

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

# **ANNUAL REPORT 2019-20**

---

FOR THE YEAR ENDED JUNE 30, 2020



Otsuka

**Otsuka Pakistan Limited**

(A Company of Otsuka Group Japan)

## CONTENTS

COMPANY INFORMATION .....	02
STATEMENT OF VISION/MISSION & OBJECTIVES .....	03
NOTICE OF MEETING (ENGLISH VERSION) .....	04
NOTICE OF MEETING (URDU VERSION) .....	10
FIVE YEARS AT A GLANCE .....	11
CHAIRMAN'S REVIEW (ENGLISH VERSION) .....	12
CHAIRMAN'S REVIEW (URDU VERSION) .....	13
DIRECTORS' REPORT (ENGLISH VERSION) .....	14
DIRECTORS' REPORT (URDU VERSION) .....	24
STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE .....	26
AUDITOR'S REVIEW REPORT ON CODE OF CORPORATE GOVERNANCE TO THE MEMBERS .....	29
AUDITOR'S REPORT TO THE MEMBERS .....	30
STATEMENT OF FINANCIAL POSITION .....	34
STATEMENT OF PROFIT OR LOSS ACCOUNT .....	35
STATEMENT OF COMPREHENSIVE INCOME .....	36
STATEMENT OF CHANGES IN EQUITY .....	37
STATEMENT OF CASH FLOWS .....	38
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS .....	39
PATTERN OF SHAREHOLDING .....	76
COMPARISON OF LAST SIX YEARS RESULTS .....	78
PROXY FORM .....	79

## COMPANY INFORMATION

BOARD OF DIRECTORS :	Mr. Mikio Bando (Chairman) (Alternate: Mr. Muhammad Taufiq Feroz) Mr. Hanif Sattar (Director and Chief Executive Officer) Mr. Koichi Okada 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 SUB COMMITTEE OF THE BOARD :	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member)
HEAD OF INTERNAL AUDIT:	Mr. Jawaid Noor (Secretary)
HUMAN RESOURCES & REMUNERATION COMMITTEE SUB COMMITTEE OF THE BOARD :	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member) Mr. Hanif Sattar (Member)
AUDITORS (EXTERNAL) :	Deloitte Yousuf Adil (Chartered Accountants)
AUDITORS (INTERNAL) :	Saud Tariq & Co. (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 <b>E-mail:</b> <a href="mailto:mamin@otsuka.pk">mamin@otsuka.pk</a> <a href="mailto:inoor@otsuka.pk">inoor@otsuka.pk</a> <b>Web site:</b> <a href="http://www.otsuka.pk">www.otsuka.pk</a>
FACTORY :	Plot No. F/4-9, Hub Industrial Trading Estate, Distt. Lasbella (Balochistan) Tel.: (0853) 303517-8 Fax: (0853) 303519
SHARE REGISTRAR :	CDC Share Registrar Services Limited – (CDCSRSL) CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi 74400. Pakistan. Tel: (92-21) 111-111-500, Fax: (92-21) 34326053 Email: <a href="mailto:info@cdcsrsl.com">info@cdcsrsl.com</a>

## Vision

Otsuka people creating new products for better health worldwide.

## Mission

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

## Objectives

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

## Focus

Medical  
Profession  
&  
Patients

Patients

Distributors  
&  
Suppliers

Empolyees

Community

Shareholders



## NOTICE OF MEETING

Notice is hereby given that the Thirty Second (32<sup>nd</sup>) Annual General Meeting (AGM) of Otsuka Pakistan Limited (OPL) will be held on Thursday, October 22, 2020 at 10:30 a.m. virtually via video-link, as permitted by the Securities and Exchange Commission of Pakistan (SECP). Instruction with regard to participation appears in the below notes. While convening the AGM, through video-link, the Company will observe the quorum provisions and will comply with all the regulatory requirements.

The 32<sup>nd</sup> AGM is being held to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Annual Audited Accounts for the year ended June 30, 2020, together with the Directors' and Independent Auditors' reports thereon.
2. To appoint external auditors and fix their remuneration for the year ending June 30, 2021. 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:

Dated: **September 22, 2020**

## CORONAVIRUS CONTINGENCY PLANNING FOR GENERAL MEETING OF OTSUKA PAKISTAN LIMITED

Participation in the meeting through online facilities:

In wake of the prevalent COVID-19 pandemic situation and in the light of the relevant guidelines issued by the Securities Exchange Commission of Pakistan (SECP) vide their circular No. 5 of 2020 dated: March 17, 2020 which have been extended up to October 31, 2020 vide their another circular No. 25, 2020.

The shareholders of OPL are encouraged to participate in the 32<sup>nd</sup> AGM through electronic means as offered by the Company and get themselves registered with Company' Share Registrar i.e. M/s. CDC Share Registrar Services Limited at least 48 hours before the meeting time of AGM at [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com).

The shareholders will be able to login and participate in the 32<sup>nd</sup> AGM proceedings through their smart phones or computer devices from their homes or any convenient location after completing all the required formalities for verification and identification of the shareholders.

The login facility will be opened at 10:00 a.m. on October 22, 2020 enabling the participants to join the proceedings which will be started at 10:30 a.m. sharp.

The shareholders are requested to provide the information as per the below format. The details of the video link will be sent to the shareholders on the email address provided in the below table:

S. No.	Name of Shareholder	CNIC Number	Folio/CDS AC #Number	Cell Number	Email Address

- Shareholders may send their queries, comments and suggestions relating to the proposed agenda items of the 32<sup>nd</sup> AGM of the Company at least two working days before the AGM, at [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com) or WhatsApp or SMS on Cell No.0321-8200864. Shareholders are required to mention their full name, CNIC number and Folio/CDS number for this purpose.

## Notes:-

### A. Book Closure and Proxy:

- (i) The Share Transfer Books of the Company will remain closed from October 16, 2020 to October 22, 2020 (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. 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 submitted at the Registered Office of the Company at least 48 hours before the time of the Meeting.
- (iii) 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).
- (iv) The SECP vide circular No. 25 of 2020 dated: August 31, 2020 has given regulatory relief to dilute impact of Coronavirus (COVID-19) for corporate sector. Accordingly this notice of AGM of the Company shall be dispatched to the shareholders through printed copies and shall be electronically available on the PUCARS system of the Pakistan Stock Exchange Limited and the Company's website ([www.otsuka.pk](http://www.otsuka.pk)) under "Notice to Shareholders". Shareholders are requested to provide the Company their email addresses at [secretarialcompliance@otsuka.pk](mailto:secretarialcompliance@otsuka.pk) if notice of the meeting is required through email.

### 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) Notarized copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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

The audited accounts of the Company for the year ended June 30, 2020 have been placed on the Company's website at [www.otsuka.pk](http://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](http://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. The Company's Annual Financial Statements for the year ended June 30, 2020 is also being circulated to the shareholders through CD / DVD in compliance of section 223(6) of the Companies Act, 2017.

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

As per Securities and Exchange Commission of Pakistan (SECP) vide SRO 889(1)/2011 and SRO 831(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. 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 (CDCSRL), CDC House, 99-B, Block 'B', S.M.C.H.S, Main Shahra-e-Faisal, Karachi-74400 (in case of shareholding in Physical Form):

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

In case of non-provision of above-information the Company will have to withhold the cash dividend according to section 243(3) of the Companies Act, 2017.

**H. 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 scripless form.

**I. 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 holding in aggregate 10% or more shareholding 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.

**NOTE:** Shareholders are requested to promptly notify any change in their addresses 'if any' 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) 34326053 Email: [cdcsr@cdcsrl.com](mailto:cdcsr@cdcsrl.com).

For any query/problem/information, the investors may contact to the Share Registrar on the above-said contact details &/or the Company Secretary at the following contact details:

**Mr. Muhammad Amin Bashir, Company Secretary, Otsuka Pakistan Limited, 30-B, S.M.C.H.S., Karachi-74400, Tel: 34528652 – 4 Lines (Ext. No. 356) Fax: (92-21) 34549857, Email: [secretarialcompliance@otsuka.pk](mailto:secretarialcompliance@otsuka.pk).**

## H. 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 حصص رکھنے والے حصص یافتگان کی حوصلہ افزائی کی جاتی ہے کہ وہ اپنے کسی بھی بروکریا انویسٹر اکاؤنٹ کے ساتھ براہ راست سی ڈی سی کے ساتھ سی ڈی سی سب اکاؤنٹ کھولیں تاکہ ان کے فزیکل شیئر کو غیر اسکرپٹ 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۔

## I. پوسٹل بیلٹ

کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کے تحت، ڈائریکٹرز کے انتخاب کے مقصد کیلئے اور کمپنیز ایکٹ 2017 کے سیکشن 143 اور 144 کے تقاضوں سے مشروط کسی اور ایجنڈے آئٹم کے لئے، مجموعی طور پر 10 فیصد یا اس سے زائد حصص یافتگی والے ممبران کو پوسٹل بیلٹ کے ذریعے اپنے ووٹ کا حق استعمال کرنے جو مذکورہ بالا قواعد و ضوابط میں شامل تقاضوں اور طریقہ کار کے مطابق ڈاک کے ذریعے یا کسی بھی الیکٹرانک موڈ کے ذریعے ووٹ کی اجازت ہوگی۔

**نوٹ:** حصص یافتگان سے پتہ میں کسی قسم کی تبدیلی سے شیئر رجسٹرار میسرز سی ڈی سی شیئر رجسٹرار سروسز 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 0800-23275-CDCPL فیکس نمبر 34326053 (21-92) ای میل info@cdcsrsl.com پر فوری طور پر مطلع کرنے کی درخواست کی جاتی ہے۔

مزید کسی سوال / مسئلہ / معلومات کیلئے انویسٹرز مذکورہ بالا تفصیلات پر شیئر رجسٹرار اور / یا کمپنی سکریٹری سے درج ذیل تفصیلات پر سے رابطہ کر سکتے ہیں: جناب محمد امین بشیر، کمپنی سکریٹری، اوٹسوکا پاکستان لمیٹڈ، 30-بی، ایس ایم سی ایچ ایس، کراچی-74400، ٹیلیفون: 4 - 34528652 (ایکسٹنشن نمبر 356) فیکس: 34549857 (21-92)، ای میل: secretarialcompliance@otsuka.pk

## 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 کی ہدایات کے مطابق جو شیئر ہولڈرز آئندہ سالانہ مالی گوشوارے ڈاک کی بجائے بذریعہ ای میل وصول کرنے کے متنبی ہوں، کمپنی کے شیئر رجسٹرار کو اپنے ای میل ایڈریس کے ہمراہ کمپنی کی ویب سائٹ: [www.otsuka.pk](http://www.otsuka.pk) پر دستیاب اسٹینڈرڈ ریکونسٹ فارم پر دستخط اور اپنے سی این آئی سی / پاسپورٹ کی کاپی یا کارپوریٹ ادارے کی صورت میں دیگر معلومات کمپنی کے شیئر رجسٹرار کو ارسال کر دیں۔ کمپنی کے ایکٹ 2017 کے سیکشن 223(6) کی تعمیل میں 30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کے سالانہ مالی گوشوارے بھی سی ڈی / ڈی وی ڈی کے ذریعے حصص یافتگان تک پہنچائے جا رہے ہیں۔

## F. سی این آئی سی / این ٹی این تفصیلات کی فراہمی (لازمی):

سیکیورٹیز ایکٹ اینڈ ایکس چینج کمیشن آف پاکستان (SECP) بحوالہ سرکلر 889(1)/2011 اور 83(1)/2012 کے مطابق، الیکٹرانک فارم میں ڈیویڈنڈ کاؤنٹرز میں مجاز فرد یا رجسٹرڈ ممبر کا کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ہونا چاہیے۔ مساوائے 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 ہوگی کہ ایسے شیئر ہولڈرز کا منافع منقسمہ روک دے۔

## G. نقد منافع منقسمہ کی الیکٹرونک 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 جا چکا 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 متعلقہ سی ڈی سی شریک / سی ڈی سی انویسٹر اکاؤنٹ سروسز کو (حصص کاؤنڈ اندارج میں ہونے کی صورت میں) یا کمپنی کے شیئر رجسٹرار یعنی میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ (CDCSRL) سی ڈی سی ہاؤس، 99-بی، بلاک 'بی'، ایس، ایم سی ایچ ایچ ایس، مین شاہراہ فیصل، کراچی-74400

(شیئرز کافریکل فارم میں ہونے کی صورت میں) جمع کرا دیں۔

(i) حصص کی تفصیلات	
حصص یافتہ کا نام	
فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر	
CNIC نمبر (کاپی منسلک کریں)	
موبائل / لینڈ لائن نمبر	
(ii) حصص یافتہ کے بینک کی تفصیلات	
بینک اکاؤنٹ کا نام	
انٹرنیشنل بینک اکاؤنٹ نمبر (IBAN)	
بینک کا نام	
برانچ کا نام اور پتہ	

مذکورہ بالا معلومات کی عدم فراہمی کی صورت میں کمپنی کو کمپنیز ایکٹ 2017 کے سیکشن 243(3) کے مطابق نقد منافع منقسمہ روک دے گی۔



سیریل نمبر.	حصص دار کا نام	CNIC نمبر	فولیو / سی ڈی ایس اے سی نمبر	سیل نمبر	ای میل ایڈریس
-------------	----------------	-----------	------------------------------	----------	---------------

• حصص یافتگان کمپنی کے 32 ویں سالانہ اجلاس عام کے مجوزہ ایجنڈا آئٹم سے متعلق اپنے سوالات، تبصرے اور تجاویز سالانہ اجلاس عام سے کم از کم دو کاروباری دن قبل، [cdcsr@cdsrs1.com](mailto:cdcsr@cdsrs1.com) پر ای میل یا سیل نمبر 0321-8200864 پر واٹس ایپ یا ایس ایم ایس بھیج سکتے ہیں۔ اس مقصد کے لئے حصص یافتگان کو اپنا پورا نام، CNIC نمبر اور فولیو / سی ڈی ایس نمبر درج کرنا ہو گا۔

## نوٹس:

### A. کتاب کی بندش اور پراکسی:

- کمپنی کی منتقلی حصص کتب 16 اکتوبر 2020ء تا 22 اکتوبر 2020ء بند رہیں گی۔ (بشمول دونوں ایام)
- 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۔ پراکسی کی تقرری کی دستاویزی اور پاور آف اٹارنی اور دیگر اتھارٹی معہ پاور آف اٹارنی کی دستخط شدہ اور نوٹری سے تصدیق شدہ کاپی اجلاس ہذا کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں داخل کرانی ہو گی۔
- سی ڈی سی اکاؤنٹس ہولڈرز کو سیکورٹیز اینڈ ایکس چینج کمیشن آف پاکستان کے سرکلر نمبر 1 بتاریخ 26 جنوری 2000 میں درج کردہ ہدایات پر عمل کرنا ہو گا۔
- ایس ای سی پی کے سرکلر نمبر 25 مجریہ 2020ء بتاریخ 31 اگست 2020ء میں کارپوریٹ شعبے کے لئے کورونا وائرس (COVID-19) کے اثرات کو کم کرنے کیلئے باقاعدہ ریلیف دیا ہے۔ اس کے مطابق کمپنی کے سالانہ اجلاس عام کا یہ نوٹس حصص یافتگان کو پرنٹڈ کاپیوں کی صورت میں ارسال کیا جائے گا اور "نوٹس برائے اسٹاک ہولڈرز" کے تحت پاکستان اسٹاک ایکسچینج لمیٹڈ کے PUCARS سسٹم اور کمپنی کی ویب سائٹ ([www.otsuka.pk](http://www.otsuka.pk)) پر الیکٹرانک طور پر دستیاب ہو گا۔ حصص یافتگان سے گزارش ہے کہ اگر وہ اجلاس کا نوٹس حاصل کرنا چاہتے ہیں تو کمپنی کو ان کے ای میل [secretarialcompliance@otsuka.pk](mailto:secretarialcompliance@otsuka.pk) پر اپنا ای میل ایڈریس فراہم کریں۔

