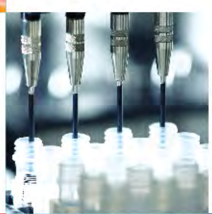
Macter

ANNUAL REPORT 2023



WORKING TODAY
FOR A HEALTHIER TOMORROW

Macter International Limited

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

1.	Mr. Amanullah Kassim	Chairman	Independent Director
2.	Mr. Asif Misbah	Chief Executive	Executive Director
3.	Mr. Swaleh Misbah Khan		Executive Director
4.	Sheikh Muhammed Waseem		Non-Executive Director
5.	Syed Anis Ahmad Shah		Independent Director
6.	Sheikh Perwez Ahmed		Non-Executive Director
7.	Mr. Muhammad Ather Sultan		Non-Executive Director
8.	Ms. Masarrat Misbah		Non-Executive Director
9.	Mr. Jawwad Ahmed Farid		Independent Director

BOARD AUDIT COMMITTEE

1.	Syed Anis Ahmad Shah	Chairman
2.	Sheikh Muhammed Waseem	Member
3.	Mr. Muhammad Ather Sultan	Member

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

1.	Mr. Jawwad Ahmed Farid	Chairman
2.	Mr. Asif Misbah	Member
3.	Mr. Muhammad Ather Sultan	Member

CHIEF FINANCIAL OFFICER

Mr. Muhammad Rizwan Rauf

COMPANY SECRETARY

Mr. Asif Javed

INTERNAL AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

EXTERNAL AUDITORS

EY Ford Rhodes
Chartered Accountants

SHARIAH ADVISOR

Mufti Muhammad Najeeb Khan

BANKERS

Al Baraka (Pakistan) Limited
Allied Bank Ltd - Islamic Banking
Askri Bank Limited- Islamic Banking Branch
Bank Alfalah Limited- Islamic Banking
Bank Al Habib 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
The Bank of Punjab- Taqwa Islamic Banking

SHARE REGISTRAR

F.D. Registrar Services (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
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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting ("AGM") of the Members of Macter International Limited (the Company) will be held on Friday, October 20, 2023 at 09:00 a.m. at Moosa D. Desai Auditorium of the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Consolidated and Unconsolidated Financial Statements of the Company for the year ended June 30, 2023, together with the Directors' and the Auditors' Reports thereon.

2. To approve and declare the final cash dividend @ Re. 0.54 per share i.e. (5.4%) for the financial year ended June 30, 2023 as recommended by the Board of Directors. This is in addition to interim cash dividend @ 5.4% i.e. Re.0.54 per ordinary share, already paid.

3. To appoint Auditors and fix their remuneration for the year ending June 30, 2024. The retiring auditors M/s. EY Ford Rhodes, Chartered Accountants, have not offered themselves for re-appointment. Therefore, the Board Audit Committee and Board of Directors recommend that A. F. Ferguson & Co., Chartered Accountants (a member firm of the PwC network), who have indicated their consent to act as Auditors, be appointed as Statutory Auditors for the year ending June 30, 2024.

By Order of the Board of Directors

Asif Javed
Company Secretary

Karachi: September 27, 2023

Notes:

1. Closure of Shares Transfer Books

The share transfer books of the Company will remain closed from October 13, 2023 to October 20, 2023 (both days inclusive). The transfers received in order at the office of the Company's Share Registrar M/s. F. D. Registrar Services (Pvt.) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar, Road, Karachi before the close of the business on October 12, 2023 will be treated in time for the entitlement of final cash dividend and to attend and vote at the Meeting.

2. Participation in meeting through Video Link Facility

(i) Securities and Exchange Commission of Pakistan through its Circular No. 4 dated February 15, 2021 has directed the listed companies to ensure the participation of members in general meeting through electronic means as a regular feature in addition to holding physical meetings.

(ii) The members who wish to attend the meeting through video link are requested to get themselves registered with the Company Secretary office by providing their particulars as per below table by the close of business hours (11:00 a.m.) on October 12, 2023:

Full Name	CNIC No	Folio / CDC Account No.	No. of Shares Held	Cell No.	E-mail Address

(iii) The webinar link would be provided through email to the registered members / proxies who will provide above information and a copy of valid CNIC.

3. For appointing proxies

A member entitled to attend and vote at this Annual General Meeting shall be entitled to appoint another member, as a proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received at the Company's Share Registrar's Office not later than 48 hours before the time of the Meeting.

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

4. Payment of Cash Dividend Electronically (Mandatory Requirement)

In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulations 2017, a listed company, is required to pay cash dividend to the shareholders only through electronic mode directly into the bank account designated by the entitled shareholders.

Those shareholders who have still not provided their International Bank Account Number (IBAN) are once again requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC to their respective CDC participant/CDC Investor account services (in case of shareholding in Book Entry Form) or to the Company's Share Registrar (in case of shareholding in Physical Form).

(i) Shareholders details:	
Name of the Shareholder(s)	
Folio # / CDS Account No(s)	
CNIC No (Copy attached)	
Mobile / Landline No	
(ii) Shareholders' Bank details:	
Title of Bank Account	
International Bank Account Number (IBAN)	
Bank's Name	
Branch Name and address	

In the absence of IBAN, or in case of incomplete details, the Company will have to withhold the payment of cash dividends under the Companies (Distribution of Dividends) Regulations, 2017.

5. Withholding Tax on Dividend

Dividend income on shares is liable to deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001 and currently, the deduction of withholding tax on the amount of dividend paid by the companies based on 'Active' and 'Non-Active' status of shareholders shall be @ 15% and 30% respectively where 'Active' means a person whose name appears on the Active Taxpayers List available at e-portal of FBR (http://www.fbr.gov.pk/) and 'Non-Active' means a person whose name is not being appeared on the Active Taxpayers List.

In case of joint account, each holder is to be treated individually as either 'Active' or 'Non-Active' and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if not so notified, each joint holder shall be assumed to have an equal number of shares.

Company Name	Folio/CDS Account No.	Total No. of Shares	Principal Shareholder		Joint Shareholder	
			Name & CNIC No.	Shareholding Proportion (No. of shares)	Name & CNIC No.	Shareholding Proportion (No. of shares)

The required information must reach the Share Registrar of the Company before the close of the business on October 12, 2023 otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Shareholder(s).

The shareholders seeking to avail exemption or are eligible for deduction at a reduce rate U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate or necessary documentary evidence as the case may be, to the Company's Share Registrar M/s. F. D. Registrar Services (Pvt.) Limited before book closure otherwise tax will be deducted on dividend as per applicable rates.

6. Electronic Transmission of Audited Financial Statements & Notices

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated 8th September 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its Members through e-mail. Accordingly, Members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail.

Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice. Annual Financial Statements will be sent at your registered address, as per normal practice.

7. Postal Ballot

Pursuant to the Companies (Postal Ballot) Regulations, 2018, members will be allowed to exercise their right to vote through postal ballot that is voting by post or through any electronic mode subject to requirements of Section 143 to Section 145 of the Companies Act, 2017 and procedure contained in the aforesaid Regulations.

8. Zakat Declaration

Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the share (Rs. 10 each) and will be deposited within the prescribed period with the relevant authority. In case of claiming exemption, please submit your Zakat Declaration under Zakat and Ushr Ordinance, 1980 and Rule 4 of Zakat (Deduction and Refund) Rules, 1981, CZ-50 Form with our Share Registrar. Physical shareholders are requested to submit the said declaration to our Share Registrar in the proper manner. The Shareholders must write Macter International Limited's name and their respective CDS A/C # or Folio numbers on Zakat Declarations at relevant place.

9. Deposit of Physical Shares in CDC Accounts

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017.

The shareholders having physical shareholding may please open CDC sub-account with any of the brokers or investors account directly with CDC to place their physical shares into scrip less form.

For any query/information, the investors may contact the Company's Share Registrar.

10. Unclaimed Dividend

Members, who by any reason, could not claim their dividend or did not collect their physical shares, are advised to immediately contact our Company's Share Registrar, to collect/enquire about their unclaimed dividend or pending shares, if any.

11. Submission of CNIC or Passport

Shareholders are requested to provide photocopy of their CNIC or passport (in case of foreigner), unless it has been provided earlier, enabling the Company to comply with relevant laws.

12. Change of Address

Shareholders are requested to immediately notify the change of address, if any to the Company's Share Registrar.

13. Placement of Audited Financials on the website

Annual Audited Financial Statements of the Company for the year ended June 30, 2023 have been placed on Company's website i.e. www.macter.com

CHAIRMAN'S REVIEW

On behalf of the board of directors, I would like to share or Board's performance review of your Company for the year ended June 30, 2023.

BOARD COMPOSITION AND PERFORMANCE

The Board comprises of an appropriate mix of business professionals who add value to the board oversight through their respective expertise.

The primary objectives of the Board include providing strategic direction to the Company and supervising the management. During the year under review the board has effectively discharged its responsibilities as required under the Companies Act, 2017 and Listed Companies (Code of Corporate Governance), Regulations 2019. All quarterly, half yearly and annual financial results were reviewed by the board and it extended its guidance to the management. Board played a key role in monitoring management performance and on major risks.

Board members also reviewed and approved Company's annual financial budget for FY 2023-24, capital expenditure requirements and significant investments.

The Board met in quarterly meetings to discharge its responsibilities. Board members attendance was at a high level 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 also played their roles effectively.

In pursuant to the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019, a formal and effective process is in place for an annual evaluation of Board's performance, Members of Board and its Sub-Committees. Board's Performance review consists of comprehensive Self-Evaluation Questionnaires on performance. Based on the feedback by each Individual Director a consolidated average performance rating is computed. The performance rating of the Board, Individual Directors & Committees performance was satisfactory and effective. As the Chairman of your Company I will continue to be responsible for leading the Board, fostering an inclusive culture of openness and constructive dialogue. I remain committed to ensure that our Board and its committees should perform effectively and take timely decisions to create value for all stakeholders.

ACKNOWLEDGEMENTS

I would like to thank all our shareholders, customers, bankers and employees for their resilience and support during these unprecedented times. I would also like to thank the Board members, CEO and his team for their dedication and hard-work.

Amanullah Kassim
Chairman

Karachi
September 18, 2023

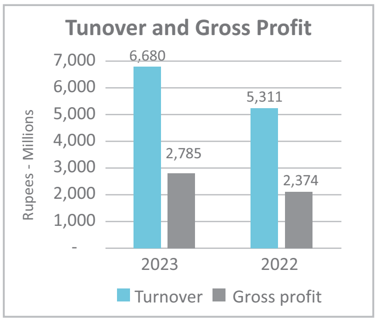
DIRECTORS' REPORT

We are pleased to present the Annual Report together with the Audited Financial Statements of the Company for the year ended June 30, 2023.

FINANCIAL RESULTS

The financial results of the Company are summarized hereunder:

DESCRIPTION	Year ended June 30, 2023			
	Unconsolidated		Consolidated	
	2023	2022	2023	2022
	Rupees Millions			
Turnover - Net	**6,680**	5,311	**6,926**	5,612
Gross profit	**2,785**	2,374	**2,911**	2,539
Operating Profit	**618**	528	**580**	515
Profit before tax	**557**	490	**508**	470
Profit / (loss) after tax	**393**	318	**349**	286



BUSINESS PERFORMANCE

Net turnover for the year ended 30th June 2023 at Rupees 6,680m grew by 26% versus last year.

Our core prescription sales business grew by +30% (Current period: Rs. 5,324m vs Last year: Rs. 4,080m) on account of strong uptake of our recently launched **Pegstim** (Pegylated GCSF) in Oncology and **Tofacnet** (Tofacitinib) in Rheumatology; promotional campaigns in our lead brand **Titan** (Ceftriaxone); increased induction of kidney dialysis patients on our **Mac Epo** (Erythropoietin); enhanced CME (continued medical education) events for family physicians.

During the year we launched five new products in our continued efforts to provide best health care products for our customers, **Tofacnet** (Tofacitinib) in Rheumatology, **Mac-Fer** (Ferric Pyrophosphate) in Gynecology, **Tavora** (Voriconazole) in Anti-fungal Respiratory, **Amsart-H** (Amlodipine) in Cardiothoracic care and **Papaya** (Carica papaya leaf extract) in Immunity booster general medicine.

Gross margins have experienced a 3% reduction primarily due to the depreciation of the Rupee, which has led to higher import costs for APIs and excipients. Additionally, your Company have encountered significant inflationary cost increases in essential areas such as packaging materials, utilities, fuel, and increase in minimum wage. The imposition of an additional 1% sales tax on sales, coupled with non-adjustable input sales tax, has further eroded the margins. It is important to note that the price increases permitted under the Drug Pricing laws are insufficient to fully offset the aforementioned cost impacts.

Operating profit for the current fiscal year stands at Rs. 618 million, reflecting a 17% increase compared to the previous year. This notable improvement is attributed to the implementation of efficiency enhancements and cost optimization measures, resulting in lower operating costs.

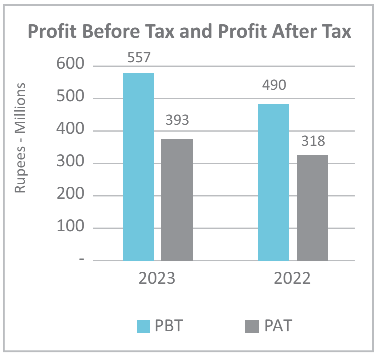
Finance cost increased by 60% during the year, primarily attributed to the rise in KIBOR (Karachi Interbank Offer Rate) rates in the current period, resulting in a finance cost of 61 million compared to 39 million in the previous year.

CAPITAL EXPENDITURE

During the year under review, the Company has made capital expenditure of Rupees 434 million in new manufacturing equipment, facility upgrades to ensure GMP and regulatory compliance and motor vehicles for staff as per company policy.

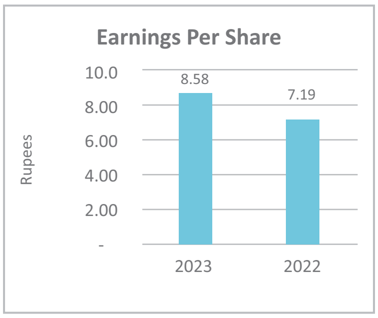
Profit before Tax: Rupees 557m is higher by +67m, a growth of almost 14% over last year.

Profit after Tax: Rupees 393m is higher +75m over last year, a growth of 24% over last year.



EARNINGS PER SHARE

Earnings per share of the Company for the year ended June 30, 2023 is Rupees 8.58 vs. Rupees 7.19 last year.



DIVIDEND

The board of directors have recommended a final cash dividend of 5.4% i.e. Re. 0.54 per share. This is in addition to Interim Cash Dividend at Re. 0.54 per share i.e. 5.4%.

RISKS AND UNCERTAINITIES

The Company is exposed to certain inherent business risks and uncertainties. Following key business risks have been ascertained:

- Cost Inflation and lag in compensatory inflationary price adjustments by DRAP
- Pak Rupee devaluation
- Global API and logistics disruptions
- Increasingly stringent local and international regulatory requirements
- Delays in product registration and pricing
- Attracting and retaining critical employees
- Increasing threats to data security and data privacy

We are actively working with the internal and external stakeholders to mitigate and reduce aforesaid risks to acceptable levels.

CORPORATE SOCIAL RESPONSIBILITY

Our Company's mission is to serve humanity by improving their health and well-being. The Company has undertaken a number of Corporate Social Responsibility (CSR) initiatives during the year, including:

a) Provision of free medicines to various charitable organizations / hospitals
b) Capability-building of doctors and healthcare professionals
c) Support to various educational institutions and hospitals
d) Free screening camps for cardio metabolic disorders and hepatitis B and C
e) Support to poor patients

HEALTH, SAFETY & ENVIRONMENT

Our Company ensures adherence to the regulatory requirements in the area of health, safety and environment. Company has ISO Certification for QMS (Quality Management System) ISO 9001:2015, EMS (Environment Management System) 14001-2015 and OHSAS (Occupational Health and Safety) 18001-2007.

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

All equipment's noise levels are measured and kept in controlled limits. Generators smoke emission are monitored and controlled. Boilers are regularly checked by third parties for safety. Solid chemical wastes are incinerated and all effluents are treated.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company made a total contribution of Rupees 388.3 million (2022: Rupees 172.2 million) to the National Exchequer by way of income tax, custom duties and sales tax.

CREDIT RATING

Company rating of "A/A-2 (Single A / A-Two)" was awarded last year by JCR-VIS Credit Rating Company Limited. Outlook assigned to our rating is "Stable".

INTERNAL FINANCIAL CONTROLS

The directors are aware of their responsibility of maintaining adequate internal financial controls. Through review of internal audit reports and discussion with management and auditors (internal and external), we 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 and form 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, 2023 is Rupees 245.6 million.

COMPOSITION OF BOARD

The board consists of nine members, including 1 female and 8 male directors. The composition of the Board is as follows:

Particulars	Number
Independent Non-Executive Directors	3
Other Non-Executive Director	3
Executive Directors	2
Female Non-Executive Director	1
Total	9

The list of existing directors is as under:

S. No.	Name	Category
1	Mr. Amanullah Kassim	Independent Non-Executive
2	Mr. Jawwad Ahmed Farid	Independent Non-Executive
3	Syed Anis Ahmad Shah	Independent Non-Executive
4	Sheikh Perwez Ahmed	Non-Executive
5	Sheikh Muhammed Waseem	Non-Executive
6	Mr. Muhammed Ather Sultan	Non-Executive
7	Ms. Masarrat Misbah	Female Non-Executive
8	Mr. Asif Misbah	Executive
9	Mr. Swaleh Misbah Khan	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 and Chairman is independent non-executive director.

S. No.	Name	Category	Position
1	Syed Anis Ahmad Shah	Independent Non-Executive	Chairman
2	Sheikh Muhammed Waseem	Non-Executive	Member
3	Muhammad Ather Sultan	Non-Executive	Member

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Board Human Resource and Remuneration Committee assists the Board of Directors in discharging their responsibilities with regard to 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. Jawwad Ahmed Farid	Independent Non-Executive	Chairman
2	Mr. Muhammad Ather Sultan	Non-Executive	Member
3	Mr. Asif Misbah	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	Mr. Amanullah Kassim	5	4	NA	NA	NA	NA
2	Mr. Asif Misbah	5	5	NA	NA	1	1
3	Mr. Swaleh Misbah Khan	5	5	NA	NA	NA	NA
4	Sheikh Muhammed Waseem	5	5	4	4	NA	NA
5	Mr. Tariq Wajid	2	2	NA	NA	1	1
6	Syed Anis Ahmad Shah	5	5	4	4	NA	NA
7	Sheikh Perwez Ahmad	5	4	NA	NA	NA	NA
8	Mr. Muhammad Ather Sultan	5	3	4	-	1	-
9	Ms. Masarrat Misbah	5	-	NA	NA	NA	NA
10	Mr. Jawwad Ahmed Farid	1	1	NA	NA	NA	NA

CHANGES IN BOARD OF DIRECTORS

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

Outgoing	Incoming
Mr. Tariq Wajid	Jawwad Ahmed Farid

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

DIRECTORS' TRAINING PROGRAM

Five directors are either certified under Directors' Training Program or have requisite experience to be exempted from training program as mentioned in regulation No 19, sub-regulation 2 of 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 Board as per the terms of the Articles of Association of the Company.

KEY OPERATING AND FINANCIAL DATA

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

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding as at June 30, 2023 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.

INTERNAL AUDITORS

The Company's internal audit function is managed by the Head of Internal Audit, who is assisted by Internal Auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants. The Head of Internal Audit reports to the Chairman of Board Audit Committee.

EXTERNAL AUDITORS

The present auditors M/s. EY Ford Rhodes, Chartered Accountants shall retire at the conclusion of ensuing Annual General Meeting and have not offered themselves for re-appointment. Consequently, the Board has endorsed the Audit Committee's recommendation to appoint M/s. A.F. Ferguson & Co, Chartered Accountants, as the company's statutory auditors for the fiscal year ending June 30, 2024, during the upcoming Annual General Meeting.

SUBSEQUENT EVENT

No material events have occurred affecting the financial status of the Company between the financial year end till the date of this report.

FUTURE OUTLOOK

Future business outlook remains uncertain in current recessionary economic scenario. The progress of price regulated pharmaceutical sector is challenging due to constant Rupee weakness, inflationary cost pressure and increase in SBP base mark-up rate. Although government allowed one time price adjustment in June 2023, operating margin is still under pressure.

The management team under the Board's guidance is executing cost optimization strategy to mitigate the above impacts, unless the Government grants a fair inflationary price adjustment the profitability will be adversely affected.

ACKNOWLEDGEMENTS

The Board of Directors appreciate the commitment, dedication, and devotion of all our employees who have worked to ensure supply of our lifesaving medicines. We also acknowledge the support and cooperation received from our valued shareholders, customers, distributors, suppliers, financial institutions and regulatory authorities.

All praise and gratitude to Allah SWT for His continued blessings.

