

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

# **ANNUAL REPORT 2022-23**

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FOR THE YEAR ENDED JUNE 30, 2023



Otsuka

**Otsuka Pakistan Limited**

(A Company of Otsuka Group Japan)

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## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	:	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. Abid Hussain (Independent Director) Mrs. Navin Salim Merchant (Independent Director)
<b>COMPANY SECRETARY</b>	:	Mr. Muhammad Amin Bashir
<b>AUDIT COMMITTEE</b>	:	Mr. Abid Hussain (Chairman) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member)
<b>HEAD OF INTERNAL AUDIT:</b>		Mr. Jawaid Noor (Secretary)
<b>RISK MANAGEMENT COMMITTEE</b>	:	Mr. Abid Hussain (Chairman) Mr. Koichi Okada (Member) Mr. Hanif Sattar (Member) Mr. Sajid Ali Khan (Secretary)
<b>HUMAN RESOURCES REMUNERATION &amp; NOMINATION COMMITTEE</b>	:	Mrs. Navin Salim Merchant (Chairperson) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member) Mr. Hanif Sattar (Member)
<b>AUDITORS (EXTERNAL)</b>	:	Yousuf Adil Chartered Accountants (An Independent Correspondent Firm to Deloitte Touche Tohmatsu Limited)
<b>AUDITORS (INTERNAL)</b>	:	Saud Tariq & Co. Chartered Accountants
<b>LEGAL ADVISORS</b>	:	Dr. Moneeba Hamid
<b>BANKERS</b>	:	Citibank N.A., Habib Metropolitan Bank Limited Habib Bank Limited, Bank Al-Habib Limited Bank Alfalah Limited, Allied Bank Limited The Bank of Punjab, National Bank of Pakistan MCB Bank Limited,
<b>REGISTERED OFFICE</b>	:	<p><b>Head Office:</b> 30-B, Sindhi Muslim Co-operative, Housing Society, Karachi-74400 Tel.: 34528651 – 4, <b>E-mail:</b> secretarialcompliance@otsuka.pk <b>Web site:</b> www.otsuka.pk</p> <p><b>Factory:</b> Plot No. F/4-9, Hub Industrial Trading Estate, Distt. Lasbella (Balochistan) Tel.: (0853) 303517-8, Fax: (0853) 303519</p>
<b>SHARE REGISTRAR</b>	:	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: info@cdcsrsl.com



## Vision

Otsuka people creating new products for better health worldwide.

## Mission

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

## Objectives

- 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

Empoyees

Community

Shareholders



For Life .

Realizing  
the hidden power  
within.



## NOTICE OF MEETING

Notice is hereby given that the Thirty fifth (35<sup>th</sup>) Annual General Meeting of Otsuka Pakistan Limited will be held on October 2, 2023 (Monday) at 10:30 a.m. at the Auditorium Hall, Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi as well as through Electronic means / Online meeting facility to transact the following businesses:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2023, together with the Chairman Review, Directors' and Auditors' reports thereon
2. To appoint statutory auditors and fix their remuneration for the year ending June 30, 2024.
3. To approve the final cash dividend of PKR 1.50 per ordinary share i.e. 15% as recommended by the Board of Directors for the year ended June 30, 2023.

### SPECIAL BUSINESS:

4. To consider, adopt with or without modification the following resolution for approval of circulation of Company's annual audited accounts containing balance sheet, profit and loss statement, auditors' and directors' reports etc. ("Annual Audited Financial Statements") to member of the Company through QR enabled code and web link as part of notices of Annual General Meeting. "RESOLVED THAT providing of Company's annual audited financial statements to its' members through QR enabled code and web link be and is hereby approved". "FURTHER RESOLVED THAT the Company be and is hereby authorized to discontinue the circulation of annual financial statements through CD/DVD." "FURTHER RESOLVED THAT the Company Secretary be and is hereby authorized to do all acts, deeds and things, take or cause to be taken any action as may be necessary, incidental or consequential to give effect to this resolution."
5. To consider and approve the incremental remuneration of Chief Executive Officer of the Company.
6. To transact any other business with the permission of the Chair.

By order of the Board

Sajid Ali Khan  
Company Secretary

Karachi: September 2, 2023

### ONLINE PARTICIPATION IN ANNUAL GENERAL MEETING

The shareholders of Otsuka Pakistan Limited are encouraged to participate in the 35<sup>th</sup> Annual General Meeting (AGM) through electronic means beside in person 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

The shareholders will be able to login and participate in the 35<sup>th</sup> AGM proceedings through their smart phones or computer devices from their homes or any convenient location after completing all the formalities required for the verification and identification of the shareholders.

The login facility will be opened at 10:05 a.m. on October 2, 2023 enabling the participation to join the proceedings which will start at 10:30 a.m. sharp. The shareholders are requested to provide the information as per the below format at [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com) OR WhatsApp at 0321-8200864. The details of the video link will be sent to the shareholders on the email address provided in the below

S No.	Folio Number / CDC Account # Sign up	Company	Name of the Shareholder	CNIC #	Cell #	E-mail Address
		Otsuka Pakistan Ltd.				

Shareholders may send their comments and suggestions relating to the proposed agenda items of the 35<sup>th</sup> AGM of the Company least two working days before the AGM, at [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com) or [secretarialcompliance@otsuka.pk](mailto:secretarialcompliance@otsuka.pk) or WhatsApp or SMS on Cell No. 0321-8200864. Shareholders are required to mention their full name, CNIC number and Folio/CDC account number for this purpose.

Shareholders will also be encouraged to participate in the 35<sup>th</sup> AGM to consolidate their attendance and participation through proxies.



**Notes: -**

**A. BOOK CLOSURE & PROXIES APPOINTMENT**

The Share Transfer Books of the Company will remain closed from September 26, 2023 to October 2, 2023 (both days inclusive) for entitlement of 15% Cash Dividend and for attending/voting at Annual General Meeting.

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).

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.

Notarially Certified Instrument of appointing proxy duly signed and stamped along with the power of attorney or other authority under which proxy is assigned must be submitted at the Registered Office of the Company at least 48 hours before the time of the Meeting.

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.

The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

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.

Proxies attending meeting on behalf of members are also required to provide below information for the purpose of attending the meeting through video link. Video link details and login credentials will be shared with proxy after verification:

Company Name	Name of Proxy	CNIC Number	Folio / CDC No.	Cell Number	Email Address
Otsuka Pakistan Ltd.					

**B. FOR ATTENDING MEETING:**

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 CDC 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.

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

The audited accounts of the Company for the year ended June 30, 2023 are placed on the Company's website: [www.otsuka.pk](http://www.otsuka.pk).

**D. TRANSMISSION/CIRCULATION OF ANNUAL REPORTS:**

In pursuance of SECP SRO 787(I)/2014 dated September 8, 2014, the shareholder who desire to receive annual reports in future through email instead of by post are advised to give their formal consent duly signed by the shareholder along with valid copy of CNIC, email address to the Company's Share Registrar at the below mentioned address.

**E. CIRCULATION OF ANNUAL REPORTS THROUGH DIGITAL STORAGE:**

In pursuant to SECP notification SRO 470(I)/2016 dated 31<sup>st</sup> May, 2016, the shareholders of the Company had accorded their consent for the transmission of Annual Reports through CD/DVD/USB instead of transmitting the hard copies. The shareholders who wish to receive the hard copies may request to the Company Secretary / Share Registrar and the Company shall provide the same within one week of such demand.

**F. CNIC/NTN DETAILS ON ELECTRONIC DIVIDEND (MANDATORY REQUIREMENT):**

According to the Securities and Exchange Commission of Pakistan's (SECP) SRO 831(1)/2012 dated July 05, 2012 read with SRO 19(1) 2014 dated January 10, 2014 and other relevant rules, the electronic dividend should also bear the CNIC number of the registered shareholder or the authorized person, except in the case of minor(s) and Corporate Shareholders.

As per Regulation No. 4 & 6 of the Companies (Distribution of Dividend) Regulations, 2017, the Company shall be constrained to withhold the payment of dividend to the shareholders, In case of non-availability of identification number (CNIC or National Tax Number) of the Shareholder or authorized person.

Accordingly, the shareholders, who have not yet submitted copy of their valid CNIC or NTN, are once again requested to immediately submit the same to the Company's Share Registrar at the below mentioned address. Corporate entities are requested to provide their National Tax Number (NTN) and Folio Number along with the authorized representative's CNIC copy.

**G. ZAKAT DECLARATION (CZ-50):**

Zakat will be deducted from the dividends at source under the Zakat & Usher Laws and will be deposited within the prescribed period within the relevant authority. Any shareholder who wants to claim exemption should submit valid Zakat Declarations under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 on prescribed Form CZ-50 to the Share Registrar of the Company by quoting the Company Name and their respective Folio Number/CDC Account Numbers.



## H. WITHHOLDING TAX ON DIVIDENDS:

Pursuant to the provision of the Finance Act, 2023 effective July 1, 2023, the rates of withholding income tax on the amount of dividend payment under Income Tax Ordinance, 2001 have been revised as under:

Persons who are filer and whose names are also appearing on ATL – 15%  
 Persons who are not filer or whose names are not appearing on ATL - 30%

Shareholders who are filers are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR before the date of approval of Cash dividend, in any other case tax on their cash dividend will be deducted at the rate of 30% instead of 15%.

As per the clarification issued by FBR, withholding tax will be determined separately on "Persons names are appearing on ATL or not appearing on ATL" status of the principal shareholder as well as joint-holder(s) based on their shareholding proportions.

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

Company Name	Folio/CDC Account No.	No. of Shares held	Principal Shareholder		Joint Shareholder(s)	
			Name and CNIC No.	Shareholding Proportion	Name and NIC No.	Shareholding Proportion

## I. 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. Shareholders are requested to provide the valid copy of CNIC/NTN along with their bank mandate specifying Title of Bank Account, Account Number, International Bank Account Number (IBAN), Bank's Name, Branch's Name, code and Address, Name of the Shareholder(s), Folio No. / CDS Account No., Mobile / Landline No. to the Share Registrar of the Company at the below mentioned address.

In this respect, the Company had already sent letters on July 06, 2021 to the shareholders for submission of their bank account details for payment of Cash dividend to the shareholders whose bank account details are not updated. 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.

## J. CONVERSION OF PHYSICAL SHARES (WITH BOOKENTRY) INTO CDC ACCOUNT:

The SECP, through its letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021, has advised all listed companies to adhere to the provisions of Section 72 of the Companies Act, 2017 (the "Act"), which requires all companies to replace shares issued in physical form to book-entry form within four years of the promulgation of the Act. Accordingly, all shareholders of the Company having physical folios/share certificates are requested to convert their shares from physical form into book-entry form at the earliest. Shareholders may contact a PSX Member, CDC Participant, or CDC Investor Account Service Provider for assistance in opening a CDS Account and subsequent conversion of the physical shares into book-entry form. Maintaining shares in book-entry form has many advantages like safe custody of shares with the CDC, avoidance of formalities required for the issuance of duplicate shares, and readily available for sale and purchase in an open market at better rates. The Company had already sent letters on July 06, 2021 to the shareholders carrying physical shareholders for conversion of physical shares into book-entry form.

## K. UNPAID / UNCLAIMED DIVIDEND AND UNDELIVERD SHARE CERTIFICATE:

The Company has previously discharged its responsibility under Section 244 of the Companies Act, 2017 whereby the Company approached the shareholders to claim their unclaimed dividend(s) and undelivered share certificate(s) in accordance with the law.

Shareholders, whose dividends still remain unclaimed and/or undelivered share certificates are available with the Company are hereby once again requested to approach the Share Registrar or the Company to claim their outstanding dividend amounts and/or undelivered share certificates as the same will be deposited with Securities and Exchange Commission of Pakistan as per the provision of Section 244(2) of Companies Act, 2017, as prescribed.

## L. VIDEO-LINK FACILITY TO MEMBERS:

In accordance with Section 132 and 134 of the Companies Act, 2017 if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location other than the city of the meeting to participate in the meeting through video conference. The Company will arrange video conference facility in that location (city) subject to availability of such facility in that city. To avail this facility a request is to be submitted at least 7 days prior to the date of Annual General Meeting to the Company Secretary by providing the following consent:



The Company will intimate to members regarding the venue of video conference facility at least 5 days before the date of the Annual General Meeting along with complete information necessary to enable them to access such facility.

## **M. E Polling on Special Business Resolutions:**

The members are hereby notified that pursuant to Companies (Postal Ballot) Regulations, 2018 ("the Regulations") amended through Notification dated December 05, 2022, issued by the Securities and Exchange Commission of Pakistan ("SECP"), SECP has directed all the listed companies to provide the right to vote through electronic voting facility and voting by post to the members on all businesses classified as special business.

Accordingly, members of Otsuka Pakistan Limited (the "Company") will be allowed to exercise their right to vote through electronic voting facility or voting by post for the special business in its forthcoming Annual General Meeting to be held on October 2, 2023 (Monday) at 10:30 a.m. in accordance with the requirements and subject to the conditions contained in the aforesaid Regulations.

For the convenience of the Members, ballot paper is annexed to this annual report at last and the same is also available on the Company's website at [www.otsuka.pk](http://www.otsuka.pk) for download.

## **Procedure for E-Voting:**

- I. Details of the e-voting facility will be shared through an e-mail with those members of the Company who have their valid CNIC numbers, cell numbers, and e-mail addresses available in the register of members of the Company by the close of business on September 25, 2023.
- II. The web address, login details, and password, will be communicated to members via email. The security codes will be communicated to members through SMS from the web portal of CDC Share Registrar Services Limited (being the e-voting service provider).
- III. Identity of the Members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- IV. E-Voting lines will start from September 27, 2023, 09:00 a.m. and shall close on October 01, 2023 at 5:00 p.m. Members can cast their votes any time during this period. Once the vote on a resolution is cast by a Member, he / she shall not be allowed to change it subsequently.

## **Procedure for Voting Through Postal Ballot:**

The members shall ensure that duly filled and signed ballot paper, along with copy of Computerized National Identity Card (CNIC), should reach the Chairman of the meeting through post on the Company's registered address at 30-B, Sindhi Muslim Co-operative, Housing Society, Karachi. Or email at [secretarialcompliance@otsuka.pk](mailto:secretarialcompliance@otsuka.pk) one day before the Annual General Meeting on October 01, 2023. The signature on the ballot paper shall match the signature on CNIC.

## **STATEMENT UNER SECTION 134(3) AND 140 OF THE COMPANIES ACT, 2017**

### **AGENDA NO. 5**

The current monthly remuneration for the Chief Executive Officer of the Company is Rs. 1,572 million along with other benefits as per the Company policy. As per the clause 52 (3) of the Articles of Association of the Company, the shareholders are requested to authorize the Board of Directors to determine the remuneration level by increasing them with a maximum of 20% per annum for another period of 3 years starting from March 01, 2024.

"RESOLVED THAT the Board of Directors are authorized to determine the remuneration level of the CEO of the Company by increasing them with a maximum of 20% per annum for another period of 3 years starting from March 01, 2024 exclusive of incentives, perquisites, retirement benefits and other non-monetary benefits to which he is entitled under his contract of service, company policies and applicable service rules."

Proxy, e-mandate and consent for video conferencing facility forms can be downloaded from our website: [www.otsuka.pk](http://www.otsuka.pk)

Shareholders having physical shares are requested to promptly notify any change in their addresses 'if any' in writing 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**. Whereas, shareholders having their shares in CDC accounts are requested to contact their respective CDC participant/Investor Account Service.

