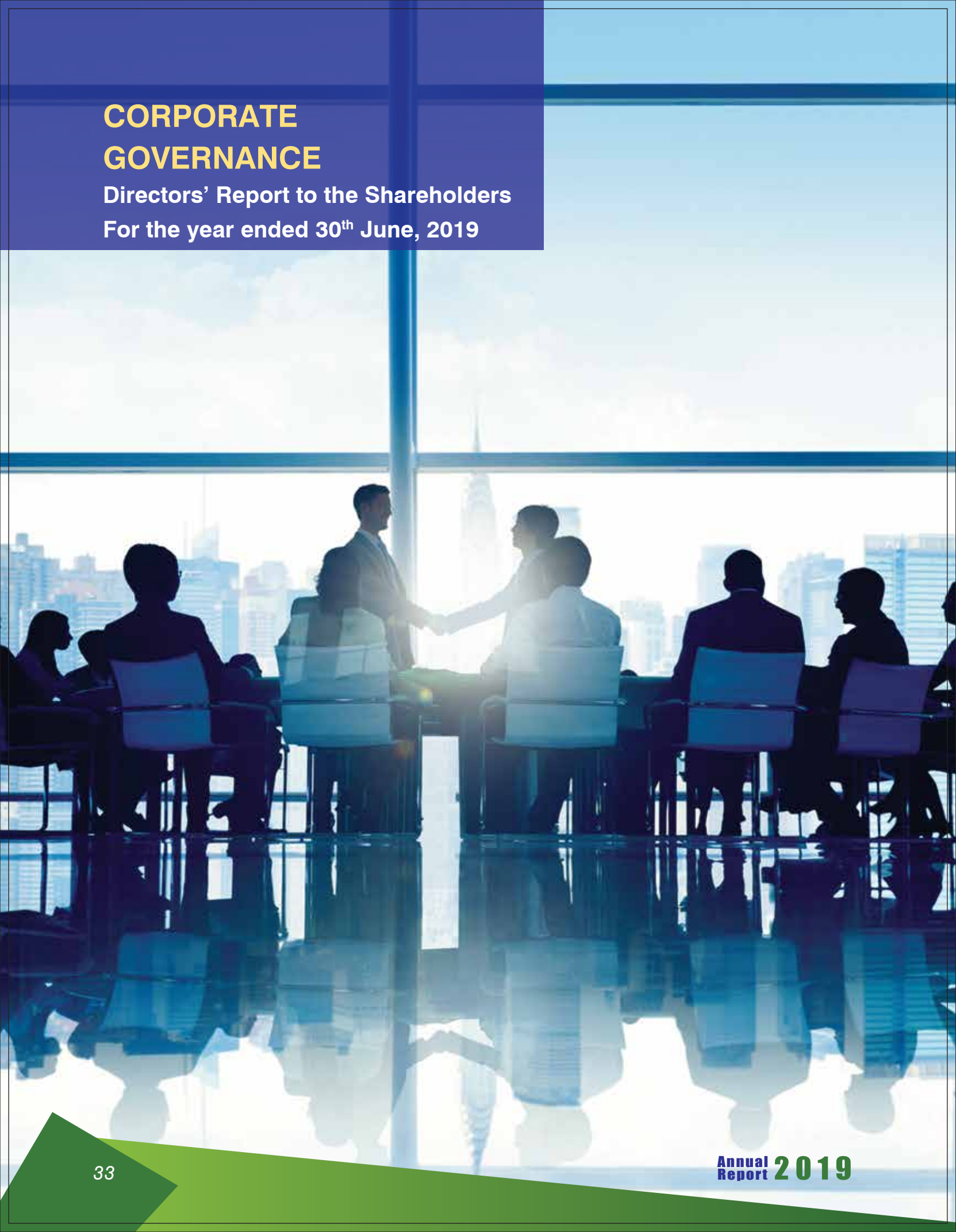


CORPORATE GOVERNANCE

Directors' Report to the Shareholders
For the year ended 30th June, 2019



CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2019

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, 2019. These were approved by the Board of Directors on 24th October, 2019.

The Directors' Report has been prepared in compliance with section 184 of the Companies Act, 1994, Bangladesh Securities and Exchange Commission Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3rd June, 2018, 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 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 14 new products, out of which 6 are general products, 5 are oncology products and 3 are 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 terms of 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 financials or otherwise. The risk management of the company covers core risk areas of the business operation, 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.

