

CORPORATE GOVERNANCE

Directors' Report to the Shareholders
For the year ended 30th June, 2018



CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2018

Dear Shareholders

The Directors have the pleasure to present their Annual Report together with the Audited Financial Statements of the Company for the year ended 30th June, 2018. These were approved by the Board of Directors on 21st October, 2018. The Directors' Report has been prepared in compliance with section 184 of the Companies Act, 1994, SEC's notification dated 20th February 2006, the Listing Regulations of Dhaka and Chittagong Stock Exchange and other applicable rules and regulations. In addition, the Directors explained and disclosed certain issues, which they deemed relevant and important to ensure transparency and good governance practice.

i. Industry outlook and possible future development in the industry.

The principal activities of the Company are to manufacturing, marketing and selling of pharmaceuticals and lifesaving medicine in the local and international markets. Beacon is the first manufacturer of anti-cancer drugs in Bangladesh and proud introducer of isolator technology for processing anti-cancer products and lyophilized technology. Beacon is the second in world to manufacturing and marketing peginterferon medicine for hepatitis. Beacon is the first to introduce sophisticated biotech products streptokinase and Urokinase injections for Acute MI disease. This year Beacon has launched 13 nos. of new products, out of which 6 general products, 4 oncology products and 3 bio-tech products.

Despite of some unfavorable events we were able to maintain revenue at a reasonable level. Moreover, we have given special emphasis on cost control, resource optimization and R & D capabilities in order to face these economic challenges.

ii. Segment-wise or product-wise performance.

Our products can be segmented as General, Oncology and Bio-tech products. In terms of volume of sale General Product is the best performer followed by Oncology and Bio-tech respectively. In the sales performance, general products have contributed more than 60%, 32% oncology and rest 8% contributed by Bio-tech Products. In respect of profit margin Oncology Products are the best contributor than that of others.

iii. Risk and Concerns.

Risks are defined as uncertainties resulting in adverse variations of profitability or losses in financial or otherwise. The risk management of the company covers core risk areas of the business operation viz, financial risk, operational risk, receivable risk, liquidity risk, market risk that includes foreign exchange risk, interest rate risk etc. Besides above risks, the Company considers credit management risks and strategic risks also.

The Company has a strong base to address the risk of future uncertainties with the change of industry and global economy. The company is always keen to identify the key business risks and ensures the mitigation plans are in place. It has reviewed and adopted best practices of the industry that are articulated to enable the company to achieve its objectives effectively.

The objective of risk management is that the Company evaluates and takes well calculative business risks that safeguarding the asset, its financial resources and profitability from various businesses through its own measures and through implementing corporate guidelines.

iv. Discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin.

Cost of Goods Sold for the year stands at Tk. 1,927,331,673 which is 29.82% higher than that of the previous year. This has been occurred due to increase of sales by 27.55% compare to the previous year and Gross Margin has been increased by 25.25% over the last year. Due to strong control over the operating expense net margin has been increased by 21.56% over the last year.

v. Discussion on continuity of any Extra-Ordinary gain or loss.

No extra ordinary gain or loss occurred during the year which would require adjustment or disclosure in the financial statements.

vi. Basis for related party transactions.

Related Party Transactions are disclosed in the notes 43 to the Financial Statements for the year ended 30th June, 2018.

CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2018

vii. Utilization of proceeds from public issues, rights issues and / or through any other instruments.

During the financial year 2017-2018 no such proceeds are collected that would require for adjustment or disclose in the annual report.

viii. Explanation if the financial results deteriorate after the Company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Right Offer and Direct Listing.

Beacon Pharmaceuticals Limited went for initial public offering in the year 2010 and did not go for any further offering since then. So, no such explanation is required for Beacon Pharmaceuticals Limited.

ix. Explanation the significance variance occurs between Quarterly Financial Performance and Annual Financial Statements.

There was no significant variance occurred between the quarterly financial performance and annual financial statements.

x. Remuneration to directors including independent directors.

Remuneration and other perquisites of the Directors are reviewed annually and approved by the Chairman of the Board. Non-Executive Directors including the Independent Directors are paid fees for attending the meetings only.

xi. Financial Statements prepared by the management of the Company presents fairly its state of affairs, the result of its operation, cash flows and changes in equity.

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994 and the Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the result of operation, cash flow and changes in equity.

xii. Proper books of accounts of the Company have been maintained.

Books of Accounts of the Company have been maintained properly.

xiii. Accounting Policies:

Appropriate accounting policies have been consistently applied in preparing financial statements and the accounting estimates are based on reasonable and prudent judgment.

xiv. Application of IAS/BAS/IFRS/BFRS as applicable in Bangladesh.

International Accounting Standard (IAS) / Bangladesh Accounting Standard (BAS) / International Financial Reporting Standard (IFRS) / Bangladesh Financial reporting Standards (BFRS) as applicable in Bangladesh have been followed in preparing financial statements and any departure there from has been adequately disclosed.

xv. The system of internal control.

The system of internal control is sound and has been implemented and monitored effectively. The Board has the ultimate responsibility for Beacon Pharma's system of internal control and for reviewing its effectiveness. It has been designed to manage the risk of failure to achieve the objectives of the Company and to provide reasonable assurance that Company's assets are safe guarded against unauthorized use of material loss and that transactions are properly authorized and recorded.

xvi. Going Concern.

There are no significant doubts about the Company's ability to continue as a going concern. The Board of Directors has reviewed the Company's business plan and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly the financial statements are prepared based on the going concern concept basis.

xvii. Explanation of significant deviation from the last year's operating result.

Significant variations over the last year's operation of the Company have been made due to excess expenditure incurred in the factory overhead, general & admin overhead and selling and distribution overhead. The positive impact of excess expenditures are gradually coming. Hopefully the growth of turnover will dramatically change in the years to come.

CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2018

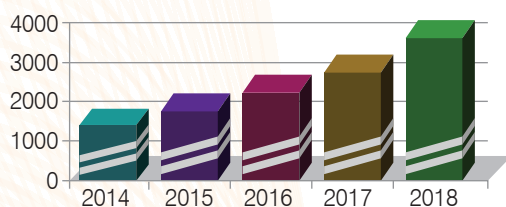
5 (Five) Years Financial Highlights:

Particulars	Year				
Financial Performance	2018	2017	2016	2015	2014
Total Assets	4,908,410,740	5,105,979,654	5,014,603,610	4,738,697,597	4,589,825,300
Total Liabilities	1,907,666,832	2,114,679,364	2,012,513,836	1,832,571,953	1,722,443,291
Current Assets	2,400,038,430	2,424,721,610	2,563,219,957	2,551,804,834	2,157,357,740
Current Liabilities	1,332,666,250	1,138,029,634	1,150,667,724	1,127,282,634	1,062,083,274
Non-Current Assets	2,508,372,310	2,681,258,044	2,451,383,653	2,186,892,763	2,432,467,559
Non-Current Liabilities	575,000,582	976,649,730	861,846,112	705,289,319	660,360,017
Shareholders' Equity	3,000,743,908	2,991,306,829	3,002,089,774	2,906,125,644	2,867,382,009
Operational Performance					
Revenue	3,760,786,106	2,948,456,509	2,491,804,435	2,052,938,834	1,690,363,446
Cost of Goods Sold	1,927,331,673	1,484,623,696	1,292,608,372	1,061,613,363	894,119,555
Operating Expense	1,563,846,092	1,196,557,774	935,102,873	706,291,686	553,676,280
Financial Expense	138,160,282	147,375,018	194,721,492	238,236,937	221,684,367
Gross Profit	1,833,454,433	1,463,832,813	1,199,196,063	991,325,471	796,243,891
Operating Profit	269,608,341	267,275,039	264,093,190	285,033,785	242,567,610
Net Profit before tax	126,035,753	115,895,985	68,308,534	51,407,588	37,274,146
Net Profit after tax	126,103,008	103,734,641	61,402,978	38,555,691	24,228,195
Financial Ratio					
Current ratio	1.80:1	2.13:1	2.23:1	2.26:1	2.03:1
Debt Equity Ratio	1:1.57	1:1.41	1:1.49	1:1.58	1:1.66
Financial Expense Coverage Ratio (Times)	1.95	1.81	1.36	1.20	1.09
Return on Equity	4.20%	3.47%	2.04%	1.33%	0.85%
Return on Assets	2.57%	2.03%	1.22%	0.81%	0.53%
Equity Parameters					
Authorized Capital	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Paid-up Capital	2,310,000,000	2,310,000,000	2,310,000,000	2,310,000,000	2,310,000,000
Shareholders' Equity	3,000,743,908	2,991,306,829	3,002,089,774	2,906,125,644	2,867,382,009
No. of Shares Outstanding	231,000,000	231,000,000	231,000,000	231,000,000	231,000,000
Net Assets Value (NAV) Per Share	12.99	13.37	13.00	12.58	12.41
Earnings Per Share (EPS)	0.55	0.45	0.27	0.17	0.10
Market Price Per Share (Closing)	17.80	23.10	17.30	14.70	14.80
Price Earnings Ratio (Times)	32.36	51.33	64.07	86.47	148.00

CORPORATE GOVERNANCE

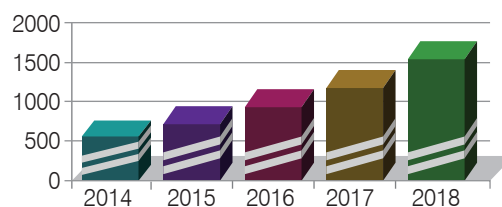
Directors' Report to the Shareholders For the year ended 30th June, 2018

Sales (million)



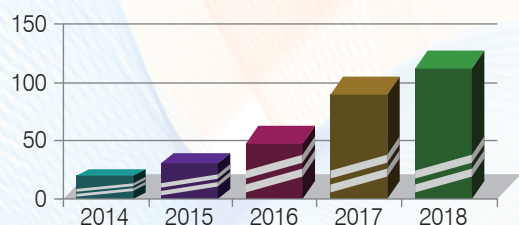
Net Revenue

Gross Profit (million)



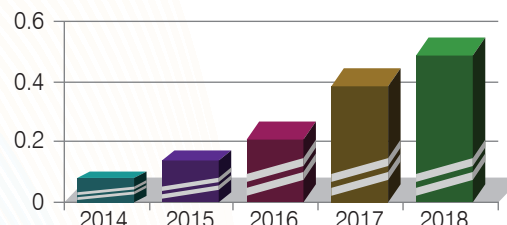
Gross Profit

Net Profit (million)



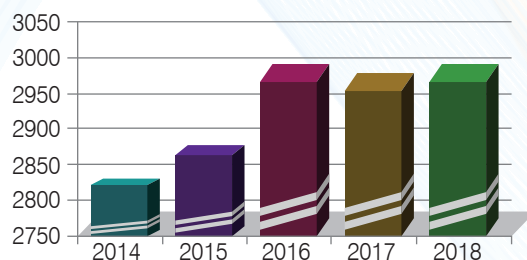
Net Profit

EPS (BDT)



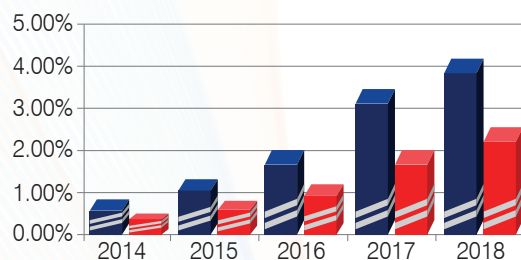
Earning Per Share

Shareholders Equity (million)



Shareholders Equity

ROE ROA



Return On Equity & Assets

CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2018

xix. Declaration of dividend.

The Board of Directors of the Company has recommended 6% cash dividend for the year ended 30th June, 2018.

xx. Number of board meeting held during the year and attendance of each director.

During the year 16 nos. of Board Meetings were held. The attendance record of the Directors is shown below. The Directors who could not attend the meeting were granted leave of absence.

Board Meeting and attendance during the year ended 30th June, 2018

Sl. No.	Name of Directors	Meeting held	No. of meeting attended
1.	Mrs. Nurun Nahar Karim, Chairman	16	16
2.	Mr. Md. Ebadul Karim, Managing Director	16	16
3.	Mr. Md. Niazul Karim, Director	16	15
4.	Mr. Prof.(Dr.) Syed Mudasser Ali, Independent Director	16	11
5.	Mr. Major M. A. Hussain (Retd.), Independent Director	16	04

Pattern of Shareholding

a) Parent/Subsidiary/ Associated Companies and other related parties.

