

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

ANNUAL REPORT 2021-22

FOR THE YEAR ENDED JUNE 30, 2022



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. Abid Hussain (Independent Director) Mrs. Navin Salim Merchant (Independent Director)
COMPANY SECRETARY	:	Mr. Muhammad Amin Bashir
AUDIT SUB COMMITTEE OF THE BOARD	:	Mr. Abid Hussain (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 & NOMINATION SUB COMMITTEE OF THE BOARD	:	Mrs. Navin Salim Merchant (Chairperson) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member) Mr. Hanif Sattar (Secretary)
AUDITORS (EXTERNAL)	:	Yousuf Adil Chartered Accountants (An Independent Correspondent Firm to Deloitte Touche Tohmatsu Limited)
AUDITORS (INTERNAL)	:	Saud Tariq & Co. Chartered Accountants
LEGAL ADVISORS	:	Dr. Moneeba Hamid
BANKERS	:	Citibank N.A., Habib Metropolitan Bank Limited Habib Bank Limited Bank Al-Habib Limited The Bank of Punjab Allied Bank Limited MCB Bank Limited National Bank of Pakistan
REGISTERED OFFICE	:	30-B, Sindhi Muslim Co-operative, Housing Society, Karachi-74400 Tel.: 34528651 – 4, Fax: 34549857 E-mail: secretarialcompliance@otsuka.pk Web site: www.otsuka.pk
FACTORY	:	Plot No. F/4-9, Hub Industrial Trading Estate, Distt. Lasbella (Balochistan) Tel.: (0853) 303517-8 Fax: (0853) 303519
SHARE REGISTRAR	:	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@cdcsrcsl.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

Employees

Community

Shareholders



For Life .

Realizing
the hidden power
within.



**HUNDRED YEAR
OTSUKA QUALITY**

NOTICE OF MEETING

Notice is hereby given that the Thirty fourth (34th) Annual General Meeting of Otsuka Pakistan Limited will be held on October 27, 2022 (Thursday) at 10:30 a.m. at the Auditorium of Pakistan American Cultural Center (PACC), 11 Fatima Jinnah Rd, Civil Lines, 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, 2022, 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, 2023.
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, 2022.
4. To transact any other business with the permission of the Chair.

By order of the Board

Muhammad Amin Bashir
Company Secretary

Karachi: September 22, 2022

ONLINE PARTICIPATION IN ANNUAL GENERAL MEETING

The shareholders of Otsuka Pakistan Limited are encouraged to participate in the 34th 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 34th 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 27, 2022 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 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 #	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 34th AGM of the Company at least two working days before the AGM, at cdcsr@cdcsrsl.com or 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 34th 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 October 21, 2022 to October 27, 2022 (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, 2022 are placed on the Company's website: 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 31st 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, 2022 effective July 1, 2022, 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 Shareholding	Principal Shareholder		Joint Shareholder(s)	
			Name and CNIC No.	Shareholding Proportion	Name and CNIC 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 shareholdings for conversion of physical shares into book-entry form.

K. UNPAID / UNCLAIMED DIVIDEND AND UNDELIVERED 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. 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-VOTING & POSTAL BALLOT FACILITY

The shareholders will be allowed to exercise their right to vote through e-voting and postal ballot subject to the requirements of the Companies Act, 2017 and Companies (Postal Ballot) Regulations, 2018. Proxy, e-mandate and consent for video conferencing facility forms can be downloaded from our website: 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. Muhammad Amln Bashir, Company Secretary, Otsuka Pakistan Limited, 30-B, S.M.C.H.S., Karachi-74400, Tel: 34528652 – 4 Lines, Email: secretarialcompliance@otsuka.pk.

I. نقد منافع حصہ کی الیکٹرونک ادائیگی (لاڈی):

کمپنیز ایکٹ 2017ء کی دفعہ 242 اور کمپنیز (ڈسٹری بیوٹن آف ڈیویڈنڈ) ریگولیشنز، 2017ء کے تحت لمیٹڈ کمپنی کے لئے ضروری ہے کہ قابل ادائیگی نقد منافع حصہ اہل شیئر ہولڈرز کو صرف الیکٹرونک طریقے سے براہ راست ان کے بینک اکاؤنٹس میں ادا کی جائے۔

شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے بینک مینٹنس کے ساتھ NTN/CNIC کی درست کاپی جس میں ٹیکس آف بینک اکاؤنٹ، اکاؤنٹ نمبر، انٹر بینک بینک اکاؤنٹ نمبر (IBAN)، بینک کا نام، برانچ کا نام، کوڈ اور پتہ، شیئر ہولڈر کا نام، فوٹو نمبر، سی ڈی ایس اکاؤنٹ نمبر، موبائل / لینڈ لائن نمبر کمپنی کے شیئر رجسٹرار کو مندرجہ ذیل پتے پر فراہم کر دیں۔

اس سلسلے میں، کمپنی مورخہ 06 جولائی 2021 کو ان حصص یافتگان جن کی بینک اکاؤنٹ کی تفصیلات اپ ڈیٹ نہیں ہیں انہیں بینک اکاؤنٹ کی تفصیلات فراہم کرنے کے لیے پہلے ہی خط ارسال کر چکی ہے۔ مذکورہ بالا معلومات کی عدم فراہمی کی صورت میں کمپنی کمپنیز ایکٹ 2017ء کے سیکشن (3) 243 کے مطابق نقد منافع حصہ کی ادائیگی روک دے گی۔

J. سی ڈی سی اکاؤنٹ میں فزیکل شیئر کی تبدیلی (بک انٹری کے ساتھ):

ایس ای سی پی نے اپنے لیٹر نمبر CSD/BD/Misc/2016-639-640 تاریخ 26 مارچ 2021ء کے ذریعے تمام کمپنیوں کو مطلع دیا ہے کہ وہ کمپنیز ایکٹ، 2017 ("ایکٹ") کی دفعہ 72 کی دفعات کی پیروی کریں۔ جس کے تحت تمام کمپنیاں ایکٹ کے آغاز کے چار سال کے اندر فزیکل شکل میں جاری کردہ شیئرز کو بک انٹری فارم میں تبدیل کرنے کی ضرورت ہوگی۔ اس کے مطابق کمپنی کے حصص یافتگان جن کے پاس فزیکل ڈیویڈنڈ / شیئر سرٹیفکیٹ ہیں ان سے درخواست کی جاتی ہے کہ وہ جلد سے جلد اپنے حصص کو فزیکل فارم سے بک انٹری فارم میں تبدیل کریں۔ حصص یافتگان اپنی ایس ایس ایکس نمبر، سی ڈی سی شراکت دار، ایس ایس ڈی سی الونیسٹر اکاؤنٹ سرورس پر دو نمبر سے سی ڈی ایس ایس اکاؤنٹ کھولنے اور بعد میں فزیکل شیئرز کو بک انٹری فارم میں تبدیل کرنے کے لیے رابطہ کر سکتے ہیں۔ بک انٹری فارم میں حصص کو برقرار رکھنے کے بہت سے فوائد ہیں جیسے سی ڈی سی کے پاس حصص کی محفوظ تحویل، ڈیجیٹل شیئرز کے اجراء کے لیے درکار کی شرائط سے بچاؤ اور بہتر قیمتوں پر ادین مارکیٹ میں خریدار اور فروخت کیلئے آسانی سے دستیابی ہے۔ کمپنی نے مورخہ 06 جولائی 2021 کو فزیکل حصص یافتگان کو فزیکل شیئرز کو بک انٹری شکل میں تبدیل کرنے کیلئے پہلے ہی خطوط ارسال کئے جا چکے ہیں۔

K. غیر ادا شدہ / غیر دعوی شدہ منافع حصہ اور عدم فراہم شدہ شیئر سرٹیفکیٹ:

کمپنیز ایکٹ 2017ء کی دفعہ 244 کے تحت اپنی ذمہ داری پہلے ہی پوری کر چکی ہے جس کے تحت کمپنی نے حصص یافتگان سے قانون کے مطابق ان کے غیر دعوی شدہ منافع حصہ اور غیر تقسیم شدہ شیئر سرٹیفکیٹ کا دعویٰ کرنے کے لیے پہلے ہی خطوط ارسال کئے جا چکے ہیں۔

حصص یافتگان جن کے کمپنی کے پاس موجود منافع حصہ تاحال غیر دعویٰ اور یا غیر تقسیم شدہ شیئر سرٹیفکیٹ ہیں، ان سے ایک بار پھر درخواست کی جاتی ہے کہ وہ اپنی واجب الادا منافع حصہ کی رقم اور یا غیر موصولہ شیئر سرٹیفکیٹ کے دعویٰ کے سلسلے میں شیئر رجسٹرار یا کمپنی سے رجوع کریں تاکہ کمپنیز ایکٹ 2017ء کی دفعہ (2) 244 کی مقررہ شرائط کے مطابق وفاقی حکومت میں کریڈٹ کیلئے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے پاس جمع کرانیں۔

L. ممبران کیلئے ویڈیو لنک کی سہولت:

کمپنیز ایکٹ 2017ء کی دفعہ 132 اور 134 کے مطابق اگر کمپنی ایک شہر میں رہائش پذیر مجموعی طور پر کم از کم 10 فیصد شیئر ہولڈنگ رکھنے والے ممبران سے رضامندی کی وصولی کی صورت میں، کمپنی اس شہر میں ویڈیو لنک کی سہولت موجود ہونے کی بنیاد پر ویڈیو لنک کی سہولت کا انتظام کرے گی۔ کمپنی اس جگہ (شہر) میں ویڈیو کانفرنس کی سہولت کا بندوبست کرے گی جو اس شہر میں ایسی سہولت کی دستیابی سے مشروط ہے۔ اس سہولت سے فائدہ اٹھانے کے لیے کمپنی سیکریٹری کو سالانہ جنرل میٹنگ کی تاریخ سے کم از کم 7 دن قبل درج ذیل رضامندی فراہم کر کے درخواست جمع کرانی جائے گی۔ کمپنی ممبران کو سالانہ اجلاس عام کی تاریخ سے 5 روز قبل ویڈیو کانفرنس سہولت کے مقام کے بارے میں آگاہ کر دے گی۔ بعد تمام ضروری معلومات جس کے ذریعے اس سہولت تک رسائی حاصل کی جاسکے۔

M. ای وی لنک اور پوسٹل ویلٹ کی سہولت:

شیئر ہولڈرز کو کمپنیز ایکٹ 2017ء اور کمپنیز (پوسٹل ویلٹ) ریگولیشنز، 2018ء کے تقاضوں سے مشروط ای وی لنک اور پوسٹل ویلٹ کے ذریعے اپنا حق رائے دہی استعمال کرنے کی پوری اجازت ہوگی۔

ویڈیو کانفرنسنگ سہولت کیلئے پراکسی، ای میٹنگ اور رضامندی فارم ہماری ویب سائٹ www.otsuka.pk سے ڈاؤن لوڈ کیا جاسکتا ہے۔

حصص یافتگان سے استدعا ہے کہ پتہ میں کسی قسم کی تبدیلی کی صورت میں کمپنی کے شیئر رجسٹرار کو تحریری طور پر مطلع کریں۔ میسر وی ڈی سی شیئر رجسٹرار سرور لمیٹڈ، سی ڈی سی ہاؤس 99، بی، بلاک۔ بی ایس ایم سی ایچ ایس مین شاہراہ فیصل کراچی-74400، جبکہ سی ڈی سی اکاؤنٹس میں اپنے حصص رکھنے والے شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے متعلقہ سی ڈی سی شراکت دار / سرمایہ کار اکاؤنٹ سرورس سے رابطہ کریں۔

مزید کسی سوال / مسئلہ / معلومات کیلئے، سرمایہ کار مذکورہ بالا تفصیلات پر شیئر رجسٹرار سے یا کمپنی سیکریٹری سے مندرجہ ذیل تفصیلات پر سے رابطہ کر سکتے ہیں:

جناب محمد امین بٹیر، کمپنی سیکریٹری، اوتسوکا پاکستان لمیٹڈ، 30-بی، ایس ایم سی ایچ ایس، کراچی-74400،

فون: 4 - 34528652 (آکھن نمبر 356)، ای میل: secretarialcompliance@otsuka.pk

B. برائے اجلاس میں شرکت:

انفرادی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر یا اس فرد کی سکیورٹیز گروپ اکاؤنٹ میں ہوں اور اس کی رجسٹریشن تفصیلات سی ڈی سی کے ضوابط کے مطابق اپ لوڈ ہوں۔ اجلاس میں شرکت کے موقع پر اپنی شناخت کی تصدیق کیلئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ پیش کرنا ہوگا۔

کاروباری ادارے کی صورت میں یورڈاف ڈائریکٹرز کی قرارداد یا ڈرافٹ انٹارنی معتمد فرد کے دستخط (اگر پہلے فراہم نہ کئے گئے ہوں) اجلاس کے موقع پر پیش کرنا ہوں گے۔

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

30 جون 2022ء کو ختم ہونے والے سال کے لئے کمپنی کے آڈٹ شدہ اکاؤنٹس کو کمپنی کی ویب سائٹ www.otsuka.pk پر آڈیٹل کر دیا گیا ہے۔

D. سالانہ رپورٹس کی ترمیم / سر کوٹیشن:

ایس ای سی پی کے ایس آر آر نمبر 787(I)/2014 مورخہ 8 ستمبر 2014ء کے مطابق جو شیئر ہولڈر مستقل میں سالانہ رپورٹس ڈاک کے بجائے بذریعہ ای میل وصول کرنا چاہتے ہیں، انہیں مشورہ دیا جاتا ہے کہ وہ اپنی باضابطہ رضامندی جس پر شیئر ہولڈر کے دستخط ہوں CNIC درست کاپی، ای میل ایڈریس کمپنی کے شیئر رجسٹرار کو درج ذیل پتے پر فراہم کریں۔

E. ڈیجیٹل طور پر ڈیل کے ذریعے سالانہ رپورٹس کی ترمیم:

ایس ای سی پی کے SRO نوٹیفکیشن 470(I)/2016 مورخہ 31 مئی 2016ء کے مطابق کمپنی کے شیئر ہولڈرز نے ہارڈ کاپیاں کی بجائے سالانہ رپورٹس کو بذریعہ CD/DVD/USB ترمیم کرنے کے لیے اجازت دی ہے۔ حصص یافتگان جو ہارڈ کاپیاں حاصل کرنا چاہتے ہیں وہ کمپنی سیکریٹری / شیئر رجسٹرار سے درخواست کر سکتے ہیں اور کمپنی اس مطالبے سے ایک ہفتہ کے دوران اسے فراہم کرے گی۔

F. شناختی کارڈ این این پی این تفصیلات کی فراہمی الیکٹرانک ڈیویڈ ڈیٹ (لازمی):

سیکیورٹیز اینڈ ایکس چینج کمیشن آف پاکستان (SECP) بحوالہ سرکلر 831(I)/2012 مورخہ 5 جولائی 2012 اور سرکلر 19(D)/2014 مورخہ 10 جنوری 2014 کے مطابق 'الیکٹرانک ڈیویڈ ڈیٹ فارم میں ڈیویڈ ڈیٹ کارڈز میں مجاز فرد یا رجسٹرار نمبر کا کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ہونا چاہیے۔ اسوائے نااہلان یا کاروباری حصص یافتگان۔

کمپنیز (ڈیویڈ ڈیٹ) (تعمیم) ریگولیشنز 2017 کے ریگولیشن نمبر 4 اور 6 کے مطابق، حصص یافتگان یا مجاز فرد کے شناختی کارڈ نمبر (CNIC) یا پینل ٹیکس نمبر کی عدم دستیابی کی صورت میں کمپنی حصص یافتگان کو منافع محکمہ کی ادائیگی روکنے پر مجبور ہو گی۔ اس کے مطابق، شیئر ہولڈرز جنہوں نے تاحال اپنے درست CNIC یا NTN کی کاپی جمع نہیں کرائی ہے، ان سے ایک بار پھر درخواست کی جاتی ہے کہ وہ اسے کمپنی کے شیئر رجسٹرار کو مندرجہ ذیل پتے پر جلد از جلد جمع کرا دیں۔ کاروباری اداروں سے درخواست کی جاتی ہے کہ وہ اپنے پینل ٹیکس نمبر (این ٹی این) اور فلیو نمبر کے ساتھ مجاز نمائندے کی شناختی کارڈ کاپی فراہم کر دیں۔

G. ذکوہ کا اطلاق (CZ-50):

ڈیویڈ ڈیٹ سے ذکوہ کوڈ اور عشر قوانین کے تحت منہا کیا جائے گا اور مقررہ مدت کے اندر متعلقہ اقدار میں جمع کر لیا جائے گا۔ کوئی بھی شیئر ہولڈر جو استغنی کا دعویٰ کرنا چاہتا ہے اسے ذکوہ اور عشر آرڈیننس 1980 اور ذکوہ (کنوٹی اور رقم کی واپسی) قوانین 1981 کے قاعدہ 4 کے تحت مقررہ فارم CZ-50 پر کمپنی کا نام اور ان کے متعلقہ فلیو نمبر / سی ڈی سی اکاؤنٹ نمبر درج کر کے کمپنی کے شیئر رجسٹرار کو فعال ذکوہ کا اطلاق جمع کرنا ہوگا۔

H. منافع محکمہ پر دو ہولڈنگ ٹیکس:

ٹیکس ایکٹ 2022 نافذ العمل یکم جولائی 2022 کے اطلاق کیلئے ڈیویڈ ڈیٹ ادا شدگی کی رقم پر دو ہولڈنگ ٹیکس ٹیکس بمطابق اکٹم ٹیکس آرڈیننس 2001 کی نظر ثانی شدہ شرح حسب ذیل ہے۔

(الف) برائے اکٹم ٹیکس فاکر زاور جن افراد کے نام ATL میں موجود ہیں 15 فیصد

(ب) برائے نان اکٹم ٹیکس فاکر زاور جن افراد کے نام ATL میں موجود نہیں 30 فیصد

فاکر ڈیویڈ ڈیٹ کو ہدایت دی جاتی ہے کہ وہ ایف بی آر کی ویب سائٹ پر فراہم کردہ تازہ ترین انٹیٹیو ٹیکس سٹریٹ (ATL) میں اپنے ناموں کا اندراج نقد منافع محکمہ کی منظوری کی تاریخ سے قبل یقینی بنائیں۔ بصورت دیگر وہ نان فاکر زاور کے تصور رکھنے چاہئیں گے اور ان کے نقد منافع محکمہ کی رقم سے 15 فیصد کے بجائے 30 فیصد کی شرح سے ٹیکس منہا کیا جائیگا۔

ایف بی آر (FBR) کی جاری شدہ وضاحت کے تحت دو ہولڈنگ ٹیکس کا پرنسپل شیئر ہولڈر کی حیثیت "فاکر / نان فاکر" کے طور پر الگ الگ تعین کے ساتھ ساتھ جوائنٹ ہولڈرز کے شیئر ہولڈنگ تناسب کی بنیاد پر مختصر ہوگا۔ اگر شیئر اتالیقی نہیں ہے تو ہر اکاؤنٹ ہولڈر کے پاس موجود شیئر کا تناسب مساوی سمجھا جائیگا اور قانون کے مطابق اسی اعتبار سے ٹیکس منہا کر دیا جائیگا۔

لہذا تمام شیئر ہولڈرز جن کے پاس مشترکہ شیئر موجود ہیں ان کیلئے پرنسپل شیئر ہولڈرز کا شیئر ہولڈنگ تناسب اور مشترکہ ہولڈرز کے پاس موجود شیئر کی تفصیلات رجسٹرار اور شیئر ٹرانسفر نمائندہ کو تحریری طور پر حسب ذیل نمونے کی صورت میں فراہم کرنی ہے۔

کمپنی	فلیو نمبر ای ڈی ایس اے اکاؤنٹ نمبر	کل شیئرز	پرنسپل شیئر ہولڈر نام اور CNIC نمبر	شیئر ہولڈنگ تناسب	نام اور CNIC نمبر	جوائنٹ شیئر ہولڈر	شیئر ہولڈنگ تناسب
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اوٹسوکا پاکستان لمیٹڈ

اطلاع برائے اجلاس

مطلوبہ کیا جاتا ہے کہ اوٹسوکا پاکستان لمیٹڈ (کمپنی) کا چھ ماہ (34 دن) سالانہ اجلاس عام مورخہ 127 اکتوبر 2022ء (جمعرات) کو بوقت صبح 10:30 بجے پاکستان امریکن کچلرل سینٹر (PACC) کے آڈیٹر روم، 11 قافلہ جناح روڈ، سول لائنز، کراچی میں فزیکل کے ساتھ ساتھ الیکٹرانک ذرائع / آن لائن اجلاس کی سہولت کے ذریعے مندرجہ ذیل امور کی انجام دہی کیلئے منعقد کیا جائیگا۔
عمومی امور:

- 1- 30 جون 2022ء کو ختم ہونے والے سالانہ آڈٹ شدہ اکاؤنٹس مع جیتھرن رپورٹس، ڈائریکٹر آڈٹ اور ڈائریکٹر رپورٹس کی وصولی، غور و خوض اور منظوری۔
- 2- 30 جون 2023ء کو ختم ہونے والے آئندہ سال کیلئے ڈائریکٹر کی تقرری اور ان کے مشاہرہ کا تعین۔
- 3- حتمی نقد منافع معتمد بحساب 1.50 روپے یعنی (15 فیصد) کی منظوری جیسا کہ 30 جون 2022ء کو ختم ہونے والے سال کیلئے بورڈ آف ڈائریکٹرز کی جانب سے تجویز کیا گیا ہے۔
- 4- جیتھرن کی اجازت سے دیگر امور کی انجام دہی۔

محکم بورڈ

محمد امین بشیر

کمپنی سیکریٹری

کراچی: 22 ستمبر 2022ء

سالانہ اجلاس عام میں آن لائن شرکت

اوٹسوکا پاکستان لمیٹڈ کے حصص یافتگان کی حوصلہ افزائی کی جاتی ہے کہ وہ 34 ویں سالانہ اجلاس عام (AGM) میں کمپنی کی جانب سے فراہم کردہ سہولیات کے مطابق الیکٹرانک انداز سے شرکت کریں اور کمپنی کے شیئر رجسٹرار یعنی میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ کے پاس cdcsr@cdcsrsl.com پر سالانہ اجلاس عام کے اجلاس کے وقت سے کم از کم 48 گھنٹے قبل اپنا اندراج کروائیں۔

حصص یافتگان کی تصدیق اور شناخت کیلئے تمام مطلوبہ رسمی مراحل مکمل کرنے کے بعد حصص یافتگان اپنے گھروں سے یا کسی مناسب مقام سے اپنے سمارٹ فون یا کمپیوٹر کے ذریعہ 34 ویں سالانہ اجلاس عام کی کارروائی میں لاگ ان اور حصہ لینے کے قابل ہوں گے۔

لاگ ان کی سہولت 27 اکتوبر 2022ء کو صبح 10:05 بجے کھولی جائے گی جس سے شریک کنندہ کو کارروائی میں شامل ہونے کے قابل بنایا جائے گا جو صبح 10:30 بجے شروع ہوگی۔ شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ ذیل میں دیے گئے فارمیٹ کے مطابق cdcsr@cdcsrsl.com یا 0321-8200864 پر دائیں ایپ پر معلومات فراہم کریں۔

دیجیٹل ٹکنگ کی تفصیلات حصص یافتگان کو حسب ذیل ٹیبل میں فراہم کردہ ای میل ایڈریس پر اور سال کی جائیں گی۔

سیریل نمبر	فولیو / سی ڈی ایس / اکاؤنٹ نمبر	کمپنی	حصص یافتگان کا نام	CNIC نمبر	موبائل نمبر	ای میل ایڈریس
		اوٹسوکا پاکستان لمیٹڈ				

حصص یافتگان کمپنی کے 34 ویں سالانہ اجلاس عام کے مجوزہ ایجنڈا آنکم سے متعلق اپنے سوالات، تجاویز اور تجاویز سالانہ اجلاس عام سے کم از کم دو کاروباری دن قبل cdcsr@cdcsrsl.com / secretarialcompliance@otsuka.pk پر ای میل، ایس ایم ایس اور فون ایپ 0321-8200864 نمبر کے ذریعے ارسال کر سکتے ہیں۔ اس مقدمہ کے لئے حصص یافتگان کو اپنا پورا نام، CNIC نمبر اور فولیو / سی ڈی ایس نمبر درج کرنا ہوگا۔ حصص یافتگان کی حوصلہ افزائی کی جاتی ہے کہ وہ 34 ویں سالانہ اجلاس عام (AGM) میں اپنی اور دیگر ایپس پر اکیسی شرکت کو یقینی بنائیں۔

نوٹس:

A. کتاب کی بصری اور پراکسی:

کمپنی کی منتقلی حصص کتب 121 اکتوبر 2022ء تا 127 اکتوبر 2022ء (بشمول دونوں ایام) 15 فیصد کمیشن ڈیویڈنڈ کے حقدار ہونے اور سالانہ اجلاس عام میں شرکت / ادائیگی کے لیے ہدیہ ہیں گی۔

سی ڈی سی اکاؤنٹس ہولڈرز کو سیکورٹیز اینڈ ایکس چینج کمیشن آف پاکستان (SECP) کے سرکلر نمبر 1 بتاریخ 26 جنوری 2000 میں درج کردہ ہدایات پر عمل کرنا ہوگا۔

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

پروکسی کی تقرری کا دستاویز اور پاور آف اٹارنی اور دیگر اٹارنی مع پاور آف اٹارنی کی دستخط شدہ اور نوٹری سے تصدیق شدہ کاپی اجلاس ہذا کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرار فیس میں داخل کرانی ہوگی۔

انفرادی صورت میں اکاؤنٹ ہولڈر یا سب / اکاؤنٹ ہولڈر اور / یا اس فرد کو جس کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور اس کی رجسٹریشن تفصیلات رجسٹریشن کے مطابق آپ لوڈ ہوں۔ پروکسی فارم مندرجہ بالا شرائط کے تحت جمع کرائے ہوں گے۔ پراکسی فارم پر دو افراد کی گواہی ہونی چاہئے جن کے نام اپنے اور شناختی کارڈ نمبر فارم میں درج ہوں۔

بیشیمل اور کسی شناختی کارڈ یا پاسپورٹ کی نوٹری پبلک سے تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک ہونی چاہئیں۔

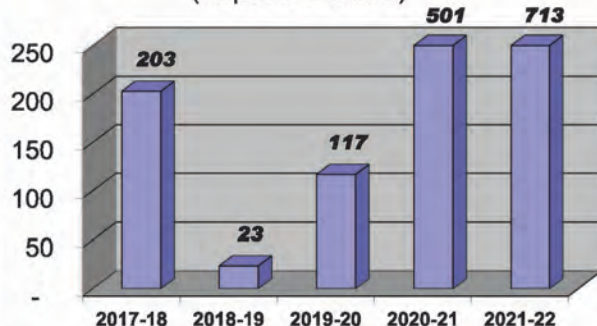
کاروباری ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی مع نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کیا گیا ہو) پروکسی فارم کے ہمراہ منسلک کرنے ہوں گے۔

ممبران کی جانب سے اجلاس میں شرکت کرنے والے پراکسی ہولڈر کو دیجیٹل ٹکنگ کے ذریعے اجلاس میں شرکت کے مقدمہ کیلئے حسب ذیل معلومات فراہم کرنا بھی ضروری ہے۔ دیجیٹل ٹکنگ کی تفصیلات اور لاگ ان اسناد تصدیق کے بعد پراکسی ہولڈر کے ساتھ شیئر کی جائیں گی۔

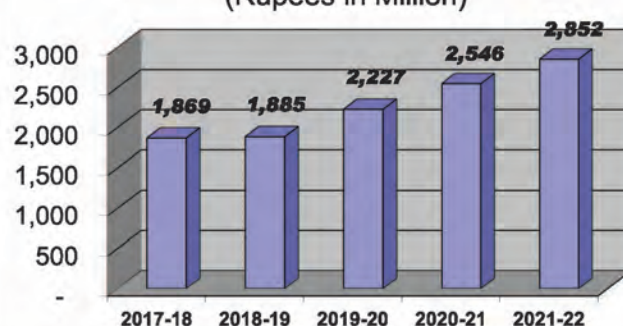
حصص یافتگان کا نام	CNIC نمبر	فولیو / سی ڈی ایس / اکاؤنٹ نمبر	موبائل نمبر	ای میل ایڈریس

Five Years at a Glance

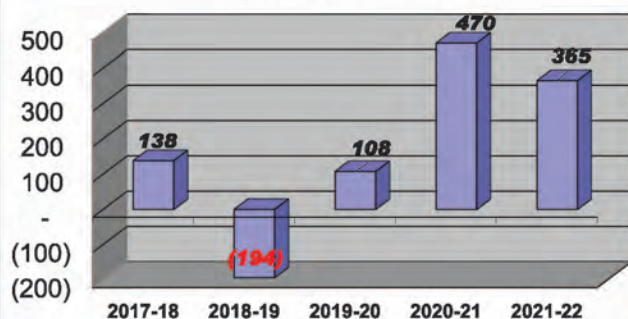
Shareholders' Equity
(Rupees in Million)



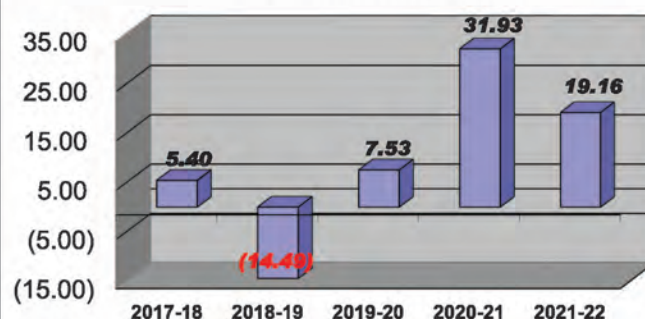
Sales
(Rupees in Million)



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 under the requirement of Section 192 of the Companies Act, 2017. I welcome you at the 34th Annual General Meeting (AGM) of your Company and present my review on the performance of your Company for the year ended June 30th 2022.

GENERAL OVERVIEW & COVID19

During the year, the Country recovered from COVID19 pandemic through extensive immunisation campaign from the government leading to relaxation of lockdown rules. With the resumption of world economies, there was an overall surge in demand of commodities across the globe, which resulted in supply chain disruptions.

BUSINESS AND ECONOMIC ENVIRONMENT

The financial year of 2021-22 was a year of volatility, uncertainty, complexity and ambiguity, where the turbulent political conditions of the country and global hyper inflation disturbed the general business environment in the Country. However, Otsuka Pakistan Limited remained committed in terms of business continuity and took pro-active measures to cope with these evolving business dynamics.

During the year, the government has imposed the advance tax on sales made by pharmaceutical manufacturer/importer to distributors/ whole sellers / retailers. Further from Jan 15, 2022, the government had withdrawn the sales tax exemption from pharmaceutical imports which will be refunded through a cumbersome process. The abovementioned taxation measures resulted in sales drop and our cash flows were adversely impacted due to non-receipt of any refunds.

Despite the abovementioned challenges, the Company has delivered a reasonable business performance. However, the Company profit margins have reduced due to the depreciation of Pakistan Rupee, increase global oil prices and imported raw material prices.

FINANCIAL RESULTS OF THE COMPANY

Your Company sales had posted a decent growth rate of 12% due to better product sales mix particularly increase in sales of Clinical Nutrition (CN) products. The Company had achieved the gross profit margin of 32% similar to the last year. Due to the un-stable exchange rates, the Company has made the net exchange loss of Rs. 75 million against during the year against the net exchange gain of Rs. 57 million during last year. The operating profit of the Company has reduced by 24% to Rs. 371 million while the earnings per share is drastically reduced from Rs. 31.93 to Rs. 19.16 per share particularly due to the retrospective implementation of Super Tax on the pharmaceutical sector.

BOARD OF DIRECTORS

The board of directors will be going to complete their first year on October 30, 2022, 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.

OTSUKA 100 YEAR'S CELEBRATION

During the year, Otsuka group has completed its Hundred years of creating new products for better health worldwide. In this respect, the group has started "DISCOVER NEW HEALTH" program in order to cater the future needs of the world till 2050.

ENVIRONMENTAL, HEALTH AND SOCIAL RESPONSIBILITY

The Company prioritises the health, safety and wellbeing of its employees and people connected to it. Robust safety measures were put in place to ensure the health and wellbeing of all staff during COVID-19. 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 Government has already increased the cost of products through imposition of 1% full and final sales tax on the imported pharmaceutical items and on the finished products sales in Finance Act 2022-23. Further, the country had already witnessed a massive depreciation of Pak Rupee subsequent to the year ended June 30, 2022, therefore we expect the political turmoil and global inflation to be continued for next 2 to 3 quarters. Moreover, it is anticipated that the government will continue its monetary and fiscal contraction policies to curb the inflation and depreciation of Pak Rupee which may hamper the future growth of Company.

The Company had planned to renovate the factory in a structured way for the improvement of product quality. In the first phase an investment of Rs. 200 million for the renovation project is under progress.

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 in the form of price increase and removal of 1% sales tax. Moreover, the Company is optimistic to increase its business of medical devices with launching of German based stent EUCALIMUS.

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 34 ویں سالانہ جنرل میٹنگ (AGM) میں آپ کو خوش آمدید کہتا ہوں اور 30 جون 2022 کو ختم ہونے والے سال کے لئے آپ کی کمپنی کی کارکردگی پر اپنا جائزہ پیش کرتا ہوں۔
مجھے کمپنیز ایکٹ 2017 کے سیکشن 192 کی ضرورت کے تحت ایک جائزہ رپورٹ پیش کرتے ہوئے بہت خوشی ہو رہی ہے۔

عمومی جائزہ اور COVID-19

سال کے دوران پاکستان کا ملک حکومت کی جانب سے COVID-19 کے حفاظتی ٹیکوں کی وسیع مہم کے ذریعے وبا کی مرض سے بازیاب ہوا جس کے نتیجے میں لاک ڈاؤن کے قوانین میں نرمی کی گئی۔ عالمی معیشتوں کی بحالی کے ساتھ پوری دنیا میں اشیاء کی طلب میں مجموعی طور پر اضافہ ہوا جس کے نتیجے میں درآمد شدہ خام اور پکیٹنگ مواد کی فراہمی میں خلل پڑا۔

کاروبار اور اقتصادی ماحول

2021-22 مالی سال ابھر چڑھا، غیر یقینی صورت حال، پیچیدگی اور ابہام کا سال تھا جہاں ملک کے ہنگامہ خیز سیاسی حالات اور عالمی سطح پر انتہائی ہنگامی لے ملک میں عمومی کاروباری ماحول کو متاثر کیا۔ تاہم اوسٹوکا پاکستان لمیٹڈ کاروبار کے تسلسل کے حوالے سے پر عزم رہا اور ان بدلتی ہوئی کاروباری تبدیلیوں سے غٹنے کے لئے فعال اقدامات اٹھائے۔

سال کے دوران، حکومت نے فارماسیو ٹیکل مینوفیکچرر / ایپروورڈ کی طرف سے ڈسٹری بیوٹر / اصول ساز / پیکر / ڈیزائنر کی مالی فروخت پر ایڈ وائس ٹیکس عائد کیا ہے۔ مزید 15 جنوری 2022 سے، حکومت نے دوامداری کی درآمدات سے سٹریٹجکس کی چھوٹ واپس لے لی تھی جسے مزید بوجھ کے عمل کے ذریعے واپس کیا جائے گا۔ مذکورہ بالا ٹیکس کے اقدامات کے نتیجے میں فروخت میں کمی واقع ہوئی اور کسی بھی رقم کی واپسی کی عدم وصولی کی وجہ سے ہمارے ٹیکس ملحقہ اثرائتہ۔
مذکورہ بالا چیلنجوں کے باوجود، کمپنی نے مناسب کاروباری کارکردگی پیش کی ہے۔ تاہم، پاکستانی روپے کی قدر میں کمی، عالمی سطح پر جس کی قیمتوں میں اضافہ اور خام مال کی درآمدی قیمتوں کی وجہ سے کمپنی کے منافع کارخانہ کم ہوئے۔

کمپنی کے مالیاتی نتائج

آپ کی کمپنی کی فروخت نے بہتر کسپرڈ وڈ کی فروخت خاص طور پر کلینیکل نیو ٹریشن مصنوعات کی فروخت میں اضافے کی وجہ سے 12% کی محمول شرح صوبہ کی تھی۔ کمپنی نے گزشتہ سال کی طرح مجموعی منافع کارخانہ 33% برقرار رکھا تھا۔
سال کے دوران غیر مستحکم آنکھینج نقصان کی وجہ سے کمپنی کو 75 ملین کا خالص آنکھینج نقصان ہوا ہے۔ یہ پچھلے سال کی اسی مدت کے دوران 57 ملین روپے کے منافع کے ساتھ مثبت تھا۔ کمپنی کا آپریٹنگ منافع 24% سے کم ہو کر 371 ملین روپے ہو گیا ہے جبکہ فی حصص آمدنی 31.93 روپے سے کم ہو کر 19.16 روپے فی حصص ہو گئی ہے خاص طور پر سادہ بنیادوں پر فارماسیو ٹیکل سیکٹر پر پھر ٹیکس کے نفاذ کے بعد۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز 33 ویں سالانہ جنرل میٹنگ میں منتخب ہونے کے بعد 30 اکتوبر 2022 کو اپنا پہلا سال مکمل کرنے جا رہے ہیں۔ بورڈ وسیع متنوع پس منظر، مملو کاروباری ذہانت اور فارماسیو ٹیکل انڈسٹری کے بارے میں گہری سمجھ رکھنے والے پیشہ ور افراد پر مشتمل ہے۔
بورڈ اور اس سے شلک کشیدوں نے اپنے فرائض کو موثر طریقے سے نبھایا اور کمپنی پر لاگو ہونے والے تمام قانونی اور ضابطے کی ضروریات کو یقینی بنایا جانے۔
بورڈ اور اس کے ہر ممبر کی مجموعی کارکردگی تمام لازمی اجراء کے جائزے کی بنیاد پر تسلی بخش تھی، جس کا کمپنی کے مقاصد کے حصول میں بورڈ کے کردار پر براہ راست اثر تھا۔ میں کمپنی کے ڈائریکٹر کے قابل قدر تعاون کی تعریف کرتا ہوں۔

اوسٹوکا 100 سال کا جشن

سال کے دوران، اوسٹوکا گروپ نے دنیا بھر میں، بہتر صحت کے لئے نئی مصنوعات بنانے کے لئے اپنے سوسائٹل مکمل کر لئے ہیں۔ اس سلسلے میں گروپ نے 2050 تک دنیا کی مستقبل کی ضروریات کو پورا کرنے کے لئے پے و گرام "Discover New Health" شروع کیا ہے۔

ماحولیاتی، صحت اور ملکی ذمہ داری

کمپنی اپنے ملازمین اور اس سے جڑے لوگوں کی صحت، حفاظت اور بہبود کو ترجیح دیتی ہے اور تندرستی کو یقینی بنانے کے لئے مطلوبہ حفاظتی اقدامات کئے گئے تھے۔ کمپنی اپنی سماجی، ماحولیاتی اور اخلاقی ترجیحات پر مرکوز ہے اور تمام اسٹیک ہولڈرز COVID-19 کے دوران عملے کی صحت کے بہترین مفاد میں انہیں حاصل کرنے کے خواہش رکھتی ہے۔

مستقبل کا نقطہ نظر

حکومت نے پچھلے ہی فی خالص ایکٹ 2022-23 میں درآمد شدہ دوا سازی کی اشیاء اور تیار مصنوعات کی فروخت پر 1% مکمل اور حتیٰ سٹریٹجکس کے نفاذ کے ذریعے مصنوعات کی قیمتوں میں اضافہ کر دیا ہے۔ مزید یہ کہ ملک نے پچھلے ہی 30 جون 2022 کو ختم ہونے والے سال کے بعد پاک روپے کی قدر میں زبردستی کی دیکھی تھی، اس لیے ہم توقع کرتے ہیں کہ سیاسی بحران اور عالمی افراتفر آئندہ 2 سے 3 سہ ماہیوں تک جاری رہے گا۔ مزید برآں، یہ توقع کی جاتی ہے کہ حکومت پاک روپے کی افراط زر اور گمراہ کوروکے کے لئے اپنی مالیاتی پالیسیاں جاری رکھے گی جو کمپنی کی ترقی کو مستقبل میں روک سکتی ہے۔

کمپنی نے مصنوعات کے معیار کو بہتر بنانے کے لئے ایک اسٹریٹجک طریقے سے ٹیکنیری کی تنظیم کو کامیاب منصوبہ بنایا تھا۔ پہلے مرحلے میں تعمیر کو مصلوبے کے لئے 200 ملین روپے کی سرمایہ کاری جاری کی ہے۔

کمپنی بدلے ہوئے معاشی حالات کو پورا کرنے کے لئے اپنے کاروباری منصوبے پر گامزن ہے اور اسے حکومت سے قیمتوں میں اضافہ اور 1 سٹریٹجکس کے خاتمے کی صورت میں کچھ ریٹیف لینے کی امید ہے۔ مزید برآں، کمپنی جرمن ساختہ نئے اسٹینٹ "EUCALIMUS" کے آغاز کے ساتھ ملحق آلات کے اپنے کاروبار کو بڑھانے کے لئے پے امید ہے۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے میں اس موقع پر اپنے ملازمین، کاروباری شراکت داروں کی ٹھکانہ کاوشوں کا اعتراف کرنا چاہتا ہوں اور اپنے حصص یافتگان کے بھرپور اعتماد کے لئے ان کا شکریہ ادا کرتا ہوں جو ہمیں اپنے سفر میں جیت قدم رہنے کی ترغیب دیتا ہے۔

敬啟者

میکیو 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, 2022.

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

Business Review

The current adverse economic conditions particularly inconsistent monetary / fiscal policies, depreciation of Pak Rupee, increase in oil prices, cost of raw materials & utilities has compromised the profitability in the last quarter. However, on an overall basis the Company has managed to continue its profitability.

Our sales during the year were grown by 12%. Sales growth is attributable to increase in sales of Clinical Nutrition and therapeutic drugs. However, the Medical devices business is still under pressure in the post COVID phase. There are no new products introduced during the year, nevertheless few products are in the pipeline and the Company will launch those products after considering the business conditions in the country.

The Company has maintained the gross profit margins of 32% same as last year. This healthy increase was due to better product sales mix and continuation of cost control policies. Selling and distribution expenses have increased by 25% due to increase in promotional activities and transportation cost of the products. Administrative expenses have also increased by 32% due to the double digits inflation rate in the country. Other income of the company has gone down by 42% while the other expenses have gone up by 68% particularly due to the net exchange loss of Rs. 75 million as compared to the net exchange gain of Rs. 56 million during the last year. The finance cost of the Company has gone down by 65% with an effective implementation of the liquidity management policies and timely recoveries from the customers.

Financial Results

	2022	2021
	----- (PKR in '000) -----	
Profit for the year before taxation	364,629	469,535
Taxation – net	*(132,832)	(83,204)
Profit for the year after taxation	231,797	386,331
Other comprehensive income/(loss) -net	(1,630)	(2,141)
Total comprehensive income for the year	230,167	384,190
Accumulated profit/(losses) brought forward	379,977	(4,213)
Final dividend for the year ended June 30, 2021	(18,150)	-
Accumulated profits carried forward	591,994	379,977

*This includes Rs. 42 million recorded on account of Super Tax @ 10% applicable on pharmaceutical sector for the tax year 2022.

Appropriations

The Company had earned a profit after tax of Rs. 231.8 million and the board is delighted to propose to transfer a sum of Rs. 150 million in general reserve and also propose a dividend of 15% i.e. Rs. 1.50 per share out of profits available for appropriation for the year ended June 30, 2022, subject to approval of the shareholders at the Annual General Meeting (AGM) to be held on October 27th, 2022.

Earnings Per Share

The earnings per share for the year ended June 30, 2022 works out to be Rs. 19.16 (2021: Rs. 31.93).

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. 192,372,779 /-
Gratuity Fund	Rs. 110,879,532 /-

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, 2022 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
Risk Management Committee	OPL Senior Executive Management Members

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*	20,636
Non-Executive Directors	Mr. Mikio Bando (Chairman)	Not applicable	NIL
	Mr. Mehtabuddin Feroz	Consultancy fees	3,500
	Mr. Kolchl Okada	Not applicable	NIL
	Mr. Suhari Mukti**	Not applicable	NIL
Independent Directors	Mr. Noor Muhammad***	Meeting fees	80
	Mr. Abid Hussain***	Meeting Fees	80
	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. 60,000 paid to Mr. Taufiq Feroz for attending meeting as an alternate director of Mr. Mikio Bando.
 *** Mr. Noor Muhammad retired during the year.
 **** Mr. Abid Hussain was elected during the year.

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 of the management team.

NAME	DESIGNATION
Mr. Hanif Sattar	Executive Director & Chief Executive Officer
Mr. Sajid Ali Khan	Director Finance
Mr. Syed Tariq Shahid	Director Marketing and Sales
Mr. M. Owais Qazi	Senior Manager Supply Chain
Mr. Attique ur Rehman	Senior Manager Quality Operations
Mr. Sunil Julian	Manager HR & Administration

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

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

(1) Mr. Abid Hussain had been elected as new independent director on 33rd AGM held on 27-Oct-2021 in place of Mr. Noor Muhammad.

(2) Alternate Director for Mr. Makio Bando

(3) Alternate Director for Mr. Makio Bando

Pattern of Shareholding

The Pattern of shareholding of the Company as at June 30, 2022 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, 2022. The Company's Directors provide reasonable assurance regarding the achievement of operating, reporting and compliance objectives are the means by which:

- Company's full operations are conducted in accordance with prescribed policies and procedures.
- The Company is in compliance with applicable laws and regulations.
- The Company's assets and information are protected from any improper use.

Holding Company

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

Subsequent events

Subsequent to the year end, there was an unexpected depreciation of Pak Rupee by more than 20% due to which we foresee increase in Cost of Sales in future. Further the government has abolished the 17% sales tax on pharmaceutical imports and imposed 1% sales tax on the import and sale of pharmaceutical products. This sales tax shall be full and final discharge of the liability of the Company.

Except for the matters mentioned above, no other material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of this report.

Description of principal risks & uncertainties

We expect no principal risks & uncertainties as at the closing period of June 30, 2022.

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 competition in IV Solutions market due to oversupply of products however, your company is continuously readjusting its strategies to enhance its market share on the basis of product's quality and good service.

The Company has already started its investments under good manufacturing process (GMP) for improvement in the quality of the products. 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 favorable for the pharmaceutical industry where the government of Pakistan have imposed 1% full and final sales tax on the pharmaceutical imports and sales by manufacturers/importers. Secondly, imposition of super tax with retrospective implementation on pharmaceutical sector will increase the tax expense of the Company. Moreover, the import restrictions from the central bank of Pakistan 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, 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 and add more products in its product line.

Loans

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 5 installments as of June 30, 2022. The remaining three installments will be paid by December 31, 2022.

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	188,075,000	25-Feb-23
27-Apr-15	125,000,000	188,075,000	26-Apr-23
	250,000,000	376,150,000	

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 34th 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 Touche Tohmatsu Limited) as the external auditors of the Company for the year ending June 30, 2023.

Acknowledgement

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



Mehtabuddin Feroz
Director

On behalf of the Board



Hanif Sattar
Chief Executive Office

Karachi

Dated: September 6, 2022

مستقبل کا نقطہ نظر

مصنوعات کی زیادہ سپلائی کی وجہ سے انٹرا ونس سلوشنز کی مارکیٹ میں سخت مقابلہ ہے تاہم، آپ کی کمپنی مصنوعات کے معیار اور اچھی سروس کی بنیاد پر اپنے مارکیٹ شیئر کو بڑھانے کے لیے اپنی حکمت عملیوں میں مسلسل رد و بدل کر رہی ہے۔ کمپنی نے پہلے ہی مصنوعات کے معیار میں بہتری کے لیے اچھی تیاری کے عمل کے تحت اپنی سرمایہ کاری شروع کر دی ہے۔ ہمیں کمپنی کی نئی اور موجودہ مصنوعات کی کارکردگی پر یقین ہے اور ہم اس کی ترقی کو جاری رکھنے کے لیے ضروری کوششیں کرتے رہتے ہیں۔

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

ملک کے موجودہ سیاسی اور معاشی حالات دواسازی کی صنعت کے لیے سازگار نہیں ہیں جہاں حکومت پاکستان نے دواسازی کی درآمدات اور مینوفیکچررز/درآمد کنندگان کی جانب سے فروخت پر 1% مکمل اور حتمی سیلز ٹیکس عائد کیا ہے۔ دوم، فارماسیوٹیکل سیکٹر پر سابقہ نفاذ کے ساتھ سپر ٹیکس کے نفاذ سے کمپنی کے ٹیکس اخراجات میں اضافہ ہوگا۔ مزید برآں، پاکستان کے مرکزی بینک سے درآمدی پابندیاں کمپنی کی پیداواری سرگرمیوں میں بگاڑ پیدا کر سکتی ہیں۔

آنے والے سال میں، کمپنی کو خام، پیکنگ اور دیگر متعلقہ سامان کی قیمتوں میں غیر معمولی اضافے کا سامنا کرنا پڑے گا۔ مزید یہ کہ مرکزی بینک کی شرح سود اور افراط زر کی سطح کمپنی کی افادیت، مزدوری، نقل و حمل، مالیاتی لاگت میں بھی اضافہ کرے گی۔ ہم آئندہ سال میں بھی پاک روپے کی غیر معمولی گراوٹ کی وجہ سے زرمبادلہ کے نقصانات کا اندازہ لگاتے ہیں۔ تمام تر مشکلات کے باوجود، کمپنی اپنے اہداف کو حاصل کرنے اور اپنی مصنوعات کی فہرست میں مزید مصنوعات شامل کرنے کے لیے پوری طرح ہر عزم ہے۔

قرضے

کمپنی نے اسٹیٹ بینک آف پاکستان سے روزگار سکیم لون کے تحت 3 فیصد شرح سود پر (67.4 ملین روپے) قرض حاصل کیا ہے۔ یہ قرض آٹھ برابر سہ ماہی اقساط میں ادا کرنا ہوگا۔ کمپنی پہلے ہی 30 جون 2022 تک 5 قسطیں ادا کر چکی ہے۔ باقی 3 قسطیں 31 دسمبر 2022 تک ادا کر دی جائیں گی۔ سال کے دوران، کمپنی نے اپنے متعلقہ فریق (M/s. Otsuka Pharmaceutical Factory, Inc., Japan) سے لیے گئے قرض کی ادائیگی کو موخر کر دیا تھا جو کہ جاپانی کرنسی کے قرض کی نمائندگی کرتا ہے۔ دونوں قسطوں کو مزید ایک سال کے لیے آگے بڑھایا گیا۔ قرض کی موجودہ قابل ادائیگی پوزیشن ذیل میں دی گئی ہے:-

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	188,075,000	25-Feb-23
27-Apr-15	125,000,000	188,075,000	26-Apr-23
	250,000,000	376,150,000	

مرکزی بینک کی شرح سود اور کمپنی کے فنڈز کی اندرونی دستیابی پر غور 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 34 ویں سالانہ عام اجلاس پر ریٹائرڈ ہو گئے ہیں اور اہلیت کی بنیاد پر اپنے آپ کو دوبارہ تقرری کیلئے پیش کر رہے ہیں۔

آڈٹ کمپنی کی تجویز کی بنیاد پر، بورڈ آف ڈائریکٹرز نے شیئر ہولڈرز کو 30 جون 2023 کو ختم ہونے والے سال کے لیے یوسف عادل چارٹرڈ اکاؤنٹنٹس کو کمپنی کے بیرونی آڈیٹرز کے طور پر تقرری کی تجویز دی ہے۔

اعتراف:

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

بورڈ کی جانب سے

حنیف ستار

چیف ایگزیکٹو آفیسر

Mehtab ul Din

مہتاب الدین فیروز

ڈائریکٹر

کراچی

تاریخ: ستمبر 6، 2022ء

حصص داروں کا پیٹرن:

کمپنی کی حصص داروں کا پیٹرن برائے اختتامی سال 30 جون 2022 اس رپورٹ کے ساتھ منسلک ہے۔

کمپنی ڈائریکٹران، ایگزیکٹوئان 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 کیونٹی کے بہترین مفاد میں کام کرنے کے لیے ہر عزم ہے جس میں ہم رہتے ہیں اور اپنا کسٹمر ہیں تشکیل دیتے ہیں۔

اندرونی نفاذ کنٹرول پروڈکٹس:

کمپنی میں ایک مناسب داخلی مالیاتی کنٹرول سسