Otsuka-People Creating New Products
For Better Health Worldwide

ANNUAL REPORT 2018 -19

FOR THE YEAR ENDED JUNE 30, 2019

Otsuka

Otsuka Pakistan Limited

(A Company of Otsuka Group Japan)

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECOTRS	:	Mr. Mikio Bando	(Chairman) (Alternate: Mr. Muhammad Taufiq Feroz)
		Mr. Hanif Sattar	(Director and Chief Executive)
		Mr. Daisuke Hashimoto	
		Mr. Mehtabuddin Feroz	
		Mr. Suhari Mukti	(Alternate: Mr. Sajid Ali Khan)
		Mr. Noor Muhammad	(Independent Director)
		Mrs. Navin Salim Merchant	(Independent Director)
COMPANY SECRETARY	:	Mr. Muhammad Amin Bashir	
AUDIT COMMITTEE (SUB COMMITTEE OF THE BOARD)	:	Mr. Noor Muhammad	(Chairman)
		Mr. Daisuke Hashimoto	(Member)
		Mr. Mehtabuddin Feroz	(Member)
HUMAN RESOURCES & REMUNERATION COMMITTEE (SUB COMMITTEE OF THE BOARD)	:	Mr. Noor Muhammad	(Chairman)
		Mr. Daisuke Hashimoto	(Member)
		Mr. Mehtabuddin Feroz	(Member)
		Mr. Hanif Sattar	(Member)
AUDITORS	:	Deloitte Yousuf Adil (Chartered Accountants)	
LEGAL ADVISORS	:	Hassan & Humayun Associates	
BANKERS	:	Citibank N.A. 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	:	M/s. CDC Share Registrar Services 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) 34326031 Email: info@cdcsrsl.com Website: https://www.cdcsrsl.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	Focus
● 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.	Medical Profession & Patients
● To offer world class quality products and support services to our customers at reasonable prices through resource optimization.	Patients
● To develop and retain efficient network of distributors and suppliers for enhancement of our present level of support services for customer satisfaction.	Distributors & Suppliers
● 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.	Empolyees
● To contribute in community services for betterment of society and environment.	Community
● To generate adequate earnings for meeting current and future needs, leading to enhancement of shareholder's value.	Shareholders

NOTICE OF MEETING

Notice is hereby given that the Thirty first (31st) Annual General Meeting of Otsuka Pakistan Limited will be held on Tuesday, October 22, 2019 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 Annual Audited Accounts for the year ended June 30, 2019, together with the Directors' and Independent Auditors' reports thereon.
2. To appoint auditors and fix their remuneration for the year ending June 30, 2020. The present auditors, M/s Deloitte Yousuf Adil & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
3. To transact any other business with the permission of the Chair.

By order of the Board

Muhammad Amin Bashir
Company Secretary

Karachi: September 24, 2019

Notes:-

A. Book Closure and Proxy:

(i) The Share Transfer Books of the Company will remain closed from October 16, 2019 to October 22, 2019 (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 at least 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).

B. 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.

C. 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.

D. AVAILABILITY OF THE AUDITED FINANCIAL STATEMENTS ON COMPANY'S WEBSITE

The audited accounts of the Company for the year ended June 30, 2019 have been placed on the Company's website **www.otsuka.pk.**

E. 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.

F. SUBMISSION OF CNIC/NTN DETAILS (MANDATORY REQUIREMENT):

As per Securities and Exchange Commission of Pakistan (SECP) vide SRO 889(1)/2011 and SRO 83(I)/2012, dividend counters in electric form should bear the CNIC number of the authorized person or registered member, except in case of minor (s) and corporate members. Accordingly 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. In case of non-receipt of the copy of valid CNIC, the Company would be constrained under the law to withhold dividend of such shareholders.

G. WITHHOLDING TAX ON DIVIDENDS:

Pursuant to the provision of the Finance Act, 2019 effective July 1, 2019, the rates of withholding income tax on the amount of dividend payment under Income Tax Ordinance, 2001 have been revised as under:

a) Filers of Income Tax returns 15%
b) Non-filers of Income Tax returns 30%

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 before the date of approval of Cash dividend, in any other case they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 30% instead of 15%.

As per the clarification issued by FBR, withholding tax will be determined separately on "Filer / Non-Filer" status of the principal shareholder as well as joint-holder(s) based on their shareholding proportions.

If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to the Registrar and Share Transfer Agent in writing as follows :

	Principal Shareholder			Joint Shareholder(s)	
Folio/CDC Account No,	Total Shares	Name and CNIC No,	Shareholding Proportion (No, of Shares)	Name and CNIC No,	Shareholding Proportion (No, of Shares)

H. PAYMENT OF CASH DIVIDEND ELECTRONICALLY (MANDATORY REQUIREMENT):

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 CDC participant / CDC Investor account services. (In case of shareholding in Book Entry Form) or to the Company’s Share Registrar i.e. .M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block-‘B’, S,M.C.H.S, Main Shahra-e-Faisal, Karachi-74400 (in case of shareholding in Physical Form):

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

In case of non-provision of IBAN, the Company will have to withhold the cash dividend according to SECP directives.

I. **DEPOSIT OF PHYSICAL SHARES IN CDC ACCOUNT:**

As per Section 72 of the Companies Act,2017 every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e., May 30, 2017,

The Shareholders having physical shareholding are encouraged to open CDC sub - account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form, this will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange.

J. **VIDEO-LINK FACILITY TO MEMBERS:**

In terms of SECP's Circular No. 10 of 2014 dated May 21. 2014 read with provision of Section 134(1) (b) of the Act. 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, 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 registered address of the Company at least 10 days prior to date of the meeting. After receiving the request/demand of members having 10% or more shareholding in aggregate , the Company will intimate members regarding venue of video conference facility at least five (5) days before the date of AGM along with complete information necessary to enable them to access such facility.

CONSENT FOR VIDEO CONFERENCING FACILITY

I/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. **E-VOTING**

Pursuant to the Companies (E-voting) Regulations, 2016, shareholders will be able to exercise their right to vote through e-voting by giving their consent in writing, at least 10 days before the date of the meeting to the Company on the appointment of Execution Officer by the intermediary as Proxy.

L. **POSTAL BALLOT**

Pursuant to Companies (Postal Ballot) Regulations 2018, for the purpose of election of Directors and for any other agenda item subject to the requirements of section 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right of vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulations.

Shareholders are requested to promptly notify any change in their addresses, if any, and submit if applicable to them to Company's Share Registrar **M/s. CDC Share Registrar Services 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) 34326031 Email: info@cdcsrsl.com Website: www.cdcsrsl.com;** of any change in their addresses.

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K. ای ووٹنگ

کمپنیز (ای ووٹنگ) ریگولیشنز مجریہ 2016 کی تعمیل میں، شیئر ہولڈر پراکسی کی حیثیت سے ثالثی کے ذریعے ایگزیکیوشن آفیسر کی تقرری پر کمپنی کو اجلاس کی تاریخ سے کم از کم دس (10) دن قبل، تحریری طور پر ان کی رضامندی فراہم کرکے ای ووٹنگ کے ذریعے اپنا حق رائے دہی استعمال کر سکیں گے۔

L. پوسٹل بیلٹ

کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کی تعمیل میں، ڈائریکٹرز کے انتخاب کے مقصد کیلئے اور کمپنیز ایکٹ 2017 کی دفعہ 143 اور 144 کے تقاضوں سے مشروط کسی اور ایجنڈے آئٹم کیلئے، ممبران کو پوسٹل بیلٹ کے ذریعے اپنے ووٹ کا حق استعمال کرنے جو مذکورہ بالا قواعد وضوابط میں شامل تقاضوں اور طریقہ کار کے مطابق ڈاک کے ذریعے یا کسی بھی الیکٹرانک موڈ کے ذریعے ووٹ کی اجازت ہو گی۔

شیئر ہولڈرز سے پتہ میں کسی قسم کی تبدیلی سے شیئر رجسٹرار میسرز سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ، سی ڈی سی ہاؤس 99 بی بلاک 'بی' ایس ایم سی ایچ ایس، مین شاہراہ فیصل کراچی 74400۔ کسٹمر سپورٹ سروسز کے ٹول فری نمبر CDCPL-23275-0800 ٹیکس نمبر 92-21-34326031 ای میل info@cdcsrsl.com ویب سائٹ www.cdcrsl.com کو مطلع کرنے کی درخواست کی جاتی ہے۔

(i) حصص کی تفصیلات	
حصص یافتہ کا نام	
فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر	
CNIC نمبر (کاپی منسلک کریں)	
موبائل/لینڈلائن نمبر	
(ii) حصص یافتہ کے بینک کی تفصیلات	
بینک اکاؤنٹ کا ٹائٹل	
انٹر نیشنل بینک اکاؤنٹ نمبر (IBAN)	
بینک کا نام	
برانچ کا نام اور پتہ	

آئی بی اے این IBAN کی عدم فراہمی کی صورت میں کمپنی ایس ای سی پی کی ہدایت کے مطابق نقد منافع منقسمہ روک دے گی

I. سی ڈی سی اکاؤنٹ میں فزیکل شیئر کی فراہمی

کمپنیز ایکٹ مجریہ 2017 کی دفعہ 72 کے مطابق ہر موجودہ لسٹڈ کمپنی کو اپنے فزیکل شیئر کو کتب انٹری فارم کے ساتھ مخصوص انداز میں تبدیل کرنے کی ضرورت ہوگی اور کمیشن کی جانب سے مطلع کی گئی تاریخ سے چار سال سے زیادہ مدت کے اندر یعنی اس ایکٹ کے آغاز جو کہ مورخہ 30 مئی 2017 سے تجاوز نہ کرے۔

فزیکل شیئر ہولڈنگ رکھنے والے شیئر ہولڈرز کی حوصلہ افزائی کی جاتی ہے کہ وہ اپنے کسی بھی بروکر یا انویسٹرا کاؤنٹ کے ساتھ براہ راست سی ڈی سی کے ساتھ سی ڈی سی سب اکاؤنٹ کھولیں تاکہ ان کے فزیکل شیئر کو اسکرپٹ بغیر شکل میں رکھیں۔ اس سے انہیں کئی طرح سے سہولت ملے گی۔ جس میں محفوظ تحویل اور شیئر کی فروخت شامل ہیں' جب وہ چاہیں۔ کیونکہ پاکستان اسٹاک ایکسچینج کے موجودہ قواعد کے تحت فزیکل شیئرز کی تجارت کی اجازت نہیں ہے۔

J. ممبران کیلئے ویڈیو لنک کی سہولت:

کمپنیز ایکٹ کی دفعہ 134(1)(b)، ایس ای سی پی کے سرکلر نمبر 10 مجریہ 2014 بتاریخ 21 مئی 2014 کی فراہمی کے ساتھ ملا کر پڑھنے کے مطابق اگر کمپنی ایک شہر میں رہائش پذیر مجموعی طور پر کم از کم 10 فیصد شیئر ہولڈنگ رکھنے والے ممبران سے رضامندی کی وصولی کی صورت میں' کمپنی اس شہر میں ویڈیو لنک کی سہولت موجود ہونے کی بنیاد پر ویڈیو لنک کی سہولت کا انتظام کرے گی۔ اس سہولت کو حاصل کرنے کے لئے کمپنی کے رجسٹرڈ پتہ پر اجلاس کی تاریخ سے 10 دن قبل مندرجہ ذیل معلومات فراہم کردیں۔

مجموعی طور پر 10 فیصد یا اس سے زیادہ شیئر ہولڈنگ رکھنے والے ممبران کی درخواست / ڈیمانڈ موصول ہونے کے بعد' کمپنی ممبران کو سالانہ اجلاس عام کی تاریخ سے پانچ 5 دن قبل ویڈیو کانفرنس سہولت کے مقام کے بارے میں آگاہ کرے گی۔ بمعہ تمام ضروری معلومات جس کے ذریعے اس سہولت تک رسائی حاصل کی جاسکے۔

رضامندی برائے ویڈیو کانفرنس سہولت

میں / ہم_______________بطور ممبر اوٹسو کا پاکستان لمیٹڈ' حامل_______________عمومی حصص بمطابق رجسٹر فولیو نمبر____________/

سی ڈی سی اکاؤنٹ نمبر_______________/_______________کے مقام پر ویڈیو کانفرنس سہولت کیلئے درخواست کرتے ہیں۔

____

دستخط رکن

D. **مالی گوشواروں کی ویب سائٹ پر ترسیل:**

ایس ای سی پی کے نوٹیفکیشن نمبر 634(1)/2014/ مورخہ 10 جولائی 2014ء کے تحت 30 جون 2019ء کو مکمل ہونے والے سال کیلئے کمپنی کے آڈٹ شدہ مالی گوشوارے اور رپورٹس کمپنی کی ویب سائٹ www.otsuka.pk پر حصص یافتگان کی اطلاع اور جائزہ کیلئے جاری کر دی گئی ہیں۔

E. **سالانہ مالی گوشواروں کی بذریعہ ای میل ترسیل:**

ایس ای سی پی کے ایس آر او نمبر 787(1)/2014/ مورخہ 8 ستمبر 2014ء کے ذریعے ہدایات کے مطابق جو شیئر ہولڈرز آئندہ سالانہ مالی گوشوارے ڈاک کی بجائے بذریعہ ای میل وصول کرنے کے متمنی ہوں، کمپنی کے شیئر رجسٹرار کو اپنے ای میل ایڈریس کے ہمراہ کمپنی کی ویب سائٹ: www.otsuka.pk پر دستیاب اسٹینڈرڈ ریکوئسٹ فارم پر دستخط اور اپنے سی این آئی سی / پاسپورٹ کی کاپی ارسال کر دیں۔ اگر آپ مذکورہ سہولت حاصل نہ کرنا چاہیں تو نظرانداز کر دیں۔ سالانہ مالی گوشوارے معمول کے مطابق آپ کے رجسٹرڈ پتہ پر ارسال کر دیئے جائیں گے۔

F. **سی این آئی سی/این ٹی این تفصیلات کی فراہمی:**

سیکیورٹیز ایکٹ اینڈ ایکسچینج کمیشن آف پاکستان (SECP) بحوالہ سرکلر 2011(1)889 اور 2012/(1)83 کے مطابق، الیکٹرانک فارم میں ڈیویڈنڈ کاؤنٹرز میں مجاز فرد یا رجسٹرڈ ممبر کا کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ہونا چاہیے۔ ماسوائے نابالغان یا کاروباری ممبر کی صورت میں۔ وہ ممبران جنہوں نے تاحال اپنے اصل کمپیوٹرائزڈ قومی شناختی کارڈ کی فوٹو کاپی جمع نہیں کرائی، ان سے ایک بار پھر سے درخواست کی جاتی ہے کہ جلد از جلد کمپنی کے شیئر رجسٹرار کو براہ راست ارسال کر دیں۔ اصل کمپیوٹرائزڈ قومی شناختی کارڈ کی کاپی موصول نہ ہونے کی صورت میں کمپنی قانون کے تحت مجبور ہو گی کہ ایسے شیئر ہولڈرز کا منافع منقسمہ روک دے۔

G. **منافع منقسمہ پر ودہولڈنگ ٹیکس**

فنانس ایکٹ مجریہ 2019، نافذ العمل یکم جولائی 2019 کے اطلاق کیلئے ڈیویڈنڈ ادائیگی کی رقم پر ود ہولڈنگ انکم ٹیکس بمطابق انکم ٹیکس آرڈیننس 2001 کی نظر ثانی شدہ شرح حسب ذیل ہے۔

(الف) برائے انکم ٹیکس فائلرز 15 فیصد

(ب) برائے نان انکم ٹیکس فائلرز 30 فیصد

فائلر شیئر ہولڈرز کو ہدایت دی جاتی ہے کہ وہ ایف بی آر کی ویب سائٹ پر فراہم کردہ تازہ ایکٹیو ٹیکس پیئر لسٹ (ATL) میں اپنے ناموں کا اندراج نقد منافع منقسمہ کی منظوری کی تاریخ سے قبل یقینی بنائیں۔ بصورت دیگر وہ نان فائلرز تصور کئے جائیں گے اور ان کے نقد منافع منقسمہ کی رقم سے 15 فیصد کے بجائے 30 فیصد کی شرح سے ٹیکس منہا کیا جائیگا۔