### B. برائے اجلاس میں شرکت:

- افراد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر یا اس فرد کی سیکورٹیز 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۔
- 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 ہو گا۔

### C. برائے پراکسی کی تقرری:

- 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 اپ لوڈ ہوں۔ پراکسی فارم مندرجہ بالا شرائط کے تحت جمع کرانے ہوں گے۔
- پراکسی فارم پر دو افراد کی گواہی ہونی چاہئے جن کے نام، پتے اور سی این آئی سی نمبر فارم میں درج ہوں۔
- ٹینیفیشل اونر کی سی این آئی سی یا پاسپورٹ کی نوٹری سے تصدیق شدہ کاپیاں پراکسی فارم کے ہمراہ منسلک ہونی چاہئیں۔
- کارپوریٹ اینٹیٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی معہ نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کیا گیا ہو) پراکسی فارم کے ہمراہ منسلک کرنے ہوں گے۔

### D. کمپنی کی ویب سائٹ پر آڈٹ شدہ مالی گوشواروں کی دستیابی:

30 جون 2020ء کو ختم ہونے والے سال کے لئے کمپنی کے آڈٹ شدہ اکاؤنٹس کو کمپنی کی ویب سائٹ [www.otsuka.pk](http://www.otsuka.pk) پر آویزاں کر دیا گیا ہے۔

# اوٹسوکا پاکستان لمیٹڈ

## اطلاع برائے اجلاس

مطلع کیا جاتا ہے کہ اوٹسوکا پاکستان لمیٹڈ (OPL) کا تیسواں (32واں) سالانہ اجلاس عام (AGM) مورخہ 22 اکتوبر 2020ء بروز جمعرات صبح 10:30 بجے عملی طور پر ویڈیو لنک کے ذریعے منعقد ہوگا، جیسا کہ سکیورٹیز اور ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی جانب سے منظور کیا گیا ہے۔ شرکت کے سلسلے میں ہدایات مندرجہ ذیل نوٹس میں بیان ہیں۔ ویڈیو لنک کے ذریعے سالانہ اجلاس عام کے انعقاد کے دوران، کمپنی کورم کی دفعات پر عمل کرے گی اور تمام ضوابط کی تعمیل کرے گی۔

32 ویں سالانہ اجلاس عام مندرجہ ذیل امور کی انجام دہی کیلئے منعقد کیا جائیگا۔

### عمومی امور:

- 1- 30 جون 2020ء کو ختم ہونے والے گزشتہ سال کیلئے سالانہ آڈٹ شدہ اکاؤنٹس مع ڈائریکٹر اور آزاد آڈیٹرز کی رپورٹس کی وصولی، غور و خوض اور منظوری۔
- 2- 30 جون 2021ء کو ختم ہونے والے آئندہ سال کیلئے آڈیٹرز کی تقرری اور ان کے مشاہرہ کا تعین۔ موجودہ آڈیٹر میسرز ڈیلوئٹ یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، سبکدوش شدہ اور بطور اہل نے دوبارہ سے تقرری کیلئے اپنی خدمات پیش کی ہیں۔
- 3- چیئرمین کی اجازت سے دیگر امور کی انجام دہی۔

بحکم بورڈ  
محمد امین بشیر  
کمپنی سیکریٹری

کراچی: 22 ستمبر 2020ء

کورونادائرس وباء کے تسلسل میں اوٹسوکا پاکستان لمیٹڈ کے عمومی اجلاس کے لئے منصوبہ بندی

آن لائن سہولیات کے ذریعے اجلاس میں شرکت:

کوویڈ 19 کی وبائی صورتحال کے پیش نظر اور سکیورٹیز ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی جانب سے متعلقہ ہدایات کیلئے جاری کردہ سرکلر نمبر 5 مجریہ 2020ء، بتاریخ 17 مارچ، 2020ء میں سرکلر نمبر 25 مجریہ 2020ء، بتاریخ 31 اکتوبر 2020ء کے تحت توسیع کردی گئی ہے۔

کمپنی کے حصص یافتگان کی حوصلہ افزائی کی جاتی ہے کہ وہ کمپنی کے فراہم کردہ الیکٹرانک ذرائع کے ذریعے 32 ویں سالانہ اجلاس عام میں شرکت کریں اور کمپنی کے شیئر رجسٹرار یعنی میسرز۔ سی ڈی سی شیئر رجسٹرار سرورسز لمیٹڈ کے پاس اس ای میل cdcsl@cdcsr.com پر سالانہ اجلاس عام کے اجلاس کے وقت سے کم از کم 48 گھنٹے قبل اپنا اندراج کروائیں۔

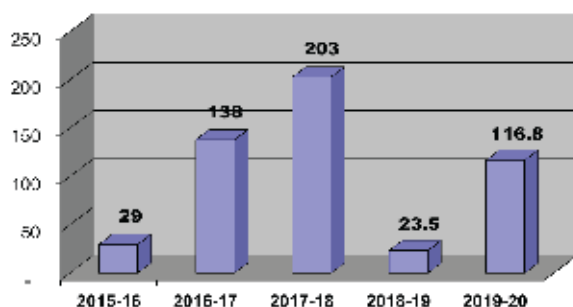
حصص یافتگان کی تصدیق اور شناخت کیلئے تمام مطلوبہ رسمی مراحل مکمل کرنے کے بعد حصص یافتگان اپنے گھروں سے یا کسی مناسب مقام سے اپنے سمارٹ فون یا کمپیوٹر آلات کے ذریعے 32 ویں سالانہ اجلاس عام کی کارروائی میں لاگ ان اور حصہ لینے کے قابل ہوں گے۔

لاگ ان کی سہولت 22 مورخہ اکتوبر 2020ء کو صبح دس بجے کھول دی جائے گی جو شرکا کو کارروائی میں شامل ہونے کے قابل بنائے گی جس کا آغاز صبح ساڑھے دس بجے کیا جائے گا۔

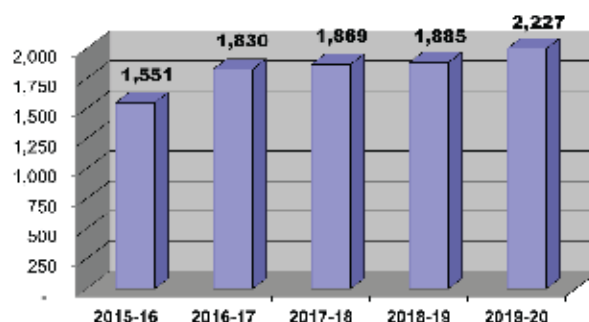
حصص یافتگان سے گزارش ہے کہ وہ مندرجہ ذیل نمونے کے مطابق معلومات فراہم کریں۔ ویڈیو لنک کی تفصیلات حصص یافتگان کو حسب ذیل ٹیبیل میں فراہم کردہ ای میل ایڈریس پر ارسال کی جائیں گی۔

# Five Years at a Glance

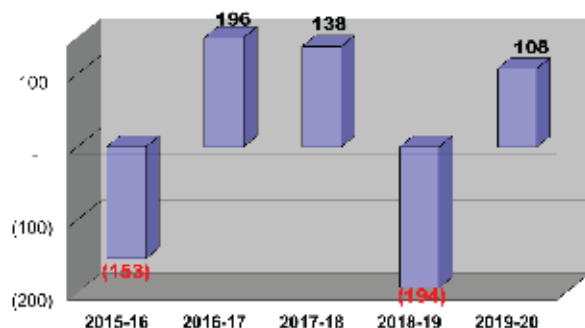
**Shareholders' Equity**  
(Rupees in Million)



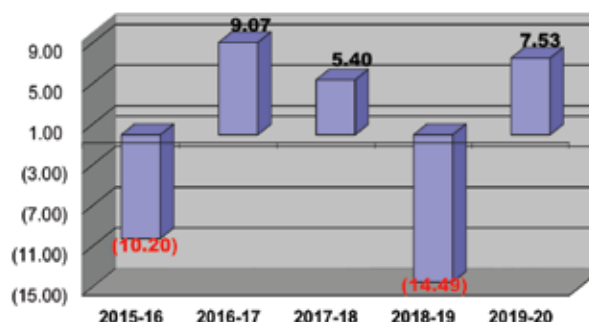
**Sales**  
(Rupees in Million)



**Profit / (Loss) Before Tax**  
(Rupees in Million)



**Earning / (Loss) Per Share**  
(PKR Ten Per Share)





## CHAIRMAN REVIEW

- I am pleased to welcome you at the 32nd Annual General Meeting of your Company and present on behalf of the Board of Directors, the annual report for the year ended June 30th 2020 along with my review on the performance of your Company.
- The calendar year of 2020 is proving to be an abnormal year with the devastating impact of pandemic (COVID-19) over global economies disrupting the core business processes. The sense of insecurity and diffidence on the future of the businesses are still prevailing in both manufacturing and service business industries.
- Pakistan's Economy had witnessed a slumped growth rate of negative 0.4% for the fiscal year 2019-20. The problem of current account deficit and the depleting foreign reserves of the country had forced the government to continue the policies of fiscal tightening, rationalization of taxes, measures to reduce the primary balance, and exchange rate adjustments. However, with the declaration of COVID-19 as a global pandemic by World Health Organization (WHO), the government had moved towards expansionary fiscal policies with the introduction of special package for construction sector, reduction of discount rate by 625 basis points, deferment of long term loans, special loans disbursed for making new investments.
- Growth in the pharmaceutical alongside all other sectors had suffered significant losses during the fiscal year with the closure of business activities during last quarter of 2019-20. Further the global disruption in the supply chain had also disturbed our stock schedules. In addition, the depreciation of our local currency had also continued its trend from last year and had also added a distress on import excipients due to increase in sales of Clinical Nutrient (CN) products due to COVID-19.
- Your Company sales had posted a decent growth rate of 18% due to increase in sales of CN products as an opportunity with the start of pandemic COVID-19. The Company had also achieved a gross profit margin of 27% as compared to 21% during the last year. With the removal of abnormal exchange losses like the last year and improvement in margins, your Company had managed to report a decent operating profit of Rs. 180 million against the operating loss of Rs. 127 million during the last year.
- The board of directors has completed its second year after being elected in the 30th Annual General Meeting. The board comprises of professional with diverse background, sound business acumen and profound understanding of pharmaceutical industry. The directors have performed their duties diligently and effectively in the best interest of the Company. The overall performance of the Board and each of 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.
- It is anticipated that expansionary monetary and fiscal policies will continue in the forthcoming year to bring the economy back on track. Further ease in lock down restrictions and introduction of COVID-19 vaccine will bring back the confidence of people around the world. We believe that the bank rates and inflation will continue the existing trends, however the government may introduce further relief and special packages for some sectors to revamp the current stagnant condition of our economy and will boost economic growth in the coming year. We foresee that the depreciation of local currency will continue its trend at a slow pace. We are hopeful that the Company will show good growth in upcoming years. The auto price increase clause linked with inflation factor has been ceased by DRAP and the same is pending for cabinet decision however, we hope that it would be finalized fairly and settled by November 2020.
- 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 all employees and thankful to our business partners.



**Mikio BANDO**  
Chairman

## چیز من کا تبصرہ

مجھے خوشی ہے کہ آپ کی کمپنی کی 32 ویں سالانہ جنرل میٹنگ کے موقع پر میں آپ کا استقبال کر رہا ہوں اور 30 جون 2020 کو ختم ہونے والے سال پر آپ کی کمپنی کی کارکردگی کی سالانہ رپورٹ اپنے تبصرے کے ساتھ بورڈ آف ڈائریکٹرز کی جانب سے پیش کر رہا ہوں۔

2020 کا کیلنڈر سال ایک غیر معمولی سال ثابت ہو رہا ہے جس نے عالمی معیشتوں کے کاروبار کے بنیادی عوامل کو عالمی وبا (کورونا) کی وجہ سے شدید متاثر کیا ہے۔ مینوفیکچرنگ اور سروس بزنس دونوں صنعتوں میں کاروبار کے مستقبل پر عدم تحفظ اور ان کے ناپید ہونے کا احساس اب بھی غالب ہے۔

پاکستان کی معیشت نے مالی سال 2019-20 کے لئے 0.4% کی منفی شرح نمو دیکھی ہے۔ جاری اکاؤنٹ خسارے اور غیر ملکی سرمائے کے ذخائر میں کمی کے مسئلے نے حکومت کو سخت مالیاتی پالیسیوں پر مجبور کیا ہے، ٹیکسوں میں اصلاحات، معیشت کے بنیادی توازن کو برقرار رکھنے کے لئے اقدامات، اور شرح تبادلہ کی شرح میں ایڈجسٹمنٹ کی پالیسیاں جاری رکھنے پر بھی مجبور کر دیا ہے۔ تاہم عالمی ادارہ صحت (ڈبلیو۔ ایچ۔ او) کی طرف سے کورونا کو ایک عالمی وبائی مرض کا درجہ دینے کے باوجود حکومت نے تعمیراتی شعبے کے لئے خصوصی پیکیج متعارف کرائے، رعایت کی شرح میں 625 بنیاد پوائنٹس کی کمی دی اور توسیعی مالی پالیسیوں کی طرف گامزن ہوئی، ساتھ ہی نئی سرمایہ کاری کرنے کیلئے طویل مدتی قرضے موخر کئے اور خصوصی قرضے تقسیم کیے گئے۔

2020 مالی سال کے دوران فارما کیٹ میں نشوونما کے باوجود مالی سال میں 2019-20 کی آخری سہ ماہی کے دوران کاروباری سرگرمیاں بند ہونے سے نمایاں نقصان ہوا ہے۔ مزید یہ کہ سپلائی چین میں عالمی رکاوٹ نے ہمارے اسٹاک سپلائی برقرار رکھنے کے نظام کو بھی شدید متاثر کیا۔ اس کے علاوہ، ہماری مقامی کرنسی کی قدر میں کمی نے اپنے پچھلے سال سے جاری رجحان کو برقرار رکھا جس کے سبب ہماری کلینکل نیوٹریشن ادویات کی بڑھتی ہوئی فروخت اور کورونا کے وجہ سے اسکے اجزاء کی اپورٹ میں رکاوٹ کی وجہ سے شدید دشواریوں کا سامنا کرنا پڑا۔

وبائی مرض کورونا کے سبب ایسے مواقع پیدا ہوئے جنکی وجہ سے کلینکل نیوٹریشن ادویات کی فروخت بڑھی، ان بنیادی وجوہات کے سبب آپ کی کمپنی کی شرح نمو میں 18 فیصد اضافہ ہوا ہے۔ پچھلے سال کے مجموعی منافع 21 فیصد کے مقابلے میں اس سال کمپنی کا مجموعی منافع 27 فیصد رہا۔ پچھلے سال کی طرح غیر معمولی زرمبادلہ کے نقصانات کو ختم کرنے اور مارجن میں بہتری کے ساتھ، آپ کی کمپنی نے 180 ملین روپے کا معقول آپریٹنگ منافع حاصل کیا جبکہ پچھلے سال 127 ملین روپے کا آپریٹنگ نقصان ہوا تھا۔

