



October 29, 2020

The General Manager  
**Pakistan Stock Exchange Limited**  
Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

**Sub.: Transmission of Quarterly Accounts for the period ended September 30, 2020**

Dear Sir,

We have to inform you that the Quarterly Accounts of the Company for the period ended September 30, 2020 had been transmitted through PUCARS and is also available on our Company's website: [www.otsuka.pk](http://www.otsuka.pk).

You may please inform the TRE certificate holders of the Exchange accordingly.

Yours sincerely,

Muhammad Amin Bashir  
Company Secretary

Encl.: A.A.

**Otsuka Pakistan Ltd.**

**Head Office** : 30-B, Sindhi Muslim Co-operative Housing Society, Karachi-74400, Pakistan. Phones : (+9221) 3452 8651-54 Fax: (+9221) 3454 9857 URL [www.otsuka.pk](http://www.otsuka.pk)  
**Factory** : No. F/4-9, Hub Industrial Trading Estate, Distt. Lasbella, Balochistan, Pakistan. Phones: (+92853) 302363, 303218, 303517, 304395-97 Fax: (+92853) 364057

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

# **Reports & Accounts**

For the quarter ended  
**September 30, 2020**



Otsuka

**Otsuka Pakistan Limited**

(A Company of Otsuka Group Japan)

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## COMPANY INFORMATION

BOARD OF DIRECTORS :	Mr. Mikio Bando (Chairman) (Alternate: Mr. Muhammad Taufiq Feroz) Mr. Hanif Sattar (Director and Chief Executive Officer) Mr. Koichi Okada Mr. Mehtabuddin Feroz Mr. Suhari Mukti (Alternate: Mr. Sajid Ali Khan) Mr. Noor Muhammad (Independent Director) Mrs. Navin Salim Merchant (Independent Director)
COMPANY SECRETARY :	Mr. Muhammad Amin Bashir
AUDIT COMMITTEE :	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member)
HEAD OF INTERNAL AUDIT:	Mr. Jawaid Noor (Secretary)
RISK MANAGEMENT COMMITTEE :	Senior Executive Committee Members
HUMAN RESOURCES & REMUNERATION COMMITTEE AND NOMINATION COMMITTEE :	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member) Mr. Hanif Sattar (Member)
AUDITORS (EXTERNAL) :	Deloitte Yousuf Adil (Chartered Accountants)
AUDITORS (INTERNAL) :	Saud Tariq & Co. (Chartered Accountants)
LEGAL ADVISORS :	Hassan & Humayun Associates
BANKERS :	Citibank N.A., Bank Alfalah Limited The Bank of Punjab Habib Bank Limited Allied Bank Limited MCB Bank Limited National Bank of Pakistan
REGISTERED OFFICE :	30-B, Sindhi Muslim Co-operative, Housing Society, Karachi-74400 Tel.: 34528651 – 4, Fax: 34549857 <b>E-mail:</b> <a href="mailto:mamin@otsuka.pk">mamin@otsuka.pk</a> <a href="mailto:inoor@otsuka.pk">inoor@otsuka.pk</a> <b>Web site:</b> <a href="http://www.otsuka.pk">www.otsuka.pk</a>
FACTORY :	Plot No. F/4-9, Hub Industrial Trading Estate, Distt. Lasbella (Balochistan) Tel.: (0853) 303517-8 Fax: (0853) 303519
SHARE REGISTRAR :	CDC Share Registrar Services Limited – (CDCSRSL) CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi 74400. Pakistan. Tel: (92-21) 111-111-500, Fax: (92-21) 34326053 Email: <a href="mailto:info@cdcsrsl.com">info@cdcsrsl.com</a>

### **Directors' Report**

The Directors are pleased to present accounts of Otsuka Pakistan Limited (the Company) for the first quarter ended September 30, 2020.

#### **Board of Directors**

The composition of Board of Directors ("the Board") and its sub-committees are 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. Noor Muhammad	Female
	Mrs. Navin Salim Merchant	

#### **Board Sub-Committees:**

NAME OF BOARD SUB-COMMITTEE	NAME OF MEMBER
Audit Committee	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada Mr. Mehtabuddin Feroz
Human Resource & Remuneration Committee and Nomination Committee	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada Mr. Mehtabuddin Feroz Mr. Hanif Sattar
Risk Management Committee	Senior Executive Committee Members

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

#### **Business Review**

The results of the first quarter are encouraging where sales have increased by 14% and gross profit margin have improved from 28% to 30% as compared to the corresponding quarter of last

year. Selling and Distribution have reduced by 7% due to limited promotional activities on account of COVID-19.

