصص کی تعداد اور شیئر سرٹیفکیٹ کے فارم کے ہمرا کمپنی سیکریٹری کو تحریری طور پر مطلع کر دیا گیا تھا۔ اس طرح کے سارے لین دین کا اظہار شیئر ہولڈنگز کی اسٹیٹمنٹ میں کر دیا گیا ہے۔

ایگزیکٹیو سے مراد چیف ایگزیکٹیو، چیف فنانشل آفیسر، ہیڈ آف انٹرنل آڈٹ، کمپنی سیکریٹری اور دیگر ایگزیکٹیوز 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 2020 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

مجموعی طور پر معاشی صورتحال، امریکی ڈالر پاکستانی روپے میں فرق، DRAP آپریشنز کا عمومی کام (جو لائسنسنگ، نئی مصنوع کی رجسٹریشن اور قیمتوں کے امور پر اثر انداز ہوتا ہے) اور بڑھتی ہوئی کاروباری مسابقت، کاروباری آپریشنز کو متاثر کرنے والے بڑے بیرونی عوامل ہوں گے۔

ان چیلنجز کو مدنظر رکھتے ہوئے، کمپنی مؤثر فرخت مکس اور پیداواریت بڑھانے کی منصوبہ بندی کے ساتھ ساتھ ان جگہوں کی مستقل نگرانی کر رہی ہے جہاں لاگت کو کم کرنے کے لئے اقدامات کیے جا سکتے ہیں۔ 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 ہو سکے جو طویل مدت تک کاروبار کو مستحکم رکھے گا۔

ان اقدامات کے ساتھ، کمپنی کی لاگت میں اضافہ کے دباؤ کو کم کرنے کے لئے اور اگلے دوران سال بہتر کارکردگی کی کوشش کی توقع ہے۔

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 وتعالیٰ کے مسلسل فضل و کرم اور احسان کے بغیر یہ سب کچھ ممکن نہیں تھا جس پر ہم شکرگزار ہیں۔

منجانب بورڈ

آصف مصباح
چیف ایگزیکٹیو

اصلاح الدین صدیقی
ڈائریکٹر

کراچی۔
ستمبر 30، 2019

KEY OPERATING AND FINANCIAL DATA

	Unit	2019	2018	2017	2016	2015	2014
Summary of Statement of Financial Position							
Non-Current Assets	m pkr	**1,435**	1,271	927	811	897	858
Current Assets	m pkr	**1,776**	1,773	1,813	1,581	1,231	1,232
Total Assets	m pkr	**3,211**	3,044	2,740	2,392	2,128	2,090
Total Equity	m pkr	**1,194**	1,168	1,143	984	868	917
Non-Current Liabilities	m pkr	**478**	444	248	258	316	279
Current Liabilities	m pkr	**1,539**	1,432	1,349	1,150	944	894
Total Liabilities	m pkr	**2,017**	1,876	1,597	1,408	1,260	1,173
Total Equity and Liabilities	m pkr	**3,211**	3,044	2,740	2,392	2,128	2,090
Summary of Profit or loss							
Turnover - net	m pkr	**4,082**	4,053	3,630	3,064	2,385	2,560
Gross profit	m pkr	**1,733**	1,822	1,673	1,257	846	959
Operating profit	m pkr	**242**	388	413	267	93	154
Profit before taxation	m pkr	**122**	320	352	212	31	129
Taxation	m pkr	**16**	74	78	65	12	29
Net profit	m pkr	**106**	246	274	147	19	100
Ratios							
Profitability Ratios							
Gross profit to turnover	%	**42.45**	44.95	46.09	41.02	35.47	37.46
Operating profit to turnover	%	**5.93**	9.57	11.38	8.71	3.90	6.02
Profit before tax to turnover	%	**2.99**	7.90	9.70	6.92	1.30	5.04
Net profit to turnover	%	**2.60**	6.07	7.55	4.80	0.80	3.91
Return on equity before tax	%	**10.22**	27.40	30.80	21.54	3.57	14.07
Return on equity after tax	%	**8.88**	21.06	23.97	14.94	2.19	10.91
Return on capital employed	%	**14.47**	24.07	29.69	21.50	7.94	12.88
Return on assets	%	**3.30**	8.08	10.00	6.15	0.89	4.78
Market Ratios							
Market price per share at year end	pkr	**60.95**	208.00	-	-	-	-
Market capitalization	b pkr	**2,386**	8,142	-	-	-	-
Price earning ratio	pkr	**22.41**	33.06	-	-	-	-
Break up value / share	pkr	**30.50**	29.87	29.23	25.17	22.31	23.57
Basic / diluted earnings per share	pkr	**2.74**	6.29	7.01	3.76	0.49	2.57
Dividend payout ratio	%	**33.10**	51.62	61.00	99.77	42.97	37.13
Dividend cover ratio	Times	**3.01**	1.93	1.65	1.00	0.44	2.70
Liquidity Ratios							
Current ratio	Times	**1.15**	1.24	1.34	1.37	1.30	1.38
Quick / acid test ratio	Times	**0.60**	0.57	0.62	0.78	0.50	0.48

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2019

Number of Certificate Holders	Certificate Holding From		To	Certificate Held
675	1	-	100	19,498
209	101	-	500	57,496
41	501	-	1000	30,811
53	1001	-	5000	115,056
4	5001	-	10000	26,802
2	10001	-	15000	25,600
1	20001	-	25000	25,000
2	30001	-	35000	62,500
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
994				**39,144,351**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	975	32,672,707	83.47
Joint Stock Companies	12	6,451,864	16.48
Investment Companies	1	1,825	0.00
Modarabas	2	2,930	0.01
Others	4	15,025	0.04
	994	39,144,351	100.00

Categories Shareholders as on June 30, 2019

S. No.	Categories Shareholders	Shareholders	Shares Held	Total
1	**Directors and their spouse(s) and minor children**	**9**		**25,474,363**
	Mr. Asif Misbah		12,668,380	
	Mr. Swaleh Misbah Khan		12,780,878	
	Shaikh Aamir Naveed		25,000	
	Mr. Muhammad Yahya Chawla		100	
	Ms. Masarrat Misbah		1	
	Sheikh Muhammed Waseem		1	
	Mr. Islahuddin Siddiqui		1	
	Dr. Amanullah Kassim		1	
	Mr. Sohaib Umar		1	
2	**Associate Companies, Undertakings and related parties**	**NIL**		
3	**Executives**	**3**	84,072	**84,072**
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**	**14**	6,454,794	**6,454,794**
7	**Others**	**4**	15,025	**15,025**
8	**General Public**	**963**		**7,114,272**
	Total	**994**		**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. Saas Enterprises (Pvt.) Limited	6,430,868	16.43
Mr. Misbahuddin Khan	3,248,964	8.30

DUPONT ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

m pkr

Turnover
4,082

Net profit
106

−

Net profit
margin
2.60%

÷

Total Cost
3,976

Return on
asset
3.30%

×

Turnover
4,082

Asset
Turnover
1.27 Times

÷

Current
assets
1,776

Return
on Equity
8.88%

÷

Total
assets
3,211

+

Owner's
Equity
1,194

−

Non current
assets
1,435

Ownership
Ratio
37.18%

÷

Total
Liabilities
2,017

Current
Liabilities
1,539

Total
Assets
3,211

+

+

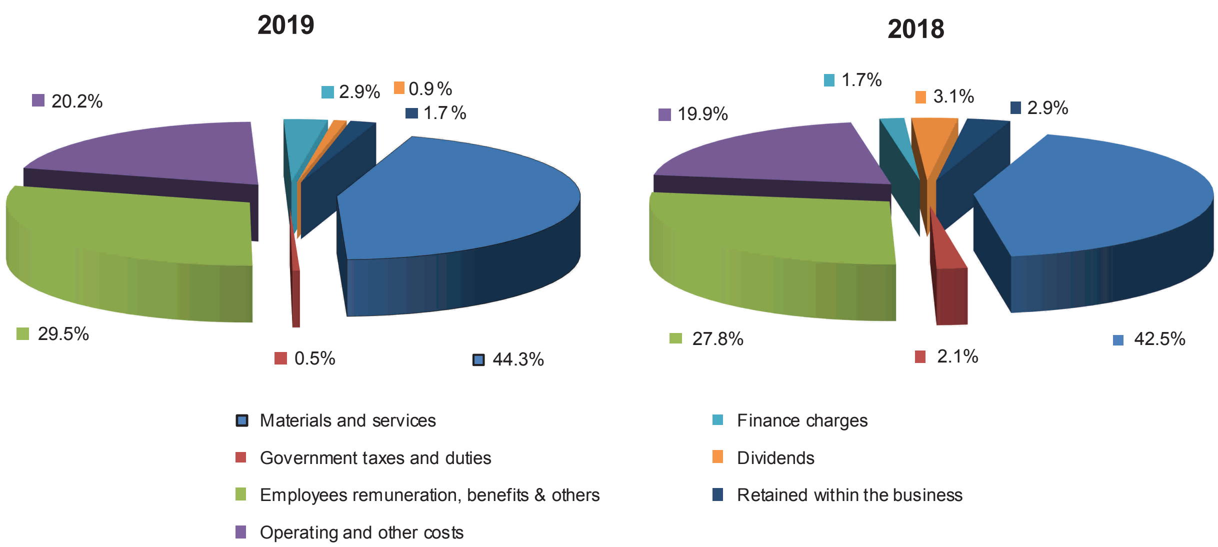
Owner's
Equity
1,194

Non current
Liabilities
478

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

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2019 (Rupees in '000)	%	2018 (Rupees in '000)	%
VALUE ADDITION				
Turnover - net	**4,081,752**	**99.5%**	4,053,174	99.3%
Other operating income	**20,778**	**0.5%**	27,655	0.7%
	4,102,530	**100%**	4,080,829	100%
VALUE DISTRIBUTION				
Materials and services	**1,818,964**	**44.3%**	1,734,348	42.6%
Government taxes and duties	**19,942**	**0.5%**	84,180	2.1%
Employees remuneration, benefits & others	**1,208,640**	**29.5%**	1,134,836	27.8%
Operating and other costs	**828,987**	**20.2%**	813,323	19.8%
Finance charges	**119,560**	**2.9%**	67,507	1.7%
Dividends	**35,230**	**0.9%**	127,219	3.1%
Retained within the business	**71,207**	**1.7%**	119,416	2.9%
	4,102,530	**100%**	4,080,829	100%



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

Name of Company : MACTER INTERNATIONAL LIMITED
Year ended : JUNE 30, 2019

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
Independent Directors	Dr. Amanullah Kassim Sheikh Muhammed Waseem Mr. Sohaib Umar Mr. Islahuddin Siddiqui
Other Non-Executive Directors	Ms. Masarrat Misbah Mr. Muhammad Yahya Chawla
Executive Directors	Mr. Asif Misbah Mr. Swaleh Misbah Khan Mr. Sheikh Aamir Naveed

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

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 taken by 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 in his absence, by a director elected by the board for this purpose. 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 directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board has arranged Directors' Training program (DTP) for the following:

   1. Mr. Asif Misbah
   2. Mr. Swaleh Misbah Khan
   3. Sheikh Muhammad Waseem
   4. Mr. Sohaib Umar
   5. Mr. Muhammad Yahya Chawla

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

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	Chairman
		Mr. Sohaib Umar	Member
		Mr. Muhammad Yahya Chawla	Member
b.	HR and Remuneration Committee	Mr. Islahuddin Siddiqui	Chairman
		Sheikh Aamir Naveed	Member
		Mr. Muhammad Yahya Chawla	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 (quarterly/half yearly/ yearly) of the committees 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 ACCOUNTANTS 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 with.

On behalf of the board

ASIF MISBAH
CHIEF EXECUTIVE

ISLAHUDDIN SIDDIQUI
DIRECTOR

Karachi
September 30, 2019

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INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Macter International Limited

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** (the Company) for the year ended **30 June 2019** 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 2019.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 01 October 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Macter International Limited

Report on the Audit of Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Macter International Limited** (the Company), which comprise the statement of financial position as at **30 June 2019**, 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 2019 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.

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Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matter
1. First time adoption of IFRS 9 – 'Financial Instruments' (IFRS 9)	
As referred to in note 2.4.2 to the unconsolidated financial statements, the Company has adopted IFRS 9 with effect from 01 July 2018. The new standard requires the Company to make provision for financial assets (trade debts) using Expected Credit Loss (ECL) approach as against the Incurred Loss Model previously applied by the Company. Determination of ECL provision for trade debts requires significant judgement and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information. We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.	Our key procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL in relation to trade debts. We also considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates. Further, we assessed the integrity and quality of the data used for ECL computation based on the accounting records and information system of the Company as well as the related external sources as used for this purpose. We checked the mathematical accuracy of the ECL model by performing recalculation on test basis. In addition to above, we assessed the adequacy of disclosures in the unconsolidated financial statements of the Company regarding application of IFRS 9 as per the requirements of the above standard.
2. Acquisition of new fixed assets	
As disclosed in note 4 to the accompanying unconsolidated financial statements, during the year, the Company capitalized Rs.356 million in its operating fixed assets. The Company has also made an addition of Rs.73 million in its Capital work-in-progress out of which Rs.42 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 International Accounting Standards 16, 'Property, Plant and Equipment', 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.

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Key audit matters	How our audit addressed the key audit matter
	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. We further evaluated the adequacy of financial statement disclosures applicable to the entity in accordance with the applicable financial reporting framework.
3. Existence and valuation of stock in trade	
As disclosed in note 10 to the accompanying unconsolidated financial statements, the stock in trade represents 24% 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.

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.

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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.