On behalf of the board

Asif Misbah
Chief Executive

Muhammad Ather Sultan
Director

Karachi
September 18, 2023

ڈائریکٹرز رپورٹ

ڈائریکٹرز انتہائی مسرت کے ساتھ کمپنی کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی دستاویزات برائے ختم شدہ سال 30 جون 2023ء پیش کر رہے ہیں۔

مالیاتی نتائج

کمپنی کے مالیاتی نتائج کا خلاصہ درج ذیل ہے:

مندرجات	ختم شدہ سال 30 جون 2023			
	غیر مدغم شدہ		مدغم شدہ	
	2023	2022	2023	2022
	(روپے ملین میں)			
فروخت خالص	**6,680**	5,311	**6,926**	5,612
خام منافع	**2,785**	2,374	**2,911**	2,539
آپریٹنگ منافع	**618**	528	**580**	515
قبل از ٹیکس منافع	**557**	490	**508**	470
بعد از ٹیکس منافع / (خسارہ)	**393**	318	**349**	286

کاروباری کارکردگی

30 جون 2023 کو ختم ہونے والے سال کے لئے خالص فروخت 6,680 ملین روپے گزشتہ سال کے مقابلے میں 26 فیصد بڑھی۔

ہمارے بنیادی بذریعہ نسخہ فروخت کے کاروبار میں 30 فیصد اضافہ ہوا (موجودہ مدت: 5,324 ملین روپے بمقابلہ گزشتہ سال: 4,080 ملین روپے) جس کی وجہ ہمارے حال ہی میں لانچ کردہ Pegstim (Pegylated GCSF) میں آنکولوجی اور Tofacnet (Tofacitinib) میں زبردست اضافہ ہے۔ ہمارے معروف برانڈ Titan (Ceftriaxone) میں پروموشنل مہمات؛ ہمارے Mac Epo (Erythropoietin) پر گردے کے ڈائیلیسس کے مریضوں کی شمولیت میں اضافہ؛ خاندانی ڈاکٹروں کے لئے CME (continued medical education) کے واقعات میں اضافہ۔

دوران سال ہم نے اپنے کسٹمرز کے لئے بہترین صحت کی دیکھ بھال کی مصنوعات فراہم کرنے کی اپنی مسلسل کوششوں میں پانچ نئی مصنوعات کا آغاز کیا، Rheumatology میں Tofacnet (Tofacitinib)، Gynecology میں Mac-Fer (Ferric Pyrophosphate)، Respiratory Anti-fungal میں Tavora (Voriconazole)، Cardiothoracic care میں Amsart-H (Amlodipine) اور قوت مدافعت بڑھانے والی عام ادویات میں Papaya (Carica papaya leaf extract)۔

روپے کی قدر میں کمی کی وجہ سے مجموعی مارجن میں 3 فیصد کمی واقع ہوئی ہے، جس کی وجہ سے APIs اور ایکسیپیئنٹس کے لیے درآمدی اخراجات میں اضافہ ہوا ہے۔ مزید برآں، آپ کی کمپنی کو پیکیجنگ مواد، یوٹیلیٹیز، ایندھن، اور کم از کم اجرت میں اضافے جیسے ضروری شعبوں میں افراط زر کی لاگت میں نمایاں اضافے کا سامنا کرنا پڑا ہے۔ سیلز پر اضافی ایک فیصد سیلز ٹیکس کے نفاذ کے ساتھ ساتھ نان ایڈجسٹ ایبل ان پٹ سیلز ٹیکس نے مارجن کو مزید کم کر دیا ہے۔ یہ نوٹ کرنا ضروری ہے کہ ڈرگ پرائسنگ قوانین کے تحت قیمتوں میں اضافے کی اجازت مذکورہ بالا لاگت کے اثرات کو مکمل طور پر ختم کرنے کے لئے ناکافی ہے۔

رواں مالی سال کے دوران آپریٹنگ منافع 618 ملین روپے رہا جو گزشتہ سال کے مقابلے میں 17 فیصد اضافے کو ظاہر کرتا ہے۔ اس قابل ذکر بہتری کو کارکردگی میں اضافے اور لاگت کو بہتر بنانے کے اقدامات کے نفاذ سے منسوب کیا جاتا ہے، جس کے نتیجے میں آپریٹنگ لاگت کم ہوتی ہے۔

فائنانس لاگت میں سال کے دوران 60 فیصد اضافہ ہوا جس کی بنیادی وجہ رواں عرصے میں کے KIBOR (کراچی انٹر بینک آفر ریٹ) کی شرح میں اضافہ ہے جس کے نتیجے میں مالی لاگت گزشتہ سال کے 39 ملین کے مقابلے میں 61 ملین روپے رہی۔

کیپیٹل مصارف

زیر جائزہ سال کے دوران کمپنی نے نئے مینوفیکچرنگ آلات، GMP اور ریگولیٹری تعمیل کو یقینی بنانے کے لئے سہولیات کو اپ گریڈ کرنے اور کمپنی کی پالیسی کے مطابق عملے کے لئے موٹر گاڑیوں میں 434 ملین روپے کا سرمایہ خرچ کیا ہے۔

قبل از ٹیکس منافع: 557 ملین روپے گزشتہ سال کے مقابلے میں 67 ملین روپے تقریبا 14 فیصد زیادہ ہے۔

بعد از ٹیکس منافع: 393 ملین روپے گزشتہ سال کے مقابلے میں 75 ملین روپے 24 فیصد زیادہ ہے۔

فی حصص منافع

کمپنی کے گزشتہ سال کے فی حصص منافع 7.19 روپے کے مقابلے میں 30 جون 2023ء کو ختم ہونے والے سال کے لیے 8.58 روپے تھا۔

ڈیویڈنڈ (Dividend)

بورڈ آف ڈائریکٹرز نے 5.4 فیصد یعنی 0.54 روپے فی حصص کے حتمی کیش ڈیویڈنڈ کی سفارش کی ہے۔ یہ عبوری کیش ڈیویڈنڈ 0.54 روپے فی حصص یعنی 5.4 فیصد کے علاوہ ہے۔

خطرات اور غیر یقینی حالات

کمپنی کو کچھ فطری خطرات اور غیر یقینی حالات درپیش ہیں۔ درج ذیل کلیدی کاروباری خطرات سامنے آئے ہیں:

- لاگت افراط زر اور DRAP کی طرف سے معاوضہ افراط زر کی قیمتوں میں ایڈجسٹمنٹ کرنے میں تاخیر۔
- پاکستانی روپے کی قدر میں کمی
- عالمی API اور لاجسٹک رکاوٹیں
- مقامی اور بین الاقوامی ریگولیٹری تقاضوں میں تیزی سے اضافہ
- پراڈکٹس کی رجسٹریشن اور قیمت کے تعین میں تاخیر
- کلیدی ملازمین کو اپنی طرف مائل اور برقرار رکھنا
- ڈیٹا کی حفاظت اور ڈیٹا کی رازداری کے بڑھتے ہوئے خطرات

مندرجہ بالا خطرات کے متوقع اثرات کو قابل قبول سطح تک لانے یا کم سے کم کرنے میں ہم داخلی اور خارجی اسٹیک ہولڈرز کے ساتھ سرگرمی سے مصروف عمل ہیں۔

کارپوریٹ سماجی ذمہ داری

ہماری کمپنی کا مشن صحت اور بہبود کے شعبے کو بہتر بنا کر انسانیت کی خدمت کرنا ہے۔ کمپنی نے سال کے دوران کارپوریٹ سماجی ذمہ داری (CSR) کے متعدد اقدامات کیے ہیں جن میں بشمول:

a) مختلف رفاہی تنظیموں / ہسپتالوں کو مفت ادویات کی فراہمی۔
b) ڈاکٹروں اور صحت کی دیکھ بھال کرنے والوں کی صلاحیت میں اضافہ کرنا
c) مختلف تعلیمی اداروں اور ہسپتالوں کی امداد
d) کارڈیومیٹابولک عوارض اور ہیپاٹائٹس بی اور سی کے لیے مفت سکریننگ کیمپ
e) غریب مریضوں کے ساتھ تعاون

صحت، حفاظت اور ماحول

ہماری کمپنی صحت، حفاظت اور ماحول کے حوالے سے ریگولیٹری تقاضوں پر عمل درآمد کو یقینی بناتی ہے۔ کمپنی کے پاس QMS (Quality Management System) کے لیے ISO 9001:2015، 14001-2015 EMS (Environment Management System) اور OHSAS (Occupational Health and Safety) 18001-2007 سرٹیفکیٹس ہیں۔

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

تمام آلات کے شور کی پیمائش کی جاتی ہے اور اسے کنٹرول حدود میں رکھا جاتا ہے۔ جنریٹرز کے دھویں کے اخراج کی نگرانی اور اسے کنٹرول کیا جاتا ہے۔ بوائلرز کی تھرڈ پارٹیز کے ذریعے باقاعدگی سے حفاظتی جانچ کی جاتی ہے۔ ٹھوس کیمیائی فضلہ جلایا اور تمام فضلہ موزوں طریقے سے ضائع کیا جاتا ہے۔

قومی خزانے میں حصہ

کمپنی نے انکم ٹیکس، کسٹم ڈیوٹیز اور سیلز ٹیکس کی مدات میں مجموعی طور پر 388.3 ملین روپے (2022 میں 172.2 ملین روپے) قومی خزانے میں جمع کرائے۔

کریڈٹ ریٹنگ

گزشتہ سال JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ کی طرف سے کمپنی کو "A/A-2 (Single A/A-Two)" 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 وایکسٹرنل) کے ساتھ بات چیت اور انٹرنل آڈٹ رپورٹ کے جائزے کے ذریعے، ہم اس بات کی تصدیق کرتے ہیں کہ کمپنی میں مناسب کنٹرولز لاگو ہیں۔

کارپوریٹ اور فائنانشل رپورٹنگ فریم ورک

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

- کمپنی کی منیجمنٹ کی طرف سے تیار کردہ مالیاتی اسٹیٹمنٹ کمپنی کے معاملات، سرگرمیوں کے نتائج، 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 موثر 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۔
- مالیاتی 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 2023 کو تازہ ترین غیر آڈٹ شدہ اکاؤنٹس کے مطابق ملازمین کے پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت 245.6 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 ایگزیکیوٹیو ڈائریکٹرز	3
دیگر نان ایگزیکیوٹیو ڈائریکٹرز	3
ایگزیکیوٹیو ڈائریکٹرز	2
خاتون نان ایگزیکیوٹیو ڈائریکٹر	1
کل	9

موجودہ ڈائریکٹرز کی فہرست درج ذیل ہے:

شمار	نام	درجہ بندی
1	جناب امان اللہ قاسم	انڈیپنڈنٹ نان ایگزیکیوٹیو
2	جناب جواد احمد فرید	انڈیپنڈنٹ نان ایگزیکیوٹیو
3	سید انیس احمد شاہ	انڈیپنڈنٹ نان ایگزیکیوٹیو
4	شیخ پرویز احمد	نان ایگزیکیوٹیو
5	شیخ محمد وسیم	نان ایگزیکیوٹیو
6	جناب محمد اطہر سلطان	نان ایگزیکیوٹیو
7	محترمہ مسرت مصباح	خاتون نان ایگزیکیوٹیو
8	جناب آصف مصباح	ایگزیکیوٹیو
9	جناب صالح مصباح خان	ایگزیکیوٹیو

بورڈ آڈٹ کمیٹی

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

ذیل تین نان ایگز یکٹوارا کین پر مشتمل ہے اور چیئر مین، انڈ یپنڈ نٹ نان ایگز یکٹوڈائر یکٹر ہے۔

نمبر شمار	نام	درجہ بندی	عہدہ
1	سیدانیس احمد شاہ	انڈ یپنڈ نٹ نان ایگز یکٹیو	چیئر مین
2	شیخ محمد وسیم	نان ایگز یکٹیو	ممبر
3	جناب محمد اطہر سلطان	نان ایگز یکٹیو	ممبر

بورڈ ہیومن ریسورس اینڈ ریمونریشن کمیٹی

بورڈ ہیومن ریسورسز اینڈ ریمونریشن کمیٹی بھی کمپنی کے اندر ہیومن ریسورس کی پالیسیوں اور طریقوں پر عمل در آمد کا متواتر جائزہ لینے کے حوالے سے بورڈ آف ڈائر یکٹرز کو ان کی ذمہ داریوں کی تکمیل میں معاونت کرتی ہے۔ یہ منیجمنٹ کے کلیدی عملے کے انتخاب، تشخیص، معاوضے اور جانشینی کی منصوبہ بندی میں بھی بورڈ کو مدد فراہم کرتی ہے۔ کمیٹی مندرجہ ذیل تین ارکان پر مشتمل ہے، جن میں اکثر بشمول کمیٹی چیئر مین کے نان ایگز یکٹوڈائر یکٹرز ہیں۔

نمبر شمار	نام	درجہ بندی	عہدہ
1	جناب جواد احمد فرید	انڈ یپنڈ نٹ نان ایگز یکٹیو	چیئر مین
2	جناب محمد اطہر سلطان	نان ایگز یکٹیو	ممبر
3	جناب آصف مصباح	ایگز یکٹیو	ممبر

بورڈ اور بورڈ کمیٹیز کی حاضری

نمبر شمار	نام	بورڈ آف ڈائر یکٹرز		بورڈ آڈٹ کمیٹی		بورڈ ہیومن ریسورس اینڈ ریمونریشن کمیٹی	
		استحقاق	حاضری	استحقاق	حاضری	استحقاق	حاضری
1	جناب امان اللہ قاسم	5	4	NA	NA	NA	NA
2	جناب آصف مصباح	5	5	NA	NA	1	1
3	جناب صالح مصباح خان	5	5	NA	NA	NA	NA
4	شیخ محمد وسیم	5	5	4	4	NA	NA
5	جناب طارق واجد	2	2	NA	NA	1	1
6	سیدانیس احمد شاہ	5	5	4	4	NA	NA
7	شیخ پرویز احمد	5	4	NA	NA	NA	NA
8	جناب محمد اطہر سلطان	5	3	4	-	1	-
9	محترمہ مسرت مصباح	5	-	NA	NA	NA	NA
10	جناب جواد احمد فرید	1	1	NA	NA	NA	NA

بورڈ آف ڈائر یکٹرز میں تبدیلیاں

زیر جائزہ سال کے دوران بورڈ آف ڈائر یکٹرز میں درج ذیل تبدیلیاں ہوئیں:

سبکدوش ہونے والے	نئے آنے والے
جناب طارق واجد	جناب جواد احمد فرید

بورڈ سبکدوش ہونے والے ڈائریکٹر کی خدمات کو تسلیم کرتا ہے اور انہیں سراہتا ہے اور نئے ڈائریکٹر کا خیر مقدم کرتا ہے۔

ڈائریکٹرز ٹریننگ پروگرام

پانچ ڈائریکٹرز یا تو ڈائریکٹرز ٹریننگ پروگرام کے تحت سرٹیفائیڈ ہیں یا ریگولیشن نمبر 19، ذیلی ریگولیشن 2 میں بیان کردہ تربیتی پروگرام سے مستثنیٰ ہونے کا مطلوبہ تجربہ رکھتے ہیں۔

نان ایگزیکٹو ڈائریکٹرز کو مالی مراعات دینے کی پالیسی

نان ایگزیکٹو ڈائریکٹرز (انڈیپنڈنٹ و دیگر) کے لیے بورڈ یا بورڈ کمیٹی کے اجلاسوں میں شرکت کی فیس کمپنی کے آرٹیکلز آف ایسوسی ایشن کی شرائط کے تحت بورڈ 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 2023 کے شیئر ہولڈنگ کے پیٹرن کا اسٹیٹمنٹ منسلک ہے۔ دوران سال ڈائریکٹرز، ایگزیکٹوز اور ان کے شریک حیات کی جانب سے فروخت کیے جانے والے حصص، اگر کوئی ہیں، کمپنی سیکریٹری کو تحریری طور پر مطلع کیے گئے تھے، جس میں قیمت، حصص کی تعداد، حصص سرٹیفکیٹ کا فارم اور لین دین کی نوعیت شامل تھی۔ اس طرح کے تمام لین دین کو پیٹرن آف شیئر ہولڈنگ میں ظاہر کیا گیا ہے۔

انٹرنل آڈیٹرز

کمپنی کے انٹرنل آڈٹ کی نگرانی ہیڈ آف انٹرنل آڈٹ کرتے ہیں جن کی معاونت انٹرنل آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کرتے ہیں۔ انٹرنل آڈٹ کے سربراہ بورڈ آڈٹ کمیٹی کے چیئرمین کو رپورٹ کرتے ہیں۔

ایکسٹرنل آڈیٹرز

موجودہ آڈیٹرز میسرز EY فورڈ رہوڈز چارٹرڈ اکاؤنٹنٹس آنے والے سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے اور انہوں نے دوبارہ تقرری کے لئے خود کو پیش نہیں کیا ہے۔ نتیجتاً بورڈ نے آڈٹ کمیٹی کی اس سفارش کی توثیق کی ہے کہ 30 جون 2024ء کو ختم ہونے والے مالی سال کے لئے میسرز A.F. Ferguson & Co. چارٹرڈ اکاؤنٹنٹس کو کمپنی کا قانونی آڈیٹر مقرر کیا جائے۔

ذیلی واقعات

اس رپورٹ کے اجراء تک مالی سال کے اختتام کے دوران کمپنی کی مالی حیثیت کو متاثر کرنے والے کوئی مادی واقعات پیش نہیں آئے ہیں۔

مستقبل کا جائزہ

موجودہ کساد بازاری کے معاشی منظر نامے میں مستقبل کا کاروباری نقطہ نظر غیر یقینی ہے۔ روپے کی مسلسل گراوٹ، افراط زر کی لاگت کے دباؤ اور اسٹیٹ بینک بیس مارک اپ ریٹ میں اضافے کی وجہ سے پرائس ریگولیٹڈ فارماسیوٹیکل سیکٹر کی ترقی دشوار ہے۔ اگرچہ حکومت نے جون 2023 میں ون ٹائم پرائس ایڈجسٹمنٹ کی اجازت دی تھی، مگر آپریٹنگ مارجن تاحال دباؤ میں ہے۔

بورڈ کی رہنمائی میں مینجمنٹ ٹیم مذکورہ بالا اثرات کو کم کرنے کے لئے لاگت کو بہتر بنانے کی حکمت عملی پر عمل پیرا ہے، جب تک حکومت افراط زر کی منصفانہ قیمت ایڈجسٹمنٹ نہیں دیتی ہے تو منافع پر منفی اثر پڑے گا۔

اعتراف

بورڈ آف ڈائریکٹرز اپنے تمام ملازمین کے عزم، لگن اور خلوص کی حوصلہ افزائی کرتے ہیں جنہوں نے جان بچانے والی ادویات کی بلا تعطل فراہمی کو یقینی بنانے کے لئے کام کیا ہے۔
ہم اپنے قابل قدر شیئر ہولڈرز، کسٹمرز، ڈسٹری بیوٹرز، سپلائرز، مالیاتی اداروں اور ریگولیٹری اتھارٹیز سے ملنے والی معاونت اور تعاون کا بھی اعتراف کرتے ہیں۔
اللہ سبحانہ وتعالیٰ کے مسلسل فضل و کرم پر تمام تر تعریفات اور تشکر اسی کے لیے ہے۔

منجانب بورڈ

آصف مصباح	محمد اطہر سلطان
چیف ایگزیکٹیو	ڈائریکٹر

کراچی۔
ستمبر 18، 2023ء

KEY OPERATING AND FINANCIAL DATA

	Unit	2023	2022	2021	2020	2019	2018
Summary of Statement of Financial Position							
Non-Current Assets	Rs. M	**2,414**	2,064	1,867	1,669	1,435	1,271
Current Assets	Rs. M	**2,509**	2,374	1,852	2,289	1,776	1,773
Total Assets	Rs. M	**4,923**	4,438	3,719	3,958	3,211	3,044
Total Equity	Rs. M	**2,871**	2,575	1,350	1,168	1,194	1,168
Non-Current Liabilities	Rs. M	**696**	474	812	783	478	444
Current Liabilities	Rs. M	**1,356**	1,389	1,557	2,007	1,539	1,432
Total Liabilities	Rs. M	**2,052**	1,863	2,369	2,790	2,017	1,876
Total Equity and Liabilities	Rs. M	**4,923**	4,438	3,719	3,958	3,211	3,044
Summary of Statement of Profit or Loss							
Turnover - net	Rs. M	**6,680**	5,311	5,142	5,528	4,082	4,053
Gross profit	Rs. M	**2,785**	2,374	2,115	2,037	1,733	1,822
Operating profit	Rs. M	**618**	528	460	295	242	388
Profit before taxation	Rs. M	**557**	490	331	63	122	320
Taxation	Rs. M	**164**	172	74	48	16	74
Net profit	Rs. M	**393**	318	257	15	106	246
Ratios							
Profitability Ratios							
Gross profit to turnover	%	**41.69**	44.70	41.13	36.85	42.45	44.95
Operating profit to turnover	%	**9.25**	9.94	8.95	5.34	5.93	9.57
Profit before tax to turnover	%	**8.34**	9.23	6.44	1.14	2.99	7.90
Net profit to turnover	%	**7.40**	5.99	5.01	0.27	2.60	6.07
Return on equity before tax	%	**19.40**	19.03	24.52	5.39	10.22	27.40
Return on equity after tax	%	**13.69**	12.35	19.06	1.28	8.88	21.06
Return on capital employed	%	**17.33**	17.32	21.29	15.12	14.47	24.07
Return on assets	%	**7.98**	7.17	6.92	0.38	3.30	8.08
Market Ratios							
Market price per share at year end	Rs.	**97.04**	125.00	161.38	93.06	60.95	208.00
Market capitalization	Rs. M	**4,445**	5,726	6,317	3,643	2,386	8,142
Price earning ratio	Rs.	**11.31**	17.39	24.54	242.58	22.41	33.06
Break up value / share	Rs.	**62.66**	56.22	34.46	29.84	30.50	29.87
Basic / diluted earnings per share	Rs.	**8.58**	7.19	6.57	0.38	2.72	6.29
Dividend payout ratio	%	**12.59**	46.23	64.58	-	33.10	51.62
Dividend cover ratio	Times	**7.94**	2.16	1.55	-	3.01	1.93
Liquidity Ratios							
Current ratio	Times	**1.85**	1.71	1.19	1.14	1.15	1.24
Quick / acid test ratio	Times	**0.47**	0.72	0.49	0.57	0.60	0.57

* Based on proposed dividend

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2023

Number of Certificate Holders	Certificate Holding From		To	Certificate Held
817	1	-	100	19,864
176	101	-	500	48,911
40	501	-	1000	30,106
53	1001	-	5000	104,610
6	5001	-	10000	40,725
4	10001	-	15000	48,100
1	15001	-	20000	19,000
1	20001	-	25000	25,000
1	35001	-	40000	36,572
1	40001	-	45000	40,001
1	45001	-	50000	50,000
1	150001	-	155000	153,061
1	200001	-	205000	203,061
4	280001	-	285000	1,137,136
1	565001	-	570000	568,568
1	605001	-	610000	606,061
2	3030001	-	3035000	6,060,606
1	6430001	-	6435000	6,430,868
1	15085001	-	15090000	15,089,321
1	15095001	-	15100000	15,099,447
1114				**45,811,018**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	1094	33,272,783	72.63
Joint Stock Companies	13	12,500,825	27.29
Investment Companies	1	1,825	0.00
Insurance Companies	1	19,000	0.04
Modarabas	1	30	0.00
Others	4	16,555	0.04
	1114	**45,811,018**	**100.00**

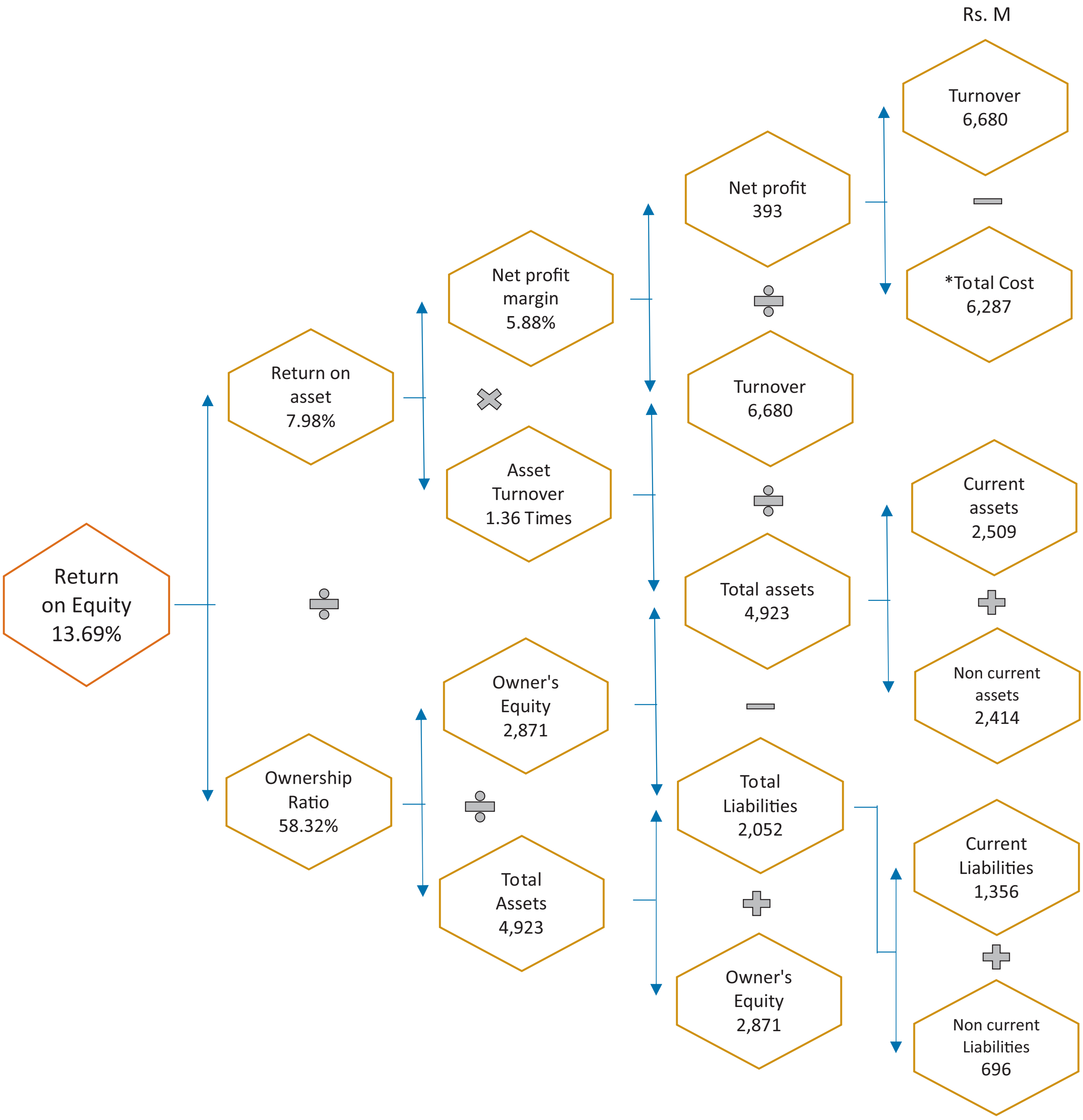
Categories Shareholders as on June 30, 2023