بورڈ آف ڈائریکٹرز نے 30 ویں سالانہ جنرل اجلاس میں منتخب ہونے کے بعد اپنا دوسرا سال مکمل کر لیا ہے۔ یہ بورڈ مختلف پیشہ ورانہ خصوصیات کے حامل افراد پر مشتمل ہے جو مختلف فیلڈ میں وسیع تجربہ کے ساتھ کاروباری قابلیت اور فارمانڈسٹری کی گہری سمجھ بوجھ رکھتے ہیں۔ کمپنی کے بہترین مفاد میں ڈائریکٹرز نے اپنے فرائض تندہی اور موثر طریقے سے انجام دیے ہیں۔ بورڈ اور اس کے ہر ممبر کی مجموعی کارکردگی تمام معیارات اور تقاضوں کو پورا کرتی ہے، جس کا براہ راست اثر کمپنی کے مقاصد کے حصول میں بورڈ کے کردار پر پڑا ہے۔ شفاف اور مضبوط نظام کو عملی جامہ پہناتے ہوئے بورڈ نے موثر طریقے سے آگے بڑھنے کی راہ ہموار کر دی ہے۔ اس کی عکاسی تمام امور پر موثر کنٹرول، کارپوریٹ گورننس کے بہترین طریق کار کی تعمیل اور پوری کمپنی میں اخلاقی اور منصفانہ سلوک کو فروغ دینے سے ہوتی ہے۔

یہ توقع کی جارہی ہے کہ معیشت کو پٹری پر لانے کے لئے توسیعی مالیاتی اور مالی پالیسیاں آئندہ سال بھی جاری رہیں گی۔ لاک ڈاؤن پابندیوں میں مزید آسانی اور کورونا ویکسین متعارف کروانے سے پوری دنیا کے لوگوں کا اعتماد بحال ہو گا۔ ہمیں خدشہ ہے کہ بینک کے نرخ اور مہنگائی موجودہ رجحانات کو جاری رکھے گی، تاہم امید ہے کہ حکومت ہماری معیشت کی موجودہ مستحکم حالت کو بہتر بنانے کے لئے کچھ شعبوں کے لئے مزید ریلیف اور خصوصی پیکیج متعارف کرائے گی اور آئے والے سال میں معاشی نمو کو بڑھاوا دے گی۔ نظر آ رہا ہے کہ مقامی کرنسی کی قدر میں کمی سست رفتاری سے جاری رہے گی۔ ہمیں امید ہے کہ ہماری کمپنی آنے والے سالوں میں اچھی شرح نمو پیش کرے گی۔ مہنگائی کے عنصر سے منسلک آئو قیوتوں میں اضافے کی شق ڈی۔ آر۔ اے۔ پی۔ نے ختم کر دی ہے اور اسپر کا بینہ کا فیصلہ انوائس ہے، تاہم ہمیں امید ہے کہ نومبر 2020 تک اس کا منصفانہ حتمی فیصلہ ہو جائیگا۔

اس موقع پر میں آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے تمام ملازمین کی پر خلوص اور بے لوث خدمات کا دل سے معترف ہوں اور ہمارے کاروباری شراکت داروں کا شکریہ ادا کرتا ہوں۔

رضا چیمبر

میکو بینڈو  
چیمبر



## DIRECTORS' REPORT

The Directors are pleased to present the Annual Report of Otsuka Pakistan Limited (the Company) for the year ended June 30, 2020.

### Business Review

This financial year was proved to be a good year for the Company as Company was able to penetrate the market and was able to increase the market share of the Company. The Company was able to liquidate stocks produced at old approved prices and were able to materialize impact of last year price increase during current year sales. However, the Company sales were depressed during last quarter of the financial year due to country wide lock down announced by the Government.

Our sales during the year were grown by 18% and the Company was able to materialize few government tenders as well as export orders from Afghanistan. Cost of sales was also increased by 9% mainly due to increase in levy of the Gas Infrastructure Development Cess (GIDC) on the basis of a decision given by Honorable Supreme Court of Pakistan subsequent to the year end in favor of utility company (SSGC). There was some respite due to reduction in world oil prices. Our medical devices unit, though not very significant contribution in overall sales, was impacted adversely from mid-March onward due to Covid-19 pandemic and is still in air pocket.

The Company had achieved the gross profit margins of 27% as compared to 21% during June 30, 2019. Selling and administrative expenses were tightly controlled and just increased by 4% and 7% as compared to general inflation rate of 11% in that period.

Other expenses of the Company were reduced significantly by 43% mainly due to reduction in exchange losses and the cumulative exchange loss standing at Rs. 48.3 million as compared to Rs. 193.7 million in 2018-19. Finance cost of the Company was increased by 10% on account of higher bank rate of 13.25% during the nine months ended March 31, 2020. However, later the Central Bank has reduced discount rate by 625 basis points. The Company has earning per share (EPS) of Rs. 7.53 against loss per share of Rs. 14.49 last year.

### Financial Results

	(PKR in '000)	
	2020	2019
Profit / (loss) for the year before taxation	107,557	(193,711)
Taxation – net	(16,491)	18,363
<b>Profit / (loss) for the year after taxation</b>	<b>91,066</b>	<b>(175,348)</b>
Other comprehensive income/(loss) – net	2,266	10,511
Total comprehensive (loss)/income for the year	93,332	(164,837)
Dividend paid declared on Oct 24, 2018	-	(14,520)
Accumulated (losses)/profits brought forward	(97,545)	81,812
Accumulated profits/(losses) carried forward	(4,213)	(97,545)

### Appropriations

In the given circumstances the board to propose nil dividend for the year ended June 30, 2020.

The Company had earned a profit after tax of Rs. 91.07 million, however the Company was carrying opening accumulated losses of Rs. 97.5 million therefore the board is very optimistic to continue this performance in future years and shall pay dividend to its shareholders.

### Earnings / (loss) Per Share

The earnings / (loss) per share for the year ended June 30, 2020 works out to be Rs. 7.53 (2019: Loss per share of Rs. 14.49).

## 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 value of investments in bank deposits, government and money market securities based on the latest respective audited accounts are given below:

Provident Fund	Rs. 165,183,352/-
Gratuity Fund	Rs. 106,190,120/-

## Future outlook

Due to persistent over supply situation of IV solutions on account of few more players have taken in roads the market was under pressure.

We expect the government will allow price increase as envisaged in Drug Pricing Policy 2018 to offset ever increasing cost of manufacturing. We believe that the devaluation in Pak Rupee and the global disruptions in supply chain due to COVID-19 will remain a big challenge for the Company to deal with.

We expect that the government will incentivize pharma sector by adopting expansionary monetary and fiscal policies and promote economic growth.

Further the Company is extremely confident on the performance of new and existing products of the Company and will make all the efforts to continue its growth.

## Corporate Governance

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

- 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;
- proper books of accounts of the Company have been maintained;
- 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;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- the system of internal control is sound in design and has been effectively implemented and monitored;
- there are no significant doubts upon the Company's ability to continue as a going concern;
- there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- In accordance with the criteria specified in Code, two directors have 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
- There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, except for those already disclosed in the financial statements.

## Board of Directors

Mr. Daisuke Hashimoto has resigned from Board from the post of the Non-executive directorship on April 22, 2020. Mr. Koichi Okada (nominee non-executive director of OPCJ) has filled the casual vacancy.

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. Koichi Okada	
	Mr. Suhari Mukti	
Independent Directors	Mr. Noor Muhammad	Female
	Mrs. Navin Salim Merchant	

## Board Committees

NAME OF BOARD SUB-COMMITTEE	NAME OF MEMBER
Audit Committee	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada Mr. Mehtabuddin Feroz
Human Resource & Remuneration Committee	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada 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. The aggregate amount of remuneration paid to each director of the Company during the year is given below:

CATEGORY	NAMES	(Rs. In '000)
Executive Director	Mr. Hanif Sattar (CEO)	15,330
Non-Executive Directors	Mr. Mikio Bando (Chairman)	NIL
	Mr. Mehtabuddin Feroz	3,000
	Mr. Koichi Okada	NIL
	Mr. Suhari Mukti	NIL
Independent Directors	Mr. Noor Muhammad	200
	Mrs. Navin Salim Merchant	120

## 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 policies 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 (Director and CEO)	4	4	4	N/A	1	1
Mr. Mehtabuddin Feroz	4	4	4	4	1	1
Mr. Muhammad Taufiq Feroz (1)	4	2	4	N/A	1	N/A
Mr. Mikio Bando (Chairman)	4	2	4	N/A	1	N/A
Mr. Daisuke Hashimoto	4	3	4	3	1	1
Mr. Suhari Mukti	4	1	4	N/A	1	N/A
Mr. Koichi Okada (3)	4	1	4	N/A	1	N/A
Mr. Noor Muhammad (Independent Director)	4	4	4	4	1	1
Mrs. Navin Salim Merchant (Independent Director)	4	3	4	N/A	1	N/A
Mr. Sajid Ali Khan (2)	4	3	4	N/A	1	N/A

(1) Alternate Director for Mr. Mikio Bando

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

(3) Mr. Koichi Okada filled the casual vacancy on April 22, 2020 created due to resignation of Mr. Daisuke Hashimoto. He has also become a member of Audit Committee and HR&RC.

## Pattern of Shareholding

The Pattern of shareholding of the Company as at June 30, 2020 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, 2020. 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

Subsequent to the year end, the honorable Supreme Court of Pakistan in its judgement announced on August 13, 2020 over Gas Infrastructure Development Cess (GIDC) concluded that all industrial and commercial entities which consume gas for their business activities will pay such Cess up to July 31, 2020. The cumulative Cess payable by the Company is Rs. 45 million and the Company as a matter of abundant caution has already taken the provision of this amount in the current financial statements for the year ended June 30, 2020. The Company is planning to file review petition and also making efforts to get exemption from this levy due to regulated prices of its products.

Except for the matter mentioned above, no other 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, 2020.

## Changes occurring in the nature of business

We expect and plan to launch new products in near future nevertheless our main nature of business will remain unchanged.

## Main trends/ developments likely to affect future performance

Pharma industry is continuously facing distress with inconsistent pricing policies from the regulators and incessant escalation in cost of production, utilities, freight charges with rising inflation. We expect that any future development in the 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 six different tranches with each facility to be repaid within one year of the initial drawn down date and can be roll forward for 1 more year. The current loan payable position is given below: -

Initial Date of Draw down	Loan Amount (JPY)	Loan Payable (PKR)	Latest Repayment date
26-Feb-15	125,000,000	195,087,500	25-Feb-21
27-Apr-15	125,000,000	195,087,500	26-Apr-21
27-Jul-15	125,000,000	195,087,500	26-Jul-21
	<b>375,000,000</b>	<b>585,262,500</b>	

## Auditors

The present auditors, Messrs. Deloitte Yousuf Adil, Chartered Accountants, retire at the conclusion of the 32nd 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, 2021.

## Acknowledgement

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



**Mehtabuddin Feroz**  
Director

Karachi

Dated: September 1, 2020

On behalf of the Board



**Hanif Sattar**  
Chief Executive Office



## کاروبار کی نوعیت میں ہونے والی تبدیلیاں:

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

## اہم رجحانات / مستقبل کی کارکردگی پر اثر انداز ہونے والی پیشرفت:

انضباطی قیمتوں سے متعلق قیمتوں کی متضاد پالیسیوں اور بڑھتی افراط زر کے ساتھ پیداواری لاگت، افادیت، مال برداری کے معاملات میں لگاتار اضافے سے فارما انڈسٹری کو مسلسل پریشانی کا سامنا کرنا پڑ رہا ہے۔ ہم توقع رکھتے ہیں کہ قیمتوں کا تعین، درآمد اور ٹیکس لگانے کی پالیسیوں میں آئندہ کی کسی بھی ترقی سے ہماری مستقبل کی کارکردگی متاثر ہو گی۔ دواسازی کے شعبے میں مثبت پیش رفت ہمیں مینوفیکچرنگ سہولیات کے لئے مزید سرمایہ کاری کرنے اور لوگوں کی بہتری کے لئے بالآخر نئی مصنوعات متعارف کرانے کی بھی ترغیب دے گی۔

## قرضے:

کمپنی نے اپنی متعلقہ پارٹی اوٹسو کا فارما سیونیکل فیکٹری جاپان سے کچھ غیر ملکی کرنسی میں قرضے 6 مختلف اقساط میں حاصل کئے تھے۔ جن کی ادائیگی ابتدائی طور پر ایک سال میں ہونا قرار پائی تھی۔ درجہ ذیل 3 بقایا اقساط کی ادائیگیاں کچھ اس طرح سے طے پائی ہیں۔

وصولی کی ابتدائی تاریخ	قرضے کی رقم جاپانی کرنسی	قرضے کی ادائیگی پاکستانی روپے میں	ادائیگی کی آخری تاریخ
26-Feb-15	125,000,000	195,087,500	25-Feb-21
27-Apr-15	125,000,000	195,087,500	26-Apr-21
27-Jul-15	125,000,000	195,087,500	26-Jul-21
	<b>375,000,000</b>	<b>585,262,500</b>	

## آڈیٹرز:

موجودہ آڈیٹر، میسرز ڈیلویٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کمپنی کے 32 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 2021 کے ختم ہونے والے سال کیلئے بطور بیرونی آڈیٹرز میسرز 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 تہ 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 الدین فیروز

ڈائریکٹر

کراچی

تاریخ: ستمبر 1، 2020ء

## حصص داروں کا پیٹرن:

کمپنی کی حصص داروں کا پیٹرن برائے اختتامی سال 30 جون 2020 اس رپورٹ کے ساتھ منسلک ہے۔

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

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

## 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 گرینوچ یونیورسٹی کے ساتھ ایک طویل المدتی معاہدہ تشکیل دیا ہے۔

## اندرونی فنانشل کنٹرول پر دسترس:

کمپنی میں ایک مناسب داخلی مالیاتی کنٹرول سسٹم ہے اور اسی طرح 30 جون 2020 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 کا مکمل آپریشن کا شفاف طریقہ کار کے مطابق کئے جاتے ہیں۔

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

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

## ہولڈنگ کمپنی:

آپ کی کمپنی میسر س اوٹسو کا فارماسیوٹیکل کمپنی لمیٹڈ کی بلا واسطہ ماتحت کمپنی ہے جسے جاپان میں قائم کیا گیا ہے۔

## واقعات بعد از نتائج:

سال کے اختتام کے بعد، معزز سپریم کورٹ آف پاکستان نے 13 اگست 2020 کو گیس انفرسٹراکچر ڈیولپمنٹ سیس (جی آئی ڈی سی) کے بارے میں اپنے فیصلے میں یہ نتیجہ اخذ کیا کہ تمام صنعتی اور تجارتی ادارے جو اپنی کاروباری سرگرمیوں کے لئے گیس استعمال کرتے ہیں وہ 31 جولائی 2020 تک سیس ادا کریں گے۔ اس سلسلے میں کمپنی کے ذمے واجب الادا مجموعی سیس تقریباً 45 ملین روپے ہے اور کمپنی نے احتیاطی تدابیر کے تحت 30 جون 2020 کو ختم ہوئے سال کے موجودہ مالی بیانات میں اس رقم کی فراہمی پہلے ہی کر لی ہے۔ کمپنی اس معاملے میں معزز سپریم کورٹ کو ایک جائزہ درخواست داخل کرنے کا ارادہ رکھتی ہے تاکہ اس فیصلے پر نظر ثانی کی جاسکے اور ساتھ ہی ساتھ معزز سندھ ہائی کورٹ سے اس سے استثنیٰ حاصل کرنے کی کوششیں بھی کر رہی ہے۔ مذکورہ معاملے کے علاوہ، مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے مابین کمپنی کی مالی حیثیت کو متاثر کرنے والی کوئی دوسری مادی تبدیلی یا وعدے نہیں ہوئے ہیں۔