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- 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 Shaikh Ahmed Salman.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 01 October 2019

UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		---------- (Rupees in '000) ----------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**1,232,833**	1,182,304
Intangible assets	5	**8,279**	8,049
Long-term investment	6	**100,000**	-
Long-term loans	7	**2,147**	2,890
Long-term deposits	8	**73,619**	70,112
Deferred tax asset	9	**18,396**	7,782
		1,435,274	1,271,137
CURRENT ASSETS			
Stores and spares		**2,171**	1,863
Stock-in-trade	10	**773,203**	878,742
Trade debts	11	**580,686**	561,444
Loans and advances	12	**72,018**	102,215
Trade deposits, prepayments and other receivables	13	**70,576**	81,684
Taxation - net		**134,045**	99,972
Cash and bank balances	14	**142,578**	46,995
		1,775,277	1,772,915
TOTAL ASSETS		**3,210,551**	3,044,052
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	**391,444**	391,444
Reserves		**802,502**	776,083
		1,193,946	1,167,527
NON-CURRENT LIABILITIES			
Long-term financing	16	**298,760**	271,902
Deferred liabilities	17	**178,459**	171,868
		477,219	443,770
CURRENT LIABILITIES			
Trade and other payables	18	**625,248**	712,610
Accrued profit	19	**24,288**	13,717
Short-term borrowings	20	**790,738**	622,930
Current portion of long-term financing	16	**98,832**	83,286
Unclaimed dividends		**280**	212
		1,539,386	1,432,755
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		**3,210,551**	3,044,052

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

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		---------- (Rupees in '000) ----------	
Turnover	22	**4,081,752**	4,053,174
Cost of sales	23	**(2,348,865)**	(2,230,743)
Gross profit		**1,732,887**	1,822,431
Distribution costs	24	**(1,277,658)**	(1,235,391)
Administrative expenses	25	**(221,909)**	(198,780)
Other expenses	26	**(11,927)**	(27,793)
Other income	27	**20,778**	27,655
Operating profit		**242,171**	388,122
Financial charges	28	**(119,560)**	(67,507)
Profit before taxation		**122,611**	320,615
Taxation	29	**(16,174)**	(74,332)
Net profit for the year		**106,437**	246,283
		---------- (Rupees) ----------	
Basic and diluted earnings per share	30	**2.72**	6.29

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

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	---------- (Rupees in '000) ----------	
Net profit for the year	**106,437**	246,283
Other comprehensive income / (loss):		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain / (loss) on remeasurement of defined benefit plans – net of tax	**2,496**	(835)
Total comprehensive income for the year	**108,933**	245,448

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**122,611**	320,615
Adjustments:			
Depreciation		**89,907**	68,895
Amortization		**3,724**	4,375
Financial charges		**119,560**	67,507
Provision for gratuity		**19,183**	16,125
Gain on disposal of property, plant and equipment		**(12,009)**	(14,991)
Provision for slow moving and obsolete stock-in-trade - net		**(19,106)**	6,110
Provision for doubtful debts - net		**2,710**	(1,951)
		203,969	146,070
		326,580	466,685
(Decrease)/increase in current assets			
Store and spares		**(308)**	(223)
Stock-in-trade		**124,645**	20,259
Trade debts		**(35,886)**	(23,911)
Loans and advances		**30,197**	(2,583)
Trade deposits, prepayments and other receivables		**11,108**	(9,910)
		129,756	(16,368)
(Decrease)/increase in current liabilities			
Trade and other payables		**(87,294)**	116,279
		42,462	99,911
Financial charges paid		**(108,989)**	(66,992)
Income tax paid		**(58,022)**	(63,393)
Gratuity paid		**(8,947)**	(11,762)
Long-term loans		**743**	(246)
Long-term deposits		**(3,507)**	(23,168)
Deferred liabilities		**(152)**	223
		(178,874)	(165,338)
Net cash generated from operating activities		**190,168**	401,258
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property plant and equipment		**(149,020)**	(407,620)
Proceeds from disposal of property, plant and equipment		**20,594**	16,616
Investment made during the year		**(100,000)**	-
Additions to intangible assets		**(3,954)**	(1,480)
Net cash used in investing activities		**(232,380)**	(392,484)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(72,417)**	(221,165)
Short-term borrowings obtained / (repaid)		**37,808**	(59,445)
Long-term financing obtained		**42,404**	216,743
Net cash generated from / (used in) financing activities		**7,795**	(63,867)
Net decrease in cash and cash equivalents during the year		**(34,417)**	(55,093)
Cash and cash equivalents at the beginning of the year		**46,995**	102,088
Cash and cash equivalents at the end of the year	14	**12,578**	46,995

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

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed and paid-up share capital	Reserves			Total
		Capital reserves	Revenue reserves Unappropriated profit	Total reserves	
	---------- (Rupees in '000) ----------				
Balance as at July 01, 2017	391,444	217,808	533,992	751,800	1,143,244
Final cash dividend at 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)
	-	-	245,448	245,448	245,448
Interim cash dividend at 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
Effect of change in accounting policy (see note 2.4.2)	**-**	**-**	**(10,097)**	**(10,097)**	**(10,097)**
Balance as at July 01, 2018	**391,444**	**217,808**	**548,178**	**765,986**	**1,157,430**
Final cash dividend at Rs.1.85 per share for the year ended June 30, 2018	**-**	**-**	**(72,417)**	**(72,417)**	**(72,417)**
Net profit for the year	**-**	**-**	**106,437**	**106,437**	**106,437**
Other comprehensive gain	**-**	**-**	**2,496**	**2,496**	**2,496**
	-	**-**	**108,933**	**108,933**	**108,933**
Balance as at June 30, 2019	**391,444**	**217,808**	**584,694**	**802,502**	**1,193,946**

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

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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 01, 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.

1.3 These unconsolidated financial statements are the separate financial statements of the Company in which investment in subsidiary has been accounted for at cost less accumulated impairment losses, if any.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 (the Act); and

- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from IFRS, the provisions of and directives issued under the Act have been followed.

2.2 Basis of measurement

These unconsolidated financial statements have been prepared on the basis of historical cost convention, unless otherwise specifically stated.

2.3 Functional and presentation currency

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

2.4 New standards and amendments

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year except that the Company has adopted the following amendments of IFRS which became effective for the current year:

IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment)
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IAS 40	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Improvements to accounting standard issued by IASB in December 2016

IAS 28 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Company's unconsolidated financial statements except stated below:

2.4.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the unconsolidated financial statements. Accordingly, the information presented for the previous corresponding period has not been restated.

The Company generates its revenue from sale of goods. The Company’s contracts with customers for the sale of goods generally include one performance obligation and do not provide customers with a right of return and volume rebate. The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods, and variable consideration did not have any impact on the revenue recognised by the Company. Therefore, the adoption of IFRS 15 did not have any material impact on the timing of revenue recognition and the amount of revenue recognized.

Further, due to application of the above standards, the Company has revised its policies and incorporate additional disclosures in accordance with the requirements of the above standards in these unconsolidated financial statements.

2.4.2 IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of July 01, 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

The Company's financial assets mainly includes deposits, trade debts, other receivables, cash and bank balances held with commercial banks.

Classification and measurement

IFRS-9 retain but simplifies the measurement model and establishes the measurement categories of financial asset: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The Company's trade debts and other financial assets previously classified as loans and receivables are now measured at amortised cost.

The classification and measurement of IFRS-9, as descried above did not have a significant impact on the Company's unconsolidated financial statements.

The accounting for the Company’s financial liabilities remains largely the same as it was under IAS 39. Accordingly, the adoption of IFRS 9 has not had a significant effect on the Company’s accounting policies related to financial liabilities.

Impairment

The adoption of IFRS 9 has fundamentally changed the Company’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECL for all financial assets other than debt instruments classified as FVPL and equity instruments classified as FVPL or FVOCI.

The Company has applied the ECL approach in accordance with the new accounting policy for impairment of financial assets as mentioned in Note 3.12.1 of these unconsolidated financial statements.

The adoption of IFRS 9 resulted in following:

	Rupees in '000
Reserves	
As at June 30, 2018	776,083
IFRS 9 impact:	
Decrease due to impairment charge against trade debts	(13,934)
Related tax impact	3,837
	(10,097)
As at July 01, 2018 - restated	765,986
Trade debts	
As at June 30, 2018	561,444
IFRS 9 impact:	
Decrease due to impairment charge against trade debts	(13,934)
As at July 01, 2018 - restated	547,510
Deferred tax assets - net	
As at June 30, 2018	7,782
IFRS 9 impact:	
Increase due to impairment charge against trade debts	3,837
As at July 01, 2018 - restated	11,619

2.5 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 after)
IFRS 3 Definition of a Business	January 01, 2020
IFRS 3 Business Combinations: Previously held interests in a joint operation	January 01, 2019
IFRS 9 Prepayment Features with Negative Compensation	January 01, 2019
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet finalised
IFRS 11 Joint Arrangements: Previously held interests in a joint operation	January 01, 2019
IFRS 16 Leases	January 01, 2019
IAS 1 / IAS 8 Definition of Material	January 01, 2020
IAS 12 Income Taxes: Income tax consequences of payments on financial instruments classified as equity	January 01, 2019
IAS 19 Plan Amendment, Curtailment or Settlement	January 01, 2019
IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation	January 01, 2019
IAS 28 Long-term Interests in Associates and Joint Ventures	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Company's unconsolidated financial statements in the period of initial application except for IFRS 16 - 'Leases'. The Company is currently evaluating the impact of this standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for annual reporting period beginning on or after January 01, 2019. The Company expects that such improvements to the standards will not have any material impact on the Company's unconsolidated 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 January 01, 2020 for preparers of unconsolidated 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, the following new standards have been issued by IASB which are yet to be notified by the Securities Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First Time adoption of IFRSs	01 January 2014
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

The Company expects that above new standards will not have any material impact on the Company's unconsolidated financial statements in the period of initial application.

2.6 Significant accounting judgments and estimates

The preparation of the Company's unconsolidated 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 estimates and judgments which are significant to the unconsolidated financial statements:

	Notes
- determining the residual values, useful lives and impairment of property, plant and equipment / intangible assets	3.1, 3.2, 3.3, 4 & 5
- valuation of inventories	3.4, 3.5 & 10
- provision for impairment on financial assets	3.12.1 & 11
- provision for tax and deferred tax	3.18, 9 & 29
- provision for employee retirement benefits	3.13 & 17.1
- contingencies	21.1

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 statement of profit or loss applying the reducing balance method at the rates specified in note 4.1 to the unconsolidated 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 statement of profit or loss 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 statement of profit or loss.

3.2 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 5 to the unconsolidated 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.

3.3 Impairment

The carrying values of the Company's assets are reviewed at each statement of reporting 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.

3.4 Stores and spares

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

3.5 Stock-in-trade

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

- Raw and packing material	- on moving 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 reporting date.

3.6 Investment in subsidiary

Investment in subsidiary is stated at cost less accumulated impairment losses, if any.

3.7 Loans, advances, deposits, prepayments and other receivables

Loans, advances, deposits, prepayments and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Exchange gains or losses arising in respect of deposits, advances and other receivables in foreign currency are added to their respective carrying amounts and charged to statement of profit or loss, if any.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, with banks in current and deposit accounts, demand draft and running finance under mark-up arrangements. Running finances under mark-up arrangements are shown within short-term borrowings under current liabilities on the statement of financial position.

3.9 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.

3.10 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.

3.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Company classifies its financial assets into following categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 'Financial Instruments: Presentation' and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category also includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

The Company has not designated any financial asset as at FVPL.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, trade payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at FVPL.

Financial liabilities at amortized cost

After initial recognition, borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing, if any.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.12 Impairment

3.12.1 Impairment of financial assets

Financial assets covered under IFRS 9

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For all financial assets the Company applies a simplified approach where applicable in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix for large portfolio of customer having similar characteristics and default rates based on the credit rating of customers from which receivables are due that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default depending on the past due days of various categories of its financial assets. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.12.2 Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in profit or loss. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in profit or loss.

3.13 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, 2019 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.

3.14 Revenue recognition

The Company recognises revenue at a point in time when control of product is transferred to customer. Control, depending on contractual terms, is considered to be transferred either when the product is directly uplifted by customer from factory premises or when it is delivered by the Company at customer premises.

The Company generally enters into an agreement with its customers for supply of its products, including delivery of product. As the transportation of product coincides with actual delivery, sale of product and transportation is considered single performance obligation. The credit limits in contract with customers varies depending on the terms of specific contract.

3.15 Ijarah lease 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 statement of profit or loss on straight line basis over the lease term.

Ijarah rentals directly attributable to the acquisition or construction of an asset are capitalized as part of the cost of the respective assets.

3.16 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 reporting date. Exchange gains or losses are taken to the statement of profit or loss.

3.17 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 reporting date and adjusted to reflect the current best estimate.

3.18 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Current tax is charged to profit or loss except to the extent it relates to items recognised in other comprehensive income.

Deferred

Deferred tax is provided, using the liability method, on all temporary differences at the reporting 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 profits 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 reporting 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 reporting date. Deferred tax is charged or credited to statement of profit or loss except to the extent it relates to items recognized in other comprehensive income.

3.19 Dividend and appropriation to reserves

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

	Note	2019	2018
		---------- (Rupees in '000) ----------	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**1,201,358**	943,524
Capital work-in-progress	4.5	**31,475**	238,780
		1,232,833	1,182,304

4.1 **Operating fixed assets:**

	Cost			Depreciation					
	As at July 01, 2018	Additions / (Deletions) during the year	As at June 30, 2019	As at July 01, 2018	Charge for the year	On deletions	As at June 30, 2019	Net book value as at June 30, 2019	Depreciation rate % per annum
	(Rupees in '000)								
Owned									
Leasehold land (note 4.3)	207,630	4,650	212,280	-	-	-	-	212,280	-
Buildings on leasehold land (note 4.3)	362,637	67,908	430,545	119,983	13,906	-	133,889	296,656	5
Plant and machinery	548,283	105,523 (170)	653,636	315,820	32,821	(11)	348,630	305,006	10
Tools and equipment	80,879	44,296	125,175	30,029	5,989	-	36,018	89,157	10
Gas and other installation	169,429	89,187	258,616	89,872	10,959	-	100,831	157,785	10
Furniture and fixture	48,813	9,725	58,538	21,206	3,326	-	24,532	34,006	10
Office equipment	31,317	3,740 (306)	34,751	14,445	1,864	(132)	16,177	18,574	10
Computer equipment	34,776	1,066 (719)	35,123	26,869	2,573	(584)	28,858	6,265	30
Motor Vehicles	140,042	30,231 (17,677)	152,596	62,058	18,469	(9,560)	70,967	81,629	20
	1,623,806	356,326 (18,872)	1,961,260	680,282	89,907	(10,287)	759,902	1,201,358	

Operating fixed assets:

	Cost			Depreciation					
	As at July 01, 2017	Additions / (Deletions) during the year	As at June 30, 2018	As at July 01, 2017	Charge for the year	On deletions	As at June 30, 2018	Net book value as at June 30, 2018	Depreciation rate % per annum
	(Rupees in '000)								
Owned									
Leasehold land (note 4.3)	90,415	117,215 -	207,630	-	-	-	-	207,630	-
Buildings on leasehold land (note 4.3)	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	

4.2 The details of operating assets disposed of are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
Vehicle	**715**	**-**	**715**	**1,000**	**285**	Company Policy	Mr. Mehmood Yusuf Ex employee
Vehicle	**1,982**	**1,429**	**553**	**1,210**	**657**	3rd party via bid	Mr. Shahid Ali
Vehicle	**1,978**	**33**	**1,945**	**1,860**	**(85)**	3rd party via bid	Mr. Amir Shafiq
Vehicle	**744**	**85**	**659**	**741**	**82**	Settled through claim received	
Vehicle	**739**	**85**	**654**	**777**	**123**	Settled through claim received	
Items having book value of less than Rs. 500,000 each	**12,714**	**8,655**	**4,059**	**15,006**	**10,947**		
June 30, 2019	**18,872**	**10,287**	**8,585**	**20,594**	**12,009**		
June 30, 2018	4,050	2,425	1,625	16,616	14,991		

4.3 Particulars of immovable fixed assets:

Location	Usage	Total Area (Square fit)*
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

* The covered area includes multi storey buildings.

