

*Otsuka-People Creating New Products
For Better Health Worldwide*

ANNUAL REPORT 2017 -18

FOR THE YEAR ENDED JUNE 30, 2018



Otsuka

Otsuka Pakistan Limited

(A Company of Otsuka Group Japan)

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COMPANY INFORMATION

BOARD OF DIRECTORS	:	Mr. Mikio Bando Mr. Hanif Sattar Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz Mr. Suhari Mukti Mr. Mohammad Abdullah Feroz Mr. Makio Osaka Mr. Taufiq Feroz Mr. Noor Muhammad	(Chairman) (Alternate: Mr. Tariq Mehtab Feroz) (Chief Executive) (Alternate: Mr. Abid Hussain) (Alternate: Mr. Sajid Ali Khan) (Independent Director)
COMPANY SECRETARY	:	Mr. Muhammad Amin Bashir	
AUDIT SUB COMMITTEE OF THE BOARD	:	Mr. Noor Muhammad Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz	(Chairman) (Member) (Member)
HUMAN RESOURCES & REMUNERATION COMMITTEE SUB COMMITTEE OF THE BOARD	:	Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz Mr. Hanif Sattar	(Chairman) (Member) (Member)
AUDITORS	:	A. F. Ferguson & Co.	(Chartered Accountants)
LEGAL ADVISORS	:	Hassan & Humayun Associates	
BANKERS	:	MUFG Bank Limited Bank Alfalah Limited The Bank of Punjab Habib Bank Limited Allied Bank Limited MCB Bank Limited National Bank of Pakistan	
REGISTERED OFFICE	:	30-B, Sindhi Muslim Co-operative, Housing Society, Karachi-74400 Tel.: 34528651 – 4, Fax: 34549857 E-mail: mamin@otsuka.pk jnoor@otsuka.pk Web site: www.otsuka.pk	
FACTORY	:	Plot No. F/4-9, Hub Industrial Trading Estate, Distt. Lasbella (Balochistan) Tel.: (0853) 303517-8 Fax: (0853) 303519	
SHARE REGISTRAR	:	Central Depository Company of Pakistan Limited CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal Karachi-74400. Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275) Fax: (92-21) 34326053 Email: info@cdcpak.com Website: www.cdcpakistan.com	

Vision

Otsuka people creating new products for better health worldwide.

Mission

To provide quality healthcare products while maintaining leadership position in chosen segments by working efficiently towards customer satisfaction, rapid growth and enhanced stakeholders value.

Objectives

- To retain its position of market leader in IV Solutions and clinical nutrition through continuous education, new product launches and support to the medical profession and community at large.
- To offer world class quality products and support services to our customers at reasonable prices through resource optimization.
- To develop and retain efficient network of distributors and suppliers for enhancement of our present level of support services for customer satisfaction.
- To provide equal opportunity for growth and development to all its team members to build a highly motivated and committed team of professionals delivering world class quality products and services.
- To contribute in community services for betterment of society and environment.
- To generate adequate earnings for meeting current and future needs, leading to enhancement of shareholder's value.

Focus

Medical
Profession
&
Patients

Patients

Distributors
&
Suppliers

Empolyees

Community

Shareholders

NOTICE OF MEETING

Notice is hereby given that the Thirtieth (30th) Annual General Meeting of Otsuka Pakistan Limited will be held on Wednesday, October 24, 2018 at 10:30 a.m. at Auditorium Hall, Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to transact the following businesses:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2018, together with the Directors' and Auditors' reports thereon
2. To appoint auditors and fix their remuneration for the year ending June 30, 2019
3. To declare the final cash dividend of PKR 1.2 (12%) and to approve the interim dividend for bonus shares @ 10% (already issued and distributed amongst shareholders).
4. To elect seven (7) Directors including two (2) independent director and Chief Executive, as fixed by the Board accordance with the provisions of Section 159(1) of the Companies Act, 2017 for a period of three (3) years commencing from November 1st, 2018. The retiring directors, whose terms of office expires on October 31, 2018 are:
Mr. Mikio Bando, Mr. Hashimoto Deisuke, Mr. Makio Osaka, Mr. Suhari Mukti, Mr. Mehtabuddin Feroz, Mr. M. Abdullah Feroz, Mr. M. Taufiq Feroz and Mr. Noor Muhammad.

SPECIAL BUSINESS:

5. To consider the amendments made in the Articles of Association of the Company and to consider and if through fit, to pass with or without modifications the special resolution.
6. To consider and approve the remuneration of Chief Executive Officer of the Company.
7. To transact any other business with the permission of the Chair

By order of the Board

Muhammad Amin Bashir
Company Secretary

Karachi: **September 13, 2018**

Notes:-

A. CANDIDATE FOR ELECTION

i). Every candidate desirous of offering himself / herself for election as a Director, whether he / she is a retiring Director or otherwise, shall file with the Company not later than fourteen (14) days before the date of Annual General Meeting a notice of his / her intention to offer himself / herself for election as a Director of the Company along with the consent to serve as a Director of the Company in the prescribed Form-28 in accordance with the requirements of the Companies Act, 2017 at the registered office of the Company.

B. BOOK CLOSURE & PROXY

- i). The Share Transfer Books of the Company will remain closed from October 18, 2018 to October 24, 2018 (both days inclusive).
- ii). A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his / her behalf. A proxy need not be a member of the company.
- iii). Instrument of appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the Registered Office of the Company not later 48 hours before the time of the Meeting.
- iv). CDC Account Holders will have to follow the under-mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).

C. FOR ATTENDING THE MEETING:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

D. FOR APPOINTING PROXIES:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration 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) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

E. FINANCIAL STATEMENTS TO BE PLACED ON WEBSITE

In compliance with SECP notification No. 634(I)/2014 dated: July 10, 2014, the audited financial statements and reports of the Company for the year ended June 30, 2018 have been placed on the Company's website: www.otsuka.pk for the information, download and review of shareholders. From this year onwards, published copies of financial statement and reports will be furnished in Compact Disk form.

F. TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:

In pursuance of the directions given by SECP vide SRO 787(I)/2014 dated: September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.otsuka.pk and send the said form duly filled in and signed along with copy of his/her/its CNIC/Passport or other such information in the case of a body corporate to the Company's share registrar. This is optional; in case you do not wish to avail this facility please ignore this point. Annual Financial Statements will be sent to you at your registered address, as per normal practice.

G. NOTICE TO SHAREHOLDERS WHO HAVE NOT PROVIDED THEIR CNIC:

The Individual Members who have not yet submitted photocopy of their valid computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company' Share Registrar, M/s. Central Depository Company of Pakistan Limited. In case of non-receipt of the copy of valid CNIC, the Company would be constrained under section 243(3) of the Companies Act, 2017 to withhold dividend of such shareholders.

H. WITHHOLDING TAX ON DIVIDENDS:

Pursuant to the provision of the Finance Act, 2018 effective July 1, 2018 the deduction of withholding tax on the amount of Dividend paid by the companies under section 150 of the Income Tax Ordinance, 2001 are as under:

- a. Filers of Income Tax returns 15%
- b. Non-filers of Income Tax returns 20%

Shareholders who are filers are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, in any other case they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 15%. In order to enable the Company to follow the directives of the regulator(s) to determine shareholding ratio of the Joint Account Holder(s) by the Principal shareholder for deduction of withholding tax on dividend. Such shareholders are requested to furnish the ratio of shareholding being the Principal and Joint holders to the registrar of the Company. In the absence of any such notice from the Principal Shareholder, each shareholder will be assumed to have equal proportion of shares and the tax will be deducted as per law accordingly.

I. PAYMENT OF CASH DIVIDEND ELECTRONICALLY (E-MANDATE):

In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017. It is mandatory for a listed company to pay cash dividend to its shareholder only through electronic mode directly into the bank account designated by the entitled shareholder. Notice in this regard has already been published by the Company in the newspapers, however, shareholders are once again requested to fill in "Electronic Credit Mandate Form" as reproduced below and send the duly signed Electronic Mandate Form along with a copy of valid CNIC/NTN to their respective CDG participant / CDC Investor account services. (In case of shareholding in Book Entry Form) or to the Company's Share Registrar i.e. M/s. Central Depository Company of Pakistan Limited (in case of shareholding in Physical Form):

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

It is stated that the above mentioned information is correct and in case of any change herein I will immediately intimate the Share Registrar accordingly.

J. Video-link Facility to Members:

If the Company receives consent from the members holding in aggregate at least 10% shareholding of total paid up capital residing in a city, to participate in the meeting through video-link at least 07 days prior to date of the meeting, the Company will arrange facility of video-link in that city subject to availability of such facility in that city. To avail this facility, please provide the following information to our Share Registrar i.e. M/s. Central Depository Company of Pakistan Ltd.

CONSENT FOR VIDEO CONFERENCING FACILITY/We, _____ of _____, being a member of M/s. Otsuka Pakistan Limited, holder of _____ ordinary share(s) as per Registered Folio / CDC Account No. _____ hereby opt for video conference facility at _____.

Signature of the Member(s)

K. NOTICE TO FILE CLAIMS FOR UNCLAIMED DIVIDEND/SHARES:

Shareholders who could not collect their dividend/physical shares are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend(s) or share(s), 'if any'. In compliance with Section 244(1) (b) of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend(s) and share(s) outstanding for a period of three (3) years or more from the date it is due and payable shall be deposited to the credit of the Federal Government in case of unclaimed dividend(s) and in case of unclaimed share(s), shall be delivered to the SECP..

STATEMENT UNDER SECTION 134(3) AND 140 OF THE COMPANIES ACT, 2017

Agenda No. 5

The Companies Act 2017 has replaced the Companies Ordinance 1984 and it is desirable to amend the Articles of Association of the Company to reflect the provisions and sections of the new Companies Act 2017. As the amendments have been numerous, it is proposed to adopt the revised revision as a whole in substitution of the existing Articles of Association.

"RESOLVED that the existing Articles of Association of the Company be amended to bring them in conformity with the Companies Act 2017 and for that purpose, the revised Articles of Association of the Company as initialed by the Chairman for the purpose of identification, be adopted as Articles of Association of the Company, in substitution of the existing Articles of Association."

Agenda No. 6

The Board of Directors has reappointed Mr. Hanif Sattar to be continued to Chief Executive Officer of the Company for another period of 3 years terms with effect from February 28, 2018 at such remuneration as the board has decided.

"RESOLVED THAT the Chief Executive of the Company is entitled for such sum as the Board of Directors of the Company may determine but not exceeding in the aggregate, the sum of Rupees 1.1 million per month exclusive of incentives, perquisites and retirement benefits to which he is entitled under his contract of service and applicable service rules.

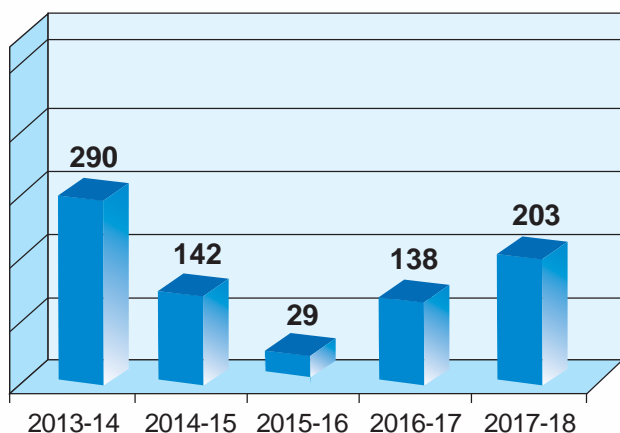
Proxy, e-mandate and Consent for video conferencing facility forms can be downloaded from our website: www.otsuka.pk

Shareholders are requested to promptly notify Company's Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shakra -e-Faisal, Karachi-74400. Tel: Customer Support Services (Toll Free) 0800 - CDCPL (23275) Fax: (92-21) 34326053 Email: info@cdcpak.com Website: www.cdcpakistan.com; of any change in their addresses.

Five Years at a Glance

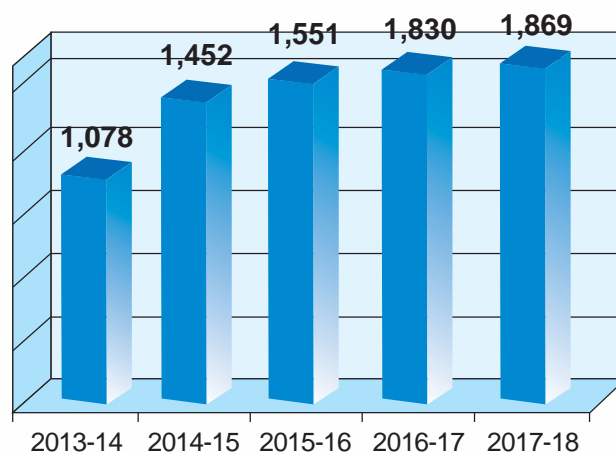
Shareholders' Equity

(Rupees in Million)



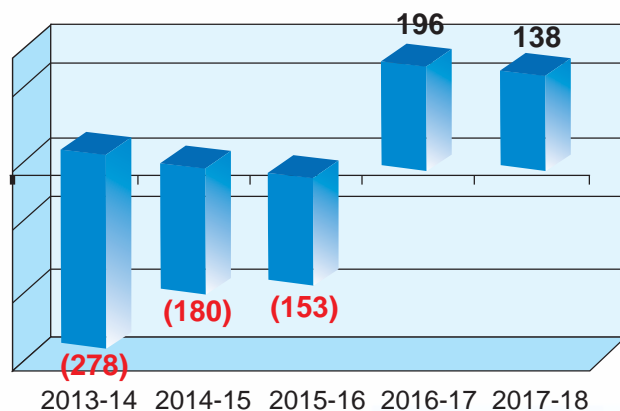
Sales

(Rupees in Million)



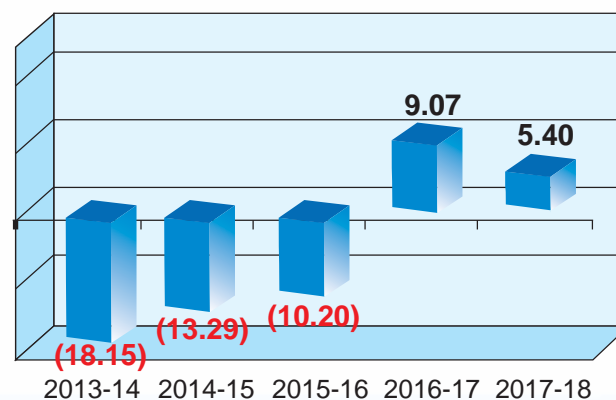
Profit / (Loss) Before Tax

(Rupees in Million)



Earning / (Loss) Per Share

(PKR Ten Per Share)



CHAIRMAN REVIEW

- I am pleased to welcome you at the 30th Annual General Meeting of your Company and present on behalf of the Board of Directors, the Audited Statements of Accounts for the year ended 30th June 2018 along with my review on the performance of your Company.
- Pakistan's economy has achieved the ambitious GDP growth rate of 5.79% for the financial year 2017-18. The economic outlook of country is bright due to improvement in manufacturing as well as agriculture sector, rebound in industrial services sector. We hope that the growth rate will continue its upward trend in the following years with massive CPEC investment in the coming years.
- Growth in the pharmaceutical sector has once again surpassed the prior year growth rate of 8.74% by posting a growth rate of 9.44% in 2017-18 due to higher government spending on health sector. However lack of clarity on the pricing policies of IV sector and the oversupply situation in the market has restricted the sales growth of the Company to 2.2% as compared to last year.
- During the year, there is a significant devaluation of Pak Rupee as PKR/USD exchange rate parity has rose to 121.5 from 105 which have significantly dented the profitability of the Company by recording a net exchange loss of Rs. 85.8 million on foreign currency loans as well as on the cost of imports.
- The term of this board of directors is going to expire on October 31st 2018. The overall performance of the Board is satisfactory and is based on an evaluation of all the integral-components, which have a direct bearing on the Board's role in achievement of the Company's objectives. The Board has effectively set the tone at the top, by putting in place transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of Corporate Governance and by promoting ethical and fair behavior across the company. Areas where improvements are required are duly considered and action plans have been framed accordingly.
- I am pleased to announce our collaboration with Greenwich University for the promotion of research and education in the field of Nutrition as part of our corporate social responsibility. Further continuous effort has been made to keep the environment clean and pollution free through proper disposal of waste materials.
- It is anticipated that Pak Rupee will further devalue in the next financial year which may trigger the inflation and bank rates resulting in more pressure on the cost structure of the Company. However we are hopeful for better governance and co-operative policies from the new government which will encourage us to invest further in the manufacturing facilities and to increase our product portfolio.
- On behalf of the Board of Directors of your Company. I would like to take this opportunity of acknowledging the devoted and sincere services of employees of all cadres of the Company and are thankful to all of our business partners.