Other income has decreased by 63% while other expense has increased by 232% due to exchange loss of Rs. 10.9 million as compared to exchange gain of Rs. 22 million in the same quarter last year. The financial cost of the company has significantly reduced by 64% mainly due to reduction in the discount rates by the State Bank of Pakistan.

The earning per share of the company is Rs. 3.56 per share as compared to an earning of Rs. 2.12 in the same period of the last year.

### **Future Outlook**

In the post COVID-19 phase, Pakistan economy is progressing at a good pace and we are hoping that the government will focus on the growth policies to improve business confidence and to boost the economy. However, fixation of pricing matter with DRAP, Pak-Rupee depreciation and the general inflation in the coming months may impact future results of the Company. The directors are confident on the performance of the products of the Company and will make all the efforts to continue this growth trend.

On behalf of the Board



**Hanif Sattar**  
Chief Executive Office



**Mehtabuddin Feroz**  
Director

Karachi

Dated: October 22, 2020



## ڈائریکٹرز رپورٹ

ڈائریکٹرز 30 ستمبر 2020 کو ختم ہونے والی پہلی سہ ماہی کے لئے اوٹسوکا پاکستان لمیٹڈ (کمپنی) کے اکاؤنٹ بڑی خوشی سے پیش کرتے ہیں۔

### بورڈ آف ڈائریکٹرز

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

درجہ بندی	نام	جنس
ایگزیکٹو ڈائریکٹر	جناب حنیف ستار (سی ای او)	مرد
نان ایگزیکٹو ڈائریکٹرز	جناب میکو بانڈو (چیئر مین) جناب مہتاب الدین فیروز جناب کوچی او کاڈا جناب سوہاری مکتی	مرد
آزاد ڈائریکٹرز	جناب نور محمد مسز نوین سلیم مرچنٹ	مرد خاتون

بورڈ کمیٹی:

بورڈ کی ذیلی کمیٹی کا نام	ممبر کا نام
آڈٹ کمیٹی	جناب نور محمد (چیئر مین) جناب کوچی او کاڈا جناب مہتاب الدین فیروز
ہیومن ریسورسز اور معاوضہ کمیٹی اور نومینیشن کمیٹی	جناب نور محمد (چیئر مین) جناب کوچی او کاڈا جناب مہتاب الدین فیروز جناب حنیف ستار

### رиск مینجمنٹ کمیٹی

مینجمنٹ کمیٹی کو تفویض کی گئی ہے۔

بورڈ کے پاس کمپنیز ایکٹ، 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے مطابق اپنے ڈائریکٹرز کے معاوضے کے لئے باقاعدہ پالیسی اور شفاف طریقہ کار موجود ہے۔ غیر ایگزیکٹو ڈائریکٹرز بورڈ اجلاسوں میں شرکت کے معاوضے کے بدلے صرف مقررہ فیس وصول کرنے کے حقدار ہیں۔

### کاروباری جائزہ:

پہلی سہ ماہی کے نتائج حوصلہ افزا ہیں جہاں فروخت میں 14 فیصد اضافہ ہوا ہے نیز گزشتہ سال کی اسی سہ ماہی کے مقابلے میں مجموعی منافع کا مارجن 28 فیصد سے 30 فیصد تک بڑھا ہے۔ کورونا کی وجہ سے محدود تشہیراتی سرگرمیوں کے سبب فروخت اور تقسیم میں 7 فیصد کمی واقع ہوئی ہے۔

دیگر آمدنی ذرائع میں 63 فیصد کی توقع ہوئی ہے جبکہ دیگر اخراجات میں 232 فیصد کا اضافہ ہوا ہے۔ روپے کے زرمبادلہ کی شرح میں کمی کے سبب 10 اعشاریہ 9 ملین نقصان ہوا جو گزشتہ سال اسی سہ ماہی میں 22 ملین منافع میں تھا۔ کمپنی کی مالی لاگت میں 64 فیصد کی توقع ہوئی ہے جس کی بنیادی وجہ اسٹیٹ بینک آف پاکستان کی جانب سے رعایت کی شرحوں میں کمی ہے۔