	Note	2019	2018
		(Rupees in '000)	

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

	Note	2019	2018
Cost of sales	23	**64,582**	51,542
Distribution cost	24	**18,262**	11,538
Administrative expenses	25	**7,063**	5,815
		89,907	68,895

4.5 Capital work-in-progress

2019	Civil works	Land	Plant and machinery	Others	Total
	(Rupees in '000)				
Opening balance	**79,687**	**4,000**	**150,207**	**4,886**	**238,780**
Capital expenditure incurred / advances made	**24,913**	**2,700**	**42,292**	**2,876**	**72,781**
Transfer to operating fixed assets	**(103,917)**	**(4,650)**	**(164,072)**	**(7,447)**	**(280,086)**
Closing balance	**683**	**2,050**	**28,427**	**315**	**31,475**

2018	Civil works	Land	Plant and machinery	Others	Total
	(Rupees in '000)				
Opening balance	20,244	21,484	15,338	23,789	80,855
Capital expenditure incurred / advances made	77,288	99,731	141,525	5,032	323,576
Transfer to operating fixed assets	(17,845)	(117,215)	(6,656)	(23,935)	(165,651)
Closing balance	79,687	4,000	150,207	4,886	238,780

5. INTANGIBLE ASSETS

2019	Cost			Amortization			Net book value as at June 30, 2019	Amortization rate % per annum
	As at July 01, 2018	Additions during the year	As at June 30, 2019	As at July 01, 2018	Charge for the year	As at June 30, 2019		
	(Rupees in '000)							
Software licenses	**17,806**	**3,954**	**21,760**	**11,540**	**3,126**	**14,666**	**7,094**	**20-33.33%**
SAP ERP	**41,802**	**-**	**41,802**	**40,019**	**598**	**40,617**	**1,185**	**20%**
Manufacturing and distribution rights	**20,000**	**-**	**20,000**	**20,000**	**-**	**20,000**	**-**	**20%**
	79,608	**3,954**	**83,562**	**71,559**	**3,724**	**75,283**	**8,279**	

2018	Cost			Amortization			Net book value as at June 30, 2018	Amortization rate % per annum
	As at July 01, 2017	Additions during the year	As at June 30, 2018	As at July 01, 2017	Charge for the year	As at June 30, 2018		
	(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 distribution rights	20,000	-	20,000	20,000	-	20,000	-	20%
	78,128	1,480	79,608	67,184	4,375	71,559	8,049	

	Note	2019	2018
		---------- (Rupees in '000) ----------	

5.1 Amortization charge for the year has been allocated as follows:

	Note	2019	2018
Cost of sales	23	**263**	117
Distribution cost	24	**611**	515
Administrative expenses	25	**2,850**	3,743
		3,724	4,375

6. LONG-TERM INVESTMENT

	Note	2019	2018
Investment in subsidiary - at cost			
Misbah Cosmetics (Private) Limited			
Equity held: 56.90% (2018: Nil)			
No. of shares: 10,000,000 (2018: Nil) of Rs. 10/- each	6.1	**100,000**	-

6.1 During the year, the Company acquired 56.90% voting shares of Misbah Cosmetics (Private) Limited against a cash consideration of Rs. 100 million. The subsidiary company is engaged in selling and distribution of cosmetics products.

7. LONG-TERM LOANS - secured, considered good

	Note	2019	2018
		---------- (Rupees in '000) ----------	
Due from:			
- Executives*		**1,746**	3,955
- Other employees		**6,547**	5,978
	7.1, 7.2 & 7.3	**8,293**	9,933
Less: Current portion			
- Executives		**(1,531)**	(2,359)
- Other employees		**(4,615)**	(4,684)
	12	**(6,146)**	(7,043)
		2,147	2,890

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

7.2 These represent interest free loans to executives and employees for purchase of motor cars, motor cycles, house building, umrah and others, in accordance with the Company's policy. These loans are secured against the final settlement of respective employees and are recoverable in monthly installments over a period of three months to forty eight months.

7.3 Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these unconsolidated financial statements.

* These represent officers as prescribed under the Companies Act, 2017.

8. LONG-TERM DEPOSITS

	Note	2019	2018
		---------- (Rupees in '000) ----------	
Ijarah lease rentals		**34,050**	36,546
Diminishing musharakah		**35,386**	30,858
Utilities		**3,473**	1,998
Rent		**710**	710
		73,619	70,112

	Note	2019	2018
		(Rupees in '000)	
9. DEFERRED TAX ASSET			
Deductible temporary differences in respect of:			
Provisions for:			
- impairment on slow moving and obsolete items		**7,816**	12,802
- impairment on trade debts		**18,064**	12,841
- retirement and other service benefits		**38,309**	34,137
Minimum tax		**58,248**	26,893
Others		**12,444**	12,967
		134,881	99,640
Less: Taxable temporary differences			
Accelerated tax depreciation		**(116,485)**	(91,858)
	9.1	**18,396**	7,782

9.1 Movement in deferred tax asset - net is as follows:

		2019	2018
Balance at beginning of the year		**7,782**	21,697
Impact of change in accounting policy		**3,837**	-
Balance at beginning of the year - restated		**11,619**	21,697
- recognized in profit or loss		**7,774**	(14,232)
- recognized in other comprehensive loss		**(997)**	317
Balance at end of the year		**18,396**	7,782

10. STOCK-IN-TRADE

	Note	2019	2018
In hand			
- raw materials		**264,024**	324,748
- packing materials		**170,963**	197,011
- work-in-process		**65,668**	52,716
- finished goods	10.1	**296,278**	348,966
		796,933	923,441
Less: Provision for slow moving and obsolete items	10.2	**(27,376)**	(46,482)
		769,557	876,959
In transit		**3,646**	1,783
		773,203	878,742

10.1 These include cost of physician samples, aggregating Rs.13.502 (2018: Rs.23.272) million.

10.2 Provision for slow moving and obsolete items

		2019	2018
Opening balance		**46,482**	40,372
Charge for the year		**10,716**	27,654
Write off during the year		**(29,822)**	(21,544)
Closing balance		**27,376**	46,482

	Note	2019	2018
		---------- (Rupees in '000) ----------	

11. TRADE DEBTS - unsecured

	Note	2019	2018
Trade debts- gross	11.1	**643,955**	608,069
Provision for impairment	11.2	**(63,269)**	(46,625)
Trade debts- net		**580,686**	561,444

11.1 These trade debts include Rs.2.654 (2018: Rs.23.852) million representing receivable against export sales to Africa and Asia amounting to Rs.2.046 (2018:Nil) million and Rs.608 (2018: Rs.23.852) million respectively.

11.2 Provision for doubtful debts

The movement in provision for impairment during the year is as follows:

	Note	2019	2018
Balance at beginning of the year		**46,625**	48,576
Impact of change in accounting policy	2.4.2	**13,934**	-
Balance at beginning of the year - restated		**60,559**	48,576
Provision recognised during the year		**2,710**	4,134
Write offs during the year		**-**	(6,085)
		2,710	(1,951)
Balance at end of the year		**63,269**	46,625

11.3 As at June 30, 2019, trade debts aggregating to Rs.283 (2018: Rs.253) million are neither past due nor impaired. The remaining debts aggregating to Rs.297 (2018: Rs.307) million are past due but not impaired. The ageing analysis of these past due trade debts is as follows:

	2019	2018
Trade debts		
Neither past due nor impaired	**283,650**	253,923
Past due but not impaired:		
- within 30 days	**87,865**	94,409
- within 31 to 90 days	**68,356**	74,787
- within 91 to180 days	**8,974**	52,579
- within 181 to 360 days	**22,917**	31,227
- over 360 days	**108,924**	54,519
	580,686	561,444

12. LOANS AND ADVANCES - considered good

	Note	2019	2018
Current portion of long term loans	7	**6,146**	7,043
Advances to:			
- employees	12.1	**15,705**	9,703
- suppliers		**50,045**	85,277
- others		**122**	192
		65,872	95,172
		72,018	102,215

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

	Note	2019	2018
		---------- (Rupees in '000) ----------	
13. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits			
Ijarah lease rentals		**5,532**	4,517
Diminishing musharakah		**1,362**	6,972
Margin against bank guarantees		**18,236**	16,477
Tender deposits		**34,992**	40,274
Others		**422**	550
		60,544	68,790
Prepayments			
Rent		**7,260**	10,289
Software license		**2,129**	1,814
Takaful		**224**	-
Fees, rates and taxes		**221**	105
		9,834	12,208
Other receivables			
Profit on savings account		**188**	47
Others		**10**	639
		198	686
		70,576	81,684
14. CASH AND BANK BALANCES			
Cash in hand		**271**	16
Balances with banks in:			
- current accounts		**84,462**	2,690
- saving accounts	14.1	**57,845**	44,289
		142,307	46,979
Cash and bank balances		**142,578**	46,995
Musharakah running finance	20	**(130,000)**	-
Total cash and cash equivalents		**12,578**	46,995

14.1 These carry profit at the rates ranging from 2.25% to 6.15% (2018: 2.46% to 3.10%) per annum.

			Note	2019	2018
				---------- (Rupees in '000) ----------	

15. SHARE CAPITAL

15.1 Authorized share capital

2019	2018		2019	2018
----- 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

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	2019	2018
		---------- (Rupees in '000) ----------	
Diminishing musharakah on:			
- leasehold land and buildings	16.1	**76,263**	125,093
- plant and machinery	16.2	**253,727**	163,028
- vehicles	16.3	**67,602**	65,429
- equipments	16.4	**-**	1,638
		397,592	355,188
Less: Current maturity shown under current liabilities		**(98,832)**	(83,286)
		298,760	271,902

16.1 These facilities have been obtained from Meezan Bank Limited for 3 different lands. These carry markup at the rate of 6 Months KIBOR plus 1.25% to 2.00% (2018:KIBOR plus 1.25% to 2.00%) per annum and having maturity till August 2022 (2018:August 2022). These facilities are secured against the respective assets.

16.2 These facilities have been obtained from First Habib Modaraba, Dubai Islamic Bank and MCB Islamic Bank for 18 different machineries. These carry markup at the rates of 6 Months KIBOR plus 1.40% to 2.00% (2018: KIBOR plus 1.40% to 2.00%) per annum and having maturity till September 2024 (2018: June 2023). These facilities are secured against the respective assets.

16.3 These facilities have been obtained from First Habib Modaraba and Albaraka Bank (Pakistan) Limited. These carry markup at the rates of 6 Months KIBOR plus 1.25% to 1.50% (2018: KIBOR plus 1.25% to 2:00%) per annum and are having maturity till December 2023 (2018: June 2023). These facilities are secured against the respective assets.

16.4 These facilities have been matured and repaid during the year.

	Note	2019	2018
		---------- (Rupees in '000) ----------	
17. DEFERRED LIABILITIES			
Advance against motor vehicles		**688**	839
Employees' gratuity payable	17.1	**177,771**	171,029
		178,459	171,868

17.1 Defined benefit plan - unfunded gratuity scheme

The latest actuarial valuation was carried out on June 30, 2019 by an appointed actuary using "Projected Unit Credit Actuarial Cost Method".

	2019	2018
	--- Number of Employees ---	
The number of employees covered under the defined benefit scheme are:	**507**	567

The following principal actuarial assumptions were used for the valuation of above mentioned scheme:

	2019	2018
Financial assumptions		
- Discount rate (per annum compounded)	**13.25%**	8.75%
- Salary increase per annum	**12.25%**	8.75%
Demographic assumptions		
- Normal retirement	**60 years**	60 years
- Mortality rate	**EFU (61-66)**	EFU (61-66)

	2019	2018
	---------- (Rupees in '000) ----------	
Liability in balance sheet		
Present value of defined benefit obligations	**177,771**	171,029
Movement in liability during the year		
Opening balance	**171,029**	165,514
Charged to profit and loss account	**19,183**	16,125
Benefits paid during the year	**(8,947)**	(11,762)
Actuarial (gain) / loss recognised in other comprehensive income	**(3,494)**	1,152
Closing balance	**177,771**	171,029

	2019	2018
	---------- (Rupees in '000) ----------	
Reconciliation of the present value of defined benefit obligations		
Present value of defined benefit obligations as at July 01	**171,029**	165,514
Current service cost	**4,609**	4,951
Interest cost	**14,574**	11,174
Benefits paid	**(8,947)**	(11,762)
Actuarial (gain) / loss on obligation	**(3,494)**	1,152
Present value of defined benefit obligations as at June 30	**177,771**	171,029
Charge for the defined benefit plan		
Cost recognised in profit and loss		
Current service cost	**4,609**	4,951
Interest cost	**14,574**	11,174
	19,183	16,125
Actuarial (gain) / loss on defined benefit obligation recognised in other comprehensive income		
Actuarial (gain) / loss on defined benefit obligation		
- Gain due to change in financial assumptions	**(11,478)**	-
- Loss due to change in demographic assumptions	**3,080**	-
- Loss due to change in experience adjustments	**4,904**	1,152
	(3,494)	1,152
Expected contributions to the fund in the following year	**25,858**	18,106
Expected benefit payments to retirees in the following year	**38,364**	33,556
Weighted average duration of the defined benefit obligation (year)	**7.50**	5.20

Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations on various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2019	2018
	---------- (Rupees in '000) ----------	
Increase in discount rate by 1%	**10,159**	7,579
Decrease in discount rate by 1%	**(11,478)**	(8,373)
Increase in expected future increment in salary by 1%	**11,478**	8,291
Decrease in expected future increment in salary by 1%	**(10,331)**	(7,644)

Comparison for Five Years
As at June 30,

	2019	2018	2017	2016	2015
	(Rupees in '000)				
Defined benefit obligation	**177,771**	171,029	165,514	140,780	158,349
Experience adjustment loss on obligation (as percentage of plan obligations)	**2.76%**	0.67%	16.19%	(4.80%)	(1.37%)

	Note	2019	2018
		(Rupees in '000)	
18. TRADE AND OTHER PAYABLES			
Trade and other creditors		**346,788**	432,891
Advances from customers		**114,205**	106,782
Accrued liabilities		**44,323**	41,946
Provision for gas infrastructure development cess	18.1	**66,795**	54,150
Sindh Workers’ Profit Participation Fund	18.2	**2,852**	17,393
Workers’ Welfare Fund	18.3	**21,725**	19,197
Central Research Fund		**1,238**	3,239
Payable to provident fund	18.4	**3,302**	1,734
Ijarah rental payable		**4,591**	6,212
Auditors' remuneration		**2,023**	1,493
Withholding taxes payable		**9,398**	18,239
Others		**8,008**	9,334
		625,248	712,610

18.1 Provision for gas infrastructure development cess

	2019	2018
Opening balance	**54,150**	44,412
Charge for the year	**12,645**	9,738
	66,795	54,150

18.2 Sindh Workers' Profit Participation Fund

	2019	2018
Opening balance	**17,393**	2,120
Markup thereon	**1,510**	200
Charge for the year	**6,651**	17,393
	25,554	19,713
Less: Payments made during the year	**(22,702)**	(2,320)
Closing balance	**2,852**	17,393

18.3 Prior to certain amendments made through the Finance Acts of 2006 and 2008, Workers' Welfare Fund (WWF) was levied at 2% of the total income assessable under the Income Tax Ordinance, 2001 excluding incomes falling under the Final Tax Regime (FTR). Through Finance Act, 2008, an amendment was made in Section 4(5) of the WWF Ordinance, 1971 (the Ordinance) whereby WWF liability is applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

Aggrieved by the amendments made through the Finance Act, 2008, certain stakeholders filed petition against the changes in the Honorable Lahore High Court which struck down the aforementioned amendments to the WWF Ordinance in 2011. However, the Honorable High Court of Sindh in the year 2013 did not accept the above arguments and declared the amendments made through Finance Act as valid. Both these decisions were later challenged in the Honorable Supreme Court of Pakistan (SCP).