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 calculated business risks that safeguards the asset, its financial resources and profitability from various businesses through its own measures and by 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. 236,48,08,809 which is 22.70% higher than that of the previous year. This has occurred due to increase of sales by 23.56% compare to the previous year and Gross Margin has increased by 24.46% over the last year. Due to a major effect of Deferred Tax the net margin has decreased by 6.66% 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, 2019.

vii. Remuneration to Directors

This information is incorporated in the Notes 38 of the notes to the financial statements on page 37 with reference to the "Payment to Directors" figures concerning the Board of Directors including Independent Directors.

CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2019

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

During the financial year 2018-2019 no such proceeds are collected that would require adjustment or disclose in the annual report.

ix. 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.

x. Explanation of significance variance occurs between Quarterly Financial Performance and Annual Financial Statements.

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

xi. 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.

xii. 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.

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

Books of Accounts of the Company have been maintained properly.

xiv. Accounting Policies:

Appropriate accounting policies have been consistently

applied in preparing financial statements and the accounting estimates are based on reasonable and prudent judgment.

xv. Application of IAS and IFRS.

International Accounting Standard (IAS) and International Financial Reporting Standard (IFRS) as applicable in Bangladesh have been followed in preparing financial statements and any departure has been adequately disclosed.

xvi. 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.

xvii. 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.

xviii. 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 taking place.

xix. Key operating and financial data preceding 5 (Five) years:

The key operating and financial data for the last 5 (five) years of the Company have been presented as follows:

CORPORATE GOVERNANCE

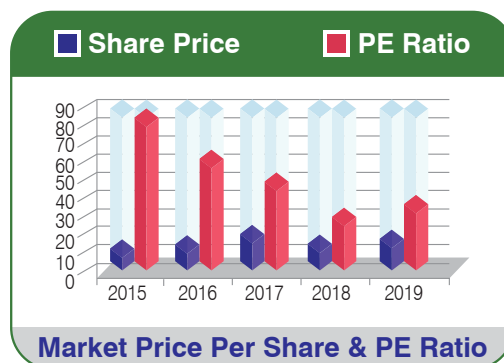
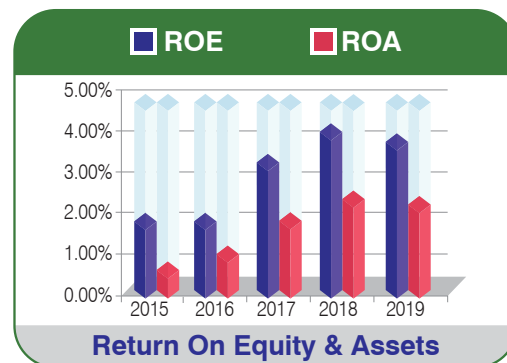
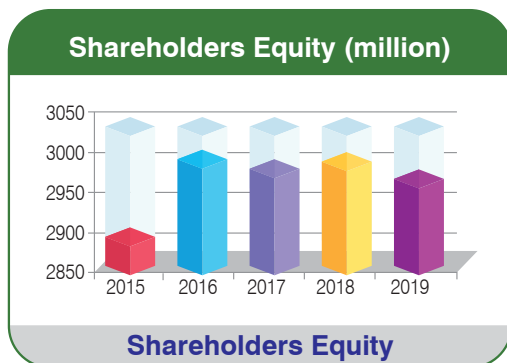
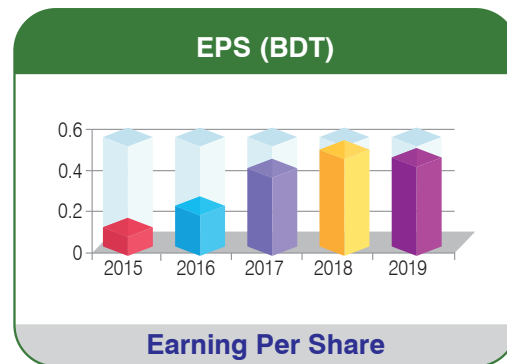
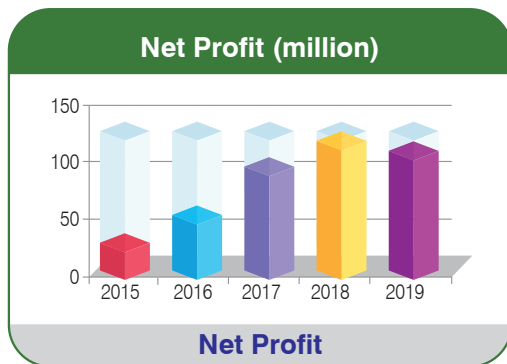
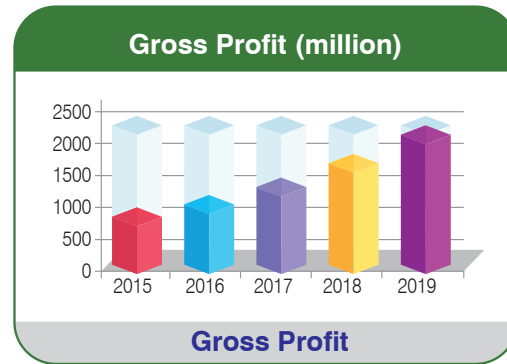
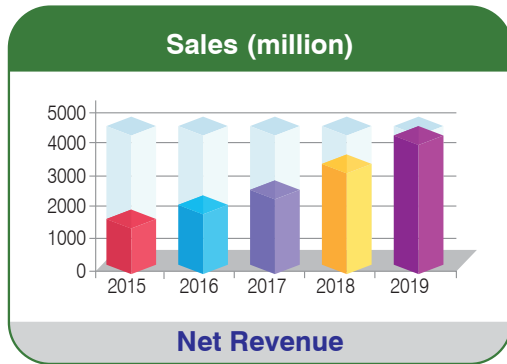
Directors' Report to the Shareholders For the year ended 30th June, 2019