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. Sajid Ali Khan, Company Secretary, Otsuka Pakistan Limited, 30-B, S.M.C.H.S., Karachi-74400, Tel: 34528652 – 4 Lines, Email: [secretarialcompliance@otsuka.pk](mailto:secretarialcompliance@otsuka.pk).**









# اوٹسوکا پاکستان لمیٹڈ

## اطلاع برائے اجلاس

اطلاع کیا جاتا ہے کہ اوٹسوکا پاکستان لمیٹڈ (35 واں سالانہ اجلاس) 12 ستمبر 2023 (جمعرات) کو وقت 10:30 بجے منظم آؤڈیو کنفرانس میں منعقد ہوگا۔ اس اجلاس کے ساتھ ساتھ ایگزیکٹو ڈائریکٹرز اور ایگزیکٹو ممبروں کی طرف سے سالانہ رپورٹ اور دیگر امور پر بحث کی جائے گی۔

- 1- 2023 کو ختم ہونے والے سال کے سالانہ آؤڈیٹ شدہ اکاؤنٹس اور سودی رپورٹس اور دیگر امور پر بحث کی جائے گی۔
- 2- 30 جون 2024 کو ختم ہونے والے آؤڈیٹ شدہ سالانہ اکاؤنٹس اور سودی رپورٹس اور دیگر امور پر بحث کی جائے گی۔
- 3- مقررہ تاریخ تک سودی رپورٹس اور دیگر امور پر بحث کی جائے گی۔
- 4- سالانہ آؤڈیٹ شدہ حسابات، سودی رپورٹس اور دیگر امور پر بحث کی جائے گی۔
- 5- سالانہ آؤڈیٹ شدہ حسابات اور دیگر امور پر بحث کی جائے گی۔
- 6- سالانہ آؤڈیٹ شدہ حسابات اور دیگر امور پر بحث کی جائے گی۔

محمد پرویز  
سید علی خان  
کینیٹر ممبر

12 ستمبر 2023

### سالانہ اجلاس نام میں آن لائن شرکت

اوٹسوکا پاکستان لمیٹڈ کے حصص داروں کی حوصلہ افزائی کی جاتی ہے کہ وہ 35 ویں سالانہ اجلاس نام (AGM) میں کینیٹر کی جانب سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کریں اور کینیٹر کے ساتھ ساتھ ایگزیکٹو ممبروں کی طرف سے سالانہ رپورٹ اور دیگر امور پر بحث کی جائے گی۔

ممبر کی شناخت	پروفائل / آئی ڈی ایس / اکاؤنٹ نمبر	کینیٹر	پراسیکیوٹنگ	سیکرٹری	ایگزیکٹو
اوٹسوکا پاکستان لمیٹڈ					

حصص داروں کو کینیٹر کے ساتھ ساتھ ایگزیکٹو ممبروں کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔

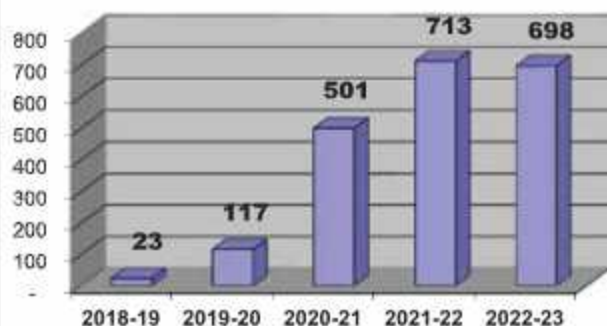
- 1- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔
- 2- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔
- 3- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔
- 4- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔
- 5- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔
- 6- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔

ممبر کی شناخت	پروفائل / آئی ڈی ایس / اکاؤنٹ نمبر	کینیٹر	پراسیکیوٹنگ	سیکرٹری	ایگزیکٹو
اوٹسوکا پاکستان لمیٹڈ					

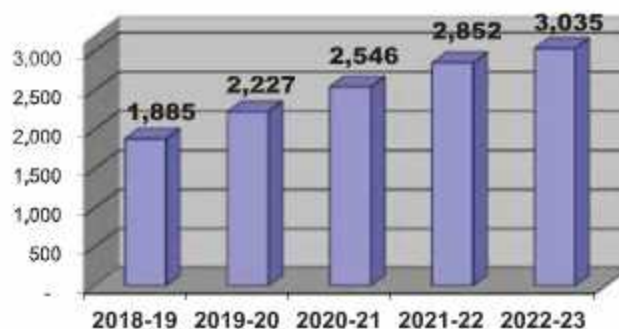
- 1- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔
- 2- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔
- 3- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔
- 4- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔
- 5- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔
- 6- کینیٹر کی طرف سے فراہم کردہ معلومات کے مطابق ایگزیکٹو ممبروں سے شرکت کرنی چاہئے۔

# Five Years at a Glance

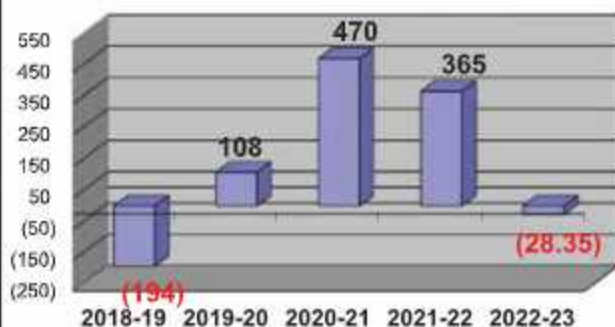
**Shareholders' Equity**  
(Rupees in Million)



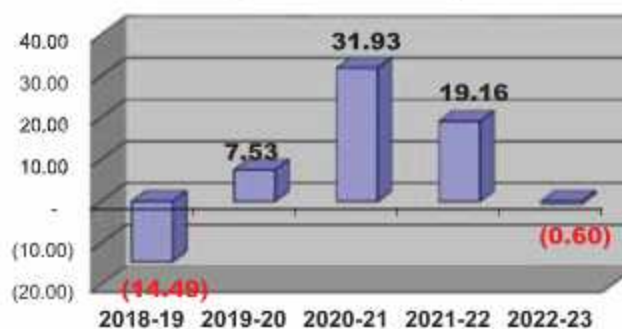
**Sales**  
(Rupees in Million)



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



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







## CHAIRMAN REVIEW

### INTRODUCTION

It gives me the great pleasure to present a review report as per the requirements of Section 192 of the Companies Act, 2017. I welcome you at the 35th Annual General Meeting (AGM) of your Company and present my review on the performance of your Company for the year ended June 30th 2023.

### GENERAL OVERVIEW

The financial year of 2022-23 was a volatile, uncertain, complex and ambiguous year where the turbulent political conditions of the country and adverse economic conditions have created negative impact on the businesses. However, Otsuka Pakistan Limited remained committed in terms of business continuity and took pro-active measures to cope with these adverse situations.

### BUSINESS AND ECONOMIC ENVIRONMENT

The economy of Pakistan is at a critical juncture due to devastated floods, massive devaluation of Pak Rupee, low foreign reserves, historically highest inflation and bank rates. Moreover, the overall business environment was not conducive due to non-tariff import restrictions as well as incessant rise in the power, gas and fuel rates.

During the year, the government has increased the general sales tax rates from 17% to 18% with immediate effect and also put pharmaceutical sector under the category of reduced rate of 1% full and final Sales Tax on both purchase of pharmaceutical inputs as well as sales of finished goods. The abovementioned taxation measures resulted unforeseen increase in the cost of the products.

Despite the abovementioned challenges, the Company has delivered a reasonable business performance and have completed the renovation of its Line-II project as well as commenced the production facility of the nutraceutical plant.

### FINANCIAL RESULTS OF THE COMPANY

Your Company sales had posted a nominal growth rate of 6% particularly due to DRAP approved price increase with effect from August 24, 2022. The Company gross profit margin have reduced from 32% to 21%. Due to the significant depreciation in Pak Rupee, the Company has suffered the net exchange loss of Rs. 192 million against during the year. Further the finance cost has also increased from Rs. 6.6 million to 64.2 million with the rise in bank interest rates as well as working capital loan. The Company have a net loss of Rs. 7.2 million during the current financial year.

### BOARD OF DIRECTORS

The board of directors will be going to complete their second year on October 31, 2023, after being elected in the 33rd Annual General Meeting. The board comprises of professionals with diverse background, sound business acumen and profound understanding of pharmaceutical industry. The Board and its associated Committees performed their duties effectively and ensured all the statutory and regulatory requirements applicable upon the Company.

The overall performance of the Board and each of its members was satisfactory based on an evaluation of all the integral-components, which had a direct bearing on the Board's role in achievement of the Company's objectives. I appreciate the valuable contributions made by the directors of the Company.

### ENVIRONMENTAL, HEALTH AND SOCIAL RESPONSIBILITY

The Company prioritizes the health, safety and wellbeing of its employees and people connected to it. Robust safety measures were put in place to ensure the health, wellbeing and hygiene of all staff during the year. The Company remain focused on its social, environmental and ethical priorities and aspires to achieve them in the best interest of all the stakeholders.

### FUTURE OUTLOOK

The pharmaceutical industry is already facing toughest time where several Companies has already raised concerns about the discontinuation of several products. Though the Company has already get a price increase from DRAP effective from June 9, 2023 which will improve the profitability, however during the financial year 2023-24 the caretaker set-up will take hold of the political leadership and then carry out the election in the Country. It will be assumed as the most precarious time where the surprise changes in the government policies could be expected.

We foresee the lackluster economic activity and the continuation of import curbs in order to save foreign reserves in the Country. The Company is incessantly adapting its business plan to cater the evolving realities and is hopeful to get some sort of relief from the government after the commencement of new democratic set-up. Moreover, the Company is optimistic to increase its business by adding more products in order to create synergy with the existing line of products.

On behalf of the Board of Directors of your Company, I would like to take this opportunity to acknowledge the devoted and sincere efforts of our employees, business partners and are thankful to our shareholders for their utmost trust which inspire us to remain steadfast in our journey.

  
Mikio BANDO  
Chairman



## چیرمین کا تبصرہ

تعارف:

میں آپ کی کمپنی کی 35 ویں سالانہ جنرل میٹنگ (AGM) میں آپ کو خوش آمدید کہتا ہوں اور 30 جون 2023 کو ختم ہونے والے سال کے لئے آپ کی کمپنی کی کارکردگی پر اپنا جائزہ پیش کرتا ہوں۔ مجھے کہنیز ایکٹ 2017 کے سیکشن 192 کی ضرورت کے تحت ایک جائزہ رپورٹ پیش کرتے ہوئے بہت خوشی ہو رہی ہے۔

### عمومی جائزہ

2022-23 کا مالی سال ایک غیر مستحکم، غیر یقینی، پیچیدہ اور بدقسم سال تھا جہاں ملک کے بنگلہ دیش، بھارت اور تائیوان کی معاشی حالات اور مقامی معاشی حالات نے کاروبار پر منفی اثرات مرتب کیے ہیں۔ تاہم، اوتسوکا پاکستان لمیٹڈ کاروباری تسلسل کے حوالے سے پر عزم رہا اور ان منفی حالات سے نمٹنے کے لیے فعال اقدامات اٹھائے۔

### کاروبار اور اقتصادی ماحول

گزشتہ سال کے تباہ کن سیلاب، پاکستانی روپے کی قدر میں بڑے پیمانے پر کمی، غیر ملکی ذخائر میں کمی، تاریخی طور پر سب سے زیادہ ہنگامی اور بینکنوں کی شرح سود میں زبردست اضافہ کے باعث پاکستان کی معیشت ایک نازک موڑ پر ہے۔ مزید یہ کہ ان کی صرف درآمدی پابندیوں کے ساتھ ساتھ بجلی، گیس اور ایندھن کے نرخوں میں مسلسل اضافے کی وجہ سے مجموعی کاروباری ماحول سازگار نہیں تھا۔ سال کے دوران، حکومت نے جنرل میٹنگ کی شرحوں کو 17 فیصد سے بڑھا کر 18 فیصد کر دیا ہے اور فارما سٹیجنگ بیکر کو بھی فارما سٹیجنگ انڈسٹری کے ساتھ ساتھ تیار شدہ اشیاء کی فروخت پر 10 فیصد مکمل اور جی بی ٹی ٹیکس کی کمی کے ذمے میں رکھا ہے۔ ان تمام ٹیکسوں کے اقدامات کی وجہ سے کمپنی کی پیداواری لاگت میں غیر متوقع اضافہ ہوا ہے۔ مذکورہ بالا چیلنجوں کے باوجود، کمپنی نے معقول کاروباری کارکردگی پیش کی ہے اور اپنے لائن-2 پر ڈیجیٹل کی ترغیبیں و آرائش کے ساتھ ساتھ بیورو سٹیجنگ پلانٹ کی پیداواری سہولت کا آغاز کر دیا ہے۔

### کمپنی کے مالیاتی نتائج

آپ کی کمپنی کی فروخت نے 24 اگست 2022 کی منظور شدہ قیمت میں اضافے کی وجہ سے 6 فیصد کی معمولی شرح نمو پوسٹ کی تھی۔ کمپنی کا مجموعی منافع مارچ 32 فیصد سے کم ہو کر 21 فیصد ہو گیا ہے۔ پاک روپے میں نمایاں گراؤت کی وجہ سے، کمپنی کو سال کے دوران 192 ملین روپے کے خالص انٹیکسٹ نقصان کا سامنا کرنا پڑا ہے۔ مالیاتی لاگت بھی 6.6 ملین روپے سے بڑھ کر 64.2 ملین روپے ہو گئی۔ اس کی بنیادی وجہ بینک کی شرح سود میں مسلسل اضافہ اور کمپنی کا ورکنگ کپٹل لون ہے۔ کمپنی نے رواں مالی سال کے دوران 7.2 ملین روپے کا خالص نقصان ریکارڈ کیا ہے۔

### بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز 33 ویں سالانہ جنرل میٹنگ میں منتخب ہونے کے بعد 31 اکتوبر 2023 کو پانچ ماہوں کا دورا مکمل کرنے جا رہا ہے۔ بورڈ متنوع پس منظر اور مضبوط کاروباری ذہانت اور فارما سٹیجنگ انڈسٹری کے بارے میں گہری سمجھ رکھنے والے پیشہ ور افراد پر مشتمل ہے۔ بورڈ اور اس سے منسلک کمیٹیاں اپنی ذمہ داریاں احسن طریقے سے انجام دے رہی ہیں اور اس بات کو یقینی بنایا ہے کہ کمپنی پر تمام قانونی اور ریگولیٹری تقاضے پورے ہوں۔

بورڈ اور اس کے برہنہ کی مجموعی کارکردگی تمام لازمی اجزاء کی تشخیص پر مبنی اولیٰ پیش ہے، جس کا کمپنی کے متاخذ کے حصول میں بورڈ کے کردار پر براہ راست اثر پڑتا ہے۔ میں کمپنی کے ڈائریکٹرز کے قابل قدر تعاون کی تعریف کرتا ہوں۔

### ماحولیاتی، صحت اور سماجی ذمہ داری

کمپنی اپنے ملازمین اور اس سے جڑے لوگوں کی صحت، حفاظت اور بہبود کو ترجیح دیتی ہے۔ سال کے دوران تمام عملے کی صحت، تندرستی اور حفظان صحت کو یقینی بنانے کے لیے مضبوط حفاظتی اقدامات کیے گئے تھے۔ کمپنی اپنی سماجی، ماحولیاتی اور اخلاقی ترجیحات پر توجہ مرکوز رکھے ہوئے ہے اور تمام اسٹیک ہولڈرز کے بہترین مفاد میں انہیں حاصل کرنے کی پوری کوشش کرتی ہے۔

### مستقبل کا نظریہ

فارما سٹیجنگ انڈسٹری پہلے ہی مشکل ترین وقت کا سامنا کر رہی ہے جہاں کئی کمپنیاں پہلے ہی کی مصنوعات کی بندش کے بارے میں خدشات کا اظہار کر چکی ہیں۔ اگرچہ کمپنی 9 جون 2023 سے لاگو ہونے والے فورس میجر پر قیمتوں میں اضافہ چکا ہے جس سے منافع میں بہتری آئے گی، تاہم مالی سال 2023-24 کے دوران گران سیٹ اپ نے نئی حکومت بننے پر زور پکڑ لیا ہے اور پھر وہ انتخابات کا انتظام کریں گے۔ ایک ایسا عمل جسے انتہائی نازک وقت تصور کیا جا رہا ہے جہاں حکومتی پالیسیوں میں حیران کن تبدیلیوں کی توقع کی جاسکتی ہے۔

ملک کے غیر ملکی ذخائر کو بچانے کے لیے ہم ملک میں معاشی سرگرمیوں اور درآمدات پر پابندیوں کے جاری رہنے کی پیش گوئی کرتے ہیں۔ کمپنی بدلتی ہوئی قیمتوں کی بنیاد پر اپنے کاروباری منصوبے کو مسلسل ڈھال رہی ہے اور نئے جمہوری نظام کے آغاز کے بعد حکومت سے کسی قسم کی ریلیف حاصل کرنے کے لیے پرامید ہے۔ مزید برآں، کمپنی مصنوعات کی موجودہ لائن کے ساتھ ہم آہنگی پیدا کرنے کے لیے مزید مصنوعات شامل کر کے اپنے کاروبار کو بڑھانے کے لیے پرامید ہے۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے، میں اپنے ملازمین، کاروباری شراکت داروں کی خالص کارکردگی کو تسلیم کرنے کے لیے اس موقع سے فائدہ اٹھانا چاہتا ہوں اور اپنے حصص یافتگان کان کے بھرپور اعتماد کے لیے شکرگزار ہوں جو ہمیں اپنے سفر میں ثابت قدم رہنے کی ترغیب دیتا ہے۔

محمد شکیل

میکو بانڈو  
چیرمین

## DIRECTORS' REPORT

The Directors are pleased to present the Annual Report of Otsuka Pakistan Limited (the Company) for the year ended June 30, 2023.

This Directors' Report has been prepared in accordance with Section 227 of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations 2019. This report will be submitted to the members at the thirty fifth Annual General Meeting of the Company to be held on October 2, 2023.

### Industry Overview

According to global pharma research company - IQVIA (previously known as IMS) published data, pharmaceutical industry in Pakistan is currently estimated at Rs. 725 billion with an annual growth rate of 12.82% per annum. There are lot of opportunities for local as well export of Pakistan origin products due to its geographical location.

### Business Review

The ongoing political upheaval coupled with an adverse economic conditions due to inconsistent monetary / fiscal policies, depreciation of Pak Rupee and record breaking inflation levels has compromised the profitability of the Company.

The Company had achieved the minor growth of 6% in sales. The increase in sales is primarily attributable to the price increase and rationalization of discount given to the customers. Further the Company had launched the "ORTie" sachet (ORS) with a very positive feedback from the market. However, the medical devices segment is still under pressure due to supply chain disruptions on account of gas supply shortages around Europe in the wake of Russia-Ukraine war.

The Company cost of sales had increased by 24% which had resulted in reduction of gross profit margins from 32% to 21% during the year. This increase is particularly due to the increase in raw / packing material prices in line with depreciation of Pak Rupee and the increase in the prices of fuel, electricity and gas charges.

Selling and distribution expenses were kept under control with trivial increase of 3%. Moreover, the Administrative expenses were tightly controlled and reduced by 10% from last year. Other income of the company had shown a notable increase of 87% due to the massive gain of Rs. 21.9 million on disposal of fixed assets machine and reversal of impairment loss of Rs. 19.5 million on Orthopedic Knee Implants / Kits. Moreover, the scrap sales and late payment charges from hospital supply corporation have also increased by 41% and 235% respectively.

Other expenses have gone up by 68% particularly due to the net exchange loss of Rs. 192 million as compared to the net exchange loss of Rs. 75 million during the last year while there is no expense recorded for worker's welfare fund, worker's profit participation fund and Central Research Fund due to net loss after taxation during the year. The finance cost of the Company witnessed an enormous increase of 864% due to the increase in bank mark-up rate from 12.25% to 22% during the year. Further the Company had utilized its working capital for renovation of Line-II facility which had increase the working capital requirements of the Company.

### Financial Results

	2023	2022
	----- (PKR in '000) -----	
(Loss)/Profit for the year before taxation	(28,352)	364,629
Taxation – net	21,145	(132,832)
<b>(Loss)/Profit for the year after taxation</b>	<b>(7,207)</b>	<b>231,797</b>
Other comprehensive income/(loss) -net	9,886	(1,630)
Total comprehensive income for the year	2,679	230,167
Accumulated profit brought forward	591,994	379,977
Final dividend for the year ended June 30, 2022/2021	(18,150)	(18,150)
Accumulated profits carried forward	<b>576,523</b>	<b>591,994</b>



## Appropriations

The Company had a loss after tax of Rs. 7.2 million and the board is delighted to propose 15% dividend (Rs. 1.50 per share) for the year ended June 30, 2023, subject to approval of the shareholders at the Annual General Meeting (AGM) to be held on October 2nd, 2023.

## Earnings Per Share

The loss/earnings per share for the year ended June 30, 2023 works out to be Rs. (0.60) (2022: Rs. 19.16).

## 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. 212,254,996/-
Gratuity Fund	Rs. 121,064,544/-

## 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, one director has a certification under Directors' Training Program. All the Directors on the Board are fully conversant with their duties and responsibilities as Directors of corporate bodies; and
- There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2023 except for those already disclosed in the financial statements.

## Board of Directors

The Board of Directors as required under section 159 of the Companies Act, 2017 had fixed the number of Directors have been 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 Listed Companies (Code of Corporate Governance) Regulations 2019, for a period of three years commenced from November 01, 2021.

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

CATEGORY	NAMES	GENDER
Executive Director	Mr. Hanif Sattar (CEO)	Male
Non-Executive Directors	Mr. Mikio Bando (Chairman)*	
	Mr. Mehtabuddin Feroz	
	Mr. Koichi Okada	
	Mr. Suhari Mukti**	
Independent Directors	Mr. Abid Hussain	Female
	Mrs. Navin Salim Merchant	

\* Mr. Taufiq Feroz is the alternate director of Mr. Mikio Bando.

\*\*Mr. Sajid Ali Khan is the alternate director of Mr. Suhari Mukti.



## Board Sub-Committees

NAME OF BOARD SUB-COMMITTEE	NAME OF MEMBER
Audit Committee	Mr. Abid Hussain (Chairman) Mr. Koichi Okada Mr. Mehtabuddin Feroz
Human Resource Remuneration & Nomination Committee	Mrs. Navin Salim Merchant (Chairperson) Mr. Koichi Okada Mr. Mehtabuddin Feroz Mr. Hanif Sattar (Secretary)
Risk Management Committee	Mr. Abid Hussain (Chairman) Mr. Hanif Sattar Mr. Koichi Okada Mr. Sajid Ali Khan (Secretary)

## 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. Currently, the two independent directors and a non-working alternate director are getting fixed fees for attending the board meetings. The aggregate amount of remuneration paid to each director of the Company during the year is given below:

CATEGORY	NAMES	NATURE OF REMUNERATION	AMOUNT (Rs. In '000)
Executive Director	Mr. Hanif Sattar (CEO)	Salaries and benefits*	20,983
Non-Executive Directors	Mr. Mikio Bando (Chairman)	Not applicable	NIL
	Mr. Mehtabuddin Feroz	Consultancy fees	3,888
	Mr. Koichi Okada	Not applicable	NIL
	Mr. Suhari Mukti**	Not applicable	NIL
Independent Directors	Mr. Abid Hussain	Meeting Fees	160
	Mrs. Navin Salim Merchant	Meeting fees	160

\* CEO is entitled to full time working salaries and company benefits as recommended by the board of directors which was duly approved by the shareholders of the Company.  
\*\* Meeting fees of Rs. 80,000 paid to Mr. Taufiq Feroz for attending meeting as an alternate director of Mr. Suhari Mukti.

## 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.

The board has made the risk management committee comprising of the following members

NAME	DESIGNATION
Mr. Abid Hussain	Independent Director
Mr. Koichi Okada	Non-Executive Director
Mr. Hanif Sattar	Executive Director & Chief Executive Officer
Mr. Sajid Ali Khan	Director Finance & Secretary

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

Name of Director	Board Meetings		Audit Committee Meetings		Risk Management		Human Resource Remuneration & Nomination Committee Meetings	
	Meetings held during the period	Attendance	Meetings held during the period	Attendance	Meetings held during the period	Attendance	Meetings held during the period	Attendance
Mr. Hamid Sattar (Director and CEO)	4	4	5	5	1	1	1	1
Mr. Mehtabuddin Feroz	4	2	5	3	1	N/A	1	1
Mr. Makio Bando (Chairman)	4	1	5	N/A	1	N/A	1	N/A
Mr. Suhari Mukti	4	1	5	N/A	1	N/A	1	N/A
Mr. Koichi Okada	4	4	5	4	1	1	1	1
Mr. Abid Hussain (Independent Director)	4	4	5	5	1	1	1	N/A
Mrs. Navin Salim Merchant (Independent Director)	4	4	5	N/A	1	N/A	1	1
Mr. Muhammad Taufiq Feroz (1)	4	3	5	N/A	1	N/A	1	N/A
Mr. Sajid Ali Khan (2)	4	3	5	N/A	1	1	1	N/A

(1) Alternate Director for Mr. Makio Bando

(2) Alternate Director for Mr. Suhari Mukti

### Pattern of Shareholding

The Pattern of shareholding of the Company as at June 30, 2023 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, 2023. 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

There are 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, 2023.

### 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.

### Future outlook

There is severe price war in IV Solutions market due to cut throat competition in order to gain the market share however, your company is continuously readjusting its strategies to enhance its market share on the basis of product's quality and good service. Further the Company has planned for the diversification of its product lines with a focus on the Clinical Nutrition & Nutraceutical products.

The Company is also planning to make investments under good manufacturing process (GMP) for improvement in the quality of its Ampoules production area (Line-III). We are confident on the performance of new and existing products of the Company and will make necessary efforts to continue its growth.



## Main trends/ developments likely to affect future performance

The current political and economic conditions in the country is not conducive for the pharmaceutical industry where the caretaker government set-up will take charge of the Country and there will be prevalent focus on the general elections. We foresee a very economic activity during this period till the new democratic set-up will take control. Further, the expected increase in minimum wages, fuel and utilities prices will further increase the operating cost of the Company. Moreover, the depleting foreign reserves of the Country will force banks curb import through non-tariff restrictions which may create distortion in the production activities of the Company.

In the forthcoming year, the Company will be facing extraordinary increase in the cost of raw, packing and other ancillary materials. Further the central bank interest rate and the inflation levels will also increase the utilities, labor, transportation and finance cost of the Company. We also foresee the exchange losses due to abnormal depreciation of Pak Rupee in the upcoming year as well. Despite all the odds, the Company is fully committed to achieve its goals by adding more value added products in its product line.

## Loans & Lease Obligations

The Company has obtained State Bank of Pakistan (SBP) Rozgar Scheme Loan under COVID-19 scheme of Rs. 67.40 million at interest rate of 3% in October 2020. This loan has to be repaid in eight equal quarterly installments. The Company has already paid all the installments as of June 30, 2023.

The Company had undertaken lease obligations of four cars given to its employees for a five-year lease term. This was done to reduce its working capital requirements of the Company. The cumulative lease obligations are 8.060 million.

During the year, the Company had deferred the repayment of the loan taken from M/s. Otsuka Pharmaceutical Factory, Inc., Japan (related party) which represents a foreign currency denominated loan. Both the tranches were roll forward for another 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	249,037,500	25-Feb-24
27-Apr-15	125,000,000	249,037,500	26-Apr-24
<b>Total</b>	<b>250,000,000</b>	<b>498,075,000</b>	

The Company intends to repay above-said two tranches after considering the central bank borrowing rates and internal cash flow of the Company.

## Auditors

The present auditors, Messrs. Yousuf Adil Chartered Accountants retire at the conclusion of the 35<sup>th</sup> 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. Yousuf Adil Chartered Accountants (Independent Correspondent Firm to Deloitte Touché Tohmatsu Limited) as the external auditors of the Company for the year ending June 30, 2024.

## Acknowledgement

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

On behalf of the Board



**Hanif Sattar**  
Chief Executive Office

Karachi

Dated: August 24, 2023

*Navin Merchant*  
**Navin Merchant**  
Director

## قرض اور لیز کی ذمہ داریاں

کمپنی نے اسٹیٹ بینک آف پاکستان، روزگار اسکیم کے تحت قرض 67.40 ملین روپے اکتوبر 2020 میں 3 فیصد کی شرح سود پر حاصل کیا تھا۔ یہ قرض آٹھ مساوی سہ ماہی اقساط میں ادا کیا جانا تھا۔ کمپنی 30 جون 2023 تک تمام قسطیں ادا کر چکی ہے۔

کمپنی نے اپنے ملازمین کا پانچ سالہ لیز کی مدت کے لئے دی گئی چار کاروں کی لیز کی ذمہ داریاں پوری کی تھیں۔ یہ کمپنی کی ورکنگ کیسٹبل کی ضروریات کو کم کرنے کے لئے کیا گیا تھا۔ مجموعی لیز کی ذمہ داریاں 8.060 ملین 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	249,037,500	25-Feb-24
27-Apr-15	125,000,000	249,037,500	26-Apr-24
	<b>250,000,000</b>	<b>498,075,000</b>	

سال کے دوران، کمپنی نے اپنی متعلقہ پارٹی اوسوکا فارماسیوٹیکل فیکٹری، جاپان سے لئے گئے قرض کی واپسی کو موخر کر دیا تھا جو کہ غیر ملکی کرنسی کے متروک قرض کی نمائندگی کرتا ہے۔ آخری دو قسطیں اب باقی ہیں اور ایک اور سال کے لئے آگے بڑھائی گئیں ہیں۔ قرض کی موجودہ قابل ادائیگی پوزیشن ذیل میں دی گئی ہے:-

مرکزی بینک کی شرح سود اور کمپنی کے فنڈز کی اندرونی دستیابی، فور کرنے کے بعد کمپنی مستقبل قریب میں مذکورہ بالا دو قسطوں کی ادائیگی کا ارادہ رکھتی ہے۔

### آڈیٹرز:

موجودہ آڈیٹر، میسرز ڈیلویٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کمپنی کے 35 ویں سالانہ عام اجلاس پر ریٹائرڈ ہو گئے ہیں اور اہلیت کی بنیاد پر اپنے آپ کو دوبارہ تفریحی کیلئے پیش کر رہے ہیں۔

آڈٹ کمپنی کی تجویز کی بنیاد پر، بورڈ آف ڈائریکٹرز نے شیئر ہولڈرز کو 30 جون 2024 کو ختم ہونے والے سال کے لیے یوسف عادل چارٹرڈ اکاؤنٹنٹس کو کمپنی کے بیرونی آڈیٹرز کے طور پر تفریحی کی تجویز دی 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

Navin Merchant

مزنوین سلیم مرچنٹ

ڈائریکٹر

کراچی

24 اگست 2023



## اندرونی فنانشل کنٹرول پر دسترس:

کمپنی میں ایک مناسب داخلی مالیاتی کنٹرول سسٹم ہے اور اسی طرح 30 جون 2023 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۔

1. کمپنی کے مکمل آپریشن شفاف طریقہ کار کے مطابق کئے جاتے ہیں۔
2. انٹری ائرز قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔
3. انٹری ائرز کاروباری اثاثوں اور اندرونی معلومات کسی بھی غیر مناسب استعمال سے محفوظ ہیں۔

## ہولڈنگ کمپنی:

آپ کی کمپنی میسرس اوتسو کا فارماسیو نیگل کمپنی لمیٹڈ کی بلا واسطہ ماتحت کمپنی ہے جسے جاپان میں قائم کیا گیا ہے۔

## واقعات بعد از نتائج:

سوائے مذکورہ بالا معاملات کے، مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حالت کو متاثر کرنے والی کوئی دوسری مادی تبدیلیاں یا دیگر کاروباری وعدے نہیں کیے گئے 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 ہوتے نہیں دیکھ رہے ہیں جیسا کہ 30 جون 2023 تک تھا۔

## کاروبار کی نوعیت میں ہونے والی تبدیلیاں

کمپنی مستقبل قریب میں مزید نئی مصنوعات متعارف کرانے کا ارادہ رکھتی ہے اس کے باوجود ہمارے کاروبار کی بنیادی نوعیت میں کوئی تبدیلی نہیں آئے گی۔

## مستقبل کا نقطہ نظر

مارکیٹ میں قیمتوں کی شدید جنگ ہے تاہم، آپ کی کمپنی پروڈکٹ کے مارکیٹ شیئر حاصل کرنے کے لئے کٹ تھروٹ مسابقت کی وجہ سے معیار اور اچھی سروس کی بنیاد پر اپنے مارکیٹ شیئر کو بڑھانے کے لئے اپنی حکمت عملیوں کو مسلسل ایڈجسٹ کر رہی ہے۔ مزید یہ کہ کمپنی نے کلینیکل نیوٹریشن اور نیوٹریشنل نیوٹریسیوٹیکل پر توجہ مرکوز کرتے ہوئے اپنی مصنوعات کی لائنوں کو متنوع بنانے کا منصوبہ بنایا ہے۔

## پروڈکشن ایریا

کمپنی اپنے معیار میں بہتری کے لئے اچھی مینوفیکچرنگ پروسیسز کے تحت سرمایہ کاری کرنے کا بھی منصوبہ بنا رہی ہے۔ ہمیں کمپنی کی نئی اور موجودہ مصنوعات کی کارکردگی پر یقین ہے اور ہم اس کی ترقی کو جاری رکھنے کے لئے ضروری کوشش کریں گے۔

## اہم رجحانات، پیش رفت مستقبل کی کارکردگی کو متاثر کرنے کے امکانات:

ملک کے موجودہ سیاسی اور معاشی حالات ادویات سازی کی صنعت کے لئے سازگار نہیں ہیں جہاں نگران حکومت نے ملک کی باگ ڈور سنبھالی ہے اور عام انتخابات پر توجہ مرکوز رہے گی۔ ہم اس عرصے کے دوران بہت زیادہ معاشی سرگرمی کی پیش گوئی کر رہے ہیں جب تک کہ نیا جمہوری سٹیپ اپ کنٹرول نہیں کر لے گا۔ اس کے علاوہ کم از کم اجرت، اینڈھن اور یوٹیلیٹی کی قیمتوں میں متوقع اضافہ کمپنی کی آپریٹنگ لاگت میں مزید اضافہ کرے گا۔ مزید برآں، ملک کے کم ہوتے غیر ملکی ذخائر بینکوں کو نان ٹیرف پابندیوں کے ذریعے درآمدات کو روکنے پر مجبور کریں گے جس سے کمپنی کی پیداواری سرگرمیوں میں بگاڑ پیدا ہو سکتا ہے۔

آنے والے سال میں، کمپنی کو خام، پیکنگ اور دیگر متعلقہ اشیاء کی قیمتوں میں غیر معمولی اضافے کا سامنا کرنا پڑے گا۔ مزید برآں مرکزی بینک کی شرح سود اور افراط کی وجہ سے زر کی سطح کمپنی کی افادیت، مزدوری، نقل و حمل اور مالیاتی لاگت میں بھی اضافہ کرے گی۔ ہم آئندہ سال میں بھی پاک روپے کی غیر معمولی گراؤ کی وجہ سے زر مبادلہ کے نقصانات کا اندازہ لگاتے ہیں۔ تمام تر مشکلات کے باوجود، کمپنی اپنی پروڈکٹ لائن میں مزید ویڈیو ایڈڈ مصنوعات شامل کر کے اپنے اہداف حاصل کرنے کے لئے پوری طرح پر عزم ہے۔

سی ای اوکل وقتی کام کرنے والی تنخواہوں اور کمپنی کے فوائد کا حقدار ہے جیسا کہ بورڈ آف ڈائریکٹرز نے تجویز کیا ہے جس کی کمپنی کے شیئرز ہولڈرز کی طرف سے منظوری دی گئی ہے۔

- مسز میکو بینڈو کے متبادل ڈائریکٹر کے طور پر میننگ میں شرکت کے لیے مسز توفیق فیروز کو میننگ فیس -/ 80,000 روپے ادا کیے گئے۔

## رسک مینجمنٹ:

کمپنی کا رسک مینجمنٹ انفراسٹرکچر رسک مینجمنٹ فریم ورک کی بنیاد پر ہے جس میں اسٹریٹجک، آپریشنل، کپلائنس اور مالیاتی رپورٹنگ کے خطرات شامل ہیں۔ مضبوط کنٹرول اور خطرے کی نشاندہی کرنے والی پالیسیاں تیار کی گئی ہیں۔ کمپنی نے اپنے عملے کو ان تمام پالیسیوں اور طریقہ کار کے رہنما خطوط کے بارے میں اچھی طرح سے آگاہ کیا ہے۔ بورڈ نے آپریٹنگ کنٹرول کے ان تمام طریقہ کار کی جانچ اور تصدیق کے لیے اندرونی آڈٹ فنکشن کو آڈٹ سوس کیا ہے۔

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

ہیومن ریسورس و معاوضہ کمیٹی		آڈٹ کمیٹی میننگ		بورڈ میننگ		ڈائریکٹر ان کے نام
حاضری	چیریٹیڈ کے دوران ہونے والی میننگ	حاضری	چیریٹیڈ کے دوران ہونے والی میننگ	حاضری	سال کے دوران ہونے والی میننگ	
2	2	نا قابل اطلاق	4	4	4	حنیف ستار (ڈائریکٹر اینڈ سی ای او)
2	2	4	4	4	4	مہتاب الدین فیروز
نا قابل اطلاق	2	نا قابل اطلاق	4	2	4	میکو بانڈو چیئرمین
نا قابل اطلاق	2	نا قابل اطلاق	4	1	4	سوباری مکتی
2	2	4	4	4	4	کوچی او کاڈا
نا قابل اطلاق	2	2	4	2	4	عابد حسین آزاد ڈائریکٹر
2	2	نا قابل اطلاق	4	4	4	مسز نوین سلیم مرچنٹ آزاد ڈائریکٹر
نا قابل اطلاق	2	نا قابل اطلاق	4	2	4	محمد توفیق فیروز (1)
نا قابل اطلاق	2	نا قابل اطلاق	4	3	4	ساجد علی خان (2)

(1) متبادل ڈائریکٹر برائے جناب میکو بانڈو

(2) متبادل ڈائریکٹر برائے جناب سوہاری مکتی

## حصص داروں کا پیئرن:

کمپنی کی حصص داروں کا پیئرن برائے اختتامی سال 30 جون 2023 اس رپورٹ کے ساتھ منسلک ہے۔