The Honorable SCP passed a judgment on November 10, 2016, declaring the insertion of amendments introduced in the Finance Acts pertaining to WWF as unlawful and thereby striking down such amendments. However, a petition has been filed in the Honorable SCP for the review of the aforementioned judgement. In view of the said review petition, the Company on the basis of abundant caution has continued to provide the amount as per the required provisions.

18.4 Provident fund

18.4.1 General disclosures

The following information is based on the latest un-audited financial statements of the fund:

Size of the fund	**154,529**	121,318
Percentage of investments made	**94%**	90%
Cost of investments	**145,425**	109,734
Fair value of investments made	**134,776**	103,421

18.4.2 Break-up of investments

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

	2019 (Unaudited)		**2018 (Audited)**	
Particulars	**Investment**	**% of investment as size of fund**	**Investment**	**% of investment as size of fund**
	(Rupees in '000)		**(Rupees in '000)**	
Investment in Equity Collective Investment Scheme	**10,104**	**7%**	13,398	13%
Investment in Other Collective Investment Scheme	**7,088**	**5%**	8,130	8%
Bank balances	**2,584**	**2%**	51,893	50%
Others (Special Musharakah Certificate)	**115,000**	**86%**	30,000	29%
	134,776	**100%**	103,421	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	2019	2018
			---------- (Rupees in '000) ----------	
19.	**ACCRUED PROFIT**			
	Diminishing musharakah		**1,687**	1,702
	Istisna'a		**711**	839
	Murabaha		**17,999**	11,097
	Musharakah running finance		**3,891**	79
			24,288	13,717
20.	**SHORT TERM BORROWINGS - secured**			
	Istisna'a	20.1	**19,511**	59,349
	Musharakah running finance	20.2	**130,000**	-
	Murabaha	20.3	**641,227**	563,581
			790,738	622,930

20.1 This represents finance facility obtained from Dubai Islamic Bank. This carries profit at the rate of 6 Months KIBOR plus 1.25% (2018:3 to 6 Months KIBOR plus 1.00% to 1.25%) per annum and having maturity till July 2019 (2018: November 2018). These are secured by way of hypothecation on stock-in-trade and trade debts of the Company.

20.2 These represent finance facility obtained from MCB Islamic Bank. This carries profit at the rate of 3 Months KIBOR plus 0.85% per annum and is repayable on demand. These are secured by way of hypothecation on stock-in-trade and trade debts of the Company.

20.3 These represent outstanding murabaha facilities with various Islamic banks for the purpose of purchase of inventory. These carry profit at the rates ranging from 3 to 6 Months KIBOR plus 1.00% to 1.50% (2018: from 3 to 6 Months of KIBOR plus 1.00% to 1.50%) per annum and having maturity till December 2019 (2018:December 2018). These are secured against hypothecation of stock in trade and trade debts of the Company.

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 case goes to in favour of employees, Rs.7.24 million (2018: Rs. 6.32 million) may be paid as remuneration. Provision has not been made in these unconsolidated 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.

	2019	2018
21.1.2 Outstanding letters of guarantee	**89,667**	85,124

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 unconsolidated financial statements in this respect.

	Note	2019	2018
		---------- (Rupees in '000) ----------	
21.2 Commitments			
Outstanding letters of credit		**55,641**	111,801
Commitments for capital expenditure		**42,136**	108,393
Commitments for Ijarah rentals in respect of plant and machinery, motor vehicles and equipment:			
2019		**-**	105,618
2020		**100,457**	90,316
2021		**90,938**	80,699
2022		**62,569**	54,091
2023		**9,640**	6,130
2024		**998**	-
		264,602	336,854
22. TURNOVER			
Gross Sales			
Local		**3,943,576**	3,872,560
Export		**63,278**	124,032
		4,006,854	3,996,592
Less: Sales tax		**31,475**	23,205
		3,975,379	3,973,387
Toll manufacturing		**106,373**	79,787
		4,081,752	4,053,174
23. COST OF SALES			
Raw and packing materials consumed	23.1	**1,636,392**	1,614,416
Salaries, wages and benefits		**388,706**	381,816
Fuel and power		**120,264**	106,260
Ijarah lease rentals		**62,747**	49,985
Repairs and maintenance		**52,961**	54,048
Laboratory and factory supplies		**29,732**	13,724
Takaful		**3,097**	3,129
Provision for slow moving and obsolete stock-in-trade	10.2	**10,716**	27,654
Printing and stationery		**6,071**	5,675
Rent, rates and taxes		**8,517**	8,544
Legal and professional		**204**	1,591
Travelling, conveyance and entertainment		**2,508**	3,570
Depreciation	4.4	**64,582**	51,542
Amortization	5.1	**263**	117
Postage and communication		**1,118**	1,021
Training and development cost		**727**	117
Others		**144**	124
		2,388,749	2,323,333
Work-in-process			
Opening		**52,716**	95,598
Closing		**(65,668)**	(52,716)
		(12,952)	42,882
Cost of goods manufactured		**2,375,797**	2,366,215
Finished goods			
Opening		**348,966**	275,202
Closing		**(296,278)**	(348,966)
		52,688	(73,764)
Physician samples		**(79,620)**	(61,708)
		2,348,865	2,230,743

	Note	2019	2018
		---------- (Rupees in '000) ----------	
23.1 Raw and packing materials consumed			
Opening stock		**521,759**	572,828
Purchases		**1,549,620**	1,563,347
		2,071,379	2,136,175
Closing stock		**(434,987)**	(521,759)
		1,636,392	1,614,416

24. DISTRIBUTION COSTS

	Note	2019	2018
Salaries and benefits		**666,379**	607,681
Sales promotion expenses		**236,581**	235,521
Repair and maintenance		**24,705**	22,415
Fuel and power		**14,631**	13,064
Ijarah lease rentals		**25,350**	25,318
Printing and stationery		**3,340**	2,862
Takaful		**3,508**	4,238
Provision for impairment	11.2	**2,710**	4,134
Postage and communication		**4,810**	4,499
Rent, rate and taxes		**28,988**	28,143
Legal and professional		**1,240**	2,274
Freight charges		**63,185**	65,704
Training and development cost		**84,620**	67,411
Depreciation	4.4	**18,262**	11,538
Amortization	5.1	**611**	515
Traveling, conveyance and entertainment		**62,206**	59,395
Service charges		**21,460**	68,491
Subscription charges		**15,072**	12,188
		1,277,658	1,235,391

25. ADMINISTRATIVE EXPENSES

	Note	2019	2018
Salaries and benefits		**144,553**	127,224
Director`s fee		**842**	522
Fuel and power		**8,471**	7,130
Ijarah lease rentals		**4,811**	3,914
Legal and professional		**12,411**	15,789
Printing and stationery		**2,556**	3,269
Auditors' remuneration	25.1	**2,645**	1,985
Rent, rates and taxes		**5,987**	4,506
Takaful		**1,162**	919
Repairs and maintenance		**20,359**	16,128
Postage and communication		**3,379**	2,595
Depreciation	4.4	**7,063**	5,815
Amortization	5.1	**2,850**	3,743
Training and development cost		**319**	1,601
Traveling, conveyance and entertainment		**3,307**	2,494
Others		**1,194**	1,146
		221,909	198,780

	2019	2018
	---------- (Rupees in '000) ----------	
25.1 Auditors' remuneration		
Annual audit fee of unconsolidated financial statements	**1,000**	1,000
Half year review of unconsolidated financial statements	**300**	300
Annual audit fee of consolidated financial statements	**400**	-
Other services and certifications	**450**	361
	2,150	1,661
Out of pocket expenses	**323**	191
Sales tax	**172**	133
	2,645	1,985

26. OTHER EXPENSES

	2019	2018
Sindh Workers' Profit Participation Fund	**6,651**	17,393
Workers' Welfare Fund	**2,528**	6,609
Central Research Fund	**1,238**	3,239
Exchange loss - net	**-**	352
Mark-up on Sindh Workers' Profit Participation Fund	**1,510**	200
	11,927	27,793

27. OTHER INCOME

	2019	2018
Profit on savings accounts	**725**	983
Gain on disposal of property, plant and equipment	**12,009**	14,991
Scrap sales	**1,270**	7,342
Exchange gain - net	**611**	-
Others	**6,163**	4,339
	20,053	26,672
	20,778	27,655

28. FINANCIAL CHARGES

	2019	2018
Mark up on:		
- Diminishing musharakah	**39,340**	15,195
- Istisna`a	**5,070**	6,781
- Murabaha	**63,065**	44,317
- Musharakah running finance	**11,309**	200
	118,784	66,493
Bank charges and commission	**776**	1,014
	119,560	67,507

29. TAXATION

	2019	2018
Current	**28,867**	62,366
Prior	**(4,919)**	(2,266)
Deferred	**(7,774)**	14,232
	16,174	74,332

29.1 Income tax assessments of the Company have been finalised up to and including the tax year 2018 under the self assessment scheme.

29.2 Provision for current taxation has been made on the basis of turnover tax under section 113 of the Income tax Ordinance, 2001. Accordingly, tax expense reconciliation with the accounting loss is not presented.

	Note	2019	2018
		---------- (Rupees in '000) ----------	
30. BASIC AND DILUTED EARNINGS PER SHARE			
Net profit for the year		**106,437**	246,283
Weighted average number of ordinary shares in issue		**39,144**	39,144
Basic earnings per share (Rupees)	30.1	**2.72**	6.29

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, profit 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:

	2019	2018
	---------- (Rupees in '000) ----------	
Trade debts	**580,686**	561,444
Loans	**8,293**	9,933
Deposits	**134,163**	138,902
Other receivables	**10**	639
Bank balances	**142,307**	46,979
	865,459	757,897
Credit quality of financial assets		
Bank balances		
A1+	**140,247**	43,187
A1	**2,060**	3,792
	142,307	46,979

31.2 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all of the Company's activities.

The Company’s objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

31.3 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:

2019	**Less than three months**	**Three to twelve months**	**More than one year**	**Total**
	--------------------	(Rupees in '000)	--------------------	
Long-term financing	**24,994**	**73,839**	**298,760**	**397,593**
Trade and other payables	**256,293**	**219,590**	**-**	**475,883**
Accrued profit	**20,565**	**3,723**	**-**	**24,288**
Short-term borrowings	**391,964**	**398,774**	**-**	**790,738**
Unclaimed dividend	**280**	**-**	**-**	**280**
	694,096	**695,926**	**298,760**	**1,688,782**

2018	**Less than three months**	**Three to twelve months**	**More than one year**	**Total**
	--------------------	(Rupees in '000)	--------------------	
Long-term financing	18,857	64,428	271,903	355,188
Trade and other payables	219,591	372,991	-	592,582
Accrued profit	10,931	2,786	-	13,717
Short-term borrowings	345,016	277,914	-	622,930
Unclaimed dividend	212	-	-	212
	594,607	718,119	271,903	1,584,629

31.4 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 reporting date, the Company is not materially exposed to such risk.

31.5 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)
2019	**+100**	**(11,305)**
	-100	**11,305**
2018	+100	(9,338)
	-100	9,338

31.6 Fair value of financial instruments

31.6.1 Financial assets as per statement of financial position

At amortised cost		
Trade debts	**580,686**	561,444
Loans	**8,293**	9,933
Investment in subsidiary	**100,000**	-
Deposits	**134,173**	139,541
Bank balances	**142,307**	46,979
	965,459	757,897

31.6.2 Financial liabilities as per statement of financial position

Trade and other payables	**475,883**	592,582
Unclaimed dividend	**280**	212
Long-term financing	**397,592**	355,188
Accrued profit	**24,288**	13,717
Short-term borrowings	**790,738**	622,930
	1,688,782	1,584,629

31.6.3 Fair values of financial assets and liabilities

(a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in these unconsolidated financial statements approximate their fair values.

(b) Fair value estimation

The Company discloses the financial instruments carried at fair value in the statement of financial position in accordance with the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2019, none of the financial instruments are carried at fair value.

31.7 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 25.02% (2018: 23.29%) as of the reporting date, which in view of the management is adequate considering the size of the operations.

31.8 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, companies with common directorship, directors, key management personnel and a subsidiary. Transactions and balances outstanding with related parties and associated undertakings are as follows:

		2019	2018
		---------- (Rupees in '000) ----------	
Transactions during the year			
Descriptions	**Nature of transactions**		
Key Management Personnel	Dividend	**47,283**	144,404
	Technical advisory services	**-**	3,800
	Financing obtained and repaid for working capital requirements	**-**	94,513
Non-Executive Directors	Meeting fees	**842**	522
Provident fund	Contribution paid	**35,218**	25,337
Misbah Cosmetics (Private) Limited (Subsidiary) - 56.90%	Investment made	**100,000**	-
	Expenses incurred and reimbursement thereon	**3,086**	-

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

32.3 The Company carries out transactions with related parties at commercial terms and conditions as per the Company's policy.

33 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Executive Directors		Executive *		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	---------- (Rupees in '000) ----------							
Managerial remuneration	**19,128**	18,216	**34,670**	40,067	**119,979**	134,594	**173,777**	192,877
Bonus	**-**	2,760	**2,421**	9,070	**990**	3,761	**3,411**	15,591
Perquisites	**746**	218	**381**	515	**643**	1,321	**1,770**	2,054
Retirement benefits	**1,083**	1,049	**1,955**	2,585	**13,187**	10,597	**16,225**	14,231
Other benefits	**1,597**	1,521	**2,900**	3,612	**15,074**	15,415	**19,571**	20,548
	22,554	23,764	**42,327**	55,849	**149,873**	165,688	**214,754**	245,301
Number of persons	**1**	1	**2**	2	**29**	37	**32**	40

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 In addition, meeting fee amounting to total Rs.0.842 (2018: Rs.0.522) million was paid to non-executive (independent directors) directors for meetings attended during the year. The non-executive (independent directors) directors are not entitled to any remuneration except meeting fee.

33.3 The number of persons does not include those who resigned during the year but remuneration paid to them is included in the above amounts.

* These represent officers as prescribed under the Companies Act, 2017.

34. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 1,168 (2018: 1,187), the average number of persons employed during the year were 1,213 (2018: 1,161) and number of person employed in factory as at year end were 453 (2018: 473).

35. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Director in its meeting held on September 30, 2019 proposed (i) a final cash dividend of Rs. 0.9 per share amounting to Rs. 35.22M for approval of the members at the Annual General Meeting to be held on October 25, 2019.