5 (Five) Years Financial Highlights:

Particulars	Year				
	2019	2018	2017	2016	2015
Financial Performance					
Total Assets	4,871,002,971	4,908,410,740	5,105,979,654	5,014,603,610	4,738,697,597
Total Liabilities	1,891,819,980	1,907,666,832	2,114,679,364	2,012,513,836	1,832,571,953
Current Assets	2,668,641,600	2,400,038,430	2,424,721,610	2,563,219,957	2,551,804,834
Current Liabilities	1,317,400,721	1,332,666,250	1,138,029,634	1,150,667,724	1,127,282,634
Non-Current Assets	2,202,361,371	2,508,372,310	2,681,258,044	2,451,383,653	2,186,892,763
Non-Current Liabilities	574,419,259	575,000,582	976,649,730	861,846,112	705,289,319
Shareholders' Equity	2,979,182,991	3,000,743,908	2,991,306,829	3,002,089,774	2,906,125,644
Operational Performance					
Revenue	4,646,865,410	3,760,786,106	2,948,456,509	2,491,804,435	2,052,938,834
Cost of Goods Sold	2,364,808,809	1,927,331,673	1,484,623,696	1,292,608,372	1,061,613,363
Operating Expense	1,959,448,364	1,563,846,092	1,196,557,774	935,102,873	706,291,686
Financial Expense	153,524,466	138,160,282	147,375,018	194,721,492	238,236,937
Gross Profit	2,282,056,601	1,833,454,433	1,463,832,813	1,199,196,063	991,325,471
Operating Profit	322,608,236	269,608,341	267,275,039	264,093,190	285,033,785
Net Profit before tax	163,400,976	126,035,753	115,895,985	68,308,534	51,407,588
Net Profit after tax	117,700,592	126,103,008	103,734,641	61,402,978	38,555,691
Financial Ratio					
Current ratio	2.03:1	1.80:1	2.13:1	2.23:1	2.26:1
Debt Equity Ratio	1:1.63	1:1.57	1:1.41	1:1.49	1:1.58
Financial Expense Coverage Ratio (Times)	2.10	1.95	1.81	1.36	1.20
Return on Equity	3.95%	4.20%	3.47%	2.04%	1.33%
Return on Assets	2.42%	2.57%	2.03%	1.22%	0.81%
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	2,979,182,991	3,000,743,908	2,991,306,829	3,002,089,774	2,906,125,644
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	12.90	12.99	13.37	13.00	12.58
Earnings Per Share (EPS)	0.51	0.55	0.45	0.27	0.17
Market Price Per Share (Closing)	20.10	17.80	23.10	17.30	14.70
Price Earnings Ratio (Times)	39.41	32.36	51.33	64.07	86.47

CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2019



CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2019

xx. Declaration of dividend

The Board of Directors of the Company has recommended 5% cash dividend for the year ended 30th June, 2019.