Mikio BANDO
Chairman

چیرمین کا جائزہ

- میں آپ کی کمپنی کے 30 ویں سالانہ اجلاس کے انعقاد پر تمام بورڈ آف ڈائریکٹرز اور حصص داروں کو خوش آمدید کہتا ہوں، اور ساتھ ساتھ 30 جون، 2018 کو ختم ہونے والے سال کیلئے آڈٹ شدہ اکاؤنٹس اور آپ کی کمپنی کی کارکردگی پر اپنا جائزہ پیش کر کے مسرت محسوس کر رہا ہوں۔
- پاکستان کی معیشت نے مالی سال 2017-18 کیلئے GDP میں خاطر خواہ اضافے کے ساتھ 5.79% فیصد ترقی کی شرح حاصل کی ہے۔ ملک کا اقتصادی اور معاشی نقطہ نظر کافی روشن ہے جس کی وجہ سے صنعتی پیداوار اور زراعت کے شعبے میں بہتری ہے جس نے صنعتی خدمات کے شعبے کی دوبارہ تعمیر میں اہم کردار ادا کیا ہے۔ ہم اُمید کرتے ہیں کہ آنے والے سالوں میں ترقی کی یہ شرح برقرار رہے گی۔ جس میں پاکستان چین اقتصادی راہداری (CPEC) کی بڑے پیمانے پر سرمایہ کاری شامل ہے۔
- دواسازی کے شعبے نے ایک بار پھر پچھلے سال کی ترقی کی شرح جو کہ 8.74% فیصد تھی، اس کو عبور کرتے ہوئے مالی سال 2017-18 کیلئے 9.74% فیصد ترقی کی شرح حاصل کی ہے۔ جس کی بنیادی وجہ اس شعبے کی اعلیٰ سطح پر حکومتی اقدامات ہیں۔ تاہم IV کے شعبے کی قیمتوں کے تعین کی حکمت عملی کی مکمل وضاحت کا فقدان اور مارکیٹ میں IV مصنوعات کی وافر دستیابی نے فروخت میں ترقی کے عمل کو روک رکھا ہے جو گزشتہ سال کے مقابلے میں صرف 2.2% فیصد ہے۔ سال کے دوران پاکستانی روپیہ میں نمایاں کمی واقع ہوئی ہے۔ امریکی ڈالر کے تبادلے کی شرح مساوات روپیہ 105 سے بڑھ کے 121.50 تک جا پہنچی ہے۔ اس تشخیص نے کمپنی کے منافع کو شدید نقصان پہنچایا ہے۔ دوران سال کمپنی کو غیر ملکی قرضوں اور درآمد کی لاگت پر روپیہ 85.6 ملین کا نقصان ہوا ہے۔ یہ متوقع ہے کہ اگلے مالی سال میں پاکستانی روپیہ کی مزید تشخیص ہوگی اور اس خسارے کی بدولت افراط زر اور بینکوں کی سودی شرح میں اضافہ متوقع ہے، جس سے براہ راست آپ کی کمپنی کی پیداواری لاگت پر اثر پڑے گا۔
- اس بورڈ کے ڈائریکٹرز کی مدت 31 اکتوبر 2018 کو ختم ہوگی۔ بورڈ کی مجموعی کارکردگی تسلی بخش ہے اور لازمی اصلاحات پر مبنی ہے جس نے براہ راست کمپنی کے مقاصد حاصل کرنے پر اثر ڈالا ہے۔ بورڈ نے موثر طریقے سے نظم و ضبط کو برقرار رکھتے ہوئے شفاف انتظامی امور انجام دیئے۔ جو ظاہر کرتا ہے کمپنی میں نظم و ضبط کا ماحول، بہترین اور رائج طریقوں کے ساتھ کارپوریٹ گورننس کی تعمیل اور اخلاقی اور منصفانہ برتاؤ کی تشہیر جو کہ بہت اہم ہیں۔ اس کے علاوہ اُن تمام محکموں کو بہتر بنانے کی منصوبہ بندی کر دی گئی ہے جہاں اس کی ضرورت ہے۔
- میں آپ کی کمپنی کی سماجی ذمہ داری کے طور پر غذائیت کے میدان میں تحقیق اور تعلیم کے فروغ دینے کیلئے گریجویٹ یونیورسٹی کے ساتھ کمپنی کے تعاون کا اعلان کرتا ہوں۔ ہماری مسلسل کوشش ہے کہ ماحول کو صاف اور آلودگی سے پاک رکھنے کیلئے ناکارہ صنعتی مواد حفظانِ صحت کے اصولوں کے مطابق ضائع کیا جائے۔
- نئی حکومت کے تعاون اور بہتر عملی پالیسیوں کیلئے پر اُمید ہیں جو ہمیں پیداوار کی بنیادی سہولتوں اور مصنوعات کے فروغ کیلئے خاطر خواہ حوصلہ افزائی کرتی رہے گی۔ میں اس موقع پر آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے تمام ملازمین کی مخلص خدمات کو تسلیم کرتا ہوں اور ساتھ ساتھ تمام کاروباری شراکت داروں اور حصص داروں کا دل سے شکریہ ادا کرتا ہوں۔

坂本 幹夫

میکو بانڈو
چیرمین

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report of Otsuka Pakistan Limited the Company for the year ended June 30, 2018.

Business Review

After getting good results in the previous financial year, your company profitability has been suppressed in the current financial year. This was mainly due to depreciation in the Pak Rupee which has not only increased our cost of production but has also given us a notional exchange loss of Rs. 85.8 million on our foreign currency denominated liabilities at the year end. Due to unfavorable exchange rate movement along with increase in cost of utilities has diminished our profit margins. Our earning per share has been reduced from Rs. 9.07 to Rs. 5.40 per share.

Our sales have shown a meager growth of 2.2% as compared to the last year due to cut throat competition and oversupply situation in IV infusion market. Increase in expenses was due to inflation and additional expenses for promotional activities. During the year under review, we have launched two new products "Micro port Orthopedic Knee Implants" and Mucosta (Rebamipide) which are under the process of gaining the market position.

After having better results in the financial year 2016-2017, your Company has repaid two installments of loan obtained from the related party (Otsuka Pharmaceutical Factory, Inc., Japan). This repayment has also reduced our financial cost, the portion of which is partially off-set by the increase in bank rate from State Bank of Pakistan in the last 2 quarters.

Financial Results

(PKR in million)

Profit before taxation	138.008
Provision for taxation	<u>(72.702)</u>
Profit after taxation	65.306
Other comprehensive loss(net of tax)	<u>(0.358)</u>
Total comprehensive profit for the year	64.948
Interim issue of bonus shares during the year	(11.000)
Accumulated profits brought forward	<u>27.864</u>
Accumulated profit carried forward	<u><u>81.812</u></u>

Appropriations

The board is pleased to propose a final cash dividend of PKR 1.20 per share for the year ended June 30, 2018. The total dividend attributable to the year is PKR 2.20 per share including the interim bonus shares of 10%.

Earnings / (loss) Per Share

The earning per share for the year ended June 30, 2018 works out to be Rs. 5.40 (2017: Earning per share was Rs. 9.07[restated]).

Future outlook

As the new democratic setup will be established in the ongoing calendar year alongside a severe external account deficit which may bring further devaluation of Pak Rupee and increase inflation, bank rates, we foresee further erosion in our future profitability. However, with the introduction of new products and focus towards innovative promotional activities, we are confident to meet these challenges. The Board is of the view that your company can achieve much more but all this depends on the new government policies especially giving product registration on fast track and allowing price increase/fixation as per approved policy.

Corporate Governance

As required under Corporate Governance, the Directors are pleased to confirm that:

- a. the financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- b. proper books of accounts of the Company have been maintained;
- c. appropriate accounting policies have been consistently applied in the preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departures therefrom has been adequately disclosed and explained. the system of internal control is sound in design and has been effectively implemented and monitored;
- f. there are no significant doubts upon the Company's ability to continue as a going concern;
- g. there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- h. In accordance with the criteria specified in Code, one director has a certification under Directors' Training Program, two directors of the Company are exempt from the requirement of Directors' training program. All the Directors on the Board are fully conversant with their duties and responsibilities as Directors of corporate bodies; and
- i. There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2018 except for those already disclosed in the financial statements.

Key operating and financial data

Key operating and financial data of last six years is annexed with this annual report.

Value of investments of provident and gratuity funds

The following is the value of investments based on latest respective audited accounts:

Provident Fund Rs.	140,520,529/-
Gratuity Fund Rs.	76,263,343/-

Board of Directors

Mr. Nazimuddin Feroz has retired from services from the post of the Non-executive directorship on January 15, 2018. Mr. M. Taufiq Feroz filled the casual vacancy of Mr. Nazimuddin Feroz.

The composition of the Board of Directors ("the Board") is as follows:

Category	Names
Independent Director	Mr. Noor Muhammad
Other Non-Executive Directors	Mr. Mikio Bando Mr. Hakugi Kiyono Mr. Makio Osaka Mr. Suhari Mukti Mr. Mehtabuddin Feroz Mr. Muhammad Abdullah Feroz Mr. Muhammad Taufiq Feroz
Executive Directors	Mr. Hanif Sattar

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

Meetings of the Board, Audit Committee and Human Resource & Remuneration Committee:

Meetings of the Board and sub-committees to the Board:

Name of Director	Board Meetings		Audit Committee Meetings		Human Resource & Remuneration	
	Meetings held during the period	Attendance	Meetings held during the period	Attendance	Meetings held during the period	Attendance
Mr. Hanif Sattar (CEO)	4	4	6	N/A	1	1
Mr. Mehtabuddin Feroz	4	4	6	6	1	1
Mr. Mohammad Abdullah Feroz	4	4	6	N/A	1	N/A
Mr. Nazimuddin Feroz	4	2	6	N/A	1	N/A
Mr. Muammad Taufiq Feroz (*)	4	2	6	N/A	1	N/A
Mr. Makio Bando	4	1	6	N/A	1	N/A
Mr. Hakugi Kiyono	4	4	6	4	1	1
Mr. Makio Osaka	4	0	6	N/A	1	N/A
Mr. Suhari Mukti	4	1	6	N/A	1	N/A
Mr. Noor Muhammad (Independent Director)	4	4	6	6	1	N/A
Mr. Abid Hussain (Alternate Director) (1)	4	3	6	N/A	1	N/A
Mr. Tariq Mehtab Feroz (Alternate Director) (2)	4	3	6	N/A	1	N/A
Mr. Sajid Ali Khan (Alternate Director) (3)	4	4	6	N/A	1	N/A

(1) Alternate Director for Mr. Suhari Mukti

(2) Alternate Director for Mikio Bando

(3) Alternate Director for Mr. Makio Osaka

(*) Mr. M. Taufiq Feroz filled the casual vacancy on 15-01-2018 created due to resignation of Mr. Nazimuddin Feroz

Pattern of Shareholding

The Pattern of shareholding of the Company as at June 30, 2018 is annexed with this annual report.

Trading in shares by directors, executives and their spouses and minor children

During the year no trading in shares were reported by directors, executives and their spouses and minor children.

Corporate Social Responsibility

The Company considers social, environmental and ethical matters in the context of the overall business environment and has paid monetary as well as non-monetary donations in the form of medicines to different institutions as part of its corporate social responsibility. The Company is committed to work in the best interest of all the stakeholders, in particular the community in which we live and forms our customer base. In this respect, the Company has signed a memorandum of understanding with Greenwich University for establishing long term collaboration to promote research, educational and professional activities in the field of Nutrition.

Adequacy of Internal Financial Control

The Company has an adequate internal financial controls system in place and the same was operating effectively during the year ended June 30, 2018. The Company's Directors provide reasonable assurance regarding the achievement of operating, reporting and compliance objectives are the means by which:

- Companies full operations are conducted in accord with prescribed policies and procedures.
- The enterprise is in compliance with applicable laws and regulations.
- The enterprises assets and information are protected from any improper use.

Holding Company

The Company is an indirect subsidiary of Messrs Otsuka Pharmaceutical Company Limited, which is incorporated in Japan.

Subsequent events

Subsequent to the year end, The Collector of Customs has released our guarantees amounting to Rs. 65.542 million submitted against the release of raw material at import stage. This result in reversal of our provision of sales tax payable to the extent of guarantees released. Except for this, there are no material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of this report.

Description of principal risks & uncertainties

We expect no principal risks & uncertainties as at the closing period of June 30, 2018.

Changes occurring in the nature of business

We expect and planned to launch new products of pharma and medical devices in near future. Our main nature of business will remain unchanged.

Main trends/ developments likely to affect future performance

Pharma industry is suffering due to lack of implementation on pricing policies and continuous increase in cost of production, utilities, freight etc. Therefore major developments from the new government in pricing, import and taxation policies may affect our future performance. Positive developments in the pharmaceutical sector will also encourage us to invest further for manufacturing facilities and ultimately introduction of new products for the betterment of people.

Loans

The Company obtained loans from M/s. Otsuka Pharmaceutical Factory, Inc., Japan which represents a foreign currency denominated loan obtained in two tranches of JPY 75 million each drawn down on June 16, 2014 and December 22, 2014, three tranches of JPY 125 million each drawn down on February 26, 2015, April 27, 2015 and July 27, 2015 and one tranche of JPY 84.50 million drawn on December 16, 2015. Each facility is to be repaid within one year of the initial drawn down date.

Each tranche was repayable within one year of the initial drawn down date. The first tranche of JPY 75 million falling due on June 15, 2015 was rolled forward twice for a further period of one year from the due date and was repaid in December 2016. The second tranche of JPY 75 million falling due on December 21, 2015 was rolled forward twice for a further period of one year from the date it had fallen due and was repaid subsequent to the year ended June 30, 2017. The third, fourth and fifth tranches of JPY 125 million each falling due on February 25, 2016, April 26, 2016 and July 26, 2016 were rolled forward thrice for a further period of one year from the due dates. The sixth tranche of JPY 84.5 million falling due on December 15, 2016 has also been rolled forward for another year and repaid on December 16, 2017.

Auditors

The present auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants, retire at the conclusion of the 30th Annual General Meeting.

Based on the suggestion of the Audit Committee, the Board of Directors has recommended to the shareholders for the appointment of Messrs. Deloitte Yousuf Adil, Chartered Accountants as the external auditors of the Company for the year ending June 30, 2019. This change is being proposed in order to align your local auditors with auditors of Otsuka group.

Acknowledgement

The Board wishes to place on record its appreciation for the untiring efforts of all its employees in taking the Company forward.



Mehtabuddin Feroz
Director

Karachi

Dated: August 28, 2018

On behalf of the Board



Hanif Sattar
Chief Executive Office

قرضے:

کمپنی نے فارماسیوٹیکل فیکٹری انکارپوریٹڈ جاپان سے سستے جاپانی ین میں قرضے حاصل کئے ہوئے ہیں۔ جس میں یکساں 75 ملین ین کی دو اقسام بلترتیب 16 جون 2014 اور 22 دسمبر 2014 کو موصول ہوئیں۔ اس کے علاوہ 125 ملین کی مزید تین یکساں اقساط بلترتیب 26 فروری 2015، 27 اپریل 2015، 27 جولائی 2015، کو کمپنی نے مزید وصول کیں۔ ان تمام قرضات کی ادائیگیاں اپنی موصول ہونے والی تاریخ سے ایک سال کی مدت میں واپس کرنی تھیں۔ اس سلسلے میں 75 ملین ین کی پہلی رقم ادائیگی کی تاریخ سے دو مرتبہ آگے بڑھائی گئی اور بلا آخر 6 دسمبر 2016 کو ادا کر دی گئی۔ دوسری 75 ملین ین کی رقم 21 دسمبر 2015 کو ادا کرنا تھا اسے بھی مزید دو سال کیلئے موخر کیا گیا اور بلا آخر 12 جولائی 2017 کو ادا کر دیا گیا۔ 125 ملین ین کی تیسری، چوتھی اور پانچویں اقساط کی ادائیگیاں بلترتیب 25 فروری 2016، 26 اپریل 2016 اور 26 جولائی 2016 کو ادا کرنی تھیں لیکن انہیں مقررہ تاریخ سے مزید ایک سال کی بنیاد پر تین مرتبہ آگے بڑھایا گیا۔ 84.5 ملین ین کی چھٹی اور آخری قسط جس کی ادائیگی کی تاریخ 15 دسمبر 2016 تھی اسے بھی ایک سال کیلئے موخر کیا گیا اور بلا آخر 16 دسمبر 2017 کو ادا کر دیا گیا۔

آڈیٹرز:

موجودہ آڈیٹر، میسرز۔ اے ایف فرگوسن کمپنی، چارٹرڈ اکاؤنٹنٹس کمپنی کے 30 ویں سالانہ عام اجلاس پر ریٹائرڈ ہو گئے ہیں۔

آڈٹ کمیٹی کے مشورے کے مطابق، کمپنی بورڈ آف ڈائریکٹرز نے 30 جون، 2019 کے ختم ہونے والے سال کے لیے بطور بیرونی آڈیٹر میسرز، ڈیلوئیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کی تقرری کی سفارش کی ہے، یہ تبدیلی اوٹسو کا جاپان گروپ کے آڈیٹرز ہونے کے ناطے حصص داروں کے سامنے رکھی گئی ہے۔

اعتراف:

بورڈ اپنے ملازمین کی انتھک محنت پر تہ دل سے اُن کا مشکور ہے اور اُن کی کاوشوں کو قدر کی نگاہ سے دیکھتا ہے۔

بورڈ کی جانب سے



حنیف ستار

چیف ایگزیکٹو آفیسر



مہتاب الدین فیروز

ڈائریکٹر

کراچی:

تاریخ: 28 اگست، 2018ء

اندرونی فنانشل کنٹرول پر دسترس:

- کمپنی میں ایک مناسب داخلی مالیاتی کنٹرول سسٹم ہے اور اسی طرح 30 جون، 2018 تک ختم ہونے والے سال کے دوران موثر طریقے سے کام کر رہا تھا۔ کمپنی کے ڈائریکٹران نے آپریٹنگ، رپورٹنگ اور پورٹنگ ایکٹ کی تعمیل کے مقاصد کے حصول کے بارے میں مناسب یقین دہانی فراہم کی ہے جو مندرجہ ذیل ہیں۔
- ☆ کمپنی کا مکمل آپریشن کا شفاف طریقہ کار کے مطابق کئے جاتے ہیں۔
 - ☆ انٹرنیٹ پر قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔
 - ☆ انٹرنیٹ پر کاروباری اثاثوں اور اندرونی معلومات کسی بھی غیر مناسب استعمال سے محفوظ ہیں۔

ہولڈنگ کمپنی:

آپ کی کمپنی میسرس اوٹسوکا فارماسیوٹیکل کمپنی لمیٹڈ کی بلا واسطہ ماتحت کمپنی ہے جسے جاپان میں قائم کیا گیا ہے۔

واقعات بعد از مالیاتی نتائج:

اختتامی سال کے مالیاتی نتائج ریکارڈ کرنے کے بعد کلکٹر آف کسٹمز نے ہماری وہ بینک گارنٹیز جو درآمدی خام مال کے سیلز ٹیکس کیلئے ضمانت مہیا کی گئی تھیں۔ اُن میں سے 65.542 ملین کی بینک گارنٹیز واپس کر دی ہیں جس کے نتیجے میں سیلز ٹیکس کا پروویژن منسوخ کر دیا گیا ہے۔ اس کے علاوہ مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے دوران کمپنی کی مالی ساخت کو متاثر کرنے والی کوئی اور مادی یا بادی النظر واقعہ وقوع پذیر نہیں ہوا۔

کوئی خدشہ یا خطرہ غیر یقینی صورتحال جس کا کمپنی کو ممکنہ طور پر سامنا ہو:

ہم کسی بھی رسک یا غیر یقینی صورتحال کو روکنا ہوتے نہیں دیکھ رہے ہیں جیسا کہ 30 جون، 2018 تک تھا۔

کاروبار کی نوعیت میں ہونے والی تبدیلیاں:

ہم مستقبل قریب میں فارما اور طبی آلات کی نئی مصنوعات شروع کرنے کا عزم رکھتے ہیں، جبکہ ہمارے کاروبار کی فطری مینوفیکچرنگ پر کوئی اثر نہیں پڑے گا۔

اہم رجحانات / ڈیولپمنٹ جو مستقبل میں کمپنی کی کارکردگی پر اثر انداز ہو سکیں (قیمت میں اضافہ):

فارما انڈسٹری کو ایک عرصے سے پرائسنگ پالیسیوں کے غیر فعال ہونے اور مسلسل بڑھتی لاگت کی شکل میں مشکلات کا سامنا ہے۔ اس لئے مستقبل میں حکومت کی جانب سے اس ضمن میں اٹھائے جانے والے اقدامات کی اہمیت ہے۔ ایسا ہونے پر ہم مینوفیکچرنگ یونٹس اور پلانٹس میں مزید سرمایہ کاری کریں گے اور نئی مصنوعات متعارف کروائیں گے۔

بورڈ میٹنگ، آڈٹ کمیٹی اور ہیومن ریسورس و معاوضہ کمیٹیوں کی ملاقاتیں:

ہیومن ریسورس و معاوضہ کمیٹی		آڈٹ کمیٹی میٹنگ		بورڈ میٹنگ		ڈائریکٹران کے نام
حاضری	پیئر یڈ کے دوران ہونے والی میٹنگ	حاضری	پیئر یڈ کے دوران ہونے والی میٹنگ	حاضری	پیئر یڈ کے دوران ہونے والی میٹنگ	
1	1	N/A	6	4	4	حنیف ستار (سی ای او)
1	1	6	6	4	4	مہتاب الدین فیروز
N/A	1	N/A	6	4	4	محمد عبداللہ فیروز
N/A	1	N/A	6	2	4	ناظم الدین فیروز
N/A	1	N/A	6	2	4	محمد توفیق فیروز
N/A	1	N/A	6	1	4	میکپو بانڈو
1	1	4	6	4	4	ہاکوجی کیونو
N/A	1	N/A	6	0	4	میکپو اوسا کا
N/A	1	N/A	6	1	4	سُوہاری مکتی
N/A	1	6	6	4	4	نور محمد (آزاد ڈائریکٹر)
N/A	1	N/A	6	3	4	عابد حسین (متبادل ڈائریکٹر) 1
N/A	1	N/A	6	3	4	طارق مہتاب فیروز (متبادل ڈائریکٹر) 2
N/A	1	N/A	6	4	4	ساجد علی خان (متبادل ڈائریکٹر) 3

- سہاری مکتی کے لئے متبادل ڈائریکٹر (۱)
میکپو بانڈو کے لئے متبادل ڈائریکٹر (۲)
میکپو اوسا کا کے لئے متبادل ڈائریکٹر (۳)

حصص داروں کا پیٹرن:

کمپنی کی حصص داروں کا پیٹرن برائے اختتامی سال 30 جون، 2018 اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹران، ایگزیکٹو ان کی ازدواج اور بچوں کا کمپنی کے حصص میں لین دین:

زیر نظر دوران سال میں ڈائریکٹران ازدواج اور بچوں کے نام پر حصص کی خرید و فروخت وقوع پذیر نہیں ہوئی۔

کا پور بیٹ سماجی ذمہ داری:

کمپنی میں مجموعی طور پر کاروباری ماحول کے تناظر، میں سماجی، ماحولیاتی اور اخلاقی معاملات پر بھی غور کیا جاتا ہے اور اس ذمہ داری کو فرض سمجھتے ہوئے مالی اور ادویات کی صورت میں مختلف اداروں کو عطیات کی فراہمی بھی کی جاتی ہے۔ کمپنی اپنے تمام شرکاءت داروں کی بہتری کیلئے مصروف عمل ہے خاص طور پر وہ کمیونٹی جس میں ہم رہائش پذیر ہیں اور اپنے گاہکوں کے اطمینان کی بنیاد اور جائز مطالبات کے طور پر کارفرما ہے۔ اسی سلسلے میں کمپنی نے غذائیت کے میدان میں تحقیق، تعلیمی اور پیشہ وارانہ سرگرمیوں کو فروغ دینے کیلئے گریجویٹ یونیورسٹی کے ساتھ ایک طویل المدتی معاہدہ تشکیل دیا ہے۔

اہم آپریٹنگ اور دیگر مالیاتی معلومات:

گزشتہ چھ سال کی اہم آپریٹنگ اور مالیاتی معلومات اس رپورٹ کے ساتھ منسلک ہے۔

پروویڈینڈ اور گریجویٹ فنڈز میں سرمایہ کاری:

تازہ ترین آڈٹ اکاؤنٹس کی بنیاد پر پروویڈینڈ اور گریجویٹ فنڈز میں سرمایہ کاری کی تفصیلات درج ذیل ہیں۔

پروویڈینڈ فنڈ = 140,520,529 روپے

گریجویٹ فنڈ = 76,263,343 روپے

بورڈ آف ڈائریکٹرز:

جناب ناظم الدین فیروز نے اپنے ڈائریکٹر کے عہدے سے 15 جنوری، 2018 کو مستعفی ہوئے۔ آپ کی جگہ پر جناب محمد توفیق فیروز نے یہ عہدہ سنبھالا۔
بورڈ آف ڈائریکٹرز کی تشکیل درج ذیل ہے:

نام	درجہ بندی
نور محمد	آزاد ڈائریکٹر
میکو بانڈو ہاکوجی کیونو میکو اوسا کا سُو ہاری مگتی مہتاب الدین فیروز محمد عبداللہ فیروز محمد توفیق فیروز	دوسرے غیر ایگزیکٹو ڈائریکٹرز
حنیف ستار	ایگزیکٹو ڈائریکٹر

بورڈ آف ڈائریکٹرز ایکٹ کے مطابق، شفاف طریقہ کار اور قواعد و ضوابط کے ساتھ معاوضہ ادا کرنے کی پالیسیوں پر عمل پیرا ہیں۔

اختصاصات:

بورڈ 30 جون، 2018 کے اختتامی سال کیلئے فی حصص حتمی 1.20 روپیہ (12%) ڈیویڈنڈ تجویز کرنے کیلئے پرمسرت ہے۔ اس اختتامی سال سے منسوب کل ڈیویڈنڈ فی حصص 2.20 روپے ہے جس میں 10% فیصد عبوری بونس شیئر شامل ہیں جو کہ پہلے ہی ادا کئے جا چکے ہیں۔

آمدنی / خصارہ فی حصص:

آمدنی فی حصص برائے مالی سال 30 جون، 2018، 5.40 روپیے نکالا گیا (برائے مالی سال 30 جون، 2017، 9.70 روپیے (نیا عاودہ) رہا)۔

مستقبل کا نقطہ نظر:

جیسا کہ نیا جمہوری نظام رائج ہو چکا ہے جس کو بیرونی کھاتوں میں شدید خساروں کا سامنا ہے اور اس میں مزید افراطِ زر کا بڑھنا اور پاکستانی روپیہ کی مزید تضحیح بھی وقوع پزیر ہو سکتی ہے تاہم، کمپنی نئی مصنوعات کے تعارف اور جدید تشریحی سرگرمیوں پر توجہ مرکوز رکھنے سے ان چیلنجوں کو پورا کرنے پر اعتماد رکھتی ہے۔ بورڈ کا خیال ہے کہ آپ کی کمپنی زیادہ منافع حاصل کر سکتی ہے لیکن اس کا انحصار نئی حکومت کی عملی پالیسیوں پر ہے جس میں نئی مصنوعات کی تیز تر اندراج اور قیمت میں اضافے کا تعین منظور شدہ پالیسی کے مطابق نہایت ضروری امر ہیں۔

کارپوریٹ گورننس:

جیسا کہ کارپوریٹ گورننس کے تحت درکار ہے ڈائریکٹران مسرت کے ساتھ مندرجہ ذیل اقدامات کی تصدیق کرتے ہیں۔

- ۱۔ کمپنی کے مالیاتی گوشوارے اور معلومات جیسا ہے ویسا بیان ہے کی شکل میں پیش کرتے ہیں جس میں آپریشنز نتائج، کیش فلوز اور ایکویٹی میں تبدیلی شامل ہیں۔
- ۲۔ کمپنی کے کھاتوں کی تیاری میں مناسب دیکھ اور احتیاط رواء رکھی گئی ہے۔
- ۳۔ مناسب اور رائج اکاؤنٹنگ پالیسیاں مستقل بنیادوں پر فنانشل بیانات کی تیاری پر لاگو کی گئی ہیں۔ مزید برآں اکاؤنٹنگ کے تخمینے معقول اور عقابت اندیشی سے لئے گئے فیصلوں کی بنیاد پر لگائے گئے ہیں۔
- ۴۔ پاکستان میں لاگو تمام بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز مالیاتی گوشواروں کی تیاری میں استعمال ہوئے ہیں اور کسی قسم کی کوئی غفلت نہیں برتی گئی۔
- ۵۔ اندرونی کنٹرول کا سسٹم کا ڈائریکٹران متوازن ہے اور اسے موثر انداز میں لاگو کیا گیا اور اس کی نگرانی کی جاتی رہی۔
- ۶۔ ایسے کوئی خدشات لاحق نہیں جن کی بنیاد پر کمپنی کے آگے کام کرنے کی صلاحیت پر شک کیا جائے۔
- ۷۔ بیان کردہ ریگولیشنز میں کارپوریٹ گورننس کی بہترین پریکٹس میں سے کوئی میٹریل ڈیپارچر نہیں ہوا۔
- ۸۔ ضابطے میں درج شق کے معیار کے مطابق ایک ڈائریکٹر کے پاس ڈائریکٹر ٹریننگ پروگرام کا سرٹیفکیٹ ہے۔ دو ڈائریکٹران اس سرٹیفکیشن سے مستثنیٰ ہیں۔ بورڈ کے تمام ڈائریکٹران اپنی ذمہ داریوں سے بخوبی آگاہ ہیں۔
- ۹۔ 30 جون، 2018 تک کمپنی ٹیکس، لیویز اور چارجز کی مد میں کسی بھی رقم کی ادائیگی کی قانوناً پابند نہیں ماسوائے ان کے جو مالیاتی گوشواروں میں پہلے ہی بیان کئے جا چکے ہیں۔

ڈائریکٹرز رپورٹ

اوٹسوکا پاکستان لمیٹڈ کے بورڈ آف ڈائریکٹرز ختم ہونے والے مالی سال 2017-18 کے اکاؤنٹس اور سالانہ رپورٹس پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کاروباری جائزہ:

پچھلے مالی سال میں اچھے نتائج حاصل کرنے کے بعد رواں مالی سال میں آپ کی کمپنی کے منافع میں کمی واقع ہوئی ہے۔ یہ بنیادی طور پر پاکستانی روپیہ کی تشخیص کی وجہ سے ہوا ہے جس نے نہ صرف ہماری پیداواری لاگت میں اضافہ کیا بلکہ پاکستانی روپیہ کے غیر ملکی زرمبادلہ کے تبادلے کو بھی نقصان پہنچایا ہے اور ہمیں غیر ملکی زرمبادلہ کے تبادلے پر روپیہ 85.8 ملین نقصان ریکارڈ ہوا۔ اس غیر موافق تبدیلی نے ہماری پیداواری لاگت اور افادیت کی شرح میں اضافہ کرتے ہوئے ہمارے منافع کی شرح میں نمایاں کمی واقع کر دی ہے۔

ہماری مصنوعات کی فروخت نے پچھلے سال کے مقابلے میں صرف 2.2% فیصد ترقی حاصل کی ہے جس کی وجہ IV کے شعبے میں شدید مقابلے بازی اور مارکیٹ میں دوسری مصنوعات کی وافر دستیابی ہے۔ اخراجات میں اضافے کی بڑی وجہ بڑھتے ہوئے افراط زر اور مصنوعات کی تشہیر کے اضافی اخراجات ہیں۔ دوران سال کمپنی نے دو نئی مصنوعات کی فروخت کا آغاز کیا ہے۔ جس میں مائیکرو آرٹھو پیڈک امپلانٹس گھٹنوں کیلئے اور میوکوسٹائٹیلیٹس قابل ذکر ہیں۔ یہ دونوں مصنوعات ابھی مارکیٹ میں پوزیشن حاصل کرنے کے عمل میں ہیں۔

مالی سال 2017-18 میں بہتر نتائج حاصل کرنے کے بعد آپ کی کمپنی نے بیرون ملک قرضوں کی 2 اقساط ادا کر دی ہیں جو کہ آپ کی کمپنی کی متعلقہ پارٹی (اوٹسوکا فارماسیوٹیکل فیڈری، انکارپوریٹڈ، جاپان) سے حاصل کی گئی تھیں۔ ان اقساط کی ادائیگیوں نے ہماری مالیاتی لاگت میں کمی کر دی ہے اور جزوی طور پر اسٹیٹ بینک آف پاکستان کی سودی شرح میں اضافہ کو پچھلے دو سہ ماہی میں متوازن اور موافق کیا ہے۔

(روپے ملین میں)

138.008

(72.702)

65.306

(0.358)

64.948

(11.000)

27.864

81.812

مالیاتی نتائج

ٹیکس ادا کرنے سے قبل منافع

ٹیکس کی فراہمی

بعد از ٹیکس منافع

دیگر جامع نقصان (ٹیکس کا خالص)

سال کیلئے مجموعی طور پر کل منافع

دوران سال عبوری بونس حصص کا اجراء

جمع کردہ کل منافع

مجموعی منافع

Few Glimpses of the Last Year



Board of Directors



Shareholders in 29th AGM



Shareholders on Factory Visit

STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 OF OTSUKA PAKISTAN LIMITED FOR THE YEAR ENDED JUNE 30, 2018

Otsuka Pakistan Limited (“the Company”) has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (“the Regulations”) in the following manner:

1. The total number of directors are nine as per the following:
 - a) Male: Nine
 - b) Female: Nil

2. The composition of the Board of Directors (“the Board”) is as follows:

Category	Names
Independent Director	Mr. Noor Muhammad
Other Non-Executive Directors	Mr. Mikio Bando
	Mr. Hakugi Kiyono
	Mr. Makio Osaka
	Mr. Suhari Mukti
	Mr. Mehtabuddin Feroz
	Mr. M. Abdullah Feroz
	Mr. M. Taufiq Feroz
Executive Directors	Mr. Hanif Sattar

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable). The Company and the Directors intend to comply with the requirement of not more than five listed companies upon reconstitution of the Board in the upcoming election of directors.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (“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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. As at June 30, 2018 one director namely: Mr. Noor Muhammad has acquired the prescribed certification under Directors’ Training Program and two directors namely Mr. Mehtabuddin Feroz and Mr. M. Abdullah Feroz are exempt from training program as mentioned in regulation no. 20, sub-regulation 2 of the Regulations.

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. The Chief Financial Officer and the Company Secretary of the Company were the same person. However the Company, subsequent to the year end, has appointed a different person as the Company Secretary which has been duly approved by the Board of Directors.
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:
 - a) Audit Committee
 - Mr. Noor Muhammad (Chairman and Independent Directors)
 - Mr. Hakugi Kiyono (Non-Executive Director)
 - Mr. Mehtabuddin Feroz (Non-Executive Director)
 - b) HR and Remuneration Committee *
 - Mr. Hakugi Kiyono (Chairman and Non-Executive Director)
 - Mr. Mehtabuddin Feroz (Non-Executive Director)
 - Mr. Hanif Sattar (Executive Director)

* The HR and Remuneration Committee does not include an Independent Director and the Chairman of the HR and Remuneration Committee is a non-executive director. Subsequent to the year end, the company has included the Independent Director in the capacity of the Chairmen HR and Remuneration Committee.
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as per following:
 - a) Audit Committee: six meetings were held during the financial year ended June 30, 2018
 - b) HR and Remuneration Committee: one meeting was held during the financial year ended June 30, 2018
15. The Board has outsourced the internal audit function to KPMG Taseer Hadi & Co. 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 (“the ICAP”) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.



Hanif Sattar

Chief Executive Officer

August 28, 2018



Mikio BANDO

Chairman

INDEPENDENT AUDITOR’S REVIEW REPORT

To the members of Otsuka Pakistan Limited

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

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

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

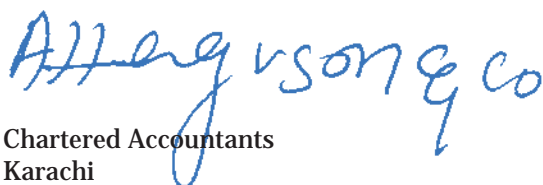
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company’s process for identification of related parties and that whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S. No.	Paragraph Reference	Description
i	10	The position of the Chief Financial Officer and the Company Secretary was held by the same person.
ii	12(b)	The HR and Remuneration Committee does not include an Independent Director and the Chairman of the HR and Remuneration Committee is a non-executive director.



Chartered Accountants
Karachi
Dated: September 19, 2018

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■KARACHI ■LAHORE ■ISLAMABAD

INDEPENDENT AUDITOR'S REPORT

To the members of Otsuka Pakistan Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit 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 year. 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 are the key audit matters:

S.No.	Key Audit Matters	How the matter was addressed in our audit
1	<p>Companies Act, 2017 (Refer note 3.3.1 to the annexed financial statements)</p> <p>The fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these annexed financial statements.</p> <p>As part of this transition to the requirements, the management performed a gap analysis to identify differences between the previous and current fourth schedules and as a result certain amendments relating to</p>	<p>We reviewed and understood the requirements of the fourth schedule to the Companies Act, 2017. Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ considered the management's process to identify the additional disclosures required in the Company's annexed financial statements. ▪ obtained relevant underlying supports for the

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S.No.	Key Audit Matters	How the matter was addressed in our audit
	<p>presentation and disclosures have been made in the Company's annexed financial statements.</p> <p>In view of the various additional disclosures in the annexed financial statements due to first time application of the fourth schedule to the Companies Act, 2017, we considered this as a key audit matter.</p>	<p>additional disclosures and assessed their appropriateness for the sufficient audit evidence.</p>
<p>2</p>	<p>Regulatory approval for product prices (Refer note 23.1 to the annexed financial statements)</p> <p>Certain pharmaceutical product prices in Pakistan are regulated by the Drug Regulatory Authority of Pakistan (DRAP). Accordingly, the price of Company's Intravenous Solutions (IV) products are subject to DRAP approval. Under the Drug Pricing Policy 2015 (the Policy) DRAP was required to consider and approve the increase in prices of products of hardship cases that included the IV products of the Company. The decision on price increase approval is still pending at the DRAP level. However, the Company in 2015 increased its IV product prices and has recorded revenue based on such increased prices. The matter is pending decision by the Economic Coordination Committee of the Cabinet and the Federal Government based on which DRAP will notify the revised prices. The Supreme Court of Pakistan has also directed DRAP to resolve the pricing matter of the pharmaceutical products.</p> <p>Further, the Company's business plan which forms the basis of recognition of deferred tax, as noted in para 2 below, assumes a favorable outcome of this matter.</p> <p>Taking into account the materiality of the amounts involved and that the matter is a higher risk area we have considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ we obtained an understanding of the matter through review of legal and regulatory correspondence and discussions with the management and the Board Audit Committee. ▪ we obtained a legal opinion to confirm management's understanding of the matter and to provide a formal assessment of the Company's risk position on this matter from the Company's external legal counsel handling this matter. ▪ based on review of the individual facts and circumstances and our broader industry knowledge, we reviewed and assessed the basis of management's conclusion on the matter and the disclosures given in the annexed financial statements.
<p>3</p>	<p>Deferred tax asset on unused tax losses and Alternative Corporate Tax (Refer note 9 to the annexed financial statements)</p> <p>At June 30, 2018, the Company had deferred tax asset on unused tax losses and Alternative Corporate Tax (ACT) of Rs 76.522 million and Rs 10.447 million respectively.</p> <p>The recognition of a deferred tax asset in respect of the above is permitted only to the extent that it is probable that future taxable profits will be available to utilize the benefit from unused tax losses and ACT.</p> <p>Significant judgement is required when assessing projections of future taxable income which are based on approved business plan / forecast. Therefore we have considered deferred tax asset on unused tax losses and ACT as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ we checked that the Board of Directors have approved the business plan defined by the management which forms the basis of recognition of deferred tax asset on unused tax losses and ACT. ▪ we checked that the benefit of amount of unused tax losses and ACT is being utilized within the permitted period of offset to utilize these tax benefits based on taxable profit forecast (for the next five years prepared by the management and approved by the Board of Directors). ▪ we assessed the reasonableness of assumptions used by the management in the preparation of the forecast. ▪ we tested the overall mathematical accuracy of the forecast model. ▪ we reviewed the adequacy of disclosures made in the financial statements in respect of deferred tax asset on unused tax losses and ACT.