The Finance Act 2019, has levied a tax at the rate of 5% to be imposed on every public company that derives profit for a tax year but does not distribute atleast 20% of its after tax profits ('requisite dividend') within six months of the end of the tax year ('requisite time') through cash. Any liability in this respect will be recognised when the requisite time expires without the Company having distributed the requisite dividend.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 30, 2019 by the Board of Directors of the Company.

37. GENERAL

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

37.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant rearrangement or reclassification has been made in these financial statements during the current year.

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

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INDEPENDENT AUDITOR'S REPORT

To the members of Macter International Limited

Opinion

We have audited the annexed consolidated financial statements of **Macter International Limited** (the Holding Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at **30 June 2019**, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Following are the Key audit matters:

Key audit matters	How our audit addressed the key audit matter
1. First time adoption of IFRS 9 – 'Financial Instruments' (IFRS 9)	
As referred to in note 2.4.2 to the consolidated financial statements, the Group has adopted IFRS 9 with effect from 01 July 2018. The new standard requires the Group to make provision for financial assets (trade debts) using Expected Credit Loss (ECL) approach as against the Incurred Loss Model previously applied by the Group. Determination of ECL provision for trade debts requires significant judgement and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information. We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.	Our key procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Group to estimate the ECL in relation to trade debts. We also considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates. Further, we assessed the integrity and quality of the data used for ECL computation based on the accounting records and information system of the Group as well as the related external sources as used for this purpose. We checked the mathematical accuracy of the ECL model by performing recalculation on test basis. In addition to above, we assessed the adequacy of disclosures in the consolidated financial statements of the Group regarding application of IFRS 9 as per the requirements of the above standard.
2. Accounting for the acquisition of controlling interest in Misbah Cosmetics (Private) Limited	
During the year, the Holding Company acquired controlling interest in Misbah Cosmetics (Private) Limited (MCPL) effective 19 September 2018. The Holding Company has accounted for this acquisition under IFRS 3 – 'Business Combinations'. For this purpose, management engaged experts to determine the fair values of identifiable assets and liabilities of MCPL for the purpose of purchase price allocation.	Our audit procedures amongst others included: - assessed the valuation for the consideration paid and traced payment made for acquisition of controlling interest; - tested the identification and fair valuation of the acquired assets including intangible assets and liabilities by corroborating this identification based on our discussion with management;

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Key audit matter	How our audit addressed the key audit matter
We considered accounting for this acquisition to be a key audit matter as this was a significant transaction of the year which required significant management's estimates and judgements regarding determination of fair values of identifiable assets and liabilities of MCPL and allocation of purchase price to the same.	- involved our internal experts to assist us in reviewing the valuation methodologies used by management's external valuation experts for fair valuation of acquired assets and liabilities and purchase price allocation. As part of this, we assessed the valuation assumptions such as discount and growth rates by comparing these assumptions to source data and market data. We have also assessed the competence and relevant experience of the experts engaged by the management; - assessed whether the appropriate accounting treatment has been applied to the transaction; and - assessed the adequacy and appropriateness of the related disclosures in the consolidated financial statements for compliance with the requirements of applicable financial reporting framework.
3. Acquisition of new fixed assets	
As disclosed in note 4 to the accompanying consolidated financial statements, during the year, the Group capitalized Rs.365 million in its operating fixed assets. The Group has also made an addition of Rs.73 million in its Capital work-in-progress out of which Rs.42 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 International Accounting Standards 16, 'Property, Plant and Equipment', and the application of the management's judgement in assigning appropriate useful economic lives.	Our key audit procedures in this area included, amongst others, assessing the Group'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.

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Key audit matter	How our audit addressed the key audit matter
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.	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. We further evaluated the adequacy of financial statement disclosures applicable to the entity in accordance with the applicable financial reporting framework.
4. Existence and valuation of stock in trade	
As disclosed in note 10 to the accompanying consolidated financial statements, the stock in trade represents 26% of total assets of the Group. 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 Group'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 Group at the year end.

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 consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

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Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

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

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- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

The engagement partner on the audit resulting in this independent auditors' report is Shaikh Ahmed Salman.

EY Ford Rhodes

Chartered Accountants

Date: 01 October 2019

Karachi

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CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		---------- (Rupees in '000) ----------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**1,248,312**	1,182,304
Intangible assets	5	**65,218**	8,049
Long-term loans	6	**2,147**	2,890
Long-term deposits	7	**74,537**	70,112
Deferred tax asset	8	**18,396**	7,782
		1,408,610	1,271,137
CURRENT ASSETS			
Stores and spares		**2,171**	1,863
Stock-in-trade	9	**841,849**	878,742
Trade debts	10	**599,532**	561,444
Loans and advances	11	**76,887**	102,215
Trade deposits, prepayments and other receivables	12	**76,998**	81,684
Taxation - net		**134,045**	99,972
Cash and bank balances	13	**144,969**	46,995
		1,876,451	1,772,915
TOTAL ASSETS		**3,285,061**	3,044,052
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	**391,444**	391,444
Reserves		**764,552**	776,083
Equity attributable to the owner's of the Holding Company		**1,155,996**	1,167,527
Non controlling interest	3.19	**4,031**	-
		1,160,027	1,167,527
NON-CURRENT LIABILITIES			
Long-term financing	15	**354,330**	271,902
Deferred liabilities	16	**178,459**	171,868
		532,789	443,770
CURRENT LIABILITIES			
Trade and other payables	17	**648,245**	712,610
Accrued profit	18	**25,453**	13,717
Short-term borrowings	19	**815,751**	622,930
Current portion of long-term financing	15	**102,516**	83,286
Unclaimed dividends		**280**	212
		1,592,245	1,432,755
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		**3,285,061**	3,044,052

The annexed notes from 1 to 36 form an integral part of these consolidated financial statements.

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		---------- (Rupees in '000) ----------	
Turnover	21	**4,194,932**	4,053,174
Cost of sales	22	**(2,403,621)**	(2,230,743)
Gross profit		**1,791,311**	1,822,431
Distribution costs	23	**(1,385,500)**	(1,235,391)
Administrative expenses	24	**(223,456)**	(198,780)
Other expenses	25	**(11,927)**	(27,793)
Other income	26	**20,778**	27,655
Operating profit		**191,206**	388,122
Financial charges	27	**(125,395)**	(67,507)
Profit before taxation		**65,811**	320,615
Taxation	28	**(22,763)**	(74,332)
Net profit for the year		**43,048**	246,283
		---------- (Rupees) ----------	
Basic and diluted earnings per share	29	**1.79**	6.29
Attributable to:			
Owners of the Holding Company		**70,262**	246,283
Non-controlling interest		**(27,214)**	-
		43,048	246,283

The annexed notes from 1 to 36 form an integral part of these consolidated financial statements.

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	---------- (Rupees in '000) ----------	
Net profit for the year	**43,048**	246,283
Other comprehensive income / (loss):		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain / (loss) on remeasurement of defined benefit plans – net of tax	**2,496**	(835)
Total comprehensive income for the year	**45,544**	**245,448**
Attributable to:		
Owners of the Holding Company	**72,758**	245,448
Non-controlling interest	**(27,214)**	-
	45,544	245,448

The annexed notes from 1 to 36 form an integral part of these consolidated financial statements.

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		65,811	320,615
Adjustments:			
Depreciation		91,040	68,895
Amortization		5,875	4,375
Financial charges		125,395	67,507
Provision for gratuity		19,183	16,125
Gain on disposal of property, plant and equipment		(12,009)	(14,991)
Provision for slow moving and obsolete stock-in-trade - net		(19,106)	6,110
Provision for doubtful debts - net		6,081	(1,951)
		216,459	146,070
		282,270	466,685
(Decrease) / increase in current assets			
Store and spares		(308)	(223)
Stock-in-trade		55,999	20,259
Trade debts		(59,878)	(23,911)
Loans and advances		25,328	(2,583)
Trade deposits, prepayments and other receivables		4,686	(9,910)
		25,827	(16,368)
(Decrease) / increase in current liabilities			
Trade and other payables		(64,857)	116,279
		(39,030)	99,911
Financial charges paid		(113,659)	(66,992)
Income tax paid		(64,611)	(63,393)
Gratuity paid		(8,947)	(11,762)
Long-term loans		743	(246)
Long-term deposits		(4,425)	(23,168)
Deferred liabilities		(152)	223
		(191,051)	(165,338)
Net cash generated from operating activities		52,189	401,258
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(157,593)	(407,620)
Proceeds from disposal of property, plant and equipment		20,594	16,616
Additions to intangible assets		(3,954)	(1,480)
Net cash used in investing activities		(140,953)	(392,484)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(72,417)	(221,165)
Short-term borrowings obtained / (repaid)		62,821	(59,445)
Long-term financing obtained		101,658	216,743
Net cash generated from / (used in) financing activities		92,062	(63,867)
Net increase / (decrease) in cash and cash equivalents during the year		3,298	(55,093)
Cash and cash equivalents at the beginning of the year		46,995	102,088
Cash and cash equivalents acquired through business combination		(35,324)	-
Cash and cash equivalents at the end of the year	13	14,969	46,995

The annexed notes from 1 to 36 form an integral part of these consolidated financial statements.

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed and paid-up share capital	Reserves			Non Controlling Interest	Total
		Capital reserves	Revenue reserves	Total reserves		
			Unappropriated profit			
	---------- (Rupees in '000) ----------					
Balance as at July 01, 2017	391,444	217,808	533,992	751,800	-	1,143,244
Final cash dividend at 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)
	-	-	245,448	245,448	-	245,448
Interim cash dividend at 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**
Effect of change in accounting policy (see note 2.4.2)	**-**	**-**	**(11,872)**	**(11,872)**	**-**	**(11,872)**
Balance as at July 01, 2018 - restated	**391,444**	**217,808**	**546,403**	**764,211**	**-**	**1,155,655**
Non-controlling interest on acquisition of the Subsidiary Company - note 3.20	**-**	**-**	**-**	**-**	**31,245**	**31,245**
Final cash dividend at Rs.1.85 per share for the year ended June 30, 2018	**-**	**-**	**(72,417)**	**(72,417)**	**-**	**(72,417)**
Net profit / (loss) for the year	**-**	**-**	**70,262**	**70,262**	**(27,214)**	**43,048**
Other comprehensive income	**-**	**-**	**2,496**	**2,496**	**-**	**2,496**
	-	**-**	**72,758**	**72,758**	**(27,214)**	**45,544**
Balance as at June 30, 2019	**391,444**	**217,808**	**546,744**	**764,552**	**4,031**	**1,160,027**

The annexed notes from 1 to 36 form an integral part of these consolidated financial statements.

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. GROUP LEGAL STATUS AND NATURE OF BUSINESS

The Group consist of Macter International Limited ("the Holding Company") and Misbah Cosmetics (Private) Limited ("the Subsidiary Company"). Brief profile of the Holding Company and the Subsidiary Company is given below:

1.1 Macter International Company Limited

1.1.1 The Holding 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 01, 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.

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

1.2 Misbah Cosmetics (Private) Limited

1.2.1 The Misbah Cosmetics (Private) Limited is a Private Limited Company incorporated in Pakistan on June 09, 2014 under the Companies Ordinance, 1984. Its registered office is at F-216, S.I.T.E, Karachi.

1.2.2 The principal activity of the Company is selling and distribution of cosmetic products in Pakistan.

1.3 These financial statements denote the consolidated financial statements of the Group. Unconsolidated financial statements of the Holding Company and its subsidiary have been presented separately.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 (the Act); and

- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from IFRS, the provisions of and directives issued under the Act have been followed.

2.2 Basis of measurement

These consolidated financial statements have been prepared on the basis of historical cost convention, unless otherwise specifically stated.

2.3 Basis of consolidation

Subsidiary is a entity over which the Group has control. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Generally, there is presumption that a majority of voting rights result in control.

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control.

Subsidiary is consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Income and expenses of a subsidiary acquired or disposed off during the year are included in profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the Subsidiary Company are prepared for the same reporting period as the Holding Company, using consistent accounting policies. The accounting policies of the Subsidiary Company have been changed to conform with accounting policies of the Holding Company, where required.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Identifiable assets acquired, liabilities assumed and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of cost of acquisition is recorded as goodwill, however, if the cost of acquisition is less than fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

The assets, liabilities, income and expenses of the Subsidiary Company are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the Subsidiary Company's shareholders’ equity in the consolidated financial statements.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends within the Group are eliminated in full.

Non-controlling interest (NCI) is that part of the net results of operations and of net assets of subsidiary attributable interest which are not owned by the Group. The Group measures NCI on proportionate basis of the net assets of subsidiary company.

When the ownership of a subsidiary is less than hundred percent, a NCI exists. The NCI is allocated its share of the total comprehensive income for the year, even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, carrying amount of any NCI, cumulative translation differences recognised in other comprehensive income, and recognises fair value of consideration received, any investment retained, surplus or deficit in profit and loss, and reclassifies the Holding Company share of components previously recognised in other comprehensive income to profit and loss account or retained earnings, as appropriate.

2.3 Functional and presentation currency

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

2.4 New standards and amendments

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except that the Group has adopted the following amendments of IFRS which became effective for the current year:

IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment)
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IAS 40	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Improvements to accounting standard issued by IASB in December 2016

IAS 28	Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Group's consolidated financial statements except stated below:

2.4.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the consolidated financial statements. Accordingly, the information presented for the previous corresponding period has not been restated.

The Group generates its revenue from sale of goods. The Group’s contracts with customers for the sale of goods generally include one performance obligation and do not provide customers with a right of return and volume rebate. The Group has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods, and variable consideration did not have any impact on the revenue recognised by the Group. Therefore, the adoption of IFRS 15 did not have any material impact on the timing of revenue recognition and the amount of revenue recognized.

Further, due to application of the above standards, the Group has revised its policies and incorporate additional disclosures in accordance with the requirements of the above standards in these consolidated financial statements.

2.4.2 IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Group has applied IFRS 9 retrospectively, with the initial application date of July 01, 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

The Group's financial assets mainly includes deposits, trade debts, other receivables, cash and bank balances held with commercial banks.

Classification and measurement

IFRS-9 retain but simplifies the measurement model and establishes the measurement categories of financial asset: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The Group's trade debts and other financial assets previously classified as loans and receivables are now measured at amortised cost.

The classification and measurement of IFRS-9, as descried above did not have a significant impact on the Group's consolidated financial statements.

The accounting for the Group’s financial liabilities remains largely the same as it was under IAS 39. Accordingly, the adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECL for all financial assets other than debt instruments classified as FVPL and equity instruments classified as FVPL or FVOCI.

The Group has applied the ECL approach in accordance with the new accounting policy for impairment of financial assets as mentioned in Note 3.12.1 of these consolidated financial statements.