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

سال کے دوران ڈائریکٹرز، ایگزیکٹوز اور ان کی شریک حیات اور نابالغ بچوں کی جانب سے حصص کی تجارت کی کوئی اطلاع نہیں دی گئی۔

## کارپوریٹ سماجی ذمہ داری:

کمپنی مجموعی کاروباری ماحول کے تناظر میں سماجی، ماحولیاتی اور اخلاقی معاملات پر غور کرتی ہے اور اس نے اپنی کارپوریٹ سماجی ذمہ داری کے حصے کے طور پر مختلف اداروں کو ادویات کی شکل میں مالی اور غیر مالیاتی عطیات ادا کیے ہیں۔ کمپنی تمام اسٹیک ہولڈرز، خاص طور پر اس کمیونٹی کے بہترین مفاد میں کام کرنے کے لیے پرعزم ہے جس میں ہم رہتے ہیں اور اپنا کسٹمر میں تشکیل دیتے ہیں۔



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

درجہ بندی	نام	جنس
ایگزیکٹو ڈائریکٹر	جناب حنیف ستار (سی ای او)	مرد
نان ایگزیکٹو ڈائریکٹر	جناب مکینو بانڈو (چیئر مین) جناب مہتاب الدین فیروز جناب کوچی او کاڈا جناب سوہاری کتی	مرد
آزاد ڈائریکٹر	جناب عابد حسین مسز نوین سلیم مرچنٹ	مرد خاتون

مسز توفیق فیروز مسز مکینو بانڈو کے متبادل ڈائریکٹر ہیں۔  
مسز ساجد علی خان مسز سوہاری کتی کے متبادل ڈائریکٹر ہیں۔

بورڈ کمیٹی:

بورڈ کی ذیلی کمیٹیاں	ممبر کا نام
آڈٹ کمیٹی	جناب عابد حسین (چیئر مین) جناب کوچی او کاڈا جناب مہتاب الدین فیروز
ہیومن ریسورسز و معاوضہ اور تازگی کمیٹی	مسز نوین سلیم مرچنٹ (چیئر پرسن) جناب کوچی او کاڈا جناب مہتاب الدین فیروز جناب حنیف ستار
ریسک مینجمنٹ کمیٹی	جناب عابد حسین (چیئر مین) جناب کوچی او کاڈا جناب حنیف ستار جناب ساجد علی خان

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 اور اس کی کمیٹی کے اجلاسوں میں شرکت کیلئے معاوضے کی مدد میں مقررہ فیس وصول کر چکے ہیں۔

عہدے	نام	معاوضے کی تفصیلات	پاکستانی روپے '000
ایگزیکٹو ڈائریکٹر	حنیف ستار (سی ای او)	*** گواہی اور مراعات	20,983
نان ایگزیکٹو ڈائریکٹر	مکینو بانڈو چیئر مین	قابل اطلاق نہیں	NIL
	مہتاب الدین فیروز	کمیٹی فیس	3,888
	کوچی او کاڈا	* قابل اطلاق نہیں	NIL
	سوہاری علی	قابل اطلاق نہیں	NIL
آزاد ڈائریکٹر	جناب عابد حسین	میٹنگ فیس	160
	مسز نوین سلیم مرچنٹ	میٹنگ فیس	160

## اختصاصات:

کمپنی کو ٹیکس کے بعد 7.2 بلین روپے کا نقصان ہوا اور بورڈ 3 جون 2023 کو ختم ہونے والے سال کے لئے 15 فیصد ڈیویڈنڈ (1.50 روپے فی شیئر تجویز کرنے پر خوش ہے، جو کہ سالانہ جنرل میٹنگ میں شیئر ہولڈرز کی منظوری سے مشروط ہے۔ آئندہ سالانہ عام اجلاس 12 اکتوبر 2023 کو منعقد ہونا ہے۔

## آمدنی/(خسارہ) فی حصص:

30 جون 2023 کو ختم ہونے والے سال کے لئے فی شیئر نقصان 0.60 روپے ہے۔ (2022 میں 19.16 روپے کے منافع میں تھا)۔

## 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 متعلقہ آڈٹ شدہ کھاتوں پر مبنی بینک ڈپازٹس، ٹریڈری سٹی مارکیٹ گورنمنٹ سیکیورٹیز میں سرمایہ کاری کی قدر ذیل میں دی گئی ہے:

پروویڈنٹ فنڈ	=/ 212,254,996 روپے
گریجویٹ فنڈ	=/ 121,064,544 روپے

## 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 آپریٹنگ نتائج، کیش فلوز اور ایکویٹی میں تبدیلی شامل ہیں۔

2- کمپنی کے کھاتوں کی تیاری میں مناسب دیکھ اور احتیاط درکار کھی گئی ہے۔

3- مناسب اور رائج اکاؤنٹنگ پالیسیاں مستقل بنیادوں پر نقل 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 نقل 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۔

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 2023 تک کمپنی ٹیکس ڈیویڈنڈ 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:

بورڈ آف ڈائریکٹرز نے ڈائریکٹرز کی تعداد سات مقرر کی تھی جس میں دو (2) آزاد ڈائریکٹرز شامل ہیں جو کمپنی کے اقلیتی شیئر ہولڈرز کی نمائندگی

کریں گے۔ ان سبھی کو گزشتہ سال تین سال کی مدت کے لیے منتخب کیا گیا تھا جس کا آغاز 01 نومبر 2021 سے ہوا۔ یہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ

گورننس) ریگولیشنز 2019 کی دفعات کے مطابق بھی ہے،



## ڈائریکٹرز رپورٹ

ڈائریکٹرز 30 جون 2023 کو ختم ہونے والے سال کے لیے اوسٹوکا پاکستان لمیٹڈ (کمپنی) کی سالانہ رپورٹ پیش کرتے ہوئے خوش ہیں۔  
ڈائریکٹرز کی یہ رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے مطابق تیار کی گئی ہے۔  
یہ رپورٹ 12 اکتوبر 2023 کو منعقد ہونے والی کمپنی کی ہسٹینسیوسٹی سٹانڈن جرنل میٹنگ میں ممبران کو پیش کی جائے گی۔

### صنعت کا جائزہ

ایک نامور فرم کی عالمی فارما ریسرچ کے شائع کردہ اعداد و شمار کے مطابق، پاکستان میں فارماسیوٹیکل انڈسٹری کا تخمینہ اس وقت 725 ارب روپے ہے جس کی سالانہ شرح نمو 12.82 فیصد ہے۔ اس کے جغرافیائی محل وقوع کی وجہ سے مقامی طور پر پاکستانی مصنوعات کی برآمد کے بہت سارے مواقع موجود ہیں۔

### کاروباری جائزہ:

جاری سیاسی اچھل پھل اور غیر متعاد مائیکرو/مالی پالیسیوں کی وجہ سے منفی معاشی حالات، پاک روپے کی قدر میں کمی اور مہنگائی کی ریکارڈ تیز سطحوں نے کمپنی کے منافع میں زبردست کمی کی ہے۔

کمپنی نے فروخت میں 6 فیصد کی معمولی ترقی حاصل کی تھی۔ فروخت میں اضافہ بنیادی طور پر قیمتوں میں اضافے اور صارفین کو دی جانے والی رعایت کی معقولیت سے منسوب ہے۔ تاہم، روس، یوکرین جنگ کے نتیجے میں یورپ بھر میں تھیس کی سپلائی کی قلت کی وجہ سے سپلائی چین میں رکاوٹوں کی وجہ سے طبعی آلات کا طبقہ اب بھی دباؤ میں ہے۔

کمپنی کی فروخت کی لاگت میں 24 فیصد کا اضافہ ہوا تھا جس کے نتیجے میں مجموعی منافع کے مارجن میں سال کے دوران 32 فیصد سے 21 فیصد تک کمی واقع ہوئی تھی۔ یہ اضافہ خاص طور پر پاک روپے کی قدر میں کمی اور ایندھن، بجلی اور تھیس کی قیمتوں میں اضافے کے مطابق خام/ایٹیگ۔ میٹریل کی قیمتوں میں اضافے کی وجہ سے ہوا ہے۔

چھٹلے سال کے دوران کمپنی نے فروخت اور تقسیم کے اخراجات ریکارڈ کیے جنہیں صرف 3 فیصد کے معمولی اضافے کے ساتھ کنٹرول میں رکھا گیا۔ مزید برآں، انتظامی اخراجات کو سختی سے کنٹرول کیا گیا اور گزشتہ سال کے مقابلے میں 10 فیصد تک کمی کی گئی۔ کمپنی کی دیگر آمدنی میں ایک پرانی مشین کی فروخت کی وجہ سے 87 فیصد کا قابل ذکر اضافہ ہوا۔

سال کے دوران آرٹھیڈیکٹ ٹھنڈے کے امپلائمنٹس/کنٹری پر 19.5 ملین روپے کا نقصان بھی ریکارڈ کیا گیا۔ مزید برآں، اسکرپ کی فروخت میں 41 فیصد کا اضافہ ہوا ہے اور کمپنی کے واحد جنوبی ڈسٹری بیوٹر (ہسپتال سپلائی کارپوریشن) سے ویرسے اور اینٹی کے سوڈ کے چارجز میں بھی 235 فیصد کا اضافہ ہوا ہے۔  
گزشتہ سال کے دوران دیگر اخراجات میں 68 فیصد اضافہ ہوا ہے خاص طور پر خالص فیکرنگی زر مبادلہ کا نقصان 192 ملین روپے تھا جو گزشتہ سال 75 ملین روپے ریکارڈ کیا گیا تھا۔ چھٹلے سال کے دوران تھیس کے بعد خالص نقصان کی وجہ سے ورکر ویلفیئر فنڈ، ورکر پرفارمنس پارسیٹیویشن فنڈ، میٹریل ریسرچ فنڈ کے لئے کوئی خرچ ریکارڈ نہیں کیا گیا۔ سال کے دوران بینک مارک اپ کی شرح 12.25 فیصد سے 22 فیصد تک بڑھانے کی وجہ سے کمپنی کی مالی لاگت می 864 فیصد کا زبردست اضافہ دیکھنے میں آیا۔ مزید یہ کہ کمپنی نے لائن-2 کھولت کی دوبارہ تنصیب کے لئے اپنا ورکنگ کپٹیل استعمال کیا تھا جس سے کمپنی کی ورکنگ کپٹیل کی ضرورت میں اضافہ ہوا تھا۔

### ساشے (ORS) "ORTie"

نیوٹراسیوٹیکل زمرے میں مذکورہ بالا پروڈکٹ کو کمپنی نے اپریل 2023 میں لانچ کیا تھا۔ ہمیں مارکیٹ سے اس نئی پروڈکٹ کے بارے میں بہت مثبت تاثرات موصول ہوئے ہیں۔

### مالیاتی نتائج

2023	2022	
(روپے ملین میں)		
28,352	364,629	منافع/نقصان قبل از ٹیکس
21,145	*(132,832)	ٹیکس کی فراہمی
7,207	231,797	منافع/نقصان بعد از ٹیکس
9,886	(1,630)	دیگر چارج آمدنی/(نقصانات)
2,679	230,167	
591,994	379,977	سال کیلئے مجموعی کل آمدنی/نقصان
(18,150)	(18,150)	30 جون 2022 کو ختم ہونے والے سال کے لیے حتمی نتائج
576,523	591,994	گزشتہ سال کا جمع کردہ کل مربوط منافع

\* اس میں سپر ٹیکس 10% (42 ملین روپے) بھی شامل ہے جو ٹیکس سال 2022 کے لیے فارماسیوٹیکل سیکٹر پر عائد کیا گیا ہے۔

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

Name of Company: Otsuka Pakistan Limited  
Year ended: June 30, 2023

The Company, has complied with the requirements of the Regulations 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 of Directors (the Board) is as follows:

Category	Names
Independent directors*	Mr. Abid Hussain 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 Office

\* The requirement of Independent Directors is at least two or one-third of members of the Board whichever is higher, two independent directors were appointed / elected on the Company's Board and the fraction of 0.33 was not rounded up as one since the Board considers that the two Independent Directors have adequately protected the interests of the minority shareholders.

- 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 their date of approval 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 the Board;
- 8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act 2017 and these Regulations;
- 9. The following directors have acquired the prescribed Directors' Training Program (DTP) certification:

a. **Ms. Navin Salim Merchant**

*Two directors are exempt from Directors Training Program as they have the requisite education and experience.*



10. There was no fresh appointment of Chief Financial Officer (CFO), Company Secretary (CS) and Head of Internal Audit (HOIA) during the year ended June 30, 2023. The Board has approved appointment of CFO, CS and HOIA, 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 had 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. Abid Hussain	Chairman
Mr. Koichi Okada	Member
Mr. Mehtabuddin Feroz	Member
  - b) **Human Resource Remuneration & Nomination Committee:**

Mrs. Navin Salim Merchant	Chairperson
Mr. Koichi Okada	Member
Mr. Mehtabuddin Feroz	Member
Mr. Hanif Sattar	Member
  - c) **Risk Management Committee:**

Mr. Abid Hussain	Chairman
Mr. Koichi Okada	Member
Mr. Hanif Sattar	Member
Mr. Sajid Ali Khan	Secretary
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committees were as per the following:
  - a) **Audit Committee:** Quarterly
  - b) **Human Resource Remuneration & Nomination Committee:** Yearly
  - c) **Risk Management Committee:** As and when needed
15. The Board has outsourced the internal audit function to M/s. Saud Tariq & Co. Chartered Accountants, who 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 and 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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. All the directors of the Company had attended the Annual General Meeting.

20. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

S. No.	Non-Mandatory Requirement	Reg No.	Explanation
1.	<b>Directors' Training Program (DTP)</b>  It is encouraged that by June 30, 2022 all the directors on their Boards have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	19	Currently one director has attained DTP certification and two directors qualify for exemption. The Company is encouraging and planning to arrange DTP certification for the remaining directors.

For and behalf of the board



**Hanif Sattar**  
Chief Executive Officer



**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, 2023 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. 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.

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, 2023.

  
**Chartered Accountants**

**Place:** Karachi  
**Date:** September 07, 2023  
**UDIN:** CR202310091RdFMoClew

## 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, 2023, 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, 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 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, 2023 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

##### Basis for Opinion

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

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current 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 are the Key audit matters.

S. No.	Key audit matter	How the matter was addressed in our audit
1.	<p><b>Valuation of stock-in-trade</b></p> <p>(Refer notes 4.4 and 10 to the Company's financial statements)</p> <p>As at June 30, 2023, the Company held stock-in-trade of Rs. 1,063.97 million, which is 46.48% of total assets and is net of provision for slow moving, obsolete and damaged stock of Rs. 35.90 million.</p>	<p>Our audit procedures in relation to valuation of stock-in-trade, amongst others, include the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of policies and procedures followed by the Company with respect to valuation of stock-in-trade and evaluated the design and implementation of controls;</li> </ul>



S. No.	Key audit matter	How the matter was addressed in our audit
	<p>We focused on stock-in-trade as it is a significant portion of Company's total assets and it requires management judgement with respect to determination of net realizable value and obsolescence of stock.</p>	<ul style="list-style-type: none"> <li>• Assessed appropriateness of the Company's accounting policies for valuation of stock-in-trade and compliance of those policies with accounting and reporting standards as applicable in Pakistan;</li> <li>• On a sample basis, verified supporting documents for purchases of stock-in-trade and the production costs;</li> <li>• Tested on a sample basis, management's assessment of the net realizable value of stock-in-trade by comparing to its subsequent sales prices;</li> <li>• Tested provision recorded for obsolete stock-in-trade to ensure that whether it was as per the policy of the Company; and</li> <li>• Assessed the adequacy and appropriateness of the related disclosures in the financial statements for compliance with the requirements of the applicable financial reporting framework.</li> </ul>
2.	<p><b>Revenue recognition</b></p> <p>(Refer notes 4.12 and 25 to the Company's financial statements)</p> <p>The Company's revenue is primarily generated from sales of pharmaceutical products. The Company recognised revenue of Rs. 3,035.085 million from the sale of goods to customers during the year.</p> <p>Revenue recognition includes determination of sales prices in accordance with the regulated price regime of the Government and transfer of control of products sold to customers. Further, discounts and claims in respect of revenue recognised are provided to customers.</p> <p>Taking into account that revenue recognition is a key performance indicator for the Company and higher risk area, we considered this as a key audit matter.</p>	<p>Our audit procedures in relation to revenue recognition, amongst others, include the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of determination of sales prices in accordance with policies of Drug Regulatory Authority of Pakistan (DRAP);</li> <li>• Tested on sample basis selling prices of regulated pharmaceutical products to ensure compliance with DRAP pricing policies;</li> <li>• Obtained an understanding of and testing the design and effectiveness of controls designed to ensure that revenue is recognised in the appropriate accounting period as per the contract terms with the customers;</li> <li>• Checked the discounts and claims offered by the Company to its customers on sample basis;</li> <li>• Inspected contracts on sample basis to obtain an understanding of contract terms particularly relating to timing and the customer's acceptance of the products and assessing the Company's accounting policies for recognition of revenue with reference to the requirements of the prevailing accounting standards;</li> <li>• Tested on sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation, including the customer's acknowledgement of acceptance to assess whether revenue had been recognised in the appropriate period; and</li> <li>• Assessed the adequacy and appropriateness of the related disclosures in the financial statements for compliance with the requirements of the applicable financial reporting framework.</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, 2023, 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 07, 2023

UDIN: AR202310091riz3BySfa

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023

	2023	2022
Note	Rupees in '000	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5 413,481	270,910
Intangible assets	6 1,092	1,876
Long-term loans	7 7,426	8,186
Long-term deposits	3,691	2,335
Deferred tax asset - net	8 115,636	80,700
	<u>541,326</u>	<u>364,007</u>
<b>Current assets</b>		
Stores and spares	9 50,315	40,852
Stock-in-trade	10 1,063,968	928,446
Trade debts	11 379,677	216,177
Loans and advances	12 65,379	116,152
Trade deposits, short-term prepayments and other receivables	13 23,283	29,232
Sales tax refundable	14 90,263	97,831
Advance tax - net	54,315	-
Short-term investment	15 14,610	-
Bank balances	16 5,828	53,211
	<u>1,747,638</u>	<u>1,481,901</u>
<b>Total assets</b>	<u><u>2,288,964</u></u>	<u><u>1,845,908</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	17 121,000	121,000
Revenue reserves	576,523	591,994
<b>Total equity</b>	<u>697,523</u>	<u>712,994</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Long-term finance	18 -	-
Deferred government grant	-	-
Lease liability	19 6,792	3,092
	<u>6,792</u>	<u>3,092</u>
<b>Current liabilities</b>		
Short-term loan from a related party	20 498,075	376,150
Trade and other payables	21 609,556	619,922
Current portion of long-term finance	18 -	24,661
Current portion of deferred government grant	-	612
Current portion of lease liability	19 1,268	534
Unclaimed dividend	1,765	1,589
Short-term running finance	22 451,183	96,062
Provision for taxation - net	-	9,069
Mark-up accrued	23 22,802	1,223
	<u>1,584,649</u>	<u>1,129,822</u>
<b>Total equity and liabilities</b>	<u><u>2,288,964</u></u>	<u><u>1,845,908</u></u>
<b>Contingencies and Commitments</b>		
24		

The annexed notes from 1 to 48 form an integral part of these financial statements.