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

ہم کسی بھی رسک یا غیر یقینی صورتحال کو روکنا نہیں دیکھ رہے ہیں جیسا کہ 30 جون 2020 تک تھا۔

## ڈائریکٹرز کا معاوضہ:

کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے مطابق بورڈ کا ڈائریکٹرز کے معاوضے کیلئے باقاعدہ پالیسی اور شفاف طریقہ کار ہے۔ نان ایگزیکٹو ڈائریکٹرز بورڈ اور اس کی کمیٹی کے اجلاسوں میں شرکت کیلئے معاوضے کی مد میں مقررہ فیس وصول کر چکے ہیں۔

عہدے	نام	پاکستانی روپے '000
ایگزیکٹو ڈائریکٹر	حنیف ستار (سی ای او)	15,330
نان ایگزیکٹو ڈائریکٹر	مکیو بانڈو چیئر مین	NIL
	مہتاب الدین فیروز	3,000
	کوچی اوکاڈا	NIL
	سوماری مکتی	NIL
آزاد ڈائریکٹر	نور محمد	200
	مسز نوین سلیم مرچنٹ	120

## رسک مینجمنٹ:

کمپنی کا رسک مینجمنٹ انفراسٹرکچر اہم رسک مینجمنٹ فریم ورک پر مبنی ہے جو ہر شعبے کے بڑے خطرات بشمول اسٹریٹجک، انتظامی، تعمیل اور مالیاتی بیانات کے خطرات سے نمٹنے 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 ٹھیکے پر دے دیا ہے۔

## بورڈ مینٹنگ، آڈٹ کمیٹی اور ہیومن ریسورس و معاوضہ کمیٹیوں کی میٹنگز:

ڈائریکٹران کے نام		بورڈ میٹنگ		آڈٹ کمیٹی میٹنگ		ہیومن ریسورس و معاوضہ کمیٹی	
		سال کے دوران ہونے والی میٹنگ	حاضری	سال کے دوران ہونے والی میٹنگ	حاضری	سال کے دوران ہونے والی میٹنگ	حاضری
حنیف ستار (ڈائریکٹر اینڈ سی ای او)		4	4	4	4	1	1
مہتاب الدین فیروز		4	4	4	4	1	1
محمد توفیق فیروز (1)		4	2	4	2	1	1
مکیو بانڈو چیئر مین		4	2	4	2	1	1
ڈائی سو کے ہاشیمو ٹو		4	3	4	3	1	1
سوہاری مکتی		4	1	4	1	1	1
کوچی اوکاڈا (3)		4	1	4	1	1	1
نور محمد آزاد ڈائریکٹر		4	4	4	4	1	1
مسز نوین سلیم مرچنٹ آزاد ڈائریکٹر		4	3	4	3	1	1
ساجد علی خان (2)		4	3	4	3	1	1

(1) متبادل ڈائریکٹر برائے جناب مکیو بانڈو

(2) متبادل ڈائریکٹر برائے جناب سوماری مکتی

(3) جناب کوچی اوکاڈا نے 22 اپریل 2020 کو ڈائریکٹر کی خالی آسامی کو پُر کیا جو کہ جناب ڈائی سو کے ہاشیموٹو کے استعفیٰ کی وجہ سے وقوع پذیر ہوئی۔ انہیں آڈٹ کمیٹی اور ہیومن ریسورس و معاوضہ کمیٹی کا ممبر بھی منتخب کیا گیا۔

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

9- 30 جون 2020 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 ڈائی سو کے ہاشیمو نے نان ایگزیکٹو ڈائریکٹر شپ کے عہدے سے مورخہ 22 اپریل 2020 استعفیٰ دیدیا ہے۔ جناب کوچی او کاڈا (جو کہ OPCJ کے نامزد نان ایگزیکٹو ڈائریکٹر ہیں) نے یہ فرائض سنبھالے ہیں۔

کمپنیز ایکٹ مجریہ 2017 کی دفعہ 159 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
ایگزیکٹو ڈائریکٹر	جناب حنیف ستار (سی ای او)	مرد
نان ایگزیکٹو ڈائریکٹرز	جناب میکو بانڈو (چیئرمین) جناب مہتاب الدین فیروز جناب کوچی او کاڈا 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 کوچی او کاڈا جناب مہتاب الدین فیروز
ہیومن ریسورس اور معاوضہ کمیٹی	جناب نور محمد (چیئرمین) جناب کوچی او کاڈا جناب مہتاب الدین فیروز جناب حنیف ستار

## اختصاصات:

موجودہ حالات کے پیش نظر بورڈ نے 30 جون 2020ء کے اختتامی سال کیلئے ڈیویڈنڈ دینے کی تجویز دی ہے۔

## آمدنی/(خسارہ) فی حصص:

آمدنی فی حصص برائے اختتامی سال 30 جون 2020 مبلغ 7.53 روپے نکالا گیا۔ (2019ء میں خسارہ فی حصص مبلغ 14.49 روپے رہا)۔

## 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 گریجویٹ فنڈز میں سرمایہ کاری کی قدر:

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

پروویڈنٹ فنڈ = 165,183,352 روپے

گریجویٹ فنڈ = 106,190,120 روپے

## مستقبل کا نقطہ نظر:

IV مصنوعات کی مستقل وافر فراہمی کے باعث کچھ نئے کھلاڑیوں نے بھی اس مارکیٹ میں جگہ بنانے کی کوششیں کی جس کی وجہ سے IV مارکیٹ کافی دباؤ میں تھی۔ ہم توقع کرتے ہیں کہ موجودہ حکومت ڈرگ پرائسنگ پالیسی 2018ء کے مطابق IV مصنوعات کی قیمتوں میں اضافے کی اجازت دے گی۔ جس کی وجہ سے بڑھتی ہوئی پیداواری لاگت کے خسارے کو پورا کیا جاسکتا ہے۔ ہم سمجھتے ہیں کہ پاکستانی روپیہ کی قدر میں مزید کمی اور عالمی وباء کو ویڈ-19 کی وجہ سے بین الاقوامی خام مال کی ترسیل مستقبل کے لئے دو بڑے چیلنجز ثابت ہو سکتے ہیں۔

ہم توقع کرتے ہیں کہ حکومت مالیاتی اور مانیٹری پالیسیوں میں توسیع اپناتے ہوئے فارماسیوٹیکل سیکٹر کو مزید آسانیاں فراہم کرے گی اور معاشی نمو کو مزید فروغ دے گی۔

مزید یہ کہ کمپنی اپنی موجودہ اور نئی مصنوعات کی کارکردگی پر انتہائی پر اعتماد ہے اور ساتھ ساتھ ان کی فروخت میں بہتری کی کوششیں کرتی رہے گی۔

## 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 ہی پیش کرتے ہیں جس میں آپریشنز نتائج، کیش فلو ز اور ایکوئٹی میں تبدیلی شامل ہیں۔
- 2- کمپنی کے کھاتوں کی تیاری میں مناسب دیکھ اور احتیاط روار کھی گئی ہے۔
- 3- مناسب اور رائج اکاؤنٹنگ پالیسیاں مستقل بنیادوں پر فنانشل بیانات کی تیاری پر لاگو کی گئی ہیں۔ مزید برآں اکاؤنٹنگ کے تخمینے معقول اور عقابت اندیشی سے لئے گئے فیصلوں کی بنیاد پر لگائے گئے ہیں۔
- 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 کاڈیزائن متوازن ہے اور اسے موثر انداز میں لاگو کیا گیا اور اس کی 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 ڈیپارچر نہیں ہوا۔



## ڈائریکٹر رپورٹ

اوٹسوکا پاکستان لمیٹڈ کمپنی کے ڈائریکٹر ز اختتامی سال 30 جون 2020ء کی سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

### کاروباری جائزہ:

کمپنی کے لیے یہ مالیاتی سال ایک اچھا سال ثابت ہوا ہے اس مالیاتی سال میں کمپنی اپنی گزشتہ ساکھ کی بحالی اور مارکیٹ میں اپنی فروخت کے شمیر میں اضافہ کرنے میں کافی حد تک کامیاب رہی ہے۔ کمپنی اپنی پرانی منظور شدہ قیمتوں کے اسٹاک کی فروخت کے ساتھ پچھلے سال کی قیمتوں کے اضافے کے ساتھ بہتر نتائج حاصل کرنے میں بھی کامیاب رہی ہے۔ تاہم کوویڈ-19 کی عالمی وباء کے بعد حکومت کے اعلان کردہ لاک ڈاؤن کے سبب گزشتہ سال کے آخری سہ ماہی میں مصنوعات کی فروخت کافی حد تک کم رہی ہیں۔

گزشتہ سال مصنوعات کی فروخت میں تقریباً 18 فیصد اضافہ رہا ہے، افغانستان سے برآمدی فروخت کے آرڈرز کے ساتھ ساتھ سرکاری ٹینڈروں کی فروخت کو بھی عملی شکل دی گئی۔ ہماری کل پیداواری لاگت میں 9% فیصد اضافہ ہوا ہے جسکی بڑی وجہ سپریم کورٹ کا حالیہ فیصلہ ہے جو کہ یوٹیلیٹی کمپنی سوئی سدرن گیس کے حق میں گیس انفراسٹرکچر ڈیولپمنٹ کی وصولی پر دیا گیا ہے جسے کمپنی کو ادا کرنا پڑے گا۔ تیل کی عالمی قیمتوں میں کمی نے ہماری کل پیداواری لاگت کو کچھ حد تک مثبت سہارا دیا ہے۔ گزشتہ سال ہماری میڈیکل ڈیوائسز کے شعبے نے کوئی اہم کردار ادا نہیں کیا۔ اگرچہ مارچ کے وسط سے ہی مجموعی طور پر اس شعبے کی فروخت میں منفی اثر ہوا اور اب بھی یہ ہوائی بھنور کا شکار ہے۔

کمپنی نے 30 جون 2020ء کے دوران مجموعی طور پر منافع کا حجم 27% حاصل کیا، جو کہ اس سے پچھلے سال 21% تھا۔ گزشتہ سال فروخت اور انتظامی اخراجات کو سختی سے کنٹرول کیا گیا۔ اور اس میں بالترتیب 4% اور 7% تک کا اضافہ رہا، جب کہ اس عرصے میں افراط زر کی شرح ان کے مقابلے میں 11% ریکارڈ کی گئی ہے۔

کمپنی کے دیگر اخراجات میں بھی 43% کمی واقع ہوئی، جس کی بنیادی وجہ زر مبادلہ کے ترسیلی نقصانات میں کمی اور اس کے مجموعی خسارہ روپیہ 48.3 ملین رہا۔ جب کہ یہی مجموعی خسارہ پچھلے سال روپیہ 193.7 ملین تھا۔ کمپنی کی بینکنگ کی شرح سود میں 10% اضافہ ہوا ہے۔ البتہ آخری سہ ماہی میں اسٹیٹ بینک آف پاکستان کی جانب سے شرح سود کے ڈسکاؤنٹ ریٹ میں 6.25% سے کمی کردی گئی ہے۔ سالانہ کمپنی کی فی حصص آمدنی 7.53 روپے ریکارڈ کی گئی جو کہ اس سے پچھلے سال فی حصص خسارہ 14.49 روپے رہی تھی۔

(روپے ملین میں)

مالیاتی نتائج

2020	2019	
107,557	(193,711)	منافع / نقصان قبل از ٹیکس
(16,491)	18,363	ٹیکس کی فراہمی
91,006	(175,348)	منافع / نقصان بعد از ٹیکس
2,266	10,511	دیگر جامع آمدنی / (نقصانات)
93,332	(164,837)	سالانہ کیلئے مجموعی کل آمدنی / نقصان
—	(14,520)	حصص کے منافع کی ادائیگی اعلان کردہ 24 اکتوبر 2018
(97,545)	81,812	گزشتہ سال کا جمع کردہ کل مربوط منافع
(4,213)	(97,545)	رواں سال کا مجموعی مربوط منافع / خسارہ

# Few Glimpses of the Last Year



**Board of Directors**



**Corporate Briefing Session - 2019**

## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

**Name of Company: Otsuka Pakistan Limited**

**Year ended: June 30, 2020**

The Company, has complied with the requirements of the Regulation in the following manner:

1. The total number of directors are 7 (seven) as per the following:

a) Male: 6 (six)

b) Female: 1 (one)

2. The composition of the board is as follows:

Category	Names
Independent directors - Male	Mr. Noor Muhammad
Independent directors - Female	Mrs. Navin Salim Merchant
Non-executive directors	Mr. Mikio Bando - Chairman Mr. Mehtabuddin Feroz Mr. Koichi Okada Mr. Suhari Mukti
Executive director	Mr. Hanif Sattar - Chief Executive

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;

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

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with the dates on which they were approved or updating is maintained by the company;

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / shareholders 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. The Board has arranged Directors' Training program for the following:
  1. Ms. Naveen Salim Merchant- Female Independent director
10. The board has approved appointment of chief financial officer, company Secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
  - a) Audit Committee;
 

Mr. Noor Muhammad	Chairman
Mr. Koichi Okada	Member
Mr. Mehtabuddin Feroz	Member
  - b) Human Resource & Remuneration Committee.
 

Mr. Noor Muhammad	Chairman
Mr. Koichi Okada	Member
Mr. Mehtabuddin Feroz	Member
Mr. Hanif Sattar	Member
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of yearly meetings of the committees were as per following:
  - a) Audit Committee: 4 meetings
  - b) Human Resource & Remuneration Committee: 1 meeting
15. The board has outsourced the internal audit function to M/s. Saud Tariq & Co. Chartered Accountants from October 24, 2019 replacing 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.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan that they or all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with, except as mentioned in para 19 below.
19. As per regulation 6, it is mandatory that each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors and currently, there are two independent directors in a board of seven directors. With regard to compliance with Regulation 6 pertaining to fraction contained in one-third number and not rounded up as one, the number of Independent Directors could be reviewed for the next election of Directors. As per Regulation 6 rounding up was not mandatory and the Regulators had placed Regulation 6 rounding up under the 'comply or explain' approach which enabled the Board to explain its reasoning.
20. In addition to the mandatory and non-mandatory clauses / regulations stipulated in the Regulations, there are certain regulations / clauses in the Regulations in which word 'may' or 'encouraged' have been used. We understand that these clauses remain recommendatory in nature and therefore, neither fall under mandatory regulations / clauses nor fall into 'comply or explain' approach. However, the Company may voluntarily comply with such regulations / clauses as at June 30, 2020, the Company has complied with certain recommendatory regulations / clauses and the Company may consider compliance with remainder of these in future.

For and behalf of the board

Otsuka Pakistan Limited



**Hanif Sattar**

Chief Executive Officer

September 1, 2020



**Mikio BANDO**

Chairman



## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE MEMBERS OF OTSUKA PAKISTAN LIMITED

#### **Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Otsuka Pakistan Limited** (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out 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, 2020.

  
**Chartered Accountants**

**Place:** Karachi

**Date:** September 10, 2020



## 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, 2020, and the statement of profit or loss, the 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, the 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, 2020 and of the profit, 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit Matter.

S. No.	Key audit matter	How the matter was addressed in our audit
1.	<p><b>Recognition of deferred tax asset</b></p> <p>(Refer notes 4.11 and 8 to the annexed financial statements)</p> <p>At June 30, 2020, the Company has recorded deferred tax asset of Rs. 173.634 million, which represents 10.33% of total assets and 148.68% of shareholders' equity.</p> <p>The recognition of deferred tax asset in respect of the above is allowed only to the extent that it is probable that future taxable profits will be available to utilize the benefit from unused tax losses and ACT.</p> <p>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.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of management process to record deferred tax asset;</li> <li>• Checked that the Board of Directors have approved the Plan (or Projections) prepared by management, which forms the basis of recognition of deferred tax asset;</li> <li>• 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;</li> <li>• Analyzed reliability of the evidence (internal or external) supporting the management's best-estimate assumptions;</li> <li>• Assessed the reasonableness of assumptions used by management in preparation of Projections;</li> <li>• Tested the overall mathematical accuracy of the Projections; and</li> <li>• Reviewed the adequacy and completeness of disclosures made in the annexed financial statements.</li> </ul>

## 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, 2020, 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 Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of 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.