کمپنی کے حصص کی آمدنی 3 روپے 56 پیسے فی حصص ہے جو پچھلے سال کے اسی عرصے میں 2 روپے 12 پیسے فی حصص تھی۔

## مستقبل کی پیش بندی:

کوویڈ-19 مرحلے کے بعد، پاکستان کی معیشت اچھی رفتار سے ترقی کر رہی ہے اور ہم امید کر رہے ہیں کہ حکومت کاروباری اعتماد میں بہتری لانے اور معیشت کو فروغ دینے کے لئے ترقیاتی پالیسیوں پر توجہ دے گی۔ تاہم، ڈی۔ آر۔ اے۔ پی۔ کی جانب سے قیمتوں کی تعیناتی پالیسی، پاک روپیہ کی قدر میں کمی اور آنے والے مہینوں میں عام افراط زر کی وجہ سے کمپنی کے مستقبل کے نتائج پر اثر پڑ سکتا ہے۔ ڈائریکٹرز کمپنی کی مصنوعات کی کارکردگی پر پُر اعتماد ہیں اور اس شرح نمو کو جاری رکھنے کے لئے تمام کوششیں جاری رکھیں گے۔

منجانب بورڈ

بورڈ کی جانب سے



حنیف ستار

چیف ایگزیکٹو آفیسر

کراچی:



مہتاب الدین فیروز

ڈائریکٹر

مورخہ 22 اکتوبر، 2020



## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2020

	Note	(Unaudited) Sep 30, 2020 -----Rupees in '000-----	(Audited) June 30, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	322,131	335,043
Intangibles		1,628	1,781
Long-term loans - considered good		9,114	8,743
Long-term deposits		1,309	1,309
Deferred tax asset - net	5	157,305	173,634
		<u>491,487</u>	<u>520,510</u>
<b>Current assets</b>			
Stores and spares		42,081	47,822
Stock-in-trade - net		728,897	680,918
Trade debts - unsecured - net		197,793	283,707
Loans and advances - considered good		25,227	61,532
Trade deposits, short-term prepayments and other receivables		50,877	38,124
Taxation - net		31,936	24,843
Bank balances		5,001	22,825
		<u>1,081,812</u>	<u>1,159,771</u>
<b>Total assets</b>		<u><u>1,573,299</u></u>	<u><u>1,680,281</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Share capital</b>			
Authorised share capital 20,000,000 (June 30, 2020: 20,000,000) ordinary shares of Rs 10 each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up share capital 12,100,000 (June 30, 2020: 12,100,000) ordinary shares of Rs 10 each		121,000	121,000
Revenue reserves		<u>38,855</u>	<u>(4,213)</u>
Shareholders' equity		<u>159,855</u>	<u>116,787</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term loan from a related party - unsecured	6	588,075	585,262
Trade and other payables		463,323	530,407
Short-term running finance - secured	7	351,620	429,854
Mark-up accrued		7,238	14,783
Unclaimed Dividend		3,188	3,188
		<u>1,413,444</u>	<u>1,563,494</u>
<b>Total equity and liabilities</b>		<u><u>1,573,299</u></u>	<u><u>1,680,281</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



**Hanif Sattar**  
Chief Executive Officer



**Mehtabuddin Feroz**  
Director



**Sajid Ali Khan**  
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

	Note	Sep, 30 2020	Sep, 30 2019
		----- Rupees in '000 -----	
Net sales	9	611,156	534,104
Cost of sales		(426,108)	(385,835)
<b>Gross profit</b>		<b>185,048</b>	<b>148,269</b>
Selling and distribution expenses		(68,815)	(74,047)
Administrative and general expenses		(25,869)	(25,632)
		<b>90,364</b>	<b>48,590</b>
Other income		6,516	17,812
		<b>96,880</b>	<b>66,402</b>
Other expenses		(15,423)	(4,644)
<b>Operating income</b>		<b>81,457</b>	<b>61,758</b>
Finance cost		(7,360)	(20,404)
<b>Profit for the period before taxation (Taxation - net)</b>		<b>74,097</b>	<b>41,354</b>
<b>Profit for the period after taxation</b>		<b>(31,029)</b>	<b>(15,740)</b>
		<b>43,068</b>	<b>25,614</b>
		----- Rupees -----	
<b>Earnings per share - basic and diluted</b>		<b>3.56</b>	<b>2.12</b>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