S. No.	Categories Shareholders	Shareholders	Shares Held	Total
1	**Directors, Chief Executive officer and their spouse(s) and minor children**	**9**		**30,473,568**
	Asif Misbah		15,099,447	
	Swaleh Misbah Khan		15,089,321	
	Sheikh Perwez Ahmed		500	
	Masarrat Misbah		284,285	
	Jawwad Ahmed Farid		1	
	Sheikh Muhammed Waseem		1	
	Syed Anis Ahmed Shah		1	
	Amanullah Kassim		1	
	Muhammad Ather Sultan		11	
2	**Associated Companies, Undertakings and related parties**	**NIL**		
3	**Executives**	**3**		**77,601**
4	**Modarabas and Mutual Funds**	**1**		**30**
5	**NIT and ICP**	**1**		**1,825**
	Investment Corporation of Paksitan		1,825	
6	**Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful and Pension Funds**	**14**		**12,519,825**
7	**Others**	**4**		**16,555**
8	General Public	**1,082**		**2,721,614**
	Total	**1,114**		**45,811,018**

Shareholders Holding 10% or More in the Company

	Number of Shares	%
Mr. Asif Misbah	15,099,447	32.96
Mr. Swaleh Misbah Khan	15,089,321	32.94
Saas Enterprises (Pvt.) Limited	6,430,868	14.04

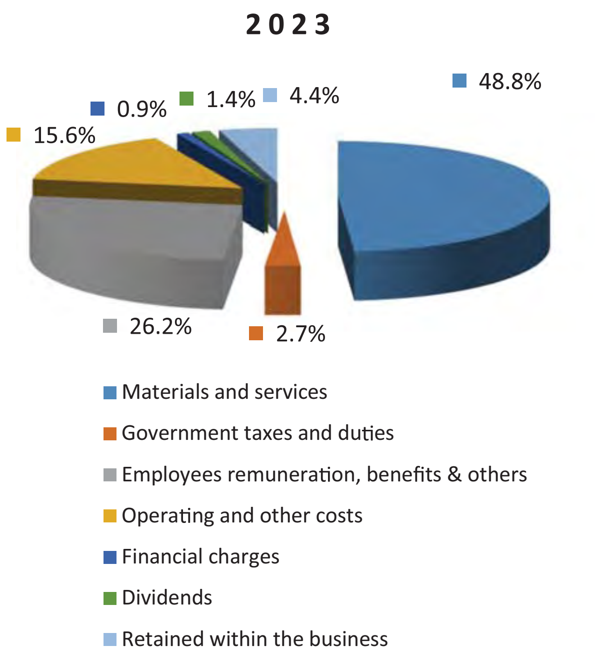
DUPONT ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

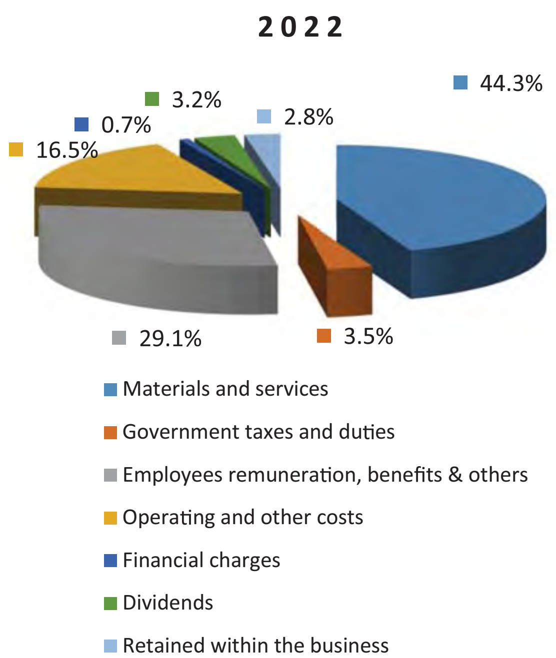


*Total Cost includes COGS, Selling, Admin, Other Expenses (less other income), Financial Charges and Taxation

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2023 (Rupees in '000)	%	2022 (Rupees in '000)	%
VALUE ADDITION				
Turnover - net	**6,680,391**	**98.8%**	5,311,248	99.3%
Other operating income	**79,457**	**1.2%**	37,392	0.7%
	6,759,848	**100.0%**	5,348,640	100.0%
VALUE DISTRIBUTION				
Materials and services	**3,297,465**	**48.8%**	2,367,043	44.3%
Government taxes and duties	**181,500**	**2.7%**	187,706	3.5%
Employees remuneration, benefits & others	**1,770,582**	**26.2%**	1,556,550	29.1%
Operating and other costs	**1,056,062**	**15.6%**	881,343	16.5%
Financial charges	**61,371**	**0.9%**	38,465	0.7%
Dividends	**93,455**	**1.4%**	169,959	3.2%
Retained within the business	**299,413**	**4.4%**	147,574	2.8%
	6,759,848	**100.0%**	5,348,640	100.0%





PROFILE OF SHARIAH ADVISOR OF THE COMPANY

Mufti Muhammad Najeeb Khan holds a degree of specialization in Islamic Jurisprudence/Islamic Finance "Takhassus" from Jamia Darul Uloom Karachi under supervision of Justice Retd. Mufti Taqi Usmani which is equivalent to PHD.

Mufti Muhammad Najeeb Khan have rendered services to many local and multinational organizations especially in Islamic Banking and Finance, Islamic Assets & Fund Management, Islamic Financial Product Development, Halal Food Area, Slaughtering Rules. He was honored with an award for leading Shariah Advisor in 2015 from Mr. Mamnoon Hussain, President of Pakistan. He also has an extensive experience of management, teaching and training extending over a period of more than 20 years.

Mufti Muhammad Najeeb Khan is serving in the field of Halal Foods. He is a Chairman of Shariah Board of Halal Awareness and Research Council (HARC) and Member of Sindh Food Authority Technical Committee. He also worked as member of Pakistan Standards and Quality Control Authority (PSQCA) and Vice Chariman of Technical Committee on Halal Pharma Standards of PSQCA.

SHARIAH REVIEW REPORT
For the year ended June 30, 2023

With the grace of Allah, I have been appointed as Shariah Advisor of Macter International Limited under the provisions of Shariah Governance Regulations, 2018 (Regulations). Under the Regulations my role includes:

- Introduction of a mechanism which will strengthen Shariah compliance in letter and spirit and ensure that the systems, procedures and policies adopted are in line with the Shariah principles.

- Ensure that the inflows and outflows of financial resources are free from: Riba (interest, usury or any other form), Qimar (Gambling), Gharar (Uncertainty) and other vices prohibited by Shariah.

- Advise on regular basis that the business, transactions and investments made are in accordance with the principles of Shariah.

- Make recommendations for potential improvements and the formulation of policies in line with Shariah principles.

Issuance of Shariah Compliance Certificate:

I have performed Shariah screening of Macter International Limited on the basis of its Financial Statements of June 30, 2023 (un-audited) using the criteria mentioned in the Chapter IV (b) of Shariah Governance Regulations, 2018.

Alhamdulillah, I found Macter International Limited as Shariah Compliant as per the said screening criteria and hence I have issued a Shariah Compliance Certificate in favor of MACTER INTERNATIONAL LIMITED.

Review of Operations and my Opinion:

During the period, I reviewed the operations and business activities of Macter International Limited with respect to Shariah compliance. For that purpose, I met with the relevant officials of Macter International Limited. Accordingly, it has been agreed with management that all legal documents and policies would be executed and implemented in Macter International Limited after approval from Shariah Advisor. The Company is carrying on its operations, business affairs and activities according to the principles of Shariah.

The company has taken steps to ensure that its pharmaceuticals ingredients used in manufacturing health care products are from Halal sources and has taken Halal certificate for its majority products from an accredited Halal certification body.

I have conducted the Shariah review of Macter International Limited for the financial year ended on June 30, 2023 in accordance with the provisions of Shariah Governance Regulations, 2018 and in my opinion:

" The transactions, the documentations and the procedures adopted have been in accordance with principles of Shariah;

" The business affairs have been carried out in accordance with rules and principles of Shariah;

" No Shariah non-compliant income has been earned by the Company, during the year. Therefore, no purification of income was required during the year

Conclusion:

Based on the Review of Company's operations, transactions, related documentation, processes, policies, legal agreements and management's representation, in my opinion, the affairs of Macter International Limited have been carried out in accordance with the rules and principles of Shariah, and therefore, I am of the view that Macter International Limited is a Shariah Compliant Company.

In the end; I pray to Allah Almighty to grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to Macter International Limited.

Muhammad Najeeb Khan

Karachi
September 04, 2023

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company : MACTER INTERNATIONAL LIMITED
Year ending : JUNE 30, 2023

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 the Board is as follows:

Category	Names
Independent Directors	Mr. Amanullah Kassim Syed Anis Ahmad Shah Mr. Jawwad Ahmed Farid
Non-executive Director	Sheikh Muhammed Waseem Mr. Muhammad Ather Sultan Sheikh Perwez Ahmed
Executive Directors	Mr. Asif Misbah Mr. Swaleh Misbah Khan
Female Non-Executive Director	Ms. Masarrat Misbah

3. The directors have confirmed that none of them is serving as a director on more than seven 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. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 the Board.

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

9. Five directors have either obtained certificate of Directors' Training Program or are exempted from the requirement of Directors' Training Program as per the Listed Companies (Code of Corporate Governance) Regulations, 2019.

10. The board has approved appointment of chief financial officer, 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. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.

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

BOARD AUDIT COMMITTEE

S. No.	Name	Category	Position
1	Syed Anis Ahmad Shah	Independent Non-Executive	Chairman
2	Sheikh Muhammed Waseem	Non-Executive	Member
3	Mr. Muhammad Ather Sultan	Non-Executive	Member

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

S. No.	Name	Category	Position
1	Mr. Jawwad Ahmed Farid	Independent Non-Executive	Chairman
2	Mr. Muhammad Ather Sultan	Non-Executive	Member
3	Mr. Asif Misbah	Executive	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 committee were as per following:

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

15. The board has outsourced the internal audit function to KPMG TASEER HADI & CO, CHARTERED 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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company.

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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Amanullah Kassim
Chairman

Karachi
September 18, 2023

Building a better working world

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Pakistan

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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, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Macter International Limited** (the Company) for the year ended **30 June 2023** in accordance with the requirements of regulation 36 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 Regulation 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. 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.

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 2023**.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 26 September 2023

UDIN Number: CR202310076JiXocr6hp

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Independent Assurance Report on Compliance with the Shari'ah Governance Regulations, 2023
To the Board of Directors of Macter International Limited, Shariah Compliant Company

1. Introduction

We have undertaken a reasonable assurance engagement that the Securities and Exchange Commission of Pakistan (SECP) has required in terms of Shari'ah Governance Regulations, 2023 (the Regulations)[1] - External Shariah Audit of the Company for assessing compliance of the **Macter International Limited's** (the Company's) financial arrangements, contracts, and transactions having Shari'ah implications with Shari'ah principles for the year ended **30 June 2023**. This engagement was conducted by a multidisciplinary team including assurance practitioners and independent Shari'ah scholars.

2. Applicable Criteria

The criteria for the assurance engagement, against which the underlying subject matter (financial arrangements, contracts, and transactions having Shari'ah implications for the year ended 30 June 2023) is assessed, comprise of the Shari'ah principles and rules, as defined in the regulations and reproduced as under:

"Shariah principles and rules" means requirements, standards, rulings or permissions, pertaining to Islamic financial services, derived from the following;

i). legal and regulatory framework administered by the Commission;

ii). Shariah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), as notified by Commission;

iii). Islamic Financial Accounting Standards, developed by the Institute of Chartered Accountants of Pakistan, as notified by the Commission;

iv). guidance and recommendations of the Shariah advisory committee, as notified by Commission; and

v). approvals, rulings or pronouncements of the Shariah supervisory board or the Shariah advisor of the Islamic financial institution, in line with (i) to (iv) above;

The above criteria were evaluated for their implications on the financial statements of the Company for the year ended 30 June 2023, which are annexed.

3. Management's Responsibility for Shari'ah Compliance

Management is responsible to ensure that the financial arrangements, contracts and transactions having Shari'ah implications, entered into by the Company with its customers, other financial institutions and stakeholders and related policies and procedures are, in substance and in their legal form, in compliance with the requirements of Shari'ah rules and principles. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

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[1] *These regulations came into effect from 14 September 2023. Prior to the same, Shariah Governance Regulations, 2018 were effective.*

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-: 2 :-

4. **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, And Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

5. **Our responsibility and summary of the work performed**

Our responsibility in connection with this engagement is to express an opinion on compliance of the Company's financial arrangements, contracts, and transactions having Shari'ah implications with Shari'ah principles, in all material respects, for the year ended 30 June 2023 based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements', issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the compliance of the Company's financial arrangements, contracts and transactions having Shari'ah implications with Shari'ah principles is free from material misstatement.

The procedures selected by us for the engagement depended on our judgement, including the assessment of the risks of material non-compliance with the Shari'ah principles. In making those risk assessments, we considered and tested the internal control relevant to the Company's compliance with the Shari'ah principles in order to design 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. We have designed and performed necessary verification procedures on various financial arrangements, contracts, transactions having Shariah implications and related policies and procedures based on judgmental and systematic samples with regard to the compliance of Shari'ah principles. (criteria specified in para 2 above).

We believe that the evidences we have obtained through performing our procedures were sufficient and appropriate to provide a basis for our opinion.

6. **Conclusion**

Based on our reasonable assurance engagement, we report that in our opinion, the Company's financial arrangements, contracts and transactions for the year ended 30 June 2023 are in compliance with the Shari'ah principles (criteria specified in the paragraph 2 above), in all material respects.

Chartered Accountants

Engagement Partner: Shaikh Ahmed Salman

Date: 26 September 2023

Place: Karachi

A member firm of Ernst & Young Global Limited

UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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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 2023**, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity 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 cash flows and the statement of changes in equity 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 2023 and of the profit, other comprehensive loss, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

Key audit matter	
1. Revenue Recognition	
As disclosed in note 3.18 to the accompanying unconsolidated financial statements, revenue from sale of goods is recognized when the control of goods is transferred which generally coincides with the delivery of goods. During the year, the Company recognized revenue of Rs. 6.680 billion which is approximately 26% higher as compared to previous year (refer note 26). When identifying and assessing the risk relating to revenue recognition, our focus was whether the sales recorded by the management occurred during the year and were properly recorded in the correct accounting period. Considering the aforementioned reasons together with growth in revenue during the year, we have identified this area as a key audit matter.	Our key audit procedures in this area amongst others included the following: Obtained an understanding of the Company's process with respect to revenue recognition and tested design and operating effectiveness of controls relevant to such process. Obtained an understanding of pricing mechanism of Drug Regulatory Authority of Pakistan (DRAP) and tested, on sample basis, selling prices of regulated pharmaceutical products to ensure compliance with the pricing policies of DRAP. Reviewed contracts with customer to obtain an understanding of terms particularly relating to timing and transfer of control of the products and assessed the appropriateness of revenue recognition policies and practices followed by the Company. Performed substantive audit procedures including analytical procedures and test of details over revenue transactions along with review of related supporting documents, including dispatch-related documents and customer acknowledgement, on test basis. Analyzed various trends and benchmarks including growth in pharmaceutical industry and logical basis of the increase in revenue. Performed cut-off procedures to ensure that the revenue is recognized in the correct accounting period. Performed journal entry testing using a risk-based criterion, on a sample basis, relating to revenue transactions recorded by the Company and reviewed underlying documentation and business rationale of such journal entries. We assessed the adequacy of the Company's disclosures in accordance with applicable financial reporting standards.

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.

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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.

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.

- 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 cash flows and the statement of changes in equity 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.

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

Chartered Accountants

Place: Karachi

Dated: 26 September 2023

UDIN Number: AR202310076ZIeP7BEAg

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023	2022
ASSETS		---------- (Rupees in '000) ----------	
NON-CURRENT ASSETS			
Property, plant and equipment	4	**2,052,470**	1,735,143
Intangible assets	5	**1,531**	2,301
Long-term investment	6	**300,000**	300,000
Long-term loans	7	**1,930**	1,982
Long-term deposits	8	**58,165**	24,611
Deferred taxation - net	9	**357**	-
		2,414,453	2,064,037
CURRENT ASSETS			
Stores and spares		**18,812**	16,799
Stock-in-trade	10	**1,776,163**	1,260,445
Trade debts	11	**382,862**	301,364
Loans and advances	12	**140,183**	116,190
Trade deposits, prepayments and other receivables	13	**81,465**	101,707
Sales tax refundable	14	**38,712**	179,499
Taxation - net		**16,373**	26,008
Short-term investment	15	**-**	159,707
Cash and bank balances	16	**54,382**	212,728
		2,508,952	2,374,447
TOTAL ASSETS		**4,923,405**	4,438,484
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
65,000,000 (2022: 65,000,000) ordinary shares of Rs 10/- each		**650,000**	650,000
Issued, subscribed and paid-up capital	17	**458,111**	458,111
Capital reserve		**1,225,860**	1,225,860
Revenue reserve - accumulated profit		**1,186,722**	891,385
		2,870,693	2,575,356
NON-CURRENT LIABILITIES			
Deferred liabilities	18	**221,633**	209,678
Long-term financing	19	**279,056**	151,812
Long-term provision	20	**72,906**	66,985
Lease liabilities	21	**122,712**	39,928
Deferred taxation - net	9	**-**	5,680
		696,307	474,083
CURRENT LIABILITIES			
Trade and other payables	22	**1,254,912**	1,234,937
Accrued profit	23	**6,117**	667
Current portion of long-term financing	19	**73,265**	124,811
Current portion of lease liabilities	21	**20,654**	27,235
Unclaimed dividend		**1,457**	1,395
		1,356,405	1,389,045
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		**4,923,405**	4,438,484

The annexed notes from 1 to 43 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, 2023

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Turnover	26	**6,680,391**	5,311,248
Cost of sales	27	**(3,895,678)**	(2,937,153)
Gross profit		**2,784,713**	2,374,095
Distribution costs	28	**(1,816,632)**	(1,537,321)
Administrative expenses	29	**(376,795)**	(298,602)
Other expenses	30	**(52,537)**	(47,283)
Other income	31	**79,457**	37,392
Operating profit		**618,206**	528,281
Financial charges	32	**(61,371)**	(38,465)
Profit before taxation		**556,835**	489,816
Taxation	33	**(163,967)**	(172,283)
Net profit for the year		**392,868**	317,533
		---------- (Rupees) ----------	
Basic and diluted earnings per share	34	**8.58**	7.19

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

UNCONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
	---------- (Rupees in '000) ----------	
Net profit for the year	**392,868**	317,533
Other comprehensive (loss) / income:		
Items that will not be reclassified subsequently to profit or loss		
Actuarial (loss) / gain on remeasurement of defined benefit plans – net of deferred tax	**(4,076)**	3,554
Total comprehensive income for the year	**388,792**	321,087

The annexed notes from 1 to 43 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, 2023

	Note	2023	2022
		---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**556,835**	489,816
Adjustments of non-cash and other items:			
Depreciation on operating fixed assets	4.4	**173,858**	134,121
Depreciation on right-of-use assets	4.6	**30,030**	30,849
Amortisation	5.1	**1,688**	1,691
Financial charges	32	**50,076**	30,372
Interest on lease liabilities	32	**11,295**	8,093
Provision for gratuity	18.1	**28,649**	23,439
Operating fixed assets written off	30	**1,697**	-
Gain on disposal of operating fixed assets	31	**(43,513)**	(19,016)
Gain on termination of lease	31	**(6,867)**	-
Dividend income on mutual fund units	31	**(7,643)**	(1,675)
Gain on disposal on mutual fund units	31	**-**	(3,428)
Provision for slow moving and obsolete stock-in-trade - net	10.2	**110,545**	70,209
Allowance for expected credit loss	11.2	**26,659**	10,706
		376,474	285,361
		933,309	775,177
(Increase) / decrease in current assets			
Store and spares		**(2,013)**	(6,681)
Stock-in-trade		**(626,263)**	(346,350)
Trade debts		**(108,157)**	201,177
Loans and advances		**(23,993)**	(46,724)
Trade deposits, prepayments and other receivables		**20,242**	(9,599)
Sales tax refundable		**140,787**	(179,499)
		(599,397)	(387,676)
Increase in current liability			
Trade and other payables		**19,974**	442,322
		(579,423)	54,646
Financial charges paid		**(38,705)**	(47,887)
Income tax paid		**(154,796)**	(44,065)
Gratuity paid		**(27,018)**	(19,366)
Long-term loans		**52**	237
Long-term deposits		**(33,554)**	40,122
Deferred liabilities		**676**	(1,255)
		(253,345)	(72,214)
Net cash generated from operating activities		**100,541**	757,609
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(433,711)**	(456,622)
Addition to intangible asset		**(918)**	-
Proceeds from disposal of operating fixed assets	4.2	**62,937**	25,326
Short-term investment made		**(40,000)**	(250,000)
Short-term investment encashed		**199,707**	93,721
Dividend income on mutual fund units	31	**7,643**	1,675
Net cash used in investing activities		**(204,342)**	(585,900)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(93,393)**	(168,842)
Proceeds from issuance of share - net		**-**	1,074,719
Short-term borrowings - net		**-**	(268,595)
Long-term financing - net		**75,698**	(540,662)
Long-term provision		**-**	(2,412)
Lease rentals paid		**(36,850)**	(22,082)
Net cash (used in) / generated from financing activities		**(54,545)**	72,126
Net (decrease) / increase in cash and cash equivalents during the year		**(158,346)**	243,835
Cash and cash equivalents at the beginning of the year		**212,728**	(31,107)
Cash and cash equivalents at the end of the year	39	**54,382**	212,728

The annexed notes from 1 to 43 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, 2023

	Issued, subscribed and paid-up share capital	Reserves			Total
		Capital reserves	Revenue reserves	Total reserves	
		Share Premium	Accumulated profit		
	---------- (Rupees in '000) ----------				
Balance as at July 01, 2021	391,444	217,808	740,257	958,065	1,349,509
Transactions with the owners					
Issue of right shares at premium - 6,666,667 shares at Rs. 165 per share	66,667	1,033,333	-	1,033,333	1,100,000
Issue cost of right shares	-	(25,281)	-	(25,281)	(25,281)
Net profit for the year	-	-	317,533	317,533	317,533
Other comprehensive income	-	-	3,554	3,554	3,554
Total comprehensive income	-	-	321,087	321,087	321,087
Final cash dividend @ Rs. 2.00 per share for the year ended June 30, 2021	-	-	(91,622)	(91,622)	(91,622)
Interim cash dividend @ Rs.1.71 per share for the half year ended December 31, 2021	-	-	(78,337)	(78,337)	(78,337)
Balance as at June 30, 2022	458,111	1,225,860	891,385	2,117,245	2,575,356
Balance as at July 01, 2022	**458,111**	**1,225,860**	**891,385**	**2,117,245**	**2,575,356**
Net profit for the year	**-**	**-**	**392,868**	**392,868**	**392,868**
Other comprehensive loss	**-**	**-**	**(4,076)**	**(4,076)**	**(4,076)**
Total comprehensive income	**-**	**-**	**388,792**	**388,792**	**388,792**
Final cash dividend @ Rs. 1.50 per share for the year ended June 30, 2022	**-**	**-**	**(68,717)**	**(68,717)**	**(68,717)**
Interim cash dividend @ Rs. 0.54 per share for the half year ended December 31, 2022	**-**	**-**	**(24,738)**	**(24,738)**	**(24,738)**
Balance as at June 30, 2023	**458,111**	**1,225,860**	**1,186,722**	**2,412,582**	**2,870,693**

The annexed notes from 1 to 43 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, 2023

1. THE COMPANY AND ITS OPERATIONS

1.1 Macter International Limited (the Company) was incorporated in Pakistan in 1992 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) 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 of the manufacturing facility 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);

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Act; and

- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the IFAS and Act differ from IFRS, the provisions of and directives issued under the IFAS and 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 unconsolidated financial statements are presented in Pakistani Rupees, which is also the Company's functional currency.