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

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

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

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

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 the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the 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.

The 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.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 year 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 profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**

A. F. Ferguson & Co

A. F. Ferguson & Co.

Chartered Accountants

Dated: September 19, 2018

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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■KARACHI ■LAHORE ■ISLAMABAD

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

Note	2018	2017
	----- Rupees in '000 -----	
ASSETS		
Non-current assets		
Property, plant and equipment	6 420,354	467,443
Intangible asset	7 2,527	100
Long-term loans - considered good	8 4,909	4,619
Long-term deposits	1,309	1,295
Deferred tax asset - net	9 85,913	129,507
	<u>515,012</u>	<u>602,964</u>
Current assets		
Stores and spares	10 43,405	47,370
Stock-in-trade	11 553,508	432,101
Trade debts (unsecured) - net	12 294,367	198,403
Loans and advances - considered good	13 34,462	31,312
Trade deposits and short-term prepayments	14 29,113	21,472
Other receivables	731	1,330
Taxation	15 94,757	102,589
Bank balances	16 18,445	17,901
	<u>1,068,788</u>	<u>852,478</u>
Total assets	<u><u>1,583,800</u></u>	<u><u>1,455,442</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	17 121,000	110,000
Revenue reserves	81,812	27,864
Total shareholders' equity	<u>202,812</u>	<u>137,864</u>
LIABILITIES		
Current liabilities		
Short-term loan from a related party - unsecured	18 411,563	500,613
Trade and other payables	19 454,663	363,177
Unclaimed dividend	20 1,187	1,187
Short-term running finance - secured	21 513,575	452,601
	<u>1,380,988</u>	<u>1,317,578</u>
Total equity and liabilities	<u><u>1,583,800</u></u>	<u><u>1,455,442</u></u>
CONTINGENCIES AND COMMITMENTS		
	22	

The annexed notes 1 to 47 form an integral part of these financial statements.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

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

	Note	2018 ----- Rupees in '000 -----	2017
Net sales	23	1,869,013	1,829,624
Cost of sales	24	<u>(1,299,217)</u>	<u>(1,329,751)</u>
Gross profit		569,796	499,873
Selling and distribution expenses	25	(234,623)	(205,753)
Administrative and general expenses	26	<u>(87,217)</u>	<u>(84,562)</u>
		247,956	209,558
Other income	27	<u>41,582</u>	78,804
		289,538	288,362
Other expenses	28	<u>(113,007)</u>	(46,153)
Operating profit		176,531	242,209
Finance cost	29	<u>(38,523)</u>	(46,035)
Profit for the year before taxation		<u>138,008</u>	196,174
Taxation - net	30	(72,702)	(86,423)
Profit for the year after taxation		<u>65,306</u>	<u>109,751</u>
		----- Rupees -----	
Earnings per share - basic and diluted - (restated)	31	<u>5.40</u>	<u>9.07</u>

The annexed notes 1 to 47 form an integral part of these financial statements.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
	-----Rupees in '000-----	
Profit for the year after taxation	65,306	109,751
Other comprehensive loss for the year		
Items that will not be reclassified to statement of profit or loss		
<i>Components of comprehensive income reflected in equity</i>		
Remeasurement loss on defined benefit plan	(511)	(1,950)
Deferred tax on remeasurements of defined benefit plan	153	585
	(358)	(1,365)
Total comprehensive income for the year	<u>64,948</u>	<u>108,386</u>

The annexed notes 1 to 47 form an integral part of these financial statements.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

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

Note	2018	2017
	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	93,826	357,580
Taxes (paid) / refunded	(21,123)	10,126
Increase in long-term deposits	(14)	(7)
Increase in long-term loans	(290)	(5)
Net cash flows generated from operating activities	72,399	367,694
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(48,124)	(24,159)
Computer software purchased	(2,701)	(124)
Proceeds from disposal of property, plant and equipment	7,046	3,207
Net cash flows used in investing activities	(43,779)	(21,076)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term finance paid	-	(108,333)
Short-term loan paid to a related party	(89,050)	(121,016)
Net cash flows used in financing activities	(89,050)	(229,349)
Net (decrease) / increase in cash and cash equivalents during the year	(60,430)	117,269
Cash and cash equivalents at the beginning of the year	(434,700)	(551,969)
Cash and cash equivalents at the end of the year	(495,130)	(434,700)

The annexed notes 1 to 47 form an integral part of these financial statements.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

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

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves			Total
		issue of bonus shares	General reserve	Accumulated losses	Sub-total	
----- Rupees in '000 -----						
Balance as at July 1, 2016	110,000	-	367,500	(448,022)	(80,522)	29,478
Profit after taxation for the year ended June 30, 2017	-	-	-	109,751	109,751	109,751
Other comprehensive loss for the year						
Remeasurement loss on defined benefit plan	-	-	-	(1,950)	(1,950)	(1,950)
Deferred tax on remeasurements of defined benefit plan	-	-	-	585	585	585
	-	-	-	(1,365)	(1,365)	(1,365)
Balance as at June 30, 2017	110,000	-	367,500	(339,636)	27,864	137,864
Profit after taxation for the year ended June 30, 2018	-	-	-	65,306	65,306	65,306
Other comprehensive loss for the year						
Remeasurement loss on defined benefit plan	-	-	-	(511)	(511)	(511)
Deferred tax on remeasurements of defined benefit plan	-	-	-	153	153	153
	-	-	-	(358)	(358)	(358)
Transactions with owners recognised directly in equity						
Transfer to reserve for issue of bonus shares	-	11,000	(11,000)	-	(11,000)	-
Interim issue of bonus shares @ 10% for the year ended June 30, 2018 declared on October 25, 2017	11,000	(11,000)	-	-	-	-
Balance as at June 30, 2018	121,000	-	356,500	(274,688)	81,812	202,812

The annexed notes 1 to 47 form an integral part of these financial statements.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1 THE COMPANY AND ITS OPERATIONS

- 1.1 The Company is incorporated in Pakistan as a public limited company and is listed on the Pakistan Stock Exchange Limited. The address of its registered office is 30-B, S.M.C.H. Society, Karachi, Pakistan. The Company is engaged in the manufacturing, marketing and distribution of intravenous infusions and trading in pharmaceutical products, nutritional foods and medical equipment. The Company is an indirect subsidiary of Otsuka Pharmaceutical Company Limited, Japan.
- 1.2 As at June 30, 2018, the current liabilities of the Company exceeded its current assets by Rs 312.200 million (2017: Rs 465.100 million) mainly due to loans obtained by the Company from banks and a group company for financing the Balancing, Modernization and Replacement (BMR) of its IV production line (which concluded during the year ended June 30, 2014) and for meeting its working capital requirements. In addition, the Company has accumulated losses of Rs 274.688 million (2017: Rs 339.636 million) as at June 30, 2018.

The management believes that there are no imminent business and cash flow risks and has prepared a formal five years business plan of the Company based on which it strongly believes that the Company will be able to meet all its current and future liabilities as these fall due. The business plan features a consistent but gradual increase in the gross profit margin of the Company post price increase on its products (as explained in note 23.1), strict control over expenses, reduction in finance cost as a result of final settlement of long-term finance and repayment of short-term loans in future years, attainment of greater sales volume through more robust sales promotion and change in the product mix. The management believes that after the implementation of initiatives stated in the five years business plan the Company may continue to have positive results in future years enabling it to completely set-off the losses incurred in the prior years. However, the price increase factor will continue to play a pivotal role in the generation of future profits of the Company.

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

- a) Due to saturation in Intravenous solution market, the Company has invested in two new products with one under Medical devices segment called "Orthopedic Knee Implant" and the other in Therapeutic Drug segment called "Mucosta";
- b) Due to devaluation of Pak Rupee during the year ended June 30, 2018, the Company has suffered a net exchange loss amounting to Rs. 85.849 million; and
- c) For a detailed discussion about the Company's performance please refer to the Director's report.

3 BASIS OF PREPARATION AND MEASUREMENT

3.1 Statement of compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention except that obligations in respect of certain staff retirement benefits are carried at present value of defined benefit obligation less fair value of plan assets and stock-in-trade is carried at the lower of cost and net realisable value.

3.3 New and amended standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year

3.3.1 The Companies Act, 2017 (the Act) has brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes include change in nomenclature of primary statements and incorporation of additional disclosures as given in notes 2, 6.2, 6.6, 8.2, 12.3, 13.3, 20, 30.2, 34.2, 35.1, 35.2 and 37.

3.3.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3.4 New and amended standards, interpretations and amendments to published accounting and reporting standards that are not yet effective in the current year

The following standards, amendments and interpretations with respect to approved accounting standards would be effective from the date mentioned below against the respective standards, amendments or interpretations:

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
- IFRS 9 - Financial Instruments	July 1, 2018
- IFRS 15 - Revenue from contracts	July 1, 2018
- IFRS 16 - Leases	January 1, 2019

The standards highlighted above may impact the financial statements of the Company on adoption. The Management is currently in the process of assessing the impact on the financial statements of the Company.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- impairment of trade debts (notes 5.7 and 12.1);
- estimate of residual values, useful lives and depreciation rates of operating fixed assets (notes 5.1 and 6.1);
- estimate of liabilities in respect of staff retirement benefits (notes 5.11 and 34.1);
- provision for taxation (notes 5.14, 9, 15 and 30);
- contingencies and commitments (note 22.4).

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented unless otherwise disclosed or specified.

5.1 Property, plant and equipment

Operating fixed assets - owned

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to the statement of profit or loss as and when these are incurred.

Depreciation is charged to statement of profit or loss using the straight line method whereby the depreciable amount of an asset is written off over its estimated useful life, in accordance with the rates specified in note 6.1 to these financial statements and after taking into account residual values, if significant. The residual values of operating fixed assets, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month in which the assets become available for use, while no depreciation is charged in the month of disposal.

Gains or losses on the disposal of property, plant and equipment are taken to the statement of profit or loss in the year in which the disposal is made.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to the relevant category of operating fixed assets as and when the assets are available for use.

5.2 Intangible assets

Intangible assets mainly comprise computer software which are initially recognised at cost. Cost represents the purchase cost of software (license fee). After initial recognition, these are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged at the rate specified in note 7.1 using the straight line method over the useful life of the asset. Amortisation begins from the month the asset is available for use and ceases in the month of disposal. The amortisation period and amortisation method are reviewed at each reporting date and are adjusted, if appropriate, to reflect the current best estimate.

Costs associated with maintaining the computer software programmes are recognised as an expense when incurred.

5.3 Stores and spares

These are valued at weighted average cost except for items in transit which are valued at cost comprising invoice value and other charges incurred thereon.

Provision against stores and spares is determined based on management's best estimate regarding their future usability.

5.4 Stock-in-trade

Raw and packing materials (except for those in transit) and work in process are valued at cost determined using weighted average cost method. Finished goods are valued at the lower of cost (determined using weighted average cost method) and the net realisable value.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the costs necessary to be incurred to make the sale.

Items in transit are stated at cost comprising invoice value and other charges incurred. Cost in relation to work in process includes material cost and a portion of labour and other overheads incurred. Cost in relation to finished goods includes cost of direct materials, direct labour, an appropriate portion of production overheads and the related duties.

Provision against obsolete and slow moving stock in trade is determined based on management's best estimate regarding their future usability.

5.5 Financial instruments

5.5.1 Financial assets and liabilities

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are removed from the statement of financial position when the obligation is extinguished, discharged, cancelled or expired.

Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

5.5.2 Offsetting of financial assets and liabilities

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

5.6 Impairment

(a) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognised.

(b) 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 recognized as an expense in the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost of 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 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 amortization, if no impairment loss had been recognized.

5.7 Trade debts and other receivables

Trade debts and other receivables are initially recognised at original invoice value which signifies their fair value and then carried at amortised cost. Provision is made against debts considered doubtful of recovery based on management's review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off as and when identified.

5.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and short-term running finance arrangements.

5.9 Trade and other payables

Trade and other payables are recognised initially at fair value of the consideration to be paid in future for goods and services whether or not billed to the Company and are, subsequently, carried at amortised cost.

5.10 Provisions, contingent assets and contingent liabilities

Provisions are recognised 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 of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

5.11 Employee benefit schemes

The Company operates:

- a) an approved funded gratuity scheme covering all its permanent management and non-management staff. Employees become eligible upon completing the minimum qualifying period of service. Annual contributions are made to the scheme based on actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Method. Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses, and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the year in which these occur; and
- b) an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made to the Fund by the Company and the employees in accordance with the rules of the Fund. Benefits are payable to eligible employees on completion of the prescribed qualifying period of service under the scheme.

5.12 Employees' compensated absences

The Company accounts for its liability in respect of accumulated absences of employees on unavailed balance of leaves in the period in which these leaves are earned.

5.13 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred and are, subsequently, carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right or consent of the lender to defer settlement of the liability for at least 12 months after the reporting date.

5.14 Taxation

Current

'Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for taxation purposes. The Company also recognises deferred tax asset on unused tax losses, alternate corporate tax and unused tax credits.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to the Company against which the temporary difference can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax asset or liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting date.

5.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable and is recorded on the following basis:

- Sales are recorded on dispatch of goods to customers and in case of exports when the goods are shipped.
- Sales of stents are recorded on the basis of consumption.
- Scrap sales are recognised in the year in which scrap sales are made.
- Other income is recognised on an accrual basis and includes certain reversals, gains and other items. The particular recognition criteria of these items is disclosed in the individual policy statements associated with these items.

5.16 Borrowing costs

Borrowing costs are recognised as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets. Such borrowing costs, if any, are capitalised as part of the cost of the relevant assets.

5.17 Earnings / (loss) per share

The Company presents basic and diluted earnings / (loss) per share data for its ordinary shares. Basic earnings / (loss) per share 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 year. Diluted earnings / (loss) per share is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.18 Proposed dividends and transfers between reserves

Dividends, if any, declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared and transfers are made.

5.19 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange approximating those at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

5.20 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistan Rupee, which is the Company's functional and presentation currency.

5.21 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses that relates to transactions with any of the other components of the Company.

The Board of Directors and the Chief Executive Officer of the Company have been identified as the chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments. Currently, the Company is functioning as a single operating segment.

5.22 Commitments

Commitments for capital expenditure contracted for but not incurred are disclosed in the financial statements at committed amounts. Commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at committed amounts.

6	PROPERTY, PLANT AND EQUIPMENT	Note	2018 -----Rupees in '000-----	2017
	Operating fixed assets	6.1	413,124	458,398
	Capital work-in-progress	6.8	7,230	9,045
			<u>420,354</u>	<u>467,443</u>

6.1 Operating fixed assets

The following is a statement of operating fixed assets:

----- Year ended June 30, 2018 -----							
Particulars	Leasehold land	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
----- Rupees in '000-----							
As at July 1, 2017							
Cost	3,953	340,740	870,089	46,473	30,879	11,767	1,303,901
Accumulated depreciation	(1,149)	(176,035)	(596,996)	(42,883)	(17,258)	(11,182)	(845,503)
Net book value	2,804	164,705	273,093	3,590	13,621	585	458,398
Year ended June 30, 2018							
Opening net book value	2,804	164,705	273,093	3,590	13,621	585	458,398
Additions	-	-	29,186	4,189	11,968	4,596	49,939
Disposals / write-offs							
Cost	-	-	(224)	(600)	(9,560)	-	(10,384)
Accumulated depreciation	-	-	19	600	7,491	-	8,110
	-	-	(205)	-	(2,069)	-	(2,274)
Depreciation charge for the year	(40)	(25,558)	(61,163)	(2,106)	(3,484)	(588)	(92,939)
Closing net book value	2,764	139,147	240,911	5,673	20,036	4,593	413,124
As at June 30, 2018							
Cost	3,953	340,740	899,051	50,062	33,287	16,363	1,343,456
Accumulated depreciation	(1,189)	(201,593)	(658,140)	(44,389)	(13,251)	(11,770)	(930,332)
Net book value	2,764	139,147	240,911	5,673	20,036	4,593	413,124
Depreciation rate (% per annum)	1.01%	5 - 10%	10 - 50%	10 - 33%	20%	20%	
----- Year ended June 30, 2017 -----							
Particulars	Leasehold land	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
----- Rupees in '000-----							
As at July 1, 2016							
Cost	3,953	340,506	855,303	46,243	28,438	11,767	1,286,210
Accumulated depreciation	(1,109)	(149,283)	(532,512)	(41,779)	(17,461)	(10,501)	(752,645)
Net book value	2,844	191,223	322,791	4,464	10,977	1,266	533,565
Year ended June 30, 2017							
Opening net book value	2,844	191,223	322,791	4,464	10,977	1,266	533,565
Additions	-	234	15,003	1,398	7,103	-	23,738
Disposals / write-offs							
Cost	-	-	(217)	(1,168)	(4,662)	-	(6,047)
Accumulated depreciation	-	-	210	1,165	3,549	-	4,924
	-	-	(7)	(3)	(1,113)	-	(1,123)
Depreciation charge for the year	(40)	(26,752)	(64,694)	(2,269)	(3,346)	(681)	(97,782)
Closing net book value	2,804	164,705	273,093	3,590	13,621	585	458,398
As at June 30, 2017							
Cost	3,953	340,740	870,089	46,473	30,879	11,767	1,303,901
Accumulated depreciation	(1,149)	(176,035)	(596,996)	(42,883)	(17,258)	(11,182)	(845,503)
Net book value	2,804	164,705	273,093	3,590	13,621	585	458,398
Depreciation rate (% per annum)	1.01%	5 - 10%	10 - 50%	10 - 33%	20%	20%	

6.2 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Usage of immovable property	Covered Area (In sq. metres)
a) Plot No. F/4-9, Hub Industrial Trading Estate, District Lasbela (Balochistan)	Manufacturing facility	26,825

6.3 Included in cost of operating fixed assets are fully depreciated items which are still in use aggregating to Rs. 590 million (2017: Rs. 428 million).

	Note	2018 -----Rupees in '000-----	2017
6.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	24	89,746	94,719
Selling and distribution expenses	25	1,781	1,587
Administrative and general expenses	26	1,412	1,476
		<u>92,939</u>	<u>97,782</u>

6.5 Cumulative borrowing costs capitalised in prior years as a part of the cost of building on leasehold land and plant and machinery amounted in aggregate to Rs 13.281 million and Rs 12.109 million respectively.

6.6 Orthopedic kits, power tool sets and femoral holders amounting to Rs 18.588 million, Rs 1.003 million and Rs 0.601 million respectively have been acquired with the funds of the Company but are not in the possession of the Company. These assets have been given by the Company to Vikor Enterprises (Private) Limited for the purpose of assembling and fitting knee implant.