**Hanif Sattar**  
Chief Executive Officer



**Mehtabuddin Feroz**  
Director



**Sajid Ali Khan**  
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

	Sep, 30 2020	Sep, 30 2019
	----- Rupees in '000 -----	
<b>Profit for the period after taxation</b>	43,068	25,614
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of defined benefit plan	-	-
Deferred tax on remeasurements of defined benefit plan	-	-
	-	-
<b>Total comprehensive income for the period</b>	<u>43,068</u>	<u>25,614</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



**Hanif Sattar**  
Chief Executive Officer



**Mehtabuddin Feroz**  
Director



**Sajid Ali Khan**  
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Accumulated losses	Sub-total	
	Rupees in '000				
Balance as at July 1, 2019	121,000	341,980	(439,525)	(97,545)	23,455
Total comprehensive income for the quarter ended September 30, 2019	-	-	25,614	25,614	25,614
Balance as at September 30, 2019	121,000	341,980	(413,911)	(71,931)	49,069
Balance as at July 1, 2020	121,000	341,980	(346,193)	(4,213)	116,787
Total comprehensive income for the quarter ended September 30, 2020	-	-	43,068	43,068	43,068
Balance as at September 30, 2020	121,000	341,980	(303,125)	38,855	159,855

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



**Hanif Sattar**  
Chief Executive Officer



**Mehtabuddin Feroz**  
Director



**Sajid Ali Khan**  
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

Note	QUARTER ENDED Sep-30	
	2020	2019
	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period before taxation	74,097	41,354
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation & Amortisation	24,101	21,772
Gain on disposal of Fixed Asset-net Workers'	(800)	(1,337)
Profits Participant Fund	3,939	2,377
Central Research Fund	744	461
Exchange loss/(gain) -net	8,136	(7,778)
Impairment of trade debts - net	-	(121)
Mark-up on finances	7,360	20,404
<b>Operating Surplus before working capital changes</b>	<b>117,577</b>	<b>77,132</b>
<b>(Increase) / decrease in current assets</b>		
Stores and spares	5,741	5,255
Stock-in-trade	(47,979)	15,453
Trade debts - unsecured	85,915	(36,835)
Loans and advances	36,305	551
Trade deposits, short-term prepayments, other receivables	(12,753)	1,315
	67,229	(14,261)
<b>Increase/(Decrease) in current liabilities</b>		
Trade and other payables	(77,324)	26,950
<b>Cash generated from operations</b>	<b>107,482</b>	<b>89,821</b>
Interest paid	(14,905)	(19,456)
Taxes paid	(21,793)	(15,079)
Increase/(Decrease) in long-term loans	(371)	141
<b>Net cash generated from operations</b>	<b>70,413</b>	<b>55,427</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(11,102)	(14,508)
Proceeds from disposal of property, plant and equipment	1,099	4,172
<b>Net cash used in investing activities</b>	<b>(10,003)</b>	<b>(10,336)</b>
<b>Net increase in cash and cash equivalents</b>	<b>60,410</b>	<b>45,091</b>
Cash and cash equivalents at the beginning of the period	(407,029)	(572,694)
<b>Cash and cash equivalents at the end of the period</b>	<b>(346,619)</b>	<b>(527,603)</b>

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The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



**Hanif Sattar**  
Chief Executive Officer



**Mehtabuddin Feroz**  
Director



**Sajid Ali Khan**  
Chief Financial Officer

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2020

### 1 LEGAL STATUS AND NATURE OF BUSINESS

Otsuka Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company and is listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 30-B, S.M.C.H. Society, Karachi in the province of Sindh, Pakistan. The Company is engaged in the manufacturing, marketing and distribution of intravenous infusions and trading in pharmaceutical products, nutritional foods and medical equipments. The Company is an indirect subsidiary of Otsuka Pharmaceutical Company Limited, Japan.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, the requirements of the Companies Act, 2017 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Act, 2017 or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP prevail.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures which are required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Company for the year ended June 30, 2020.

The comparatives in the condensed interim statement of financial position presented in the condensed interim financial information as at September 30, 2020 have been extracted from the audited financial statements of the Company for the year ended June 30, 2020, whereas, the comparatives in the condensed interim statement of profit or loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement have been extracted from the unaudited condensed interim financial information of the Company for the Quarter ended Sep 30, 2019.

#### 2.2 Accounting convention

This condensed interim financial information have been prepared under the historical cost convention except that obligations in respect of certain staff retirement benefits are carried at present value of defined benefit obligation less fair value of plan assets.

#### 2.3 Functional and presentation currency

This condensed interim financial information are measured using the currency of the primary economic environment in which the Company operates. These condensed interim financial information are presented in Pakistan Rupee, which is the Company's functional and presentation currency.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS

3.1 The accounting policies applied in the preparation of this condensed interim financial information are the same as those that were applied in the preparation of the annual published audited financial statements of the Company for the year ended June 30, 2020.

3.2 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of the accounting policies of the Company. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future years if the revision affects both current and future periods.

The significant estimates, judgments and assumptions made by management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that were applied to the financial statements of the Company as at and for the year ended June 30, 2020.

3.3 The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Company for the year ended June 30, 2020.



### 3.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain amended standards and interpretations that are mandatory for accounting periods beginning on or after July 01, 2020 but are not considered to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

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

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

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards	January 01, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures and IFRS 9 'Financial Instruments' — regarding Interest rate benchmark reform	January 01, 2020
- Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 01, 2020
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions 'Certain annual improvements have also been made to a number of IFRSs.	January 01, 2020

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

	Note	(Unaudited) September 30, 2020	(Audited) June 30, 2020
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>		-----Rupees in '000-----	
Operating fixed assets	4.1	299,224	304,687
Capital work-in-progress		22,907	30,356
		<u>322,131</u>	<u>335,043</u>

**4.1** The following additions to and disposals of operating fixed assets have been made during the period:

----- Quarter ended September 30, 2020 -----						
	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork Lifter	Total
	----- Rupees in '000 -----					
Additions	-	5,955	301	4,846	-	11,102
Disposals:						
Cost	-	-	(404)	(1,497)	-	(1,901)
Accumulated depreciation	-	-	404	1,197	-	1,601
	-	-	(0.01)	(299)	-	(299)

----- Quarter ended September 30, 2019 -----						
	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork Lifter	Total
	----- Rupees in '000 -----					
Additions	-	4,575	2,424	9,893	-	16,892
Disposals:						
Cost	-	-	(59)	(4,806)	-	(4,865)
Accumulated depreciation	-	-	59	1,971	-	2,030
	-	-	-	(2,835)	-	(2,835)

	Note	(Unaudited) September 30, 2020	(Audited) June 30, 2020
		-----Rupees in '000-----	
<b>5 DEFERRED TAX ASSET - NET</b>			

Deferred tax asset - net	5.1	<u>157,305</u>	<u>173,634</u>
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- 5.1** Based on pattern of utilization from future expected taxable profit, the Company has not recognized deferred tax on minimum tax amounting to Rs. 78.325 million (June 30, 2020: Rs. 73.154 million).

	Note	(Unaudited) September 30, 2020	(Audited) June 30, 2020
		-----Rupees in '000-----	
<b>6 SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED</b>			

Loan from Otsuka Pharmaceutical Factory, Inc.	6.1	<u>588,075</u>	<u>585,262</u>
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- 6.1** This represents foreign currency denominated loan obtained in three tranches of JPY 125 million each, drawn down on February 26, 2015, April 27, 2015 and July 27, 2015, repayable on or before February 25, 2016, April 26, 2016 and July 26, 2016 respectively. These were roll forwarded annually multiple times and are now repayable on or before February 25, 2021, April 26, 2021 and July 26, 2021 respectively.

These carry mark-up at LIBOR + 0.40% (2020: LIBOR + 0.40%) per annum, payable semi-annually in arrears. There is no movement noted during the year except changes due to foreign exchange fluctuations.