2.4 Amendments to approved accounting standards and the framework for financial reporting that became effective during the current year

The Company has adopted the following standards, amendments, interpretation and improvements to International Financial Reporting Standards (IFRSs) which became effective for the current year:

Amendment of Framework

IFRS 3	Reference to the Conceptual Framework (Amendments)
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)

Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities
IAS 41	Agriculture – Taxation in fair value measurements
IFRS 16	Leases: Lease incentives

The adoption of above amendments to the approved accounting standards did not have any material impact on the Company's unconsolidated financial statements.

2.5 Standards, amendments and improvements to the approved accounting standards that are not yet effective

The following amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective amendment or improvements:

Amendment or Improvementon		**Effective date (annual periods beginning on or after)**
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
IAS 12	International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	January 01, 2023
IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	January 01, 2024
IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	January 01, 2024
IFRS 16	Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalised

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

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2004
IFRS 17	Insurance Contracts	January 01, 2023

2.6 Significant accounting judgements, estimates and assumptions

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates, assumptions and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the accounting policies, management has made the following estimates and judgements 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 & 3.11
- valuation of inventories	3.4 & 3.5
- provision for impairment on financial & non-financial assets	3.11
- provision for tax and deferred tax	3.24
- provision for employee retirement benefits	3.12
- determining the lease term of contracts with renewal and termination options and estimating the incremental borrowing rate	3.14
- contingencies	3.17
- provision for return	3.19

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Operating fixed assets

These are stated at cost less accumulated depreciation and impairment loss, if any, except for leasehold land 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 upto 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.

The assets residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

Capital work-in-progress

These are stated at cost less impairment, if any, and represent expenditures incurred and advances made in respect of specific assets during the construction / installation year. These are transferred to relevant operating fixed assets as and when assets are available for use.

Right-of-use assets

The Company recognises a right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

3.2 Intangible assets

These are stated at cost less accumulated amortisation 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 statements. Amortisation is charged from the month when asset is available for use while no amortisation is charged in the month in which an asset is disposed off.

The useful lives of intangible assets are reviewed at each reporting date. The effect of any adjustment to useful lives is recognised prospectively as a change of accounting estimate.

The gain or loss on disposal or retirement of an intangible asset represented by the difference between the sale proceeds and the carrying amount is recognised in the statement of profit or loss in the period of disposal.

3.3 Investment in subsidiary

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

3.4 Stores and spares

These are valued at lower of moving average cost and estimated net realizable value (NRV), less provision for obsolete items (if any), except items in-transit, if any, are valued at cost comprising invoice value plus other charges incurred thereon up to the date of statement of financial position.

Provision, if required is made in the financial statements for slow moving, obsolete and unusable items. Stores and spares are assessed and provision is applied according to degree of ageing based on a specific criteria.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is recorded for slow moving and expired stock where necessary.

3.6 Loans, advances, deposits, prepayments and other receivables

These 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.

3.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short-term investments with a maturity of three months or less from the date of acquisition net of bank overdraft/running finance facility that are deemed integral to the Company's cash management. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

3.8 Share Capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.9 Share Premium

It represents the difference between the par value of the company's ordinary shares and the total amount of money a company receives for ordinary shares issued.

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 (FVOCI) or fair value through profit or loss (FVPL).

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 FVOCI, 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 FVOCI 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.

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.

3.11 Impairment

3.11.1 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 financial assets other than trade debts, the Company applies general approach in calculating ECL. It is based on the difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Company expects to receive discounted at the approximation of the original effective interest rate. The expected cashflows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade debts, 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 will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product and consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the economy, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company considers a financial asset to be at a risk of default when contractual payments are 90 days past due except for receivables from institutions for which it is considered as 180 days, unless there are factors that might indicate otherwise. 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.

3.11.2 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 sell 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 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, 2023 using the Project Unit Credit Method.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These includes the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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.

3.13 Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. As the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

3.14 Lease liabilities

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the termination option is reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments at the lease commencement date, the Company uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases of premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Determining the lease term of contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

3.15 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability are recognised as revenue when the Company performs under the contract.

3.16 Unclaimed dividend

Dividend declared and payable prior to the preceding three years from the unconsolidated statement of financial position date are recognised as unclaimed dividend.

3.17 Contingencies

Contingencies are disclosed when the Company has a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.18 Revenue recognition

The Company recognises revenue at a point in time when control of product is transferred to customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. 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.

3.19 Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. Returns for the Company comprise of expired products or near expiry products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.20 Other income

Other income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be measured reliably. Other income is measured on the following basis:

- Return on short-term deposits and investments at amortised cost are accounted for using the effective interest rate method.

- Dividend income is recognised when the right to receive the dividend is established.

- Scrap sales are recognized on accrual basis.

3.21 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.

3.22 Foreign currency translations

Transactions in foreign currencies are translated into Pakistani Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Pakistani Rupees at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

3.23 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.

3.24 Taxation

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

3.25 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved. However, if these are approved after the reporting period but before the financial statements are authorised for issue, disclosure is made in the unconsolidated financial statements.

3.26 Earnings per share

The Company presents basic and diluted earning per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.27 Segment Reporting

The activities of the Company are organized into one operating segment i.e., manufacturing and marketing of pharmaceutical products. The Company operates in the said reportable operating segment based on the nature of the product, risks and returns, organizational and management structure, and internal financial reporting system. Accordingly, the figures reported in the unconsolidated financial statements are related to the Company's only reportable segment.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**1,818,570**	1,477,164
Capital work-in-progress	4.5	**99,501**	202,175
Right-of-use assets	4.6	**134,399**	55,804
		2,052,470	1,735,143

4.1 Operating fixed assets:

	Cost			Depreciation					
	As at July 01, 2022	Additions / Transfers / (Disposals) / Written off * during the year	As at June 30, 2023	As at July 01, 2022	Charge for the year	On disposals / write offs *	As at June 30, 2023	Net book value as at June 30, 2023	Depreciation rate % per annum
	(Rupees in '000)								
Owned									
Leasehold land (note 4.3)	216,807	-	216,807	-	-	-	-	216,807	-
Buildings on leasehold land (note 4.3)	444,107	17,049 * (2,448)	458,708	176,999	13,657	* (751)	189,905	268,803	5
Plant and machinery	813,488	26,443 (1,436)	838,495	426,975	40,176	(1,127)	466,024	372,471	10
Tools and equipment	251,157	33,263	284,420	74,391	19,061	-	93,452	190,968	10
Gas and other installation	356,643	72,654 (5,951)	423,346	153,184	23,406	(3,052)	173,538	249,808	10
Furniture and fixture	59,684	5,482	65,166	30,767	3,147	-	33,914	31,252	10
Office equipment	40,889	1,773	42,662	19,162	2,270	-	21,432	21,230	10
Computer equipment	38,239	6,072 (5,200)	39,111	31,378	2,941	(4,830)	29,489	9,622	30
Motor vehicles	288,880	373,649 (40,870)	621,659	119,874	69,200	(25,024)	164,050	457,609	20
	2,509,894	536,385 (55,905)	2,990,374	1,032,730	173,858	(34,784)	1,171,804	1,818,570	

Operating fixed assets:

	Cost			Depreciation					
	As at July 01, 2021	Additions / Transfers / (Disposals) during the year	As at June 30, 2022	As at July 01, 2021	Charge for the year	On disposals	As at June 30, 2022	Net book value as at June 30, 2022	Depreciation rate % per annum
	---------- (Rupees in '000) ----------								
Owned									
Leasehold land (note 4.3)	216,807	- -	216,807	-	-	-	-	216,807	-
Buildings on leasehold land (note 4.3)	436,574	7,533 -	444,107	163,142	13,857	-	176,999	267,108	5
Plant and machinery	762,859	50,629 -	813,488	385,967	41,008	-	426,975	386,513	10
Tools and equipment	159,327	91,830 -	251,157	58,243	16,148	-	74,391	176,766	10
Gas and other installation	329,247	31,142 (3,746)	356,643	134,830	21,415	(3,061)	153,184	203,459	10
Furniture and fixture	57,029	2,655 -	59,684	27,748	3,019	-	30,767	28,917	10
Office equipment	33,944	6,945 -	40,889	17,196	1,966	-	19,162	21,727	10
Computer equipment	35,320	3,223 (304)	38,239	29,505	2,132	(259)	31,378	6,861	30
Motor vehicles	212,632	95,897 (19,649)	288,880	99,367	34,576	(14,069)	119,874	169,006	20
	2,243,739	289,854 (23,699)	2,509,894	915,998	134,121	(17,389)	1,032,730	1,477,164	

4.2 Details of disposals of operating fixed assets having book value of more than Rs. 500,000 during the year are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship with Company
	(Rupees in '000)						
Motor vehicles							
Hyundai Elantra GL 1.6	5,324	89	5,235	6,000	765	Negotiation	Mr. Faisal Arif Mukaty
Gas and Other Installation							
Heat Recovery System	5,007	2,223	2,784	250	(2,534)	Negotiation	Chem Con Chemicals & Engineer
Items having book value of less than Rs.500,000 each	43,126	31,721	11,405	56,687	45,282		
June 30, 2023	**53,457**	**34,033**	**19,424**	**62,937**	**43,513**		
June 30, 2022	23,699	17,389	6,310	25,326	19,016		

4.3 **Particulars of immovable fixed assets in the name of Company are as follows:**

Location	Usage	Total Area (Square fit)*
F-216, S.I.T.E, Karachi	Production plant	44,020
E-40/A, S.I.T.E, Karachi	Production plant	44,226
Neclass No. 158 of Deh Tore, Tapo Konkar, Gadap Town, District Malir, Karachi	Land	718,741

* The covered area includes multi storey buildings.

4.4 Depreciation charge for the year on operating fixed assets has been allocated as follows:

	Note	2023	2022
		(Rupees in '000)	
Cost of sales	27	**99,089**	93,998
Distribution costs	28	**53,801**	26,495
Administrative expenses	29	**20,968**	13,628
		173,858	134,121

4.5 Capital work-in-progress

	Building on Leasehold land	Plant and machinery	Others	Total
	2023			
	(Rupees in '000)			
Opening balance	**15,068**	**7,544**	**179,563**	**202,175**
Capital expenditure incurred / advances made	**46,857**	**16,539**	**337,812**	**401,208**
Transfer to operating fixed assets including advances adjusted	**(23,332)**	**(23,276)**	**(457,274)**	**(503,882)**
Closing balance	**38,593**	**807**	**60,101**	**99,501**

	Building on Leasehold land	Plant and machinery	Others	Total
	2022			
	(Rupees in '000)			
Opening balance	5,401	3,965	26,041	35,407
Capital expenditure incurred / advances made	18,578	34,999	217,702	271,279
Transfer to operating fixed assets including advances adjusted	(8,911)	(31,420)	(64,180)	(104,511)
Closing balance	15,068	7,544	179,563	202,175

4.6 Right-of-use assets

	Note	2023	2022
		(Rupees in '000)	
As at July 01,			
Cost		**136,091**	134,708
Accumulated depreciation		**(80,287)**	(49,438)
Net book value		**55,804**	85,270
Year ended June 30,			
Opening net book value		**55,804**	85,270
Additions during the year		**91,479**	-
Reassessment of lease during the year		**42,220**	1,383
Termination of lease during the year			
- Cost		**(58,750)**	-
- Accumulated depreciation		**33,676**	-
		(25,074)	-
Depreciation for the year	4.6.2	**(30,030)**	(30,849)
Closing net book value		**134,399**	55,804
As at June 30,			
Cost		**211,040**	136,091
Accumulated depreciation		**(76,641)**	(80,287)
Net book value		**134,399**	55,804

4.6.1 During the year, the Company has reassessed the lease term of certain leased properties and have also entered a contract for a warehouse of which the lease term is expected to be atleast 5 years. As a result, the lease liabilities and corresponding right-of-use assets have increased by Rs.133.699 million.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
4.6.2 Depreciation charge for the year on right-of-use assets has been allocated as follows:			
Cost of sales	27	**5,992**	3,740
Distribution costs	28	**24,038**	27,109
		30,030	30,849

4.6.3 Lease obligations of the Company comprises of lease arrangements giving it the right-of-use over premises utilized as office building and warehouse.

4.6.4 The right-of-use assets are depreciated over a life of 3 - 5 years.

5. INTANGIBLE ASSETS

2023	**Cost**			**Amortization**				
	As at July 01, 2022	**Additions during the year**	**As at June 30, 2023**	**As at July 01, 2022**	**Charge for the year**	**As at June 30, 2023**	**Net book value as at June 30, 2023**	**Amortization rate % per annum**
	---------- (Rupees in '000) ----------							
Software licenses	**23,806**	**918**	**24,724**	**21,505**	**1,688**	**23,193**	**1,531**	**20-33.33%**
SAP ERP	**41,802**	**-**	**41,802**	**41,802**	**-**	**41,802**	**-**	**20%**
Manufacturing and distribution rights	**20,000**	**-**	**20,000**	**20,000**	**-**	**20,000**	**-**	**20%**
	85,608	**918**	**86,526**	**83,307**	**1,688**	**84,995**	**1,531**	

2022	**Cost**			**Amortization**				
	As at July 01, 2021	**Additions during the year**	**As at June 30, 2022**	**As at July 01, 2021**	**Charge for the year**	**As at June 30, 2022**	**Net book value as at June 30, 2022**	**Amortization rate % per annum**
	---------- (Rupees in '000) ----------							
Software licenses	23,806	-	23,806	19,814	1,691	21,505	2,301	20-33.33%
SAP ERP	41,802	-	41,802	41,802	-	41,802	-	20%
Manufacturing and distribution rights	20,000	-	20,000	20,000	-	20,000	-	20%
	85,608	-	85,608	81,616	1,691	83,307	2,301	

	Note	2023	2022
		---------- (Rupees in '000) ----------	
5.1 Amortisation charge for the year has been allocated as follows:			
Cost of sales	27	**725**	764
Distribution costs	28	**-**	240
Administrative expenses	29	**963**	687
		1,688	1,691

	Note	2023	2022
		---------- (Rupees in '000) ----------	

6. LONG-TERM INVESTMENT

	Note	2023	2022
Investment in subsidiary - at cost			
Misbah Cosmetics (Private) Limited			
Equity held: 79.84% (2022: 79.84%)			
No. of shares: 30,000,000 (2022: 30,000,000) of Rs.10 each	6.1	**300,000**	300,000

6.1 The subsidiary company is engaged in selling and distribution of cosmetics products.

7. LONG-TERM LOANS - secured, considered good

	Note	2023	2022
Due from:			
- Executives*		**511**	649
- Other employees		**5,098**	6,719
	7.1	**5,609**	7,368
Less: Current portion			
- Executives		**(59)**	(149)
- Other employees		**(3,620)**	(5,237)
	12	**(3,679)**	(5,386)
		1,930	1,982

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

7.1 These represent mark-up 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 one month to forty three months, these loans are secured against retirement benefits of respective employees.

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.

8. LONG-TERM DEPOSITS

	2023	2022
	---------- (Rupees in '000) ----------	
Diminishing musharakah	**42,843**	19,481
Utilities	**11,017**	4,625
Rent	**4,305**	505
	58,165	24,611

	Note	2023	2022
		---------- (Rupees in '000) ----------	
9. DEFERRED TAXATION - NET			
Deductible temporary differences in respect of:			
Provisions for:			
- impairment on slow moving and obsolete items		**43,769**	30,779
- impairment on trade debts		**48,563**	34,302
- retirement and other service benefits		**82,995**	64,059
Lease liabilities - net of right-of-use assets		**3,155**	3,500
		178,482	132,640
Taxable temporary differences in respect of:			
Accelerated tax depreciation		**(178,125)**	(138,320)
		357	(5,680)

9.1 Movement in deferred taxation - net is as follows:

	Note	2023	2022
Balance at beginning of the year		**(5,680)**	47,047
- recognized in profit or loss		**465**	(53,119)
- recognized in other comprehensive income		**5,572**	392
Balance at end of the year		**357**	(5,680)

10. STOCK-IN-TRADE

	Note	2023	2022
In hand			
- raw materials		**840,094**	470,859
- packing materials		**271,087**	211,255
- work-in-process		**158,131**	190,105
- finished goods	10.3	**627,565**	484,262
		1,896,877	1,356,481
Less: Provision for slow moving and obsolete items	10.2	**(124,383)**	(99,909)
		1,772,494	1,256,572
In transit	10.1	**3,669**	3,873
		1,776,163	1,260,445

10.1 Stock in transit includes raw material of Rs.3.61 million (2022: Rs.1.32 million) and packing material of Rs.0.05 million (2022: Rs.2.54 million).

	Note	2023	2022
		---------- (Rupees in '000) ----------	
10.2 Provision for slow moving and obsolete items			
Opening balance		**99,909**	75,619
Charge for the year	27	**110,545**	70,209
Write off during the year		**(86,071)**	(45,919)
Closing balance		**124,383**	99,909

10.3 Finished goods includes right of return assets amounting to Rs. 44.28 million (2022: Rs.24.1 million).

11. TRADE DEBTS - unsecured

	Note	2023	2022
Considered good	11.1	**382,862**	301,364
Considered doubtful		**138,005**	111,346
		520,867	412,710
Allowance for expected credit loss	11.2	**(138,005)**	(111,346)
		382,862	301,364

11.1 These trade debts include Rs. 38.65 million (2022: Rs. 2.08 million) representing receivable against export sales to Africa and Asia amounting to Rs. 0.61 million (2022: Rs. 0.61 million) and Rs. 38.04 million (2022: Rs. 1.47 million), respectively.

	2023	2022
	---------- (Rupees in '000) ----------	
11.2 Allowance for expected credit loss		
The movement in expected credit loss during the year is as follows:		
Balance at beginning of the year	**111,346**	100,910
Provision recognised during the year	**26,659**	10,706
Write offs during the year	**-**	(270)
	26,659	10,436
Balance at end of the year	**138,005**	111,346

11.3 The aging of trade debts at the statement of financial position date was:

	2023						
	Not past due	30 days	31-90 days	90-180 days	181 to 360 days	over 360 days	Total
	------------------------------------ (Rupees in '000) ------------------------------------						
Total gross carrying amount	**155,444**	**80,434**	**17,168**	**24,489**	**71,998**	**171,333**	**520,866**
Expected credit loss	**-**	**-**	**-**	**405**	**14,298**	**123,493**	**138,196**
Expected credit loss effective rate	**0%**	**0%**	**0%**	**2%**	**20%**	**72%**	**27%**

	2022						
	Not past due	30 days	31-90 days	90-180 days	181 to 360 days	over 360 days	Total
	(Rupees in '000)						
Total gross carrying amount	127,305	73,445	14,198	7,460	42,844	147,458	412,710
Expected credit loss	-	-	-	132	11,745	99,469	111,346
Expected credit loss effective rate	0%	0%	0%	2%	27%	67%	27%

12. LOANS AND ADVANCES - considered good

	Note	2023	2022
		(Rupees in '000)	
Current portion of long-term loans	7	**3,679**	5,386
Advances to:			
- employees	12.1	**22,926**	22,627
- suppliers	12.2	**113,578**	88,177
		136,504	110,804
		140,183	116,190

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

12.2 Includes interest free advances to major foreign suppliers having maturity latest by September 2023.

Jurisdiction	**Name**
Asia	Aarti Drugs Limited. Beijing Sino Hanson Import & Export Taizhou Tyloo Biopharm Co. Limited
Europe	Orrion Chemicals Metal Chem Spain Colorcon Limited
United States of America	BPS Bioscience Inc.

13. TRADE DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

	Note	2023	2022
		(Rupees in '000)	
Deposits			
Margin against bank guarantees		**27,025**	33,056
Tender deposits		**74,877**	80,296
Provision for doubtful deposits	13.1	**(25,563)**	(16,349)
		49,314	63,947
Others		**-**	225
		76,339	97,228
Prepayments			
Software license		**1,057**	2,349
Takaful		**1,565**	-
Machine and equipments		**28**	34
Fees, rates and taxes		**1,135**	1,211
		3,785	3,594
Other receivables			
Profit on saving accounts		**491**	618
Others		**850**	267
		81,465	101,707

	2023	2022
	---------- (Rupees in '000) ----------	

13.1 Provision for doubtful deposits

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

	2023	2022
Balance at beginning of the year	**16,349**	8,088
Provision recognised during the year	**9,214**	8,261
Balance at end of the year	**25,563**	16,349

14. SALES TAX REFUNDABLE

The entire pharma sector was exempt from levy of sales tax both at input as well as output stage, except for certain excipient and packing materials but through Finance (Supplementary) Act, 2021 exemption regime was converted into a Zero-rating regime for finished items of pharma products with effective from January 17, 2022, however, sales tax was imposed at standard rate of 17% on purchase / import of Active Pharmaceutical Ingredients (API). As a result, the pharma sector was allowed to claim sales tax refund on all purchases including APIs, excipient and packing materials on consumption basis. In this respect net Rs. 38.71 million (2022: Rs.179.49 million) is sales tax input paid on purchases / import of materials up to June 30, 2023 which is refundable on consumption basis.

Moreover, aforesaid law has further been amended through the Finance Act, 2022 with effect from July 01, 2022, a special tax regime for Pharma Sector has been introduced whereby manufacture or import of substances registered as drugs under the Drugs Act, 1976 shall be subject to 1% sales tax with the condition that such tax shall be final discharge of tax in the supply chain and no input tax shall be allowed to the importer and manufacturer of such goods. Furthermore, APIs, excluding excipients, for manufacture of drugs registered under the Drugs Act, 1976 or raw materials for the basic manufacture of Active Pharmaceutical Ingredients shall also be subject to 1% sales tax with no input tax adjustment.

15. SHORT-TERM INVESTMENT	Note	2023	2022
		---------- (Rupees in '000) ----------	
Fair value through profit or loss:			
Investment in mutual funds	15.1	**-**	159,707

15.1 Represents investment in shariah compliant mutual funds of Meezan Rozana Amdani Fund and Meezan Sovereign Fund of Nil units (2022: 3,194,128 units) and Nil units (2022: 6 units), respectively, which were disposed during the year.