  
**Hanif Sattar**  
Chief Executive Officer

  
**Navin Merchant**  
Director

  
**Sajid Ali Khan**  
Chief Financial Officer



## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees in '000	2022
Sales - net	25	3,035,085	2,851,733
Cost of sales	26	(2,391,174)	(1,925,157)
Gross profit		<u>643,911</u>	<u>926,576</u>
Selling and distribution expenses	27	(359,266)	(348,173)
Administrative and general expenses	28	(127,233)	(141,853)
(Provision) / reversal of provision against doubtful trade debts	11.1.1	(11,724)	6,097
		<u>145,688</u>	<u>442,647</u>
Other income	29	101,874	54,535
		<u>247,562</u>	<u>497,182</u>
Other expenses	30	(211,691)	(125,888)
Operating profit		<u>35,871</u>	<u>371,294</u>
Finance cost	31	(64,223)	(6,665)
<b>(Loss) / profit before taxation</b>		<u>(28,352)</u>	<u>364,629</u>
Taxation - net	32	21,145	(132,832)
<b>(Loss) / profit for the year</b>		<u>(7,207)</u>	<u>231,797</u>
		<u>----- Rupees -----</u>	
<b>(Loss) / earnings per share - basic and diluted</b>	33	<u>(0.60)</u>	<u>19.16</u>

The annexed notes from 1 to 48 form an integral part of these financial statements.

  
Hanif Sattar  
Chief Executive Officer

  
Navin Merchant  
Director

  
Sajid Ali Khan  
Chief Financial Officer

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022
	Note --- Rupees in '000 ---	---
<b>(Loss) / profit for the year</b>	<b>(7,207)</b>	<b>231,797</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 / (loss) on defined benefit plan	36.1.4 <b>13,924</b>	<b>(2,296)</b>
Tax on remeasurement of defined benefit plan	8.1 <b>(4,038)</b>	<b>666</b>
	<b>9,886</b>	<b>(1,630)</b>
<b>Total comprehensive income for the year</b>	<b>2,679</b>	<b>230,167</b>

The annexed notes from 1 to 48 form an integral part of these financial statements.

  
**Hanif Sattar**  
Chief Executive Officer

  
**Navin Merchant**  
Director

  
**Sajid Ali Khan**  
Chief Financial Officer



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2023

	Issued, subscribed and paid-up capital	Revenue reserves		Sub-total	Total equity
		General reserve	Unappropriated profit		
----- Rupees in '000 -----					
<b>Balance as at July 01, 2021</b>	121,000	341,980	37,997	379,977	500,977
Profit for the year ended June 30, 2022	-	-	231,797	231,797	231,797
Other comprehensive income for the year					
Remeasurement loss on defined benefit plan	-	-	(2,296)	(2,296)	(2,296)
Tax on remeasurement of defined benefit plan	-	-	666	666	666
	-	-	(1,630)	(1,630)	(1,630)
Total comprehensive income for the year	-	-	230,167	230,167	230,167
Final dividend for the year ended June 30, 2021 @ Rs.1.50 per share	-	-	(18,150)	(18,150)	(18,150)
<b>Balance as at June 30, 2022</b>	<b>121,000</b>	<b>341,980</b>	<b>250,014</b>	<b>591,994</b>	<b>712,994</b>
Loss for the year ended June 30, 2023	-	-	(7,207)	(7,207)	(7,207)
Other comprehensive income for the year					
Remeasurement gain on defined benefit plan	-	-	13,924	13,924	13,924
Tax on remeasurement of defined benefit plan	-	-	(4,038)	(4,038)	(4,038)
	-	-	9,886	9,886	9,886
Total comprehensive income for the year	-	-	2,679	2,679	2,679
Transfer to general reserve	-	150,000	(150,000)	-	-
Final dividend for the year ended June 30, 2022 @ Rs.1.50 per share	-	-	(18,150)	(18,150)	(18,150)
<b>Balance as at June 30, 2023</b>	<b>121,000</b>	<b>491,980</b>	<b>84,543</b>	<b>576,523</b>	<b>697,523</b>

The annexed notes from 1 to 48 form an integral part of these financial statements.

  
**Hanif Sattar**  
Chief Executive Officer

  
**Navin Merchant**  
Director

  
**Sajid Ali Khan**  
Chief Financial Officer

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
Note	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	38 <b>24,613</b>	120,463
Taxes paid - net	<b>(81,213)</b>	(51,937)
Interest paid	<b>(40,249)</b>	(4,620)
Long-term deposits - net	<b>(1,356)</b>	(998)
Long-term loans - net	<b>760</b>	(603)
Workers Profit Participation Fund paid	<b>(20,407)</b>	(25,881)
Compensated absences paid	<b>(4,755)</b>	(1,844)
Paid to staff retirement benefit fund	<b>(6,459)</b>	(11,950)
<b>Net cash flows (used in) / generated from operating activities</b>	<b>(129,066)</b>	22,630
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	<b>(247,282)</b>	(61,680)
Purchase of intangible asset	<b>-</b>	(1,288)
Proceeds from disposal of property, plant and equipment	<b>34,084</b>	16,183
<b>Net cash flows used in investing activities</b>	<b>(213,198)</b>	(46,785)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	<b>(17,974)</b>	(19,747)
Repayment of long-term finance	18 <b>(25,473)</b>	(26,720)
Payment of lease liabilities	19.3 <b>(2,183)</b>	(16,733)
<b>Net cash flows used in financing activities</b>	<b>(45,630)</b>	(63,200)
<b>Net decrease in cash and cash equivalents</b>	<b>(387,894)</b>	(87,355)
Cash and cash equivalents at the beginning of the year	<b>(42,851)</b>	44,504
<b>Cash and cash equivalents at the end of the year</b>	34 <b>(430,745)</b>	(42,851)

The annexed notes from 1 to 48 form an integral part of these financial statements.

  
**Hanif Sattar**  
Chief Executive Officer

  
**Navin Merchant**  
Director

  
**Sajid Ali Khan**  
Chief Financial Officer



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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 equipment.

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

#### 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 / AMENDMENTS AND IFRS INTERPRETATIONS

#### 2.4.1 Amendments to accounting standards that are effective for the year ended June 30, 2023

The following amendments are effective for the year ended June 30, 2023. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - cost of fulfilling a contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

#### 2.4.2 Amendments to accounting standards that are not yet effective

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional

	<b>Effective from accounting period beginning on or after</b>
- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
- Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
- Amendments to IAS 12 'Income taxes' - International Tax Reform - Pillar Two Model Rules	January 01, 2023
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
- Amendments to IFRS 16 'Leases' - Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
- Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 Financial instruments: Disclosures' - Supplier Finance Arrangements	January 01, 2024
- Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid amendments, 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 JUDGEMENTS

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgements, 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 judgements 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 revision and future periods if the revision affects both current and future periods. Information about the judgements made by 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 11.1);
- Residual values, useful lives and depreciation rates of operating fixed assets (notes 4.1 and 5.1);
- 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 36);
- Provision for taxation and realisability of deferred tax asset (notes 4.11, 8 and 32);
- Provisions and contingencies (notes 4.8 and 24); and
- Revenue recognition (notes 4.12 and 25).

### 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.



#### 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 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 month 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 option.

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 in current accounts, short-term investments 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).

#### **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 amount 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.

#### **4.6.2 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.

#### **4.6.3 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

- 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;
- 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 the 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 Government grants**

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grant will be received. The benefit of a long-term finance at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants related to long-term finances are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as finance cost related to long term finances at market rate of interest.

#### **4.15 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 shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

#### **4.16 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.

#### **4.17 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.

#### **4.18 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.

#### **4.19 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.





Year ended June 30, 2022

Particulars	Leasehold land (Note 5.8)	Right-of-use- asset (Note 5.9)	Building on leasehold land (Note 5.8)	Plant and machinery (Notes 5.5 and 5.8)	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
As at July 1, 2021								
Cost	3,953	15,171	340,639	969,047	59,972	47,224	17,533	1,453,539
Accumulated depreciation	(1,309)	(10,431)	(274,303)	(802,874)	(52,608)	(19,730)	(10,450)	(1,171,705)
Accumulated impairment	-	-	-	(6,738)	-	-	-	(6,738)
Net book value	2,644	4,740	66,336	159,435	7,364	27,494	7,083	275,096
Year ended June 30, 2022								
Opening net book value	2,644	4,740	66,336	159,435	7,364	27,494	7,083	275,096
Additions	-	20,323	-	23,373	15,153	14,989	1,570	75,418
Transfer from capital work-in-progress (note 5.7.1)	-	-	-	21,894	1,087	-	-	22,981
Disposals / write-offs / termination of lease	-	-	-	-	-	-	-	-
Cost	-	(15,171)	(2,038)	(20,243)	(6,373)	(13,229)	(131)	(57,186)
Accumulated depreciation	-	15,171	2,038	20,243	6,360	4,972	131	48,915
Depreciation charge	(40)	(7,913)	(23,851)	(53,508)	(5,821)	(6,515)	(2,177)	(99,826)
Closing net book value	2,604	17,150	42,485	151,194	17,770	27,721	6,476	265,400
As at June 30, 2022								
Cost	3,953	20,323	338,601	994,071	69,839	48,994	18,972	1,494,753
Accumulated depreciation	(1,349)	(3,173)	(296,116)	(836,139)	(52,069)	(21,273)	(12,496)	(1,222,615)
Accumulated impairment	-	-	-	(6,738)	-	-	-	(6,738)
Net book value	2,604	17,150	42,485	151,194	17,770	27,721	6,476	265,400
Depreciation ratio per annum	1.01%	50%	5% - 10%	10% - 50%	10% - 33%	20%	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. meters)
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. 665.206 million (2022: Rs. 569.96 million).

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

	2023	2022
	----- Rupees in '000 -----	
		Note
Cost of sales	84,800	87,188
Selling and distribution expenses	2,535	2,152
Administrative and general expenses	10,586	10,485
	<u>97,921</u>	<u>99,825</u>

5.5 Plant and machinery included Orthopedic kits, power tool sets and femoral holders which were impaired by Rs. 6.738 million during financial year ended June 30, 2021 due to the decision by management to liquidate the orthopedic implants business. During the year, these assets were disposed-off by the Company along with the remaining stock of Orthopedic Implants to Science and Development Medical Supplies.

5.6 The details of operating fixed assets disposed during the year having net book value above Rupees five hundred thousand 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>							
<b>Plant &amp; Machinery</b>							
BFS-II	3,861	860	2,981	10,000	7,019	Negotiations	ISIS Pharmaceuticals & Chemical Works
<b>Vehicles</b>							
Honda BRV	3,592	958	2,634	3,927	1,293	Auction	Wasim Mirza
Toyota Yaris	4,056	-	4,056	3,240	(816)	Agreement	Sale and leaseback
	<u>11,509</u>	<u>1,838</u>	<u>9,671</u>	<u>17,167</u>	<u>7,496</u>		
June 30, 2023							
	6,813	-	6,813	7,092	279		
June 30, 2022							

5.7 **Capital work-in-progress**

	2023	2022
	----- Rupees in '000 -----	
		Note
Stores and spares held for capital expenditure	4,188	3,475
Plant and machinery	198,479	2,035
	<u>202,667</u>	<u>5,510</u>



## 5.7.1 Movement in capital work in progress

	2023			
	Opening	Additions during the year	Transfers during the year	Closing
	----- Rupees in '000 -----			
Stores and spares held for capital expenditure	3,475	12,427	(11,714)	4,188
Plant and machinery (note 5.7.2)	2,035	196,444	-	198,479
	<b>5,510</b>	<b>208,871</b>	<b>(11,714)</b>	<b>202,667</b>
	-----			
	2022			
	Opening	Additions during the year	Transfers during the year	Closing
	----- Rupees in '000 -----			
Stores and spares held for capital expenditure	3,844	4,283	(4,652)	3,475
Plant and machinery	18,062	2,302	(18,329)	2,035
	<b>21,906</b>	<b>6,585</b>	<b>(22,981)</b>	<b>5,510</b>

5.7.2 The weighted average interest rate for capitalized borrowing cost in the year was 20.87% (2022: Nil). The capitalized borrowing cost during the year amounts to Rs. 9.38 million (2022: Nil).

5.8 These are kept as collateral with a bank under pari-passu charge for obtaining short-term financing. Details are provided in note 22.1.

5.9 This includes head office building acquired on lease by the Company for a period of 24 months starting from February 16, 2020, which expired on Feb 15, 2022 and the Company has renewed lease agreement for another period of 24 months starting from February 16, 2022. The Company has made advance payment of lease rentals for the entire term of the lease. This also includes amount pertaining to right of use asset of leased vehicles.

5.10 Subsequent to the year end, upgradation of line-II project is completed and transferred to operating fixed assets.

	Note	2023	2022
		----- Rupees in '000 -----	
<b>6. INTANGIBLE ASSETS</b>			
Computer software	6.1	<b>1,092</b>	1,876
6.1 Following is the statement of intangible assets:			
Opening net book value		<b>1,876</b>	1,496
Additions (at cost)		-	1,288
Amortisation charge	28	<b>(784)</b>	(908)
Closing net book value		<b>1,092</b>	1,876
Closing value - gross amount			
Cost		<b>5,051</b>	5,051
Accumulated amortization		<b>(3,959)</b>	(3,175)
Net book value		<b>1,092</b>	1,876
Amortisation rate per annum		<b>20% - 33%</b>	20% - 33%
<b>7. LONG-TERM LOANS</b>			
Loans to employees	7.1	<b>14,700</b>	15,523
Less: receivable within one year	12	<b>(7,274)</b>	(7,337)
		<b>7,426</b>	8,186

7.1 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 installments 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, 2023, none of these loans were past due or impaired.

Note	2023	2022
	----- Rupees in '000 -----	
<b>8. DEFERRED TAX ASSET - NET</b>		
<b>Deductible temporary differences</b>		
Property, plant and equipment	26,170	14,591
Employees' short-term compensated absences	8,049	9,350
Impairment of trade debts	11,345	8,995
Minimum tax	52,842	17,269
Other provisions	17,230	30,495
	<u>115,636</u>	<u>80,700</u>

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

	Deferred tax recognised in			Closing balance
	Opening balance	Profit and loss	Other comprehensive income	
	----- Rupees in '000 -----			
<b>Movement for the year ended June 30, 2023</b>				
Deductible / (taxable) temporary difference arising in respect of				
- Property, plant and equipment	14,591	11,579	-	26,170
- Employees' short-term compensated absences	9,350	(1,301)	-	8,049
- Impairment of trade debts	8,995	2,350	-	11,345
- Minimum tax	17,269	35,573	-	52,842
- Other provisions	30,495	(9,227)	(4,038)	17,230
	<u>80,700</u>	<u>38,974</u>	<u>(4,038)</u>	<u>115,636</u>

	Deferred tax recognised in			Closing balance
	Opening balance	Profit and loss	Other comprehensive income	
	----- Rupees in '000 -----			
<b>Movement for the year ended June 30, 2022</b>				
Deductible / (taxable) temporary difference arising in respect of				
- Property, plant and equipment	710	13,881	-	14,591
- Employees' short-term compensated absences	6,521	2,829	-	9,350
- Impairment of trade debts	8,987	8	-	8,995
- Unused tax losses	60,851	(60,851)	-	-
- Excess of Alternative Corporate Tax (ACT) over corporate tax	10,447	(10,447)	-	-
- Minimum tax	-	17,269	-	17,269
- Other provisions	20,269	9,560	666	30,495
	<u>107,785</u>	<u>(27,751)</u>	<u>666</u>	<u>80,700</u>

	Note	2023 ----- Rupees in '000 -----	2022
<b>9. STORES AND SPARES</b>			
Stores		33,590	30,368
Spares			
- in hand		31,034	22,145
- in transit		-	-
		<u>31,034</u>	<u>22,145</u>
		<u>64,624</u>	<u>52,513</u>
Less: provision against slow moving and obsolete stores and spares	9.1	<u>(14,309)</u>	<u>(11,661)</u>
		<u>50,315</u>	<u>40,852</u>

9.1 Movement of provision against slow moving and obsolete stores and spares is as follows:

	Note	2023 ----- Rupees in '000 -----	2022
Opening balance		11,661	2,604
Charge for the year		5,048	9,212
Reversal during the year		(2,400)	(155)
Charge during the year - net	30	2,648	9,057
Closing balance		<u>14,309</u>	<u>11,661</u>

## 10. STOCK-IN-TRADE

Raw and packing materials			
- in hand		558,262	452,409
- in transit		141,879	168,544
	26	<u>700,141</u>	<u>620,953</u>
Work-in-progress	26	12,533	13,915
Finished goods			
- in hand	10.1	387,193	301,035
- in transit		-	34,283
	26	<u>387,193</u>	<u>335,318</u>
		<u>1,099,867</u>	<u>970,186</u>
Less: provision against slow moving and obsolete stock-in-trade	10.2	<u>(14,820)</u>	<u>(6,143)</u>
Less: provision against orthopedic knee implants	10.3	-	(19,582)
Less: provision against stents held with hospitals	10.4	<u>(21,079)</u>	<u>(16,015)</u>
		<u>(35,899)</u>	<u>(41,740)</u>
		<u>1,063,968</u>	<u>928,446</u>

10.1 These include items costing Rs. 16.052 million (2022: Rs. 26.265 million) that have been valued at their net realisable value amounting to Rs. 12.146 million (2022: Rs. 22.437 million).