ایف بی آر (FBR) کی جاری شدہ وضاحت کے تحت ودہولڈنگ ٹیکس کا پرنسپل شیئر ہولڈر کی حیثیت "فائلر/نان فائلر" کے طور پر الگ الگ تعین کے ساتھ ساتھ جوائنٹ ہولڈرز کے شیئر ہولڈنگ تناسب کی بنیاد پر منحصر ہو گا۔ اگر شیئر اتنا یقینی نہیں ہے تو ہرا کاؤنٹ ہولڈر کے پاس موجود شیئر کا تناسب مساوی سمجھا جائیگا اور قانون کے مطابق اسی اعتبار سے ٹیکس منہا کر دیا جائیگا۔

لہٰذا تمام شیئر ہولڈرز جن کے پاس مشترکہ شیئر موجود ہیں ان کیلئے پرنسپل شیئر ہولڈرز کا شیئر ہولڈنگ تناسب اور مشترکہ ہولڈرز کے پاس موجود شیئرز کی تفصیلات رجسٹرار اور شیئر ٹرانسفر نمائندہ کو تحریری طور حسب ذیل فراہم کرنا لازمی ہے۔

	پرنسپل شیئر ہولڈر			مشترکہ شیئر ہولڈرز	
فولیو نمبر/سی ڈی سی/ اکاؤنٹ نمبر	کل شیئرز	نام اور سی این آئی سی نمبر	شیئر ہولڈنگ تناسب	نام اور سی این آئی سی نمبر	شیئر ہولڈنگ تناسب

H. **نقد منافع منقسمہ کی الیکٹرونکلی ادائیگی**

کمپنیز ایکٹ مجریہ 2017ء کی دفعہ 242 اور کمپنیز (ڈسٹری بیوشن آف ڈیویڈنڈ) ریگولیشنز، مجریہ 2017ء کے تحت لسٹڈ کمپنی کے لئے ضروری ہے کہ قابل ادائیگی نقد منافع منقسمہ اہل شیئر ہولڈرز کو صرف الیکٹرونک طریقے سے براہ راست ان کے بینک اکاؤنٹس میں ادا کی جائے، اس سلسلے میں کمپنی کی جانب سے ایک نوٹس اخبارات میں پہلے ہی شائع کیا جاچکا ہے، تاہم حصص یافتگان سے ایک بار پھر درخواست کی جاتی ہے کہ ذیل میں دیا گیا "الیکٹرانک کریڈٹ منڈیٹ فارم" پُر کریں دستخط شدہ الیکٹرانک کریڈٹ منڈیٹ فارم قابل قبول CNIC/NTN کی کاپی کے ساتھ اپنے اپنے متعلقہ سی ڈی جی شریک/سی ڈی سی انویسٹرا کاؤنٹ سروسز کو (حصص کا کُتب اندراج میں ہونے کی صورت میں) یا کمپنی کے شیئر رجسٹرار یعنی میسرز سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ (شیئرز کا فزیکل فارم میں ہونے کی صورت میں) جمع کرادیں۔

اوٹسوکا پاکستان لمیٹڈ

اطلاع برائے اجلاس

مطلع کیا جاتا ہے کہ اوٹسو کا پاکستان لمیٹڈ کا اکتیسواں (31واں) سالانہ اجلاس عام مورخہ 22 اکتوبر 2019ء بروز منگل کو صبح 10:30 بجے بمقام آڈیٹوریم ہال انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹ پاکستان، چارٹرڈ اکاؤنٹنٹس ایونیو، کلفٹن کراچی میں مندرجہ ذیل امور کی انجام دہی کیلئے منعقد کیا جائیگا۔

عمومی امور:

1- 30 جون 2019ء کو ختم ہونے والے گزشتہ سال کیلئے سالانہ آڈٹ شدہ اکاؤنٹس معہ ڈائریکٹر اور آزاد آڈیٹرز کی رپورٹس کی وصولی، غور و خوض اور منظوری۔

2- 30 جون 2020ء کو ختم ہونے والے آئندہ سال کیلئے آڈیٹر کی تقرری اور ان کے مشاہرہ کا تعین۔ موجودہ آڈیٹر میسرز ڈیلوئٹ یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، سبکدوش اور بطور اہل نے دوبارہ سے تقرری کیلئے اپنی خدمات پیش کی ہیں۔

3- چیئرمین کی اجازت سے دیگر امور کی انجام دہی۔

کراچی: 24 ستمبر 2019ء

بحکم بورڈ
محمد امین بشیر
کمپنی سیکریٹری

نوٹس:

A. **کتاب کی بندش اور پراکسی:**

i- کمپنی کی منتقلی حصص کتب 16 اکتوبر 2019ء تا 22 اکتوبر 2019ء بند رہیں گی۔ (بشمول دونوں ایام)

ii- سالانہ اجلاس میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب سے شرکت اور رائے دہی کیلئے اپنا پراکسی مقرر کر سکتا ہے۔ پراکسی کا کمپنی کا ممبر ہونا ضروری نہیں۔

iii- پروکسی کی تقرری کی دستاویزی اور پاور آف اٹارنی اور دیگر اتھارٹی معہ پاور آف اٹارنی کی تصدیق شدہ کاپی اجلاس ہذا کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں داخل کرانی ہو گی۔

iv- سی ڈی سی اکاؤنٹس ہولڈرز کو سیکیورٹیز اینڈ ایکس چینج کمیشن آف پاکستان کے سرکلر نمبر 1 بتاریخ 26 جنوری 2000 میں مندرجہ ذیل ہدایت پر عمل کرنا ہو گا۔

B. **برائے اجلاس میں شرکت:**

i- افراد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر یا اس فرد کی سیکیورٹیز گروپ اکاؤنٹ میں ہوں اور اس کی رجسٹریشن تفصیلات قواعد کے مطابق اپ لوڈ ہوں۔ اجلاس میں شرکت کے موقع پر اپنی شناخت کی تصدیق کیلئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ پیش کرنا ہو گا۔

ii- کاروباری ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی معہ نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) اجلاس کے موقع پر پیش کرنا ہوں گے۔

C. **برائے پراکسی کی تقرری:**

i- افراد کی صورت میں اکاؤنٹ ہولڈر یا سب / اکاؤنٹ ہولڈر اور / یا اس فرد کو جس کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور اس کی رجسٹریشن تفصیلات ریگولیشنز کے مطابق اَپ لوڈ ہوں۔ پروکسی فارم مندرجہ بالا شرائط کے تحت جمع کرانے ہوں گے۔

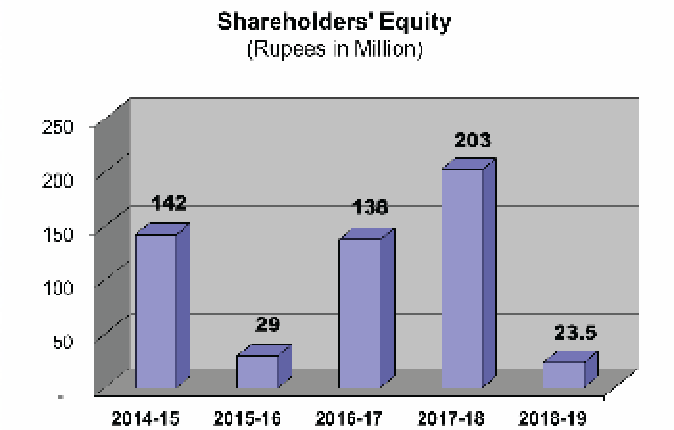
ii- پروکسی فارم پر دو افراد کی گواہی ہونی چاہئے جن کے نام، پتے اور سی این آئی سی نمبر فارم میں درج ہوں۔

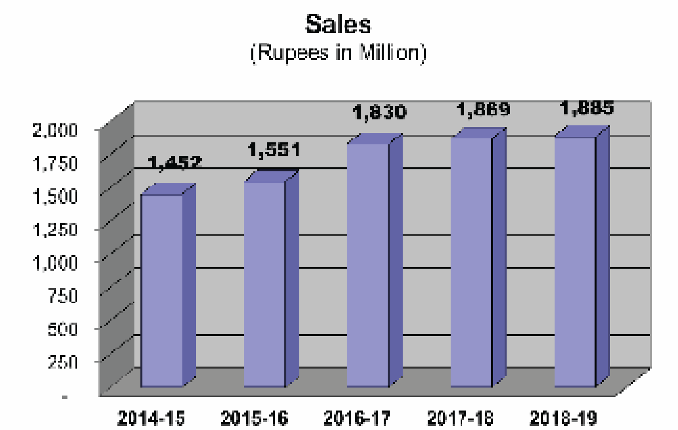
iii- ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک ہونی چاہئیں۔

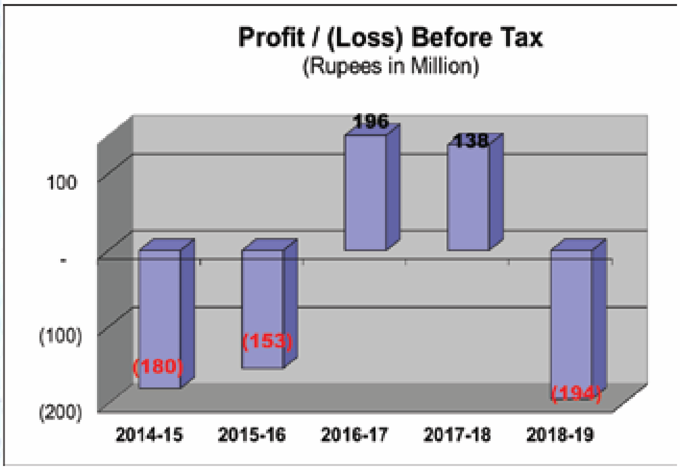
iv- پروکسی کو اجلاس کے موقع پر اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہو گا۔

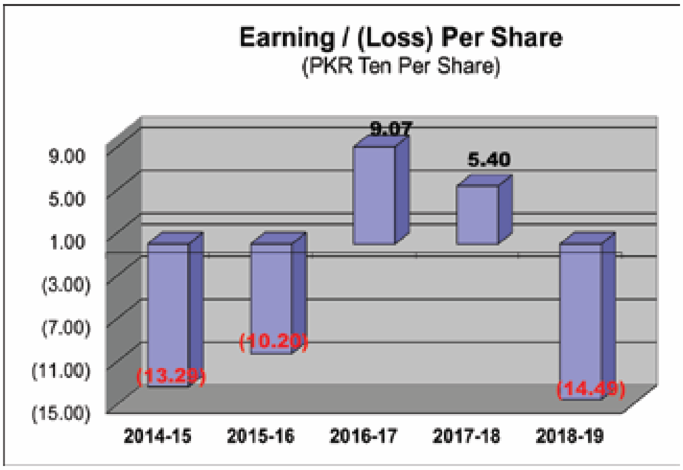
v- کارپوریٹ اینٹٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی معہ نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کیا گیا ہو) پروکسی فارم کے ہمراہ منسلک کرنے ہوں گے۔

Five Years at a Glance









CHAIRMAN REVIEW

- I am pleased to welcome you at the 31st Annual General Meeting of your Company and present on behalf of the Board of Directors, the annual report for the year ended June 30th 2019 along with my review on the performance of your Company.

- Pakistan's Economy had witnessed a meager growth of 3.29% against the ambitious GDP growth rate target of 6.2% for the fiscal year 2018-19. The rising current account deficit and the depleting foreign reserves of the country has forced the government towards fiscal tightening, rationalization of taxes, measures to reduce the primary balance, and exchange rate adjustments. We expect that the above measures will restrain economic growth in the coming years.

- Growth in the pharmaceutical and all other sectors has suffered during the year due to adverse economic condition. In addition weakening of local currency, has added a distress to import dependent sector. Excessive supply against the demand in the IV infusion market has restricted the sales growth of the Company to just 1%.

- During the year, there was significant devaluation of Pak Rupee as PKR/USD exchange rate parity has rose to 160.05 from 121.5. It has devastating impact on our cost of goods sold by reducing our gross profit margin. Moreover a net exchange loss of Rs. 193.7 million on foreign currency loans and the cost of imported finished goods and raw materials has also made the bottom line negative.

- The board of directors has completed its first year after being elected in the 30th Annual General Meeting. The overall performance of the Board and its members 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 of improvement are duly considered and action plans have been framed accordingly.

- I am pleased to announce that we have made an extension in the product line of Intravenous solutions by adding two new products in IV segment namely "Otsuzol" and "Otsumol". Further one product in the medical devices segment has also been launched namely "Otsuka Urea Breath Test System (UBIT)".

- It is anticipated that tight monetary and fiscal policies will continue in the forthcoming year alongside further devaluation in Pak Rupee. This will trigger the inflation and bank rates resulting in more pressure on the cost of production of the Company. However consistent and co-operative policies from the government 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

چیئرمین کا جائزہ

☆......میں آپ کی کمپنی کے 31ویں سالانہ اجلاس عام کے انعقاد پر آپ کو خوش آمدید کہتا ہوں اور بورڈ آف ڈائریکٹرز کی جانب سے مورخہ 30 جون 2019ء کو ختم ہونے والے سال کی سالانہ رپورٹ بمعہ آپ کی کمپنی کی کارکردگی پر اپنا جائزہ پیش کر کے مسرت محسوس کر رہا ہوں۔

☆......پاکستان کی معیشت نے مالی سال 2019-2018ء کیلئے جی ڈی پی میں ترقی کی شرح کا ہدف 6.2 فیصد رکھا اور اس کے مقابلے میں صرف 3.29 فیصد ترقی کی شرح حاصل کی۔ کرنٹ اکاؤنٹ میں بڑھتے ہوئے خسارے اور ملک کے غیر ملکی ذخائر کے خاتمے نے حکومت کو مالی سختی، ٹیکسوں کی منطقی، بنیادی توازن کو کم کرنے کے اقدامات اور شرح تبادلہ کی شرح میں ایڈجسٹمنٹ کی جانب مجبور کیا ہے۔ ہم توقع کرتے ہیں کہ مذکورہ بالا اقدامات آنے والے سالوں میں معاشی نمو کو روک سکیں گے۔

☆......منفی معاشی حالت کی وجہ سے ایک سال کے دوران دواسازی اور دیگر تمام شعبوں میں نمو کو نقصان کا سامنا کرنا پڑا ہے۔ مقامی کرنسی میں نمایاں کمی نے درآمدی حلقوں کی پریشانی میں مزید اضافہ کیا ہے۔ IV انفیوژن مارکیٹ میں طلب کیلئے ضرورت سے زائد مصنوعات کی فراہمی نے کمپنی کی فروخت میں ترقی کو صرف 1 فیصد تک محدود کر دیا ہے۔

☆......اس سال کے دوران پاکستانی روپیہ میں نمایاں کمی واقع ہوئی ہے۔ امریکی ڈالر کے تبادلے کی شرح مساوات پاکستانی روپیہ 121.50 سے تجاوز کر کے 160.05 تک جا پہنچی ہے جس نے ہمارے منافع کی شرح میں کمی کر کے ہماری پیداواری لاگت پر تباہ کن اثرات مرتب کئے ہیں۔ مزید یہ کہ غیر ملکی کرنسی قرضہ جات، دیگر درآمدی اشیاء اور خام مال کی لاگت پر 193.70 ملین کا خالص زرمبادلہ کا نقصان ریکارڈ کیا گیا ہے۔

☆......بورڈ آف ڈائریکٹرز نے 30ویں سالانہ اجلاس میں منتخب ہونے کے بعد اپنا پہلا سال مکمل کر لیا ہے۔ بورڈ اور اس کے ممبران کی مجموعی کارکردگی تسلی بخش ہے اور لازمی اصلاحات پر مبنی ہے۔ اور اس کا براہ راست کمپنی کے مقاصد کے حصول پر مثبت اثر پڑا ہے۔ بورڈ نے موثر طریقے سے نظم وضبط کو برقرار رکھتے ہوئے شفاف اور مضبوط انتظامی امور انجام دیئے، جو کمپنی بھر میں نظم وضبط کا موثر ماحول، رائج طریقوں کے ساتھ بہترین کارپوریٹ گورننس کی تعمیل، اخلاقی اور منصفانہ برتاؤ کی تشہیر کی مزید عکاسی کرتا ہے۔ تاہم بہتری کے شعبہ جات پر باضابطہ طور پر غور کیا جاتا ہے اور اس کے مطابق عملی منصوبہ بندی بھی کی جاتی ہے۔

☆......مجھے یہ بیان کرنے میں خوشی محسوس ہو رہی ہے کہ ہم نے اپنے IV طبقہ کی پروڈکٹ لائن میں مزید توسیع کرتے ہوئے دو نئی مصنوعات بنام ''اوٹسوزول اور اوٹسومول'' کا اضافہ کیا ہے۔ اور اس کے علاوہ میڈیکل ڈیوائس کے طبقے میں بھی ایک نئی پروڈکٹ بنام ''اوٹسوکا یوریا بریتھ ٹیسٹ سسٹم'' (یو بی آئی ٹی) بھی متعارف کی ہے۔

☆......یہ متوقع ہے کہ آئندہ مالی سال میں پاکستانی روپیہ کی مزید تشخیص کے ساتھ ساتھ سخت مانیٹری اور مالی پالیسیاں بھی جاری رہیں گی۔ جس کی بدولت افراط زر اور بینکوں کی سودی شرح میں مزید اضافہ متوقع ہے۔ جس کے نتیجے میں کمپنی کی پیداواری لاگت پر مزید دباؤ آئے گا۔ تاہم حکومت کی جانب سے مستقل عملی اور پُرتعاون پالیسیاں ہماری پیداواری صلاحیت میں مزید سرمایہ کاری کرنے اور اپنی مصنوعات کے فروغ میں خاطر خواہ اضافے کیلئے حوصلہ افزائی کرتی رہیں گی۔

☆......آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے میں اس موقع پر کمپنی کے تمام ملازمین کی مخلص اور وقف کردہ خدمات کو تسلیم کرتا ہوں اور تمام کاروباری شراکت داروں کا شکر گزار ہوں۔

میکیو بانڈو

چیئرمین

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report of Otsuka Pakistan Limited the Company for the year ended June 30, 2019.