16. CASH AND BANK BALANCES

	Note	2023	2022
Cash in hand		**-**	-
Cash in bank			
Conventional bank:			
- current account		**6,917**	30,651
Islamic banks:			
- current accounts		**1,466**	27,838
- saving accounts	16.1	**44,542**	152,844
- dividend accounts		**1,457**	1,395
		54,382	212,728
		54,382	212,728

16.1 These carry profit at the rates ranging from 3.25% to 10.25% (2022: 2.75% to 7.00%) per annum.

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2023	2022		Note	2023	2022
----- Number of shares -----				---------- (Rupees in '000) ----------	
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
6,666,667	6,666,667	Issued as fully paid right shares		**66,667**	66,667
45,811,018	45,811,018			**458,111**	458,111

18. DEFERRED LIABILITIES

	Note	2023	2022
Advance against motor vehicles		**2,416**	1,740
Employees' gratuity payable	18.1	**219,217**	207,938
		221,633	209,678

18.1 Defined benefit plan - unfunded gratuity scheme

18.1.1 In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2023, using the "Projected Unit Credit Method". Provision has been made in these unconsolidated financial statements to cover obligation in accordance with the actuarial recommendations.

	2023	2022
	--- Number of Employees ---	
The number of employees covered under the defined benefit scheme are:	**375**	407
The following principal actuarial assumptions were used for the valuation of above mentioned scheme:		
Financial assumptions		
- Discount rate (per annum compounded)	**15.50%**	13.00%
- Salary increase per annum	**15.50%**	13.00%
Demographic assumptions		
- Normal retirement	**60 years**	60 years
- Mortality rate	**EFU (61-66)**	EFU (61-66)

	2023	2022
	---------- (Rupees in '000) ----------	
18.1.2 Liability in balance sheet		
Present value of defined benefit obligations	**219,217**	207,938
18.1.3 Movement in liability during the year		
Opening balance	**207,938**	207,028
Charged to profit or loss	**28,649**	23,439
Benefits paid during the year	**(27,018)**	(19,366)
Actuarial loss / (gain) recognised in other comprehensive income	**9,648**	(3,163)
Closing balance	**219,217**	207,938
18.1.4 Reconciliation of the present value of defined benefit obligations		
Present value of defined benefit obligations as at July 01,	**207,938**	207,028
Current service cost	**5,191**	4,921
Finance cost	**23,458**	18,518
Benefits paid	**(27,018)**	(19,366)
Actuarial loss / (gain) on obligation	**9,648**	(3,163)
Present value of defined benefit obligations as at June 30,	**219,217**	207,938
18.1.5 Charge for the defined benefit plan		
Cost recognised in profit or loss		
Current service cost	**5,191**	4,921
Finance cost	**23,458**	18,518
	28,649	23,439
Actuarial loss / (gain) on defined benefit obligation recognised in other comprehensive income		
Actuarial loss / (gain) on defined benefit obligation		
- Loss / (gain) due to change in experience adjustments	**9,648**	(3,163)
Expected benefit payments to retirees in the following year	**21,084**	39,819
Weighted average duration of the defined benefit obligation (year)	**7.50**	7.50

18.1.6 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:

	2023	2022
	---------- (Rupees in '000) ----------	
Increase in discount rate by 1%	**(12,744)**	(12,159)
Decrease in discount rate by 1%	**14,309**	13,704
Increase in expected future increment in salary by 1%	**14,178**	13,576
Decrease in expected future increment in salary by 1%	**(12,849)**	(12,261)

		2023	2022
		---------- (Rupees in '000)	----------
18.1.7	**Maturity Profile**		
	Year 1	**21,084**	39,819
	Year 2	**21,546**	22,273
	Year 3	**26,737**	20,681
	Year 4	**26,323**	24,982
	Year 5	**25,389**	23,612
	Year 6 to Year 10	**173,016**	132,659

18.1.8 As per the recommendation of the actuary, the charge for the year ending June 30, 2024 amounts to Rs.6.174 million.

18.1.9 Comparison for Five Years

As at June 30,	2023	2022	2021	2020	2019
	------------------------------	(Rupees in '000)	--------------------------		
Defined benefit obligation	**219,217**	207,938	207,028	196,286	177,771
Experience adjustment loss / (gain) on obligation (as percentage of plan obligations)	**4.40%**	-1.52%	0.67%	-2.06%	2.76%

18.1.10 Risks on account of defined benefit plan

Final salary risk

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases proportionately with the increase in salary.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate determined by reference to market yields (at the statement of financial position date) on government bond. A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Withdrawal risk

The risk that the actual withdrawal experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and entitled benefits of the beneficiary.

Inflation fluctuation

The salary inflation is the major risk that the funds carry. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted benefit obligations. But viewed with the fact that the plan have no asset, the impact of salary inflation might be significant.

Mortality risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
19. LONG-TERM FINANCING			
Diminishing musharakah:			
- vehicles	19.1	**352,321**	186,899
- salaries and wages		**-**	89,724
		352,321	276,623
Less: Current maturity shown under current liabilities		**(73,265)**	(124,811)
		279,056	151,812

19.1 These facilities have been obtained from First Habib Modaraba. These carry mark-up at the rates of 3 Months KIBOR plus 1.00% to 1.25% (2022: 6 Months KIBOR plus 1.00% to 1.50%) per annum and are having maturity till March 2028 (2022: June 2027). These facilities are secured against the respective assets.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
20. LONG-TERM PROVISION			
Gas Infrastructure Development Cess	20.1	**72,906**	66,985

20.1 Represents Gas Infrastructure Development Cess (GIDC) against which the Honourable Supreme Court of Pakistan in its order dated August 13, 2020 held that the same is constitutional. Subsequent to the order, the SSGC issued GIDC bill under which the total amount would be recovered in forty eight equal monthly installments.

The above demand of the SSGC was not acknowledged as liability by the Company and it filed an appeal before the Honourable High Court of Sindh (the Court) on the grounds that no burden of GIDC had been passed to its customers and thus the Company is not liable to pay GIDC under GIDC Act, 2015. Based on the above appeal, the Court was pleased to grant stay vide order dated September 29, 2020 against the demand raised by the SSGC and restrained them from take any coercive action.

However, as a matter of abundant caution and without prejudice to the suit filed, the Company had made aggregate provision of Rs.85.65 million for GIDC, having a present value Rs. 72.90 million in the unconsolidated financial statements.

	Note	2023	2022
		---------- (Rupees in '000) ----------	

21. LEASE LIABILITIES

		2023	2022
Lease liabilities		**143,366**	67,163
Current portion of lease liabilities		**(20,654)**	(27,235)
		122,712	39,928

21.1 Reconciliation of the carrying amount is as follows:

	Note	2023	2022
Opening		**67,163**	87,862
Additions during the year	4.6.1	**91,479**	-
Reassessment of lease during the year	4.6.1	**42,220**	1,383
Termination of lease during the year		**(31,941)**	-
Accretion of interest	32	**11,295**	8,093
Lease rental payments made during the year		**(36,850)**	(30,175)
Lease liabilities as at June 30,		**143,366**	67,163
Current portion of lease liabilities		**(20,654)**	(27,235)
Long-term lease liabilities as at June 30,		**122,712**	39,928

21.2 The amount of future payment under the lease arrangement and the period in which these payments will become due are as follows:

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Maturity analysis			
Gross lease liabilities - minimum lease payments:			
Not later than one year		**44,350**	32,553
Later than one year but not later than five years		**157,793**	42,007
		202,143	74,560
Future finance charge		**(58,777)**	(7,397)
Present value of finance lease liabilities		**143,366**	67,163

22. TRADE AND OTHER PAYABLES

	Note	2023	2022
Trade and other creditors		**780,660**	791,129
Advances from customers - contract liabilities		**237,481**	272,399
Accrued liabilities		**13,038**	12,001
Sindh Workers’ Profit Participation Fund	22.1	**30,230**	1,591
Workers’ Welfare Fund	22.2	**44,817**	33,329
Central Research Fund		**6,046**	5,318
Payable to provident fund	22.3	**11,430**	3,855
Current portion of government grant		**-**	1,771
Refund liability		**75,650**	42,391
Auditors' remuneration		**3,603**	3,101
Withholding taxes payable		**11,402**	8,580
Others		**40,555**	59,472
		1,254,912	1,234,937

	2023	2022
	---------- (Rupees in '000) ----------	
22.1 Sindh Workers' Profit Participation Fund		
Opening balance	**1,591**	2,948
Mark-up thereon	**66**	70
Charge for the year	**30,230**	26,591
	31,887	29,609
Less: Payments made during the year	**(1,657)**	(28,018)
Closing balance	**30,230**	1,591

22.2 Workers' Welfare Fund

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 income 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 judgement 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.

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

	2023	2022
	---------- (Rupees in '000) ----------	
23. ACCRUED PROFIT		
Diminishing musharakah	**1,203**	667
Musharakah running finance	**4,914**	-
	6,117	667

24. SHORT-TERM BORROWINGS

The Company has a running finance facility from Bank Al Falah Islamic amounting to Rs. 500 million which is fully unutilised as at the reporting date. These carry mark-up at matching KIBOR + 1%. The facility is secured against lien on import documents, 1st pari passu charge over stocks and receivables.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 Certain cases have been filed against the Company by some employees in National Industrial Relations Commission against their termination / dismissal, having exposure of the Company to the extent of Rs.12.62 million (2022: Rs.10.44 million). 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.

25.1.2 The Additional Commissioner of Inland Revenue (ACIR) raised demands of Rs. 22.43 million and Rs. 51.46 million for the tax years 2015 and 2016, respectively, through an order under section 122(5A) of the Income Tax Ordinance, 2001. In this order, the assessing officer added back certain expenses. The Company filed an appeal before the Commissioner of Inland Revenue (Appeals). Subsequently, an order was passed by the CIR (Appeals) dated 30th December 2021, resulting in no outstanding demand payable for these tax years. Through this order by CIR (Appeals), most of the disallowances have been remanded back to the ACIR. Being aggrieved, the Company filed an appeal before the Tribunal, and the case is pending. Based on tax advice and strong arguments, the management is confident of a favorable outcome. Therefore, no provision has been made in the unconsolidated financial statements in this regard. It's worth noting that the case for the tax year 2017 has already been decided in favor of the Company, where a tax demand of Rs. 245 million was involved and most of the disallowances were the same as the disallowances made in the case of tax years 2015 and 2016.

	2023	2022
	---------- (Rupees in '000) ----------	
25.2 Commitments		
Outstanding letters of credit	**581,697**	411,322
Outstanding letters of guarantee	**117,962**	123,352
Commitments for capital expenditure	**13,606**	58,262

26. TURNOVER

	2023	2022
	---------- (Rupees in '000) ----------	
Gross Sales		
Local	**6,502,000**	5,823,924
Export	**652,786**	352,977
	7,154,786	6,176,901
Less: Trade discount	**329,182**	907,562
Sales return	**62,572**	56,974
Sales tax	**139,759**	39,064
	531,513	1,003,600
	6,623,273	5,173,301
Toll manufacturing	**57,118**	137,947
	6,680,391	5,311,248

26.1 Sales recognised during the year from contract liabilities as at the beginning of the year amounted to Rs.72.77 million (2022: Rs. 48.68 million).

27. COST OF SALES

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Raw and packing materials consumed	27.1	**2,997,523**	2,242,437
Salaries, wages and benefits	27.2	**472,523**	454,563
Fuel and power		**201,959**	162,330
Ijarah lease rentals		**-**	3,534
Repairs and maintenance		**84,675**	71,159
Laboratory and factory supplies		**52,434**	32,418
Takaful		**4,260**	3,819
Provision for slow moving and obsolete stock-in-trade	10.2	**110,545**	70,209
Printing and stationery		**10,145**	8,019
Rent, rates and taxes		**13,991**	7,960
Legal and professional		**1,103**	517
Travelling, conveyance and entertainment		**3,350**	2,920
Depreciation on operating fixed assets	4.4	**99,089**	93,998
Depreciation on right-to-use assets	4.6.2	**5,992**	3,740
Amortisation	5.1	**725**	764
Postage and communication		**1,346**	1,279
Training and development cost		**151**	333
Others		**136**	120
		4,059,947	3,160,119
Work-in-process			
Opening		**190,105**	95,836
Closing		**(158,131)**	(190,105)
		31,974	(94,269)
Cost of goods manufactured		**4,091,921**	3,065,850
Finished goods			
Opening		**484,262**	407,560
Closing		**(627,565)**	(484,262)
		(143,303)	(76,702)
Physician samples		**(52,940)**	(51,995)
		3,895,678	2,937,153

	Note	2023	2022
		---------- (Rupees in '000) ----------	
27.1 Raw and packing materials consumed			
Opening stock		**682,114**	554,286
Purchases		**3,426,590**	2,370,265
		4,108,704	2,924,551
Closing stock		**(1,111,181)**	(682,114)
		2,997,523	2,242,437

27.2 This includes amount of Rs.14.64 million (2022: Rs.12.55 million) in respect of provident fund.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
28. DISTRIBUTION COSTS			
Salaries and benefits	28.1	**1,019,170**	874,713
Sales promotion expenses		**287,236**	236,614
Repair and maintenance		**56,186**	32,010
Fuel and power		**23,860**	19,755
Ijarah lease rentals		**-**	1,616
Printing and stationery		**4,043**	3,201
Takaful		**8,104**	4,586
Allowance for expected credit loss	11.2 & 13.1	**35,873**	18,967
Postage and communication		**3,856**	3,369
Rent, rate and taxes		**11,574**	7,381
Legal and professional		**4,470**	3,114
Freight charges		**79,375**	69,191
Training and development cost		**106,563**	71,361
Depreciation on operating fixed assets	4.4	**53,801**	26,495
Depreciation on right-to-use assets	4.6.2	**24,038**	27,109
Amortisation	5.1	**-**	240
Traveling, conveyance and entertainment		**60,888**	72,579
Service charges		**-**	39,927
Subscription charges		**37,595**	25,093
		1,816,632	1,537,321

28.1 This includes amount of Rs. 29.75 million (2022: Rs. 25.19 million) in respect of provident fund.

29. ADMINISTRATIVE EXPENSES

	Note	2023	2022
		(Rupees in '000)	
Salaries and benefits	29.1	**245,493**	192,283
Director`s fee		**3,100**	3,325
Fuel and power		**19,636**	14,902
Ijarah lease rentals		**-**	178
Legal and professional		**12,332**	13,964
Donations		**-**	5,005
Printing and stationery		**8,355**	5,313
Auditors' remuneration	29.2	**4,086**	3,698
Rent, rates and taxes		**8,367**	8,256
Takaful		**2,852**	2,033
Repairs and maintenance		**41,540**	29,581
Postage and communication		**3,523**	3,374
Depreciation on operating fixed assets	4.4	**20,968**	13,628
Amortisation	5.1	**963**	687
Training and development cost		**253**	316
Traveling, conveyance and entertainment		**4,864**	1,442
Others		**463**	617
		376,795	298,602

29.1 This includes amount of Rs. 9.64 million (2022: Rs. 7.71 million) in respect of provident fund.

29.2 Auditors' remuneration

	2023	2022
	(Rupees in '000)	
Annual audit fee of unconsolidated financial statements	**1,586**	1,416
Half year review of unconsolidated financial statements	**474**	424
Annual audit fee of consolidated financial statements	**517**	462
Other services and certifications	**833**	852
	3,410	3,154
Out of pocket expenses	**374**	297
Sales tax	**302**	247
	4,086	3,698

30. OTHER EXPENSES

	2023	2022
Sindh Workers' Profit Participation Fund	**30,230**	26,591
Workers' Welfare Fund	**11,487**	10,105
Central Research Fund	**6,046**	5,318
Exchange loss - net	**3,011**	5,199
Mark-up on Sindh Workers' Profit Participation Fund	**66**	70
Operating fixed assets written off	**1,697**	-
	52,537	47,283

	Note	2023	2022
		---------- (Rupees in '000) ----------	
31. OTHER INCOME			
Profit on saving accounts		**9,410**	5,919
Gain on disposal of operating fixed assets	4.2	**43,513**	19,016
Gain on termination of lease		**6,867**	-
Scrap sales		**6,147**	2,571
Dividend income on mutual fund units		**7,643**	1,675
Gain on disposal on mutual fund units		**-**	3,428
Others		**5,877**	4,783
		70,047	31,473
		79,457	37,392
32. FINANCIAL CHARGES			
Profit on:			
- Diminishing musharakah		**43,410**	17,237
- Murabaha		**-**	10,426
- Musharakah running finance		**5,472**	1,454
Interest on lease liabilities	21.1	**11,295**	8,093
		60,177	37,210
Bank charges and commission		**1,194**	1,255
		61,371	38,465
33. TAXATION			
Current		**178,649**	116,363
Prior		**(14,217)**	2,801
Deferred		**(465)**	53,119
		163,967	172,283

33.1 Income tax assessments of the Company have been finalised up to and including the tax year 2022 under the self assessment scheme.

	Note	2023	2022
		---------- (Rupees in '000) ----------	

33.2 Relationship between accounting profit and tax expense

	2023	2022
Accounting profit before taxation	**556,835**	489,816
Normal tax at the rate of 29% (2022: 29%)	**161,482**	142,047
Super tax at the rate of 10% (2022: 4%)	**55,684**	48,982
Tax effects of:		
Income subject to FTR	**(7,830)**	(4,327)
Inadmissible expenses / income - net	**4,613**	17,114
Carried forward turnover tax adjustment	**(35,300)**	(87,453)
Deferred tax	**(465)**	53,119
Prior period adjustment	**(14,217)**	2,801
	163,967	172,282

34. BASIC AND DILUTED EARNINGS PER SHARE

	Note	2023	2022
Net profit for the year		**392,868**	317,533
Weighted average number of ordinary shares in issue		**45,811**	44,189
Basic earnings per share (Rupees)	34.1	**8.58**	7.19

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, operational risk, liquidity risk and market risk (including return rate risk, currency risk and price risk). The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

35.1 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. 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 Company's management is regularly conducting detailed analysis on sectors.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy. The maximum exposure to credit risk at the reporting date is:

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Long-term deposits	8	**58,165**	24,611
Trade debts	11	**382,862**	301,364
Loans	7	**5,609**	7,368
Deposits and other receivables	13	**77,680**	98,113
Short-term investment	15	**-**	159,707
Bank balances	16	**54,382**	212,728
		578,698	803,891

Credit quality of financial assets

The credit quality of financial assets that can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	2023	2022
	---------- (Rupees in '000) ----------	
Bank balances		
Ratings		
A1+	**53,992**	147,601
A1	**390**	65,127
	54,382	212,728
Short term investment		
Ratings		
AA+	**-**	159,707

35.2 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.

35.3 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:

2023	Upto 1 year	1-5 years	More than five years	Total
	---------------------- (Rupees in '000)			----------------------
Long-term financing	73,265	279,056	-	352,321
Lease liabilities	44,350	157,793	-	202,143
Trade and other payables	849,286	-	-	849,286
Accrued profit	6,117	-	-	6,117
Unclaimed dividend	1,457	-	-	1,457
	974,475	436,849	-	1,411,324

2022	Upto 1 year	1-5 years	More than five years	Total
	---------------------- (Rupees in '000)			----------------------
Long-term financing	124,811	151,812	-	276,623
Lease liabilities	32,553	42,007	-	74,560
Trade and other payables	866,457	-	-	866,457
Accrued profit	667	-	-	667
Unclaimed dividend	1,395	-	-	1,395
	1,025,883	193,819	-	1,219,702

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in the respective notes to these financial statements.

35.3.1 Changes in liabilities from financing activities

	July 01, 2022	Cash Flows	Non cash flow	June 30, 2023
	------------------------------ (Rupees in '000)			--------------------------
Long-term financing	276,623	75,698	352,321	276,623
Lease liabilities	67,163	(36,850)	113,053	143,366
Unclaimed dividend	1,395	62	1,457	41,323
	345,181	38,910	113,053	497,144

35.4 Market Risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risks which includes interest rate risk, currency risk and other price risk, such as equity risk. There has been no change in the Company's exposure to market risk or the manner in which this risk is managed and measured.

35.5 Return rate risk

Return rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market return rates. The Company's return rate risk arises from long-term financing, short-term borrowings, Murabaha payables and bank deposits obtained with floating rates. All the borrowings of the Company are obtained and investments made in the functional currency.

At the reporting date, the return rate profile of Company's return-bearing financial instruments was:

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Financial asset			
Local currency - saving accounts	16	**44,542**	152,844
Financial liabilities			
Long-term financing	19	**352,321**	276,623

The Company analyses its return rate exposure on a regular basis by monitoring existing facilities against prevailing market return rates and taking into account various other financing options available.

The following figures demonstrate the sensitivity to a reasonably possible change in return 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)
2023		
Change in return rate	**+100**	**3,078**
Change in return rate	**-100**	**(3,078)**
2022		
Change in return rate	+100	1,238
Change in return rate	-100	(1,238)

35.6 Currency Risk

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.

35.7 Equity price risk

Equity price risk is the risk arising from uncertainties about future value of investment securities. As at reporting date, the Company is exposed to equity price risk to the extent of its investment in its subsidiary as disclosed in note 6 to these unconsolidated financial statements.

	Note	2023	2022
		---------- (Rupees in '000) ----------	

35.8 Fair value of financial instruments

35.8.1 Financial assets as per statement of financial position

	Note	2023	2022
At amortised cost			
Long-term deposits	8	**58,165**	24,611
Trade debts	11	**382,862**	301,364
Loans	7	**5,609**	7,368
Long-term investment	6	**300,000**	300,000
Deposits and other receivables	13	**77,680**	98,113
Bank balances	16	**54,382**	212,728
		878,698	944,184
At fair value through profit or loss			
Short-term investment	15	**-**	159,707
		878,698	1,103,891

35.8.2 Financial liabilities as per statement of financial position

	Note	2023	2022
At amortised cost			
Long-term financing	19	**352,321**	276,623
Long-term provision	20	**72,906**	66,985
Lease liabilities	21	**143,366**	67,163
Trade and other payables	22	**1,254,912**	1,234,937
Accrued profit	23	**6,117**	667
Short-term borrowings		**-**	-
Unclaimed dividend		**1,457**	1,395
		1,831,079	1,647,770

35.8.3 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The following table shows assets recognised at fair value, analyzed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2023			
Assets measured at fair value:	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term investment	-	-	-	-

	2022			
Assets measured at fair value:	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term investment	-	159,707	-	159,707

The market price of mutual fund units have been obtained from Mutual Funds Association of Pakistan.

35.9 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance charges thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2023 and 2022 are as follows:

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Deferred liabilities	18	**221,633**	209,678
Long-term financing	19	**279,056**	151,812
Long-term provision	20	**72,906**	66,985
Lease liabilities	21	**122,712**	39,928
Trade and other payables	22	**1,254,912**	1,234,937
Accrued mark-up	23	**6,117**	667
Current portion of long-term financing	19	**73,265**	124,811
Current portion of lease liabilities	21	**20,654**	27,235
Unclaimed dividend		**1,457**	1,395
Total debt		**2,052,712**	1,857,448
Cash and bank balances	16	**(54,382)**	(212,728)
Net debt		**1,998,330**	1,644,720
Share capital	17	**458,111**	458,111
Reserves		**2,412,582**	2,117,245
Total capital		**2,870,693**	2,575,356
Capital and net debt		**4,869,023**	4,220,076
Gearing ratio		**41.04%**	38.97%

The Company finances its operations through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

36. 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.