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



	Note	2023 -----Rupees in '000-----	2022
Opening balance		6,143	9,728
Charge for the year		8,677	2,493
Reversal during the year		-	(6,078)
Charge / (reversal) during the year - net	29 & 30	8,677	(3,585)
Closing balance		14,820	6,143

**10.3** Movement of provision against orthopedic knee implants is as follows:

Opening balance		19,582	20,339
Reversal during the year - net	29	(19,582)	(757)
Closing balance		-	19,582

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

	Note	2023 -----Rupees in '000-----	2022
Opening balance		16,015	10,867
Charge for the year	30	5,064	5,148
Closing balance		21,079	16,015

**11. TRADE DEBTS**

Due from Hospital Supply Corporation - a related party	11.4	312,542	125,737
Others		106,257	118,109
		418,799	243,846
Loss allowance	11.1.1	(39,122)	(27,669)
		379,677	216,177

**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. No trade receivables have been written off during the year.

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

	Collectively assessed	Individually assessed	Total
	----- Rupees '000 -----		
<b>11.1.1 Movement of loss allowance</b>			
<b>Balance as at July 1, 2021</b>	-	34,070	34,070
Reversal of provision during the year - net	-	(6,097)	(6,097)
Write-off during the year	-	(304)	(304)
	-	(6,401)	(6,401)
<b>Balance as at June 30, 2022</b>	-	27,669	27,669
Provision during the year - net	-	11,724	11,724
Write-off during the year	-	(271)	(271)
	-	11,453	11,453
<b>Balance as at June 30, 2023</b>	-	39,122	39,122

- 11.2** As at June 30, 2023 trade debts of Rs. 141.31million (2022: Rs. Nil million) represents amount which is overdue from a related party. The overdue receivable balance carries mark-up at 1 month KIBOR (MK) + 2.5% (2022: 3MK + 2.5%) per annum on over due balance. The remaining balance (excluding impaired debts) relates to a number of independent customers for whom there is no recent history of default.

The age analysis of trade debts is as follows:

	2023		
	From others	From a related party	Total
	----- Rupees '000 -----		
Not yet due	27,280	171,230	198,510
Past due 1-30 days	17,955	105,803	123,758
Past due 31-60 days	4,344	35,509	39,853
Past due 61-90 days	9,182	-	9,182
Past due more than 90 days	47,496	-	47,496
	<b>106,257</b>	<b>312,542</b>	<b>418,799</b>
	2022		
	From others	From a related party	Total
	----- Rupees '000 -----		
Not yet due	19,722	125,737	145,459
Past due 1-30 days	33,870	-	33,870
Past due 31-60 days	10,172	-	10,172
Past due 61-90 days	9,870	-	9,870
Past due more than 90 days	44,475	-	44,475
	<b>118,109</b>	<b>125,737</b>	<b>243,846</b>

- 11.3** Subsequent to the year end, overdue balance has been received by the Company from Hospital Supply Corporation - a related party.
- 11.4** The maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance was Rs. 312.542 million (2022: Rs. 216.337 million).

**12. LOANS AND ADVANCES - CONSIDERED GOOD**

	Note	2023 -----Rupees in '000-----	2022
Loans to employees - current portion	7	7,274	7,337
Advances to:			
- employees	12.1	1,988	1,557
- suppliers	12.2	56,117	107,258
		<b>58,105</b>	108,815
		<b>65,379</b>	116,152

- 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 cash margin of Rs. 16.693 million (2022: Rs. 75.986 million) equivalent to import value against import of goods.

**13. TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES**

	Note	2023 -----Rupees in '000-----	2022
Trade deposits	13.1	10,396	12,402
Short-term prepayments		6,295	7,498
Sales tax adjustable		-	7,207
Surplus on staff retirement fund	36.1.2	5,927	-
Other receivables		665	2,125
		<b>23,283</b>	29,232

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

## 14. SALES TAX REFUNDABLE

Prior to enactment of Finance (Supplementary) Act, 2022 (The Act) issued on January 15, 2022, the pharmaceutical sector was exempt from levy of sales tax. The Act converted the aforesaid exemption regime into a zero-rating regime for import and local supplies for finished items of pharmaceutical sector, however, sales tax was imposed at standard rate of 17% on purchase / import of Active Pharmaceutical Ingredients (API). As a result, the pharmaceutical sector was allowed to claim sales tax refund on all purchases including APIs and provincial sales tax on services. Subsequent to year end the Company has received Rs. 43,091 million.

Through Finance Act, 2022, effective from July 1, 2022, a special tax regime for pharmaceutical sector has now been introduced whereby manufacture or import of substances registered as drugs under the Drugs Act, 1976 shall be subject to 1% sales tax with the condition that such tax shall be final discharge of tax in the supply chain and no input tax shall be allowed to the importer and manufacturer of such goods.

## 15. SHORT TERM INVESTMENT

It includes investment in Term Deposit Receipts (TDR) with a bank. The investment carries fixed return @ 19.93% per annum and is maturing on July 20, 2023.

This TDR is kept as a 100% Cash Margin security against the outstanding bank guarantees issued by the Bank Al-falah Limited in favor of Collector of Customs.

	Note	2023 -----Rupees in '000-----	2022
16. <b>BANK BALANCES</b>			
Balances with banks in current accounts		<u>5,828</u>	<u>53,211</u>

## 17. SHARE CAPITAL

### 17.1 Authorised share capital

	2023 Number of shares	2022 Number of shares		2023 ----- Rupees in '000 -----	2022
<u>20,000,000</u>	<u>20,000,000</u>	Ordinary shares of Rs. 10 each		<u>200,000</u>	<u>200,000</u>

### 17.2 Issued, subscribed and paid-up capital

	2023 Number of shares	2022 Number of shares		2023 ----- Rupees in '000 -----	2022
<u>10,000,000</u>	<u>10,000,000</u>	Ordinary shares of Rs. 10 each fully paid in cash		<u>100,000</u>	<u>100,000</u>
<u>2,100,000</u>	<u>2,100,000</u>	Ordinary shares of Rs. 10 issued as bonus shares		<u>21,000</u>	<u>21,000</u>
<u>12,100,000</u>	<u>12,100,000</u>			<u>121,000</u>	<u>121,000</u>

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

Name of the Company	2023		2022	
	Shares held	Percentage	Shares held	Percentage
Otsuka Pharmaceutical Company Limited, Japan	5,420,248*	44.80%	5,420,248*	44.80%
P. T. Otsuka Indonesia, Indonesia	1,204,499*	9.95%	1,204,499*	9.95%
Otsuka Pharmaceutical Factory, Inc.	1,589,940	13.14%	1,589,940	13.14%
Directors, their spouses and minor children	398,668	3.29%	398,618	3.29%
Executives	121	0.00%	121	0.00%

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



	Note	2023 ---- Rupees in '000 ----	2022
<b>18. LONG-TERM FINANCE</b>			
<b>From banking companies (Secured) - At amortised cost</b>			
Refinance scheme for payment of wages and salaries		<b>24,661</b>	48,448
Add: Finance cost	31	<b>812</b>	2,930
Less: Repayment		<b>(25,473)</b>	(26,717)
		<u>-</u>	<u>24,661</u>
Less: current portion shown in current liabilities		-	(24,661)
		<u>-</u>	<u>-</u>

**18.1** It represented long-term financing obtained from a conventional bank under the Refinance Scheme for Payment of Wages and Salaries of State Bank of Pakistan. It carried mark-up at the rate of 3% per annum. However, the effective interest rate was calculated at 3 months KIBOR + 1% and the loan was recognised at present value. The loan was repayable in 8 equal quarterly installments commencing from January 2021. The differential markup was recognised as government grant which was recognised and presented as reduction of related interest expense. The financing was secured against first pari-passu hypothecation charge over land and building. The loan was repaid during the year.

expense. The financing was secured against first pari-passu hypothecation charge over land and building. The loan was repaid during the year.

	2023 ---- Rupees in '000 ----	2022
<b>19. LEASE LIABILITY</b>		
Lease liability	<b>8,060</b>	3,626
Less : Current maturity of lease liability	<b>(1,268)</b>	(534)
	<u><b>6,792</b></u>	<u>3,092</u>

**19.1** During the year, the Company has entered into lease agreement for two vehicles.

**19.2** The future payments of lease liabilities are as follows:

	2023		2022	
	Future minimum lease payments	Principal repayments	Future minimum lease payments	Principal repayments
	----- Rupees in '000 -----			
Not later than 1 year	3,003	1,268	1,071	534
Later than 1 year and not later than 5 years	9,610	6,792	4,282	3,092
	<u><b>12,613</b></u>	<u><b>8,060</b></u>	<u>5,353</u>	<u>3,626</u>

**19.3** Reconciliation of lease liability

	For the year ended June 30, 2023					
	01-Jul-22	Cash inflow	Cash outflow	New Lease arrangement	Non-Cash adjustment	30-Jun-23
	----- Rupees in '000 -----					
Lease liability	3,626	-	(2,183)	5,352	1,265	<b>8,060</b>
	For the year ended June 30, 2022					
	01-Jul-21	Cash inflow	Cash outflow	New Lease arrangement	Non-Cash adjustment	30-Jun-22
	----- Rupees in '000 -----					
Lease liability	-	-	(16,733)	20,323	36	3,626

	Note	2023 -----Rupees in '000-----	2022
<b>20. SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED</b>			
<b>In foreign currency</b>			
Loan from Otsuka Pharmaceutical Factory, Inc.	20.1 & 20.2	<u>498,075</u>	<u>376,150</u>
<b>20.1</b>	This represents foreign currency denominated loan. The loan was obtained in three tranches of JPY 125 million each, drawn down on February 26, 2015, April 27, 2015 and July 27, 2015, repayable on or before February 25, 2016, April 26, 2016 and July 26, 2016 respectively. These were rolled forward annually multiple times. During the financial year ended June 30, 2021, one tranche drawn down on July 27, 2015 was repaid on June 30, 2021. During the financial year ended June 30, 2023, the other two tranches have been rolled forward and are now repayable on or before February 25 2024 and April 26 2024 respectively.		
	Mark-up is charged at LIBOR (fixed at the time of receipt of loan) + 0.40% (2022: LIBOR + 0.40%) per annum and is payable semi-annually in arrears.		
	Note	2023 -----Rupees in '000-----	2022
<b>20.2</b>	Movement of the loan is as follows:		
Opening balance		376,150	356,550
Exchange loss		121,925	19,600
Repayment during the year		-	-
		<u>121,925</u>	<u>19,600</u>
Closing balance		<u>498,075</u>	<u>376,150</u>
<b>21. TRADE AND OTHER PAYABLES</b>			
Creditors		112,399	65,021
Bills payable	21.1	184,707	174,162
Accrued liabilities	21.3	195,324	224,785
Payable to Employees Provident Fund		3,988	3,893
Payable to Staff Retirement Benefit Fund	36.1.2	-	3,772
Provision for employees short-term compensated absences		27,756	28,334
Sales tax payable	21.2	13,959	26,200
Retention money		930	930
Security deposits		2,089	2,189
Workers' Welfare Fund		7,072	7,072
Workers' Profit Participation Fund	21.4	-	19,483
Central Research Fund		-	2,984
Contract liabilities	21.5	32,728	33,776
Other liabilities	21.6	28,604	27,321
		<u>609,556</u>	<u>619,922</u>
<b>21.1</b>	These include amounts payable to the related parties as at the end of the year aggregating to Rs. 92.451 million (2022: Rs. 70.543 million).		
<b>21.2</b>	This includes provision for sales tax in respect of imported materials of polyethylene (for IV solutions) amounting to Rs. 9.97 million (2022: Rs. 23.37 million). The Company 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 had passed an interim order in favour of the Company maintaining that items fetching customs duty lesser than ten percent ad valorem, may not be subject to the levy of sales tax. Later on, the case was referred by Customs to the Supreme Court of Pakistan (SCP) and final judgement was announced by SCP on June 27, 2018 in favor of the industry.		

The Company had availed sales tax exemption under the aforementioned stay order by providing bank guarantees and at the same time recorded provision to the extent of amount of guarantees. During the year, the Company was able to release guarantees amounting to Rs. 13.43 million (June 30, 2022: Rs. 9.93 million) and has reversed the provision by the same amount.

21.3 The Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 ("GIDC Judgment") declared the Gas Infrastructure Development Cess Act, 2015 ("GIDC Act 2015") as valid. The Company filed a review petition on the verdict of Supreme Court of Pakistan over GIDC announced on August 13, 2020, on which no relief was granted. The Company has recorded a full provision in the financial statements. However, the Company is party to the joint legal suit in the Sindh High Court (SHC) on which SHC granted the Company an interim stay. The Company has followed the relevant accounting standards and guidelines issued by the Institute of Chartered Accountants of Pakistan in this regard.

	Note	2023 ----- Rupees '000 -----	2022
<b>21.4 Workers' Profit Participation Fund</b>			
Balance at July 1		19,483	25,300
Allocation for the year	30	-	19,456
		<u>19,483</u>	<u>44,756</u>
Interest on funds utilised in the Company's business	31	924	608
		<u>20,407</u>	<u>45,364</u>
Less: amount paid during the year		(20,407)	(25,881)
Balance at June 30		<u>-</u>	<u>19,483</u>

21.5 During the year, the performance obligations underlying the opening contract liability of Rs. 33.776 million were satisfied in full. Accordingly, the said liability was recorded as revenue during the year. Information regarding the timing of satisfaction of performance obligations underlying the closing contract liability of Rs. 32.728 million is not presented since the expected duration

21.6 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 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 (2022: Rs. 10.90 million) in these financial statements. From January 2020 onwards the Company is paying full regulatory duty on these imported products

	Note	2023 ----- (Rupees '000) -----	2022
<b>22. SHORT-TERM RUNNING FINANCE - SECURED</b>			
<b>From banking companies - Secured</b>			
Short-term running finance facilities utilised under mark-up arrangements - secured	22.1	<u>451,183</u>	<u>96,062</u>

#### 22.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000' 2023	Limit in Rs '000' 2022	Mark up rate	Current security	Frequency of mark-up payment	Facility expiry date	2023 ----Rupees in '000----	2022
Citi Bank	900,000 *	900,000	1 month	(a) SECP Registered Joint Pari-passu Charge on Fixed Assets of Plant & Machinery for Rs. 432 million.	Quarterly	February 28, 2024	451,183	96,062
			+	0.50% p.a. b) SECP Registered Joint Pari-passu Charge on Current Assets for Rs. 778 million.				
	<u>900,000</u>	<u>900,000</u>					<u>451,183</u>	<u>96,062</u>

\* This short term running finance facility is interchangeable with letter of credit and letter of guarantee.



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

22.2.1 The Company is availing the sub-limit facilities relating to the import letter of credit (sight / usance / acceptance) available from the banks as at June 30, 2023 amounting to Rs. 914.6 million (2022: Rs.1,000 million) out of which Rs. 449 million (2022: Rs.804 million) are available for utilization of import letter of credit and letter of guarantee.

During the year ended June 30, 2023 the Company has utilised the Letter of Credit facility amounting to Rs. 111.53 million (2022: Rs.207.6 million). In addition, the Company has also utilized the letter of guarantee

22.2.2 As at June 30, 2023, the unavailed facility amounts to Rs. 305.2 million (2022: Rs. 554 million) which can be utilized for running finance, letter of credit or letter of guarantee.

## 23. MARK-UP ACCRUED

2023                      2022  
-----Rupees in '000-----

- Short-term running finance - secured	21,977	1,034
- Long term finance	-	189
- Short-term loan from a related party - unsecured	825	-
	22,802	1,223

## 24. CONTINGENCIES AND COMMITMENTS

-----Rupees in '000-----

### 24.1 Commitments in respect of:

Letters of credit	111,526	207,636
Letters of guarantee	32,802	42,076

24.2 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 (2022: 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 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 previous years 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.

24.3 During the year ended June 30, 2020, electricity charges were increased by Rs. 6.8 million through the imposition of Industrial Support Package Adjustment (ISPA) for the off peak hours with retrospective application from July 01, 2019. The case was filed through a joint Constitutional Petition no. 2581 of 2020 before the Hon'ble High Court of Sindh, at Karachi through the association of M/s. Lasbela Chamber of Commerce and Industry (LCCI) located

in LIEDA to challenge the above-said charges. During the financial year ended June 30, 2021, the Company has issued an undated cheque amounting to Rs. 6.8 million in favour of Nazir of Sindh High Court as per the interim directives issued by the Hon'ble High Court of Sindh, thereafter a judgment has been passed by the Hon'ble High Court of Sindh in favour of the Company which has been challenged by K-Electric in the Hon'ble Supreme Court of Pakistan. Management has assessed favorable outcome of the case, however, as a matter of abundant caution a provision of Rs. 6.8 million has been made in the financial statements.

**24.4** During 2019, the return of income for tax year 2018 was selected for audit under section 177 of the Income Tax Ordinance, 2001 by the Deputy Commissioner Inland Revenue (DCIR). Under the notice, certain information was required to be furnished, which was duly submitted by the Company.

**24.5** During 2020, the return of income for tax year 2019 was selected for audit under section 177 of the Income Tax Ordinance, 2001 by the Deputy Commissioner Inland Revenue (DCIR). Under the notice, certain information was required to be furnished, which was duly submitted by the Company.