Business Review

Our results were badly hampered due to the abnormal depreciation in the Pak Rupee that has not only increased our cost of production but has also given us a total impact of exchange loss of Rs. 193.7 million on our off shore loans and imports. Moreover there has been major surge in cost of utilities which has completely wiped off our operating profits for the year. As a result during the year, the Company has a loss per share of Rs. 14.49as compared to earnings per share of 5.40 last year.

Our sales were just 0.8% up as compared to the last year due to oversupply situation in IV infusion market. Increase in expenses was due to record breaking inflation, additional expenses for promotional activities of new products and massive increase in the bank rate during the year. Despite of all this, we have launched two new products in IV segment namely "Otsuzol" (Metronidazole), "Otsumol" (Paracetamol) and one product in the medical devices segment in the name of "Otsuka Urea Breath Test System (UBIT)" for which we are getting good response from the market on these products.

During the year, the bank rate has been increased from 6.5% in May 2018 to 13.25% in June 2019. Adverse bank interest rates and the liquidity issues have forced the management to continue with the loan obtained from related party (Otsuka Pharmaceutical Factory, Inc. Japan) and have deferred the payment of one installment due during the year.

Financial Results

	(PKR in '000)	
	2019	**2018**
(Loss) / profit for the year before taxation	(193,711)	138,008
Taxation –net	18,363	(72,702)
(Loss) / profit for the year after taxation	(175,348)	65,306
Other comprehensive income/(loss) -net	10,511	(358)
Total comprehensive (loss)/income for the year	(164,837)	64,948
Accumulated profits brought forward	81,812	27,864
Accumulated (losses)/profits carried forward	(97,545)	81,812

Appropriations

In the given circumstances the board to propose no dividend for the year ended June 30, 2019.

Earnings / (loss) Per Share

The earnings / (loss) per share for the year ended June 30, 2019 works out to be Rs. (14.49) (2018: Earnings per share were Rs. 5.40).

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 un-audited accounts:

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

Future outlook

This year was the first year for the new democratic set-up but the now the direction from the government is clear however the government is under immense pressure on the dwindling foreign reserves along with severe external account deficit which may bring further devaluation of Pak Rupee and increase in inflation and bank rates. Neverthe-less the Company has got the long outstanding hardship cases settled under SRO 1610 dated December 31, 2018.

Further the Company is also very hopeful over the performance of the products launched in last 2 years and is confident to meet the future challenges. The Board is of the view that your company can achieve good results subject to improvement in the economic conditions of the country and the consistency of government policies.

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;

e. 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. 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, 2019 except for those already disclosed in the financial statements.

Board of Directors

Mr. Hakugi Kiyono has resigned from Board from the post of the Non-executive directorship on August 28, 2018. Mr. Daisuke Hashimoto (nominee & non-executive director of OPCJ) has filled the casual vacancy.

Mr. Muhammad Abdullah Feroz, Mr. M. Taufiq Feroz and Mr. Makio Osaka have retired from their Board services on October 24, 2018 after completion of their three (3) years' term.

Mrs. Navin Salim Merchant has been elected being independent director (female) on the Board on October 24, 2018.

The Board of Directors as required under section 159 of the Companies Act, 2017 has fixed the number of Directors to be elected at seven (7) including two (2) independent directors who will represent the minority shareholders of the Company in accordance with the provisions of the new Code of Corporate Governance, 2017 for a period of three years commencing from November 01, 2018.

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

CATEGORY	NAMES	GENDER
Executive Director	Mr. Hanif Sattar (CEO)	Male Directors
Non-Executive Directors	Mr. Mikio Bando (Chairman)	
	Mr. Mehtabuddin Feroz	
	Mr. Daisuke Hashimoto	
	Mr. Suhari Mukti	
Independent Directors	Mr. Noor Muhammad	
	Mrs. Navin Salim Merchant	Female Director

Board Committees

SUB COMMITTEE OF THE BOARD	NAME OF MEMBER
Audit Committee	Mr. Noor Muhammad (Chairman) Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz
Human Resource & Remuneration Committee	Mr. Noor Muhammad (Chairman) Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz Mr. Hanif Sattar

Directors' Remuneration

The Board has a formal policy and transparent procedures for the remuneration of its Directors in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2017. The Non-executive Directors are only entitled to receive fixed fees in lieu of remuneration for attending the Board and its Committee Meetings.

Risk Management

The Risk Management infrastructure of the Company is based upon Enterprise Risk Management framework addressing the major risk categories including Strategic, Operational, Compliance and Financial Reporting Risks. Adequate controls have been designed and communicated to the staff via polices and procedural guidelines.

The board has outsourced the internal audit function to evaluate and oversee the design and operating effectiveness of these controls.

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

Name of Director	Board Meetings		Audit Committee Meetings		Human Resource &	
	Meetings held during the period	Attendance	Meetings held during the period	Attendance	Meetings held during the period	Attendance
Mr. Hanif Sattar (CEO)	4	4	5	N/A	2	2
Mr. Hanif Sattar (Director) (*)	4	2	5	N/A	2	N/A
Mr. Mehtabuddin Feroz	4	4	5	5	2	2
Mr. Mohammad Abdullah Feroz	4	2	5	N/A	2	N/A
Mr. Muammad Taufiq Feroz	4	2	5	N/A	2	N/A
Mr. Muammad Taufiq Feroz (1)	4	2	5	N/A	2	N/A
Mr. Makio Bando (Chairman)	4	0	5	N/A	2	N/A
Mr. Hakugi Kiyono	4	2	5	2	2	N/A
Mr. Makio Osaka	4	0	5	N/A	2	N/A
Mr. Daisuke Hashimoto (**)	4	3	5	3	2	2
Mr. Sajid Ali Khan (2)	4	2	5	N/A	2	N/A
Mr. Suhari Mukti	4	1	5	N/A	2	N/A
Mr. Noor Muhammad (Independent Director)	4	3	5	4	2	2
Mrs. Navin Salim Merchant (Independent Director) (***)	4	2	5	N/A	2	N/A
Mr. Abid Hussain (3)	4	1	5	N/A	2	N/A
Mr. Sajid Ali Khan (4)	4	2	5	N/A	2	N/A

(1) Alternate Director for Mr. Mikio Bando

(2) Alternate Director for Mr. Makio Osaka

(3) Alternate Director for Mr. Suhari Mukti

(4) Alternate Director for Mr. Suhari Mukti appointed in Board Meeting held on October 24, 2018.

(*) Mr. Hanif Sattar elected as Board of Director on 24-10-2018.

(**) Mr. Daisuke Hashimoto filled the casual vacancy on 28-08-2018 created due to resignation of Mr. Hakugi Kiyono. He has also become a member of audit committee and HR&RC.

(***) Mrs. Navin Salim Merchant elected as Board of Directors on 24-10-2018 being independent director (female).

P.S.: Number of Board Directors have reduced from 8 to 7 on 24-10-2018.

Pattern of Shareholding

The Pattern of shareholding of the Company as at June 30, 2019 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.

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, 2019. The Company's Directors provide reasonable assurance regarding the achievement of operating, reporting and compliance objectives are the means by which:

- Company's full operations are conducted in accordance with prescribed policies and procedures.
- The Company is in compliance with applicable laws and regulations.
- The Company's 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

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, 2019.

Changes occurring in the nature of business

We expect and planned to launch new products 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 escalation in cost of production, utilities, freight charges 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 (related party) 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 early 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 four times for a further period of one year each from the original due dates and subsequently all are fallen due on February 25, 2020, April 26, 2020 and July 26, 2020. 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 15, 2017.

Auditors

The present auditors, Messrs. Deloitte Yousuf Adil, Chartered Accountants, retire at the conclusion of the 31th Annual General Meeting and being eligible, offer themselves for reappointment.

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, 2020.

Acknowledgement

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

On behalf of the Board

Mehtabuddin Feroz
Director

Hanif Sattar
Chief Executive Office

Karachi

Dated: August 27, 2019

اہم رجحانات / مستقبل کی کار کردگی پر اثرانداز ہونے والی پیشرفت:

فارماانڈسٹری 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 مثبت اقدامات کی بہت اہمیت ہے۔ ایسا ہونے پر ہم مینوفیکچرنگ یونٹس اور پلانٹس میں مزید سرمایہ کاری کر سکتے ہیں اور مزید نئی مصنوعات بھی متعارف کرواسکتے ہیں۔

قرضہ جات:

کمپنی نے اوٹسو کا فارماسیوٹیکل فیکٹری، جاپان سے جاپانی ین میں قرضے حاصل کئے ہوئے ہیں۔ جس میں 75 ملین جاپانی ین کی دو اقساط بالترتیب 16 جون 2014 اور 22 دسمبر 2014ء کو موصول ہوئیں۔ 125 ملین جاپانی ین کی تین اقساط بالترتیب 26 فروری 2015 ‘27 اپریل 2015 اور 27 جولائی 2015 کو موصول ہوئیں۔ 84.50 ملین جاپانی ین کی ایک قسط 16 دسمبر 2015 کو کمپنی نے وصول کی۔ ہر قرض کی سہولت اپنی موصول ہونے والی تاریخ سے ایک سال کے اندر اندر ادا کرنی ہے۔

75 ملین جاپانی ین کی پہلی رقم کی ادائیگی کی تاریخ ایک سال کے لئے دو مرتبہ آگے بڑھائی گئی اور بالآخر دسمبر 2016ء کو ادا کردی گئی۔ 75 ملین جاپانی ین کی دوسری قسط کو 21 دسمبر 2015 تک ادا کرنا تھا لیکن اسے بھی دو مرتبہ ایک سال کے لئے آگے بڑھایا گیا اور 30 جون 2012 کو یہ رقم ادا کردی گئی۔ 125 ملین جاپانی ین کی تیسری، چوتھی اور پانچویں اقساط کی ادائیگی بالترتیب 25 فروری 2016، 26 اپریل 2016، اور 26 جولائی 2016ء کو کرنی تھی لیکن انہیں مقررہ تاریخ سے ایک سال کی بنیاد پر چار مرتبہ آگے بڑھایا گیا۔ اور اس کے بعد تمام اقساط کی بالترتیب 25 فروری 2020، 26 اپریل 2020، اور 26 جولائی 2020ء تک واجب الادا ہیں۔ 84.50 ملین جاپانی ین کی چھٹی قسط کو 15 دسمبر 2016ء تک ادا کرنا تھا لیکن اسے بھی ایک مرتبہ ایک سال کے لئے آگے بڑھایا گیا اور 15 دسمبر 2017ء کو ادا کردی گئی۔

آڈیٹرز:

موجودہ آڈیٹر 'میسرس ڈیلویٹ یوسف عادل' چارٹرڈ اکاؤنٹنٹس کمپنی کے 31 ویں سالانہ عام اجلاس پر ریٹائرڈ ہو گئے ہیں اور اہلیت کی بنیاد پر اپنے آپ کو دوبارہ تقرری کیلئے پیش کر رہے ہیں۔

آڈٹ کمیٹی کے مشورے کے مطابق، کمپنی بورڈ آف ڈائریکٹرز نے 30 جون 2020 کے ختم ہونے والے آئندہ سال کیلئے بطور بیرونی آڈیٹرز میسرس، ڈیلویٹ 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 تہہ دل سے ان کا مشکور ہے اور ان کی کاوشوں کو قدر کی نگاہ سے دیکھتا ہے۔

بورڈ کی جانب سے

حنیف ستار
چیف ایگزیکٹو آفیسر

مہتاب الدّین فیروز
ڈائریکٹر

کراچی:

تاریخ: 27 اگست، 2019ء

جناب ڈائی سوکے ہاشیموٹو نے جناب ہکوجی کیونو کے مستعفی ہونے کے بعد عہدہ سنبھالا۔ وہ آڈٹ کمیٹی اور ایچ آر اور آر سی کے ممبر بھی ہیں۔

نوٹ: مورخہ 24 اکتوبر 2018 سے بورڈ کے ڈائریکٹرز کی تعداد 8 سے کم کر کے 7 کر دی گئی ہے۔

حصص داروں کا پیٹرن:

کمپنی کے حصص داروں کا پیٹرن برائے اختتامی سال 30 جون 2019 اس رپورٹ کے ساتھ منسلک ہے۔

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

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

کارپوریٹ 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 شراکت 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 گرینو یچ یونیورسٹی کے ساتھ ایک طویل المدتی معاہدہ تشکیل دیا ہے۔

اندرونی فنانشل کنٹرول پر دسترس:

کمپنی میں ایک مناسب داخلی مالیاتی کنٹرول سسٹم ہے جو کہ 30 جون 2019 تک ختم ہونے والے سال کے دوران موثر طریقے سے کام کر رہا تھا۔ کمپنی کے ڈائریکٹران نے آپریٹنگ، رپورٹنگ کی تعمیل کے مقاصد کے حصول کے بارے میں مناسب یقین دہانی فراہم کی ہے جو مندرجہ ذیل ہیں۔

کمپنی کے مکمل آپریشنز شفاف طریقہ کار کے مطابق کئے جاتے ہیں۔

انٹرپرائز قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔

انٹرپرائزز کاروباری اثاثوں اور اندرونی معلومات کسی بھی غیر مناسب استعمال سے محفوظ ہیں۔

ہولڈنگ کمپنی:

آپ کی کمپنی میسرس اوٹسو کا فارماسیوٹیکل کمپنی لمیٹڈ کی بلاواسطہ ماتحت کمپنی ہے جسے جاپان میں قائم کیا گیا ہے۔

واقعات بعد از نتائج:

مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے دوران کمپنی کی مالی ساخت کو متاثر کرنے والا 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:

30 جون 2019 تک ہم نے کسی بھی رسک یا غیر یقینی صورتحال کو رونما ہوتے نہیں دیکھا ہے۔

کاروبار کی نوعیت میں ہونے والی تبدیلیاں:

ہم مستقبل قریب میں مزید نئی مصنوعات شروع کرنے کا عزم رکھتے ہیں، جبکہ ہمارے کاروبار کی بنیادی نوعیت (IV طبقہ) میں کوئی تبدیلی نہیں ہو گی۔

ڈائریکٹرز کا معاوضہ:

بورڈ کمپنیز ایکٹ ایک مجریہ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز مجریہ 2017 کے مطابق ڈائریکٹرز کے معاوضے کیلئے باقاعدہ پالیسی اور شفاف طریقہ کار پر عمل پیرا ہے۔

نان ایگزیکٹیو ڈائریکٹرز بورڈ اور اس کی کمیٹی کے اجلاسوں میں شرکت کیلئے معاوضے کی مد میں صرف مقررہ فیس وصول کرنے کے حقدار ہیں۔