37. TRANSACTIONS WITH RELATED PARTIES

37.1 Related parties of the Company comprise associates, companies with common directorship, directors, key management personnel, staff provident fund and a subsidiary. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

Descriptions	Nature of transactions	2023	2022
		---------- (Rupees in '000) ----------	
Key Management Personnel	Dividend	**62,324**	110,533
Non-Executive Directors	Meeting fees	**3,100**	3,325
Provident fund	Contribution paid	**54,040**	45,458

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

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

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executive Directors		Executive *		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
	---------- (Rupees in '000) ----------							
Managerial remuneration	**23,018**	22,194	**23,018**	22,194	**321,354**	239,081	**367,390**	283,469
Bonus	**-**	-	**-**	-	**-**	165	**-**	165
Perquisites	**247**	264	**99**	354	**625**	360	**971**	978
Retirement benefits	**1,230**	1,165	**1,230**	1,165	**22,100**	17,906	**24,560**	20,236
Other benefits	**1,909**	1,783	**1,919**	1,815	**30,728**	26,565	**34,556**	30,163
	26,404	25,406	**26,266**	25,528	**374,807**	284,077	**427,477**	335,011
Number of persons	**1**	1	**1**	1	**65**	49	**67**	51

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

38.2 The non-executive directors are not entitled to any remuneration except meeting fee as disclosed in note 37.1.

38.3 As per the Act, an executive means an employee, other than the chief executive and director, whose salary exceeds twelve hundred thousand rupees in a financial year.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
39. CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	**54,382**	212,728

40. NUMBER OF PERSONS EMPLOYED

Number of persons employed as at year end were 1,232 (2022: 1,280), the average number of persons employed during the year were 1,355 (2022: 1,264) and number of person employed in factory as at year end were 411 (2022: 422).

41. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

Subsequent to year ended June 30, 2023, the Board of Directors in its meeting held on September 18, 2023 has proposed final cash dividend @ Rs. 0.54/- per share amounting to Rs. 24.738 million (2022: Rs. 1.50/- per share amounting to Rs. 68.717 million) for approval of the members at the Annual General Meeting to be held on October 20, 2023.

42. GENERAL

42.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

42.2 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.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 18, 2023 by the Board of Directors of the Company.

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

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of Macter International Limited

Report on the Audit of Consolidated Financial Statements

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 2023**, 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 2023, 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 (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 matter:

Key audit matter	How our audit addressed the key audit matter
1. Revenue Recognition	
As disclosed in note 3.17 to the accompanying consolidated financial statements, revenue from sale of goods is recognized when the control of goods is transferred which generally coincides with the delivery of goods. During the year, the Group recognized revenue of Rs. 6.926 billion which is approximately 23% higher as compared to previous year (refer note 26). When identifying and assessing the risk relating to revenue recognition, our focus was whether the sales recorded by the management occurred during the year and were properly recorded in the correct accounting period. Considering the aforementioned reasons together with growth in revenue during the year, we have identified this area as a key audit matter.	Our key audit procedures in this area amongst others included the following; Obtained an understanding of the Group's process with respect to revenue recognition and tested design and operating effectiveness of controls relevant to such process. Obtained an understanding of pricing mechanism of Drug Regulatory Authority of Pakistan (DRAP) and tested, on sample basis, selling prices of regulated pharmaceutical products to ensure compliance with the pricing policies of DRAP. Reviewed contracts with customer to obtain an understanding of terms particularly relating to timing and transfer of control of the products and assessed the appropriateness of revenue recognition policies and practices followed by the Group. Performed substantive audit procedures including analytical procedures and test of details over revenue transactions along with review of related supporting documents, including dispatch-related documents and customer acknowledgement, on test basis. Analyzed various trends and benchmarks including growth in pharmaceutical industry and logical basis of the increase in revenue. Performed cut-off procedures to ensure that the revenue is recognized in the correct accounting period. Performed journal entry testing using a risk-based criterion, on a sample basis, relating to revenue transactions recorded by the Group and reviewed underlying documentation and business rationale of such journal entries. We assessed the adequacy of the Group's disclosures in accordance with applicable financial reporting standards.

Information Other than the Consolidated 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.

-: 3 :-

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.

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.

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-: 4 :-

- 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 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

Chartered Accountants

Place: Karachi

Dated: 26 September 2023

UDIN Number: AR202310076IHY3XI7pj

A member firm of Ernst & Young Global Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023	2022
ASSETS		---------- (Rupees in '000) ----------	
NON-CURRENT ASSETS			
Property, plant and equipment	4	**2,070,014**	1,751,087
Intangible assets	5	**48,537**	51,112
Long-term loans	6	**1,930**	1,982
Long-term deposits	7	**60,402**	26,401
Deferred taxation - net	8	**357**	-
		2,181,240	1,830,582
CURRENT ASSETS			
Stores and spares		**18,812**	16,799
Stock-in-trade	9	**1,861,822**	1,321,657
Trade debts	10	**416,489**	362,847
Loans and advances	11	**145,570**	135,206
Trade deposits, prepayments and other receivables	12	**81,465**	101,747
Sales tax refundable	13	**38,712**	179,499
Taxation - net		**21,568**	26,008
Short-term investment	14	**-**	159,707
Cash and bank balances	15	**54,974**	215,306
		2,639,412	2,518,776
TOTAL ASSETS		**4,820,652**	4,349,358
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
65,000,000 (2022: 65,000,000) ordinary shares of Rs 10/- each		**650,000**	650,000
Issued, subscribed and paid-up capital	16	**458,111**	458,111
Capital reserve		**1,225,860**	1,225,860
Revenue reserve - accumulated profit		**965,136**	705,539
Equity attributable to the owner's of the Holding Company		**2,649,107**	2,389,510
Non controlling interest		**8,209**	16,550
		2,657,316	2,406,060
NON-CURRENT LIABILITIES			
Deferred liabilities	17	**224,785**	209,678
Long-term financing	18	**319,890**	196,330
Long-term provision	19	**72,906**	66,985
Lease liabilities	20	**122,712**	39,928
Deferred taxation - net	8	**-**	5,680
		740,293	518,601
CURRENT LIABILITIES			
Trade and other payables	21	**1,282,866**	1,263,471
Accrued profit	22	**6,951**	850
Short-term borrowings	23	**34,166**	3,251
Current portion of long-term financing	18	**76,949**	128,495
Current portion of lease liabilities	20	**20,654**	27,235
Unclaimed dividend		**1,457**	1,395
		1,423,043	1,424,697
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		**4,820,652**	4,349,358

The annexed notes from 1 to 42 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, 2023

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Turnover	26	**6,926,117**	5,611,840
Cost of sales	27	**(4,015,217)**	(3,072,798)
Gross profit		**2,910,900**	2,539,042
Distribution costs	28	**(1,977,916)**	(1,712,998)
Administrative expenses	29	**(379,907)**	(300,952)
Other expenses	30	**(52,537)**	(47,283)
Other income	31	**79,469**	37,392
Operating profit		**580,009**	515,201
Financial charges	32	**(72,450)**	(44,883)
Profit before taxation		**507,559**	470,318
Taxation	33	**(158,772)**	(184,306)
Net profit for the year		**348,787**	286,012
		---------- (Rupees) ----------	
Basic and diluted earnings per share	34	**7.61**	6.47
Attributable to:			
Owners of the Holding Company		**357,128**	291,821
Non-controlling interest		**(8,341)**	(5,809)
		348,787	286,012

The annexed notes from 1 to 42 form an integral part of these consolidated financial statements.

CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE	DIRECTOR

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
	---------- (Rupees in '000) ----------	
Net profit for the year	**348,787**	286,012
Other comprehensive (loss) / income:		
Items that will not be reclassified subsequently to profit or loss		
Actuarial (loss) / gain on remeasurement of defined benefit plans – net of deferred tax	**(4,076)**	3,554
Total comprehensive income for the year	**344,711**	289,566
Attributable to:		
Owners of the Holding Company	**353,052**	295,375
Non-controlling interest	**(8,341)**	(5,809)
	344,711	289,566

The annexed notes from 1 to 42 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, 2023

	Note	2023	2022
		---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**507,559**	470,318
Adjustments of non-cash and other items:			
Depreciation on operating fixed assets	4.4	**175,778**	135,926
Depreciation on right-of-use assets	4.6.2	**30,030**	30,849
Amortisation	5.1	**4,553**	4,438
Financial charges	32	**61,155**	36,790
Interest on lease liabilities	20.1	**11,295**	8,093
Provision for gratuity	17.1.5	**31,801**	23,439
Operating fixed assets written off	30	**1,697**	-
Gain on disposal of operating fixed assets	31	**(43,525)**	(19,016)
Gain on termination of lease	31	**(6,867)**	-
Dividend income on mutual fund units	31	**(7,643)**	(1,675)
Gain on disposal on mutual fund units	31	**-**	(3,428)
Provision for slow moving and obsolete stock-in-trade - net	9.2	**108,749**	69,205
Allowance for expected credit loss	10.2	**26,659**	10,747
		393,682	295,368
		901,241	765,686
(Increase) / decrease in current assets			
Store and spares		**(2,013)**	(6,681)
Stock-in-trade		**(648,914)**	(348,729)
Trade debts		**(80,301)**	172,748
Loans and advances		**(10,364)**	(61,288)
Trade deposits, prepayments and other receivables		**20,282**	3,581
Sales tax refundable		**140,787**	(179,499)
		(580,523)	(419,868)
Increase in current liabilities			
Trade and other payables		**19,394**	459,619
		(561,129)	39,751
Financial charges paid		**(49,133)**	(54,756)
Income tax paid		**(154,796)**	(56,088)
Gratuity paid		**(27,018)**	(19,366)
Long-term loans		**52**	237
Long-term deposits		**(34,001)**	39,810
Deferred liabilities		**676**	(1,255)
		(264,220)	(91,418)
Net cash generated from operating activities		**75,892**	714,019
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(437,249)**	(458,596)
Addition to intangible asset		**(1,978)**	-
Proceeds from disposal of operating fixed assets	4.2	**62,967**	25,326
Short-term investment made		**(40,000)**	(250,000)
Short-term investment encashed		**199,707**	93,721
Dividend income received on mutual fund units		**7,643**	1,675
Net cash used in investing activities		**(208,910)**	(587,874)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(93,393)**	(168,842)
Proceeds from issuance of share - net		**-**	1,074,719
Short-term borrowings - net		**30,915**	(292,612)
Long-term financing - net		**72,014**	(544,346)
Long-term provision		**-**	(2,412)
Lease rentals paid		**(36,850)**	(22,082)
Net cash (used in) / generated from financing activities		**(27,314)**	44,425
Net (decrease) / increase in cash and cash equivalents during the year		**(160,332)**	170,570
Cash and cash equivalents at the beginning of the year		**215,306**	44,736
Cash and cash equivalents at the end of the year	38	**54,974**	215,306

The annexed notes from 1 to 42 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, 2023

	Issued, subscribed and paid-up share capital	Reserves			Non Controlling Interest	Total
		Capital reserves	Revenue reserves	Total reserves		
		Share Premium	Accumulated profit			
	---------- (Rupees in '000) ----------					
Balance as at July 01, 2021	391,444	217,808	580,123	797,931	22,359	1,211,734
Issue of right shares at premium - 6,666,667 shares at Rs. 165 per share	66,667	1,033,333	-	1,033,333	-	1,100,000
Issue cost of right shares	-	(25,281)	-	(25,281)	-	(25,281)
Net profit for the year	-	-	291,821	291,821	(5,809)	286,012
Other comprehensive income	-	-	3,554	3,554	-	3,554
Total comprehensive income	-	-	295,375	295,375	(5,809)	289,566
Final cash dividend @ Rs. 2.00 per share for the year ended June 30, 2021	-	-	(91,622)	(91,622)	-	(91,622)
Interim cash dividend @ Rs.1.71 per share for the half year ended December 31, 2021	-	-	(78,337)	(78,337)	-	(78,337)
Balance as at June 30, 2022	458,111	1,225,860	705,539	1,931,399	16,550	2,406,060
Balance as at July 01, 2022	**458,111**	**1,225,860**	**705,539**	**1,931,399**	**16,550**	**2,406,060**
Net profit for the year	**-**	**-**	**357,128**	**357,128**	**(8,341)**	**348,787**
Other comprehensive loss	**-**	**-**	**(4,076)**	**(4,076)**	**-**	**(4,076)**
Total comprehensive income	**-**	**-**	**353,052**	**353,052**	**(8,341)**	**344,711**
Final cash dividend @ Rs. 1.50 per share for the year ended June 30, 2022	**-**	**-**	**(68,717)**	**(68,717)**	**-**	**(68,717)**
Interim cash dividend @ Rs. 0.54 per share for the half year ended December 31, 2022	**-**	**-**	**(24,738)**	**(24,738)**	**-**	**(24,738)**
Balance as at June 30, 2023	**458,111**	**1,225,860**	**965,136**	**2,190,996**	**8,209**	**2,657,316**

The annexed notes from 1 to 42 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, 2023

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 Limited

1.1.1 The Holding Company was incorporated in Pakistan in 1992 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) 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 of the manufacturing facility and registered office of the Company is situated at F-216, S.I.T.E., Karachi.

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

1.2 Misbah Cosmetics (Private) Limited

1.2.1 The Subsidiary Company is a Private Limited Company incorporated in Pakistan on June 09, 2014 under the Companies Ordinance, 1984. The geographical location and registered office of the Company is situated at F-216, S.I.T.E., Karachi.

1.2.2 The principal activity of the Subsidiary 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);

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Act; and

- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the IFAS and Act differ from IFRS, the provisions of and directives issued under the IFAS and 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.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill acquired in a business combination is, on the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination. Goodwill is tested annually or whenever there is an indication of impairment exists. Impairment loss in respect of goodwill is recognised in consolidated statement of profit or loss and is not reversed in future periods.

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.

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

	2023	2022
	(Rupees in '000)	
Non-current assets	**20,882**	17,934
Current assets	**130,460**	144,329
Non-current liabilities	**(43,986)**	(44,518)
Current liabilities	**(66,638)**	(35,652)
Net assets	**40,718**	82,093
Share of NCI @ 20.16% (2022: 20.16%)	**8,209**	16,550

2.4 Functional and presentation currency

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

2.5 Amendments to approved accounting standards and the framework for financial reporting that became effective during the current year

The Group has adopted the following standards, amendments, interpretation and improvements to International Financial Reporting Standards (IFRSs) which became effective for the current year:

Amendment of Framework

IFRS 3 Reference to the Conceptual Framework (Amendments)
IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (Amendments)
IAS 37 Onerous Contracts – Costs of Fulfilling a Contract (Amendments)

Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities
IAS 41 Agriculture – Taxation in fair value measurements
IFRS 16 Leases: Lease incentives

The adoption of above amendments to the approved accounting standards did not have any material impact on the Group's consolidated financial statements.

2.6 Standards, amendments and improvements to the approved accounting standards that are not yet effective

The following amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective amendment or improvements:

Amendment or Improvement		Effective date (annual periods on or after) beginning
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
IAS 12	International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	January 01, 2023
IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	January 01, 2024
IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	January 01, 2024
IFRS 16	Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalised

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan and are not expected to have any material impact on the Group's consolidated financial statements in the period of initial application.

Standards		IASB Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2004
IFRS 17	Insurance Contracts	January 01, 2023

2.7 Significant accounting judgements, estimates and assumptions

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates, assumptions and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the accounting policies, management has made the following estimates and judgements 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 & 3.10
- valuation of inventories	3.3 & 3.4
- provision for impairment on financial & non-financial assets	3.10
- provision for tax and deferred tax	3.23
- provision for employee retirement benefits	3.11
- determining the lease term of contracts with renewal and termination options and estimating the incremental borrowing rate"	3.13
- contingencies	3.16
- provision for return	3.18

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Operating fixed assets

These are stated at cost less accumulated depreciation and impairment loss, if any, except for leasehold land 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 upto 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 statement of profit or loss.

The assets residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

Capital work-in-progress

These are stated at cost less impairment, if any, and represent expenditures incurred and advances made in respect of specific assets during the construction / installation year. These are transferred to relevant operating fixed assets as and when assets are available for use.

Right-of-use assets

The Group recognises a right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

3.2 Intangible assets

These are stated at cost less accumulated amortisation and impairment loss, if any. These are amortised on a straight line method when assets are available for use at the rates specified in note 5 to the consolidated financial statement. Amortisation is charged from the month when asset is available for use while no amortisation is charged in the month in which an asset is disposed off.

The useful lives of intangible assets are reviewed at each reporting date. The effect of any adjustment to useful lives is recognised prospectively as a change of accounting estimate.

The gain or loss on disposal or retirement of an intangible asset represented by the difference between the sale proceeds and the carrying amount is recognised in the statement of profit or loss in the period of disposal.

3.3 Stores and spares

These are valued at lower of moving average cost and estimated net realizable value (NRV), less provision for obsolete items (if any), except items in-transit, if any, are valued at cost comprising invoice value plus other charges incurred thereon up to the date of statement of financial position.

Provision, if required is made in the financial statements for slow moving, obsolete and unusable items. Stores and spares are assessed and provision is applied according to degree of ageing based on a specific criteria.

3.4 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is recorded for slow moving and expired stock where necessary.

3.5 Loans, advances, deposits, prepayments and other receivables

These 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.

3.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short-term investments with a maturity of three months or less from the date of acquisition net of bank overdraft/running finance facility that are deemed integral to the Group's cash management. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

3.7 Share Capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.8 Share Premium

It represents the difference between the par value of the Group's ordinary shares and the total amount of money the Group receives for ordinary shares issued.

3.9 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 (FVOCI) or fair value through profit or loss (FVPL).

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 FVOCI, 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 FVOCI 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 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 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.

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 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.

3.10 Impairment

3.10.1 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 financial assets other than trade debts, the Group applies general approach in calculating ECL. It is based on the difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Group expects to receive discounted at the approximation of the original effective interest rate. The expected cashflows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade debts, 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 will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product and consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the economy, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group considers a financial asset to be at a risk of default when contractual payments are 90 days past due except for receivables from institutions for which it is considered as 180 days, unless there are factors that might indicate otherwise. 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.

3.10.2 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.

3.11 Employee retirement benefits

Defined benefit plan

The Group 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, 2023 using the Project Unit Credit Method.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These includes the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Defined contribution plan

The Group 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.

3.12 Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. As the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

3.13 Lease liabilities

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the termination option is reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments at the lease commencement date, the Group uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Group uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

3.14 Contract liabilities

A contract liability is the obligation of the Group to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability are recognised as revenue when the Group performs under the contract.

3.15 Unclaimed dividend

Dividend declared and payable prior to the preceding three years from the consolidated statement of financial position date are recognised as unclaimed dividend.

3.16 Contingencies

Contingencies are disclosed when the Group has a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.17 Revenue recognition

The Group recognises revenue at a point in time when control of product is transferred to customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. 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.

3.18 Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. Returns for the Group comprise of expired products or near expiry products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.19 Other income

Other income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the income can be measured reliably. Other income is measured on the following basis:

- Return on short-term deposits and investments at amortised cost are accounted for using the effective interest rate method.

- Dividend income is recognised when the right to receive the dividend is established.

- Scrap sales are recognized on accrual basis.

3.20 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.

3.21 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Pak Rupees at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

3.22 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.

3.23 Taxation

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

3.24 Dividend and appropriation to reserves

Dividend distribution to the Holding Company's shareholders is recognised as a liability in the period in which the dividends are approved. However, if these are approved after the reporting period but before the financial statements are authorised for issue, disclosure is made in the consolidated financial statements.

3.25 Earnings per share

The Group presents basic and diluted earning per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.26 Segment Reporting

Segment reporting Is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker (CODM) to make decision about resources allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the Chief Executive include items directly attributable to a segment.

	Note	2023	2022
		---------- (Rupees in '000)	----------
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**1,836,114**	1,493,108
Capital work-in-progress	4.5	**99,501**	202,175
Right-of-use assets	4.6	**134,399**	55,804
		2,070,014	1,751,087

4.1 Operating fixed assets:

	Cost			Depreciation					
	As at July 01, 2022	Additions / (Deletions) during the year	As at June 30, 2023	As at July 01, 2022	Charge for the year	On disposals	As at June 30, 2023	Net book value as at June 30, 2023	Depreciation rate % per annum
	(Rupees in '000)								
Owned									
Leasehold land (note 4.3)	216,807	-	216,807	-	-	-	-	216,807	-
Buildings on leasehold land (note 4.3)	444,107	17,049 * (2,448)	458,708	176,999	13,657	* (751)	189,905	268,803	5
Plant and machinery	813,488	26,993 (1,436)	839,045	426,975	40,204	(1,127)	466,052	372,993	10
Tools and equipment	251,157	33,263 -	284,420	74,391	19,061	-	93,452	190,968	10
Gas and other installation	356,643	72,654 (5,951)	423,346	153,184	23,406	(3,052)	173,538	249,808	10
Furniture and fixture	82,018	7,892 -	89,910	38,025	4,772	-	42,797	47,113	10
Office equipment	41,096	1,925 -	43,021	19,209	2,293	-	21,502	21,519	10
Computer equipment	39,809	6,498 (5,280)	41,027	32,288	3,175	(4,892)	30,571	10,456	30
Motor vehicles	288,985	373,649 (40,870)	621,764	119,931	69,210	(25,024)	164,117	457,647	20
	2,534,110	539,923 (55,985)	3,018,048	1,041,002	175,778	(34,846)	1,181,934	1,836,114	

Operating fixed assets:

	Cost			Depreciation					
	As at July 01, 2021	Additions / (Deletions) during the year	As at June 30, 2022	As at July 01, 2021	Charge for the year	On disposals	As at June 30, 2022	Net book value as at June 30, 2022	Depreciation rate % per annum
	(Rupees in '000)								
Owned									
Leasehold land (note 4.3)	216,807	-	216,807	-	-	-	-	216,807	-
Buildings on leasehold land (note 4.3)	436,574	7,533	444,107	163,142	13,857	-	176,999	267,108	5
Plant and machinery	762,859	50,629	813,488	385,967	41,008	-	426,975	386,513	10
Tools and equipment	159,327	91,830	251,157	58,243	16,148	-	74,391	176,766	10
Gas and other installation	329,247	31,142 (3,746)	356,643	134,830	21,415	(3,061)	153,184	203,459	10
Furniture and fixture	78,280	3,738	82,018	33,392	4,633	-	38,025	43,993	10
Office equipment	34,029	7,067	41,096	17,231	1,978	-	19,209	21,887	10
Computer equipment	36,361	3,752 (304)	39,809	30,248	2,299	(259)	32,288	7,521	30
Motor vehicles	212,737	95,897 (19,649)	288,985	99,412	34,588	(14,069)	119,931	169,054	20
	2,266,221	291,588 (23,699)	2,534,110	922,465	135,926	(17,389)	1,041,002	1,493,108	

4.2 Details of disposals of operating fixed assets having book value of more than Rs. 500,000 during the year are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship with company
	---------- (Rupees in '000) ----------						
Motor vehicles							
Hyundai Elantra GL 1.6	5,324	89	5,235	6,000	765	Negotiation	Mr. Faisal Arif Mukaty
Gas and Other Installation Heat Recovery System	5,007	2,223	2,784	250	(2,534)	Negotiation	Chem Con Chemicals & Engineer
Items having book value of less than Rs.500,000 each	43,206	31,783	11,423	56,717	45,294		
June 30, 2023	**53,537**	**34,095**	**19,442**	**62,967**	**43,525**		
June 30, 2022	23,699	17,389	6,310	25,326	19,016		

4.3 Particulars of immovable fixed assets in the name of Group are as follows:

Location	Particular	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
Neclass no 158 of Deh Tore, Tapo Konkar, Gadap Town, District Malir, Karachi	Land	718,741

* The covered area includes multi storey buildings.