  
**Chartered Accountants**

**Place:** Karachi

**Date:** September 10, 2020

**OTSUKA PAKISTAN LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

		2020	2019
	Note	Rupees in '000	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	335,043	361,696
Intangible assets	6	1,781	1,945
Long-term loans	7	8,743	7,090
Long-term deposits		1,309	1,309
Deferred tax asset - net	8	173,634	152,547
		<b>520,510</b>	<b>524,587</b>
<b>Current assets</b>			
Stores and spares	9	47,822	44,699
Stock-in-trade	10	680,918	574,810
Trade debts	11	283,707	249,393
Loans and advances	12	61,532	26,987
Trade deposits, short-term prepayments and other receivables	13	38,124	43,251
Taxation		24,843	55,942
Bank balances	14	22,825	10,975
		<b>1,159,771</b>	<b>1,006,057</b>
<b>Total assets</b>		<b>1,680,281</b>	<b>1,530,644</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	15	121,000	121,000
Revenue reserves		(4,213)	(97,545)
<b>Total shareholders' equity</b>		<b>116,787</b>	<b>23,455</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term loan from a related party	16	585,262	557,588
Trade and other payables	17	530,407	337,350
Unclaimed dividend		3,188	9,204
Short-term running finance	18	429,854	583,669
Mark-up accrued	19	14,783	19,378
		<b>1,563,494</b>	<b>1,507,189</b>
<b>Total equity and liabilities</b>		<b>1,680,281</b>	<b>1,530,644</b>

**CONTINGENCIES AND COMMITMENTS**

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

  
**Hanif Sattar**  
 Chief Executive Officer

  
**Mentaubuddin Feroz**  
 Director

  
**Sajid Ali Khan**  
 Chief Financial Officer

**OTSUKA PAKISTAN LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 ----- Rupees in '000 -----	2019 ----- Rupees -----
Sales - net	21	2,226,989	1,884,753
Cost of sales	22	<u>(1,627,818)</u>	<u>(1,488,573)</u>
Gross profit		599,171	396,180
Selling and distribution expenses	23	(266,808)	(257,148)
Administrative and general expenses	24	<u>(98,617)</u>	<u>(91,810)</u>
		233,746	47,222
Other income	25	<u>45,961</u>	<u>51,241</u>
		279,707	98,463
Other expenses	26	<u>(99,442)</u>	<u>(226,196)</u>
Operating profit / (loss)		180,265	(127,733)
Finance cost	27	<u>(72,708)</u>	<u>(65,978)</u>
Profit / (loss) for the year before taxation		107,557	(193,711)
Taxation - net	28	<u>(16,491)</u>	<u>18,363</u>
Profit / (loss) for the year		<u>91,066</u>	<u>(175,348)</u>
----- Rupees -----			
Earnings / (Loss) per share - basic and diluted	29	<u>7.53</u>	<u>(14.49)</u>

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



**Hanif Sattar**  
Chief Executive Officer



**Mehtabuddin Feroz**  
Director



**Sajid Ali Khan**  
Chief Financial Officer



**OTSUKA PAKISTAN LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
<b>Profit / (loss) for the year</b>		<b>91,066</b>	<b>(175,348)</b>
<b>Other comprehensive income for the year</b>			
<b>Items that will not be subsequently reclassified to statement of profit or loss</b>			
<b>Components of comprehensive income reflected in equity</b>			
Remeasurement gain on defined benefit plan	32.1.4	<b>3,191</b>	14,804
Tax on remeasurement of defined benefit plan	8.3	<b>(925)</b>	(4,293)
		<b>2,266</b>	10,511
<b>Total comprehensive income for the year</b>		<b>93,332</b>	<b>(164,837)</b>

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



**Hanif Sattar**  
Chief Executive Officer



**Mehtabuddin Feroz**  
Director



**Sajid Ali Khan**  
Chief Financial Officer

**OTSUKA PAKISTAN LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Issued, subscribed and paid-up capital	Revenue reserves			Total equity
		General reserve	Accumulated losses	Sub-total	
	----- Rupees in '000 -----				
Balance as at July 01, 2018	121,000	356,500	(274,688)	81,812	202,812
Loss for the year ended June 30, 2019	-	-	(175,348)	(175,348)	(175,348)
Other comprehensive income 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)
Transactions with owners recognised directly in equity					
Final cash dividend for the year ended June 30, 2018 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
Profit for the year ended June 30, 2020	-	-	91,066	91,066	91,066
Other comprehensive income for the year					
Remeasurement gain on defined benefit plan	-	-	3,191	3,191	3,191
Tax on remeasurement of defined benefit plan	-	-	(925)	(925)	(925)
	-	-	2,266	2,266	2,266
Total comprehensive income for the year	-	-	93,332	93,332	93,332
Balance as at June 30, 2020	121,000	341,980	(346,193)	(4,213)	116,787

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

  
**Hanif Sattar**  
 Chief Executive Officer

  
**Mehtabuddin Feroz**  
 Director

  
**Sajid Ali Khan**  
 Chief Financial Officer

**OTSUKA PAKISTAN LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 -----Rupees in '000-----	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	34	320,105	(11,012)
Taxes refunded - net		(7,404)	13,749
Interest paid		(77,303)	(55,890)
Lease rentals paid		(15,171)	-
Long-term loans - net		(1,653)	(2,181)
<b>Net cash flows generated from / (used in) operating activities</b>		<b>218,574</b>	<b>(55,334)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(50,700)	(27,443)
Purchase of intangible asset		(449)	-
Proceeds from disposal of property, plant and equipment		4,256	2,426
<b>Net cash flows used in investing activities</b>		<b>(46,893)</b>	<b>(25,017)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(6,016)	(6,503)
<b>Net cash flows used in financing activities</b>		<b>(6,016)</b>	<b>(6,503)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>		<b>165,665</b>	<b>(86,854)</b>
Cash and cash equivalents at the beginning of the year		(572,694)	(485,840)
<b>Cash and cash equivalents at the end of the year</b>	30	<b>(407,029)</b>	<b>(572,694)</b>

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



**Hanif Sattar**  
Chief Executive Officer



**Mehtabuddin Feroz**  
Director



**Sajid Ali Khan**  
Chief Financial Officer

**OTSUKA PAKISTAN LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

## **1. THE COMPANY AND ITS OPERATIONS**

- 1.1** Otsuka Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company and 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 equipments.

The Company is an indirect subsidiary of Otsuka Pharmaceutical Company Limited, Japan.

## **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 Pakistani Rupee, which is the Company's functional and presentation currency.

### **2.4 New accounting standards, interpretations and amendments to published approved accounting and reporting standards that are effective for the year ended June 30, 2020**

- 2.4.1** The following standards, amendments and interpretations 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:

- Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures
- Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation
- IFRS 14 – Regulatory Deferral Accounts - Specify the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.
- 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'.

Certain annual improvements have also been made to a number of IFRSs.

## 2.4.2 Impact of initial application of IFRS 16 'Leases'

The adoption of IFRS 16 'Leases' has the following impact on the financial statements:

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 1, 2019. The standard introduces a single lessee accounting model, by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset (for granted rights of use of the underlying asset) and a lease liability representing its obligation to make lease payments at commencement for all leases, except for short-term leases and leases of low value assets. It eliminated the requirement of IAS 17 for lessee 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.

In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Interest expense from the newly recognized lease liability are presented in cash flow from operating activities.

The Company has applied IFRS 16 for the first time as of July 1, 2019, using the cumulative catch-up approach in accordance with the transition provisions set out in IFRS 16. This approach allows the application of IFRS 16 retrospectively without restating the prior-year figures while 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. Additionally, the Company has also exercised the option of exempting intangible assets from the scope of application of IFRS 16.

The following practical expedients have been used by the Company when adopting IFRS 16 on its application date (i.e. July 01, 2019):

- applied an explicit recognition and measurement exemption for leases for which the term ends within 12 months of the date of initial application and account for those leases as short-term leases; and
- used hindsight in applying the new leases standard, for example, in determining the lease term if the contract contains options to extend or terminate the lease

Based on above, no Right of Use Asset and related lease liability was recognised as on July 1, 2019. However, as disclosed in note 5.1 to the financial statements, Right of Use Asset was recognized during the year upon renewal of lease for office premises.

## 2.5 New standards, interpretations and amendments to published accounting and reporting standards that are not effective for the year ended June 30, 2020

The following standards, interpretations and amendments 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)
<ul style="list-style-type: none"> <li>• Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS</li> </ul>	January 01, 2020
<ul style="list-style-type: none"> <li>• Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards</li> </ul>	January 01, 2020
<ul style="list-style-type: none"> <li>• Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current</li> </ul>	January 01, 2023

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
• Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
• Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
• Amendments to IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments' — regarding Interest rate benchmark reform	January 01, 2020
• Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 01, 2020
• Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
• Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020

Certain annual improvements have also been made to a number of IFRSs.

**2.5.1** 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 17 – Insurance Contracts

### 3. CRITICAL ACCOUNTING 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 4.7.1 and 11);
- Residual values, useful lives and depreciation rates of operating fixed assets (notes 4.1 and 5);
- Provision against slow moving and obsolete stock-in-trade and stores and spares (notes 4.3, 4.4, 9 and 10);
- Estimate of liabilities in respect of staff retirement benefits (notes 4.9(a) 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).

### 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.

#### 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.

#### Leases - Lease liabilities and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. From July 01, 2020, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease, or if this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured (at amortised cost) by increasing the carrying amount to reflect interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the shorter of lease-term or assets economic life as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administrative and general expenses" in the statement of profit or loss.

## 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 lower of cost, determined using weighted average method, and net realisable value, less provision for obsolete items (if any). Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision is made for items which are obsolete and slow moving and is determined based on management 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 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost / amortised cost. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash and cheques in hand, balances with banks on current accounts and short-term borrowings under running finance.

## 4.6 Financial instruments

### 4.6.1 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 credit-impaired financial assets (i.e. assets that are credit-impaired 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 credit-impaired 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.

## 4.6.2 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.

## 4.6.3 Financial liabilities

Financial liabilities are recognised in the Company's statement of financial 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 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.

### 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.

## 4.6.4 Offsetting of financial assets and liabilities

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

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.

## 4.7 Impairment

### 4.7.1 Financial assets

The Company recognises a loss allowance for expected credit loss 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, 12-month 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.

## 4.7.2 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).

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.

## 4.8 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.

Contingent assets are not recognised unless an inflow of economic benefits is virtually certain.

## 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 (CODM), who are responsible for allocating resources and assessing the performance of the operating segments. The management has determined that the Company has a single reportable segment as the CODM views the Company's operations as one reportable 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.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Note	2020 -----Rupees in '000-----	2019
Operating fixed assets	5.1	<b>304,687</b>	350,998
Capital work-in-progress	5.7	<b>30,356</b>	10,698
		<b>335,043</b>	361,696

## 5.1 Operating fixed assets

Following is the statement of operating fixed assets:

Year ended June 30, 2020								
Particulars	Leasehold land (Note 5.8)	Right-of-use-asset (Note 5.9)	Building on leasehold land (Note 5.8)	Plant and machinery (Note 5.5 and 5.8)	Furniture, fixtures and equipment (Note 5.5)	Vehicles	Fork lifter	Total
Rupees in '000								
<b>As at July 1, 2019</b>								
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
<b>Year ended June 30, 2020</b>								
Opening net book value	2,724	-	114,825	197,609	8,957	23,410	3,473	350,998
Additions	-	15,171	-	23,139	3,685	4,218	-	46,213
Disposals / write-offs								
Cost	-	-	(351)	(1,570)	(369)	(4,934)	-	(7,224)
Accumulated depreciation	-	-	269	1,570	369	2,041	-	4,249
	-	-	(82)	-	-	(2,893)	-	(2,975)
Depreciation charge	(40)	(2,845)	(24,422)	(52,755)	(3,525)	(4,939)	(1,023)	(89,549)
Closing net book value	2,684	12,326	90,321	167,993	9,117	19,796	2,450	304,687
<b>As at June 30, 2020</b>								
Cost	3,953	15,171	340,639	928,881	58,501	38,104	15,289	1,400,538
Accumulated depreciation	(1,269)	(2,845)	(250,318)	(760,888)	(49,384)	(18,308)	(12,839)	(1,095,851)
Net book value	2,684	12,326	90,321	167,993	9,117	19,796	2,450	304,687
Depreciation rate per annum	1.01%	50%	5% - 10%	10% - 50%	10% - 33%	20%	20%	
Year ended June 30, 2019								
Particulars	Leasehold land (Note 5.8)	Right-of-use-asset (Note 5.9)	Building on leasehold land (Note 5.8)	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
Rupees in '000								
<b>As at July 1, 2018</b>								
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
<b>Year ended June 30, 2019</b>								
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	(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
<b>As at June 30, 2019</b>								
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%	

## 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 assets which are in use having cost of Rs. 543 million (2019: Rs. 585 million).

	Note	2020 -----Rupees in '000-----	2019
5.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	22	<b>82,769</b>	81,907
Selling and distribution expenses	23	<b>1,961</b>	1,991
Administrative and general expenses	24	<b>4,819</b>	1,683
		<b>89,549</b>	85,581

5.5 These include various kits, power tools and other machines which have been acquired with the funds of the Company but are not in the possession of the Company. Orthopedic kits, power tool sets and femoral holders having net book value of Rs. 8.055 million, Rs. 0.754 million and Rs. 0.329 million (2019: Rs. 11.772 million, Rs. 1.037 million and Rs. 0.445 million) respectively have been given by the Company to Vikor Enterprises (Private) Limited for the purpose of assembling and fitting knee implant. Further, UBIT machines having net book value of Rs. 4.468 million (2019: Rs. 4.588 million) are placed at various hospitals.