6.7 The details of operating fixed assets disposed of during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposals / settlement	Particulars of buyers / purchasers
---- (Rupees '000) -----							
Vehicles							
Toyota Corolla GLI	1,478	1,183	295	1,176	881	Negotiation	Sajjad Usman
Honda City	1,474	1,179	295	1,080	785	Negotiation	Shahid Abdul Ghani
Honda City	1,394	1,115	279	1,050	771	Negotiation	Khizar Iqbal Khan
Honda City	1,295	1,036	259	1,050	791	Negotiation	Aly Diamond Pirani
Suzuki Cultus	1,002	801	201	800	599	Negotiation	Zohaib Khan
Suzuki Cultus	981	785	196	720	524	Negotiation	Zohaib Khan
Suzuki Mehran	657	429	228	315	87	Negotiation	Rehan Mubeen - Employee
Suzuki Mehran	618	494	124	290	166	Negotiation	Ch.Zafar Iqbal - Ex-employee
Suzuki Alto	476	381	95	428	333	Negotiation	Sheraz Alam - Employee
CD 70 Motor Cycle	65	34	31	40	9	Negotiation	Javed Raees - Ex-employee
CD 70 Motor Cycle	64	10	54	45	(9)	Negotiation	Mumtaz Ahmed - Employee
CNG Kit - Suzuki Mehran	56	44	12	19	7	Negotiation	Ch. Zafar Iqbal - Ex-employee
Furniture, fixtures & equipment							
Photocopy Machine	161	161	-	15	15	Negotiation	Dynamic Business Equipment
Laptop Dell Inspiron 3521 Core I3	50	50	-	-	-	As per Company scheme	Mr. Mansoor Khan
Laptop (Hp Probook)	66	66	-	-	-	Written off	NA
Laptop HP	64	64	-	2	2	Negotiation	Raj Computers
Laptop HP NX-530	47	47	-	2	2	Negotiation	Raj Computers
Laptop Dell	54	54	-	2	2	Negotiation	Raj Computers
Laptop - Dell Inspiron	66	66	-	-	-	Written off	NA
LG Split 2 Ton	34	34	-	6	6	Negotiation	Tariq & Brothers
LG Split 2 Ton	58	58	-	6	6	Negotiation	Tariq & Brothers
Plant and machinery							
Pressure reducing valve	224	19	205	-	(205)	Written off	NA
2018	<u>10,384</u>	<u>8,110</u>	<u>2,274</u>	<u>7,046</u>	<u>4,772</u>		
2017	<u>6,047</u>	<u>4,924</u>	<u>1,123</u>	<u>3,207</u>	<u>2,084</u>		

		2018	2017
		-----Rupees in '000-----	
6.8	Capital work-in-progress		
	Stores and spares held for capital expenditure	7,230	8,056
	Others	-	989
		<u>7,230</u>	<u>9,045</u>
6.9	Certain operating fixed assets of the Company are kept secured with banks under pari-passu hypothecation, equitable mortgage charge, ranking charge, etc. for obtaining financing. The details of these assets are provided in note 20.1.		
		2018	2017
		-----Rupees in '000-----	
7	INTANGIBLE ASSETS		
	Computer software	<u>2,527</u>	<u>100</u>
7.1	The following is a statement of intangible assets:		
	Opening net book value	100	-
	Additions (at cost)	2,701	124
	Amortization charge	<u>(274)</u>	<u>(24)</u>
	Closing net book value	<u>2,527</u>	<u>100</u>
	Gross carrying value basis		
	Cost	2,825	124
	Accumulated amortization	<u>(298)</u>	<u>(24)</u>
	Net book value	<u>2,527</u>	<u>100</u>
	Amortization rate % per annum	20% - 33%	33%
		Note	2018
			2017
			-----Rupees in '000-----
			Restated
8	LONG-TERM LOANS - CONSIDERED GOOD		
	Loans to employees	8.1	10,668
	Less: receivable within one year	13	(5,239)
			<u>4,909</u>
			<u>4,619</u>
8.1	These are interest-free loans given to the employees as per the terms of the employment for the purchase of cars, motor cycles and other general purposes. The loans are repayable in 10 to 60 equal monthly instalments depending upon the type of loan. These are recovered through monthly deductions from salaries and are secured against the provident fund balances of the employees. As at June 30, 2018, none of these loans were past due or impaired.		
8.2	Comparative figures have been restated to reflect the changes in the definition of executive as per the Companies Act, 2017.		

Note **2018** **2017**
 -----Rupees in '000-----

9 DEFERRED TAX ASSET - NET

Deferred tax debits arising on:

Employees' short-term compensated absences		4,647	4,877
Impairment of trade debts		3,848	3,546
Unused tax losses	9.1	76,522	136,002
Excess of Alternative Corporate Tax (ACT) over corporate tax		10,447	3,134
Other provisions		8,719	13,219
		<u>104,183</u>	<u>160,778</u>

Deferred tax credit arising on:

Accelerated tax depreciation allowance		<u>(18,270)</u>	<u>(31,271)</u>
		<u>85,913</u>	<u>129,507</u>

9.1 This represents deferred tax recorded on unabsorbed tax depreciation (2017: Rs 109.969 million).

9.2 The management carries out periodic assessment to assess the benefit of unused tax losses and alternative corporate tax as the Company would be able to carry forward and set off against the profits earned in future years. The deferred tax asset recognised against unused tax losses and alternative corporate tax represents the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability. The amount of this benefit has been determined based on a business plan of the Company for the next five years. The business plan involves certain key assumptions underlying the estimation of future taxable profits estimated in the plan. The determination of future taxable profit is most sensitive to certain key assumptions such as product pricing, future price increase of the Company's products (note 23.1), sales forecast, cost of material, supply arrangements, product mix, oil prices, exchange rates etc. expected to be achieved during the next five years. Any significant change in the aforementioned key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and consequently the deferred tax asset may be fully realised in future years.

9.3 Based on a pattern of utilisation from future expected taxable profit, the Company has not recognised deferred tax on minimum tax amounting to Rs 37.952 million (2017: Rs 16.730 million).

Note **2018** **2017**
 -----Rupees in '000-----

10 STORES AND SPARES

Stores		19,009	19,527
Spares - in hand		<u>27,550</u>	<u>31,012</u>
- in transit		<u>25</u>	<u>10</u>
		<u>27,575</u>	<u>31,022</u>
		46,584	50,549
Less: provision against slow moving and obsolete stores and spares	10.1	<u>(3,179)</u>	<u>(3,179)</u>
		<u>43,405</u>	<u>47,370</u>

10.1 Reconciliation of provision against slow moving and obsolete stores and spares is as follows:

Note **2018** **2017**
 -----Rupees in '000-----

Opening balance		3,179	-
Charge for the year	28	<u>-</u>	<u>3,179</u>
Closing balance		<u>3,179</u>	<u>3,179</u>

	Note	2018 -----Rupees in '000-----	2017
11 STOCK-IN-TRADE			
Raw and packing materials - in hand		108,650	89,179
- in transit		107,490	61,234
	24	<u>216,140</u>	<u>150,413</u>
Work-in-progress	24	15,309	5,132
Finished goods - in hand	11.1	329,475	293,545
- in transit		15,636	20,810
	24	<u>345,111</u>	<u>314,355</u>
		<u>576,560</u>	<u>469,900</u>
Less: provision against slow moving and obsolete stock-in-trade	11.2	(5,964)	(5,406)
Less: provision against stents held with hospitals	11.3	(17,088)	(32,393)
		(23,052)	(37,799)
		<u>553,508</u>	<u>432,101</u>

11.1 These include items costing Rs 21.143 million (2017: Rs 15.267 million) that have been valued at their net realisable value amounting to Rs 17.622 million (2017: Rs 12.496 million).

11.2 Reconciliation of provision against slow moving and obsolete stock-in-trade is as follows:

	Note	2018 -----Rupees in '000-----	2017
Opening balance		5,406	5,592
Charge for the year	28	2,713	1,064
Reversal during the year	27	(2,155)	(1,250)
		558	(186)
Closing balance		<u>5,964</u>	<u>5,406</u>

11.3 These denote stents held by various institutions for sale against which the Company has recorded a full provision. Reconciliation of provision is as follows:

	Note	2018 -----Rupees in '000-----	2017
Opening balance		32,393	22,659
Charge for the year - net	28	-	9,734
Reversal during the year - net	27	(15,305)	-
		(15,305)	9,734
Closing balance		<u>17,088</u>	<u>32,393</u>

12 TRADE DEBTS - UNSECURED - NET

Considered good

Due from Hospital Supply Corporation - a related party	12.3 & 12.4	178,756	142,638
Others		115,611	55,765
		<u>294,367</u>	<u>198,403</u>

Considered doubtful

Others (past due and impaired)		15,392	11,819
		<u>309,759</u>	<u>210,222</u>
Less: Provision against doubtful trade debts	12.1	15,392	11,819
		<u>294,367</u>	<u>198,403</u>

	Note	2018 -----Rupees in '000-----	2017
12.1 Reconciliation of provision against doubtful trade debts			
Opening balance		11,819	12,224
Charge for the year	28	3,573	7,807
Reversals during the year	27	-	(7,681)
		3,573	126
Amount written-off		-	(531)
Closing balance		15,392	11,819

12.2 As at June 30, trade debts of Rs 178.756 million (2017: Rs 142.638 million) denote amount which is overdue from a related party for which the Company expects future recovery. The remaining balances (excluding impaired debts) relate to a number of independent customers for whom there is no recent history of default. The age analysis of trade debts is as follows:

	2018 -----Rupees in '000-----		
	From others	From a related party	Gross
Past due but not impaired			
Not yet due	29,435	20,870	50,305
Past due 1-30 days	25,132	-	25,132
Past due 31-60 days	6,922	3,748	10,670
Past due 61-90 days	33,978	51,409	85,387
Past due more than 90 days	20,144	102,729	122,873
	115,611	178,756	294,367
Past due and impaired			
Others (considered doubtful)	15,392	-	15,392
Less: Provision against doubtful trade debts	(15,392)	-	(15,392)
	-	-	-
	2017 -----Rupees in '000-----		
	From others	From a related party	Gross
Past due but not impaired			
Not yet due	11,081	22,926	34,007
Past due 1-30 days	26,118	88,996	115,114
Past due 31-60 days	7,763	-	7,763
Past due 61-90 days	9,994	30,716	40,710
Past due more than 90 days	809	-	809
	55,765	142,638	198,403
Past due and impaired			
Others (considered doubtful)	11,819	-	11,819
Less: Provision against doubtful trade debts	(11,819)	-	(11,819)
	-	-	-

12.3 Subsequent to the year end, Rs 124.605 million have been received by the Company from Hospital Supply Corporation - a related party.

12.4 The maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance is Rs 206.489 million (2017: Rs 165.338 million).

13	LOANS AND ADVANCES - CONSIDERED GOOD	Note	2018 -----Rupees in '000-----	2017 Restated
	Loans due from employees	8	5,759	5,239
	Advances to:			
	- employees	13.1	3,784	2,483
	- suppliers	13.2	24,919	23,590
			28,703	26,073
			<u>34,462</u>	<u>31,312</u>
13.1	These are non-interest bearing advances given to employees to meet business expenses and are settled as and when expenses are incurred.			
13.2	These are provided for routine business activities and are non-interest bearing.			
13.3	Comparative figures have been restated to reflect the changes in the definition of executive as per the Companies Act, 2017.			
14	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	Note	2018 -----Rupees in '000-----	2017
	Trade deposits	14.1	15,272	13,158
	Short-term prepayments		12,996	4,862
	Sales tax refundable		845	3,452
			<u>29,113</u>	<u>21,472</u>
14.1	These denote deposits placed with various counter parties and are non-interest bearing.			
15	TAXATION	Note	2018 -----Rupees in '000-----	2017
	Taxation	15.1	<u>94,757</u>	<u>102,589</u>
15.1	The income tax assessments of the Company have been finalised by the Income Tax Department / deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 upto tax year 2017. Contingencies in respect of taxation are detailed in notes 22.2 and 22.3.			
16	BANK BALANCES	Note	2018 -----Rupees in '000-----	2017
	Balances with banks in current accounts	16.1	<u>18,445</u>	<u>17,901</u>
16.1	These denote balances in accounts maintained with conventional banks and are non-interest bearing.			
17	SHARE CAPITAL			
17.1	Authorised share capital			
	2018	2017	2018	2017
	Number of shares		----- Rupees in '000 -----	
	<u>20,000,000</u>	<u>20,000,000</u>	<u>200,000</u>	<u>200,000</u>
	Ordinary shares of Rs 10 each			

17.2 Issued, subscribed and paid-up capital

2018	2017		2018	2017
Number of shares			----- Rupees in '000 -----	
10,000,000	10,000,000	Ordinary shares of Rs 10 each fully paid in cash	100,000	100,000
<u>2,100,000</u>	<u>1,000,000</u>	Ordinary shares of Rs 10 issued as bonus shares	<u>21,000</u>	<u>10,000</u>
<u>12,100,000</u>	<u>11,000,000</u>		<u>121,000</u>	<u>110,000</u>

17.2.1 The movement of issued, subscribed and paid-up capital was as follows:

2018	2017		2018	2017
Number of shares			----- Rupees in '000 -----	
11,000,000	11,000,000	Opening balance	110,000	110,000
<u>1,100,000</u>	-	Bonus shares at the rate of 10% issued during the year	<u>11,000</u>	-
<u>12,100,000</u>	<u>11,000,000</u>	Closing balance	<u>121,000</u>	<u>110,000</u>

17.3 The following shares were held by the Holding Company, associated companies and other related parties of the Company as at June 30:

Name of the Company	2018		2017	
	Shares held	Percentage	Shares held	Percentage
Otsuka Pharmaceutical Company Limited, Japan	5,420,247 *	44.80%	4,950,000 *	45.00%
P. T. Otsuka Indonesia, Indonesia	1,204,499 *	9.95%	1,100,000 *	10.00%
Otsuka Pharmaceutical Factory, Inc.	1,589,940	13.14%	1,452,000	13.20%
Directors and their spouses and minor children	796,745	6.58%	748,520	6.80%
Executives	121 **	0.00%	110 **	0.00%

* These include shares held by directors nominated by Otsuka Pharmaceutical Company Limited, Japan and P. T. Otsuka Indonesia, Indonesia.

** Due to rounding-off

	Note	2018	2017
		-----Rupees in '000-----	
18 SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED			
In foreign currency			
Loan from Otsuka Pharmaceutical Factory, Inc.	18.1	<u>411,563</u>	<u>500,613</u>

18.1 This represents a foreign currency denominated loan obtained in two tranches of JPY 75 million each drawn down on June 16, 2014 and December 22, 2014, three tranches of JPY 125 million each drawn down on February 26, 2015, April 27, 2015 and July 27, 2015 and one tranche of JPY 84.50 million drawn on December 16, 2015. The entire amount has been utilised by the Company for its working capital purposes.

During the year, the second and sixth tranche of JPY 75 million and JPY 84.5 million were repaid in July 2017 and December 2017 respectively. The balance payable as at June 30, 2018 represents the third, fourth and fifth tranches of JPY 125 million each which are repayable on or before June 2019.

Mark-up is charged at LIBOR + 0.40% (2017: LIBOR + 0.40%) per annum and is payable semi-annually in arrears.

19	TRADE AND OTHER PAYABLES	Note	2018 -----Rupees in '000-----	2017 Restated
	Creditors		68,706	48,735
	Bills payable	19.1	138,729	93,006
	Accrued liabilities		93,714	100,573
	Payable to staff retirement benefit fund	34.1.2	8,643	3,072
	Payable to Employees Provident Fund		1,323	-
	Provision for employees short-term compensated absences		18,584	16,256
	Sales tax payable	19.2 & 19.3	36,914	67,627
	Retention money		930	1,515
	Security deposits		1,666	1,616
	Workers' Welfare Fund		725	725
	Workers' Profits Participation Fund	19.4	7,326	10,421
	Central Research Fund		1,182	1,817
	Advances from customers		69,904	13,685
	Other liabilities	19.5	6,317	4,129
			<u>454,663</u>	<u>363,177</u>

19.1 These include amounts payable to the related parties as at the end of the year aggregating to Rs 64.103 million (2017: Rs 65.103 million).

19.2 This amount includes provision for sales tax in respect of imported materials of polyethylene (for IV solutions).

During the year ended June 30, 2015, the Collector of Customs had withheld stocks of polyethylene, pharmaceutical grade granules at import stage with a view that those should have been classified as packaging material instead of raw materials and were subject to the levy of sales tax. The management contended that those materials were used for manufacturing of IV solutions and constituted an integral part of the finished products and were, therefore, exempt from sales tax under SRO 551 (1)/2008 dated June 11, 2008. Thereafter, the Company imported materials of polyethylene (for IV solutions) which were released by the Collector of Customs after submission of bank guarantees. The matter had been taken up by the Company in the Honorable High Court of Sindh on December 8, 2015.

During 2018, the Honorable Supreme Court of Pakistan, in similar cases, has decided the matter against the Collector of Customs. As a result, based on the judgment by the Honorable Supreme Court of Pakistan, bank guarantees amounting to Rs 65.542 million have been released by the Collector of Customs and the management has reversed provision of sales tax to that extent.

19.3 The Company has filed a suit in the Sindh High Court (SHC) on May 17, 2016 against the imposition of sales tax under the Sales Tax Act, 1990 with respect to raw and packing material being imported and purchased locally by the Company for manufacturing pharmaceutical products. The SHC has passed an interim order in favour of the Company maintaining that items fetching lessor customs duty than ten percent ad valorem, may not be subject to the levy of sales tax. This matter is at the stage of hearing of applications. As at June 30, 2018, the Company has availed sales tax exemption under the said stay order by providing bank guarantees amounting to Rs 6.142 million on imported packaging material. The management, however, as a matter of abundant caution, has recorded full provision of Rs 6.142 million in these financial statements.

Note **2018** **2017**
 -----(Rupees '000)-----

19.4 Workers' Profits Participation Fund

Balance at July 1		10,421		-
Allocation for the year	28	7,326		10,421
		17,747		10,421
Interest on funds utilised in the Company's business	29	170		-
		17,917		10,421
Less: amount paid during the year		(10,591)		-
Balance at June 30		7,326		10,421

19.5 This amount includes regulatory duty payable in respect of imported pharmaceutical products as are required for manufacturing purposes.

On October 16, 2017, the Federal Board of Revenue imposed regulatory duty on import of specified pharmaceutical products vide SRO 1035 (I)/2017. In this regard, the Company has filed constitutional petitions in the Honorable Sindh High Court on April 13, 2018, April 26, 2018, May 9, 2018 and June 27, 2018 against the levy of aforementioned duty. In this regard, an interim relief has been granted by the Honorable Sindh High Court. As per the interim relief the Company is required to pay half of the regulatory duty. For the remaining half, the Company was required to give security by way of bank guarantee / pay order, either to the satisfaction of the Collectorate concerned or the Nazir of the Court. The Company has paid half of the regulatory duty and has submitted bank guarantees for the remaining half to the Collectorate concerned. The management, as a matter of abundant caution, has recorded full provision for the amount of regulatory duty given as bank guarantee amounting to Rs 2.180 million in these financial statements.

20 UNCLAIMED DIVIDEND

Comparative figure of trade and other payables has been restated to reflect the amount of unclaimed dividend as separate line item on the face of the statement of financial position as per the requirements of the Companies Act, 2017.

2018 **2017**
 -----(Rupees '000)-----

21 SHORT-TERM RUNNING FINANCE - SECURED

From banking companies

Short-term running finance facilities utilised under mark-up arrangements - secured		513,575		452,601
	21.1	<u>513,575</u>		<u>452,601</u>

21.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000'	Mark up rate	Current security	Frequency of mark-up payment	Facility expiry date	2018 -----Rupees in '000-----	2017
The Bank of Tokyo Mitsubishi UFJ, Limited	525,000	3 months KIBOR + 1.00% p.a.	(a) Joint pari passu hypothecation charge of Rs 500 million on movables and receivables registered with the SECP; (b) Joint pari passu equitable mortgage of Rs 124 million on immovable fixed assets (land and building) duly registered with the SECP; and (c) Joint pari passu hypothecation charge over plant and machinery for Rs 254 million duly registered with the SECP.	Quarterly	September 30, 2018	401,614 *	398,355
Bank Alfalah Limited	185,000	3 months KIBOR + 1.25% p.a.	(a) Joint pari passu charge over stocks and receivables of Rs 147 million registered with the SECP; (b) Joint pari passu charge over land and building for Rs 51 million registered with the SECP; and (c) Joint pari passu charge over plant and machinery of Rs 121 million registered with the SECP.	Quarterly	January 31, 2019	69,778 **	6,101
The Bank of Punjab	41,383	3 months KIBOR + 1.25% p.a.	Third supplemental joint pari passu letter of hypothecation for Rs 133.334 million over current assets and fixed assets (plant and machinery) and mortgage over fixed assets (land and building) in the proportion of 60:40 inclusive of 25% margin duly registered with SECP.	Quarterly	March 31, 2019	42,183 ***	48,145
	<u>751,383</u>					<u>513,575</u>	<u>452,601</u>

* This includes mark-up accrued of Rs 8.06 million (2017: Rs 6.60 million).

** This includes mark-up accrued of Rs 1.13 million (2017: Rs 1.28 million).

*** This includes mark-up accrued of Rs 0.80 million (2017: Rs 1.35 million).

21.2 Details of import letters of credit (sight / usance / acceptance) and letters of guarantee

21.2.1 The facilities relating to import letter of credit (sight / usance / acceptance) available from conventional banks as at June 30, 2018 amounted in aggregate to Rs 190 million (2017: Rs 190 million) in respect of which the Company has exercised its option to utilise a part of the total facility limit of Rs 35 million (2017: Rs 35 million) for issuance of letters of guarantee. The amount remaining unutilised as at the year ended June 30, 2018 amounted to Rs 101.139 million (2017: Rs 131.517 million).

21.2.2 In addition, a facility for guarantee available from banks as at June 30, 2018 amounted to Rs 115 million (2017: Rs 80 million) of which the Company has an option to utilise Rs 35 million (2017: Rs 35 million) for the issuance of letters of credit and Rs 65 million (2017: Rs 55 million) for obtaining running finance. The amount remaining unutilised at the year ended June 30, 2018 amounted to Rs 66.626 million (2017: Rs 28.095 million).

22 CONTINGENCIES AND COMMITMENTS

22.1 Commitments in respect of:

Capital expenditure contracted for but not incurred	<u>450</u>	<u>2,818</u>
Letters of credit	<u>53,861</u>	<u>23,483</u>
Letters of guarantee	<u>48,374</u>	<u>76,905</u>

22.2 On March 05, 2014, a notice of demand was served on the Company by the Additional Commissioner Inland Revenue (ACIR) for an amount of Rs 164.778 million (2017: Rs 164.778 million) under section 122 (5A) of the Income Tax Ordinance, 2001. The ACIR added back certain items such as exchange loss, claims against provisions and write-offs of inventory, discounts and rebates on sales and trade debts and disallowed finance cost in the income returned for tax year 2012. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] who upheld the action of ACIR on certain items against which the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) to review the action of the CIR(A). On January 19, 2017 hearing of ATIR was held and on April 10, 2017 an order was served in which the decision of certain items was given in favour of the Company and certain items were remanded back to the ACIR for further examination.

On December 28, 2017, an appeal effect order was passed by the ACIR under section 124/122(5A) of the Income Tax Ordinance, 2001. Through the said order (which is in context of the earlier decision by the ATIR dated April 10, 2017 mentioned above) a demand of Rs 21.408 million was determined. Furthermore, in respect of the matters decided by the ATIR in favour of the Company, the ACIR has filed an appeal in the High Court of Sindh and consequently appeal effect has not been allowed on matters agitated in the SHC.

The Company filed an appeal against the above order before the Commissioner Inland Revenue (Appeals-II) [CIR(A)] along with the stay application. Upon request, the CIR(A) acceded to grant stay against recovery till February 15, 2018. On April 13, 2018 an appeal effect order was passed by the ACIR under section 124/122(5A) of the Income Tax Ordinance, 2001 whereby relief has been allowed in respect of certain matters whereas disallowance has been maintained in respect of certain other matters. As a result a demand of Rs 12.699 million has been raised by the ACIR which has been settled by the Company under protest through adjustment of refund relating to the tax year 2015. No provision has been recorded in these financial statements in respect of the said amount as the management expects a favourable outcome of this matter.

22.3 Through the Finance Act, 2017, Section 5A of the Income Tax Ordinance, 2001 was amended. Through the revised provision a tax equal to 7.5 percent of accounting profit for the year will be levied on every public company, other than a scheduled bank and modaraba, if distribution of cash dividend or bonus shares of at least 40 percent of the accounting profit after tax for the year is not made. In this connection, the Company has filed a constitutional petition before the Honorable Sindh High Court on August 27, 2017 seeking a declaration and injunction therefrom against the Federation of Pakistan and others to suspend the aforementioned imposition of tax on undistributed profit of the Company and has been granted a stay order by the Honorable Sindh High Court in respect of levy of the above tax. Accordingly, based on a legal advice, provision amounting to Rs 14.713 million for the year ended June 30, 2017 has not been made in these financial statements in respect of the additional tax liability and the management expects a favourable outcome in this respect.

22.4 For matter related to price increase, refer note 23.1.

	Note	2018 -----Rupees in '000-----	2017
23 NET SALES			
Sales [net of returns of Rs 13.809 million (2017: Rs 27.488 million)]	23.1	2,114,266	2,056,138
Less: sales tax		(20,365)	(17,785)
		<u>2,093,901</u>	<u>2,038,353</u>
Less: discounts		(224,888)	(208,729)
		<u>1,869,013</u>	<u>1,829,624</u>

23.1 During the year ended June 30, 2015, the Drug Regulatory Authority of Pakistan (DRAP) issued the Drug Pricing Policy 2015 (the Policy) vide a notification dated March 5, 2015. The policy called for a transparent mechanism to be devised by the Policy Board to review the Maximum Retail Prices (MRPs) of drugs which had become non-viable in the market. Under clause 10(4) of the Policy, hardship cases of scheduled molecules submitted on specified form and complete in all respect were required to be processed on priority and decided on a first come first served basis but not later than 9 months from the date of notification of the Policy. Earlier, the management of the Company had submitted hardship cases to the DRAP for its IV solution products for price increase and a committee of the DRAP (the Committee) was formed to evaluate the contention of the Company and to recommend price increase for the products.

Since the Committee did not give any decision on the price increase within the stipulated nine months, the Company increased the prices of certain products. In order to avoid any adverse action from the DRAP, the Company had filed a Civil Suit in respect of the matter before the Honorable High Court of Sindh (SHC) against the DRAP and the Federation of Pakistan. The SHC issued a notice to the DRAP and the Federation of Pakistan not to take any coercive action against the Company. Subsequently, the SHC while hearing petition related to "hardship" cases filed by the Company ordered to continue the interim injunction granted to the Company asserting that no coercive action be taken against it. The SHC further said in its hearing that the DRAP would be at liberty to decide the pending hardship cases filed by the Company. On the other hand, the DRAP in the hearings informed the SHC that the Company was required to furnish additional documentation in order to decide on the hardship cases. The documents in the prescribed forms were submitted by the Company to the DRAP. The SHC in its hearings ordered the DRAP to process and decide the hardship cases and to place a compliance report / decision before the SHC for its review once the requisite documents had been furnished by the Company. The DRAP submitted its report before the SHC in the hearing held in May 2016. In its last hearing held on December 19, 2016, the SHC had disposed of the suit filed by the Company and had barred the DRAP from taking any coercive action against it till the time any decision is taken by the Economic Coordinate Committee (ECC) of the Cabinet and the Federal Government regarding IV solutions products for price increase. The ECC has not given any decision on the price increase matter till August 20, 2018. The DRAP has also not notified the revised prices of IV solutions.

During the current year in a separate case (HRC 2858/2006) the Honorable Supreme Court of Pakistan has held hearings and called other pharmaceutical companies. The Court has given a road map to the DRAP for the recommendation of price increase of various pharmaceutical products. The DRAP has submitted a voluminous document of price increase recommendations including for prices of IV solutions (hardship cases). Based on the DRAP submission, the Honorable Supreme Court of Pakistan in its last hearing held on August 03, 2018 has directed the DRAP to resolve the prices increase matter amicably in consultation with pharma industry within a period of 10 weeks which will be expiring on October 10, 2018. Uptil August 20, 2018 the DRAP has not made any formal consultation with the industry.

In the light of development described in the above mentioned paragraph the management of the Company believes that there are strong grounds that the outcome will be in favour of the Company.

24 COST OF SALES	Note	2018 -----Rupees in '000-----	2017
Raw and packing material consumed:			
Opening stock		150,413	173,909
Purchases		565,106	539,768
Closing stock	11	<u>(216,140)</u>	<u>(150,413)</u>
		499,379	563,264
Stores and spares consumed		55,978	56,062
Salaries, wages and benefits	24.1	283,794	257,419
Rent, rates and taxes		8,701	7,542
Insurance		2,781	2,958
Fuel and power		146,226	134,206
Repairs and maintenance		9,060	5,736
Travelling and vehicle running expenses		27,108	23,477
Communication and stationery		365	369
Depreciation	6.4	89,746	94,719
General expenses		5,200	5,250
		<u>628,959</u>	<u>587,738</u>
		<u>1,128,338</u>	<u>1,151,002</u>
Opening stock of work-in-process		5,132	11,554
Closing stock of work-in-process	11	<u>(15,309)</u>	<u>(5,132)</u>
Cost of goods manufactured		1,118,161	1,157,424
Opening stock of finished goods		314,355	271,825
Finished goods purchased during the year		218,365	221,880
Cost of samples shown under selling and distribution expenses		(6,553)	(7,023)
Closing stock of finished goods	11	<u>(345,111)</u>	<u>(314,355)</u>
		<u>(351,664)</u>	<u>(321,378)</u>
		<u>1,299,217</u>	<u>1,329,751</u>

24.1 Salaries, wages and benefits include Rs 10.122 million (2017: Rs 9.203 million) in respect of staff retirement benefits.

25 SELLING AND DISTRIBUTION EXPENSES	Note	2018 -----Rupees in '000-----	2017
Salaries, wages and benefits	25.1	77,758	80,920
Rent, rates and taxes		625	561
Insurance		4,652	4,282
Repairs and maintenance		360	552
Travelling and vehicle running expenses		5,860	6,117
Communication and stationery		1,621	1,602
Advertising samples and promotional expenses		86,471	66,029
Outward freight and handling		55,495	44,103
Depreciation	6.4	<u>1,781</u>	<u>1,587</u>
		<u>234,623</u>	<u>205,753</u>

25.1 Salaries, wages and benefits include Rs 5.465 million (2017: Rs 5.258 million) in respect of staff retirement benefits.

26 ADMINISTRATIVE AND GENERAL EXPENSES	Note	2018	2017
		-----Rupees in '000-----	
Salaries, wages and benefits	26.1	58,998	61,936
Rent, rates and taxes		4,934	4,176
Insurance		962	752
Fuel and power		1,764	1,922
Repair and maintenance		285	510
Travelling and vehicle running expenses		3,948	3,186
Communication and stationery		1,192	1,186
Subscription		1,218	1,118
Legal and professional charges		4,747	2,859
Depreciation	6.4	1,412	1,476
Amortisation	7.1	274	24
General expenses		7,483	5,417
		<u>87,217</u>	<u>84,562</u>

26.1 Salaries, wages and benefits include Rs 3.033 million (2017: Rs 2.729 million) in respect of staff retirement benefits.

27 OTHER INCOME	Note	2018	2017
		-----Rupees in '000-----	
Income from financial assets and financial liabilities			
Reversal of provision against doubtful trade debts	12.1	-	7,681
Liabilities no longer required written back		511	89
Late payment charges from Hospital Supply Corporation - a related party		5,258	2,710
Exchange gain - net	27.1	-	51,278
		<u>5,769</u>	61,758
Income from assets other than financial assets			
Gain on disposal of operating fixed assets - net		4,772	2,084
Scrap sales		13,437	13,466
Reversal of provision against slow moving and obsolete stock-in-trade	11.2	2,155	1,250
Reversal of provision against stents held with hospitals - net	11.3	15,305	-
Others	27.2	144	246
		35,813	17,046
		<u>41,582</u>	<u>78,804</u>

27.1 This includes exchange gain amounting to Rs Nil (2017: Rs 66.641 million) pertaining to mark-to market of foreign currency denominated liabilities (notes 18 and 19).

27.2 This amount includes income pertaining to insurance claims and late delivery fees on cars purchased for employees.

28 OTHER EXPENSES	Note	2018 -----Rupees in '000-----	2017
Exchange loss - net	28.1	85,849	-
Auditors' remuneration	28.2	2,255	3,025
Donations	28.3	2,481	1,351
Workers' Profits Participation Fund	19.4	7,326	10,421
Central Research Fund		1,182	1,817
Provision against doubtful trade debts	12.1	3,573	7,807
Provision against slow moving and obsolete stock-in-trade	11.2	2,713	1,064
Provision against stents held with hospitals - net	11.3	-	9,734
Provision against slow moving and obsolete stores and spares	10.1	-	3,179
Bank charges and commission		978	1,194
Others		6,650	6,561
		<u>113,007</u>	<u>46,153</u>
28.1	This includes exchange loss amounting to Rs 67.160 million (2017: Nil) pertaining to mark to market of foreign currency denominated liabilities (notes 18 and 19).		
28.2 Auditors' remuneration		2018 -----Rupees in '000-----	2017
Statutory audit fee		900	850
Fee for the review of condensed interim financial information		400	275
Fee for other certifications		515	1,600
Out-of-pocket expenses		440	300
		<u>2,255</u>	<u>3,025</u>
28.3	Recipients of donations do not include any donee in whom Chief Executive Officer, directors or their spouse had any interest.		
29 FINANCE COST	Note	2018 -----Rupees in '000-----	2017
Short-term loan from a related party		2,800	3,466
Long-term finance		-	1,476
Short-term running finance		35,553	41,093
Interest on Worker's Profit Participation Fund	19.4	170	-
		<u>38,523</u>	<u>46,035</u>
30 TAXATION - NET			
Current			
- for the year		27,405	33,503
- for prior years		1,550	5,721
		<u>28,955</u>	<u>39,224</u>
Deferred		43,747	47,199
	30.1	<u>72,702</u>	<u>86,423</u>
30.1	Tax charge for the year ended June 30, 2018 mainly represents minimum tax payable (For June 30, 2017: minimum tax payable and alternative corporate tax) under the Income Tax Ordinance, 2001, and for this reason, relationship between tax expense and accounting profit has not been presented.		

27.1 This includes exchange gain amounting to Rs Nil (2017: Rs 66.641 million) pertaining to mark-to market of foreign currency denominated liabilities (notes 18 and 19).

27.2 This amount includes income pertaining to insurance claims and late delivery fees on cars purchased for employees.

28 OTHER EXPENSES	Note	2018	2017
		-----Rupees in '000-----	
Exchange loss - net	28.1	85,849	-
Auditors' remuneration	28.2	2,255	3,025
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Provision against doubtful trade debts	12.1	3,573	7,807
Provision against slow moving and obsolete stock-in-trade	11.2	2,713	1,064
Provision against stents held with hospitals - net	11.3	-	9,734
Provision against slow moving and obsolete stores and spares	10.1	-	3,179
Bank charges and commission		978	1,194
Others		6,650	6,561
		<u>113,007</u>	<u>46,153</u>

28.1 This includes exchange loss amounting to Rs 67.160 million (2017: Nil) pertaining to mark to market of foreign currency denominated liabilities (notes 18 and 19).

28.2 Auditors' remuneration	2018	2017
	-----Rupees in '000-----	
Statutory audit fee	900	850
Fee for the review of condensed interim financial information	400	275
Fee for other certifications	515	1,600
Out-of-pocket expenses	440	300
	<u>2,255</u>	<u>3,025</u>

28.3 Recipients of donations do not include any donee in whom Chief Executive Officer, directors or their spouse had any interest.

29 FINANCE COST	Note	2018	2017
		-----Rupees in '000-----	
Short-term loan from a related party		2,800	3,466
Long-term finance		-	1,476
Short-term running finance		35,553	41,093
Interest on Worker's Profit Participation Fund	19.4	170	-
		<u>38,523</u>	<u>46,035</u>

30 TAXATION - NET		2018	2017
Current			
- for the year		27,405	33,503
- for prior years		1,550	5,721
		<u>28,955</u>	<u>39,224</u>
Deferred		43,747	47,199
	30.1	<u>72,702</u>	<u>86,423</u>

30.1 Tax charge for the year ended June 30, 2018 mainly represents minimum tax payable (For June 30, 2017: minimum tax payable and alternative corporate tax) under the Income Tax Ordinance, 2001, and for this reason, relationship between tax expense and accounting profit has not been presented.

30.2 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analysed as follows:

Accounting year	Provision for taxation	Tax assessed
	-----Rupees in '000-----	
2017	35,053	35,053
2016	20,701	20,701
2015	5,456	5,456

31 EARNINGS PER SHARE	Note	2018	2017
		-----Rupees in '000-----	
31.1 Basic			
Profit for the year after taxation		<u>65,306</u>	<u>109,751</u>
		-----Numbers of shares----- Restated	
Weighted average number of ordinary shares outstanding during the year	17.2.1	<u>12,100,000</u>	<u>12,100,000</u>
		-----Rupees----- Restated	
Earnings per share - basic and diluted		<u>5.40</u>	<u>9.07</u>

31.2 Diluted

The impact of dilution on earnings per share has not been presented as the Company did not have any convertible instruments in issue as at June 30, 2018 and 2017 which would have had any effect on the earnings per share if the option to convert had been exercised.

32 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following items included in the balance sheet:

	Note	2018	2017
		-----Rupees in '000-----	
- Bank balances	16	18,445	17,901
- Short-term running finance - secured	21	<u>(513,575)</u>	<u>(452,601)</u>
		<u>(495,130)</u>	<u>(434,700)</u>

33 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including benefits, to the Chief Executive Officer, Directors and Executives of the Company is as follows:

Particulars	Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017 *
	Rupees in '000					
						Restated
Managerial remuneration	6,000	5,700	-	-	23,683	20,398
Bonus	-	-	-	-	2,338	1,169
House rent	4,800	4,560	-	-	10,656	9,178
Utilities	1,200	1,140	-	-	2,368	2,040
Medical expenses	-	-	-	-	2,813	2,378
Leave fare assistance / encashment	1,093	687	-	-	3,934	4,181
Meeting fee	-	-	330	225	-	-
Technical advisory fee	-	-	2,880	2,560	1,600	2,400
Retirement benefits	950	902	-	-	3,749	2,969
	<u>14,043</u>	<u>12,989</u>	<u>3,210</u>	<u>2,785</u>	<u>51,141</u>	<u>44,712</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>11</u>	<u>11</u>

* Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

33.1 The Chief Executive Officer and certain executives are provided free use of the Company's maintained cars and are entitled to certain reimbursable business expenses such as communication charges and fuel expenses as per the terms of employment.