The adoption of IFRS 9 resulted in following:

	Rupees in '000
Reserves	
As at June 30, 2018	776,083
IFRS 9 impact:	
Decrease due to impairment charge against trade debts	(15,709)
Related tax impact	3,837
	(11,872)
As at July 01, 2018 - restated	764,211
Trade debts	
As at June 30, 2018	561,444
IFRS 9 impact:	
Decrease due to impairment charge against trade debts	(15,709)
As at July 01, 2018 - restated	545,735
Deferred tax assets - net	
As at June 30, 2018	7,782
IFRS 9 impact:	
Increase due to impairment charge against trade debts	3,837
As at July 01, 2018 - restated	11,619

2.5 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	IASB Effective date (annual periods beginning on or after)
IFRS 3 Definition of a Business	January 01, 2020
IFRS 3 Business Combinations: Previously held interests in a joint operation	January 01, 2019
IFRS 9 Prepayment Features with Negative Compensation	January 01, 2019
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet finalised
IFRS 11 Joint Arrangements: Previously held interests in a joint operation	January 01, 2019
IFRS 16 Leases	January 01, 2019
IAS 1 / IAS 8 Definition of Material	January 01, 2020
IAS 12 Income Taxes: Income tax consequences of payments on financial instruments classified as equity	January 01, 2019
IAS 19 Plan Amendment, Curtailment or Settlement	January 01, 2019
IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation	January 01, 2019
IAS 28 Long-term Interests in Associates and Joint Ventures	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Group's consolidated financial statements in the period of initial application except for IFRS 16 - 'Leases'. The Group is currently evaluating the impact of this standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for annual reporting period beginning on or after January 01, 2019. The Group expects that such improvements to the standards will not have any material impact on the Group's consolidated 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 January 01, 2020 for preparers of consolidated 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, the following new standards have been issued by IASB which are yet to be notified by the Securities Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First Time adoption of IFRSs	01 January 2014
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

The Group expects that above new standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

2.6 Significant accounting judgments and estimates

The preparation of the Group's consolidated 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 estimates and judgments which are significant to the consolidated financial statements:

	Notes
- determining the residual values, useful lives and impairment of property, plant and equipment / intangible assets	3.1, 3.2, 3.3, 4 & 5
- valuation of inventories	3.4, 3.5 & 9
- provision for impairment on financial assets	3.11.1 & 10
- provision for tax and deferred tax	3.17, 8 & 28
- provision for employee retirement benefits	3.12 & 16.1
- contingencies	20.1

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 statement of profit or loss applying the reducing balance method at the rates specified in note 4.1 to the consolidated 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 statement of profit or loss as and when incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Group and the assets so replaced, if any, are retired.

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

3.2 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 5 to the consolidated 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.

Goodwill is stated at fair value less impairment loss, if any. Fair value is assessed at each financial year end, in case of any impairment goodwill be charged off through consolidated statement of profit or loss.

3.3 Impairment

The carrying values of the Group's assets are reviewed at each statement of reporting 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 consolidated statement of profit or loss account.

3.4 Stores and spares

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

3.5 Stock-in-trade

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

- Raw and packing material	- on moving average basis.
- Finished goods and work in process	
Holding Company	- at weighted average cost of purchases and applicable manufacturing expenses
Subsidiary Company	- at moving average
- Stock-in-transit	- Valued at cost comprising invoice value plus other charges paid thereon up to the reporting date.

3.6 Loans, advances, deposits, prepayments and other receivables

Loans, advances, deposits, prepayments and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Exchange gains or losses arising in respect of deposits, advances and other receivables in foreign currency are added to their respective carrying amounts and charged to consolidated statement of profit or loss, if any.

3.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, with banks in current and deposit accounts, demand draft and running finance under mark-up arrangements. Running finances under mark-up arrangements are shown within short-term borrowings under current liabilities on the consolidated statement of financial position.

3.8 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 consolidated statement of profit or loss as an expense, on accrual basis.

3.9 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 Group.

3.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Group classifies its financial assets into following categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 'Financial Instruments: Presentation' and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to consolidated statement of profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category also includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

The Group has not designated any financial asset as at FVPL.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, trade payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities at amortized cost

After initial recognition, borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing, if any.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.11 Impairment

3.11.1 Impairment of financial assets

Financial assets covered under IFRS 9

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For all financial assets the Group applies a simplified approach where applicable in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix for large portfolio of customer having similar characteristics and default rates based on the credit rating of customers from which receivables are due that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default depending on the past due days of various categories of its financial assets. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.11.2 Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in profit or loss. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in profit or loss.

3.12 Employee retirement benefits

Defined benefit plan

The Holding 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, 2019 using the Project Unit Credit Method.

Defined contribution plan

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

3.13 Revenue recognition

The Group recognises revenue at a point in time when control of product is transferred to customer. Control, depending on contractual terms, is considered to be transferred either when the product is directly uplifted by customer from factory premises or when it is delivered by the Group at customer premises.

The Group generally enters into an agreement with its customers for supply of its products, including delivery of product. As the transportation of product coincides with actual delivery, sale of product and transportation is considered single performance obligation. The credit limits in contract with customers varies depending on the terms of specific contract.

3.14 Ijarah lease 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 statement of profit or loss on straight line basis over the lease term.

Ijarah rentals directly attributable to the acquisition or construction of an asset are capitalized as part of the cost of the respective assets.

3.15 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 reporting date. Exchange gains or losses are taken to the statement of profit or loss.

3.16 Provisions

Provisions are recognized when the Group 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 reporting date and adjusted to reflect the current best estimate.

3.17 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Current tax is charged to profit or loss except to the extent it relates to items recognised in in other comprehensive income.

Deferred

Deferred tax is provided, using the liability method, on all temporary differences at the reporting 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 profits 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 reporting 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 reporting date. Deferred tax is charged or credited to statement of profit or loss except to the extent it relates to items recognized in other comprehensive income.

3.18 Dividend and appropriation to reserves

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

3.19 Business Combination

During the period, the Group acquired 56.90% voting shares of Misbah Cosmetics (Private) Limited against a consideration of Rs.100 million on September 19, 2018 (the acquisition date). The subsidiary Comapny is engaged in selling and distribution of cosmetic products.

IFRS 3 - 'Business Combinations', requires that all identified assets (including intangible assets) and liabilities assumed in a business combination should be carried at their fair values on the acquirer's financial position and any intangible asset acquired in a business combination should be separately recognised and carried at their fair values. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise the determination of fair values of assets and liabilities and to determine the value of any intangible separately identified. The Holding Company has carried out the fair valuation exercise and incorporated fair value adjustments in these consolidated financial statements.

The fair values and carrying amount of assets and liabilities acquired are as follows:

	Carrying value as on acquisition date	Fair value recognised on acquisition date
	---------- (Rupees in '000) ----------	
Equipments and fixtures	8,036	8,036
Intangible assets	332	332
Long-term deposits	834	834
Stock-in-trade	39,211	39,211
Trade debts	34,510	34,510
Loans and advances	633	633
Trade deposits, prepayments and other receivables	3,597	3,597
Cash and bank balances	97,721	97,721
Total assets	184,874	184,874
Long-term financing	62,018	62,018
Trade and other payables	6,548	6,548
Short-term borrowings	43,822	43,822
Total liabilities	112,388	112,388
Total value of net assets	(111,554)	72,486

Details of the fair values of net assets acquired, purchase consideration and goodwill recognized is as follows:

	Rupees in '000
Shares acquired during the year against cash consideration	100,000
Share in net assets at fair value of the Subsidiary Company	41,241
Intangibles on acquisition of the Subsidiary Company	58,759
Less: Brand value acquired and assessed on acquisition	(54,127)
Good will on Acquisition of subsidiary Company	4,632

Non-controlling interest in the Subsidiary Company has been calculated as follows:

	At acquisition date	At reporting date
	---------- (Rupees in '000) ----------	
Non-current assets	9,202	16,608
Current assets	175,672	101,175
Non-current liabilities	(62,018)	(55,570)
Current liabilities	(50,370)	(52,862)
Net assets	(72,486)	9,351
Net assets of the Subsidiary Company	**(31,245)**	**4,031**
Share of NCI (%)	**43.11%**	**43.11%**

Net turnover and loss after tax from the acquired business for the period ended September 20, 2018 to June 30, 2019 are as follows:

Net turnover	**113,180**
Loss after tax	**(57,989)**

Net turnover and net profit of the Group had the acquisition taken place at the beginning of the annual reporting period is as follows:

Net turnover	**4,214,218**
Net Profit	**68,440**

	Note	2019	2018
		---------- (Rupees in '000) ----------	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**1,216,837**	943,524
Capital work-in-progress	4.5	**31,475**	238,780
		1,248,312	1,182,304

4.1 Operating fixed assets:

	Cost				Depreciation						
	As at July 01, 2018	Acquired through business combination	Additions / (Deletions) during the year	As at June 30, 2019	As at July 01, 2018	Acquired through business combination	Charge for the year	On deletions	As at June 30, 2019	Net book value as at June 30, 2019	Depreciation rate % per annum
	(Rupees in '000)										
Owned											
Leasehold land (note 4.3)	207,630	-	4,650	212,280	-	-	-	-	-	212,280	-
Buildings on leasehold land (note 4.3)	362,637	-	67,908	430,545	119,983	-	13,906	-	133,889	296,656	5
Plant and machinery	548,283	-	105,523 (170)	653,636	315,820	-	32,821	(11)	348,630	305,006	10
Tools and equipment	80,879	-	44,296	125,175	30,029	-	5,989	-	36,018	89,157	10
Gas and other installation	169,429	-	89,187	258,616	89,872	-	10,959	-	100,831	157,785	10
Furniture and fixture	48,813	8,766	17,959	75,538	21,206	1,273	4,297	-	26,776	48,762	10
Office equipment	31,317	65	3,740 (306)	34,816	14,445	22	1,867	(132)	16,202	18,614	10
Computer equipment	34,776	788	1,303 (719)	36,148	26,869	288	2,721	(584)	29,294	6,854	30
Motor vehicles	140,042	-	30,336 (17,677)	152,701	62,058	-	18,480	(9,560)	70,978	81,723	20
	1,623,806	9,619	364,902 (18,872)	1,979,455	680,282	1,583	91,040	(10,287)	762,618	1,216,837	

Operating fixed assets:

	Cost			Depreciation					
	As at July 01, 2017	Additions / (Deletions) during the year	As at June 30, 2018	As at July 01, 2017	Charge for the year	On deletions	As at June 30, 2018	Net book value as at June 30, 2018	Depreciation rate % per annum
	(Rupees in '000)								
Owned									
Leasehold land (note 4.3)	90,415	117,215 -	207,630	-	-	-	-	207,630	-
Buildings on leasehold land (note 4.3)	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	

4.2 The details of operating assets disposed of are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
	------	------	(Rupees in '000)	------	------		
Vehicle	**715**	**-**	**715**	**1,000**	**285**	Company Policy	Mr. Mehmood Yusuf Ex employee
Vehicle	**1,982**	**1,429**	**553**	**1,210**	**657**	3rd party via bid	Mr. Shahid Ali
Vehicle	**1,978**	**33**	**1,945**	**1,860**	**(85)**	3rd party via bid	Mr. Amir Shafiq
Vehicle	**744**	**85**	**659**	**741**	**82**	Settled through claim received	
Vehicle	**739**	**85**	**654**	**777**	**123**	Settled through claim received	
Items having book value of less than Rs. 500,000 each	**12,714**	**8,655**	**4,059**	**15,006**	**10,947**		
June 30, 2019	**18,872**	**10,287**	**8,585**	**20,594**	**12,009**		
June 30, 2018	4,050	2,425	1,625	16,616	14,991		

4.3 Particulars of immovable fixed assets:

Location	Usage	Total Area (Square fit)*
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

* The covered area includes multi storey buildings.

	Note	2019	2018
		(Rupees in '000)	
4.4 Depreciation charge for the year has been allocated as follows:			
Cost of sales	22	**64,582**	51,542
Distribution cost	23	**19,395**	11,538
Administrative expenses	24	**7,063**	5,815
		91,040	68,895

2019	Civil works	Land	Plant and machinery	Others	Total
4.5 Capital work-in-progress	(Rupees in '000)				
Opening balance	**79,687**	**4,000**	**150,207**	**4,886**	**238,780**
Capital expenditure incurred / advances made	**24,913**	**2,700**	**42,292**	**2,876**	**72,781**
Transfer to operating fixed assets	**(103,917)**	**(4,650)**	**(164,072)**	**(7,447)**	**(280,086)**
Closing balance	**683**	**2,050**	**28,427**	**315**	**31,475**

2018	Civil works	Land	Plant and machinery	Others	Total
Capital work-in-progress	(Rupees in '000)				
Opening balance	20,244	21,484	15,338	23,789	80,855
Capital expenditure incurred / advances made	77,288	99,731	141,525	5,032	323,576
Transfer to operating fixed assets	(17,845)	(117,215)	(6,656)	(23,935)	(165,651)
Closing balance	79,687	4,000	150,207	4,886	238,780

5. INTANGIBLE ASSETS

	Cost				Amortization					
2019	As at July 01, 2018	Acquired through business combination	Additions during the year	As at June 30, 2019	As at July 01, 2018	Acquired through business combination	Charge for the year	As at June 30, 2019	Net book value as at June 30, 2019	Amortization rate % per annum
	(Rupees in '000)									
Goodwill	**-**	**4,632**	**-**	**4,632**	**-**	**-**	**-**	**-**	**4,632**	**-**
Brand	**-**	**54,127**	**-**	**54,127**	**-**	**-**	**2,030**	**2,030**	**52,097**	**5%**
Software and website	**17,806**	**714**	**3,954**	**22,474**	**11,540**	**383**	**3,247**	**15,170**	**7,304**	**20-33.33%**
SAP ERP	**41,802**	**-**	**-**	**41,802**	**40,019**	**-**	**598**	**40,617**	**1,185**	**20%**
Manufacturing and distribution rights	**20,000**	**-**	**-**	**20,000**	**20,000**	**-**	**-**	**20,000**	**-**	**20%**
	79,608	**59,473**	**3,954**	**143,035**	**71,559**	**383**	**5,875**	**77,817**	**65,218**	

	Cost			Amortization				
2018	As at July 01, 2017	Additions during the year	As at June 30, 2018	As at July 01, 2017	Charge for the year	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 distribution rights	20,000	-	20,000	20,000	-	20,000	-	20%
	78,128	1,480	79,608	67,184	4,375	71,559	8,049	

	Note	2019	2018
		---------- (Rupees in '000) ----------	

5.1 Amortization charge for the year has been allocated as follows:

	Note	2019	2018
Cost of sales	22	**263**	117
Distribution cost	23	**2,712**	515
Administrative expenses	24	**2,900**	3,743
		5,875	4,375

6. LONG-TERM LOANS - secured, considered good

	Note	2019	2018
Due from:			
- Executives*		**1,746**	3,955
- Other employees		**6,547**	5,978
	6.1, 6.2 & 6.3	**8,293**	9,933
Less: Current portion			
- Executives		**(1,531)**	(2,359)
- Other employees		**(4,615)**	(4,684)
	11	**(6,146)**	(7,043)
		2,147	2,890

6.1 These loans are mark-up free and secured against retirement benefits of respective employees.

6.2 These represent interest free loans to executives and employees for purchase of motor cars, motor cycles, house building, umrah and others, in accordance with the Group's policy. These loans are secured against the final settlement of respective employees and are recoverable in monthly installments over a period of three months to forty eight months.

6.3 Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these consolidated financial statements.