5.6 The details of operating fixed assets disposed / written offs 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) -----						
<b>Vehicles</b>						
Toyota Corolla	2,416	66	2,350	2,406	56	Snatched Insurance proceeds
CD 70 M/cycle	69	48	21	36	15	Company Policy Zakaullah - Employee
Honda City	1,657	1,326	331	1,335	1,004	Company Policy Owais Qazi - Employee
Suzuki Mehran	618	494	124	370	246	Company Policy Farrukh Akber - Ex. Employee
Cng Kit - Suzuki Mehran	46	37	9	28	19	Company Policy Farrukh Akber - Ex. Employee
CD 70 M/cycle	64	45	19	31	12	Company Policy Qayum Shah, Employee
CD 70 M/cycle	64	25	39	45	6	Snatched Insurance proceeds
<b>Furniture, Fixtures &amp; Equipment</b>						
Apple IPAD 03-cost	59	59	-	-	-	Snatched Insurance proceeds
Dell Inspiron 3521 Core I3	50	50	-	-	-	Company policy Mr. Shafiq - Employee
Aluminium Partitions Work	23	23	-	-	-	Write-off Not applicable
Laptop HP 520	54	54	-	-	-	Negotiation Raj Computer-trading
Printer For Particle Counter	22	22	-	-	-	Negotiation Sami Enterprises
Particle Counter	161	161	-	1	1	Negotiation Sami Enterprises
<b>Plant and machinery</b>						
Mixer	260	260	-	-	-	Write-off Not applicable
Moulding machine	60	60	-	-	-	Write-off Not applicable
Motor Multi Flow	21	21	-	-	-	Write-off Not applicable
Transformer 40 KVT	40	40	-	-	-	Write-off Not applicable
Vaccum Cleaner	11	11	-	-	-	Write-off Not applicable
Lab. Eqp Incubators	112	112	-	1	1	Negotiation Sami Enterprises
Lab. Eqp Autoclave	274	274	-	1	1	Negotiation Sami Enterprises
Lab.Eqp Ovan PBSO 42	240	240	-	1	1	Negotiation Sami Enterprises
Incubator	27	27	-	-	-	Negotiation Sami Enterprises
Laminar Flow Cabinet	150	150	-	-	-	Negotiation Sami Enterprises
Laboratory Incubator (local)	175	175	-	-	-	Negotiation Sami Enterprises
Incubator	70	70	-	-	-	Negotiation Sami Enterprises
BECT. Logical A Sample	118	118	-	1	1	Negotiation Sami Enterprises
Vacume Pump Dry-220V	12	12	-	-	-	Negotiation Sami Enterprises
<b>Building on leasehold land</b>						
Civil Work For SPPF Cap Area	200	135	65	-	(65)	Write-off Not applicable
Buffer Room with F- sealing	13	8	5	-	(5)	Write-off Not applicable
Partition In Moulding Area	40	28	12	-	(12)	Write-off Not applicable
Aluminum Partition	98	98	-	-	-	Write-off Not applicable
<b>2020</b>	<b>7,224</b>	<b>4,249</b>	<b>2,975</b>	<b>4,256</b>	<b>1,281</b>	
<b>2019</b>	<b>5,882</b>	<b>5,362</b>	<b>520</b>	<b>2,426</b>	<b>1,906</b>	

		2020	2019
		-----Rupees in '000-----	
<b>5.7</b>	<b>Capital work-in-progress</b>		
	Stores and spares held for capital expenditure	4,769	5,561
	Others	25,587	5,137
		<u>30,356</u>	<u>10,698</u>
<b>5.8</b>	These are kept as collateral with banks under pari-passu charge for obtaining short-term financing. Details are provided in note 18.1.		
<b>5.9</b>	This represents head office building acquired on lease by the Company for a period of 24 months starting from February 16, 2020. The Company made advance payment of lease rentals for the entire term of the lease.		
		2020	2019
		-----Rupees in '000-----	
<b>6.</b>	<b>INTANGIBLE ASSETS</b>		
	Computer software	<u>1,781</u>	<u>1,945</u>
<b>6.1</b>	Following is the statement of intangible assets:		
	Opening net book value	1,945	2,527
	Additions (at cost)	449	-
	Amortization charge	(613)	(582)
	Closing net book value	<u>1,781</u>	<u>1,945</u>
	Closing value - Gross amount		
	Cost	3,274	2,825
	Accumulated amortization	(1,493)	(880)
	Net book value	<u>1,781</u>	<u>1,945</u>
	Amortization rate per annum	20% - 33%	20% - 33%
		2020	2019
		-----Rupees in '000-----	
<b>7.</b>	<b>LONG-TERM LOANS</b>		
	Loans to employees	7.1 15,775	13,160
	Less: receivable within one year	12 (7,032)	(6,070)
		<u>8,743</u>	<u>7,090</u>
<b>7.1</b>	These are interest-free loans given to the employees as per the terms of employment for 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, 2020, none of these loans were past due or impaired.		
		2020	2019
		-----Rupees in '000-----	
<b>8.</b>	<b>DEFERRED TAX ASSET - NET</b>		
	<b>Deductible temporary differences</b>		
	Employees' short-term compensated absences	6,381	5,836
	Impairment of trade debts	10,931	6,329
	Unused tax losses	101,380	98,769
	Excess of Alternative Corporate Tax (ACT) over corporate tax	10,447	10,447
	Unrealized exchange loss	45,217	37,444
	Other provisions	5,112	6,049
		<u>179,468</u>	<u>164,874</u>
	<b>Taxable temporary differences</b>		
	Accelerated tax depreciation allowance	(5,834)	(12,327)
		<u>173,634</u>	<u>152,547</u>

- 8.1** This represents deferred tax recorded on unabsorbed tax depreciation amounting to Rs. 101.380 million (2019: Rs. 101.444 million).
- 8.2** Management carries out periodic assessment to assess the benefit of unused tax losses and alternative corporate tax as the Company can carry forward and set off tax losses against the profits earned in future years. The deferred tax asset recognised against unused tax losses and alternative corporate tax represents the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability. The amount of this benefit has been determined based on a business plan of the Company for the next five years. The business plan involves certain key assumptions underlying the estimation of future taxable profits estimated in the plan. The determination of future taxable profit is most sensitive to certain key assumptions such as product pricing, sales forecast, cost of material, supply arrangements, product mix, oil prices, exchange rates etc. expected to be achieved during the next five years. Any significant change in the aforementioned key assumptions may have an effect on the realisability of the deferred tax asset. 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:

	Opening balance	Deferred tax recognised in		Closing balance
		Profit and loss	Other comprehe- nsive income	
<b>Movement for the year ended June 30, 2020</b>				
Deductible / (taxable) temporary difference				
- Accelerated tax depreciation allowance	(12,327)	6,493	-	(5,834)
- Employees' short-term compensated absences	5,836	545	-	6,381
- Impairment of trade debts	6,329	4,602	-	10,931
- Unused tax losses	98,769	2,611	-	101,380
- Excess of Alternative Corporate Tax (ACT) over corporate tax	10,447	-	-	10,447
- Unrealized exchange loss	37,444	7,773	-	45,217
- Other provisions	6,049	(12)	(925)	5,112
	<b>152,547</b>	<b>22,012</b>	<b>(925)</b>	<b>173,634</b>
<b>Movement for the year ended June 30, 2019</b>				
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	22,247	-	98,769
- Excess of Alternative Corporate Tax (ACT) over corporate tax	10,447	-	-	10,447
- Unrealized exchange loss	-	37,444	-	37,444
- Other provisions	8,719	1,623	(4,293)	6,049
	<b>85,913</b>	<b>70,927</b>	<b>(4,293)</b>	<b>152,547</b>

- 8.4** Based on pattern of utilization from future expected taxable profit, the Company has not recognized deferred tax on minimum tax amounting to Rs. 78.325 million (2019: Rs. 73.154 million).

	Note	2020 -----Rupees in '000-----	2019
<b>9. STORES AND SPARES</b>			
Stores		22,809	20,556
Spares			
- in hand		24,620	23,242
- in transit		3,851	4,080
		<b>28,471</b>	<b>27,322</b>
		<b>51,280</b>	<b>47,878</b>
Less: provision against slow moving and obsolete stores and spares		(3,458)	(3,179)
		<b>47,822</b>	<b>44,699</b>



	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
<b>10. STOCK-IN-TRADE</b>			
Raw and packing materials			
- in hand		123,232	159,610
- in transit		181,726	53,751
	22	<u>304,958</u>	<u>213,361</u>
Work-in-progress	22	8,356	6,354
Finished goods			
- in hand	10.1	370,287	338,292
- in transit		17,674	33,571
	22	<u>387,961</u>	<u>371,863</u>
		<u>701,275</u>	<u>591,578</u>
Less: provision against slow moving and obsolete stock-in-trade	10.2	(3,975)	(5,348)
Less: provision against stents held with hospitals	10.3	(16,382)	(11,420)
		<u>(20,357)</u>	<u>(16,768)</u>
		<u>680,918</u>	<u>574,810</u>

**10.1** These include items costing Rs. 3.922 million (2019: Rs. 24.964 million) that have been valued at their net realisable value amounting to Rs. 2.906 million (2019: Rs. 21.049 million).

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

	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
Opening balance		5,348	5,964
Charge for the year	26	3,164	2,350
Reversal during the year	25	(4,537)	(2,106)
Written off during the year		-	(860)
		<u>(1,373)</u>	<u>(616)</u>
Closing balance		<u>3,975</u>	<u>5,348</u>

**10.3** This represents stents held with various hospitals for sale on consignment, the revenue from which is recorded on the consumption basis. The Company has recorded a full provision against such unsold stents.

	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
Opening balance		11,420	17,088
Charge for the year	26	4,962	-
Reversal during the year - net	25	-	(5,668)
Closing balance		<u>16,382</u>	<u>11,420</u>

11. TRADE DEBTS	Note	2020	2019
		-----Rupees in '000-----	
Due from Hospital Supply Corporation - a related party		190,319	177,412
Others		132,310	93,467
		322,629	270,879
Loss allowance	11.1.1	(38,922)	(21,486)
		283,707	249,393

**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:

11.1.1 Movement of loss allowance	Collectively assessed	Individually assessed	Total
	----- Rupees '000-----		
Balance as at July 1, 2018	-	15,392	15,392
Provision for the year - net	-	6,768	6,768
Write-off during the year	-	(674)	(674)
	-	21,486	21,486
Balance as at June 30, 2019	-	17,625	17,625
Provision for the year - net	-	(189)	(189)
Write-off during the year	-	17,436	17,436
	-	38,922	38,922
Balance as at June 30, 2020	-	38,922	38,922

**11.2** As at June 30, trade debts of Rs. 100.615 million (2019: Rs. 119.517 million) represents amount which is overdue from a related party for which the Company expects future recovery. The overdue receivable balance carries mark-up at 3 months KIBOR (MK) + 1% (2019: 3MK + 1%) 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:

	2020		
	From others	From a related party	Gross
	-----Rupees in '000-----		
<b>Past due but not impaired</b>			
Not yet due	12,826	89,704	102,530
Past due 1-30 days	32,325	50,394	82,719
Past due 31-60 days	8,868	41,697	50,565
Past due 61-90 days	24,247	1,856	26,103
Past due more than 90 days	15,122	6,668	21,790
	<u>93,388</u>	<u>190,319</u>	<u>283,707</u>
<b>Past due and impaired</b>			
Others	38,922	-	38,922
Less: loss allowance	<u>(38,922)</u>	<u>-</u>	<u>(38,922)</u>
	-	-	-

	2019		
	From others	From a related party	Gross
	-----Rupees in '000-----		
<b>Past due but not impaired</b>			
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
	<u>71,981</u>	<u>177,412</u>	<u>249,393</u>

## Past due and impaired

Others	21,486	-	21,486
Less: loss allowance	(21,486)	-	(21,486)
	<u>-</u>	<u>-</u>	<u>-</u>

- 11.3** The maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance is Rs 473.266 million (2019: Rs 348.947 million).

	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
<b>12. LOANS AND ADVANCES - CONSIDERED GOOD</b>			
Loans to employees - current portion	7	7,032	6,070
Advances to:			
- employees	12.1	1,149	4,102
- suppliers	12.2	53,351	16,815
		<u>54,500</u>	<u>20,917</u>
		<u>61,532</u>	<u>26,987</u>

- 12.1** These are non-interest bearing advances given to employees to meet business expenses and are settled as and when expenses are incurred.
- 12.2** This includes 100% cash margin of Rs. 40.964 million (June 30, 2019: Nil) equivalent to import value against import of goods specified by SBP via BPRD circular no. 02 of 2017 and BPRD circular no. 05 of 2018 and non-interest bearing monies provided in the normal course of business.

	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
<b>13. TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES</b>			
Trade deposits	13.1	23,817	16,236
Short-term prepayments		5,094	7,462
Sales tax adjustable		2,497	3,865
Other receivables		1,104	9,594
Surplus to staff retirement benefit funds	32.1.2	5,612	6,094
		<u>38,124</u>	<u>43,251</u>

- 13.1** These represents non-interest bearing earnest monies placed with various parties.

		2020	2019
		-----Rupees in '000-----	
14.	<b>BANK BALANCES</b>		
	Balances with banks in current accounts	<u>22,825</u>	<u>10,975</u>
15.	<b>SHARE CAPITAL</b>		
15.1	<b>Authorised share capital</b>		
		2020	2019
		----- Rupees in '000 -----	
		2020	2019
		----- Rupees in '000 -----	
		20,000,000	20,000,000
	Ordinary shares of Rs. 10 each	<u>200,000</u>	<u>200,000</u>
15.2	<b>Issued, subscribed and paid-up</b>		
		2020	2019
		----- Rupees in '000 -----	
		2020	2019
		----- Rupees in '000 -----	
		10,000,000	10,000,000
	Ordinary shares of Rs. 10 each fully paid in cash	<u>100,000</u>	<u>100,000</u>
	Ordinary shares of Rs. 10 issued as bonus shares	<u>2,100,000</u>	<u>21,000</u>
		<u>12,100,000</u>	<u>121,000</u>
15.3	The following shares were held by the holding company, associated companies and other related parties of the Company as at June 30:		
		2020	2019
		Shares held	Percentage
		Shares held	Percentage
	Otsuka Pharmaceutical Company Limited, Japan	5,420,248 *	44.80%
	P. T. Otsuka Indonesia, Indonesia	1,204,499 *	9.95%
	Otsuka Pharmaceutical Factory, Inc.	1,589,940	13.14%
	Directors, their spouses and minor children	398,668	3.29%
	Executives	121	0.00%

	Note	2020 -----Rupees in '000-----	2019
<b>17. TRADE AND OTHER PAYABLES</b>			
Creditors		<b>63,105</b>	59,310
Bills payable	17.1	<b>145,965</b>	97,671
Accrued liabilities	17.3	<b>175,699</b>	96,772
Payable to Employees Provident Fund		<b>2,821</b>	2,798
Provision for employees short-term compensated absences		<b>22,721</b>	20,123
Sales tax payable	17.2	<b>35,612</b>	33,403
Retention money		<b>930</b>	930
Security deposits		<b>1,689</b>	1,666
Workers' Welfare Fund		<b>725</b>	725
Workers' Profits Participation Fund	17.4	<b>5,707</b>	-
Central Research Fund		<b>854</b>	-
Contract liabilities		<b>53,527</b>	13,746
Other liabilities	17.5	<b>21,052</b>	10,206
		<b>530,407</b>	337,350

**17.1** These include amounts payable to the related parties as at the end of the year aggregating to Rs. 51.500 million (2019: Rs. 59.550 million).

**17.2** This includes provision for sales tax in respect of imported materials of polyethylene (for IV solutions). 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 lesser 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, 2020, the Company has availed sales tax exemption under the said stay order by providing bank guarantees amounting to Rs. 33.298 million on imported packaging material. The management, however, as a matter of abundant caution, has recorded full provision of Rs. 33.298 million in these financial statements.

**17.3** This includes Rs. 45.454 million (2019: Nil) charged by Sui Southern Gas Company Limited with respect to the Gas Infrastructure and Development Cess (GIDC). The Company has recorded a full provision in the financial statements. However, the Company intends to file a review petition on the verdict of Honorable Supreme Court of Pakistan over GIDC announced on August 13, 2020.

	Note	2020 ------(Rupees '000)-----	2019
<b>17.4 Workers' Profits Participation Fund</b>			
Balance at July 1		-	7,326
Allocation for the year	26	<b>5,707</b>	-
		<b>5,707</b>	7,326
Interest on funds utilised in the Company's business	27	-	164
		<b>5,707</b>	7,490
Less: amount paid during the year		-	(7,490)
Balance at June 30		<b>5,707</b>	-

**17.5** This 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. 10.90 million (2019: Rs. 2.180 million) in these financial statements. From January 2020 onwards, the Company is paying fully regulatory duty on these imported products.