34 EMPLOYEE BENEFIT SCHEMES

34.1 Defined benefit plan - staff retirement gratuity scheme

As mentioned in note 5.11(a), the Company operates an approved funded gratuity scheme for all its management and non-management staff. The latest actuarial valuation of the fund was carried out at June 30, 2018. The Projected Unit Credit Method with the following significant assumptions was used for the valuation of the scheme:

34.1.1 Principal actuarial assumptions	2018	2017
a) Discount rate	8.75%	8.00%
b) Expected rate of return on plan assets	8.75%	8.00%
c) Expected rate of increase in salary - for the next 1 year		
- management staff	8.75%	13.00%
- non-management staff	8.75%	8.00%
d) Mortality rates	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
e) Withdrawal rates	Moderate	Moderate

Note 2018 2017
-----Rupees in '000-----

34.1.2 Amount recognised in the statement of financial position

Present value of defined benefit obligation		102,379	88,683
Less: fair value of plan assets		(93,736)	(85,611)
	19	8,643	3,072

The movement in net defined benefit liability during the year is as follows:

----- 2018 -----			
		Present value of defined benefit obligation	Fair value of plan assets
----- Rupees in '000 -----			
As at July 1, 2017	88,683	(85,611)	3,072
Current service cost	8,010	-	8,010
Interest expense / (income)	6,898	(6,776)	122
Remeasurements:			
- loss from the changes in financial assumptions	10	-	10
- experience adjustments	3,682	(3,181)	501
	3,692	(3,181)	511
Contributions made	-	(3,072)	(3,072)
Benefits paid	(4,904)	4,904	-
As at June 30, 2018	102,379	(93,736)	8,643
----- 2017 -----			
		Present value of defined benefit obligation	Fair value of plan assets
----- Rupees in '000 -----			
As at July 1, 2016	88,947	(90,337)	(1,390)
Current service cost	8,147	-	8,147
Interest expense / (income)	6,121	(6,435)	(314)
Remeasurements:			
- loss from the changes in financial assumptions	2,626	-	2,626
- experience adjustments	2,766	(3,442)	(676)
	5,392	(3,442)	1,950
Contributions made	-	(5,321)	(5,321)
Benefits paid	(19,924)	19,924	-
As at June 30, 2017	88,683	(85,611)	3,072

2018 **2017**
-----Rupees in '000-----

34.1.3 Amount recognised in the statement of profit or loss

Current service cost	8,010	8,147
Interest cost	6,898	6,121
Expected return on plan assets	<u>(6,776)</u>	<u>(6,435)</u>
Expense for the year	<u><u>8,132</u></u>	<u><u>7,833</u></u>

34.1.4 Composition of plan assets

	--- As at June 30, 2018 ---		--- As at June 30, 2017 ---	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Defence Saving Certificates	88,346	94.25%	78,670	91.89%
Pakistan Investment Bonds	-	-	5,184	6.06%
Cash and cash equivalents	<u>5,390</u>	<u>5.75%</u>	<u>1,757</u>	<u>2.05%</u>
	<u><u>93,736</u></u>	<u><u>100.00%</u></u>	<u><u>85,611</u></u>	<u><u>100.00%</u></u>

34.1.5 Historical information

	2018	2017	2016	2015	2014
	----- Rupees in '000 -----				
Present value of defined benefit obligation	102,379	88,683	88,947	79,303	75,190
Fair value of plan assets	<u>(93,736)</u>	<u>(85,611)</u>	<u>(90,337)</u>	<u>(77,123)</u>	<u>(69,647)</u>
Net defined benefit liability	<u><u>8,643</u></u>	<u><u>3,072</u></u>	<u><u>(1,390)</u></u>	<u><u>2,180</u></u>	<u><u>5,543</u></u>
Remeasurement (loss) / gain on defined benefit obligation	(3,692)	(5,392)	(1,749)	(2,463)	3,475
Remeasurement gain / (loss) on plan assets	<u>3,181</u>	<u>3,442</u>	<u>1,374</u>	<u>(568)</u>	<u>(569)</u>
	<u><u>(511)</u></u>	<u><u>(1,950)</u></u>	<u><u>(375)</u></u>	<u><u>(3,031)</u></u>	<u><u>2,906</u></u>

34.1.6 The gratuity scheme exposes the Company to the following risks:

a) Longevity Risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

b) Investment risk

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

c) Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

d) Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

34.1.7 The sensitivities of the defined benefit obligation to changes in the principal actuarial assumptions are as under:

Particulars	Change in assumption	----- As at June 30, 2018 -----		----- As at June 30, 2017 -----		
		Increase / (decrease) in present value of defined benefit obligation		Increase / (decrease) in present value of defined benefit obligation		
		(%)	Rupees in '000	(%)	Rupees in '000	
Discount rate	+1%	(6.67)	(6,833)	+1%	(4.92)	(4,366)
	-1%	7.58	7,757	-1%	5.37	4,766
Salary increase rate	+1%	7.50	7,681	+1%	5.31	4,707
	-1%	(6.73)	(6,892)	-1%	(4.95)	(4,393)
Withdrawal rate	+10%	0.00	-	+10%	(0.00)	(9)
	-10%	0.00	-	-10%	0.00	9

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability against gratuity recognised in the statement of financial position.

The weighted average duration of the defined benefit obligation is approximately 7.17 years.

34.1.8 Expected maturity analysis of undiscounted obligation for the gratuity scheme is as follows:

Particulars	----- As at June 30, 2018 -----						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to Year 10	Year 11 and above
	----- Rupees in '000 -----						
Otsuka Pakistan Limited Gratuity Fund	12,145	8,280	7,026	5,252	11,230	58,908	124,315

Particulars	----- As at June 30, 2017 -----						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to Year 10	Year 11 and above
	----- Rupees in '000 -----						
Otsuka Pakistan Limited Gratuity Fund	10,689	3,932	7,875	6,222	404	48,072	112,150

34.1.9 The information provided in notes 34.1.1 to 34.1.8 has been obtained from the details provided by the actuary of the Company.

34.2 Defined contribution plan - staff provident fund

Investments out of provident fund have been made in Defence Savings Certificate and Bank Balances and are in accordance with the provisions of section 218 of the Companies Act, 2017 and the Rules formulated for this purpose.

35 TRANSACTIONS WITH RELATED PARTIES

Related parties include Otsuka Pharmaceutical Company Limited the holding company, associated companies / undertakings (namely Otsuka Pharmaceutical Factory Incorporation, Japan, Thai Otsuka Pharmaceutical Company Limited, Thailand, P.T. Otsuka Indonesia, Otsuka Pharmaceutical Company, Vietnam, Shanghai Microport Medical (Group) Company Limited, Otsuka Welfare Clinic, etc.), entities under common directorship [namely Hospital Supply Corporation and Efroze Chemicals Industries (Private) Limited], Idrees Plastic, staff retirement funds and the key management personnel. Details of the transactions with the related parties and the balances with them as at year end other than those which have been disclosed else where are as follows:

June 30, 2018

Particulars	Parent Company	Other associated undertakings	Key management personnel	Other related parties	Total
Rupees in '000					
Transactions during the year					
Net sales (net of discounts allowed Rs 155.848 million)	-	853,904	-	-	853,904
Inventory purchased	37,967	115,736	-	1,336	155,039
Sales to key management personnel	-	-	-	-	-
Consultancy charges	-	-	4,480	-	4,480
Remuneration of the key management personnel	-	-	63,914	-	63,914
Short-term loan repaid to a related party	-	152,623	-	-	152,623
Mark-up expense on short-term loan from a related party	-	2,800	-	-	2,800
Late payment charges received from Hospital Supply Corporation	-	-	-	5,258	5,258
Donation to Otsuka Welfare Clinic	-	-	-	-	-
Charge relating to Employees' Provident Fund	-	-	-	10,488	10,488
Charge relating to Employees' Gratuity Fund	-	-	-	8,132	8,132
Remeasurements of defined benefit plan	-	-	-	511	511
Purchases from Hospital Supply Corporation	-	324	-	-	324
Purchases from Uniferoz (Private) Limited	-	-	-	-	-
Charge relating to Workers Profit Participation Fund	-	-	-	7,326	7,326
Charge relating to Interest on Worker's Profit Participation Fund	-	-	-	170	170
Issue of bonus shares (Number of shares)	495,000	255,200	72,761	-	822,961
Balances outstanding as at the end of the year					
Receivable from Hospital Supply Corporation against sale of goods	-	178,756	-	-	178,756
Payable to Hospital Supply Corporation	-	-	-	-	-
Payable to P. T. Otsuka Indonesia	-	4,101	-	-	4,101
Payable to Shanghai Microport EPMed Tech Co., Limited	-	6,321	-	-	6,321
Payable to Shanghai Microport Medical (Group) Company Limited	-	28,907	-	-	28,907
Payable to Otsuka Pharmaceutical Factory, Inc.	-	-	-	-	-
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	24,775	-	-	24,775
Payable to Idrees Plastics	-	474	-	-	474
Loan from Otsuka Pharmaceutical Factory, Inc.	-	411,563	-	-	411,563
Advance from key management personnel	-	-	1,178	-	1,178
Payable to Employees' Provident Fund	-	-	-	1,323	1,323
Payable to Employees' Gratuity Fund	-	-	-	8,643	8,643
Payable to a shareholder	-	-	-	363	363
Provision for Workers Profit Participation Fund	-	-	-	7,326	7,326

June 30, 2017

Particulars	Parent company	Other associated undertakings	Key management personnel	Other related parties	Total
Rupees in '000					
Transactions during the year					
Net sales (net of discounts allowed Rs 148.320 million)	-	846,707	-	-	846,707
Inventory purchased	29,940	187,828	-	3,384	221,152
Sales to key management personnel	-	-	48	-	48
Consultancy charges	-	-	4,960	-	4,960
Remuneration of the key management personnel	-	-	55,526	-	55,526
Short-term loan repaid to a related party	-	67,688	-	-	67,688
Mark-up expense on short-term loan from a related party	-	3,466	-	-	3,466
Late payment charges received from Hospital Supply Corporation	-	-	-	2,710	2,710
Donation to Otsuka Welfare Clinic	-	-	-	105	105
Charge relating to Employees' Provident Fund	-	-	-	9,357	9,357
Charge relating to Employees' Gratuity Fund	-	-	-	7,833	7,833
Remeasurements of defined benefit plan	-	-	-	1,950	1,950
Purchases from Hospital Supply Corporation	-	257	-	-	257
Purchases from Uniferoz (Private) Limited	-	160	-	-	160
Charge relating to Workers Profit Participation Fund	-	-	-	10,421	10,421
Charge relating to Interest on Worker's Profit Participation Fund	-	-	-	-	-
Issue of bonus shares (Number of shares)	-	-	-	-	-

June 30, 2017

Particulars	Parent company	Other associated undertakings	Key management personnel	Other related parties	Total
----- Rupees in '000 -----					
Balances outstanding as at the end of the year					
Receivable from Hospital Supply Corporation against sale of goods	-	142,637	-	-	142,637
Payable to Hospital Supply Corporation	-	33	-	-	33
Payable to P. T. Otsuka Indonesia	-	3,146	-	-	3,146
Payable to Shanghai Microport EPMed Tech Co., Limited	-	4,116	-	-	4,116
Payable to Shanghai Microport Medical (Group) Company Limited	-	46,186	-	-	46,186
Payable to Otsuka Pharmaceutical Factory, Inc.	-	1,110	-	-	1,110
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	10,545	-	-	10,545
Payable to Idrees Plastics	-	-	-	-	-
Loan from Otsuka Pharmaceutical Factory, Inc.	-	500,613	-	-	500,613
Advance from key management personnel	-	-	1,681	-	1,681
Payable to Employees' Provident Fund	-	-	-	-	-
Payable to Employees' Gratuity Fund	-	-	-	3,072	3,072
Payable to a shareholder	-	-	-	-	-
Provision for Workers Profit Participation Fund	-	-	-	10,421	10,421

The Company enters into transactions with related parties for the sale of its products, purchase of raw materials, finished goods and spare parts for rendering of certain services. In addition, the Company has also entered into financing arrangement with the group company. Sales to related parties represent sales made to Hospital Supply Corporation which is the sole distributor of the Company's products in the southern region. The Company allows discount to the distributor on trade price based on the agreed terms. Purchases from related parties primarily represent purchase of raw materials and finished goods from Otsuka group companies.

Contributions to and accruals in respect of staff retirement benefit plans are made in accordance with the actuarial recommendations and terms of contribution plans as disclosed in note 34 to these financial statements.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers all members of their management team, including the Chief Executive Officer and working directors to be its key management personnel.

There are no transactions with key management personnel other than those that are under their terms of employment and / or entitlements. Particulars of transactions with employee benefit schemes are disclosed in note 35.

35.1 Following are the details of related parties:

S. No.	Name of Related Party	Basis of association	Aggregate % of shareholding
1	Hospital Supply Corporation, Pakistan	Common directorship	N/A
2	Idrees Plastic, Pakistan	Other associated undertaking	N/A
3	Uniferoz (Private) Limited, Pakistan	Other associated undertaking	N/A
4	Otsuka Pharmaceutical Company Limited, Japan	Parent / Holding Company	44.80%
5	P. T. Otsuka Indonesia, Indonesia	Other associated undertaking	9.95%
6	Thai Otsuka Pharmaceutical Company Limited, Thailand	Other associated undertaking	N/A
7	Shanghai Microport Medical (Group) Company Limited, China	Other associated undertaking	N/A
8	Shanghai Microport EPMed Tech Co., Limited, China	Other associated undertaking	N/A
9	Otsuka Pharmaceutical Factory, Inc., Japan	Other associated undertaking	13.14%
10	Mr. Mehtabuddin Feroz	Director	3.29%
11	Mrs. Mumtaz Begum	Spouse of Director	0.00%
12	Mr. Muhammad Taufiq Feroz	Director	3.29%
13	Mrs. Seema Taufiq	Spouse of Director	0.00%
14	Mr. Muhammad Abdullah Feroz	Director	0.00%
15	Mrs. Farzana Abdullah	Spouse of Director	0.00%
16	Mr. Makio Bando	Director	0.00%
17	Mrs. Makio Bando	Spouse of Director	0.00%
18	Mr. Hakugi Kiyono	Director	0.00%
19	Mrs. Hakugi Kiyono	Spouse of Director	0.00%
20	Mr. Makio Osaka	Director	0.00%
21	Mrs. Makio Osaka	Spouse of Director	0.00%
22	Mr. Suhari Mukti	Director	0.00%
23	Mrs. Suhari Mukti	Spouse of Director	0.00%
24	Mr. Noor Muhammad	Director	0.00%
25	Mrs. Tehseen Akhter	Spouse of Director	0.00%
26	Mr. Abid Hussain	Director	0.00%
27	Mrs. Nausheen Abid	Spouse of Director	0.00%
28	Mr. Muhammad Hanif Sattar	Key Management Personnel	0.00%
29	Mrs. Rehana Hanif	Spouse of Director	0.00%
30	Mr. Aqeel Ahmed	Key Management Personnel	N/A
31	Mr. Abdul Aleem	Key Management Personnel	N/A
32	Mr. Muhammad Arshad Khan	Key Management Personnel	N/A
33	Mr. Gowher Ahmed Khan	Key Management Personnel	N/A
34	Mr. Khalid Munir	Key Management Personnel	N/A
35	Mr. Muhammad Siddiq Rafee	Key Management Personnel	N/A
36	Mr. Sajid Ali Khan	Key Management Personnel	N/A
37	Mr. Muhammad Owais Qazi	Key Management Personnel	N/A
38	Dr. Arshad Kamal	Key Management Personnel	N/A
39	Mr. Syed Tariq Shahid	Key Management Personnel	N/A
40	Mr. Moeen Ur Rehman	Key Management Personnel	N/A

35.2 Following are the details of associated undertakings incorporated outside Pakistan:

S. No.	Name of undertaking	Registered address	Country of incorporation	Basis of association	Aggregate % of shareholding, including shareholding through other companies or entities	Name of Chief Executive Officer	Operational status	Auditor's opinion on the latest available financial statements
1	Otsuka Pharmaceutical Company Limited, Japan	Osaka Headquarters 3-2-27, Otedori, Chuo-ku, Osaka 540-0021	Japan	Parent / Holding Company	44.80%	Mr. Tatsuo Higuchi	Active	Clean
2	P. T. Otsuka Indonesia, Indonesia	Pertkantor Hijau Orkadia, Tower A, Lt.3, Jl. Letjen. TB. Simatupang Kav.88, Jakarta	Indonesia	Other associated undertaking	9.95%	Mr. Motoyuki Sekiyama	Active	Clean
3	Thai Otsuka Pharmaceutical Company Limited, Thailand	15th. Floor, Unit No. 1501 1502, United Center Building, 323 Silom Road, Bangkok	Thailand	Other associated undertaking	N/A	Mr. Keiji Hirai	Active	Clean
4	Shanghai Microport Medical (Group) Company Limited, China	501 Newton Road, Zhangjiang Hi-Tech Park, Shanghai 201203	China	Other associated undertaking	N/A	Mr. Zhaohua Chang	Active	Clean
5	Shanghai Microport EPMed Tech Co., Limited, China	Building #28, Lane 588, Tianxiang Road, Pudong New District, Shanghai, P. R.	China	Other associated undertaking	N/A	Mr. Zhaohua Chang	Active	Clean
6	Otsuka Pharmaceutical Factory, Inc., Japan	115 Kuguhara, Tateiwa, Muya-cho, Naruto, Tokushima 772-8601	Japan	Other associated undertaking	13.14%	Mr. Shinichi Ogasawara	Active	Clean

36 CASH GENERATED FROM / (USED IN) OPERATIONS	Note	2018 ----Rupees in '000----	2017
Profit for the year before taxation		138,008	196,174
Adjustment for non-cash charges and other items:			
Depreciation	6.4	92,939	97,782
Amortisation	7.1	274	24
Liabilities no longer required written back	27	(511)	(89)
Exchange loss / (gain)	27 & 28	85,849	(51,278)
Workers' Profits Participant Fund	28	7,326	10,421
Central Research Fund	28	1,182	1,817
Gain on disposal of operating fixed assets - net	27	(4,772)	(2,084)
Provision / (reversal) against slow moving and obsolete stock-in-trade - net	11.2	558	(186)
(Reversal) / provision against stents held with hospitals	11.3	(15,305)	9,734
Provision against slow moving and obsolete stores and spares	10.1	-	3,179
Provision against doubtful trade debts - net	12.1	3,573	126
Provision against doubtful trade debts - amount written off	12.1	-	(531)
Working capital changes	36.1	(215,295)	92,491
		<u>93,826</u>	<u>357,580</u>

36.1 Working capital changes

(Increase) / decrease in current assets

Stores and spares	3,965	1,711
Stock-in-trade	(106,660)	(12,612)
Trade debts	(99,537)	(32,944)
Loans and advances	(3,150)	(4,720)
Trade deposits and short-term prepayments	(7,641)	1,000
Other receivables	599	(1,024)
	<u>(212,424)</u>	<u>(48,589)</u>

Increase in current liabilities

Trade and other payables	(2,871)	141,080
	<u>(215,295)</u>	<u>92,491</u>

37 STAFF STRENGTH

2018 **2017**
Number of employees

Number of employees at June 30

- Permanent employees

Management staff	220	206
Factory workers	175	183

Average number of employees during the year

- Permanent employees

Management staff	213	211
Factory workers	179	183

38 OPERATING SEGMENTS

38.1 These financial statements have been prepared on the basis of a single reportable segment.

38.2 Sales from Intravenous Solutions represent 83.32 percent while sales from others represent 16.68 percent (2017: 83 percent and 17 percent) respectively of the total revenue of the Company.

38.3 Sales percentage by geographic region is as follows:

	2018	2017
	In percent	
Pakistan	99.61	98.72
Afghanistan	0.39	1.28

38.4 All non-current assets of the Company as at June 30, 2018 are located in Pakistan.

38.5 Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region is around 45.69 percent during the financial year ended June 30, 2018 (2017: 46.28 percent).

39 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2018			
Particulars	Loans and receivables	Held to maturity	Total
----- Rupees in '000 -----			
Financial assets			
Long-term loans - considered good	4,909	-	4,909
Long-term deposits	1,309	-	1,309
Trade debts (unsecured) - net	294,367	-	294,367
Loans - considered good	5,759	-	5,759
Trade deposits	15,272	-	15,272
Other receivables	731	-	731
Bank balances	18,445	-	18,445
	<u>340,792</u>	<u>-</u>	<u>340,792</u>

As at June 30, 2018			
Particulars	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
Financial liabilities			
Short-term loan from a related party - unsecured	-	411,563	411,563
Trade and other payables	-	338,612	338,612
Unclaimed dividend	-	1,187	1,187
Short-term running finance - secured	-	513,575	513,575
	<u>-</u>	<u>1,264,937</u>	<u>1,264,937</u>

As at June 30, 2017			
Particulars	Loans and receivables	Held to maturity	Total
----- Rupees in '000 -----			
Financial assets			
Long-term loans - considered good	4,619	-	4,619
Long-term deposits	1,295	-	1,295
Trade debts (unsecured) - net	198,403	-	198,403
Loans - considered good	5,239	-	5,239
Trade deposits	13,158	-	13,158
Other receivables	1,330	-	1,330
Bank balances	17,901	-	17,901
	<u>241,945</u>	<u>-</u>	<u>241,945</u>

As at June 30, 2017			
Particulars	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
Financial liabilities			
Short-term loan from a related party - unsecured	-	500,613	500,613
Trade and other payables	-	268,902	268,902
Unclaimed dividend	-	1,187	1,187
Short-term running finance - secured	-	452,601	452,601
	<u>-</u>	<u>1,223,303</u>	<u>1,223,303</u>

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Company, currently, finances its operations through equity, borrowing and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk and provide maximum return to shareholders. The Company's risk management policies and objectives are as follows:

40.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises three types of risks: currency risk, yield / interest rate risk and other price risk.

40.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist in foreign currencies. As at June 30, 2018, financial liabilities of Rs 550.292 million (2017: Rs 593.619 million) are payable in foreign currencies which have exposed the Company to foreign currency risk. The currency wise details of these liabilities have been provided below:

	Note	2018 -----Rupees in '000-----	2017
Short-term loan from a related party - unsecured			
Yen	18	<u>411,563</u>	<u>500,613</u>
Bills payable			
US Dollar		131,942	86,818
Euro		1,771	2,077
Yen		4,069	4,111
Yuan		947	-
	19	<u>138,729</u>	<u>93,006</u>

The Company manages currency risk by adjusting its timings of settlement of foreign currency denominated liabilities so as to ensure that transactions are settled on terms that are favourable to the Company.

As at June 30, 2018, if the Pakistani Rupee had weakened / strengthened by 10% against foreign currencies with all other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs 55.029 million (2016: Rs 59.362 million), mainly as a result of foreign exchange losses / gains on translation of foreign currency denominated financial liabilities.

40.1.2 Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Sensitivity analysis for variable rate instruments

Presently, the Company has KIBOR based rupee financing representing short-term running finance arrangements obtained from various banks that expose the Company to cash flow interest rate risk. In case of increase / decrease in KIBOR by 100 basis points on the last repricing date with all other variables held constant, the profit before tax for the year ended June 30, 2018 would have been lower / higher by Rs 1.610 million (2017: Rs 1.467 million).

The movement in the liabilities under short-term finances utilised under mark-up arrangements and short-term loan from a related party, KIBOR and LIBOR are expected to change over time. Therefore, the sensitivity analysis prepared as at June 30, 2018 is not necessarily indicative of the effect on the Company's profits / losses due to future movement in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of the contractual repricing or maturity date and for the off-balance sheet instruments is based on the settlement date.

The maturity profiles of the Company's financial assets and liabilities are given below:

Particulars	As at June 30, 2018				Total
	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
	Upto three months	More than three months and upto one year	More than one year		
On-balance sheet financial instruments					
Financial assets					
Long-term loans - considered good	-	-	-	4,909	4,909
Long-term deposits	-	-	-	1,309	1,309
Trade debts (unsecured) - net	-	-	-	294,367	294,367
Loans and advances - considered good	-	-	-	5,759	5,759
Trade deposits	-	-	-	15,272	15,272
Other receivables	-	-	-	731	731
Bank balances	-	-	-	18,445	18,445
	-	-	-	340,792	340,792
Financial liabilities*					
Short-term loan from a related party - unsecured	-	411,563	-	-	411,563
Trade and other payables	-	-	-	338,612	338,612
Unclaimed dividend	-	-	-	1,187	1,187
Short-term running finance - secured	401,614	111,961	-	-	513,575
	401,614	523,524	-	339,799	1,264,937
On-balance sheet gap (a)	(401,614)	(523,524)	-	993	(924,145)
Off-balance sheet financial instruments					
Commitments	-	-	-	102,685	102,685
Off-balance sheet gap (b)	-	-	-	102,685	102,685
Total interest rate sensitivity gap (a+b)	(401,614)	(523,524)	-		
Cumulative interest rate sensitivity gap	(401,614)	(925,138)	(925,138)		

----- As at June 30, 2017 -----					
Particulars	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
-----Rupees in '000-----					
On-balance sheet financial instruments					
Financial assets					
Long-term loans - considered good	-	-	-	4,619	4,619
Long-term deposits	-	-	-	1,295	1,295
Trade debts (unsecured) - net	-	-	-	198,403	198,403
Loans and advances - considered good	-	-	-	5,239	5,239
Trade deposits	-	-	-	13,158	13,158
Other receivables	-	-	-	1,330	1,330
Bank balances	-	-	-	17,901	17,901
	-	-	-	241,945	241,945
Financial liabilities*					
Short-term loan from a related party - unsecured	117,075	383,538	-	-	500,613
Trade and other payables	-	-	-	268,902	268,902
Unclaimed dividend	-	-	-	1,187	1,187
Short-term running finance - secured	398,355	54,246	-	-	452,601
	515,430	437,784	-	270,089	1,223,303
On-balance sheet gap (a)	(515,430)	(437,784)	-	(28,144)	(981,358)
Off-balance sheet financial instruments					
Commitments	-	-	-	103,206	103,206
Off-balance sheet gap (b)	-	-	-	103,206	103,206
Total interest rate sensitivity gap (a+b)	(515,430)	(437,784)	-		
Cumulative interest rate sensitivity gap	(515,430)	(953,214)	(953,214)		

* The interest rate profiles of financial liabilities exposed to yield / interest rate risk are given in notes 18 and 21.

40.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Company does not hold any instruments which expose it to price risk.

40.2 Credit risk

Credit risk represents the risk of loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of its counterparties.

The Company's policy is to enter into financial contracts in accordance with the policies and guidelines approved by the management. Credit risk arises from bank balances, trade debts, loans and advances, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the total financial assets i.e. Rs 340.792 million of which trade debts amounting to Rs 294.367 million (2017: Rs 198.403 million) constitute a significant portion. Of these trade debts, Rs 178.756 million is receivable from a related party from which the Company does not expect a default. The remaining trade debts (excluding impaired debts) relate to a number of independent customers for whom there is no recent history of default. Loans and advances to employees are secured against their respective balances maintained under employee benefit schemes. The Company is also exposed to counterparty credit risk on balances with banks which is limited as the counterparties are banks having reasonably high credit ratings. The credit quality of the bank balances maintained by the Company is as follows:

BANK	--- As at June 30, 2018 ---		--- As at June 30, 2017 ---		Rating agency
	Rating				
	Short-term	Long-term	Short-term	Long-term	
Allied Bank Limited	A1+	AA+	A1+	AA+	PACRA
Bank Alfalah Limited	A1+	AA+	A1+	AA	PACRA
Habib Bank Limited	A-1 +	AAA	A-1 +	AAA	JCR - VIS
MCB Bank Limited	A1+	AAA	A1+	AAA	PACRA
National Bank of Pakistan	A1+	AAA	A1+	AAA	PACRA
The Bank of Punjab	A1+	AA	A1+	AA	PACRA
The Bank of Tokyo Mitsubishi UFJ, Limited	A	A-1	A-1	A+	Standard & Poor's

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's total sales are concentrated into one of the distributors which has exposed it to significant risk due to concentration of credit. However, payment pattern exhibits that the risk is maintained at the minimum level.

40.3 Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle its financial obligations in full as they fall due or can do so on terms that are materially disadvantageous.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines open.

The maturity profile of the Company's financial liabilities based on contractual maturities is disclosed in note 40.1.2.

As explained in note 1.2, the current liabilities of the Company as at June 30, 2018 exceed its current assets by Rs 312.200 million (2017: Rs 465.100 million) which expose the Company to liquidity risk. However, the Company manages it by maintaining bank balances in current accounts, arranging financing through banking facilities and managing timing of payments to related parties. Based on this and on the five-years business plan (as detailed in note 1.2) the management strongly believes that the Company will be able to meet all its current and future liabilities as these fall due.

41 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

As at June 30, 2018 the Company does not have any assets which are tradable in an open market. The estimated fair values of all assets and liabilities are considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically repriced.

Otsuka Pakistan Limited

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

As at June 30, 2018 and June 30, 2017, the Company did not have any assets or liabilities which were measured at fair values using any of the aforementioned valuation techniques.

42 CAPITAL RISK MANAGEMENT

42.1 The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

42.2 Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2018	2017
	----Rupees in '000----	
Total borrowings	925,138	943,981
Less: bank balances	<u>(18,445)</u>	<u>(17,901)</u>
Net debt	906,693	926,080
Total equity	<u>202,812</u>	<u>137,864</u>
Total capital	<u>1,109,505</u>	<u>1,063,944</u>
Gearing ratio	81.72%	87.04%

As at June 30, 2018, the Company's gearing ratio has decreased primarily due to the settlement of two tranches of JPY 75 million and JPY 84.5 million of its short-term loan from a related party during the year. The Company's net equity has also increased due to the profit reported during the current year. As a part of the Company's future strategy, the management has prepared a business plan which is sensitive to certain key assumptions as detailed in the note 1.2. The management believes that the successful implementation of the business plan would help to improve the financial position of the Company even further.

43 PLANT CAPACITY AND PRODUCTION

Particulars	2018		2017	
	Capacity	Actual production	Capacity	Actual production
	----- million bottles -----			
I.V. solutions	30.8	24.8	30.3	20.3
Plastic ampoules	14.5	10.6	11.6	10.2

The Company's under-utilised capacity was due to lower than the planned production on account of over supply situation in the market.

44 INTERIM BONUS SHARES AND NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION

During the year ended June 30, 2018, the Company issued interim bonus shares @ 10% for the year ended June 30, 2018 declared on October 25, 2017 which was accounted for in the financial statements for 2018. The Board of Directors of the Company in their meeting held on August 28, 2018 have proposed a final cash dividend for the year ended June 30, 2018 of Re 1.20 per share (2017: Rs Nil). This will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2018 do not include the effect of above which will be accounted for in the financial statements for the year ending June 30, 2019.

45 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison and better presentation. These have been done mainly due to adoption of revised format of the financial statements under Companies Act 2017 as disclosed in respective notes. No other significant rearrangements or reclassifications have been made in these financial statements in the current year.

46 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 28, 2018** by the Board of Directors of the Company.

47 GENERAL

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



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

OTSUKA PAKISTAN LIMITED
Pattern of Shareholding
As of June 30, 2018

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. SUHARI MUKTI	1	1	0.00
MR. HANIF SATTAR	1	121	0.00
MR. MEHTABUDDIN FERAZ	1	397,485	3.29
MR. MOHAMMED TAUFIQ	1	397,485	3.29
MUHAMMAD ABDULLAH FERAZ	1	550	0.00
MR. HAKUGI KIYONO	1	1	0.00
MR. MIKIO BANDO	1	1	0.00
MR. MAKIO OSAKA	1	1	0.00
MR. NOOR MUHAMMAD	1	550	0.00
MR. ABID HUSSAIN	1	550	0.00
Associated Companies, undertakings and related parties			
OTSUKA PHARMACEUTICAL COMPANY LIMITED	1	5,420,247	44.80
P.T. OTSUKA INDONESIA	1	1,204,499	9.95
OTSUKA PHARMACEUTICAL FACTORY, INC.	1	1,589,940	13.14
Executives	1	121	0.00
Public Sector Companies and Corporations	4	120,183	0.99
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	3	11,945	0.10
Mutual Funds			
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	86,436	0.71
General Public			
a. Local	951	1,783,806	14.74
b. Foreign	1	12,045	0.10
Foreing Companies	-	-	-
Others	23	1,074,033	8.88
Totals	997	12,100,000	100.00

Share holders holding 5% or more	Shares Held	Percentage
OTSUKA PHARMACEUTICAL COMPANY LIMITED	5,420,247	44.80
P.T. OTSUKA INDONESIA	1,204,499	9.95
OTSUKA PHARMACEUTICAL FACTORY, INC.	1,589,940	13.14

OTSUKA PAKISTAN LIMITED
Pattern of Shareholding
As of June 30, 2018

# Of Shareholders	Shareholdings'Slab			Total Shares Held
479	1	to	100	3,605
281	101	to	500	52,283
87	501	to	1000	57,234
93	1001	to	5000	179,875
21	5001	to	10000	145,626
10	10001	to	15000	119,366
2	15001	to	20000	37,167
1	20001	to	25000	24,090
2	30001	to	35000	61,972
2	40001	to	45000	81,901
1	45001	to	50000	48,800
1	50001	to	55000	51,474
1	60001	to	65000	62,415
3	65001	to	70000	202,200
1	85001	to	90000	86,436
1	110001	to	115000	111,562
1	140001	to	145000	143,516
1	160001	to	165000	160,694
1	265001	to	270000	265,858
5	395001	to	400000	1,989,240
1	1200001	to	1205000	1,204,499
1	1585001	to	1590000	1,589,940
1	5420001	to	5425000	5,420,247
997				12,100,000

COMPARISON OF RESULTS LAST 6 YEARS

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Share Capital (Rs. In '000)	100,000	110,000	110,000	110,000	110,000	121,000
Unappropriated Profit / (Loss) (Rs. In '000)	14,445	(187,390)	(335,586)	(448,022)	(339,636)	(274,688)
General Reserve (Rs. In '000)	377,500	367,500	367,500	367,500	367,500	356,500
Capital Employed (Rs. In '000)	591,945	506,776	250,247	29,478	137,864	202,812
Long Term Loans (Rs. In '000)	100,000	216,666	108,333	-	-	-
Sales (Rs. In '000)	1,293,711	1,077,670	1,452,196	1,550,709	1,829,624	1,869,013
Profit / (Loss) Before Tax (Rs. In '000)	(3,346)	(277,597)	(179,939)	(153,477)	196,174	138,008
Taxation - net (Rs. In '000)	(217)	(77,853)	(33,774)	(41,300)	(86,423)	(72,702)
Profit / (Loss) After Taxation (Rs. In '000)	(3,129)	(199,744)	(146,165)	(112,177)	109,751	65,306
% of Sales	(0.24)	(18.53)	(10.07)	(7.23)	6.0	3.5
% of Total Assets	(0.26)	(12.61)	(9.35)	(7.09)	7.54	4.12
% of Capital Employed	(0.53)	(39.41)	(58.41)	(380.54)	79.61	32.20
Dividend Amount (Rs. In '000)	10,000	-	-	-	-	14,520
% of Dividend	10.00	-	-	-	-	12.00
Bonus Shares Dividend (Rs. In '000)	-	10,000	-	-	-	11,000
% of Bonus Issue	-	10.00	-	-	-	10.00
Earnings / (Loss) Per Share	(0.31)	(18.15)	(13.29)	(10.20)	9.98	5.40
Earnings / (Loss) Per Share (Restated) *	(0.26)	(16.51)	(12.08)	(9.27)	9.07	9.07
Fixed Assets less Depreciation (Rs. In '000)	246,343	704,484	617,307	533,565	458,398	413,124
Total Assets (Rs. In '000)	1,226,776	1,584,548	1,562,659	1,582,657	1,455,442	1,583,800
Average Number of Employees	438	420	405	399	394	392








*Earnings / (Loss) per share for prior years has been restated consequent to a readjustment in the weighted average number of ordinary shares outstanding during prior years upon interim issue of bonus shares during year 2013-14 and 2017-18 of 10% respectively.










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PROXY FORM 30th Annual General Meeting

The Secretary
Otsuka Pakistan Limited,
30-B S.M.C.H. Society,
Off Shahrah-e-Faisal,
Karachi - 74400.

Please quote Folio No.

I/We.....
of.....Being a member
of Otsuka Pakistan Limited here by appoint.....
.....
of.....
or failing him / her.....
of.....
.....

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held on Wednesday, October 24, 2018 and at any adjournment thereof.

As witness my hand this..... day of2018

Signed by the said.....
.....

in the presence of.....
.....

Witness

Signature on Revenue stamp of appropriate value

(Signature should agree with
the SPECIMEN signature
registered with the Company)

Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing. A proxy need not be a Member of the Company.
3. The instrument appointing a proxy, together with the Power of Attorney, if any under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time of the meeting.
4. In case of Proxy for any individual beneficial owner of CDC, entitled to attend and vote at this meeting, it is necessary to deposit the attested copies of beneficial owner's national identity card, Account and Participant's ID numbers. The Proxy shall produce his original national identity card at the time of the meeting. Representative of corporate members should bring the usual documents for such purpose.

**AFFIX
CORRECT
POSTAGE**

**The Company Secretary
Otsuka Pakistan Limited
30-B, Sindhi Muslim Co-operative Housing
Society, Karachi - 74400**

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