4.4 Depreciation charge for the year on operating fixed assets has been allocated as follows:

	Note	2023	2022
		(Rupees in '000)	
Cost of sales	27	**99,089**	93,998
Distribution costs	28	**55,721**	28,300
Administrative expenses	29	**20,968**	13,628
		175,778	135,926

4.5 Capital work-in-progress

2023

	Building on Leasehold land	Plant and machinery	Others	Total
	(Rupees in '000)			
Opening balance	**15,068**	**7,544**	**179,563**	**202,175**
Capital expenditure incurred / advances made	**46,857**	**16,539**	**337,812**	**401,208**
Transfer to operating fixed assets including advances adjusted	**(23,332)**	**(23,276)**	**(457,274)**	**(503,882)**
Closing balance	**38,593**	**807**	**60,101**	**99,501**

2022

	Building on Leasehold land	Plant and machinery	Others	Total
	(Rupees in '000)			
Opening balance	5,401	3,965	26,041	35,407
Capital expenditure incurred / advances made	18,578	34,999	217,702	271,279
Transfer to operating fixed assets including advances adjusted	(8,911)	(31,420)	(64,180)	(104,511)
Closing balance	15,068	7,544	179,563	202,175

4.6 Right-of-use assets

	Note	2023	2022
		(Rupees in '000)	
As at July 01,			
Cost		**136,091**	134,708
Accumulated depreciation		**(80,287)**	(49,438)
Net book value		**55,804**	85,270
Year ended June 30,			
Opening net book value		**55,804**	85,270
Additions during the year		**91,479**	-
Reassessment of lease during the year		**42,220**	1,383
Termination of lease during the year			
- Cost		**(58,750)**	-
- Accumulated depreciation		**33,676**	-
		(25,074)	-
Depreciation for the year	4.6.2	**(30,030)**	(30,849)
Closing net book value		**134,399**	55,804
As at June 30,			
Cost		**211,040**	136,091
Accumulated depreciation		**(76,641)**	(80,287)
Net book value		**134,399**	55,804

4.6.1 During the year, the Group has reassessed the lease term of certain leased properties and have also entered a contract for a warehouse of which the lease term is expected to be atleast 5 years. As a result, the lease liabilities and corresponding right-of-use assets have increased by Rs.133.699 million.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
4.6.2 Depreciation charge for the year on right-of-use assets has been allocated as follows:			
Cost of sales	27	**5,992**	3,740
Distribution costs	28	**24,038**	27,109
		30,030	30,849

4.6.3 Lease obligations of the Group comprises of lease arrangements giving it the right-of-use over premises utilized as office building and warehouse.

4.6.4 The right-of-use assets are depreciated over a life of 3 - 5 years.

5. INTANGIBLE ASSETS

	Cost			Amortization				
2023	**As at July 01, 2022**	**Additions during the year**	**As at June 30, 2023**	**As at July 01, 2022**	**Charge for the year**	**As at June 30, 2023**	**Net book value as at June 30, 2023**	**Amortization rate % per annum**
	---------- (Rupees in '000) ----------							
Goodwill	**4,632**	**-**	**4,632**	**-**	**-**	**-**	**4,632**	
Brand "MMM"	**54,127**	**-**	**54,127**	**10,148**	**2,706**	**12,854**	**41,273**	**5%**
Software licenses	**24,760**	**1,978**	**26,738**	**22,259**	**1,847**	**24,106**	**2,632**	**20-33.33%**
SAP ERP	**41,802**	**-**	**41,802**	**41,802**	**-**	**41,802**	**-**	**20%**
Manufacturing and distribution rights	**20,000**	**-**	**20,000**	**20,000**	**-**	**20,000**	**-**	**20%**
2023	**145,321**	**1,978**	**147,299**	**94,209**	**4,553**	**98,762**	**48,537**	

	Cost			Amortization				
2022	**As at July 01, 2020**	**Additions during the year**	**As at June 30, 2021**	**As at July 01, 2020**	**Charge for the year**	**As at June 30, 2021**	**Net book value as at June 30, 2021**	**Amortization rate % per annum**
	---------- (Rupees in '000) ----------							
Goodwill	4,632	-	4,632	-	-	-	4,632	
Brand "MMM"	54,127	-	54,127	7,442	2,706	10,148	43,979	5%
Software licenses	24,520	240	24,760	20,527	1,732	22,259	2,501	20-33.33%
SAP ERP	41,802	-	41,802	41,802	-	41,802	-	20%
Manufacturing and distribution rights	20,000	-	20,000	20,000	-	20,000	-	20%
2022	145,081	240	145,321	89,771	4,438	94,209	51,112	

	Note	2023	2022
		---------- (Rupees in '000) ----------	
5.1 Amortisation charge for the year has been allocated as follows:			
Cost of sales	27	**725**	764
Distribution costs	28	**2,786**	2,987
Administrative expenses	29	**1,042**	687
		4,553	4,438

5.2 Impairment testing of goodwill

The Group has performed its annual impairment test on the following cash generating unit as at June 30, 2023:

Misbah Cosmetics (Pvt.) Ltd. (MCPL)

Goodwill acquired through business combinations have been allocated to the Subsidiary Company and monitored at Group level.

The recoverable amount is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by the senior management covering a ten year period and applying the expected value approach. The discount rate applied to cash flow projections is 25.10% for goodwill impairment testing. The growth rate used to extrapolate the cash flows beyond the five year period is 3%. As a result of this analysis, the management did not identify any impairment for the cash generating unit to which goodwill of Rs. 4.63 million is allocated.

Key assumptions used in value-in-use calculations

The calculation of value-in-use is most sensitive to the following assumptions:

- Discount rates
- Key business assumptions

Discount rates

The discount rate reflects current market assessment of the rate of return required for the business and is calculated using the Capital Asset Pricing Model (CAPM). The discount rate reflects the opportunity cost of capital, which is cost of equity using CAPM.

Key business assumptions

These assumptions are based on industry data for growth rates, management assess how the unit's position, relative to its competitors, might change over the projected period. Management expects revenues and margins to improve on the basis of multiple strategies planned including increase in sales volume and price.

Sensitivity to changes in assumptions

Management believes that after considering the various scenarios reasonably, no possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
6. LONG-TERM LOANS - secured, considered good			
Due from:			
- Executives*		**511**	649
- Other employees		**5,098**	6,719
	6.1	**5,609**	7,368
Less: Current portion			
- Executives		**(59)**	(149)
- Other employees		**(3,620)**	(5,237)
	11	**(3,679)**	(5,386)
		1,930	1,982

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

6.1 These represent mark-up 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 one month to forty three months, these loans are secured against retirement benefits of respective employees.

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.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
7. LONG-TERM DEPOSITS			
Ijarah lease rentals		**1,143**	1,140
Diminishing musharakah		**42,843**	19,481
Utilities		**11,577**	5,185
Rent		**4,839**	595
		60,402	26,401
8. DEFERRED TAXATION - NET			
Deductible temporary differences in respect of:			
Provisions for:			
- impairment on slow moving and obsolete items		**43,769**	30,779
- impairment on trade debts		**48,563**	34,302
- retirement and other service benefits		**82,995**	64,059
Lease liabilities - net of right-of-use assets		**3,155**	3,500
		178,482	132,640
Taxable temporary differences in respect of:			
Accelerated tax depreciation		**(178,125)**	(138,320)
	8.1	**357**	(5,680)
8.1 Movement in deferred taxation - net is as follows:			
Balance at beginning of the year		**(5,680)**	47,047
- recognized in profit or loss		**465**	(53,119)
- recognized in other comprehensive income		**5,572**	392
Balance at end of the year		**357**	(5,680)

	Note	2023	2022
		(Rupees in '000)	
9. STOCK-IN-TRADE			
In hand			
- raw materials		**840,094**	470,859
- packing materials		**271,087**	211,255
- work-in-process		**158,131**	190,105
- finished goods	9.3	**688,258**	557,110
		1,957,570	1,429,329
Less: Provision for slow moving and obsolete items	9.2	**(134,462)**	(111,784)
		1,823,108	1,317,545
In transit	9.1	**38,714**	4,112
		1,861,822	1,321,657

9.1 Stock in transit includes raw material of Rs. 3.61 million (2022: Rs. 1.32 million) and packing material of Rs. 0.05 million (2022: Rs. 2.54 million).

	Note	2023	2022
		(Rupees in '000)	
9.2 Provision for slow moving and obsolete items			
Opening balance		**111,784**	88,498
Charge for the year		**110,545**	70,209
Reversal for the year		**(1,796)**	(1,004)
Write off during the year		**(86,071)**	(45,919)
Closing balance		**134,462**	111,784

9.3 Finished goods includes right of return assets amounting to Rs. 44.28 million (2022: Rs.24.1 million).

10. TRADE DEBTS - unsecured

	Note	2023	2022
Considered good	10.1	**416,490**	362,847
Considered doubtful		**147,295**	120,637
		563,785	483,484
Allowance for expected credit loss	10.2	**(147,296)**	(120,637)
Trade debts - net		**416,489**	362,847

10.1 These trade debts include Rs. 38.65 million (2022: Rs. 2.08 million) representing receivable against export sales to Africa and Asia amounting to Rs. 0.61 million (2022: Rs. 0.61 million) and Rs. 38.04 million (2022: Rs. 1.47 million), respectively.

	Note	2023	2022
		---------- (Rupees in '000) ----------	

10.2 Allowance for expected credit loss

The movement in expected credit loss during the year is as follows:

	2023	2022
Balance at beginning of the year	**120,637**	110,201
Provision recognised during the year	**26,659**	10,747
Write offs during the year	**-**	(311)
	26,659	10,436
Balance at end of the year	**147,296**	120,637

10.3 This includes receivable from a related party - Depilex (Private) Ltd amounting to Rs. 1.34 million (2022: Rs. 1.054 million). The maximum aggregate amount outstanding during the year was Rs.1.89 million (2022: Rs. 1.16 million).

10.4 The aging of trade debts at the statement of financial position date was:

	2023						
	Not past due	30 days	31-90 days	90-180 days	181 to 360 days	over 360 days	Total
	(Rupees in '000)						
Total gross carrying amount	**177,856**	**85,270**	**19,202**	**28,834**	**71,998**	**180,625**	**563,785**
Expected credit loss	**-**	**-**	**-**	**405**	**14,298**	**132,593**	**147,296**
Expected credit loss effective rate	**0%**	**0%**	**0%**	**1%**	**20%**	**73%**	**26%**

	2022						
	Not past due	30 days	31-90 days	90-180 days	181 to 360 days	over 360 days	Total
	(Rupees in '000)						
Total gross carrying amount	165,275	78,100	32,430	7,460	43,471	156,748	483,484
Expected credit loss	-	-	-	133	11,745	108,759	120,637
Expected credit loss effective rate	0%	0%	0%	2%	27%	69%	25%

	Note	2023	2022
		---------- (Rupees in '000) ----------	
11. LOANS AND ADVANCES - considered good			
Current portion of long-term loans	6	**3,679**	5,386
Advances to:			
- employees	11.1	**28,056**	22,627
- suppliers	11.2	**113,835**	107,193
		141,891	129,820
		145,570	135,206

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

11.2 Includes interest free advances to major foreign suppliers having maturity latest by September 2023.

Jurisdiction	**Name**
Asia	Aarti Drugs Limited
	Beijing Sino Hanson Import & Export
	Taizhou Tyloo Biopharm Co. Limited
Europe	Orrion Chemicals Metal Chem Spain
	Colorcon Limited
United States of America	BPS Bioscience Inc.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
12. TRADE DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES			
Deposits			
Margin against bank guarantees		**27,025**	33,056
Tender deposits		**74,877**	80,296
Provision for doubtful deposits	12.1	**(25,563)**	(16,349)
		49,314	63,947
Others		**-**	225
		76,339	97,228
Prepayments			
Software license		**1,057**	2,349
Takaful		**1,565**	-
Machine and equipments		**28**	34
Fees, rates and taxes		**1,135**	1,251
		3,785	3,634
Other receivables			
Profit on saving accounts		**491**	618
Others		**850**	267
		81,465	101,747

	Note	2023	2022
		---------- (Rupees in '000) ----------	

12.1 Provision for doubtful deposits

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

Balance at beginning of the year	**16,349**	8,088
Provision recognised during the year	**9,214**	8,261
Balance at end of the year	**25,563**	16,349

13. SALES TAX REFUNDABLE

The entire pharma sector was exempt from levy of sales tax both at input as well as output stage, except for certain excipient and packing materials but through Finance (Supplementary) Act, 2021 exemption regime was converted into a Zero-rating regime for finished items of pharma products with effective from January 17, 2022, however, sales tax was imposed at standard rate of 17% on purchase / import of Active Pharmaceutical Ingredients (API). As a result, the pharma sector was allowed to claim sales tax refund on all purchases including APIs, excipient and packing materials on consumption basis. In this respect net Rs. 38.71 million (2022: Rs.179.49 million) is sales tax input paid on purchases / import of materials up to June 30, 2023 which is refundable on consumption basis.

Moreover, aforesaid law has further been amended through the Finance Act, 2022 with effect from July 01, 2022, a special tax regime for Pharma Sector has been introduced whereby manufacture or import of substances registered as drugs under the Drugs Act, 1976 shall be subject to 1% sales tax with the condition that such tax shall be final discharge of tax in the supply chain and no input tax shall be allowed to the importer and manufacturer of such goods. Furthermore, APIs, excluding excipients, for manufacture of drugs registered under the Drugs Act, 1976 or raw materials for the basic manufacture of Active Pharmaceutical Ingredients shall also be subject to 1% sales tax with no input tax adjustment.

14. SHORT-TERM INVESTMENTS

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Fair value through profit or loss:			
Investment in mutual funds	14.1	**-**	159,707
		-	159,707

14.1 Represents investment in shariah compliant mutual funds of Meezan Rozana Amdani Fund and Meezan Sovereign Fund of Nil units (2022: 3,194,128 units) and Nil units (2022: 6 units), respectively, which were disposed during the year.

15. CASH AND BANK BALANCES

	Note	2023	2022
Cash in hand		**-**	-
Cash in bank			
Conventional bank:			
- current accounts		**7,509**	33,229
Islamic banks:			
- current accounts		**1,466**	27,838
- saving accounts	15.1	**44,542**	152,844
- dividend accounts		**1,457**	1,395
		54,974	215,306
		54,974	215,306

15.1 These carry profit at the rates ranging from 3.25% to 10.25% (2022: 2.75% to 7.00%) per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2023	2022		Note	2023	2022
----- Number of shares -----				---------- (Rupees in '000) ----------	
15,097,535	15,097,535	Ordinary shares of Rs.10 each fully paid in cash		**150,976**	150,976
30,489,649	30,489,649	Issued as bonus shares		**304,897**	304,897
223,834	223,834	Issued pursuant to merger with Associated Services Limited		**2,238**	2,238
45,811,018	45,811,018			**458,111**	458,111

17. DEFERRED LIABILITIES

	Note	2023	2022
Advance against motor vehicles		**2,416**	1,740
Employees' gratuity payable	17.1	**222,369**	207,938
		224,785	209,678

17.1 Defined benefit plan - unfunded gratuity scheme

17.1.1 In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2023, using the "Projected Unit Credit Method". Provision has been made in the financial statements to cover obligation in accordance with the actuarial recommendations.

	2023	2022
	--- Number of Employees ---	
The number of employees covered under the defined benefit scheme are:	**404**	407

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

	2023	2022
Financial assumptions		
- Discount rate (per annum compounded)	**15.50%**	13.00%
- Salary increase per annum	**15.50%**	13.00%
Demographic assumptions		
- Normal retirement	**60 years**	60 years
- Mortality rate	**EFU (61-66)**	EFU (61-66)

	2023	2022
	---------- (Rupees in '000) ----------	
17.1.2 Liability in balance sheet		
Present value of defined benefit obligations	**222,369**	207,938
17.1.3 Movement in liability during the year		
Opening balance	**207,938**	207,028
Charged to profit or loss	**31,801**	23,439
Benefits paid during the year	**(27,018)**	(19,366)
Actuarial loss / (gain) recognised in other comprehensive income	**9,648**	(3,163)
Closing balance	**222,369**	207,938
17.1.4 Reconciliation of the present value of defined benefit obligations		
Present value of defined benefit obligations as at July 01,	**207,938**	207,028
Current service cost	**8,343**	4,921
Finance cost	**23,458**	18,518
Benefits paid	**(27,018)**	(19,366)
Actuarial loss / (gain) on obligation	**9,648**	(3,163)
Present value of defined benefit obligations as at June 30,	**222,369**	207,938
17.1.5 Charge for the defined benefit plan		
Cost recognised in profit or loss		
Current service cost	**8,343**	4,921
Finance cost	**23,458**	18,518
	31,801	23,439
Actuarial loss on defined benefit obligation recognised in other comprehensive income		
Actuarial loss / (gain) on defined benefit obligation		
- Loss / (gain) due to change in experience adjustments	**9,648**	(3,163)
Expected benefit payments to retirees in the following year	**21,084**	39,819
Weighted average duration of the defined benefit obligation (year)	**7.50**	7.50

17.1.6 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:

	2023	2022
	---------- (Rupees in '000) ----------	
Increase in discount rate by 1%	**(12,837)**	(12,159)
Decrease in discount rate by 1%	**14,409**	13,704
Increase in expected future increment in salary by 1%	**14,277**	13,576
Decrease in expected future increment in salary by 1%	**(12,943)**	(12,261)

	2023	2022
	---------- (Rupees in '000) ----------	
17.1.7 Maturity Profile		
Year 1	**21,942**	39,819
Year 2	**23,129**	22,273
Year 3	**28,877**	20,681
Year 4	**31,620**	24,982
Year 5	**27,423**	23,612
Year 6 to Year 10	**186,343**	132,659

17.1.8 As per the recommendation of the actuary, the charge for the year ending June 30, 2024 amounts to Rs.10.07 million.

17.1.9 Comparison for Five Years

As at June 30,	2023	2022	2021	2020	2019
	------------------------------ (Rupees in '000) --------------------------				
Defined benefit obligation	**222,369**	207,938	207,028	196,286	177,771
Experience adjustment loss / (gain) on obligation (as percentage of plan obligations)	**4.34%**	-1.52%	0.67%	-2.06%	2.76%

17.1.10 Risks on account of defined benefit plan

Final salary risk

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases proportionately with the increase in salary.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate determined by reference to market yields (at the statement of financial position date) on government bond. A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans’ bond holdings.

Withdrawal risk

The risk that the actual withdrawal experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and entitled benefits of the beneficiary.

Inflation fluctuation

The salary inflation is the major risk that the funds carry. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted benefit obligations. But viewed with the fact that the plan have no asset, the impact of salary inflation might be significant.

Mortality risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
18. LONG-TERM FINANCING			
Loan from a related party	18.1	**44,518**	48,202
Diminishing musharakah:			
- vehicles	18.2	**352,321**	186,899
- salaries and wages		**-**	89,724
		396,839	324,825
Less: Current maturity shown under current liabilities		**(76,949)**	(128,495)
		319,890	196,330

18.1 This represents loan obtained from a director of the Holding Company to meet working capital requirements, under mark-up arrangements. It carries profit at 90 days average of 12 Months KIBOR for 3rd calendar Quarter-2022 which is fixed for the period as 14.48% per annum. (2022: 90 days average of 12 Months KIBOR for 3rd calendar Quarter-2021 which is fixed for the period as 8.12% per annum). The profit and principal are payable on monthly basis.

18.2 These facilities have been obtained from First Habib Modaraba. These carry mark-up at the rates of 3 Months KIBOR plus 1.00% to 1.25% (2022: 6 Months KIBOR plus 1.00% to 1.50%) per annum and are having maturity till March 2028 (2022: June 2027). These facilities are secured against the respective assets.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
19. LONG-TERM PROVISION			
19.1 Gas Infrastructure Development Cess (GIDC)	19.1	**72,906**	66,985

Represents Gas Infrastructure Development Cess (GIDC) against which the Honourable Supreme Court of Pakistan in its order dated August 13, 2020 held that the same is constitutional. Subsequent to the order, the SSGC issued GIDC bill under which the total amount would be recovered in forty eight equal monthly installments.

The above demand of the SSGC was not acknowledged as liability by the Holding Company and it filed an appeal before the Honourable High Court of Sindh (the Court) on the grounds that no burden of GIDC had been passed to its customers and thus the Holding Company is not liable to pay GIDC under GIDC Act, 2015. Based on the above appeal, the Court was pleased to grant stay vide order dated September 29, 2020 against the demand raised by the SSGC and restrained them from take any coercive action.

However, as a matter of abundant caution and without prejudice to the suit filed, the Holding Company has made aggregate provision of Rs.85.65 million for GIDC, having a present value Rs. 72.90 million in the consolidated financial statements.

	Note	2023	2022
		---------- (Rupees in '000) ----------	

20. LEASE LIABILITIES

		2023	2022
Lease liabilities		**143,366**	67,163
Current portion of lease liabilities		**(20,654)**	(27,235)
		122,712	39,928

20.1 Reconciliation of the carrying amount is as follows:

	Note	2023	2022
Opening		**67,163**	87,862
Additions during the year	4.6.1	**91,479**	-
Reassessment of lease during the year	4.6.1	**42,220**	1,383
Termination of lease during the year		**(31,941)**	-
Accretion of interest	32	**11,295**	8,093
Lease rental payments made during the year		**(36,850)**	(30,175)
Lease liabilities as at June 30,		**143,366**	67,163
Current portion of lease liabilities		**(20,654)**	(27,235)
Long-term lease liabilities as at June 30,		**122,712**	39,928

20.2 The amount of future payment under the lease arrangement and the period in which these payments will become due are as follows:

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Maturity analysis			
Gross lease liabilities - minimum lease payments:			
Not later than one year		**44,350**	32,553
Later than one year but not later than five years		**157,793**	42,007
		202,143	74,560
Future finance charge		**(58,777)**	(7,397)
Present value of finance lease liabilities		**143,366**	67,163

21. TRADE AND OTHER PAYABLES

	Note	2023	2022
Trade and other creditors		**788,295**	797,521
Advances from customers - contract liabilities		**238,337**	273,004
Accrued liabilities		**26,489**	32,302
Sindh Workers’ Profit Participation Fund	21.1	**30,230**	1,591
Workers’ Welfare Fund	21.2	**44,817**	33,329
Central Research Fund		**6,046**	5,318
Payable to provident fund	21.3	**11,430**	3,855
Current portion of government grant		**-**	1,771
Refund liability		**75,650**	42,391
Auditors' remuneration		**3,603**	3,101
Sales tax and withholding taxes payable		**17,414**	9,816
Others		**40,555**	59,472
		1,282,866	1,263,471

	2023	2022
	---------- (Rupees in '000) ----------	

21.1 Sindh Workers' Profit Participation Fund

	2023	2022
Opening balance	**1,591**	2,948
Mark-up thereon	**66**	70
Charge for the year	**30,230**	26,591
	31,887	29,609
Less: Payments made during the year	**(1,657)**	(28,018)
Closing balance	**30,230**	1,591

21.2 Workers' Welfare Fund

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 income 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 judgement 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 Holding Company on the basis of abundant caution has continued to provide the amount as per the required provisions.