							2020	2019
Note							(Rupees '000)	(Rupees '000)
<b>18. SHORT-TERM RUNNING FINANCE - SECURED</b>								
<b>From banking companies - Secured</b>								
Short-term running finance facilities utilised under mark-up arrangements - secured							18.1	
							<b>429,854</b>	<b>583,669</b>
<b>18.1 Particulars of short-term running finance - secured</b>								
Bank	Limit in Rs '000' 2020	Limit in Rs '000' 2019	Mark up rate	Current security	Frequency of mark-up payment	Facility expiry date	2020 -----Rupees in '000-----	2019
<b>Citi Bank</b>	<b>765,000</b>	765,000	1 month KIBOR + 0.50% p.a.	(a) SECP Registered Joint Pari-passu Charge on Fixed Assets of Plant & Machinery for Rs. 432 million b) SECP Registered Joint Pari-passu Charge on Current Assets for Rs. 778 million.	Quarterly	February 28, 2021	<b>366,388</b>	398,713
<b>Bank Alfalah Limited</b>	<b>185,000</b>	185,000	3 months KIBOR + 2% p.a.	(a) SECP Registered Joint pari passu charge over stocks and receivables of Rs. 147 million (b) SECP Registered Mortgage charge over land and building for Rs. 51 million (c) SECP Registered Joint pari passu charge over plant and machinery of Rs. 121 million.	Quarterly	May 31, 2021	<b>22,466</b>	143,956
<b>The Bank of Punjab</b>	<b>41,000</b>	41,383	3 months KIBOR + 1% p.a.	(a) SECP Registered Joint pari passu charge over stocks and receivables of Rs. 24 million (b) SECP Registered Mortgage charge over land and building for Rs. 15 million (c) SECP Registered Joint pari passu charge over plant and machinery of Rs. 17 million.	Quarterly	March 31, 2020 *	<b>41,000</b>	41,000
							<b>991,000</b>	<b>991,383</b>
							<b>429,854</b>	<b>583,669</b>

\*\* The Company has applied for the renewal of the working capital for further twelve months ending March 31, 2021 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 banks as at June 30, 2020 amounted in aggregate to Rs. 190 million (2019: 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 (2019: Rs. 40 million) for issuance of letters of guarantee. The remaining unutilised amount as at June 30, 2020 was Rs. 170.894 million (2019: Rs. 98.641 million).

**18.2.2** In addition, a facility for guarantee available from banks as at June 30, 2020 amounted to Rs. 115 million (2019: Rs. 115 million) of which the Company has an option to utilise Rs. 25 million (2019: Rs. 25 million) for the issuance of letters of credit and Rs. 40 million (2019: Rs. 40 million) for obtaining running finance. The remaining unutilised amount as at June 30, 2020 was Rs. 67.558 million (2019: Rs. 66.114 million).

## 19. ACCRUED MARK-UP

**19.1** This represent mark-up on loan from related party and short-term running finance obtained from various banks amounting to Rs. 13.628 million (2019: Rs. 18.263 million) and Rs. 1.154 million (2019: Rs. 1.115 million) respectively.

	2020	2019
	-----Rupees in '000-----	
<b>20. CONTINGENCIES AND COMMITMENTS</b>		
<b>20.1</b> Commitments in respect of:		
Capital expenditure contracted for but not incurred	-	2,469
Letters of credit	19,106	51,359
Letters of guarantee	47,442	48,886

**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 (2019: 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 of ACIR (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 another appeal against the above order of Rs. 21.408 million 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 in prior 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.

	Note	2020 -----Rupees in '000-----	2019
<b>21. SALES - NET</b>			
Sales [net of returns of Rs 27.50 million (2019: Rs 34.922 million)]		<b>2,485,907</b>	2,134,901
Less: sales tax		<b>(23,900)</b>	(22,941)
		<b>2,462,007</b>	2,111,960
Less: discounts		<b>(235,018)</b>	(227,207)
		<b>2,226,989</b>	1,884,753
<b>22. COST OF SALES</b>			
Raw and packing material consumed:			
Opening stock		<b>213,361</b>	216,140
Purchases		<b>725,985</b>	574,329
Closing stock	10	<b>(304,958)</b>	(213,361)
		<b>634,388</b>	577,108
Stores and spares consumed		<b>63,295</b>	63,860
Salaries, wages and benefits	22.1	<b>313,861</b>	284,498
Rent, rates and taxes		<b>9,795</b>	9,671
Insurance		<b>3,127</b>	3,362
Fuel and power		<b>231,363</b>	163,012
Repairs and maintenance		<b>9,189</b>	6,936
Travelling and vehicle running expenses		<b>33,183</b>	30,809
Communication and stationery		<b>591</b>	563
Depreciation	5.4	<b>82,769</b>	81,907
Others expense		<b>6,308</b>	4,069
		<b>753,481</b>	648,687
		<b>1,387,869</b>	1,225,795
Work-in-progress			
Opening stock		<b>6,354</b>	15,309
Closing stock	10	<b>(8,356)</b>	(6,354)
Cost of goods manufactured		<b>1,385,867</b>	1,234,750
Opening stock of finished goods		<b>371,863</b>	345,111
Finished goods purchased		<b>267,371</b>	291,651
Cost of samples shown under selling and distribution expenses		<b>(9,322)</b>	(11,076)
Closing stock of finished goods	10	<b>(387,961)</b>	(371,863)
		<b>(397,283)</b>	(382,939)
		<b>1,627,818</b>	1,488,573

**22.1** Salaries, wages and benefits include Rs. 11.740 million (2019: Rs. 10.914 million) in respect of staff retirement benefits.

	Note	2020 -----Rupees in '000-----	2019
<b>23. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries, wages and benefits	23.1	102,756	91,684
Rent, rates and taxes		743	646
Insurance		4,605	3,082
Repairs and maintenance		27	-
Travelling and vehicle running expenses		6,073	7,043
Communication and stationery		1,598	1,696
Advertising samples and promotional expenses		86,246	93,030
Outward freight and handling		62,799	57,976
Depreciation	5.4	1,961	1,991
		<b>266,808</b>	<b>257,148</b>

**23.1** Salaries, wages and benefits include Rs 6.331 million (2019: Rs 5.890 million) in respect of staff retirement benefits.

	Note	2020 -----Rupees in '000-----	2019
<b>24. ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries, wages and benefits	24.1	63,960	58,970
Rent, rates and taxes		5,126	6,596
Insurance		984	946
Fuel and power		1,495	1,510
Repairs and maintenance		371	496
Travelling and vehicle running expenses		3,745	4,263
Communication and stationery		1,051	1,414
Subscription		2,257	2,399
Legal and professional charges		3,808	3,798
Depreciation	5.4	4,819	1,683
Amortisation	6.1	613	582
General expenses		10,388	9,153
		<b>98,617</b>	<b>91,810</b>

**24.1** Salaries, wages and benefits include Rs 3.180 million (2019: Rs 3.374 million) in respect of staff retirement benefits.

	Note	2020 -----Rupees in '000-----	2019
<b>25. OTHER INCOME</b>			
Liabilities no longer payable-write back		1,355	-
Late payment charges from Hospital Supply Corporation - a related party		22,832	10,058
Gain on disposal of operating fixed assets - net		1,281	1,906
Scrap sales		14,678	15,977
Reversal of provision against slow moving and obsolete stock-in-trade	10.2	4,537	2,106
Reversal of provision against stents held with hospitals	10.3	-	5,668
Others		1,278	363
		<b>45,961</b>	<b>36,078</b>

	Note	2020 -----Rupees in '000-----	2019
<b>26. OTHER EXPENSES</b>			
Exchange loss - net		<b>48,303</b>	193,710
Auditor's remuneration and other professional services	26.1	<b>2,400</b>	2,493
Donations	26.2 & 26.3	<b>2,257</b>	441
Workers' Profits Participation Fund	17.4	<b>5,707</b>	-
Central Research Fund		<b>854</b>	-
Provision against doubtful trade debts	11.1.1	<b>17,625</b>	6,768
Provision against slow moving and obsolete stock-in-trade	10.2	<b>3,164</b>	2,350
Provision against stents held with hospitals	10.3	<b>4,962</b>	-
Provision against obsolete stores and spares		<b>279</b>	-
Bank charges and commission		<b>765</b>	1,430
Others		<b>13,126</b>	3,841
		<b>99,442</b>	211,033

## 26.1 Auditor's remuneration

Statutory audit fee	<b>900</b>	900
Fee for the review of condensed interim financial information	<b>400</b>	400
Fee for tax advisory services	<b>515</b>	515
Fee for special certifications	<b>200</b>	200
Out-of-pocket expenses	<b>385</b>	478
	<b>2,400</b>	2,493

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

**26.3** Following are the name of donee(s) to whom the donation amount exceeds 10% of the Company's total amount of donation:

S.No	Name of donee	Note	2020 -----Rupees in '000-----	2019
1	Malir University of Science		<b>500</b>	-
2	Zafar and Atia Foundation Charitable Trust		<b>325</b>	-
3	Karachi Expo Centre		<b>270</b>	-

## 27. FINANCE COST

Short-term loan from a related party		<b>3,427</b>	3,161
Short-term running finance		<b>69,281</b>	62,653
On utilising Worker's Profit Participation Fund	17.4	<b>-</b>	164
		<b>72,708</b>	65,978

## 28. TAXATION - NET

Current			
- for the year	28.1	<b>36,417</b>	33,238
- for prior years		<b>2,086</b>	19,326
		<b>38,503</b>	52,564
Deferred	8.3	<b>(22,012)</b>	(70,927)
	28.2	<b>16,491</b>	(18,363)

**28.1** Return for the tax year 2019 has been filed by the Company and is deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. Contingencies in respect of taxation are detailed in notes 20.2 and 20.3.

**28.2** Tax charge for the year ended June 30, 2020 mainly represents minimum tax payable (For June 30, 2019: minimum tax payable) under the Income Tax Ordinance, 2001, and for this reason, relationship between tax expense and accounting profit has not been presented.



	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
<b>29. EARNINGS PER SHARE</b>			
<b>29.1 Basic</b>			
Profit / (loss) for the year after taxation		<u>91,066</u>	<u>(175,348)</u>
		-----Numbers of shares-----	
Weighted average number of ordinary shares outstanding during the year	15.2	<u>12,100,000</u>	<u>12,100,000</u>
		-----Rupees-----	
Earnings / (loss) per share - basic and diluted		<u>7.53</u>	<u>(14.49)</u>

## 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, 2020 and June 30, 2019 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 statement of cash flows comprise the following items included in the statement of financial position:

	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
- Bank balances	14	22,825	10,975
- Short-term running finance	18	<u>(429,854)</u>	<u>(583,669)</u>
		<u>(407,029)</u>	<u>(572,694)</u>

## 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 are as follows:

	Chief Executive Officer		Directors		Executives	
Particulars	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
Managerial remuneration	6,600	6,600	-	-	30,724	28,056
Bonus	-	-	-	-	-	2,838
House rent	4,620	4,620	-	-	13,825	12,625
Utilities	1,320	1,320	-	-	3,073	2,808
Medical expenses	660	660	-	-	3,583	3,380
Leave fare assistance / encashment	1,085	2,055	-	-	6,457	4,435
Meeting fee	-	-	400	340	-	-
Technical advisory fee	-	-	3,000	3,000	2,700	-
Retirement benefits	1,045	1,045	-	-	4,721	4,441
	<u>15,330</u>	<u>16,300</u>	<u>3,400</u>	<u>3,340</u>	<u>65,083</u>	<u>58,583</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>4</u>	<u>5</u>	<u>15</u>	<u>13</u>

**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, 2020. The Projected Unit Credit Method with the following significant assumptions was used for the valuation of the scheme:

	2020	2019
<b>32.1.1 Principal actuarial assumptions</b>		
a) Discount rate	8.50%	14.25%
b) Expected rate of return on plan assets	8.50%	14.25%
c) Expected rate of increase in salary - for the next one year		
- management staff	12%	12.25%
- non-management staff	12%	12.25%
d) Mortality rates	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
e) Withdrawal rates	Moderate	Moderate

	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
<b>32.1.2 Amount recognised in the statement of financial position</b>			
Present value of defined benefit obligation		104,795	98,347
Less: fair value of plan assets		(110,407)	(104,441)
	13	<u>(5,612)</u>	<u>(6,094)</u>

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

	Year ended June 30 ----- 2020 -----		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	----- Rupees in '000 -----		
<b>As at July 1, 2019</b>	98,347	(104,441)	(6,094)
Current service cost	8,404	-	8,404
Interest expense / (income)	12,727	(13,884)	(1,157)
Remeasurements:			
- loss from the changes in financial assumptions	4,187	(6,605)	(2,418)
- experience adjustments	(1,362)	589	(773)
	2,825	(6,016)	(3,191)
Contributions made	-	(3,574)	(3,574)
Benefits paid	(17,508)	17,508	-
<b>As at June 30, 2020</b>	<u>104,795</u>	<u>(110,407)</u>	<u>(5,612)</u>

Year ended June 30

----- 2019 -----

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	----- 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)

2020                      2019  
-----Rupees in '000-----

### 32.1.3 Amount recognised in the statement of profit or loss

Current service cost	8,404	8,530
Interest cost	12,727	8,529
Expected return on plan assets	(13,884)	(8,349)
Expense for the year	7,247	8,710

### 32.1.4 Amount recognised in the statement of comprehensive income

(3,191)	(14,804)
---------	----------

### 32.1.5 Composition of plan assets

Unaudited

	--- As at June 30, 2020 ---		--- As at June 30, 2019 ---	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Defence Saving Certificates	47,670	43.18%	56,653	54.24%
Pakistan Investment Bonds	56,174	50.88%	21,013	26.25%
Cash and cash equivalents	6,563	5.94%	26,775	25.64%
	110,407	100.00%	104,441	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, 2020 -----				----- As at June 30, 2019 -----		
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%	(6.37)	(6,659)	+1%	(5.64)	(5,542)
	-1%	7.18	7,497	-1%	6.31	6,202
Salary increase rate	+1%	7.20	7,522	+1%	6.37	6,260
	-1%	(6.50)	6,794	-1%	(5.78)	(5,683)
Withdrawal rate	+10%	0.17	175	+10%	0.15	147
	-10%	(0.17)	(181)	-10%	(0.15)	(151)

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 6.77 years (2019: 5.94 years).

**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, Shanghai Micro port Medical (Group) Company Limited, Otsuka Welfare Clinic, etc.), entities under common directorship [namely Hospital Supply Corporation and Efroze Chemicals Industries (Private) Limited], Idrees Plastic, staff retirement funds and the key management personnel. Details of the transactions with the related parties and the balances with them as at period end other than those which have been disclosed else where are as follows:

Name of related party	Relationship with the Company	Nature of transaction	June 30, 2020	June 30, 2019
			----- Rupees in '000 -----	
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Purchases	362	1,371
		Mark up on loan	3,427	3,161
		Short term Loan	27,675	146,025
Otsuka Pharmaceutical Co, Ltd.	Parent Company	Purchases	76,642	99,609
Hospital Supply Corporation	Common Directorship	Late payment surcharge on receivables	24,110	10,058
		Purchases	672	116
		Sales return	12,933	7,586
		Sales	1,193,513	888,298
		Sales Dicounts/claims	168,502	156,234
Microport Medical (Shanghai) Co., Ltd.	Associated undertaking	Purchases	58,779	78,339
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Purchases	46,049	31,695
PT. Otsuka Indonesia	Associated Undertaking	Purchases	7,119	13,284
Shanghai Microport EPMED Tech Co. Limited	Associated Undertaking	Purchases	21,863	12,359
Danish Enterprises	Others	Purchases	1,367	2,576
Idrees Plastics	Others	Purchases	-	664
Director	Independent Director & Non Executive Directors	Meeting fees	400	340



Name of related party	Relationship with the Company	Nature of transaction	June 30, 2020	June 30, 2019
			----- Rupees in '000 -----	----- Rupees in '000 -----
Otsuka staff provident fund	Provident fund	Contribution during the year to the fund	<b>12,203</b>	11,407
Otsuka staff gratuity fund	Gratuity fund	Contribution during the year to the fund	<b>3,574</b>	8,643
Key Management Personnel	Key Management Personnel	Remuneration paid	<b>57,907</b>	56,271
Director	Director	Consultancy charges	<b>3,000</b>	3,000

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

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.