رسک مینجمنٹ:

کمپنی کا رسک مینجمنٹ انفرااسٹرکچر اہم رسک مینجمنٹ فریم ورک پر مبنی ہے جو ہر شعبے کے بڑے خطرات بشمول اسٹریٹیجک، انتظامی، تعمیل اور مالیاتی بیانات کے خطرات سے نپٹنے کا اہل ہے۔ پالیسیوں اور اصولوں کے ذریعے اطمینان بخش کنٹرول تشکیل دیا گیا ہے اور عملے کو آگاہ کیا گیا ہے۔ ان اختیارات اور انتظامی افادیت کا جائزہ لینے اور ان کی نگرانی کیلئے بورڈ نے اندرونی آڈٹ سرگرمیوں کو آوٹ سورس (بیرونی) طور پر کیا ہوا ہے۔

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

ڈائریکٹران کے نام	بورڈ میٹنگ		آڈٹ کمیٹی میٹنگ		ہیومن ریسورس و معاوضہ کمیٹی	
	سال کے دوران ہونے والی میٹنگ	حاضری	پیریڈ کے دوران ہونے والی میٹنگ	حاضری	پیریڈ کے دوران ہونے والی میٹنگ	حاضری
حنیف ستار (سی ای او)	4	4	5	ناقابل اطلاق	2	2
جناب حنیف ستار ڈائریکٹر	4	2	5	ناقابل اطلاق	2	ناقابل اطلاق
مہتاب الدین فیروز	4	4	5	5	2	2
محمد عبداللہ فیروز	4	2	5	ناقابل اطلاق	2	ناقابل اطلاق
محمد توفیق فیروز	4	2	5	ناقابل اطلاق	2	ناقابل اطلاق
محمد توفیق فیروز (1)	4	2	5	ناقابل اطلاق	2	ناقابل اطلاق
میکیو بانڈو چیئرمین	4	0	5	ناقابل اطلاق	2	ناقابل اطلاق
ہکوجی کیونو	4	2	5	2	2	ناقابل اطلاق
میسکیو روساکا	4	0	5	ناقابل اطلاق	2	ناقابل اطلاق
ڈائی سوکے ہاشیموٹو	4	3	5	3	2	2
ساجد علی خان (2)	4	2	5	ناقابل اطلاق	2	ناقابل اطلاق
سوہاری مکتی	4	1	5	ناقابل اطلاق	2	ناقابل اطلاق
نور محمد آزاد ڈائریکٹر	4	3	5	4	2	2
مسز نوین سلیم مرچنٹ آزاد ڈائریکٹر	4	2	5	ناقابل اطلاق	2	ناقابل اطلاق
(3) عابد حسین	4	1	5	ناقابل اطلاق	2	ناقابل اطلاق
(4) ساجد علی خان	4	2	5	ناقابل اطلاق	2	ناقابل اطلاق

(1) متبادل ڈائریکٹر برائے جناب میکیو بانڈو

(2) متبادل ڈائریکٹر برائے جناب میکیو اوساکا

(3) متبادل ڈائریکٹر برائے جناب سوہاری مکتی

(4) متبادل ڈائریکٹر برائے جناب سوہاری مکتی (مورخہ 24 اکتوبر 2018ء کے بورڈ کے اجلاس میں)

جناب حنیف ستار مورخہ 24 اکتوبر 2018 کو بورڈ آف ڈائریکٹر منتخب ہوئے۔

9- 30 جون 2019 تک کمپنی ٹیکس، ڈیوٹیز، 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۔

بورڈ آف ڈائریکٹرز:

جناب ہاکوجی کیونو نے نان ایگزیکٹیو ڈائریکٹر شپ کے عہدے سے مورخہ 28 اگست 2018 کو استعفیٰ دیدیا ہے۔ جناب ڈائی سوکے ہاشیموٹو (جو کہ او پی سی جے (OPCJ) کے نامزد، نان ایگزیکٹیو ڈائریکٹر ہیں) نے یہ فرائض سنبھالے ہیں۔

جناب محمد عبداللہ فیروز، جناب محمد توفیق فیروز اور جناب میکیو اوسا کا اپنی تین سالہ مدت مکمل کرنے کے بعد مورخہ 24 اکتوبر 2018 کو بورڈ کی اپنی خدمات دینے سے سبکدوش ہو چکے ہیں۔

مسز نوین سلیم مرچنٹ مورخہ 24 اکتوبر 2018 کو بورڈ میں بطور آزاد ڈائریکٹر (خاتون) منتخب کی گئی ہیں۔

کمپنیز ایکٹ مجریہ 2017 کی دفعہ کے تحت بورڈ کے ڈائریکٹرز نے منتخب کئے جانے والے ڈائریکٹرز کی تعداد سات بشمول دو آزاد ڈائریکٹرز معین کی ہے جو نئے کوڈ آف کارپوریٹ گورننس مجریہ 2017 کے مطابق مورخہ 01 مبر 2018ء سے شروع ہونے والی مدت سے کمپنی کے اقلیتی حصص یافتگان کی نمائندگی کریں گے۔

بورڈ آف ڈائریکٹرز (''بورڈ'') کی تشکیل درج ذیل ہے:

درجہ بندی	نام	جنس
ایگزیکٹیو ڈائریکٹر	جناب حنیف ستار (سی ای او)	مرد
نان ایگزیکٹیو ڈائریکٹرز	جناب میکیو ہانڈو (چیئرمین) جناب مہتاب الدین فیروز جناب ڈائی سوکے ہاشیموٹو جناب سوہاری مکتی	مرد
آزاد ڈائریکٹرز	جناب نور محمد مسز نوین سلیم مرچنٹ	مرد خاتون

بورڈ کمیٹی:

بورڈ کی ذیلی کمیٹی کا نام	ممبر کا نام
آڈٹ کمیٹی	جناب نور محمد (چیئرمین) جناب ڈائی سوکے ہاشیموٹو جناب مہتاب الدین فیروز
ہیومن ریسورسس اور معاوضہ کمیٹی	جناب نور محمد (چیئرمین) جناب ڈائی سوکے ہاشیموٹو جناب مہتاب الدین فیروز جناب حنیف ستار

اختصاصات:

موجودہ حالات کے پیش نظر بورڈ ممبران نے 30 جون 2019ء کے اختتامی سال کیلئے ڈیویڈنڈ نہ دینے کی تجویز دی ہے۔

کلیدی آپریٹنگ اور مالی اعداد و شمار:

گزشتہ چھ سالوں کے اہم آپریٹنگ اور مالیاتی اعداد و شمار اس سالانہ رپورٹ کے ساتھ منسلک ہیں۔

پروویڈنٹ اور گریجویٹی فنڈز میں سرمایہ کاری کی قدر:

تازہ ترین غیر آڈٹ شدہ حسابات کی بنیاد پر سرمایہ کاری کی قدر مندرجہ ذیل ہیں۔

پروویڈنٹ فنڈ	140,520,529/= روپے
گریجویٹی فنڈ	76,263,343/= روپے

مستقبل کا نقطہ نظر:

جیسا کہ یہ سال نئے جمہوری نظام سازی (نئی گورنمنٹ) کا پہلا سال تھا اور اب حکومت کی سمت واضح ہے۔ تاہم حکومت غیر ملکی ذخائر کے خاتمے کے ساتھ ساتھ بیرونی کھاتوں میں شدید خسارے پر بھی شدید دباؤ کا شکار ہے جس سے پاکستانی روپے کی قدر میں مزید کمی کے ساتھ افراط زر اور بنک کی شرح سود میں مزید اضافہ ہو سکتا ہے۔ اس کے باوجود ایس آر او 1610 بتاریخ 31 دسمبر 2018 کے تحت کمپنی نے اپنی مصنوعات کی قیمتوں میں اضافہ کیا ہے جو کہ کئی سالوں سے طویل التواء کا شکار تھا، اور بلا آخر یہ عدالتی کیس حل کرنے میں کامیاب ہو گئی ہے۔

مزید یہ کہ کمپنی گزشتہ دو سالوں کے دوران متعارف کی جانے والی مصنوعات کی بہتر کارکردگی پر بھی بہت پر امید ہے۔

اور مستقبل کے چیلنجوں کا مقابلہ کرنے پر اعتماد رکھتی ہے۔ بورڈ کا موقف ہے کہ آپ کی کمپنی زیادہ نتائج حاصل کر سکتی ہے۔ لیکن اس کا انحصار مستحکم حکومتی پالیسیوں اور ملک کے معاشی حالات میں بہتری سے مشروط ہے۔

کارپوریٹ گورننس:

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

1- کمپنی کے مالیاتی گوشوارے اور معلومات جیسا ہے ویسا کی بنیاد پر پیش کرتے ہیں جس میں آپریشنز نتائج، کیش فلوز اور ایکوئٹی میں تبدیلی شامل ہیں۔

2- کمپنی کے کھاتوں کی تیاری میں مناسب دیکھ اور احتیاط روا رکھی گئی ہے۔

3- مناسب اور رائج اکاؤنٹنگ پالیسیاں مستقل بنیادوں پر فنانشل بیانات کی تیاری پر لاگو کی گئی ہیں۔ مزید براں اکاؤنٹنگ کے تخمینے معقول اور عاقبت اندیشی سے لئے گئے فیصلوں کی بنیاد پر لگائے گئے ہیں۔

4- 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۔

5- اندرونی کنٹرول کا سسٹم کا ڈیزائن متوازن ہے اور اسے بہتر انداز میں لاگو کیا گیا اور اس کی موثر نگرانی کی جاتی رہی۔

6- ایسے کوئی خدشات لاحق نہیں جن کی بنیاد پر کمپنی کے آگے کام کرنے کی صلاحیت پر شک کیا جائے۔

7- بیان کردہ ریگولیشنز میں کارپوریٹ گورننس کی بہترین پریکٹس میں سے کوئی میٹریل ڈیپارچ نہیں ہوا۔

8- ضابطے میں درج شق کے معیار کے مطابق ایک ڈائریکٹر کے پاس ڈائریکٹر ٹریننگ پروگرام کا سرٹیفکیٹ ہے۔ بورڈ کے تمام ڈائریکٹران اپنی ذمہ داریوں سے بخوبی آگاہ ہیں۔

ڈائریکٹرز رپورٹ

اوٹسوکا پاکستان لمیٹڈ کمپنی کے ڈائریکٹرز اختتامی سال 30 جون 2019ء کی سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کاروباری جائزہ:

پاکستانی روپیہ کی غیر معمولی تشخیص نے ہمارے نتائج پر براثر مرتب کیا ہے جس کی وجہ سے نہ صرف ہماری پیداواری لاگت میں اضافہ ہوا بلکہ غیر ملکی قرضہ جات اور درآمدات پر زرمبادلہ کے تبادلے کو 193.70 ملین روپے کا ریکارڈ نقصان پہنچا۔ اس کے علاوہ ادویات کی لاگت میں بہت اضافہ ہوا ہے جس نے اس سال کیلئے ہمارے آپریٹنگ منافع کو مکمل طور پر ختم کر دیا ہے۔ اس کے نتیجے میں کمپنی کو گزشتہ سال 5.40 فی حصص آمدنی کے مقابلے میں رواں سال 14.49 روپے فی حصص کا نقصان ہوا ہے۔

IV انفیوژن مارکیٹ میں زائد رسد کی صورتحال کی وجہ سے ہماری مصنوعات کی فروخت میں گزشتہ سال کے مقابلے میں صرف 0.8 فیصد اضافہ ہوا ہے۔ سال کے دوران اخراجات میں اضافے کی بڑی وجہ ریکارڈ توڑ مہنگائی، نئی مصنوعات کی تشہیر کے اضافی اخراجات اور بینک کی شرح سود میں بڑے پیمانہ پر اضافہ رہی۔ ان سب کے باوجود ہم نے IV طبقے میں دو نئی مصنوعات بنام ''اوٹسوزول'' (میٹرونیڈازول) اور ''اوٹسومول'' (پیراسیٹامول) کا آغاز کیا اور میڈیکل ڈوائس کے طبقے میں ایک نئی پروڈکٹ ''اوٹسوکا یوریا بریتھ ٹیسٹ سسٹم'' (یوبی آئی ٹی) کا آغاز کیا اور ان مصنوعات پر ہمیں مارکیٹ سے مثبت ردِ عمل مل رہا ہے۔
رواں سال بینک کی سودی شرح کو 6.5 فیصد (مئی 2018ء) سے بڑھا کر 13.25 فیصد (جون 2019ء) کر دیا گیا۔ بینک کی غیر موافق شرح سود اور لیکوڈیٹی مسائل نے انتظامیہ کو متعلقہ پارٹی (اوٹسوکا فارماسیوٹیکل فیکٹری، جاپان) کے حاصل کردہ قرضہ جات کو جاری رکھنے پر مجبور کر دیا اور رواں سال ایک قسط کی ادائیگی ملتوی کر دی گئی۔

مالیاتی نتائج (روپے ملین میں)

	2018	2019
نقصان/منافع قبل از ٹیکس	138,008	(193,711)
ٹیکس کی فراہمی	(72,702)	18,363
نقصان/منافع بعد از ٹیکس	65,306	(175,348)
دیگر جامع نقصانات (نیٹ)	(358)	10,511
سال کیلئے مجموعی کل آمدنی/نقصان	64,948	(164,837)
گزشتہ سال کا جمع کردہ کل مربوط منافع	27,864	81,812
رواں سال کا مجموعی مربوط خسارہ/منافع	81,812	(97,545)

آمدنی/(خسارہ) فی حصص:

آمدنی/(خسارہ) فی حصص برائے اختتامی سال 30 جون 2019 مبلغ (14.49) روپے نکالا گیا۔ (2018ء میں آمدنی مبلغ 5.40 روپے فی حصص رہی)۔

Few Glimpses of the Last Year

Board of Directors

In 30th AGM

Shareholders in 30th AGM

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED JUNE 30, 2019

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 Seven (7) as per the following
   a) Male: Six (6)
   b) Female: One (1)

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

Category	Names
Executive Director	Mr. Hanif Sattar
Independent Director	Mr. Noor Muhammad Mrs. Navin Salim Merchant
Other Non-Executive Directors	Mr. Mikio Bando – Chairman Mr. Mehtabuddin Feroz Mr. Daisuke Hashimoto Mr. Suhari Mukti

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board as empowered by the relevant provisions of the Companies Act, 2017 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 Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and these Regulations.

9. Following director has acquired the prescribed Directors' Training Program (DTP) Certification:

   a) Mr. Noor Muhammad

10. Following directors are exempt from the requirement of above referred training as mentioned in Regulation 20(2):

    b) Mr. Mehtabuddin Feroz

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

12. CFO and CEO duly endorsed the financial statements before approval of the board.

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

a) Audit Committee	
Mr. Noor Muhammad	Chairman
Mr. Daisuke Hashimoto	Member
Mr. Mehtabuddin Feroz	Member

b) Human Resource & Remuneration Committee	
Mr. Noor Muhammad	Chairman
Mr. Daisuke Hashimoto	Member
Mr. Mehtabuddin Feroz	Member
Mr. Hanif Sattar	Member

14. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

15. The frequency of yearly meetings of the committees were as per following:

    a) Audit Committee: 5 meetings
    b) Human Resource & Remuneration Committee: 2 meetings

16. The board has outsourced the internal audit function to M/s. A.F. Ferguson & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

18. 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.

19. We confirm that all other requirements of the Regulations have been complied with except that at least half of the directors on the Board have not acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it. However, in April 2019, SECP has issued draft Listed Companies (Code of Corporate Governance) Regulations, 2019 (Draft Regulations) in which above mentioned requirement is not mandatory. Therefore, once the proposed Draft Regulations become applicable, the existing non-compliance will become redundant.

    For and behalf of the Board.

Hanif Sattar
Chief Executive Officer
August 27, 2019

Mikio BANDO
Chairman

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

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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, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

As a part of our audit of 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 requires 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 any 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, 2019.

Further, we highlight the instance of non-compliance with the requirement of the Regulations as reflected in paragraph 19 of the Statement of Compliance where it is stated that the required number of Board members have not acquired the prescribed certification under any director training program as mentioned under the Regulations for meeting the requirement of mandatory Directors' Training Program.

Deloitte Yousuf Adil

Chartered Accountants

Place: Karachi
Date: September 06, 2019

Deloitte.

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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, 2019, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit 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 matters were addressed in our audit
1	**Financial performance of the Company** (Refer note 1.2 to the annexed financial statements) The Company incurred loss before taxation of Rs. 193.711 million during the year and as at June 30, 2019, the current liabilities of the Company exceeded its current assets by Rs. 501.132 million. While the Company earned profits in last two years, the loss during the current year was due to devaluation of Pak Rupee against US Dollar, higher interest rates and rising inflation, which was due to changing macroeconomic conditions of the country. As disclosed in detail in note 1.2 to the annexed financial statements, management has prepared a five year plan considering certain action steps based on which management believes that the Company's financial position and profitability will improve in the future. We have considered this area to be a key audit matter because this includes management estimates and judgment regarding the future performance of the Company based on certain key steps and market conditions.	Our audit procedures included the following: • Checked that the Board of Directors have approved the Plan (Projections) prepared by management and assessed the reasonability of the assumptions used; • Performed inquiry with the Chief Executive Officer, Marketing Head and other officials regarding the assumptions used under the Plan; • Analyzed reliability of the evidence (internal or external) supporting the management's best-estimate assumptions; • Tested the overall mathematical accuracy of the Projections; and • Reviewed the adequacy of disclosures made in the annexed financial statements.
2	**Deferred Tax asset on unused tax losses and Alternative Corporate Tax** (Refer note 8 to the annexed financial statements) At June 30, 2019, the Company recorded deferred tax asset on unused tax losses and Alternative Corporate Tax (ACT) amounted to Rs. 136.213 million and Rs. 10.447 million respectively. The recognition of deferred tax asset in respect of the above is permitted only to the extent that it is probable that future taxable	Our audit procedures included the following: • Checked that the Board of Directors have approved the Plan (or Projections) defined by management, which forms the basis of recognition of deferred tax asset; • Checked that, based on taxable profit forecast, unused tax losses and ACT are being utilized within the permitted period of offset to utilize these tax benefits;

S. No.	Key audit matters	How the matters were addressed in our audit
	profits will be available to utilize the benefit from unused tax losses and ACT. We have considered this area to be a key audit matter because significant judgement is required when assessing the projections of future taxable profits, which are based on assumptions regarding future business and economic conditions and other assumptions.	• Assessed the reasonableness of assumptions used by management in preparation of Projections; • Tested the overall mathematical accuracy of the Projections; and • Reviewed the adequacy and completeness of disclosures made in the annexed financial statements as per the requirements of International Financial Reporting Standards.

Other matter

The financial statements of the Company for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who expressed an unmodified opinion thereon vide their report dated September 19, 2018.

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 of the Company for the year ended June 30, 2019, 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 Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.

Deloitte Yousuf Adil

Chartered Accountants

Place: Karachi
Date: September 6, 2019

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		---------- Rupees in '000 ----------	
ASSETS			
Non-current assets			
Property, plant and equipment	5	**361,696**	420,354
Intangible assets	6	**1,945**	2,527
Long-term loans - considered good	7	**7,090**	4,909
Long-term deposits		**1,309**	1,309
Deferred tax asset - net	8	**152,547**	85,913
		524,587	515,012
Current assets			
Stores and spares	9	**44,699**	43,405
Stock-in-trade	10	**574,810**	553,508
Trade debts (unsecured) - net	11	**249,393**	294,367
Loans and advances - considered good	12	**26,987**	34,462
Trade deposits, short-term prepayments and other receivables	13	**43,251**	29,844
Taxation		**55,942**	94,757
Bank balances	14	**10,975**	18,445
		1,006,057	1,068,788
Total assets		**1,530,644**	1,583,800
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**121,000**	121,000
Revenue reserves		**(97,545)**	81,812
Total shareholders' equity		**23,455**	202,812
LIABILITIES			
Current liabilities			
Short-term loan from a related party - unsecured	16	**557,588**	411,563
Trade and other payables	17	**337,350**	454,663
Unclaimed dividend		**9,204**	1,187
Short-term running finance - secured	18	**583,669**	504,285
Mark-up accrued	19	**19,378**	9,290
		1,507,189	1,380,988
Total equity and liabilities		**1,530,644**	1,583,800
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes from 1 to 45 form an integral part of these financial statements.

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

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

	Note	2019	2018
		----- Rupees in '000 -----	
Net sales	21	**1,884,753**	1,869,013
Cost of sales	22	**(1,488,573)**	(1,299,217)
Gross profit		**396,180**	569,796
Selling and distribution expenses	23	**(257,148)**	(234,623)
Administrative and general expenses	24	**(91,810)**	(87,217)
		47,222	247,956
Other income	25	**51,241**	41,582
		98,463	289,538
Other expenses	26	**(226,196)**	(113,007)
Operating (loss) / profit		**(127,733)**	176,531
Finance cost	27	**(65,978)**	(38,523)
(Loss) / profit for the year before taxation		**(193,711)**	138,008
Taxation - net	28	**18,363**	(72,702)
(Loss) / profit for the year after taxation		**(175,348)**	65,306
		------------- Rupees -------------	
Earnings per share - basic and diluted	29	**(14.49)**	5.40

The annexed notes from 1 to 45 form an integral part of these financial statements.

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

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

	Note	2019	2018
		-----Rupees in '000-----	
(Loss) / profit for the year after taxation		**(175,348)**	65,306
Other comprehensive income / (loss) for the year			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain / (loss) on defined benefit plan	32.1.4	14,804	(511)
Tax on remeasurement of defined benefit plan		(4,293)	153
		10,511	(358)
Total comprehensive income for the year		**(164,837)**	64,948

The annexed notes from 1 to 45 form an integral part of these financial statements.

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

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

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves			Total
		Reserve for issue of bonus shares	General reserve	Accumulated losses	Sub-total	
	------ Rupees in '000 ------					
Balance as at July 1, 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 gain / (loss) on defined benefit plan	-	-	-	(511)	(511)	(511)
Tax on remeasurement of defined benefit plan	-	-	-	153	153	153
	-	-	-	(358)	(358)	(358)
Total comprehensive income for the year	-	-	-	64,948	64,948	64,948
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**
Loss after taxation for the year ended June 30, 2019	**-**	**-**	**-**	**(175,348)**	**(175,348)**	**(175,348)**
Other comprehensive loss for the year						
Remeasurement gain on defined benefit plan	**-**	**-**	**-**	**14,804**	**14,804**	**14,804**
Tax on remeasurement of defined benefit plan	**-**	**-**	**-**	**(4,293)**	**(4,293)**	**(4,293)**
	-	**-**	**-**	**10,511**	**10,511**	**10,511**
Total comprehensive income for the year	**-**	**-**	**-**	**(164,837)**	**(164,837)**	**(164,837)**
Transaction with owners						
Final cash dividend for the year ended June 30, 2018 @ Rs. 1.2 per share declared on October 24, 2018	**-**	**-**	**(14,520)**	**-**	**(14,520)**	**(14,520)**
Balance as at June 30, 2019	**121,000**	**-**	**341,980**	**(439,525)**	**(97,545)**	**23,455**

The annexed notes from 1 to 45 form an integral part of these financial statements.

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

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

	Note	2019	2018
		-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**(11,012)**	132,349
Taxes refunded / (paid)		**13,749**	(21,123)
Interest paid		**(55,890)**	(29,233)
Increase in long-term deposits		**-**	(14)
Increase in long-term loans		**(2,181)**	(290)
Net cash flows used in / generated from operating activities		**(55,334)**	81,689
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		**(27,443)**	(48,124)
Computer software purchased		**-**	(2,701)
Proceeds from disposal of property, plant and equipment		**2,426**	7,046
Net cash flows used in investing activities		**(25,017)**	(43,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(6,503)**	-
Short-term loan paid to a related party		**-**	(89,050)
Net cash flows used in financing activities		**(6,503)**	(89,050)
Net decrease in cash and cash equivalents during the year		**(86,854)**	(51,140)
Cash and cash equivalents at the beginning of the year		**(485,840)**	(434,700)
Cash and cash equivalents at the end of the year	30	**(572,694)**	(485,840)

The annexed notes from 1 to 45 form an integral part of these financial statements.

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

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

1. THE COMPANY AND ITS OPERATIONS

Otsuka Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company is listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 30-B, S.M.C.H. Society, Karachi in the province of Sindh, 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, 2019, the current liabilities of the Company exceeded its current assets by Rs. 501.132 million (2018: Rs. 312.200 million). While the Company earned reasonable amount of profits in financial years 2017 and 2018 due to internal efficiencies and price increases, during the current year, the Company has incurred loss primarily due to devaluation of Pak Rupee against US Dollar, higher interest rates and rising inflation, which was due to changing macroeconomic conditions of the country. This resulted in increase in cost of materials, overheads, finance cost and exchange loss on foreign currency transactions / liabilities, which the Company cannot immediately pass on through selling price increase considering pricing policies, as regulated by the Drug Regulatory Authority of Pakistan (DRAP). Though the matter of price increase has resolved considerably, the price increase cannot be made on a regular basis and certain procedures have to be followed as per Drug Pricing Policy, 2018.

Management believes that there are no imminent business and cash flow risks and has prepared a five years' business plan (the Plan) of the Company based on which the Company will be able to meet all its current and future liabilities as these fall due. The Plan envisages gradual increase in the profit before tax of the Company on the basis of price increase on its products, strict control over expenses, reduction in finance cost as a result of final settlement of short-term loans in future years, attainment of greater sales volume through more robust sales promotion and change in the product mix. Management believes that after the implementation of initiatives envisaged in the Plan, the Company is likely to have positive results in future years enabling it to completely set-off the losses incurred in the current and prior years. Some of the key steps considered as part of the Plan are as follows:

- Constantly working on increasing the market share through promotional activities and marketing through introduc tion of new products under the IV solution ambit;
- Introduction of new medical devices under the Company's diagnostic division;
- Reduce discounts on products to increase margins;
- Increase prices of regulated products as allowed under the Drug Pricing Policy 2018; and
- Focus more on unregulated products with higher margin in order to counter the cost increases.

2. BASIS OF PREPARATION AND MEASUREMENT

2.1 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.

2.2 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.

2.3 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.

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

2.4.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures, except as otherwise stated.

- IIFRS 9 'Financial Instruments' - This standard has superseded IAS 39 Financial Instruments: Recognition and Measurement upon its effective date (refer note 2.4.2)

- Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions

- IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

- IFRS 15 'Revenue from contracts with customers' – This standard has superseded IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 (refer note 2.4.3)

- Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

Consequently, the following changes in accounting policies have taken place effective from July 01, 2018:

2.4.2 Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 'Financial Instruments' (as revised in July 2014) and which is effective for annual periods beginning on or after January 01, 2018. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for the current year and to the comparative year.

IFRS 9 introduced new

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Company’s financial statements are described below:

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at that date. All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The directors of the Company reviewed and assessed the Company's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

- Financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at July 01, 2018.

Financial assets and financial liabilities	Original classification as per IAS 39	New classification as per IFRS 9	Carrying amount as per IAS 39 on July 01, 2018	Carrying amount on initial adoption of IFRS 9 on July 01, 2018	Effect on July 01, 2018 on Retained Earnings
Financial assets					
Long-term loans	LR	AC	4,909	4,909	-
Long-term deposits	LR	AC	1,309	1,309	-
Trade debts	LR	AC	294,367	294,367	-
Loans	LR	AC	5,759	5,759	-
Trade deposits and other receivables	LR	AC	16,003	16,003	-
Bank balances	LR	AC	18,445	18,445	-
Financial liabilities					
Short-term loan from a related party	OFL	AC	411,563	411,563	-
Trade and other payables	OFL	AC	338,612	338,612	-
Unclaimed dividend	OFL	AC	1,187	1,187	-
Short-term running finance	OFL	AC	504,285	504,285	-
Mark-up accrued	OFL	AC	9,290	9,290	-

- "LR" is loans and receivables
- "AC" is amortised cost
- "OFL" is other financial liabilities

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;
(2) Lease receivables;
(3) Trade receivables and contract assets; and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Company's exposure to credit risk in the financial statements (see notes 11 for details).

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. This change has no impact on the classification and measurement of the Company's financial statements.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

There is no impact of the said change on these financial statements as no hedge activity carried out by the Company during the year ended June 30, 2019.

2.4.3 Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 'Revenue from Contracts with Customers' (as amended in April 2016) which is effective for annual period beginning on or after July 01, 2018. IFRS 15 introduced a 5step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. TheCompany'saccountingpoliciesforitsrevenuestreamsaredisclosedindetailinnote4.12below.TheapplicationofIFRS 15 does not have a significant impact on these financial statements.

2.4.4 New 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 to approved accounting and reporting 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 16 'Leases' - This standard will supersede IAS 17, IFRIC 4, SIC-15, SIC-27 upon its effective date (refer 2.4.1 for impact assessment)	January 01, 2019
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures	January 01, 2019
- Amendments to IAS 19 'Employee Benefits'. Plan amendment, curtailment or settlement	January 01, 2019
- IFRIC 23 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
- Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
- Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 01, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting align the definition used in the Conceptual Framework and the Standards.	January 01, 2020

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

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.

2.5.1 Impact assessment of IFRS 16 Leases

In January 2016, the IASB published the new standard for lease accounting, IFRS 16 Leases, which replaces the existing rules contained in IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard is to be applied for annual periods beginning on or after January 01, 2019. The standard introduces a single lessee accounting model, requiring lessees to recognize assets for granted rights of use and corresponding lease liabilities. It will eliminate the current requirement for lessees to classify lease contracts as either operating leases – without recognizing the respective assets or liabilities – or as finance leases. However, IFRS 16 contains optional recognition exemptions. As in the previous standard, IAS 17, lessors still have to differentiate between finance and operating leases.

The Company will apply IFRS 16 for the first time as of July 01, 2019, retrospectively and without restating the prior-year figures, accounting for the aggregate amount of any transition effects by way of an adjustment to equity and presenting the comparative period in line with previous rules. In this connection, various practical expedients can be applied as of the transition date for lease agreements in which Company is the lessee. The Company will exercise the option of exempting intangible assets from the scope of application of IFRS 16.

The following effects are anticipated: application of IFRS 16 will increase noncurrent assets by requiring the recognition of rights of use assets. Similarly, financial liabilities will be increased by recognition of the corresponding lease liabilities. In the statement of comprehensive income, the amortization of rights of use assets and the interest expense for the liabilities will be recognized in place of the expenses for operating leases. In the statement of cash flows, IFRS 16 will probably lead to an improvement in the operating cash flow by reducing cash outflows from operating activities, while the repayment component of lease payments and the interest expense will be recognized in the financing cash flow. Currently, Company is in the process of assessing its impact.

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about the judgments made by the management in the application of the accounting policies, that have the most significant effect on the amount recognized in these financial statements, assumptions and estimation uncertainties with significant risk of material adjustment to the carrying amount of asset and liabilities in the next year are described in the following notes:

- Impairment of trade debts and other receivables (notes 11 and 13);
- Residual values, useful lives and depreciation rates of operating fixed assets (notes 5);
- Provision against slow moving and obsolete stock-in-trade and stores and spares (notes 4.3, 4.4, 9 and10);
- Estimate of liabilities in respect of staff retirement benefits (notes 4.9, 4.10 and 32);
- Provision for taxation and realizability of deferred tax asset (notes 4.11, 8 and 28);
- Provisions (note 4.8);
- Revenue recognition (notes 4.12 and 21); and
- Going concern assumption of the Company

4. 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 the years presented unless otherwise disclosed or specified (refer note 2.4.2 and 2.4.3).

4.1 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. All other 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 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 5.1 to these financial statements and after taking into account residual values, if significant. Assets' residual values and useful lives 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 or retirement of property, plant and equipment are taken to the statement of profit or loss in the year in which the disposal is made.

Tangible assets - leased

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance lease are stated at the lower of their fair value or present value of minimum lease payments at inception less accumulated depreciation and accumulated impairment losses, if any.

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 (i.e. the period till the related asset become available for use) 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.

4.2 Intangible assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and that the cost of such an asset can be measured reliably.

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 on assets with finite useful life is charged at the rate specified in note 6.1 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 / retirement. 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.

4.3 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.

4.4 Stock-in-trade

Stock-in-trade comprises of raw and packing materials, work in process and finished goods. These are valued at the lower of cost (determined using weighted average cost method) and the net realisable value (except for those in transit).

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

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.

4.5 Financial instruments

4.5.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated creditimpaired financial assets (i.e. assets that are creditimpaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated creditimpaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit□impaired (see below). For financial assets that have subsequently become credit□impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit□impaired financial instrument improves so that the financial asset is no longer credit□impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

4.5.2 Derecognition of financial assets:

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial financial liabilities are recognised in the Company's statement of fin ancial position when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value.Transaction costs that are directly attributable to the issue of financial financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

4.5.3 Derecognition of financial liabilities:

The Company derecognises financial liabilities when, and only when, the Company's obligations are extinguished, discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.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.

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.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.

4.6 Impairment

4.6.1 Financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Non - Financial assets

The carrying amounts of non-financial assets (except for deferred tax asset and stock-in-trade) 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).

Financial financial liabilities are recognised in the Company's statement of fin ancial position when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value.Transaction costs that are directly attributable to the issue of financial financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition.

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.

4.7 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.

4.8 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 liabilities are not recognized and are disclosed when:

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

4.9 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.

4.10 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.

4.11 Taxation

Income tax expense comprises of current and deferred tax.

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 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 (and laws) that have been enacted or substantively enacted by the end of the reporting date.

4.12 Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

For sales of products, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products because legal title, physical possession, significant risk and rewards of ownership of the product are transferred to customer upon delivery, and the customer obtains control over the products.

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

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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

	Note	2019	2018
		-----Rupees in '000-----	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	**350,998**	413,124
Capital work-in-progress	5.7	**10,698**	7,230
		361,696	420,354

5.1 Operating fixed assets

Following is the statement of operating fixed assets:

Particulars	Leasehold land	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
	----- Year ended June 30, 2019 -----						
	----- Rupees in '000 -----						
As at July 1, 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
Year ended June 30, 2019							
Opening net book value	2,764	139,147	240,911	5,673	20,036	4,593	413,124
Additions	-	250	9,986	5,808	7,931	-	23,975
Disposals / write-offs							
Cost	-	-	(1,725)	(685)	(2,398)	(1,074)	(5,882)
Accumulated depreciation	-	-	1,725	685	1,878	1,074	5,362
	-	-	-	-	(520)	-	(520)
Depreciation charge for the year	(40)	(24,572)	(53,288)	(2,524)	(4,037)	(1,120)	(85,581)
Closing net book value	2,724	114,825	197,609	8,957	23,410	3,473	350,998
As at June 30, 2019							
Cost	3,953	340,990	907,312	55,185	38,820	15,289	1,361,549
Accumulated depreciation	(1,229)	(226,165)	(709,703)	(46,228)	(15,410)	(11,816)	(1,010,551)
Net book value	2,724	114,825	197,609	8,957	23,410	3,473	350,998
Depreciation rate (% per annum)	1.01%	5 - 10%	10 - 50%	10 - 33%	20%	20%	

Particulars	Leasehold land	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
	----- Year ended June 30, 2018 -----						
	----- 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%	

5.2 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

5.3 Included in operating fixed assets are fully depreciated items which are still in use having cost of Rs. 585 million (2018: Rs. 590 million).

5.4 The depreciation charge for the year has been allocated as follows:

	Note	2019	2018
		-----Rupees in '000-----	
Cost of sales	22	**81,907**	89,746
Selling and distribution expenses	23	**1,991**	1,781
Administrative and general expenses	24	**1,683**	1,412
		85,581	92,939

5.5 Orthopedic kits, power tool sets and femoral holders amounting to Rs11.772 million, Rs1.037 million and Rs0.445million (2018: Rs15.490 million, Rs0.896 million and Rs0.586 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.

5.6 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							
Suzuki Mehran	618	494	124	306	182	Full and Final Settlement	Ch. Zafar Iqbal
CNG kit - Suzuki Mehran	52	41	11	26	15	Salary deduction / Cheque	M. Shafiq
Honda City (AYP-272)	1,664	1,324	340	1,311	971	Negotiation	Saifullah Qureshi
CD 70 Motor Cycle	64	19	45	48	3	Salary deduction	Zohaib Alam
Furniture, fixture and equipment							
Deep Freezer (Canteen)	29	29	-	2	2	Negotiation	OPL Employee
Laptop Hp Probook 4540	64	64	-	2	2	Negotiation	Raj Computer
Laptop Hp Compaq#540(	52	52	-	4	4	Negotiation	Raj Computer
Laptop Full Multimedia	59	59	-	2	2	Negotiation	Raj Computer
Display Rack-Marketing	18	18	-	1	1	Negotiation	Daniyal Electric
Computer P-4(Personal-H	22	22	-	1	1	Negotiation	Memon Scrap
Computer P-4(Hr Deptt)	25	25	-	1	1	Negotiation	Memon Scrap
Computer Mangopc Com	49	49	-	2	2	Negotiation	Memon Scrap
Mangopc Complete C2Q	49	49	-	2	2	Negotiation	Memon Scrap
Fire Alarm System (It)	102	102	-	3	3	Negotiation	Memon Scrap
Cpu With Lcd Computer I	64	64	-	2	2	Negotiation	Memon Scrap
Computer With Lcd Monit	49	49	-	2	2	Negotiation	Memon Scrap
Split Air Conditioner 2.5 T	56	56	-	8	8	Negotiation	Amir A/C
Split Ac	33	33	-	5	5	Negotiation	Amir A/C
Hp L/J 1015 Printer	14	14	-	3	3	Negotiation	Computer Disposible
Plant and Machinery							
Dryer Machine Moldel#U€	150	150	-	51	51	Negotiation	Interlink Engineering
Image Ink Jet Printer	870	870	-	162	162	Negotiation	Interlink Engineering
Ink Jet Printer	550	550	-	112	112	Negotiation	Interlink Engineering
Rabit Cage	100	100	-	119	119	Negotiation	Zubair Enterprises
Racks-Animal House	55	55	-	147	147	Negotiation	Zubair Enterprises
Fork Lifter							
Shinko Fork Lifter	561	561	-	71	71	Negotiation	Saleh Mohammad
Lifter Battery Type Ixthf M	233	233	-	15	15	Negotiation	Saleh Mohammad
Lifter Battery Type Ixthf	280	280	-	18	18	Negotiation	Saleh Mohammad
2019	5,882	5,362	520	2,426	1,906		
2018	10,384	8,110	2,274	7,046	4,772		

	2019	2018
	-----Rupees in '000-----	
5.7 Capital work-in-progress		
Stores and spares held for capital expenditure	**5,561**	7,230
Others	**5,137**	-
	10,698	7,230

5.8 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 18.1.

	2019	2018
	-----Rupees in '000-----	
6. INTANGIBLE ASSETS		
Computer software	**1,945**	2,527

6.1 Following is the statement of intangible assets:

	2019	2018
Opening net book value	**2,527**	100
Additions (at cost)	**-**	2,701
Amortization charge	**(582)**	(274)
Closing net book value	**1,945**	2,527
Gross carrying value basis		
Cost	**2,825**	2,825
Accumulated amortization	**(880)**	(298)
Net book value	**1,945**	2,527
Amortization rate % per annum	**20% - 33%**	20% - 33%

	Note	2019	2018
		-----Rupees in '000-----	
7. LONG-TERM LOANS - CONSIDERED GOOD			
Loans to employees	7.1	**13,160**	10,668
Less: receivable within one year	12	**(6,070)**	(5,759)
		7,090	4,909

7.1 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 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, 2019, none of these loans were past due or impaired.

	Note	2019	2018
		-----Rupees in '000-----	
8. DEFERRED TAX ASSET - NET			
Deductible temporary differences			
Employees' short-term compensated absences		**5,836**	4,647
Impairment of trade debts		**6,329**	3,848
Unused tax losses	8.1	**136,213**	76,522
Excess of Alternative Corporate Tax (ACT) over corporate tax		**10,447**	10,447
Other provisions		**6,049**	8,719
		164,874	104,183
Taxable temporary differences			
Accelerated tax depreciation allowance		**(12,327)**	(18,270)
		152,547	85,913

8.1 This includes deferred tax recorded on unabsorbed tax depreciation amounting to Rs. 101.444 million (2018: Rs. 76.522 million).

8.2 The management carries out periodic assessment to assess the benefit of unused tax losses and Alternative Corporate Tax (ACT) 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 (refer note 1.2). 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, 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 realisibility of the deferred tax asset. 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.

8.3 Deferred tax asset / (liability) comprises deductible / (taxable) temporary differences in respect of the following:

		Deferred tax recognised in		
	Opening balance	**Profit and loss**	**Other comprehensive income**	**Closing balance**
Movement for the year ended June 30, 2019				
Deductible / (taxable) temporary difference				
- Accelerated tax depreciation allowance	**(18,270)**	**5,943**	**-**	**(12,327)**
- Employees' short-term compensated absences	**4,647**	**1,189**	**-**	**5,836**
- Impairment of trade debts	**3,848**	**2,481**	**-**	**6,329**
- Unused tax losses	**76,522**	**59,691**	**-**	**136,213**
- Excess of Alternative Corporate Tax (ACT) over corporate tax	**10,447**	**-**	**-**	**10,447**
Other provisions	**8,719**	**1,623**	**(4,293)**	**6,049**
	85,913	**70,927**	**(4,293)**	**152,547**
Movement for the year ended June 30, 2018				
Deductible / (taxable) temporary difference				
- Accelerated tax depreciation allowance	(31,271)	13,001	-	(18,270)
- Employees' short-term compensated absences	4,877	(230)	-	4,647
- Impairment of trade debts	3,546	302	-	3,848
- Unused tax losses	136,002	(59,480)	-	76,522
- Excess of Alternative Corporate Tax (ACT) over corporate tax	3,134	7,313	-	10,447
Other provisions	13,219	(4,653)	153	8,719
	129,507	(43,747)	153	85,913

8.4 Based on a pattern of utilization from future expected taxable profit, the Company has not recognized deferred tax on minimum tax amounting to Rs. 58.982 million (2018: Rs. 37.592 million).

	2019	**2018**
9. STORES AND SPARES	**-----Rupees in '000-----**	
Stores	**20,556**	19,009
Spares		
- in hand	**23,242**	27,550
- in transit	**4,080**	25
	27,322	27,575
	47,878	46,584
Less: provision against slow moving and obsolete stores and spares	**(3,179)**	(3,179)
	44,699	43,405

		Note	2019	2018
			-----Rupees in '000-----	
10.	**STOCK-IN-TRADE**			
	Raw and packing materials			
	- in hand		**159,610**	108,650
	- in transit		**53,751**	107,490
		22	**213,361**	216,140
	Work-in-progress	22	**6,354**	15,309
	Finished goods			
	- in hand	10.1	**338,292**	329,475
	- in transit		**33,571**	15,636
		22	**371,863**	345,111
			591,578	576,560
	Less: provision against slow moving and obsolete stock-in-trade	10.2	**(5,348)**	(5,964)
	Less: provision against stents held with hospitals	10.3	**(11,420)**	(17,088)
			(16,768)	(23,052)
			574,810	553,508

10.1 These include items costing Rs 24.964 million (2018: Rs 21.143 million) that have been valued at their net realisable value amounting to Rs 21.049 million (2018: Rs 17.622 million).

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

	Note	2019	2018
		-----Rupees in '000-----	
Opening balance		5,964	5,406
Charge for the year	26	2,350	2,713
Reversal during the year	25	(2,106)	(2,155)
Written off during the year		(860)	-
		(616)	558
Closing balance		5,348	5,964

10.3 These denote stents held with various hospitals for sale on consignment, there venue from which is recorded on the consumption basis. The Company has recorded a full provision against such unsold stents.

	Note	2019	2018
		-----Rupees in '000-----	
Opening balance		**17,088**	32,393
Reversal during the year - net	25	**(5,668)**	(15,305)
Closing balance		**11,420**	17,088

11. TRADE DEBTS - UNSECURED

	Note	2019	2018
Due from Hospital Supply Corporation - a related party	11.3	**177,412**	178,756
Others		**93,467**	131,003
		270,879	309,759
Loss allowance	11.1	**(21,486)**	(15,392)
		249,393	294,367

11.1 Expected lifetime credit losses for trade debts are recognized using the simplified approach. This is based on loss rates calculated from historical and forward-looking data, taking into account the business model, the respective customer and the economic environment of the geographical region.

The Company writes off trade debts when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off are subject to enforcement activities.

The following table shows the movement in provision against trade debts provision:

	Note	2019	2018
		-----Rupees in '000-----	
11.1.1 Movement in loss allowance			
Opening balance		**15,392**	11,819
Charge for the year	26	**21,931**	3,573
Recovered during the year	25	**(15,163)**	-
		6,768	3,573
Amount written-off		**(674)**	-
Closing balance		**21,486**	15,392

11.2 As at June 30, trade debts of Rs 177.412 million (2018: Rs 178.756 million) denote amount which is overdue from a related party for which the Company expects future recovery. The receivable balance carries mark up at 3MK + 2.5% (2018: 3MK + 2.5%) per annum on over due balance. 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:

	2019		
	From others	From a related party	Gross
	-----Rupees in '000-----		
Past due but not impaired			
Not yet due	**44,063**	**57,895**	**101,958**
Past due 1-30 days	**5,810**	**71,843**	**77,653**
Past due 31-60 days	**11,371**	**47,674**	**59,045**
Past due 61-90 days	**7,407**	**-**	**7,407**
Past due more than 90 days	**3,330**	**-**	**3,330**
	71,981	**177,412**	**249,393**
Past due and impaired			
Others (considered doubtful)	**21,486**	**-**	**21,486**
Less: Provision against doubtful trade debts	**(21,486)**	**-**	**(21,486)**
	-	**-**	**-**

	2018		
	From others	From a related party	Gross
		-----Rupees in '000-----	
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)
	-	-	-

11.3 The maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance is Rs 348.947 million (2018: Rs 206.489 million).

	Note	2019	2018
		-----Rupees in '000-----	Restated
12. LOANS AND ADVANCES - CONSIDERED GOOD			
Loans to employees - current portion	7	**6,070**	5,759
Advances to:			
- employees	12.1	**4,102**	3,784
- suppliers	12.2	**16,815**	24,919
		20,917	28,703
		26,987	34,462

12.1 These are non-interest bearing advances given to employees to meet businesse xpenses and are settled as and when expenses are incurred.

12.2 These are provided for routine business activities and are non-interest bearing.

	Note	2019	2018
		-----Rupees in '000-----	
13. TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES			
Trade deposits	13.1	**16,236**	15,272
Short-term prepayments		**7,462**	12,996
Sales tax refundable		**3,865**	845
Other receivables		**9,594**	731
Surplus to staff retirement benefit funds	32.1.2	**6,094**	-
		43,251	29,844

13.1 These denote deposits including earnest monies placed with various parties and are non-interest bearing.

		Note	2019	2018
			-----Rupees in '000-----	
14.	**BANK BALANCES**			
	Balances with banks in current accounts	14.1	**10,975**	18,445

14.1 These denote balances in accounts maintained with conventional banks and are non-interest bearing.

15. SHARE CAPITAL

15.1 Authorised share capital

2019	2018		2019	2018
Number of shares			----- Rupees in '000 -----	
20,000,000	20,000,000	Ordinary shares of Rs. 10 each	**200,000**	200,000

15.2 Issued, subscribed and paid-up capital

2019	2018		2019	2018
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
2,100,000	2,100,000	Ordinary shares of Rs. 10 issued as bonus shares	**21,000**	21,000
12,100,000	12,100,000		**121,000**	121,000

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

2019	2018		2019	2018
Number of shares			----- Rupees in '000 -----	
12,100,000	11,000,000	Opening balance	**121,000**	110,000
-	1,100,000	Bonus shares at the rate of 10% issued during the year	-	11,000
12,100,000	12,100,000	Closing balance	**121,000**	121,000

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

	2019		2018	
Name of the Company	**Shares held**	**Percentage**	**Shares held**	**Percentage**
Otsuka Pharmaceutical Company Limited, Japan	5,420,248 *	44.80%	5,420,247 *	44.80%
P. T. Otsuka Indonesia, Indonesia	1,204,499 *	9.95%	1,204,499 *	9.95%
Otsuka Pharmaceutical Factory, Inc.	1,589,940	13.14%	1,589,940	13.14%
Directors and their spouses and minor children	398,668	3.29%	796,745	6.58%
Executives	121	0.00%	121	0.00%

* *These include shares held by directors nominated by Otsuka Pharmaceutical Company Limited, Japan and P. T. Otsuka Indonesia, Indonesia. The nominated directors holds only minimum number of shares required to become a director.*

		Note	2019	2018
			-----Rupees in '000-----	
16.	**SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED**			
	In foreign currency			
	Loan from Otsuka Pharmaceutical Factory, Inc.	16.1	**557,588**	411,563

16.1 This represents foreign currency denominated loan obtained in three tranches of JPY 125 million each, drawn down on February 26, 2015, April 27, 2015 and July 27, 2015, repayable on or before February 25, 2016, April 26, 2016 and July 26, 2016 respectively. These were roll forwarded annually multiple times and are now repayable on or before February 25, 2020, April 26, 2020 and July 26, 2019 respectively.

Mark-up is charged at Japanese LIBOR + 0.40% (2018: Japanese LIBOR + 0.40%) per annum and is payable semi-annually in arrears.

17. TRADE AND OTHER PAYABLES

	Note	2019	2018
		-----Rupees in '000-----	
Creditors		**59,310**	68,706
Bills payable	17.1	**97,671**	138,729
Accrued liabilities		**96,772**	93,714
Payable to staff retirement benefit fund	32.1.2	**-**	8,643
Payable to Employees Provident Fund		**2,798**	1,323
Provision for employees short-term compensated absences		**20,123**	18,584
Sales tax payable	17.2 & 17.3	**33,403**	36,914
Retention money		**930**	930
Security deposits		**1,666**	1,666
Workers' Welfare Fund		**725**	725
Workers' Profits Participation Fund	17.4	**-**	7,326
Central Research Fund		**-**	1,182
Advances from customers		**13,746**	69,904
Other liabilities	17.5	**10,206**	6,317
		337,350	454,663

17.1 These include amounts payable to the related parties as at the end of the year aggregating to Rs 59.550 million (2018: Rs 64.103 million).

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

17.3 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, 2019, the Company has availed sales tax exemption under the said stay order by providing bank guarantees amounting to Rs 7.801 million (2018: Rs. 6.142 million) on imported packaging material. The management, however, as a matter of abundant caution, has recorded full provision of Rs 7.801 million (2018: Rs. 6.142 million) in these financial statements.

17.4 Workers' Profits Participation Fund

	Note	2019	2018
		------------(Rupees '000)-----------	
Balance at July 1		**7,326**	10,421
Allocation for the year	26	**-**	7,326
		7,326	17,747
Interest on funds utilised in the Company's business	27	**164**	170
		7,490	17,917
Less: amount paid during the year		**(7,490)**	(10,591)
Balance at June 30		**-**	7,326

17.5 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. 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. Management, as a matter of abundant caution, has recorded full provision for the amount of regulatory duty given as bank guarantee amounting to Rs 4.548 million (2018: Rs. 2.180 million) in these financial statements.

	Note	2019	2018
		-----------(Rupees '000)----------	
18. SHORT-TERM RUNNING FINANCE - SECURED			
From banking companies			
Short-term running finance facilities utilised under mark-up arrangements - secured	18.1	**583,669**	504,285

18.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000' 2019	Limit in Rs '000' 2018	Mark up rate	Current security	Frequency of mark-up payment	Facility expiry date	2019	2018
							-----Rupees in '000-----	
Citi Bank	765,000	-	1 months KIBOR + 0.50% p.a.	(a) Hypothecation charge over company's current and fixed assets providing coverage of the entire exposure; Ranking charge to be upgraded to Pari-passu	Quarterly	March 13, 2020	**398,712**	-
The MUFG Bank Ltd. (Formerly: 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	March 29, 2019	-	394,251
Bank Alfalah Limited	185,000	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, 2020	**143,956**	68,651
The Bank of Punjab	41,383	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	**41,000**	41,383
	991,383	751,383					**583,669**	504,285

* The Company has applied for the renewal of the working capital for further twelve months ending March 31, 2020 with The Bank of Punjab, and expects that the facility would get renewed soon.

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

18.2.1 The facilities relating to import letter of credit (sight / usance / acceptance) available from conventional banks as at June 30, 2019 amounted in aggregate to Rs 190 million (2018: Rs 190 million) in respect of which the Company has exercised its option to utilise a part of the total facility limit of Rs 40 million (2018: Rs 35 million) for issuance of letters of guarantee. The amount remaining unutilised as at the year ended June 30, 2019 amounted to Rs 98.641 million (2018: Rs 101.139 million).

18.2.2 In addition, a facility for guarantee available from banks as at June 30, 2019 amounted to Rs 115 million (2018: Rs 115 million) of which the Company has an option to utilise Rs 25 million (2018: Rs 35 million) for the issuance of letters of credit and Rs 40 million (2018: Rs 65 million) for obtaining running finance. The amount remaining unutilised at the year ended June 30, 2019 amounted to Rs 66.114 million (2018: Rs 66.626 million).

	2019	2018
	------------(Rupees '000)-----------	
19. MARK-UP ACCRUED		
Mark-up accrued on:		
- Short-term running finance - secured	**19,378**	9,290

20. **CONTINGENCIES AND COMMITMENTS**

20.1 Commitments in respect of:

Capital expenditure contracted for but not incurred	**2,469**	450
Letters of credit	**51,359**	53,861
Letters of guarantee	**48,886**	48,374

20.2 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 (2018: 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 during the current year under protest through adjustment of refund relating to the tax year 2015. As a matter of abundant caution, management has recorded a provision of Rs. 12.699 million with corresponding adjustment to refund liability to tax year 2015.

20.3 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.

21. NET SALES

	Note	2019	2018
		-----Rupees in '000-----	
Sales [net of returns of Rs 34.922 million (2018: Rs 13.809 million)]	21.1	**2,134,901**	2,114,266
Less: sales tax		**(22,941)**	(20,365)
		2,111,960	2,093,901
Less: discounts		**(227,207)**	(224,888)
		1,884,753	1,869,013

21.1 With regards to the previously reported hardship cases, as per orders passed by the Supreme Court of Pakistan, the Company was advised to re-submit their applications under new Drug Pricing Policy 2018 (DPP 2018) to Drug Regulatory Authority of Pakistan (DRAP).

These hardship cases concluded favorably in the light of DPP 2018 and formal notification of revised prices has also been issued by DRAP dated December 31, 2018.

22. COST OF SALES

	Note	2019	2018
		-----Rupees in '000-----	
Raw and packing material consumed:			
Opening stock		**216,140**	150,413
Purchases		**574,329**	565,106
Closing stock	10	**(213,361)**	(216,140)
		577,108	499,379
Stores and spares consumed		**63,860**	55,978
Salaries, wages and benefits	22.1	**284,498**	283,794
Rent, rates and taxes		**9,671**	8,701
Insurance		**3,362**	2,781
Fuel and power		**163,012**	146,226
Repairs and maintenance		**6,936**	9,060
Travelling and vehicle running expenses		**30,809**	27,108
Communication and stationery		**563**	365
Depreciation	5.4	**81,907**	89,746
General expenses		**4,069**	5,200
		648,687	628,959
		1,225,795	1,128,338
Opening stock of work-in-process		**15,309**	5,132
Closing stock of work-in-process	10	**(6,354)**	(15,309)
Cost of goods manufactured		**1,234,750**	1,118,161
Opening stock of finished goods		**345,111**	314,355
Finished goods purchased during the year		**291,651**	218,365
Cost of samples shown under selling and distribution expenses		**(11,076)**	(6,553)
Closing stock of finished goods	10	**(371,863)**	(345,111)
		(382,939)	(351,664)
		1,488,573	1,299,217

22.1 Salaries, wages and benefits include Rs 10.914 million (2018: Rs 10.122 million) in respect of staff retirement benefits.

		Note	2019	2018
			-----Rupees in '000-----	
23.	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries, wages and benefits	23.1	**91,684**	77,758
	Rent, rates and taxes		**646**	625
	Insurance		**3,082**	4,652
	Repairs and maintenance		**-**	360
	Travelling and vehicle running expenses		**7,043**	5,860
	Communication and stationery		**1,696**	1,621
	Advertising samples and promotional expenses		**93,030**	86,471
	Outward freight and handling		**57,976**	55,495
	Depreciation	5.4	**1,991**	1,781
			257,148	234,623

23.1 Salaries, wages and benefits include Rs 5.890 million (2018: Rs 5.465 million) in respect of staff retirement benefits.

		Note	2019	2018
			-----Rupees in '000-----	
24.	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries, wages and benefits	24.1	**58,970**	58,998
	Rent, rates and taxes		**6,596**	4,934
	Insurance		**946**	962
	Fuel and power		**1,510**	1,764
	Repairs and maintenance		**496**	285
	Travelling and vehicle running expenses		**4,263**	3,948
	Communication and stationery		**1,414**	1,192
	Subscription		**2,399**	1,218
	Legal and professional charges		**3,798**	4,747
	Depreciation	5.4	**1,683**	1,412
	Amortisation	6.1	**582**	274
	General expenses		**9,153**	7,483
			91,810	87,217

24.1 Salaries, wages and benefits include Rs 3.374 million (2018: Rs 3.033 million) in respect of staff retirement benefits.

		Note	2019	2018
			-----Rupees in '000-----	
25.	**OTHER INCOME**			
	Income from financial assets and financial liabilities			
	Recovery of provision against doubtful trade debts	11.1	**15,163**	-
	Liabilities no longer required written back		**-**	511
	Late payment charges from Hospital Supply Corporation - a related party		**10,058**	5,258
			25,221	5,769
	Income from assets other than financial assets			
	Gain on disposal of operating fixed assets		**1,906**	4,772
	Scrap sales		**15,977**	13,437
	Reversal of provision against slow moving and obsolete stock-in-trade	10.2	**2,106**	2,155
	Reversal of provision against stents held with hospitals - net	10.3	**5,668**	15,305
	Others		**363**	144
			26,020	35,813
			51,241	41,582

		Note	2019	2018
			-----Rupees in '000-----	
26.	**OTHER EXPENSES**			
	Exchange loss - net		**193,710**	85,849
	Auditors' remuneration	26.1	**2,493**	2,255
	Donations	26.2	**441**	2,481
	Workers' Profits Participation Fund	17.4	**-**	7,326
	Central Research Fund		**-**	1,182
	Provision against doubtful trade debts	11.1	**21,931**	3,573
	Provision against slow moving and obsolete stock-in-trade	10.2	**2,350**	2,713
	Bank charges and commission		**1,430**	978
	Others		**3,841**	6,650
			226,196	113,007

26.1 Auditors' remuneration

Statutory audit fee	**900**	900
Fee for the review of condensed interim financial information	**400**	400
Fee for tax advisory services	**515**	415
Fee for special certifications	**200**	100
Out-of-pocket expenses	**478**	440
	2,493	2,255

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

		Note	2019	2018
			-----Rupees in '000-----	
27.	**FINANCE COST**			
	Short-term loan from a related party		**3,161**	2,800
	Short-term running finance		**62,653**	35,553
	Interest on Worker's Profit Participation Fund	17.4	**164**	170
			65,978	38,523
28.	**TAXATION - NET**			
	Current			
	- for the year	28.1	**33,238**	27,405
	- for prior years		**19,326**	1,550
			52,564	28,955
	Deferred		**(70,927)**	43,747
		28.2	**(18,363)**	72,702

28.1 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 2018. Contingencies in respect of taxation are detailed in notes 20.2 and 20.3.

28.2 Tax charge for the year ended June 30, 2019 mainly represents minimum tax payable (For June 30, 2018: minimum tax payable) under the Income Tax Ordinance, 2001, and for this reason, relationship between tax expense and accounting profit has not been presented.

28.2 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-----	
2018	**27,405**	27,479
2017	**33,503**	35,053
2016	**20,701**	20,701

29. EARNINGS PER SHARE

29.1 Basic

	Note	2019	2018
		-----Rupees in '000-----	
(Loss) / profit for the year after taxation		**(175,348)**	65,306
		-----Numbers of shares-----	
Weighted average number of ordinary shares outstanding during the year	15.2	**12,100,000**	12,100,000
		----------Rupees----------	
(Loss) / earnings per share - basic		**(14.49)**	5.40

29.2 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, 2019 and 2018 which would have had any effect on the earnings per share if the option to convert had been exercised.

30. CASH AND CASH EQUIVALENTS

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

	Note	2019	2018
		-----Rupees in '000-----	
- Bank balances	14	**10,975**	18,445
- Short-term running finance - secured	18	**(583,669)**	(504,285)
		(572,694)	(485,840)

31. 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 2019	Chief Executive Officer 2018	Directors 2019	Directors 2018	Executives 2019	Executives 2018
	Rupees in '000					
Managerial remuneration	6,600	6,000	-	-	28,056	23,683
Bonus	-	-	-	-	2,838	2,338
House rent	4,620	4,800	-	-	12,625	10,656
Utilities	1,320	1,200	-	-	2,808	2,368
Medical allowance	660	-	-	-	3,380	2,813
Leave fare assistance / encashment	2,055	1,093	-	-	4,435	3,934
Meeting fee	-	-	340	330	-	-
Technical advisory fee	-	-	3,000	2,880	-	1,600
Retirement benefits	1,045	950	-	-	4,441	3,749
	16,300	14,043	3,340	3,210	58,583	51,141
Number of person(s)	1	1	5	5	13	11

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

32. EMPLOYEE BENEFIT SCHEMES

32.1 Defined benefit plan - staff retirement gratuity scheme

As mentioned in note 4.9(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, 2019. The Projected Unit Credit Method with the following significant assumptions was used for the valuation of the scheme:

32.1.1 Principal actuarial assumptions

	2019	2018
a) Discount rate	14.25%	8.75%
b) Expected rate of return on plan assets	14.25%	8.75%
c) Expected rate of increase in salary - for the next 1 year		
- management staff	12.25%	8.75%
- non-management staff	12.25%	8.75%
d) Mortality rates	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
e) Withdrawal rates	Moderate	Moderate

32.1.2 Amount recognised in the statement of financial position

	Note	2019	2018
		Rupees in '000	
Present value of defined benefit obligation		98,347	102,379
Less: fair value of plan assets		(104,441)	(93,736)
	13 & 17	(6,094)	8,643

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

	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net
	Rupees in '000		
As at July 1, 2018	**102,379**	**(93,736)**	**8,643**
Current service cost	**8,530**	**-**	**8,530**
Interest expense / (income)	**8,529**	**(8,349)**	**180**
Remeasurements:			
- loss from the changes in financial assumptions	**-**	**-**	**-**
- experience adjustments	**(15,803)**	**999**	**(14,804)**
	(15,803)	**999**	**(14,804)**
Contributions made	**-**	**(8,643)**	**(8,643)**
Benefits paid	**(5,288)**	**5,288**	**-**
As at June 30, 2019	**98,347**	**(104,441)**	**(6,094)**

	2018		
	Present value of defined benefit obligation	Fair value of plan assets	Net
	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

	2019	2018
	Rupees in '000	
32.1.3 Amount recognised in the statement of profit or loss		
Current service cost	**8,530**	8,010
Interest cost	**8,529**	6,898
Expected return on plan assets	**(8,349)**	(6,776)
Expense for the year	**8,710**	8,132
32.1.4 Amount recognised in the statement of comprehensive income	**(14,804)**	511

32.1.5 Composition of plan assets

	As at June 30, 2019		As at June 30, 2018	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Defence Saving Certificates	**56,653**	**54.24%**	88,346	94.25%
Pakistan Investment Bonds	**21,013**	**20.12%**	-	-
Cash and cash equivalents	**26,775**	**25.64%**	5,390	5.75%
	104,441	**100.00%**	93,736	100.00%

32.1.6 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.

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

	---------- As at June 30, 2019 ----------			---------- As at June 30, 2018 ----------		
Particulars	**Change in assumption**	**Increase / (decrease) in present value of defined benefit obligation**		**Change in assumption**	**Increase / (decrease) in present value of defined benefit obligation**	
		(%)	**Rupees in '000**		**(%)**	**Rupees in '000**
Discount rate	+1%	(5.64)	(5,542)	+1%	(6.67)	(6,833)
	-1%	6.31	6,202	-1%	7.58	7,757
Salary increase rate	+1%	6.37	6,260	+1%	7.50	7,681
	-1%	(5.78)	(5,683)	-1%	(6.73)	(6,892)
Withdrawal rate	+10%	0.15	147	+10%	0.00	-
	-10%	(0.15)	(151)	-10%	0.00	-

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 5.94 years.

32.1.8 The information provided in note 32.1.1 has been obtained from the details provided by the actuary of the Company.

32.2 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.

33. 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, etc.), entities under common directorship namely Hospital Supply Corporation, 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, 2019				
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 156.234 million)	-	888,298	-	-	888,298
Inventory purchased	99,610	137,047	-	3,240	239,898
Technical advisory fee	-	-	3,000	-	3,000
Remuneration of the key management personnel	-	-	75,223	-	75,223
Mark-up expense on short-term loan from a related party	-	3,161	-	-	3,161
Late payment charges received from Hospital Supply Corporation	-	-	-	10,058	10,058
Charge relating to Employees' Provident Fund	-	-	-	11,469	11,469
Charge relating to Employees' Gratuity Fund	-	-	-	8,710	8,710
Contribution to gratuity fund	-	-	-	8,643	8,643
Contribution to provident fund	-	-	-	11,407	11,407
Purchases from Hospital Supply Corporation	-	116	-	-	116
Issue of bonus shares (Number of shares)	-	-	-	-	-
Balances outstanding as at the end of the year					
Payable to Otsuka Pharmaceutical Company Limited, Japan	2,934	-	-	-	2,934
Receivable from Hospital Supply Corporation against sale of goods	-	177,412	-	-	177,412
Payable to Hospital Supply Corporation	-	116	-	-	116
Payable to P. T. Otsuka Indonesia	-	4,321	-	-	4,321
Payable to Shanghai Microport EPMed Tech Co., Limited	-	8,385	-	-	8,385
Payable to Shanghai Microport Medical (Group) Company Limited	-	38,848	-	-	38,848
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	5,062	-	-	5,062
Payable to Idrees Plastics	-	-	-	62	62
Loan from Otsuka Pharmaceutical Factory, Inc.	-	557,588	-	-	557,588
Advance from key management personnel	-	-	1,367	-	1,367
Payable to a shareholder	-	-	-	363	363

	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
Technical advisory fee	-	-	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
Charge relating to Employees' Provident Fund	-	-	-	10,488	10,488
Charge relating to Employees' Gratuity Fund	-	-	-	8,132	8,132
Contribution to gratuity fund	-	-	-	3,072	3,072
Contribution to provident fund	-	-	-	9,566	9,566
Purchases from Hospital Supply Corporation	-	324	-	-	324
Issue of bonus shares (Number of shares)	495,000	255,200	72,761	-	822,961

Particulars	Parent company	Other associated undertakings	Key management personnel	Other related parties	Total
	June 30, 2018				
	---------- Rupees in '000 ----------				
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 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 a shareholder	-	-	-	363	363

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.

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.

33.1 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	Key Management Personnel	3.29%
11	Mrs. Mehtabuddin Feroz	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 Hanif Sattar	Key Management Personnel	0.00%
15	Mrs. Rehana Hanif	Spouse of Director	0.00%
16	Mr. Makio Bando	Director	0.00%
17	Mrs. Makio Bando	Spouse of Director	0.00%

S. No.	Name of Related Party	Basis of association	Aggregate % of shareholding
18	Mr. Daisuke Hashimoto	Director	0.00%
19	Mrs. Daisuke Hashimoto	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	Mrs. Navin Salim Merchant	Director	0.00%
27	Mr. Salim Hussain Merchant	Spouse of Director	0.00%
28	Mr. Aqeel Ahmed	Key Management Personnel	N/A
29	Mr. Abdul Aleem	Key Management Personnel	N/A
30	Mr. Muhammad Arshad Khan	Key Management Personnel	N/A
31	Mr. Gowher Ahmed Khan	Key Management Personnel	N/A
32	Mr. Khalid Munir	Key Management Personnel	N/A
33	Mr. Muhammad Siddiq Rafee	Key Management Personnel	N/A
34	Mr. Sajid Ali Khan	Key Management Personnel	N/A
35	Mr. Muhammad Owais Qazi	Key Management Personnel	N/A
36	Dr. Arshad Kamal	Key Management Personnel	N/A
37	Mr. Syed Tariq Shahid	Key Management Personnel	N/A
38	Mr. Moeen Ur Rehman	Key Management Personnel	N/A
39	Mr. Mubashir Ahmed	Key Management Personnel	N/A
40	Mr. Tehsinul Haq	Key Management Personnel	N/A

33.2 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	Pertkantoran 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, Tianxiong 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

	Note	2019	2018
		-----Rupees in '000-----	
34. CASH (USED IN) / GENERATED FROM OPERATIONS			
Profit for the year before taxation		**(193,711)**	138,008
Adjustment for non-cash charges and other items:			
Depreciation	5.4	**85,581**	92,939
Amortisation	6.1	**582**	274
Liabilities no longer required written back	25	**-**	(511)
Unrealised exchange loss	26	**146,025**	56,975
Workers' Profits Participant Fund	26	**-**	7,326
Central Research Fund	26	**-**	1,182
Gain on disposal of operating fixed assets - net	25	**(1,906)**	(4,772)
Provision / (reversal) against slow moving and obsolete stock-in-trade - net	10.2	**244**	558
(Reversal) / provision against stents held with hospitals	10.3	**(5,668)**	(15,305)
Provision against doubtful trade debts - net	11.1	**6,768**	3,573
Finance cost		**65,978**	38,523
Working capital changes	34.1	**(114,905)**	(186,421)
		(11,012)	132,349

34.1 Working capital changes

	2019	2018
(Increase) / decrease in current assets		
Stores and spares	**(1,294)**	3,965
Stock-in-trade	**(15,018)**	(106,660)
Trade debts	**38,206**	(99,537)
Loans and advances	**7,475**	(3,150)
Trade deposits, short-term prepayments and other receivables	**(13,407)**	(7,042)
	15,962	(212,424)
Increase in current liabilities		
Trade and other payables	**(130,867)**	26,003
	(114,905)	(186,421)

35. STAFF STRENGTH

	2019	2018
	Number of employees	
Number of employees at June 30		
- Permanent employees		
Management staff	**217**	220
Factory workers	**171**	175
Average number of employees during the year		
- Permanent employees		
Management staff	**219**	213
Factory workers	**173**	179

36. OPERATING SEGMENTS

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

36.2 Sales from Intravenous Solutions represent 66.66 percent while sales from others represent 33.34 percent (2018: 83.32 percent and 16.68 percent) respectively of the total revenue of the Company.

36.3 Sales percentage by geographic region is as follows:

	2019	2018
	In percent	
Pakistan	99.60	99.61
Afghanistan	0.40	0.39

36.4 All non-current assets of the Company as at June 30, 2019 are located in Pakistan.

36.5 Sales to Hospital Supply Corporation (a related party of the Company) which is the soledistributor in the southern region is around 45.42 percent during the financial year ended June 30, 2019 (2018: 45.69 percent).

37. FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2019	
Particulars	**Amortized cost**	**Total**
	---------- Rupees in '000 ----------	
Financial assets		
Long-term loans - considered good	7,090	7,090
Long-term deposits	1,309	1,309
Trade debts (unsecured)	249,393	249,393
Loans - considered good	6,070	6,070
Trade deposits and other receivables	25,830	25,830
Bank balances	10,975	10,975
	300,667	300,667

	As at June 30, 2019	
Particulars	**Amortized cost**	**Total**
	---------- Rupees in '000 ----------	
Financial liabilities		
Short-term loan from a related party - unsecured	557,588	557,588
Trade and other payables	289,476	289,476
Unclaimed dividend	9,204	9,204
Short-term running finance - secured	583,669	583,669
Mark-up accrued	19,378	19,378
	1,459,315	1,459,315

	As at June 30, 2018	
Particulars	**Loans and receivables**	**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
	340,792	340,792

	As at June 30, 2018	
Particulars	**Other financial liabilities**	**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	504,285	504,285
Mark-up accrued	9,290	9,290
	1,264,937	1,264,937

38. 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:

38.1 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.

38.1.1 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, 2019, financial liabilities of Rs 655.259 million (2018: Rs 550.292 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	2019	2018
		-----Rupees in '000-----	
Short-term loan from a related party - unsecured			
Yen	16	**557,588**	411,563
Bills payable			
US Dollar		**90,440**	131,942
Euro		**5,122**	1,771
Yen		**2,109**	4,069
Yuan		**-**	947
	17	**97,671**	138,729

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, 2019, 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 65.526 million (2018: Rs 55.029 million), mainly as a result of foreign exchange losses / gains on translation of foreign currency denominated financial liabilities.

38.1.2 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 fixed rate instruments

Presently, the Company has financing from its related party based on the LIBOR at the time of financing. LIBOR is fixed at the time of financing. Since these financial liabilities are not kept at fair value, it does not expose the Company to any fair value / interest rate risk.

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, 2019 would have been lower / higher by Rs 5.837 million (2018: Rs 5.043 million).

The movement in the liabilities under short-term finances utilised under mark-up arrangements and KIBOR is expected to change over time. Therefore, the sensitivity analysis prepared as at June 30, 2019 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.

38.1.3 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.

38.2 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 300.667 million (2018: Rs 340.792 million) of which trade debts amounting to Rs 249.393 million (2018: Rs 294.367 million) constitute a significant portion. Of these trade debts, Rs 177.412 million (2018: 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:

	--- As at June 30, 2019 ---		--- As at June 30, 2018 ---		
BANK	**Short-term**	**Long-term**	**Short-term**	**Long-term**	**Rating agency**
Allied Bank Limited	AAA	A1+	A1+	AA+	PACRA
Bank Alfalah Limited	AA+	A1+	A1+	AA+	PACRA
Habib Bank Limited	A-1 +	AAA	A-1 +	AAA	JCR - VIS
MCB Bank Limited	AAA	A1+	A1+	AAA	PACRA
National Bank of Pakistan	AAA	A1+	A1+	AAA	PACRA
The Bank of Punjab	AA	A1+	A1+	AA	PACRA
Citi Bank	A-1	A-1	A-1	A-1	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 (a related party) 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.

38.3 Liquidity risk

Liquidity risk is the risk that the Company may not be 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.

As explained in note 1.2, the current liabilities of the Company as at June 30, 2019 exceed its current assets by Rs 501.132 million (2018: Rs 312.200 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.

39. FAIR VALUE MEASUREMENT

IFRS 13 'Fair value Measurement' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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, 2019 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.

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, 2019 and June 30, 2018, the Company did not have any assets or liabilities which were measured at fair values using any of the aforementioned valuation techniques.

40. CAPITAL RISK MANAGEMENT

40.1 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.

40.2 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.

	2019	**2018**
	-----Rupees in '000-----	
Total borrowings	**1,141,257**	915,848
Less: bank balances	**(10,975)**	(18,445)
Net debt	**1,130,282**	897,403
Total equity	**23,455**	202,812
Total capital	**1,153,737**	1,100,215
Gearing ratio	**97.97%**	81.57%

As at June 30, 2019, the Company's gearing ratio has increased primarily due to the heavy losses suffered in the current year. The Company's foreign loan liability also increased due to significant devaluation of currency. 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.

41. PLANT CAPACITY AND PRODUCTION

Particulars	2019 Capacity	2019 Actual production	2018 Capacity	2018 Actual production
	------------------ million bottles ------------------			
I.V. solutions	30.8	20.4	30.8	24.8
Plastic ampoules	14.5	10.4	14.5	10.6

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

42. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified for the purpose of better presentation and comparison, wherever necessary.

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

a) During the year, Company has introduced two new products of IV Solutions named "Otsuzol" and "Otsumol", two medical devices named "Fire Magic Cardiac RF Ablation Catheter" and "POCone Infrared Spectrophotometer " and one Therapeutic Drug "UBIT Tablet "; and

b) Due to devaluation of Pak Rupee during the year ended June 30, 2019, the Company has suffered a net exchange loss amounting to Rs. 193.710 million.

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2019 by the Board of Directors of the Company.

45. GENERAL

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

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

OTSUKA PAKISTAN LIMITED
Pattern of Shareholding
As of June 30, 2019

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. MEHTABUDDIN FEROZ	1	397,485	3.29
MR. MIKIO BANDO	1	1	0.00
MR. SUHARI MUKTI	1	1	0.00
MR. DAISUKE HASHIMOTO	1	1	0.00
MR. HANIF SATTAR	1	121	0.00
MRS. NAVIN SALIM MERCHANT	1	509	0.00
NOOR MUHAMMAD	1	550	0.00
Associated Companies, undertakings and related parties			
M/S OTSUKA PHARMACEUTICAL COMPANY LIMITED	1	5,420,248	44.80
M/S P.T. OTSUKA INDONESIA	1	1,204,499	9.95
M/S. 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	31,136	0.26
General Public			
a. Local	882	2,125,780	17.57
b. Foreign	1	12,045	0.10
Foreing Companies	-	-	-
Others	23	1,185,435	9.80
Totals	**925**	**12,100,000**	**100.00**

Share holders holding 5% or more	Shares Held	Percentage
M/S OTSUKA PHARMACEUTICAL COMPANY LIMITED	5,420,248	44.80
M/S P.T. OTSUKA INDONESIA	1,204,499	9.95
M/S. OTSUKA PHARMACEUTICAL FACTORY, INC.	1,589,940	13.14

OTSUKA PAKISTAN LIMITED
Pattern of Shareholding
As of June 30, 2019

# Of Shareholders	Shareholdings'Slab			Total Shares Held
419	1	to	100	4,643
279	101	to	500	53,879
92	501	to	1000	61,406
88	1001	to	5000	179,993
16	5001	to	10000	106,456
10	10001	to	15000	118,633
1	20001	to	25000	24,090
2	30001	to	35000	61,386
1	40001	to	45000	41,386
1	50001	to	55000	51,474
1	65001	to	70000	65,700
1	70001	to	75000	74,600
1	110001	to	115000	111,562
1	125001	to	130000	129,600
1	140001	to	145000	142,794
1	175001	to	180000	176,913
1	225001	to	230000	225,700
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	5,420,248
925				12,100,000

COMPARISON OF RESULTS LAST 6 YEARS

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Share Capital (Rs. In '000)	100,000	110,000	110,000	110,000	110,000	121,000	121,000
Unappropriated Profit / (Loss) (Rs. In '000)	14,445	110,000	(335,586)	(448,022)	(339,636)	(274,688)	(439,525)
General Reserve (Rs. In '000)	377,500	367,500	367,500	367,500	367,500	356,500	341,980
Capital Employed (Rs. In '000)	591,945	804,166	250,247	29,478	137,864	202,812	23,455
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	1,884,753
Profit /(Loss) Before Tax (Rs. In '000)	(3,346)	(277,597)	(179,939)	(153,477)	196,174	138,008	(193,711)
Taxation - net (Rs. In '000)	(217)	(77,853)	(33,774)	(41,300)	(86,423)	(72,702)	18,363
Profit /(Loss) After Taxation (Rs. In '000)	(3,129)	(199,744)	(146,165)	(112,177)	109,751	65,306	(175,348)
% of Sales	(0.24)	(18.53)	(10.07)	(7.23)	6.0	3.5	(9.3)
% of Total Assets	(0.26)	(12.61)	(9.35)	(7.09)	7.54	4.12	(11.46)
% of Capital Employed	(0.53)	(24.84)	(58.41)	(380.54)	79.61	32.20	(747.59)
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	(14.49)
Earnings / (Loss) Per Share (Restated) *	(0.26)	(16.51)	(12.08)	(9.27)	9.07	N/A	N/A
Fixed Assets less Depreciation (Rs. In '000)	246,343	704,484	617,307	533,565	458,398	413,124	350,998
Total Assets (Rs. In '000)	1,226,776	1,584,548	1,562,659	1,582,657	1,455,442	1,583,800	1,530,644
Average Number of Employees	438	420	405	399	394	392	404

*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.

Otsuka Pakistan Limited

Otsuka

PROXY FORM
31st 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 Thirty-first Annual General Meeting of the Compnay to be held on Tuesday, October 22, 2019 and at any adjournent thereof.

As witness my hand this.. day of 2019

Signed by the said...
....
in the presence of..
....

Signature on Revenue stamp of appropriate value

Witness

(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