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

22. ACCRUED PROFIT

	2023	2022
	---------- (Rupees in '000) ----------	
Diminishing musharakah	**1,203**	667
Murabaha	**834**	183
Musharakah running finance	**4,914**	-
	6,951	850

		2023	2022
		---------- (Rupees in '000) ----------	

23. SHORT-TERM BORROWINGS - secured

	Note	2023	2022
Murabaha	23.1	**24,166**	3,251
Other	23.2	**10,000**	-
		34,166	3,251

23.1 This represent outstanding murabaha facilities obtained by the Subsidiary Company with MCB Islamic Bank for the purpose of purchase of inventory. This carries profit at the rate 3 Months KIBOR plus 2.25% (2022: 3 Month KIBOR plus 2.25%) per annum and having maturity till November 2022 (2022: July 2022). These are secured against hypothecation of stock in trade and trade debts of the Subsidiary Company.

23.2 This represents loan obtained from Mrs. Nighat Misbah, which carries mark-up at the rate of 16%.

23.3 The Holding Company has a running finance facility from Bank Al Falah Islamic amounting to Rs. 500 million which is fully unutilised as at the reporting date. These carry mark-up at matching KIBOR + 1%. The facility is secured against lien on import documents, 1st pari passu charge over stocks and receivables.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

Holding Company

24.1.1 Certain cases have been filed against the Holding Company by some employees in National Industrial Relations Commission against their termination / dismissal, having exposure of the Holding Company to the extent of Rs.12.62 million (2022: Rs.10.44 million). Provision has not been made in these consolidated financial statements for the said amount as the management of the Holding Company, based on the advice of its legal counsel handling the subject cases, is of the opinion that matters shall be decided in the Holding Company's favour.

24.1.2 The Additional Commissioner of Inland Revenue (ACIR) raised demands of Rs. 22.43 million and Rs. 51.46 million for the tax years 2015 and 2016, respectively, through an order under section 122(5A) of the Income Tax Ordinance, 2001. In this order, the assessing officer added back certain expenses. The Holding Company filed an appeal before the Commissioner of Inland Revenue (Appeals). Subsequently, an order was passed by the CIR (Appeals) dated 30th December 2021, resulting in no outstanding demand payable for these tax years. Through this order by CIR (Appeals), most of the disallowances have been remanded back to the ACIR. Being aggrieved, the Holding Company filed an appeal before the Tribunal, and the case is pending. Based on tax advice and strong arguments, the management is confident of a favorable outcome. Therefore, no provision has been made in the consolidated financial statements in this regard. It's worth noting that the case for the tax year 2017 has already been decided in favor of the Holding Company, where a tax demand of Rs. 245 million was involved and most of the disallowances were the same as the disallowances made in the case of tax years 2015 and 2016.

Subsidiary Company

24.1.3 There are no contingencies as at June 30, 2023 (2022: Nil).

24.2 Commitments

	2023	2022
	---------- (Rupees in '000) ----------	
Outstanding letters of credit	**581,697**	411,322
Outstanding letters of guarantee	**117,962**	123,352
Commitments for capital expenditure	**13,606**	58,262

Commitments for Ijarah rentals in respect of plant and machinery, motor vehicles and equipment:

	2023	2022
	---------- (Rupees in '000) ----------	
2023	**-**	2,097
2024	**735**	724
	735	2,821

25. OPERATING SEGMENTS

	Holding Company		Subsidiary Company		Group	
	2023	2022	2023	2022	2023	2022
	---------------------- (Rupees in '000) ----------------------					
Local	**6,450,554**	5,823,924	**339,941**	366,820	**6,790,495**	6,190,744
Export	**652,786**	352,977	**-**	-	**652,786**	352,977
Toll income	**57,118**	137,947	**-**	-	**57,118**	137,947
Turnover	**7,160,458**	6,314,848	**339,941**	366,820	**7,500,399**	6,681,668
Trade discount	**277,736**	907,562	**-**	-	**277,736**	907,562
Sales return	**62,572**	56,974	**38,671**	3,143	**101,243**	60,117
Sales tax	**139,759**	39,064	**55,544**	63,085	**195,303**	102,149
Net turnover	**6,680,391**	5,311,248	**245,726**	300,592	**6,926,117**	5,611,840
Cost of sales	**(3,895,678)**	(2,937,153)	**(119,539)**	(135,645)	**(4,015,217)**	(3,072,798)
Gross profit	**2,784,713**	2,374,095	**126,187**	164,947	**2,910,900**	2,539,042
Other income	**79,457**	37,392	**12**	-	**79,469**	37,392
Distribution costs	**(1,816,632)**	(1,537,321)	**(158,578)**	(172,972)	**(1,977,916)**	(1,712,998)
Administrative expenses	**(376,795)**	(298,602)	**(3,112)**	(2,350)	**(379,907)**	(300,952)
Other expenses	**(52,537)**	(47,283)	**-**	-	**(52,537)**	(47,283)
Finance cost	**(61,371)**	(38,465)	**(11,079)**	(6,418)	**(72,450)**	(44,883)
Profit / (loss) before tax	**556,835**	489,816	**(46,570)**	(16,793)	**507,559**	470,318
Segments assets	**4,623,405**	4,138,484	**151,342**	162,263	**4,774,747**	4,300,747
Unallocated assets	**-**	-	**-**	-	**45,905**	48,611
Segment liabilities	**2,052,712**	1,863,128	**110,624**	80,170	**2,163,336**	1,943,298
Depreciation and amortisation charge	**205,576**	166,661	**2,079**	1,846	**210,361**	171,213
Capital expenditure	**433,711**	456,622	**3,538**	1,974	**437,249**	458,596

25.1 Out of total net turnover of the Group 91% (2022: 94%) relates to customers in Pakistan. Further, all non-current assets of the Group as at June 30, 2023 are located in Pakistan.

25.2 Out of total net turnover of the Group, 10.49% (2022: 8.54%) relates to a single major customer located in Pakistan.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
25.3 Reconciliation of segments assets and liabilities			
25.3.1 Assets			
Total assets for reportable segments		**4,774,747**	4,300,747
Intangibles - goodwill and brands		**45,905**	48,611
		4,820,652	4,349,358
25.3.2 Depreciation and amortisation			
Total depreciation and amortisation for reportable segments		**207,655**	168,507
Amortisation of brand		**2,706**	2,706
		210,361	171,213
26. TURNOVER			
Gross Sales			
Local		**6,841,941**	6,190,744
Export		**652,786**	352,977
		7,494,727	6,543,721
Less: Trade discount		**329,182**	907,562
Less: Sales return		**101,243**	60,117
Less: Sales tax		**195,303**	102,149
		625,728	1,069,828
		6,868,999	5,473,893
Toll manufacturing		**57,118**	137,947
		6,926,117	5,611,840

26.1 Sales recognised during the year from contract liabilities as at the beginning of the year amounted to Rs.72.77 million (2022: Rs. 48.68 million).

		Note	2023	2022
			---------- (Rupees in '000) ----------	
27.	**COST OF SALES**			
	Raw and packing materials consumed	27.1	**3,117,062**	2,385,170
	Salaries, wages and benefits	27.2	**472,523**	454,563
	Fuel and power		**201,959**	162,330
	Ijarah lease rentals		**-**	3,534
	Repairs and maintenance		**84,675**	71,159
	Laboratory and factory supplies		**52,434**	32,418
	Takaful		**4,260**	3,819
	Provision for slow moving and obsolete stock-in-trade	9.2	**110,545**	69,205
	Printing and stationery		**10,145**	8,019
	Rent, rates and taxes		**13,991**	7,960
	Legal and professional		**1,103**	517
	Travelling, conveyance and entertainment		**3,350**	2,920
	Depreciation on operating fixed assets	4.4	**99,089**	93,998
	Depreciation on right-to-use assets	4.6.2	**5,992**	3,740
	Amortisation	5.1	**725**	764
	Postage and communication		**1,346**	1,279
	Training and development cost		**151**	333
	Others		**136**	122
			4,179,486	3,301,850
	Work-in-process			
	Opening		**190,105**	95,836
	Closing		**(158,131)**	(190,105)
			31,974	(94,269)
	Cost of goods manufactured		**4,211,460**	3,207,581
	Finished goods			
	Opening		**484,262**	474,322
	Closing		**(627,565)**	(557,110)
			(143,303)	(82,788)
	Physician samples		**(52,940)**	(51,995)
			4,015,217	3,072,798
27.1	**Raw and packing materials consumed**			
	Opening stock		**743,087**	554,286
	Purchases		**3,535,770**	2,512,998
			4,278,857	3,067,284
	Closing stock		**(1,161,795)**	(682,114)
			3,117,062	2,385,170

27.2 This includes amount of Rs.14.64 million (2022: Rs.12.55 million) in respect of provident fund.

	Note	2023	2022
		---------- (Rupees in '000) ----------	

28. DISTRIBUTION COSTS

	Note	2023	2022
Salaries and benefits	28.1	**1,103,412**	951,317
Sales promotion expenses		**345,311**	313,725
Repair and maintenance		**56,849**	34,402
Fuel and power		**31,414**	23,656
Ijarah lease rentals		**2,726**	3,644
Printing and stationery		**4,043**	3,201
Takaful		**8,380**	4,832
Allowance for expected credit loss	10.2 & 12	**35,873**	19,008
Postage and communication		**4,608**	5,226
Rent, rate and taxes		**11,574**	7,381
Legal and professional		**4,649**	3,214
Freight charges		**79,804**	69,405
Training and development cost		**108,236**	77,992
Depreciation on operating fixed assets	4.4	**55,721**	28,300
Depreciation on right-to-use assets	4.6.2	**24,038**	27,109
Amortisation	5.1	**2,786**	2,987
Traveling, conveyance and entertainment		**60,897**	72,579
Service charges		**-**	39,927
Subscription charges		**37,595**	25,093
		1,977,916	1,712,998

28.1 This includes amount of Rs. 29.75 million (2022: Rs. 25.19 million) in respect of provident fund.

29. ADMINISTRATIVE EXPENSES

	Note	2023	2022
Salaries and benefits	29.1	**245,493**	192,283
Director`s fee		**3,100**	3,325
Fuel and power		**19,636**	14,902
Ijarah lease rentals		**-**	178
Legal and professional		**12,592**	14,999
Donations		**-**	5,005
Printing and stationery		**8,355**	5,313
Auditors' remuneration	29.2	**4,421**	3,999
Rent, rates and taxes		**8,421**	8,398
Takaful		**2,852**	2,033
Repairs and maintenance		**43,924**	30,453
Postage and communication		**3,523**	3,374
Depreciation on operating fixed assets	4.4	**20,968**	13,628
Amortisation	5.1	**1,042**	687
Training and development cost		**253**	316
Traveling, conveyance and entertainment		**4,864**	1,442
Others		**463**	617
		379,907	300,952

29.1 This includes amount of Rs. 9.64 million (2022: Rs. 7.71 million) in respect of provident fund.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
29.2 Auditors' remuneration			
Annual audit fee of unconsolidated financial statements		**1,857**	1,661
Half year review of unconsolidated financial statements		**474**	424
Annual audit fee of consolidated financial statements		**517**	462
Other services and certifications		**833**	852
		3,681	3,399
Out of pocket expenses		**413**	327
Sales tax		**327**	273
		4,421	3,999

30. OTHER EXPENSES

	Note	2023	2022
Sindh Workers' Profit Participation Fund		**30,230**	26,591
Workers' Welfare Fund		**11,487**	10,105
Central Research Fund		**6,046**	5,318
Exchange loss - net		**3,011**	5,199
Mark-up on Sindh Workers' Profit Participation Fund		**66**	70
Operating fixed assets written off		**1,697**	-
		52,537	47,283

31. OTHER INCOME

	Note	2023	2022
Profit on saving accounts		**9,410**	5,919
Gain on disposal of operating fixed assets	4.2	**43,525**	19,016
Gain on termination of lease		**6,867**	-
Scrap sales		**6,147**	2,571
Dividend income on mutual fund units		**7,643**	1,675
Gain on disposal of mutual fund units		**-**	3,428
Others		**5,877**	4,783
		70,059	31,473
		79,469	37,392

32. FINANCIAL CHARGES

	Note	2023	2022
Profit / mark-up on:			
- Loan from a related party		**7,896**	5,634
- Diminishing musharakah		**43,410**	17,237
- Murabaha		**3,051**	11,186
- Musharakah running finance		**5,472**	1,454
- Other		**39**	-
Interest on lease liabilities	20.1	**11,295**	8,093
		71,163	43,604
Bank charges and commission		**1,287**	1,279
		72,450	44,883

33. TAXATION

	Note	2023	2022
Current		**181,720**	128,386
Prior		**(22,483)**	2,801
Deferred		**(465)**	53,119
		158,772	184,306

33.1 Income tax assessments of the Group have been finalised up to and including the tax year 2022 under the self assessment scheme.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
33.2 Relationship between accounting profit and tax expense			
Accounting profit before taxation		**556,835**	489,816
Normal tax at the rate of 29% (2022: 29%)		**161,482**	142,047
Super tax at the rate of 10% (2022: 10%)		**55,684**	48,982
Tax effects of:			
Income subject to FTR		**(7,830)**	(4,327)
Income subject to Minimum tax	33.3	**3,071**	12,023
Inadmissible expenses / income - net		**4,613**	17,114
Carried forward turnover tax adjustment		**(35,300)**	(87,453)
Deferred tax		**(465)**	53,119
Prior period adjustment		**(22,483)**	2,801
		158,772	184,306

33.3 Subsidiary Company

Provision for current taxation has been made on the basis of Minimum tax under section 113 of the Income Tax Ordinance, 2001.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
34. BASIC AND DILUTED EARNINGS PER SHARE			
Net profit for the year		**348,787**	286,012
Weighted average number of ordinary shares in issue		**45,811**	44,189
Basic earnings per share (Rupees)	34.1	**7.61**	6.47

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are credit risk, operational risk, liquidity risk and market risk (including return rate risk, currency risk and price risk). The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

35.1 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. 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 Group's management is regularly conducting detailed analysis on sectors.

The Group seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy. The maximum exposure to credit risk at the reporting date is:

	Note	2023	2022
		(Rupees in '000)	
Long-term deposits	7	**60,402**	26,401
Trade debts	10	**416,489**	362,847
Loans	6	**5,609**	7,368
Deposits and other receivables	12	**77,680**	98,113
Short-term investment	14	**-**	159,707
Bank balances	15	**54,974**	215,306
		615,154	869,742

Credit quality of financial assets

The credit quality of financial assets that can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	2023	2022
	(Rupees in '000)	
Bank balances		
Ratings		
A1+	**54,229**	149,966
A1	**745**	65,340
	54,974	215,306
Short term investment		
Ratings		
AA+	**-**	159,707

35.2 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.

35.3 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:

2023	**Upto 1 year**	**1-5 years**	**More than five years**	**Total**
		(Rupees in '000)		
Long-term financing	**76,949**	**319,890**	**-**	**396,839**
Lease liabilities	**20,654**	**122,712**	**-**	**143,366**
Trade and other payables	**866,769**	**-**	**-**	**866,769**
Accrued profit	**6,951**	**-**	**-**	**6,951**
Short-term borrowings	**34,166**	**-**	**-**	**34,166**
Unclaimed dividend	**1,457**	**-**	**-**	**1,457**
	1,006,946	**442,602**	**-**	**1,449,548**

2022	**Upto 1 year**	**1-5 years**	**More than five years**	**Total**
		(Rupees in '000)		
Long-term financing	130,315	194,510	-	324,825
Lease liabilities	27,235	39,928	-	67,163
Trade and other payables	893,150	-	-	893,150
Accrued profit	850	-	-	850
Short-term borrowings	3,251	-	-	3,251
Unclaimed dividend	1,395	-	-	1,395
	1,056,196	234,438	-	1,290,634

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in the respective notes to these financial statements.

	July 01, 2022	Cash Flows	Non cash flow	June 30, 2023
	------------------------------ (Rupees in '000)			--------------------------

35.3.1 Changes in liabilities from financing activities

Long-term financing	324,825	**72,014**	**-**	**396,839**
Lease liabilities	67,163	**(36,850)**	**113,053**	**143,366**
Short-term borrowings	3,251	**30,915**	**-**	**34,166**
Unclaimed dividend	1,395	**62**	**-**	**1,457**
	396,634	**66,141**	**113,053**	**575,828**

35.4 Market Risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risks which includes interest rate risk, currency risk and other price risk, such as equity risk. There has been no change in the Group's exposure to market risk or the manner in which this risk is managed and measured.

35.5 Return rate risk

Return rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market return rates. The Group's return rate risk arises from long-term financing, short-term borrowings, Murabaha payables and bank deposits obtained with floating rates. All the borrowings of the Group are obtained and investments made in the functional currency.

At the reporting date, the return rate profile of Group's return-bearing financial instruments was:

	Note	2023	2022
		---------- (Rupees in '000)	----------
Financial asset			
Local currency - savings accounts	15	**44,542**	152,844
Financial liabilities			
Long-term financing	18	**396,839**	324,825
Short-term borrowings	23	**34,166**	3,251
		431,005	328,076

The Group analyses its return rate exposure on a regular basis by monitoring existing facilities against prevailing market return rates and taking into account various other financing options available.

The following figures demonstrate the sensitivity to a reasonably possible change in return 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)
2023		
Change in return rate	**+100**	**3,865**
Change in return rate	**+100**	**(3,865)**
2022		
Change in return rate	+100	1,752
Change in return rate	-100	(1,752)

35.6 Currency Risk

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.

35.7 Equity price risk

Equity price risk is the risk arising from uncertainties about future value of investment securities. As at reporting date, the Group is not exposed to equity price risk.

	Note	2023	2022
		---------- (Rupees in '000) ----------	
35.8 Fair value of financial instruments			
35.8.1 Financial assets as per statement of financial position			
At amortised cost			
Long-term deposits	7	**60,402**	26,401
Trade debts	10	**416,489**	362,847
Loans	6	**5,609**	7,368
Deposits and other receivables	12	**77,680**	98,113
Cash and bank balances	15	**54,974**	215,306
		615,154	710,035
At fair value through profit or loss			
Short-term investment	14	**-**	159,707
		615,154	869,742

	Note	2023	2022
		---------- (Rupees in '000) ----------	

35.8.2 Financial liabilities as per statement of financial position

	Note	2023	2022
At amortised cost			
Long-term financing	18	**396,839**	324,825
Long-term provision	19	**72,906**	66,985
Lease liabilities	20	**143,366**	67,163
Trade and other payables	21	**1,282,866**	1,263,471
Accrued profit	22	**6,951**	850
Short-term borrowings		**34,166**	3,251
Unclaimed dividend		**1,457**	1,395
		1,938,551	1,727,940

35.8.3 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The following table shows assets recognised at fair value, analyzed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2022			
Assets measured at fair value:	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term investment	**-**	**159,707**	**-**	**159,707**

There were no assets measured at fair value at 30 June 2023.

During the year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

The market price of mutual fund units have been obtained from Mutual Funds Association of Pakistan.

35.9 Capital risk management

The primary objective of the Group's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance charges thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2023 and 2022 are as follows:

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Deferred liabilities	17	**224,785**	209,678
Long-term financing	18	**319,890**	196,330
Long-term provision	19	**72,906**	66,985
Lease liabilities	20	**122,712**	39,928
Trade and other payables	21	**1,282,866**	1,263,471
Short-term borrowings	23	**34,166**	3,251
Accrued mark-up	22	**6,951**	850
Current portion of long-term financing	18	**76,949**	128,495
Current portion of lease liabilities	20	**20,654**	27,235
Unclaimed dividend		**1,457**	1,395
Total debt		**2,163,336**	1,937,618
Cash and bank balances	15	**(54,974)**	(215,306)
Net debt		**2,108,362**	1,722,312
Share capital	16	**458,111**	458,111
Reserves		**2,190,996**	1,931,399
Total capital		**2,649,107**	2,389,510
Capital and net debt		**4,757,469**	4,111,822
Gearing ratio		**44.32%**	41.89%

The Group finances its operations through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

35.10 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.

36. TRANSACTIONS WITH RELATED PARTIES

36.1 Related parties of the Group comprise associates, companies with common directorship, directors, key management personnel, staff provident fund and a subsidiary. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

Descriptions	Nature of transactions	2023	2022
		(Rupees in '000)	
Key Management Personnel	Dividend	**62,324**	110,533
Executive Director	Loan repaid	**3,684**	3,684
Non-Executive Directors	Meeting fees	**3,100**	3,325
Provident fund	Contribution paid	**54,040**	45,458
Depilex (Private) Limited (Common directorship)	Sales made by the Subsidiary Company	**4,525**	5,077
Balances Outstanding			
Depilex (Private) Limited (Common directorship)	Amount due to the Subsidiary Company	**1,339**	1,054

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

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

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executive Directors		Executive		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Rupees in '000)							
Managerial remuneration	**23,018**	22,194	**23,018**	22,194	**339,084**	251,132	**385,120**	295,520
Bonus	**-**	-	**-**	-	**1,540**	4,388	**1,540**	4,388
Perquisites	**247**	264	**99**	354	**625**	360	**971**	978
Retirement benefits	**1,230**	1,165	**1,230**	1,165	**22,100**	17,906	**24,560**	20,236
Other benefits	**1,909**	1,783	**1,919**	1,815	**33,619**	27,565	**37,447**	31,163
	26,404	25,406	**26,266**	25,528	**396,968**	301,351	**449,638**	352,285
Number of persons	**1**	1	**1**	1	**68**	50	**70**	52

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

37.2 The non-executive directors are not entitled to any remuneration except meeting fee as disclosed in note 36.1.

37.3 As per the Act, an executive means an employee, other than the chief executive and director, whose salary exceeds twelve hundred thousand rupees in a financial year.

	Note	2023	2022
		---------- (Rupees in '000)	----------
38. CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	**54,974**	215,306

39. NUMBER OF PERSONS EMPLOYED

Number of persons employed as at year end were 1,262 (2022: 1,310), the average number of persons employed during the year were 1,385 (2022: 1,293) and number of person employed in factory as at year end were 411 (2022: 422).

40. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

Subsequent to year ended June 30, 2023, the Board of Directors in its meeting held on September 18, 2023 has proposed final cash dividend @ Rs. 0.54/- per share amounting to Rs. 24.738 million (2022: Rs. 1.50/- per share amounting to Rs. 68.717 million) for approval of the members at the Annual General Meeting to be held on October 20, 2023.

41. GENERAL

41.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

41.2 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 consolidated financial statements during the current year.

42. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on September 18, 2023 by the Board of Directors of the Group.

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

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 20, 2023 at 09:00 am and/or at any adjournment thereof.

Signed this ___________day of October, 2023

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۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔یا ان کے حاضر نہ ہوسکنے کی
صورت میں محترم/محترمہ۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔از۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔جن کا سی این آئی سی نمبر یا پاسپورٹ نمبر۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔فولیو/سی ڈی سی
اکاؤنٹ نمبر۔۔۔۔۔۔۔۔۔۔۔۔کو اپنے/ہمارے ایماء پر کمپنی کے 20 اکتوبر 2023 کو صبح 09:00 بجے ہونے والے سالانہ اجلاس عام میں شرکت کرنے، حق رائے دہی استعمال کرنے
یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا/ کرتے ہیں۔

آج بتاریخ۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ اکتوبر 2023 میرے/ہمارے دستخط ہوئے۔

پانچ روپے کا رسیدی ٹکٹ

دستخط ____________________________

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

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

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

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس ایف 216، سائٹ، کراچی میں موصول ہو جانا چاہیے۔
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 آئی سی یا پاسپورٹ نمبر فارم میں درج ہوں۔
(ii) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں گی۔
(iii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ 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۔


Jama Punji

Macter

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