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

During the year 18 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, 2019

Sl. No.	Name of Directors	Meeting held	No. of meeting attended
1.	Ms. Nurun Nahar Karim, Chairman	18	18
2.	Mr. Md. Ebadul Karim, Managing Director	18	18
3.	Mr. Md. Niazul Karim, Director	18	18
4.	Prof. (Dr.) Syed Modasser Ali, Independent Director	18	15
5.	Major M. A. Hussain (Retd.), Independent Director	18	4

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.	13,16,388			

CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2019

Sl. No.	Name	Designation with BPL	Entities where they have interest	No. of share held
2.	Ms. 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
			Mujibunnessa Medical College & Hospital Ltd.	5,00,000
		Beacon Cephalosporin Ltd.	1,50,000	
		Vice-Chairman	Beacon Power Systems Ltd.	5,000
		Director	Beacon Point Ltd.	25,000
			Beacon Medicare Ltd.	2,500
			Beacon Economic Zone Ltd.	50,000
		Kohinoor Chemical Co. (BD) Ltd.	8,41,621	

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, 2019

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	Ms. Nurun Nahar Karim	Director	47,25,000
3	Mr. Md. Niazul Karim	Director & CFO	63,54,000
4	Mr. Giash Uddin Ahmed	Director F & A and Company Secretary	Nil
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

xxii. 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 18th Annual General Meeting and being eligible he will be offered for re-appointment.

xxiii. Appointment of Auditors:

a) As per section 210 of the Companies Act 1994, the Company's Statutory Auditors Messers Shafiq Basak & Co., Chartered Accountants retires at the 18th Annual General Meeting as auditors of the Company.

Pursuant to Bangladesh Securities and Exchange Commission (BSEC) order no SEC/CMRRCD/2009-193/104/Admin dated July 27, 2011 the retiring Auditors are eligible for reappointment as Statutory Auditors for 2019-20.

The Audit Committee recommended to appoint Messers Shafiq Basak & Co., Chartered Accountants as the auditors of the company for the year 2019-20.

The Directors endorsed recommendation of the Audit Committee for appointment of Messers Shafiq Basak &

Co., Chartered Accountants as the auditors of the company for the year 2019-20.

b) The Board also recommended appointment of existing corporate governance compliance auditors Podder & Associates, Cost and Management Accountants for the year 2019-20.

xxiv. Nomination and Remuneration Committee

In accordance with the condition 6 of Bangladesh Securities and Exchange Commission's Code of Corporate Governance, BSEC/CMRRCD/2006/158/207/Admin/80, dated 3rd June, 2018 the Nomination and Remuneration Committee was formed on 23rd September, 2018 as a sub-committee under the Board in place of previous Remuneration Committee and Nomination Committee. The committee consist of the following members:

- Major M.A Hussain (Retd.), Chairman
- Mr. Md. Ebadul Karim, Member
- Mr. Md. Niazul Karim, Member
- Mr. Giash Uddin Ahmed FCMA, Board Secretary

CORPORATE GOVERNANCE

Directors' Report to the Shareholders For the year ended 30th June, 2019

xxv. Corporate Governance Compliance Report:

Beacon Pharmaceuticals Limited adheres to appropriate good Corporate Governance principles, as described on pages 39 to 41. The Company also complied with all the requirements of Corporate Governance as required by the Bangladesh Securities and Exchange Commission. Accordingly, Corporate Governance Compliance checklist is shown in Annexure-1 of this report.

xxvi. Contribution to the National Exchequer

During the year under review, our company paid Taka 86.79 million to the national exchequer in the form of corporate income tax, customs duties and value added tax.

xxvii. Credit Rating

The Company achieved A₃ rating in long term and A₃ (LR) for short term for consecutive three years with a strong and stable outlook from Credit Rating Agency of Bangladesh Limited (CRAB).

xxiii. Reserves

The total Reserves of the Company stood at Tk. 266.26 million, details of which are given in Note 15 and in the Statement of Changes in Equity in the Financial Statements.

xxix. Events after Balance Sheet Date

The Board of Directors in their meeting held on 24th October, 2019 recommended cash dividend @ 5% for the year 2018-19.

xxx. CEO and CFO's Declaration to Financial Statements

The Chief Executive Officer and Chief Financial Officer are of the opinion that Financial Statements given on page 27 of this report present true and fair view of the company's affairs.

xxxi. Human Resources

A dynamic business environment requires having a well trained work force; therefore, the company develops the appropriate management skills to suit the business

environment. Various training programs and workshops were carried out during the year. The management and employee relationship in the company was excellent throughout the year.

xxxii. Compliance with Laws and Regulations

The company was not engaged in any activities contravening the laws and regulations. All those responsible for ensuring compliance with the provisions in various laws and regulations were able to do so within the stipulated time.

xxxiii. Environmental Protection

To the best of the Board's knowledge, the company was not engaged in any activity which might prove harmful to environment.

xxxiv. 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