	Note	2023 -----Rupees in '000-----	2022
<b>25. SALES - NET</b>			
Sales [net of returns of Rs. 5.1 million (2022: Rs. 6.6 million)]		3,413,221	3,164,081
Less: sales tax		(59,034)	(6,246)
		<u>3,354,187</u>	<u>3,157,835</u>
Less: discounts		(319,102)	(306,102)
		<u>3,035,085</u>	<u>2,851,733</u>
<b>26. COST OF SALES</b>			
Raw and packing material consumed:			
Opening stock		620,953	292,519
Purchases		1,145,937	1,179,180
Closing stock	10	(700,141)	(620,953)
		<u>1,066,749</u>	<u>850,746</u>
Stores and spares consumed		90,646	73,087
Salaries, wages and benefits	26.1	408,864	379,636
Rent, rates and taxes		10,579	16,472
Insurance		3,869	3,632
Fuel and power		274,604	196,056
Repairs and maintenance		11,268	4,782
Travelling and vehicle running expenses		61,687	39,853
Communication and stationery		477	512
Depreciation	5.4	84,800	87,188
Other expenses		11,099	8,408
		<u>957,893</u>	<u>809,626</u>
		<u>2,024,642</u>	<u>1,660,372</u>
Work-in-progress			
Opening stock		13,915	9,491
Closing stock	10	(12,533)	(13,915)
		<u>1,391</u>	<u>(4,424)</u>
Cost of goods manufactured		2,026,024	1,655,948
Opening stock of finished goods		335,318	321,157
Finished goods purchased		432,748	301,076
		<u>2,794,090</u>	<u>2,278,181</u>
Cost of samples shown under selling and distribution expenses		(15,723)	(17,706)
Closing stock of finished goods	10	(387,193)	(335,318)
		<u>(402,916)</u>	<u>(353,024)</u>
		<u>2,391,174</u>	<u>1,925,157</u>

**26.1** Salaries, wages and benefits include Rs. 13.845 million (2022: Rs. 14.217 million) in respect of staff retirement benefits.



	Note	2023 ----Rupees in '000----	2022
<b>27. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries, wages and benefits	27.1	120,482	130,460
Rent, rates and taxes		1,305	1,124
Insurance		6,481	4,920
Repairs and maintenance		192	111
Travelling and vehicle running expenses		10,804	8,981
Communication and stationery		1,815	2,134
Advertising samples and promotional expenses		112,425	120,490
Outward freight and handling		103,227	77,801
Depreciation	5.4	2,535	2,152
		<u>359,266</u>	<u>348,173</u>

27.1 Salaries, wages and benefits include Rs. 7.950 million (2022: Rs. 6.718 million) in respect of staff retirement benefits.

	Note	2023 ----Rupees in '000----	2022
<b>28. ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries, wages and benefits	28.1	78,061	84,659
Rent, rates and taxes		669	682
Insurance		1,498	1,329
Fuel and power		2,863	2,062
Repairs and maintenance		1,454	440
Travelling and vehicle running expenses		6,616	5,020
Communication and stationery		853	1,131
Subscription		1,972	2,639
Legal and professional charges		4,485	18,472
Depreciation	5.4	10,586	10,485
Amortisation	6.1	784	908
General expenses		17,392	14,026
		<u>127,233</u>	<u>141,853</u>

28.1 Salaries, wages and benefits include Rs 3.502 million (2022: Rs 3.148 million) in respect of staff retirement benefits.

	Note	2023 ----Rupees in '000----	2022
<b>29. OTHER INCOME</b>			
Liabilities no longer payable-written back		-	10
Late payment charges from Hospital Supply Corporation - a related party		15,477	4,618
Gain on disposal of operating fixed assets - net		21,942	7,913
Scrap sales		31,144	22,058
Reversal of provision against slow moving and obsolete stock-in-trade	10.2	-	3,585
Reversal of provision against orthopedic knee implants	10.3	19,582	757
Reimbursement of pharmacovigilance cost		-	11,739
Others		13,729	3,855
		<u>101,874</u>	<u>54,535</u>



	Note	2023 -----Rupees in '000-----	2022
<b>30. OTHER EXPENSES</b>			
Exchange loss - net		192,097	75,116
Auditor's remuneration and other professional services	30.1	2,400	2,524
Donations	30.2 & 30.3	300	550
Workers' Welfare Fund		-	5,027
Workers' Profit Participation Fund	21.4	-	19,456
Central Research Fund		-	2,984
Provision against slow moving and obsolete stock-in-trade	10.2	8,677	-
Provision against stents held with hospitals	10.4	5,064	5,148
Provision against obsolete stores and spares	9.1	2,648	9,057
Bank charges and commission		505	592
Others		-	5,434
		<u>211,691</u>	<u>125,888</u>
<b>30.1 Auditor's remuneration</b>			
Statutory audit fee		1,198	1,089
Fee for the review of condensed interim financial information		532	484
Fee for tax advisory services		230	475
Fee for special certifications		253	285
Out-of-pocket expenses		187	191
		<u>2,400</u>	<u>2,524</u>
<b>30.2</b>	Recipients of donations do not include any donee in whom Chief Executive Officer, directors or their spouse had any interest.		
<b>30.3</b>	Following are the name of donee(s) to whom the donation amount exceeds 10% of the Company's total amount of donation:		
		2023	2022
	Note	-----Rupees in '000-----	
<b>S. No.</b>	<b>Name of donee</b>		
1	Zafar and Alia Foundation Charitable Trust	231	500
2	Al Khidmat	41	-
<b>31. FINANCE COST</b>			
Interest on long term financing	18	812	2,930
Amortisation on deferred Government grant		(612)	(1,489)
Net finance cost on loan from banking companies		200	1,441
Short-term loan from a related party		3,049	2,513
Short-term running finance		58,785	2,067
On utilising Worker's Profit Participation Fund	21.4	924	608
Unwinding of finance cost on lease liability	19.3	1,265	36
		<u>64,223</u>	<u>6,665</u>

	Note	2023 -----Rupees in '000-----	2022
<b>32. TAXATION - NET</b>			
Current			
- for the year	32.1	45,365	62,663
- for prior years		(2,499)	-
- Super tax	32.2	(25,037)	42,418
		<u>17,829</u>	<u>105,081</u>
Deferred	8.1	(38,974)	27,751
		<u>(21,145)</u>	<u>132,832</u>

### Relationship between income tax expense and accounting profit

(Loss) / profit before taxation		<u>(28,352)</u>	<u>364,629</u>
Tax charge @ 29% (2022: 29%)		(8,222)	105,742
Tax effect of:			
-Prior year tax adjustments		(2,499)	-
-Impact of FTR		3,829	298
-Impact of tax credit		-	(104)
-Impact of super tax		(25,037)	42,418
-Impact of change in rate		(7,689)	(14,867)
-Impact of Minimum tax - imports		15,618	-
-Effect of utilization of tax credits previously not recognized		-	(4,793)
-Others		2,855	4,138
		<u>(21,145)</u>	<u>132,832</u>

**32.1** Return for tax year 2022 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 24.2 and 32.3.

**32.2** During 2022, the Government of Pakistan, through Finance Act, 2022 introduced section 4C in the Income Tax Ordinance, 2001 through which super tax was levied on high earnings persons (including the Company). The tax is applicable at different rates on all persons (including the Company) earning more than Rs. 150 million. Further, entities operating in various sectors, including pharmaceutical sector, and earning more than Rs. 300 million are liable to super tax at 10% (for tax year 2022) of income as specified in the Act. Accordingly, the Company had made a provision of Rs. 42.418 million on account of super tax during prior year.

During the year, the Company along with other entities (petitioners), in connected petitions, challenged the vires of section 4C related to super tax in the Honorable Sindh High Court (SHC) on the grounds that such tax has been applied retrospectively for TY 2022 (financial year ended June 30, 2022). The SHC, on October 3, 2022, granted interim relief to the petitioners, including the Company, and directed to secure the disputed amount of super tax before the Nazir of the SHC by furnishing either the pay order, bank guarantee or cheque within stipulated time, which the Company has not yet provided.

On December 22, 2022, the SHC issued an order declaring that section 4C shall not be applicable for TY 2022 and would apply from TY 2023 (i.e., financial year ending June 30, 2023). However, the SHC had suspended the operation of the judgement for a period of sixty days. On February 16, 2023, the Honorable Supreme Court of Pakistan (SCP) through an interim order directed to pay super tax to the extent of 4% for tax year 2022. Accordingly, the Company has revised its provision for the super tax to be kept at 4% on the taxable income for the year ended June 30, 2022.

32.3 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. SHC has announced its judgement on April 30, 2021 which states that "insertion of section 5A in the Income Tax Ordinance 2001, including amendments thereto from time to time, does not fall within the parameters delineated per Article 73 of the Constitution of Pakistan, 1973, hence, the provision impugned is found to be ultra vires of the Constitution, and is hereby struck down. As a consequence, any show cause / demand notices or constituents thereof, seeking enforcement of section 5A of the Income Tax Ordinance 2001, are hereby set aside.

On July 1, 2022 the Company is in receipt of a legal notice from the Commissioner Inland Revenue, (Legal) and informed that they are filing in a civil appeal in Sindh High Court (SHC) against this judgement. The management as a matter of abundant prudence has recorded a provision amounting to Rs. 14.713 million in respect of the additional tax liability.

33. LOSS / EARNINGS PER SHARE	Note	2023 ----Rupees in '000----	2022 ----Rupees in '000----
33.1 Basic			
(Loss) / profit for the year		<u>(7,207)</u>	<u>231,797</u>
		-----Numbers of shares-----	
Weighted average number of ordinary shares outstanding during the year	17.2	<u>12,100,000</u>	<u>12,100,000</u>
		-----Rupees-----	
(Loss) / earnings per share - basic and diluted		<u>(0.60)</u>	<u>19.16</u>

### 33.2 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, 2023 and June 30, 2022 which would have had any effect on the earnings per share if the option to convert had been exercised.

### 34. 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	2023 ----Rupees in '000----	2022 ----Rupees in '000----
- Bank balances	16	5,828	53,211
- Short term investments	15	14,610	-
- Short-term running finance	22	(451,183)	(96,062)
		<u>(430,745)</u>	<u>(42,851)</u>

### 35. 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, Directors and Executives of the Company are as follows:

Particulars	Chief Executive		Directors		Executives	
	2023	2022	2023	2022	2023	2022
	-----Rupees in '000-----					
Managerial remuneration	16,551	15,529	-	-	62,538	68,682
Bonus	-	1,000	-	-	2,094	12,266
Medical expenses	871	817	-	-	4,702	5,164
Leave fare assistance / encashment	1,876	1,705	-	-	9,304	9,064
Meeting fee	-	-	400	380	-	-
Technical advisory fee / Contract fee	-	-	3,888	3,500	7,095	7,890
Retirement benefits	1,379	1,294	-	-	6,130	6,944
Others	306	291	-	-	2,357	2,451
	<u>20,983</u>	<u>20,636</u>	<u>4,288</u>	<u>3,880</u>	<u>94,220</u>	<u>112,461</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>21</u>	<u>20</u>



35.1 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.

## 36. EMPLOYEE BENEFIT SCHEMES

### 36.1 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, 2023. The Projected Unit Credit Method with the following significant assumptions was used for the valuation of the scheme:

	2023	2022
<b>36.1.1 Principal actuarial assumptions</b>		
a) Discount rate	15.75%	13.25%
b) Expected rate of return on plan assets	15.75%	13.25%
c) Expected rate of increase in salary		
- management staff	13.75%	12%
- non-management staff	13.75%	12%
d) Mortality rates	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
e) Withdrawal rates	Moderate	Moderate
	2023	2022
Note	-----Rupees in '000-----	

### 36.1.2 Amount recognised in the statement of financial position

Present value of defined benefit obligation	136,398	126,617
Less: fair value of plan assets	(142,325)	(122,845)
	21	
	(5,927)	3,772

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

	Year ended June 30		
	----- 2023 -----		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	----- Rupees in '000 -----		
<b>As at July 1, 2022</b>	126,617	(122,845)	3,772
Current service cost	10,713	-	10,713
Interest expense / (income)	15,952	(15,981)	(29)
Remeasurements:			
- loss from the changes in financial assumptions	-	-	-
- experience adjustments	(5,951)	(7,973)	(13,924)
	(5,951)	(7,973)	(13,924)
Contributions made	-	(6,459)	(6,459)
Benefits paid	(10,933)	10,933	-
<b>As at June 30, 2023</b>	136,398	(142,325)	(5,927)

Year ended June 30

----- 2022 -----

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	----- Rupees in '000 -----		
As at July 1, 2021	117,117	(113,021)	4,096
Current service cost	9,590	-	9,590
Interest expense / (income)	11,025	(11,285)	(260)
Remeasurements:			
- loss from the changes in financial assumptions	1,219	-	1,219
- experience adjustments	(63)	1,140	1,077
	1,156	1,140	2,296
Contributions made	-	(11,950)	(11,950)
Benefits paid	(12,271)	12,271	-
As at June 30, 2022	126,617	(122,845)	3,772

2023                      2022  
-----Rupees in '000-----

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

Current service cost	10,713	9,590
Interest cost	15,952	11,025
Expected return on plan assets	(15,981)	(11,285)
Expense for the year	10,684	9,330

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

(13,924)                      2,296

### 36.1.5 Composition of plan assets

	--- As at June 30, 2023 ---		--- As at June 30, 2022 ---	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Treasury Bills	129,833	91.22%	106,904	87.02%
Defence Saving Certificates	9,480	6.66%	6,632	5.40%
Pakistan Investment Bonds	-	0.00%	7,624	6.21%
Cash and cash equivalents	3,012	2.12%	1,685	1.37%
	142,325	100.00%	122,845	100.00%

### 36.1.6 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.

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

Particulars	Change in assumption	----- June 30, 2023 -----		Change in assumption	----- June 30, 2022 -----	
		Increase / (decrease) in present value of defined benefit obligation			Increase / (decrease) in present value of defined benefit obligation	
		(%)	Rupees in '000		(%)	Rupees in '000
Discount rate	+1%	(4.98)	(9,790)	+1%	(5.49)	(6,946)
	-1%	5.55	7,571	-1%	6.13	7,766
Salary rate	+1%	5.62	7,659	+1%	6.19	7,832
	-1%	(5.12)	(6,978)	-1%	(5.62)	(7,118)
Withdrawal rate	+10%	0.13	175	+10%	0.14	177
	-10%	(0.13)	(182)	-10%	(0.14)	(184)

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

The weighted average duration of the defined benefit obligation is approximately 5.31 years (2022: 5.83) years.

**36.2 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

**37. 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, etc.), entities under common directorship [namely Hospital Supply Corporation, Danish Enterprises, Qubittech, Husein & Husein], 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 elsewhere are as follows:

Name of related party	Relationship with the Company	Nature of transaction	2023	2022
			----- Rupees in '000 -----	
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Purchases	16,192	1,152
		Markup on loan	3,049	2,513
		Dividend paid	2,385	2,385
Otsuka Pharmaceutical Co. Ltd.	Parent Company	Purchases	138,909	93,695
		Reimbursement of PV Cost	-	16,290
		Dividend paid	8,131	8,131



Name of related party	Relationship with the Company	Nature of transaction	2023	2022
			----- Rupees in '000 -----	
Otsuka Pharmaceutical Co, Ltd.	Parent Company	Sales Incentives on UBIT Tablets	4,881	-
		Reimbursement of Expired UBIT Tablets	2,267	-
Hospital Supply Corporation	Common Directorship	Late payment surcharge on receivables	15,477	4,618
		Sales - gross	1,556,111	1,458,652
		Sales return	160	1,233
		Sales discounts / claims	225,169	213,633
		Purchases	1,110	-
Microport Medical (Shanghai) Co., Ltd.	Associated undertaking	Purchases	-	38,622
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Purchases	66,354	66,066
PT. Otsuka Indonesia	Associated undertaking	Purchases	31,353	10,416
		Dividend	1,806	1,806
Shanghai Microport EPMD Tech Co. Limited	Associated undertaking	Purchases	15,651	20,998
Danish Enterprises	Others	Purchases	10,895	5,636
Qubitech	Others	Purchases	2,091	466
Husein and Husein	Others	Consultancy services	149	255
Director	Independent Director and Non Executive director	Meeting fees	400	380
Otsuka staff provident fund	Provident fund	Contribution during the year to the fund	14,658	14,624
Otsuka staff gratuity fund	Gratuity fund	Contribution during the year to the fund	6,459	11,950
Key Management Personnel	Key Management Personnel	Remuneration paid	68,901	81,519
		Advance received for car contribution	-	794
Mr. Mehtabuddin Feroz	Director	Consultancy charges	3,888	3,500
		Dividend	597	597

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 Company	Nature of transaction	2023 ----- Rupees in '000 -----	2022
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Short term loan payable including accrued markup Payable against purchases	<b>498,970</b> <b>16,246</b>	376,150 -
Otsuka Pharmaceutical Co, Ltd.	Parent company	Payable against purchases Advance against reimbursement pharmacovigilance cost	<b>68,706</b> -	31,853 975
Hospital Supply Corporation	Common Directorship	Receivable against sale of goods	<b>312,542</b>	125,737
Thai Otsuka Pharmaceutical Co. Ltd.	Associated Undertaking	Payable against purchases	-	30,737
Shanghai Microport Medical (Group) Co., Ltd.	Associated Undertaking	Payable against purchases	<b>172</b>	123
Shanghai Microport EPMed Tech Co., Limited	Associated Undertaking	Payable against purchases	<b>7,327</b>	7,831
Shareholders	Shareholders	Payable to shareholders	<b>363</b>	363
Otsuka staff provident fund	Provident fund	Payable to Employees Provident Fund	<b>3,988</b>	3,893
Otsuka staff gratuity fund	Gratuity fund	(Receivable from) / Payable to Staff Retirement Benefit Fund	<b>(5,927)</b>	3,772
Key Management Personnel	Key Management	Advance from key management personnel	<b>1,124</b>	1,306

37.1 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	Danish Enterprises	Other associated undertaking	N/A
3	Otsuka Pharmaceutical Company Limited, Japan	Parent / Holding Company	44.80%
4	P. T. Otsuka Indonesia, Indonesia	Other associated undertaking	9.95%
5	Thai Otsuka Pharmaceutical Company Limited, Thailand	Other associated undertaking	N/A
6	Shanghai Microport Medical (Group) Company Limited, China	Other associated undertaking	N/A
7	Shanghai Microport EPMed Tech Co., Limited, China	Other associated undertaking	N/A
8	Otsuka Pharmaceutical Factory, Inc., Japan	Other associated undertaking	13.14%
9	Mr. Mehtabuddin Feroz	Director	3.29%

S. No.	Name of Related Party	Basis of association	Aggregate % of shareholding
10	Mrs. Mehtabuddin Feroz	Spouse of Director	0.00%
11	Mr. Muhammad Hanif Sattar	Key Management Personnel	0.00%
12	Mrs. Muhammad Hanif Sattar	Spouse of Director	0.00%
13	Mr. Makio Bando	Director	0.00%
14	Mrs. Makio Bando	Spouse of Director	0.00%
15	Mr. Koichi Okada	Director	0.00%
16	Mr. Suhari Mukti	Director	0.00%
17	Mrs. Suhari Mukti	Spouse of Director	0.00%
18	Mr. Abid Hussain	Director	0.00%
19	Mrs. Abid Hussain	Spouse of Director	0.00%
20	Mrs. Navin Salim Merchant	Director	0.00%
21	Mr. Salim Hussain Merchant	Spouse of Director	0.00%
22	Qubitech	Other associated undertaking	0.00%
23	Soneri Bank Limited	Common directorship	0.00%
24	Exide Pakistan limited	Common directorship	0.00%



37.2 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	Pertkantoran 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,	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 772-0601	Japan	Other associated undertaking	13.14%

38. CASH GENERATED FROM OPERATIONS	Note	2023	2022
		-----Rupees in '000-----	
(Loss) / profit before taxation		(28,352)	364,629
<b>Adjustment for non-cash charges and other items</b>			
Depreciation	5.4	97,921	99,825
Amortisation	6.1	784	908
Provision / (reversal of provision) against impairment of trade debts	11.1.1	11,724	(6,097)
Liabilities no longer payable-write back	29	-	(10)
Gain on disposal of operating fixed assets - net	29	(21,942)	(7,913)
Reversal of provision against orthopedic knee implants - net	29	(19,582)	(757)
Provision / (reversal of provision) against slow moving and obsolete stock-in-trade - net	29 & 30	8,677	(3,585)
Workers' Welfare Fund	30	-	5,027
Workers' Profit Participant Fund	30	-	19,456
Central Research Fund	30	-	2,984
Provision against stents held with hospitals	30	5,064	5,148
Provision against obsolete stores and spares	30	2,648	9,057
Finance cost	31	64,223	6,665
Provision for gratuity	36.1.3	10,684	9,330
Provision for employees short-term compensated absences		4,177	5,457
Unrealised exchange loss		125,285	22,133
Working capital changes	38.1	(236,698)	(411,794)
		<b>24,613</b>	<b>120,463</b>

	2023	2022
	-----Rupees in '000-----	
<b>38.1 Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spares	(12,111)	(3,966)
Stock-in-trade	(129,681)	(347,019)
Trade debts	(175,224)	81,305
Loans and advances	50,773	(77,241)
Sales tax refundable	7,568	(97,831)
Trade deposits, short-term prepayments and other receivables	11,876	(6,052)
	<u>(246,799)</u>	<u>(450,804)</u>
<b>Increase in current liabilities</b>		
Trade and other payables	10,101	39,010
	<u>(236,698)</u>	<u>(411,794)</u>
<b>39. STAFF STRENGTH</b>	<b>Number of employees</b>	
Number of employees at June	362	373
Average number of employees during the year	368	374
<b>40. OPERATING SEGMENTS</b>		
<b>40.1</b>	These financial statements have been prepared on the basis of a single reportable segment.	
<b>40.2</b>	Sales from Intravenous Solutions represent 83.03 percent while sales from others represent 16.97 percent (2022: 85.19 percent and 14.81 percent) respectively of the total revenue of the Company.	
<b>40.3</b>	Sales percentage by geographic region is as follows:	
	2023	2022
	In percent	
Pakistan	98.00	98.48
Afghanistan	2.00	1.52
<b>40.4</b>	All non-current assets of the Company as at June 30, 2023 are located in Pakistan.	
<b>40.5</b>	Net sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region is around 43.85 percent during the financial year ended June 30, 2023 (2022: 43.61 percent).	
<b>41. FINANCIAL INSTRUMENTS BY CATEGORY</b>	2023	2022
	----- Rupees in '000 -----	
<b>Financial assets at amortized cost</b>		
Long-term loans	14,700	15,523
Long-term deposits	3,691	2,335
Trade debts	379,677	216,177
Trade deposits and other receivables	11,061	14,527
Short-term investments	14,610	-
Bank balance	5,828	53,211
	<u>429,567</u>	<u>301,773</u>
<b>Financial liabilities at amortized cost</b>		
Short-term loan from a related party	498,075	376,150
Trade and other payables	555,797	530,407
Long-term finance	-	24,661
Unclaimed dividend	1,765	1,589
Short-term running finance - secured	451,183	96,062
Mark-up accrued	22,802	1,223
Lease liability	8,060	3,626
	<u>1,537,682</u>	<u>1,033,718</u>

## 42. 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:

### 42.1 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.

#### 42.1.1 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, 2023, financial liabilities of Rs. 682.782 million (2022: Rs. 550.312 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	2023 ----Rupees in '000----	2022
<b>Short-term loan from a related party - unsecured</b>			
Yen	20	<u>498,075</u>	<u>376,150</u>
<b>Bills payable</b>			
US Dollar		154,986	163,784
Euro		10,236	4,707
Yen		19,485	5,671
	21	<u>184,707</u>	<u>174,162</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, 2023, 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. 68.28 million (2022: Rs. 55.03 million), mainly as a result of foreign exchange losses / gains on translation of foreign currency denominated financial liabilities.

#### 42.1.2 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. The Company also has investment in Term Deposit Receipts (TDR) with a bank. The investment carries fixed return. Since these financial liabilities and assets 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 a bank 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, 2023 would have been lower / higher by Rs. 4.5 million (2022: Rs. 0.96 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, 2023 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.

### 42.1.3 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

### 42.2 Credit risk

Credit risk represents the risk of loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness 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, term deposit receipts, 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. 429.58 million (2022: Rs. 301.77 million) of which trade debts amounting to Rs. 379.68 million (2022: Rs. 216.17 million) constitute a significant portion. Of these trade debts, Rs. 312.54 million (2022: Rs. 125.74 million) are 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, 2023 --		-- As at June 30, 2022 --		Rating agency
	Short-term	Long-term	Short-term	Long-term	
Allied Bank Limited	A1+	AAA	A1+	AAA	PACRA
Bank Alfalah Limited	A1+	AA+	A1+	AA+	PACRA
Habib Bank Limited	A1+	AAA	A1+	AAA	JCR - VIS
MCB Bank Limited	A1+	AAA	A1+	AAA	PACRA
National Bank of Pakistan	A1+	AAA	A1+	AAA	PACRA
The Bank of Punjab	A1+	AA+	A1+	AA+	PACRA
Habib Metro Bank	A1+	AA+	AA+	A1+	PACRA
Citi Bank	A+	A-1	A-1	A+	Standard & Poor's
Bank Al Habib Limited	AAA	A+	A1+	AAA	PACRA

### 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.

### 42.3 Liquidity risk

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

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2023			2022		
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total
	(Rupees '000)			(Rupees '000)		
Short-term loan from a related party - unsecured	498,075	-	498,075	376,150	-	376,150
Trade and other payables	555,797	-	555,797	530,407	-	530,407
Long-term finance	-	-	-	24,661	-	24,661
Unclaimed dividend	1,765	-	1,765	1,589	-	1,589
Short-term running finance - secured	451,183	-	451,183	96,062	-	96,062
Mark-up accrued	22,802	-	22,802	1,223	-	1,223
Lease liability	3,003	9,610	12,613	1,071	4,282	5,353
	<b>1,532,625</b>	<b>9,610</b>	<b>1,542,235</b>	<b>1,031,163</b>	<b>4,282</b>	<b>1,035,445</b>

#### 43. 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, 2023 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, 2023 and June 30, 2022, the Company did not have any assets or liabilities which were measured at fair values using any of the aforementioned valuation techniques.



## 44. CAPITAL RISK MANAGEMENT

44.1 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.

44.2 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.

	2023	2022
	-----Rupees in '000-----	
Total borrowings	957,318	500,499
Less: bank balances	(5,828)	(53,211)
Net debt	951,490	447,288
Total equity	697,523	712,994
Total capital	1,649,013	1,160,282
<b>Gearing ratio</b>	<b>57.70%</b>	<b>38.55%</b>

As at June 30, 2023, the Company's gearing ratio has increased due to increase in running finance obtained to meet working capital requirement. The Company's foreign loan liability increased due to devaluation of currency. As a part of the Company's future strategy, 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.

## 45. PLANT CAPACITY AND PRODUCTION

Particulars	2023		2022	
	Capacity	Actual production	Capacity	Actual production
----- million bottles -----				
45.1 I.V. solutions	28.6	21.5	31.4	22.0
45.2 Plastic ampoules	14.1	12.2	21.0	9.9
45.3 Sachets	1.1	0.8	-	-

45.1 The Company's annual capacity for I.V. solutions have been reduced from 31.4 million to 28.6 on account of closure of LINE-II operations for a period of 125 working days due to the installation of new air washing, filling, sealing and cap washing machine in line with Goods Manufacturing Process (GMP) guidelines. The actual production was on the lower side due to the burden of producing multiple range of products and frequent product changeover in the market.



45.2 The Company's annual capacity for Plastic Ampoules have been reduced from 21.0 million to 14.1 on account of disposal of Blow Fill and Seal Machine (BFS) having an annual capacity of 7.05 million ampoules.

45.3 The Company has started the production facility of Sachets with effect from April 17, 2023. The actual production was on the lower side due to the initial teething problems of the new production line.

#### 46. SUBSEQUENT EVENT

The Board of Directors in its meeting held on proposed a final cash dividend of Rs. 1.50 per share (2022: Rs. 1.50 per share) amounting to Rs. 18.15 million (2022: Rs. 18.15 million) subject to the approval of the members in the forthcoming annual general meeting of the Company.

#### 47. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 24, 2023 by the Board of Directors of the Company.

#### 48. GENERAL

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

48.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.



**Hanif Sattar**  
Chief Executive Officer



**Navin Merchant**  
Director



**Sajid Ali Khan**  
Chief Financial Officer

<b>OTSUKA PAKISTAN LIMITED</b>			
<b>Pattern of Shareholding Report</b>			
<b>As of June 30, 2023</b>			
Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Directors, Chief Executive Officer and their spouse(s) and minor children</b>			
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. MEHTABUDIN FERAZ	1	397,485	3.29
ABID HUSSAIN	1	500	0.00
<b>Associated Companies, undertakings and related parties</b>	<b>4</b>	<b>8,214,807</b>	<b>67.89</b>
<b>NIT &amp; ICP</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Banks Development Financial Institutions, Non Banking Financial Financial Insti</b>	<b>3</b>	<b>8,621</b>	<b>0.07</b>
<b>Insurance Companies</b>	<b>2</b>	<b>111,802</b>	<b>0.92</b>
<b>Modarabas and Mutual Funds</b>	<b>1</b>	<b>120</b>	<b>0.00</b>
<b>General Public</b>			
a. Local	867	2,172,184	17.95
b. Foreign	8	14,456	0.12
<b>Foreign Companies</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Others</b>	<b>17</b>	<b>1,179,392</b>	<b>9.75</b>
<b>Totals</b>	<b>909</b>	<b>12,100,000</b>	<b>100.00</b>
<b>Share holders holding 10% or more</b>			
		<b>Shares Held</b>	<b>Percentage</b>
M/S OTSUKA PHARMACEUTICAL COMPANY LIMITED		5,420,247	44.80
M/S. OTSUKA PHARMACEUTICAL FACTORY, INC.		1,589,940	13.14

**OTSUKA PAKISTAN LIMITED**  
**Pattern of Shareholding**  
**As of June 30, 2023**

# Of Shareholders	Shareholdings'Slab			Total Shares Held
386	1	to	100	6,112
287	101	to	500	60,493
93	501	to	1000	68,454
98	1001	to	5000	204,824
19	5001	to	10000	127,924
10	10001	to	15000	118,363
1	20001	to	25000	24,090
1	30001	to	35000	30,112
1	45001	to	50000	49,000
1	50001	to	55000	51,474
1	110001	to	115000	111,562
1	130001	to	135000	134,000
1	145001	to	150000	146,510
1	200001	to	205000	202,372
5	395001	to	400000	1,987,425
1	560001	to	565000	562,599
1	1200001	to	1205000	1,204,499
1	1585001	to	1590000	1,589,940
1	5420001	to	5425000	5,420,247
<b>910</b>				<b>12,100,000</b>



## COMPARISON OF LAST 6 YEARS RESULTS

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Share Capital (Rs. In '000)	121,000	121,000	121,000	121,000	121,000	121,000
Unappropriated Profit / (Loss) (Rs. In '000)	(274,688)	(439,525)	(346,193)	37,997	250,014	84,543
General Reserve (Rs. In '000)	356,500	341,980	341,980	341,980	341,980	491,980
Capital Employed (Rs. In '000)	202,812	23,455	116,787	532,880	716,086	704,315
Long Term Loans/Lease (Rs. In '000)	-	-	-	31,903	3,092	6,792
Sales (Rs. In '000)	1,869,013	1,884,753	2,226,989	2,546,276	2,851,733	3,035,085
Profit/(Loss) Before Tax (Rs. In '000)	138,008	(193,711)	107,557	469,535	364,629	(28,352)
Taxation - net (Rs. In '000)	(72,702)	18,363	(16,491)	(83,204)	(132,832)	21,145
Profit/(Loss) After Taxation (Rs. In '000)	65,306	(175,348)	91,066	386,331	231,797	(7,207)
% of Sales	3%	-9%	4%	15%	8%	-0.24%
% of Total Assets	4%	-11%	5%	26%	13%	-0.31%
% of Capital Employed	32%	-748%	78%	72%	32%	-1%
Dividend Amount (Rs. In '000)	14,520	-	-	18,150	18,150	18,150
% of Dividend	12%	-	-	15%	15%	15%
Bonus Shares Dividend (Rs. In '000)	11,000	-	-	-	-	-
% of Bonus Issue	10%	-	-	-	-	-
Earnings / (Loss) Per Share	5.40	(14.49)	7.53	31.93	19.16	(0.60)
Fixed Assets less Depreciation (Rs. In '000)	413,124	350,998	304,687	275,096	265,400	210,814
Total Assets (Rs. In '000)	1,583,800	1,530,644	1,680,281	1,485,431	1,845,908	2,288,964
Average Number of Employees	392	392	391	384	374	368

## POSTAL BALLOT PAPER

for voting through post for the Special Businesses at the Annual General Meeting to be held on October 2, 2023 (Monday) at 10:30 a.m. at the Auditorium Hall, Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi

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

Folio / CDS Account Number	
Name of Shareholder / Proxy Holder	
Registered Address	
Number of shares held	
CNIC/Passport No. (in case of foreigner) (copy to be attached)	
Additional information and enclosures (in case of representative of body corporate, corporation, and federal Government)	
Name of Authorized Signatory	
CNIC/Passport No. (in case of foreigner) of Authorized Signatory (copy to be attached)	

### **Resolution For Agenda Item No. 4:**

To consider, adopt with or without modification the following resolution for approval of circulation of Company's annual audited accounts containing balance sheet, profit and loss statement, auditors' and directors' reports etc. ("Annual Audited Financial Statements") to member of the Company through QR enabled code and web link as part of notices of Annual General Meeting.

**"RESOLVED THAT** providing of Company's annual audited financial statements to its' members through QR enabled code and web link be and is hereby approved".

**"FURTHER RESOLVED THAT** the Company be and is hereby authorized to discontinue the circulation of annual financial statements through CD/DVD."

**"FURTHER RESOLVED THAT** the Company Secretary be and is hereby authorized to do all acts, deeds and things, take or cause to be taken any action as may be necessary, incidental or consequential to give effect to this resolution."

### **Resolution For Agenda Item No. 5:**

To consider and approve the incremental remuneration of Chief Executive Officer of the Company.

### **Instructions For Poll**

1. Please indicate your vote by ticking (✓) the relevant box.

2. In case if both the boxes are marked as (✓), your poll shall be treated as **"Rejected"**.

I/we hereby exercise my/our vote in respect of the above resolution through ballot by conveying my/our assent or dissent to the resolution by placing tick (✓) mark in the appropriate box below:

Resolution	I/We assent to the Resolution (FOR)	I/We dissent to the Resolution (AGAINST)
<b><u>Resolution For Agenda Item No. 4</u></b>		
<b><u>Resolution For Agenda Item No. 5</u></b>		

### **NOTES:**

- Dully filled postal ballot should be sent to the Chairman, Otsuka Pakistan Limited through post at Registered Office 30-B, Sindhi Muslim Co-operative, Housing Society, Karachi **OR Email [secretarialcompliance@otsuka.pk](mailto:secretarialcompliance@otsuka.pk)**.
- Copy of CNIC/NICOP or Passport (in case of foreign national) should be enclosed with the postal ballot form. In case of representative of body corporate, corporation and Federal Government, Board Resolution / Power of Attorney shall also be enclosed.
- Postal ballot forms should reach chairman of the meeting on or before October 01 2023, **5:00 PM** (last date of receiving postal ballot). Any postal ballot received after this date, will not be considered for voting.
- Signature on postal ballot should match with signature on CNIC/NICOP.

Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written ballot paper will be rejected.

Date: \_\_\_\_\_

\_\_\_\_\_  
Shareholder / Proxy holder Signature/Authorized Signatory

(In case of corporate entity, please affix company stamp)



## PROXY FORM 35<sup>th</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-fifth Annual General Meeting of the Company to be held on Monday, October 2, 2023  
and at any adjournment thereof.

As witness my hand this..... day of .....2023  
Signed by the said.....

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

Witness

Signature on Revenue stamp of appropriate value
---

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

### Notes:

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



**AFFIX  
CORRECT  
POSTAGE**

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



















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Otsuka

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