Name of related party	Relationship with the	Nature of	June 30, 2020	June 30, 2019
			----- Rupees in '000 -----	----- Rupees in '000 -----
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Short term loan	<b>585,262</b>	557,588
Otsuka Pharmaceutical Co, Ltd.	Parent company	Payable against purchases	<b>14,022</b>	2,934
Hospital Supply Corporation	Common Directorship	Payable against purchases Receivable against sale of goods	- <b>190,319</b>	116 177,412
PT. Otsuka Indonesia	Associated undertaking	Payable against purchases	<b>4,537</b>	4,321
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Payable against purchases	<b>15,829</b>	5,062
Shanghai Microport Medical (Group) Co., Ltd.	Associated undertaking	Payable against purchases	<b>10,083</b>	38,848
Shanghai Microport EPMed Tech Co., Limited	Associated undertaking	Payable against purchases	<b>7,028</b>	8,385
Idrees Plastics	Others	Payable against purchases	-	62
Shareholders	Shareholders	Payable to shareholders	<b>363</b>	363
Key Management Personnel	Key Management Personnel	Advance from key management personnel	<b>1,226</b>	1,367

**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	Mr. Muhammad Hanif Sattar	Key Management Personnel	0.00%
14	Mrs. Rehana Hanif	Spouse of Director	0.00%
15	Mr. Makio Bando	Director	0.00%
16	Mrs. Makio Bando	Spouse of Director	0.00%
17	Mr. Koichi Okada	Director	0.00%
18	Mrs. Koichi Okada	Spouse of Director	0.00%
20	Mr. Suhari Mukti	Director	0.00%
21	Mrs. Suhari Mukti	Spouse of Director	0.00%
22	Mr. Noor Muhammad	Director	0.00%
23	Mrs. Tehseen Akhter	Spouse of Director	0.00%
24	Mrs. Navin Salim Merchant	Director	0.00%
25	Mr. Salim Hussain Merchant	Spouse of Director	0.00%

**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
1	Otsuka Pharmaceutical Company Limited, Japan	Osaka Headquarters 3-2-27, Otedori, Chuo-ku, Osaka 540-0021	Japan	Parent / Holding Company	44.80%
2	P. T. Otsuka Indonesia, Indonesia	Pertkantor Hijau Orkadia, Tower A, Lt.3, Jl. Letjen. TB. Simatupang Kav.88, Jakarta	Indonesia	Other associated undertaking	9.95%
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
4	Shanghai Microport Medical (Group) Company Limited, China	501 Newton Road, Zhangjiang Hi-Tech Park, Shanghai 201203	China	Other associated undertaking	N/A
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
6	Otsuka Pharmaceutical Factory, Inc., Japan	115 Kuguhara, Tateiwa, Muya- cho, Naruto, Tokushima 772-8601	Japan	Other associated undertaking	13.14%

	Note	2020 -----Rupees in '000-----	2019
<b>34. CASH GENERATED FROM / (USED IN) OPERATIONS</b>			
Profit / (loss) for the year before taxation		<b>107,557</b>	(193,711)
<b>Adjustment for non-cash charges and other items:</b>			
Depreciation	5.4	<b>89,549</b>	85,581
Amortisation	6.1	<b>613</b>	582
Liabilities no longer required written back	25	<b>(1,355)</b>	-
Unrealised exchange loss		<b>27,674</b>	146,025
Workers' Profits Participant Fund	26	<b>5,707</b>	-
Central Research Fund	26	<b>854</b>	-
Gain on disposal of operating fixed assets - net	25	<b>(1,281)</b>	(1,906)
Provision / (reversal of provision) against slow moving and obsolete stock-in-trade - net	10.2	<b>3,164</b>	244
Provision / (reversal of provision) against stents held with hospitals	10.3	<b>4,962</b>	(5,668)
Provision against obsolete stores and spares - net		<b>279</b>	-
Provision against doubtful trade debts - net	11.1.1	<b>17,625</b>	6,768
Provision against doubtful trade debts - amount written off	11.1.1	<b>(189)</b>	(674)
Finance cost	27	<b>72,708</b>	65,978
Working capital changes	34.1	<b>(7,762)</b>	(114,231)
		<b>320,105</b>	(11,012)

	2020	2019
	-----Rupees in '000-----	
<b>34.1 Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spares	(3,402)	(1,294)
Stock-in-trade	(114,234)	(15,018)
Trade debts	(51,750)	38,880
Loans and advances	(34,545)	7,475
Trade deposits, short-term prepayments and other receivables	5,127	(13,407)
	<u>(198,804)</u>	<u>16,636</u>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	191,042	(130,867)
	<u>(7,762)</u>	<u>(114,231)</u>
	<u><u>(198,804)</u></u>	<u><u>16,636</u></u>
	<b>2020</b>	<b>2019</b>
<b>35. STAFF STRENGTH</b>	<b>Number of employees</b>	
Number of employees at June 30	393	388
Average number of employees during the year	391	392
<b>36. OPERATING SEGMENTS</b>		
<b>36.1</b> These financial statements have been prepared on the basis of a single reportable segment.		
<b>36.2</b> Sales from Intravenous Solutions represent 84.40 percent while sales from others represent 15.60 percent (2019: 66.66 percent and 33.34 percent) respectively of the total revenue of the Company.		
<b>36.3</b> Sales percentage by geographic region is as follows:		
	<b>2020</b>	<b>2019</b>
	<b>In percent</b>	
Pakistan	96.77	99.60
Afghanistan	3.23	0.40
<b>36.4</b> All non-current assets of the Company as at June 30, 2020 are located in Pakistan.		
<b>36.5</b> Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region is around 45.11 percent during the financial year ended June 30, 2020 (2019: 45.42 percent).		
	<b>2020</b>	<b>2019</b>
	----- Rupees in '000 -----	
<b>37. FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>Financial assets at amortized cost</b>		
Long-term loans	15,775	13,160
Long-term deposits	1,309	1,309
Trade debts	283,707	249,393
Trade deposits and other receivables	24,921	25,830
Bank balances	22,825	10,975
	<u>348,537</u>	<u>300,667</u>
<b>Financial liabilities at amortized cost</b>		
Short-term loan from a related party - unsecured	585,262	557,588
Trade and other payables	433,982	289,476
Unclaimed dividend	3,188	9,204
Short-term running finance - secured	429,854	583,669
Mark-up accrued	14,783	19,378
	<u>1,467,069</u>	<u>1,459,315</u>

## 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, 2020, financial liabilities of Rs. 731.227 million (2019: Rs. 655.259 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	2020 -----Rupees in '000-----	2019
<b>Short-term loan from a related party - unsecured</b>			
Yen	16	<u>585,262</u>	<u>557,588</u>
<b>Bills payable</b>			
US Dollar		131,572	90,440
Euro		2,182	5,122
Yen		4,098	2,109
Yuan		<u>8,113</u>	-
	17	<u>145,965</u>	<u>97,671</u>

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

As at June 30, 2020, 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. 73.123 million (2019: Rs. 65.526 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, 2020 would have been lower / higher by Rs. 4.299 million (2019: Rs. 5.837 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, 2020 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.

## 38.1.4 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. 348.537 million (2019: Rs. 300.667 million) of which trade debts amounting to Rs. 283.707 million (2019: Rs. 249.393 million) constitute a significant portion. Of these trade debts, Rs. 190.319 million (2019: Rs. 177.412 million) is receivable from a related party from which the Company does not expect a default. The remaining trade debts (excluding impaired debts) relate to a number of independent customers for whom there is no recent history of default. Loans and advances to employees are secured against their respective balances maintained under employee benefit schemes. The Company is also exposed to counterparty credit risk on balances with banks which is limited as the counterparties are banks having reasonably high credit ratings. The credit quality of the bank balances maintained by the Company is as follows:

BANK	--- As at June 30, 2020 ---		--- As at June 30, 2019 ---		Rating agency
	Short-term	Long-term	Short-term	Long-term	
Allied Bank Limited	AAA	A1+	AAA	A1+	PACRA
Bank Alfalah Limited	AA+	A1+	AA+	A1+	PACRA
Habib Bank Limited	AAA	A1+	A-1 +	AAA	JCR - VIS
MCB Bank Limited	AAA	A1+	AAA	A1+	PACRA
National Bank of Pakistan	AAA	A1+	AAA	A1+	PACRA
The Bank of Punjab	AA	A1+	AA	A1+	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 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.

## 38.1.5 Liquidity risk

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

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

The current liabilities of the Company as at June 30, 2020 exceed its current assets by Rs. 403.723 million (2019: Rs. 501.132 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 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.

As at June 30, 2020 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, 2020 and June 30, 2019, 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.

	2020	2019
	-----Rupees in '000-----	
Total borrowings	1,015,116	1,141,257
Less: bank balances	<u>(22,825)</u>	<u>(10,975)</u>
Net debt	992,291	1,130,282
Total equity	<u>116,787</u>	<u>23,455</u>
Total capital	<u><u>1,109,078</u></u>	<u><u>1,153,737</u></u>
<b>Gearing ratio</b>	<b>89.47%</b>	<b>97.97%</b>

As at June 30, 2020, the Company's gearing ratio has decreased primarily due to the profit earned in the current year. The Company's foreign loan liability increased due to 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. 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	2020		2019	
	Capacity	Actual production	Capacity	Actual production
	----- million bottles -----			
I.V. solutions	30.8	22.3	30.8	20.4
Plastic ampoules	14.5	12.1	14.5	10.4

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

## 42. IMPACT OF COVID-19 ON THE COMPANY'S OPERATIONS

After its emergence towards the end of financial year 2019, the World Health Organization has declared COVID-19 as a Global Pandemic on March 11, 2020. The COVID-19 has resulted in significant operational disruption and is considered a threat for many businesses and eventually may impact the going concern assumption of a business.

Since its emergence many countries around the world had imposed lockdown and in Pakistan, the Provincial and Federal Governments had imposed a lockdown from March 23, 2020 till July 11, 2020, which had disrupted the economic activities around the world including Pakistan. The production of several industries in Pakistan was halted due to lockdown, however, one of the few industries that were excluded from closure, being an essential service, was pharmaceutical and healthcare industry.

Despite disturbance in broader eco system in which the Company operates, the Company believes that there are no threats affecting the Company adversely.

## 43. CORRESPONDING FIGURES

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

## 44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **September 1, 2020** by the Board of Directors of the Company.

## 45. GENERAL

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

## OTSUKA PAKISTAN LIMITED

### Pattern of Shareholding

### As of June 30, 2020

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>			
MR. MEHTABUDDIN FEROZ	1	397,485	3.29
MR. MIKIO BANDO	1	1	0.00
MR. SUHARI MUKTI	1	1	0.00
MR. KOICHI OKADA	1	1	0.00
MR. HANIF SATTAR	1	121	0.00
MRS. NAVIN SALIM MERCHANT	1	509	0.00
MR. NOOR MUHAMMAD	1	550	0.00
<b>Associated Companies, undertakings and related parties</b>			
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
<b>Executives</b>	1	121	0.00
<b>Public Sector Companies and Corporations</b>	4	120,183	0.99
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>	3	11,945	0.10
<b>Mutual Funds</b>			
Nil	0	0	-
<b>General Public</b>			
a. Local	828	2,090,416	17.28
b. Foreign	1	12,045	0.10
Foreing Companies	-	-	-
<b>Others</b>	22	1,251,935	10.35
<b>Totals</b>	<b>869</b>	<b>12,100,000</b>	<b>100.00</b>

Share holders holding 10% or more	Shares Held	Percentage
M/s. OTSUKA PHARMACEUTICAL COMPANY LIMITED	5,420,248	44.80
M/s. OTSUKA PHARMACEUTICAL FACTORY, INC.	1,589,940	13.14

## OTSUKA PAKISTAN LIMITED

### Pattern of Shareholding

As of June 30, 2020

# Of Shareholders	Shareholdings'Slab			Total Shares Held
397	1	to	100	4,117
266	101	to	500	51,034
81	501	to	1000	54,356
81	1001	to	5000	159,397
17	5001	to	10000	117,053
9	10001	to	15000	108,589
1	20001	to	25000	24,090
1	25001	to	30000	30,000
1	30001	to	35000	30,250
1	50001	to	55000	51,474
1	110001	to	115000	111,562
2	125001	to	130000	259,500
1	140001	to	145000	141,794
1	180001	to	185000	182,913
1	265001	to	270000	268,386
1	300001	to	305000	301,558
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
<b>870</b>				<b>12,100,000</b>

## COMPARISON OF RESULTS LAST 6 YEARS

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Share Capital (Rs. In '000)	110,000	110,000	110,000	121,000	121,000	121,000
Unappropriated Profit / (Loss) (Rs. In '000)	(335,586)	(448,022)	(339,636)	(274,688)	(439,525)	(346,193)
General Reserve (Rs. In '000)	367,500	367,500	367,500	356,500	341,980	341,980
Capital Employed (Rs. In '000)	250,247	29,478	137,864	202,812	23,455	116,787
Long Term Loans (Rs. In '000)	108,333	-	-	-	-	-
Sales (Rs. In '000)	1,452,196	1,550,709	1,829,624	1,869,013	1,884,753	2,226,989
Profit /(Loss) Before Tax (Rs. In '000)	(179,939)	(153,477)	196,174	138,008	(193,711)	107,557
Taxation - net (Rs. In '000)	(33,774)	(41,300)	(86,423)	(72,702)	18,363	(16,491)
Profit /(Loss) After Taxation (Rs. In '000)	(146,165)	(112,177)	109,751	65,306	(175,348)	91,066
% of Sales	(10.07)	(7.23)	6.0	3.5	(9.3)	4.1
% of Total Assets	(9.35)	(7.09)	7.54	4.12	(11.46)	5.42
% of Capital Employed	(58.41)	(380.54)	79.61	32.20	(747.59)	77.98
Dividend Amount (Rs. In '000)	-	-	-	14,520	-	-
% of Dividend	-	-	-	12.00	-	-
Bonus Shares Dividend (Rs. In '000)	-	-	-	11,000	-	-
% of Bonus Issue	-	-	-	10.00	-	-
Earnings / (Loss) Per Share	(13.29)	(10.20)	9.98	5.40	(14.49)	7.53
Earnings / (Loss) Per Share (Restated) *	(12.08)	(9.27)	9.07	N/A	N/A	N/A
Fixed Assets less Depreciation (Rs. In '000)	617,307	533,565	458,398	413,124	350,998	304,687
Total Assets (Rs. In '000)	1,562,659	1,582,657	1,455,442	1,583,800	1,530,644	1,680,281
Average Number of Employees	405	399	394	392	392	391

\*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 2017-18 of 10% respectively.

## PROXY FORM 32<sup>nd</sup> 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 Company to be held on Thursday, October 22, 2020  
and at any adjournment thereof.

As witness my hand this..... day of .....2020

Signed by the said.....

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

.....

Witness

Signature on  
Revenue stamp of  
appropriate value

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

### Notes:

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



**AFFIX  
CORRECT  
POSTAGE**








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










## Be aware, Be alert, Be safe

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

### Key features:

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

 [jamapunji.pk](http://jamapunji.pk)

 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices

*[www.otsuka.pk](http://www.otsuka.pk)*



Otsuka

**A Sign of Japanese Commitment to Better Health**