	Note	(Unaudited) September 30, 2020	(Audited) June 30, 2020
		-----Rupees in '000-----	
<b>7 SHORT-TERM RUNNING FINANCE - SECURED</b>			

**From banking companies**

Short-term running finances utilised under mark-up arrangements	7.1	<u>351,620</u>	<u>429,854</u>
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## 7.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000'	Mark-up rate	Security	Frequency of mark-up payment	Facility expiry date	(Unaudited) Sept 30, 2020 -----Rupees in '000-----	(Audited) June 30, 2020
Citi Bank	765,000	1 month KIBOR + 0.50% p.a.	(a) SECP Registered Joint Pari-passu Charge on Fixed Assets of Plant & Machinery for Rs. 432 million  (b) SECP Registered Joint Pari-passu Charge on Current Assets for Rs. 778 million.	Quarterly	February 28, 2021	290,863	366,388
Bank Alfalah Limited	185,000	3 months KIBOR + 2% p.a.	(a) SECP Registered Joint pari passu charge over stocks and receivables of Rs. 147 million  (b) SECP Registered Mortgage charge over land and building for Rs. 51 million  (c) SECP Registered Joint pari passu charge over plant and machinery of Rs. 121 million.	Quarterly	May 31, 2021	19,757	22,466
The Bank of Punjab	41,000	3 months KIBOR + 1% p.a.	(a) SECP Registered Joint pari passu charge over stocks and receivables of Rs. 24 million  (b) SECP Registered Mortgage charge over land and building for Rs. 15 million  (c) SECP Registered Joint pari passu charge over plant and machinery of Rs. 17 million.	Quarterly	March 31, 2020*	41,000	41,000
	<u>991,000</u>					<u>351,620</u>	<u>429,854</u>

\* Under renewal process.

## 8 CONTINGENCIES AND COMMITMENTS

**8.1** On March 05, 2014, a notice of demand was served on the Company by the Additional Commissioner Inland Revenue (ACIR) for an amount of Rs. 164.778 million (2019: Rs. 164.778 million) under section 122 (5A) of the Income Tax Ordinance, 2001. The ACIR added back certain items such as exchange loss, claims against provisions and write-offs of inventory, discounts and rebates on sales and trade debts and disallowed finance cost in the income returned for tax year 2012. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] who upheld the action of ACIR on certain items against which the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) to review the action of the CIR(A). On January 19, 2017 hearing of ATIR was held and on April 10, 2017 an order was served in which the decision of certain items was given in favour of the Company and certain items were remanded back to the ACIR for further examination.

On December 28, 2017, an appeal effect order was passed by the ACIR under section 124/122(5A) of the Income Tax Ordinance, 2001. Through the said order of ACIR (which is in context of the earlier decision by the ATIR dated April 10, 2017 mentioned above) a demand of Rs. 21.408 million was determined. Furthermore, in respect of the matters decided by the ATIR in favour of the Company, the ACIR has filed an appeal in the High Court of Sindh and The Company filed another appeal against the above order of Rs. 21.408 million before the Commissioner Inland Revenue (Appeals-II) [CIR(A)] along with the stay application. Upon request, the CIR(A) acceded to grant stay against recovery till February 15, 2018. On April 13, 2018 an appeal effect order was passed by the ACIR under section 124/122(5A) of the Income Tax Ordinance, 2001 whereby relief has been allowed in respect of certain matters whereas disallowance has been maintained in respect of certain other matters. As a result a demand of Rs. 12.699 million has been raised by the ACIR which has been settled by the Company in prior year under protest through adjustment of refund relating to the tax year 2015. As a matter of abundant caution, management has recorded a provision of Rs. 12.699 million with corresponding adjustment to refund liability to tax year 2015.

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

	Note	(Unaudited) September 30, 2020	(Audited) June 30, 2020
		-----Rupees in '000-----	
<b>8.3</b> Commitments in respect of:			
Letters of credit		41,706	19,106
Letters of guarantee		47,442	47,442

	Note	(Unaudited) September 30, 2020	(Unaudited) September 30, 2019
		-----Rupees in '000-----	
<b>9</b> <b>NET SALES</b>			
Sales (net of sales return: Nil ;2019: Rs 0.258 million)		683,375	598,143
Less: sales tax		(6,451)	(6,287)
		<u>676,924</u>	<u>591,856</u>
Less: discounts		(65,769)	(57,752)
		<u><u>611,156</u></u>	<u><u>534,104</u></u>

## **10 CASH AND CASH EQUIVALENTS**

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

	(Unaudited) September 30, 2020	(Unaudited) September 30, 2019
	----Rupees in '000----	
Bank balances	5,001	4,991
Short-term running finance utilised under mark-up arrangements	(351,620)	(532,594)
	<u><u>(346,619)</u></u>	<u><u>(527,603)</u></u>

## **11 SEGMENT INFORMATION**

**11.1** This condensed interim financial information has been prepared on the basis of a single reportable segment.

**11.2** Sales from Intravenous Solutions represent 86.03 percent while sales from others represent 13.97 percent (Sep 30,2019: 83.88 percent and 16.12 percent) respectively of the total sales of the Company.

	(Unaudited) September 30, 2020	(Unaudited) September 30, 2019
	----- In percent -----	
<b>11.3</b> The geographic segmentation of sales is as follows:		
Pakistan	94.39	98.48
Outside Pakistan	5.61	1.52

**11.4** Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region was around 46.43 percent during the period ended Sep 30, 2020 (Sep 30, 2019: 47.02 percent).

**11.5** All non-current assets of the Company as at September 30, 2020 are located in Pakistan.

## 12 TRANSACTIONS WITH RELATED PARTIES

Name of related party	Relationship with the Company	Nature of transaction	September 30, 2020	September 30, 2019
----- Rupees in '000 -----				
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Purchases	-	362
		Mark up on loan	976	909
		Short term Loan revalued up/(down)	2,813	(14,288)
Otsuka Pharmaceutical Co, Ltd.	Parent Company	Purchases	43,765	8,762
Hospital Supply Corporation	Common Directorship	Late payment surcharge on receivables	2,306	4,546
		Purchases	-	222
		Sales	333,149	246,352
		Sales return	-	1,680
		Sales Discounts/claims	46,024	40,657
Microport Medical (Shanghai) Co., Ltd.	Associated undertaking	Purchases	8,082	4,899
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Purchases	-	14,331
PT. Otsuka Indonesia	Associated Undertaking	Purchases	5,281	-
Shanghai Microport EPMED Tech Co. Ltd.	Associated Undertaking	Purchases	-	5,947
Danish Enterprises	Others	Purchases	966	200
Director	Independent Director & Non	Meeting fees	100	100
Otsuka staff provident fund	Provident fund	Contribution during the year to the fund	3,141	2,933
Key Management Personnel	Key Management Personnel	Remuneration paid	13,675	12,302
Director	Director	Consultancy charges	750	750

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	September 30, 2020	June 30, 2019
----- Rupees in '000 -----				
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Short term loan payable	588,075	585,262
Otsuka Pharmaceutical Co, Ltd.	Parent company	Payable against purchases	-	14,022
Hospital Supply Corporation	Common Directorship	Receivable against sale of goods	171,871	190,319
PT. Otsuka Indonesia	Associated undertaking	Payable against purchases	1,183	4,537
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Payable against purchases	220	15,829
Shanghai Microport Medical (Group) Co.,	Associated undertaking	Payable against purchases	8,155	10,083
Shanghai Microport EPMed Tech Co., Ltd.	Associated undertaking	Payable against purchases	168	7,028
Shareholders	Shareholders	Payable to shareholders	363	363
Key Management Personnel	Key Management Personnel	Advance from key management personnel	1,226	1,226

**13 FAIR VALUE MEASUREMENT**

IFRS 13 'Fair value Measurement' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

**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
- 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 Sep 30, 2020 and June 30, 2020, the Company did not have any assets or liabilities which were measured at fair value using any of the aforementioned valuation techniques.

**14 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in this condensed interim financial information during the current period.

**15 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on **October 22, 2020** by the Board of Directors of the Company.

**16 GENERAL**

Figures in this condensed interim financial information have been rounded off to the nearest thousand rupees unless otherwise stated.



**Hanif Sattar**  
Chief Executive Officer



**Mehtabuddin Feroz**  
Director



**Sajid Ali Khan**  
Chief Financial Officer



















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