Sl. No.	Name	Designation with BPL	Entities where they have interest	No. of share held
1.	Mr. Md. Ebadul Karim	Managing Director	Beacon Developments Ltd.	600
			Beacon Cephalosporin Ltd.	25,50,000
			MEK Auto Bricks	25,000
			MEK Industries Ltd.	8,500
			MEK Pharmatech Ltd.	8,500
			Mujibunnessa Medical College & Hospital Ltd.	80,00,000
			Beacon Oncology Ltd.	85,000
			Beacon Power Systems Ltd.	85,000
			Beacon Nutraceuticals Ltd.	85,000
		Chairman	Beacon Point Ltd.	25,000
			Beacon Medicare Ltd.	42,500
			EREBA Capsules Ltd.	20,000
		Director	Beacon Economic Zone Ltd.	8,00,000
			Kohinoor Chemical Co.(BD) Ltd.	10,96,992

CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2018

Sl. No.	Name	Designation with BPL	Entities where they have interest	No. of share held
2.	Mrs. Nurun Nahar Karim	Chairman	Beacon Developments Ltd.	250
			Beacon Nutraceuticals Ltd.	5,000
			MEK Auto Bricks	12,500
			MEK Industries Ltd.	500
			MEK Pharmatech Ltd.	500
			Beacon Oncology Ltd.	5,000
			Beacon Cephalosporin Ltd.	1,50,000
			Beacon Power Systems Ltd.	5,000
		Vice-Chairman	Mujibunnessa Medical College & Hospital Ltd.	5,00,000
		Director	Beacon Point Ltd.	25,000
			Beacon Medicare Ltd.	2,500
			Beacon Economic Zone Ltd.	50,000
			Kohinoor Chemical Co. (BD) Ltd.	7,01,353

Sl. No.	Name	Designation with BPL	Entities where they have interest	No. of share held
3.	Mr. Md. Niazul Karim	Managing Director	Beacon Point Ltd	25,000
			Beacon Economic Zone Ltd.	1,50,000
			Beacon Medicare Ltd.	2,500
		Director	Beacon Developments Ltd.	400
			Beacon Cephalosporin Ltd.	1,50,000
			Beacon Nutraceuticals Ltd.	5,000
			MEK Auto Bricks	6,250
			MEK Industries Ltd.	500
			MEK Pharmatech Ltd.	500
			Beacon Oncology Ltd.	5,000
			Mujibunnessa Medical College & Hospital Ltd.	5,00,000
			Beacon Power Systems Ltd.	5,000

CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2018

b) Director, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children.

SL. No.	Name	Designation	No. of Shares Held
1	Mr. Md. Ebadul Karim	Managing Director	5,82,28,800
2	Mrs. Nurun Nahar Karim	Director	47,25,000
3	Mr. Md. Niazul Karim	Director & CFO	63,54,000
4	Mr. Giash Uddin Ahmed	Company Secretary	200,000
5	Mr. Muhammad Mahbubul Alam	Head of Internal Audit	Nil
6	Spouse & Minor Children		Nil

(c) Executive

SL. No.	Name	Designation	No. of Shares Held
1	Mr. Md. Ebadul Karim	Managing Director	5,82,28,800
2	Mr. Md. Niazul Karim	Director & CFO	63,54,000

(d). Shareholders holding ten percent (10%) or more voting interest in the Company.

SL. No.	Name	Designation	No. of Shares Held
1	Mr. Md. Ebadul Karim	Managing Director	5,82,28,800

xxi. Recommendation for re-appointment of Directors:

As per provision of the Articles of Association of the Company Mr. Md. Niazul Karim will retire by rotation in the next 17th Annual General Meeting and being eligible he will be offered for re-appointment.

xxii. Appointment of Auditors:

Pursuant to section 210 of the Companies Act 1994, Company's statutory Messrs Shafiq Basak & Co., Chartered Accountants will retire at the 17th Annual General Meeting as auditor of the Company.

The retiring auditors are eligible for re-appointment and they have expressed their willingness to be appointed as auditor of the Company for the financial year 2018-2019. The Directors recommended for the re-appointment of Messrs Shafiq Basak & Co, Chartered Accountants as the auditors of the Company for the year 2018-2019.

xxiii. Corporate Governance Compliance Report:

In accordance with the requirement of Bangladesh Securities and Exchange Commission "Corporate Governance Compliance Report" is shown in the annexure - I of this report.

xxiv. Conclusion:

The Company expresses its sincere appreciation to all of its employees for their outstanding contribution and thanks to all the stakeholders for their continued support and confidence.

Approved by the Board of Directors and signed on its behalf.



Md. Ebadul Karim
Managing Director