* These represent officers as prescribed under the Companies Act, 2017.

7. LONG-TERM DEPOSITS

	Note	2019	2018
Ijarah lease rentals		**34,878**	36,546
Diminishing musharakah		**35,386**	30,858
Utilities		**3,473**	1,998
Rent		**800**	710
		74,537	70,112

8. DEFERRED TAX ASSET

Deductible temporary differences in respect of:

	Note	2019	2018
Provisions for:			
- impairment on slow moving and obsolete items		**7,816**	12,802
- impairment on trade debts		**18,064**	12,841
- retirement and other service benefits		**38,309**	34,137
Minimum tax		**58,248**	26,893
Others		**12,444**	12,967
		134,881	99,640
Less: Taxable temporary differences			
Accelerated tax depreciation		**(116,485)**	(91,858)
	8.1	**18,396**	7,782

	Note	2019	2018
		---------- (Rupees in '000) ----------	

8.1 Movement in deferred tax asset - net is as follows:

Balance at beginning of the year		**7,782**	21,697
Impact of change in accounting policy		**3,837**	-
Balance at beginning of the year - restated		**11,619**	21,697
- recognized in profit or loss		**7,774**	(14,232)
- recognized in other comprehensive loss		**(997)**	317
Balance at end of the year		**18,396**	7,782

9. STOCK-IN-TRADE

	Note	2019	2018
In hand			
- raw materials		**264,024**	324,748
- packing materials		**170,963**	197,011
- work-in-process		**65,668**	52,716
- finished goods	9.1	**361,668**	348,966
		862,323	923,441
Less: Provision for slow moving and obsolete items	9.2	**(27,376)**	(46,482)
		834,947	876,959
In transit		**6,902**	1,783
		841,849	878,742

9.1 These include cost of physician samples, aggregating Rs.13.502 (2018: Rs.23.272) million.

9.2 Provision for slow moving and obsolete items

		2019	2018
Opening balance		**46,482**	40,372
Charge for the year		**10,716**	27,654
Write off during the year		**(29,822)**	(21,544)
Closing balance		**27,376**	46,482

10. TRADE DEBTS - unsecured

	Note	2019	2018
Trade debts- gross	10.1	**667,947**	608,069
Provision for impairment	10.2	**(68,415)**	(46,625)
Trade debts- net		**599,532**	561,444

10.1 These trade debts include Rs.2.654 (2018: Rs.23.852) million representing receivable against export sales to Africa and Asia amounting to Rs.2.046 (2018: Rs.Nil) million and Rs.0.608 (2018: Rs.23.852) million respectively.

10.2 Provision for doubtful debts

The movement in provision for impairment during the year is as follows:

	Note	2019	2018
Balance at beginning of the year		**46,625**	48,576
Impact of change in accounting policy	2.4.2	**15,709**	-
Balance at beginning of the year - restated		**62,334**	48,576
Provision recognised during the year		**6,081**	4,134
Write offs during the year		**-**	(6,085)
		6,081	(1,951)
Balance at end of the year		**68,415**	46,625

10.3 As at June 30, 2019, trade debts aggregating to Rs.283 (2018: Rs.253) million are neither past due nor impaired. The remaining debts aggregating to Rs.297 (2018: Rs.307) million are past due but not impaired. The ageing analysis of these past due trade debts is as follows:

	Note	2019	2018
		(Rupees in '000)	
Trade debts			
Neither past due nor impaired		**283,650**	253,923
Past due but not impaired:			
- within 30 days		**93,394**	94,409
- within 31 to 90 days		**71,687**	74,787
- within 91 to180 days		**9,521**	52,579
- within 181 to 360 days		**22,917**	31,227
- over 360 days		**118,363**	54,519
		599,532	561,444

11. LOANS AND ADVANCES - considered good

	Note	2019	2018
Current portion of long term loans	6	**6,146**	7,043
Advances to:			
- employees	11.1	**15,784**	9,703
- suppliers		**54,740**	85,277
- others		**217**	192
		70,741	95,172
		76,887	102,215

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

12. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
Deposits		
Ijarah lease rentals	**5,532**	4,517
Diminishing musharakah	**1,362**	6,972
Margin against bank guarantees	**18,236**	16,477
Tender deposits	**34,992**	40,274
Others	**6,711**	550
	66,833	68,790
Prepayments		
Rent	**7,260**	10,289
Software license	**2,262**	1,814
Takaful	**224**	-
Fees, rates and taxes	**221**	105
	9,967	12,208
Other receivables		
Profit on savings account	**188**	47
Others	**10**	639
	198	686
	76,998	81,684

	Note	2019	2018
		---------- (Rupees in '000) ----------	
13. CASH AND BANK BALANCES			
Cash in hand		**608**	16
Balances with banks in:			
- current accounts		**86,516**	2,690
- saving accounts	13.1	**57,845**	44,289
		144,361	46,979
Cash and bank balances		**144,969**	46,995
Musharakah running finance	19	**(130,000)**	-
Total cash and cash equivalents		**14,969**	46,995

13.1 These carry profit at the rates ranging from 2.25% to 6.15% (2018: 2.46% to 3.10%) per annum.

14. SHARE CAPITAL

14.1 Authorized share capital

2019	2018		2019	2018
----- Number of shares -----				
65,000,000	65,000,000	Ordinary shares of Rs.10/- each	**650,000**	650,000

14.2 Issued, subscribed and paid up share capital

2019	2018		2019	2018
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
223,834	223,834	Issued pursuant to merger with Associated Services Limited	**2,238**	2,238
39,144,351	39,144,351		**391,444**	391,444

15. LONG-TERM FINANCING

	Note	2019	2018
Loan from related party	15.1	**59,254**	-
Diminishing musharakah on:			
- leasehold land and buildings	15.2	**76,263**	125,093
- plant and machinery	15.3	**253,727**	163,028
- vehicles	15.4	**67,602**	65,429
- equipments	15.5	**-**	1,638
		456,846	355,188
Less: Current maturity shown under current liabilities		**(102,516)**	(83,286)
		354,330	271,902

15.1 This represents loan obtained from one of the director of the Holding Company, under mark-up arrangements, amounting to Rs. 59.25 million (2018: Rs. 62.94 million). It carries profit at 90 days average of 12 Months KIBOR for 3rd calendar Quarter-2018 which is fixed for the period as 7.05% per annum. (2018: 90 days average of 12 months KIBOR for 3rd calendar Quarter-2018 which was fixed for the period as 6.46%). The profit is payable on monthly basis.

15.2 These facilities have been obtained from Meezan Bank Limited for 3 different lands. These carry mark-up at the rate of 6 Months KIBOR plus 1.25% to 2.00% (2018: KIBOR plus 1.25% to 2.00%) per annum and having maturity till August 2022 (2018: August 2022). These facilities are secured against the respective assets.

15.3 These facilities have been obtained from First Habib Modaraba, Dubai Islamic Bank and MCB Islamic Bank for 18 different machineries. These carry mark-up at the rates of 6 Months KIBOR plus 1.40% to 2.00% (2018: KIBOR plus 1.40% to 2.00%) per annum and having maturity till September 2024 (2018: June 2023). These facilities are secured against the respective assets.

15.4 These facilities have been obtained from First Habib Modaraba and Albaraka Bank (Pakistan) Limited. These carry mark-up at the rates of 6 Months KIBOR plus 1.25% to 1.50% (2018: KIBOR plus 1.25% to 2:00%) per annum and are having maturity till December 2023 (2018: June 2023). These facilities are secured against the respective assets.

15.5 These facilities have been matured and repaid during the year.

16. DEFERRED LIABILITIES

	Note	2019	2018
		---------- (Rupees in '000) ----------	
Advance against motor vehicles		**688**	839
Employees' gratuity payable	16.1	**177,771**	171,029
		178,459	171,868

16.1 Defined benefit plan - unfunded gratuity scheme

The latest actuarial valuation was carried out on June 30, 2019 by an appointed actuary using "Projected Unit Credit Actuarial Cost Method".

	2019	2018
	--- Number of Employees ---	
The number of employees covered under the defined benefit scheme are:	**517**	567

The following principal actuarial assumptions were used for the valuation of above mentioned scheme:

	2019	2018
Financial assumptions		
- Discount rate (per annum compounded)	**13.25%**	8.75%
- Salary increase per annum	**12.25%**	8.75%
Demographic assumptions		
- Normal retirement	**60 years**	60 years
- Mortality rate	**EFU (61-66)**	EFU (61-66)

	Note	2019	2018
		---------- (Rupees in '000) ----------	
Liability in balance sheet			
Present value of defined benefit obligations		**177,771**	171,029
Movement in liability during the year			
Opening balance		**171,029**	165,514
Charged to profit and loss account		**19,183**	16,125
Benefits paid during the year		**(8,947)**	(11,762)
Actuarial (gain) / loss recognised in other comprehensive income		**(3,494)**	1,152
Closing balance		**177,771**	171,029
Reconciliation of the present value of defined benefit obligations			
Present value of defined benefit obligations as at July 01		**171,029**	165,514
Current service cost		**4,609**	4,951
Interest cost		**14,574**	11,174
Benefits paid		**(8,947)**	(11,762)
Actuarial (gain) / loss on obligation		**(3,494)**	1,152
Present value of defined benefit obligations as at June 30		**177,771**	171,029
Charge for the defined benefit plan			
Cost recognised in profit and loss			
Current service cost		**4,609**	4,951
Interest cost		**14,574**	11,174
		19,183	16,125
Actuarial (gain) / loss on defined benefit obligation recognised in other comprehensive income			
Actuarial (gain) / loss on defined benefit obligation			
- Gain due to change in financial assumptions		**(11,478)**	-
- Loss due to change in demographic assumptions		**3,080**	-
- Loss due to change in experience adjustments		**4,904**	1,152
		(3,494)	1,152
Expected contributions to the fund in the following year		**25,858**	18,106
Expected benefit payments to retirees in the following year		**38,364**	33,556
Weighted average duration of the defined benefit obligation (year)		**7.50**	5.20

Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations on various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	Note	2019	2018
		---------- (Rupees in '000) ----------	
Increase in discount rate by 1%		**10,159**	7,579
Decrease in discount rate by 1%		**(11,478)**	(8,373)
Increase in expected future increment in salary by 1%		**11,478**	8,291
Decrease in expected future increment in salary by 1%		**(10,331)**	(7,644)

Comparison for Five Years
As at June 30,

	2019	2018	2017	2016	2015
	(Rupees in '000)				
Defined benefit obligation	**177,771**	171,029	165,514	140,780	158,349
Experience adjustment loss on obligation (as percentage of plan obligations)	**2.76%**	0.67%	16.19%	(4.80%)	(1.37%)

	Note	2019	2018
		(Rupees in '000)	
17. TRADE AND OTHER PAYABLES			
Trade and other creditors		**358,597**	432,891
Advances from customers		**115,334**	106,782
Accrued liabilities		**53,085**	41,946
Provision for gas infrastructure development cess	17.1	**66,795**	54,150
Sindh Workers' Profit Participation Fund	17.2	**2,852**	17,393
Workers' Welfare Fund	17.3	**21,725**	19,197
Central Research Fund		**1,238**	3,239
Payable to provident fund	17.4	**3,302**	1,734
Ijarah rental payable		**4,591**	6,212
Auditors' remuneration		**2,363**	1,493
Withholding taxes payable		**9,651**	18,239
Others		**8,712**	9,334
		648,245	712,610
17.1 Provision for gas infrastructure development cess			
Opening balance		**54,150**	44,412
Charge for the year		**12,645**	9,738
		66,795	54,150
17.2 Sindh Workers' Profit Participation Fund			
Opening balance		**17,393**	2,120
Mark-up thereon		**1,510**	200
Charge for the year		**6,651**	17,393
		25,554	19,713
Less: Payments made during the year		**(22,702)**	(2,320)
Closing balance		**2,852**	17,393

17.3 Prior to certain amendments made through the Finance Acts of 2006 and 2008, Workers' Welfare Fund (WWF) was levied at 2% of the total income assessable under the Income Tax Ordinance, 2001 excluding incomes falling under the Final Tax Regime (FTR). Through Finance Act, 2008, an amendment was made in Section 4(5) of the WWF Ordinance, 1971 (the Ordinance) whereby WWF liability is applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

Aggrieved by the amendments made through the Finance Act, 2008, certain stakeholders filed petition against the changes in the Honorable Lahore High Court which struck down the aforementioned amendments to the WWF Ordinance in 2011. However, the Honorable High Court of Sindh in the year 2013 did not accept the above arguments and declared the amendments made through Finance Act as valid. Both these decisions were later challenged in the Honorable Supreme Court of Pakistan (SCP).

The Honorable SCP passed a judgment on November 10, 2016, declaring the insertion of amendments introduced in the Finance Acts pertaining to WWF as unlawful and thereby striking down such amendments. However, a petition has been filed in the Honorable SCP for the review of the aforementioned judgement. In view of the said review petition, the Group on the basis of abundant caution has continued to provide the amount as per the required provisions.

17.4 Provident fund

17.4.1 General disclosures

The following information is based on the latest un-audited financial statements of the fund:

	2019	2018
	---------- (Rupees in '000) ----------	
Size of the fund	**154,529**	121,318
Percentage of investments made	**94%**	90%
Cost of investments	**145,425**	109,734
Fair value of investments made	**134,776**	103,421

17.4.2 Break-up of investments

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

	2019 (Unaudited)		2018 (Audited)	
Particulars	**Investment (Rupees in '000)**	**% of investment as size of fund**	**Investment (Rupees in '000)**	**% of investment as size of fund**
Investment in Equity Collective Investment Scheme	**10,104**	**7%**	13,398	13%
Investment in Other Collective Investment Scheme	**7,088**	**5%**	8,130	8%
Bank balances	**2,584**	**2%**	51,893	50%
Others (Special Musharakah Certificate)	**115,000**	**86%**	30,000	29%
	134,776	**100%**	103,421	100%

17.4.3 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	2019	2018
		(Rupees in '000)	
18. ACCRUED PROFIT			
Diminishing musharakah		**1,687**	1,702
Istisna'a		**711**	839
Murabaha		**19,164**	11,097
Musharakah running finance		**3,891**	79
		25,453	13,717

	Note	2019	2018
19. SHORT TERM BORROWINGS - secured			
Istisna'a	19.1	**19,511**	59,349
Musharakah running finance	19.2	**130,000**	-
Murabaha	19.3	**666,240**	563,581
		815,751	622,930

19.1 This represents finance facility obtained from Dubai Islamic Bank. This carries profit at the rate of 6 Months KIBOR plus 1.25% (2018: 3 to 6 Months KIBOR plus 1.00% to 1.25%) per annum and having maturity till July 2019 (2018: November 2018). These are secured by way of hypothecation on stock-in-trade and trade debts of the Group.

19.2 These represent finance facility obtained from MCB Islamic Bank. This carries profit at the rate of 3 Months KIBOR plus 0.85% per annum and is repayable on demand. These are secured by way of hypothecation on stock-in-trade and trade debts of the Group.

19.3 These represent outstanding murabaha facilities with various Islamic banks for the purpose of purchase of inventory. These carry profit at the rates ranging from 3 to 6 Months KIBOR plus 1.00% to 2.25% (2018: from 3 to 6 Months of KIBOR plus 1.00% to 1.50%) per annum and having maturity till December 2019 (2018: December 2018). These are secured against hypothecation of stock in trade and trade debts of the Group.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 Certain cases have been filed against the Group by some employees against their termination / dismissal. If case goes to in favour of employees, Rs.7.24 million (2018: Rs.6.32 million) may be paid as remuneration. Provision has not been made in these consolidated financial statements for the said amount as the management of the Group, based on the advice of its legal counsel handling the subject cases, is of the opinion that matters shall be decided in the Group's favour.

	2019	2018
20.1.2 Outstanding letters of guarantee	**89,667**	85,124

20.1.3 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 Group 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 consolidated financial statements in this respect.

	Note	2019	2018
		---------- (Rupees in '000) ----------	
20.2 Commitments			
Outstanding letters of credit		**55,641**	111,801
Commitments for capital expenditure		**43,495**	108,393
Commitments for Ijarah rentals in respect of plant and machinery, motor vehicles and equipment:			
2019		**-**	105,618
2020		**102,565**	90,316
2021		**94,186**	80,699
2022		**65,817**	54,091
2023		**12,888**	6,130
2024		**1,765**	-
		277,221	336,854

21. TURNOVER

	Note	2019	2018
Gross sales			
Local		**4,096,692**	3,872,560
Export		**63,278**	124,032
		4,159,970	3,996,592
Less: Sales tax		**71,411**	23,205
		4,088,559	3,973,387
Toll manufacturing		**106,373**	79,787
		4,194,932	4,053,174

22. COST OF SALES

	Note	2019	2018
Raw and packing materials consumed	22.1	**1,717,326**	1,614,416
Salaries, wages and benefits		**388,706**	381,816
Fuel and power		**120,264**	106,260
Ijarah lease rentals		**62,747**	49,985
Repairs and maintenance		**52,961**	54,048
Laboratory and factory supplies		**29,732**	13,724
Takaful		**3,097**	3,129
Provision for slow moving and obsolete stock-in-trade	9.2	**10,716**	27,654
Printing and stationery		**6,071**	5,675
Rent, rates and taxes		**8,517**	8,544
Legal and professional		**204**	1,591
Travelling, conveyance and entertainment		**2,508**	3,570
Depreciation	4.4	**64,582**	51,542
Amortization	5.1	**263**	117
Postage and communication		**1,118**	1,021
Training and development cost		**727**	117
Others		**144**	124
		2,469,683	2,323,333
Work-in-process			
Opening		**52,716**	95,598
Closing		**(65,668)**	(52,716)
		(12,952)	42,882
Cost of goods manufactured		**2,456,731**	2,366,215
Finished goods			
Opening		**388,177**	275,202
Closing		**(361,667)**	(348,966)
		26,510	(73,764)
Physician samples		**(79,620)**	(61,708)
		2,403,621	2,230,743

		Note	2019	2018
			---------- (Rupees in '000) ----------	
22.1	**Raw and packing materials consumed**			
	Opening stock		**521,759**	572,828
	Purchases		**1,630,554**	1,563,347
			2,152,313	2,136,175
	Closing stock		**(434,987)**	(521,759)
			1,717,326	1,614,416

		Note	2019	2018
23.	**DISTRIBUTION COSTS**			
	Salaries and benefits		**713,050**	607,681
	Sales promotion expenses		**271,771**	235,521
	Repair and maintenance		**25,103**	22,415
	Fuel and power		**16,588**	13,064
	Ijarah lease rentals		**27,039**	25,318
	Printing and stationery		**3,340**	2,862
	Takaful		**3,783**	4,238
	Provision for impairment	10.2	**6,081**	4,134
	Postage and communication		**6,318**	4,499
	Rent, rate and taxes		**33,718**	28,143
	Legal and professional		**1,465**	2,274
	Freight charges		**63,650**	65,704
	Training and development cost		**90,834**	67,411
	Depreciation	4.4	**19,395**	11,538
	Amortization	5.1	**2,712**	515
	Traveling, conveyance and entertainment		**62,206**	59,395
	Service charges		**23,362**	68,491
	Subscription charges		**15,085**	12,188
			1,385,500	1,235,391

		Note	2019	2018
24.	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits		**144,553**	127,224
	Director`s fee		**842**	522
	Fuel and power		**8,471**	7,130
	Ijarah lease rentals		**4,811**	3,914
	Legal and professional		**12,423**	15,789
	Printing and stationery		**2,556**	3,269
	Auditors' remuneration	24.1	**2,845**	1,985
	Rent, rates and taxes		**6,893**	4,506
	Takaful		**1,162**	919
	Repairs and maintenance		**20,738**	16,128
	Postage and communication		**3,379**	2,595
	Depreciation	4.4	**7,063**	5,815
	Amortization	5.1	**2,900**	3,743
	Training and development cost		**319**	1,601
	Traveling, conveyance and entertainment		**3,307**	2,494
	Others		**1,194**	1,146
			223,456	198,780

		2019	2018
		---------- (Rupees in '000) ----------	
24.1	**Auditors' remuneration**		
	Annual audit fee of consolidated financial statements	**1,200**	1,000
	Half year review of consolidated financial statements	**300**	300
	Annual audit fee of consolidated financial statements	**400**	-
	Other services and certifications	**450**	361
		2,350	1,661
	Out of pocket expenses	**323**	191
	Sales tax	**172**	133
		2,845	1,985
25.	**OTHER EXPENSES**		
	Sindh Workers' Profit Participation Fund	**6,651**	17,393
	Workers' Welfare Fund	**2,528**	6,609
	Central Research Fund	**1,238**	3,239
	Exchange loss - net	**-**	352
	Mark-up on Sindh Workers' Profit Participation Fund	**1,510**	200
		11,927	27,793
26.	**OTHER INCOME**		
	Profit on savings accounts	**725**	983
	Gain on disposal of property, plant and equipment	**12,009**	14,991
	Scrap sales	**1,270**	7,342
	Exchange gain - net	**611**	-
	Others	**6,163**	4,339
		20,053	26,672
		20,778	27,655
27.	**FINANCIAL CHARGES**		
	Mark up on:		
	- Loan from related party	**4,606**	-
	- Diminishing musharakah	**39,340**	15,195
	- Istisna`a	**5,070**	6,781
	- Murabaha	**64,230**	44,317
	- Musharakah running finance	**11,309**	200
		124,555	66,493
	Bank charges and commission	**840**	1,014
		125,395	67,507
28.	**TAXATION**		
	Current	**35,456**	62,366
	Prior	**(4,919)**	(2,266)
	Deferred	**(7,774)**	14,232
		22,763	74,332

28.1 Income tax assessments of the Group have been finalised up to and including the tax year 2018 under the self assessment scheme.

28.2 Provision for current taxation has been made on the basis of turnover tax under section 113 of the Income tax Ordinance, 2001. Accordingly, tax expense reconciliation with the accounting loss is not presented.

	Note	2019	2018
		---------- (Rupees in '000) ----------	
29. BASIC AND DILUTED EARNINGS PER SHARE			
Net profit attributable to owners of the Holding Company		**70,262**	246,283
Weighted average number of ordinary shares in issue		**39,144**	39,144
Basic earnings per share (Rupees)	29.1	**1.79**	6.29

29.1 There is no dilutive effect on basic earnings per share of the Group.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

30.1 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 Group 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 Group's performance to developments affecting a particular industry.

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

	2019	2018
	---------- (Rupees in '000) ----------	
Trade debts	**599,532**	561,444
Loans	**8,293**	9,933
Deposits and other receivables	**141,380**	139,541
Bank balances	**144,361**	46,979
	893,566	757,897

	2019	2018
	---------- (Rupees in '000) ----------	
Credit quality of financial assets		
Bank balances		
A1+	**142,185**	43,187
A1	**2,176**	3,792
	144,361	46,979

30.2 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's activities, either internally within the Group or externally at the Group's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all of the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the Group. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

30.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group 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 Group's financial liabilities at the following reporting dates:

2019	Less than three months	Three to twelve months	More than one year	Total
	-------------------- (Rupees in '000) --------------------			
Long-term financing	**25,915**	**76,602**	**354,330**	**456,847**
Trade and other payables	**271,819**	**226,811**	**-**	**498,630**
Accrued profit	**21,730**	**3,723**	**-**	**25,453**
Short-term borrowings	**416,977**	**398,774**	**-**	**815,751**
Unclaimed dividends	**280**	**-**	**-**	**280**
	736,721	**705,910**	**354,330**	**1,796,961**

2018	Less than three months	Three to twelve months	More than one year	Total
	---------- (Rupees in '000) ----------			
Long-term financing	18,857	64,428	271,903	355,188
Trade and other payables	7,946	570,662	-	578,608
Accrued profit	10,931	2,786	-	13,717
Short-term borrowings	356,443	266,487	-	622,930
Unclaimed dividends	212	-	-	212
	394,389	904,363	271,903	1,570,655

30.4 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 reporting date, the Group is not materially exposed to such risk.

30.5 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 Group'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 Group's profit before tax:

	Increase / (decrease) in basis points	Effect on profit before tax
		(Rupees in '000)
2019	**+100**	**12,148**
	-100	**(12,148)**
2018	+100	(9,338)
	-100	9,338

	2019	2018
	----- (Rupees in '000) -----	
30.6 Fair value of financial instruments		
30.6.1 Financial assets as per statement of financial position		
At amortised cost		
Trade debts	**599,532**	561,444
Loans	**8,293**	9,933
Deposits and other receivables	**141,380**	139,541
Bank balances	**144,361**	46,979
	893,566	757,897

	2019	2018
	---------- (Rupees in '000) ----------	

30.6.2 Financial liabilities as per statement of financial position

	2019	2018
Trade and other payables	**498,630**	578,608
Unclaimed dividends	**280**	212
Long-term financing	**456,847**	355,188
Accrued profit	**25,453**	13,717
Short-term borrowings	**815,751**	622,930
	1,796,961	1,570,655

30.6.3 Fair values of financial assets and liabilities

(a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in these consolidated financial statements approximate their fair values.

(b) Fair value estimation

The Group discloses the financial instruments carried at fair value in the statement of financial position in accordance with the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2019, none of the financial instruments are carried at fair value.

30.7 Capital risk management

The Group's objective when managing capital is to safeguard the Group'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 Group has a long-term debt to equity ratio of 30.54% (2018: 23.29%) as of the reporting date, which in view of the management is adequate considering the size of the operations.

30.8 Capacity and production

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

31. TRANSACTIONS WITH RELATED PARTIES

31.1 Related parties of the Group comprise associates, companies with common directorship, directors, key management personnel and a subsidiary. The transactions and balances with related parties other than those disclosed elsewhere in these consolidated financial statements, are as follows:

		2019	2018
		---------- (Rupees in '000) ----------	
Transactions during the year			
Descriptions	**Nature of transactions**		
Key Management Personnel	Dividend	**47,283**	144,404
	Technical advisory services	**-**	3,800
	Financing obtained and repaid for working capital requirements	**-**	94,513
	Repayment of loan	**2,763**	-
Non-Executive Directors	Meeting fees	**842**	522
Provident Fund	Contribution paid	**35,218**	25,337
Depilex (Private) Limited (Common directorship)	Sales made by the Subsidiary Company	**6,702**	-
Balances Outstanding			
Depilex (Private) Limited (Common directorship)	Amount due to the Subsidiary Company	**2,297**	-

31.2 There are no other related parties with whom the Group had entered into transactions or has arrangement / agreement in place.

31.3 The Group carries out transactions with related parties at commercial terms and conditions as per the Group's policy.

32 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Executive Directors		Executive *		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	---------- (Rupees in '000) ----------							
Managerial remuneration	**19,128**	18,216	**34,670**	40,067	**129,028**	134,594	**182,826**	192,877
Bonus	**-**	2,760	**2,421**	9,070	**2,990**	3,761	**5,411**	15,591
Perquisites	**746**	218	**381**	515	**643**	1,321	**1,770**	2,054
Retirement benefits	**1,083**	1,049	**1,955**	2,585	**13,187**	10,597	**16,225**	14,231
Other benefits	**1,597**	1,521	**2,900**	3,612	**15,824**	15,415	**20,321**	20,548
	22,554	23,764	**42,327**	55,849	**161,672**	165,688	**226,553**	245,301
Number of persons	**1**	1	**2**	2	**32**	37	**35**	40

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

32.2 In addition, meeting fee amounting to total Rs.0.842 (2018: Rs.0.522) million was paid to non-executive (independent directors) directors for meetings attended during the year. The non-executive (independent directors) directors are not entitled to any remuneration except meeting fee.

32.3 The number of persons does not include those who resigned during the year but remuneration paid to them is included in the above amounts.

* These represent officers as prescribed under the Companies Act, 2017.

33. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 1,196 (2018: 1,187), the average number of persons employed during the year were 1,213 (2018: 1,161) and number of person employed in factory as at year end were 453 (2018: 473).

34. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on September 30, 2019 proposed (i) a final cash dividend of Rs. 0.9 per share amounting to Rs.35.22M for approval of the members at the Annual General Meeting to be held on October 25, 2019.

The Finance Act 2019, has levied a tax at the rate of 5% to be imposed on every public Group that derives profit for a tax year but does not distribute atleast 20% of its after tax profits ('requisite dividend') within six months of the end of the tax year ('requisite time') through cash. Any liability in this respect will be recognised when the requisite time expires without the Group having distributed the requisite dividend.

35. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 30, 2019 by the Board of Directors of the Group.

36. GENERAL

36.1 Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

36.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant rearrangement or reclassification has been made in these financial statements during the current year. Further, the corresponding numbers are not comparable as the Subsidiary Company was acquired during the year.

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR


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*Mobile apps are also available for download for android and ios devices
Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan
SECP

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 25, 2019 at 10:45 am and/or at any adjournment thereof.

Signed this ___________day of ______________ 2019

Rupees Five Revenue Stamp)

Witnesses: 1. Signature:___________________
Name:_________________________
CNIC#:_________________________
Address:______________________
2. Signature:___________________
Name:_________________________
CNIC#:_________________________
Address:______________________

Signature__________________________
(The signature should agree with 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 زرجسٹرڈ 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--------------------یاان کے حاضر نہ ہوسکنے کی
صورت میں محترم/محترمہ------------------از------------جن کا سی این آئی سی نمبر یاپاسپورٹ نمبر-------------------فولیو/سی ڈی سی
اکاؤنٹ نمبر-------------کواپنے/ہمارے ایماء پرکمپنی کے 25 اکتوبر 2019 کوصبح 10:45 بجے ہونے والے سالانہ اجلاس عام میں شرکت کرنے،حق رائے دہی استعمال کرنے
یاکسی بھی التواء کی صورت میں اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا/ کرتے ہیں۔

آج بتاریخ------------------اکتوبر 2019 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۔ ہرلحاظ 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 چاہیئے۔
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 چاہیئے جن کے نام،پتے اور سی این اٗئی 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 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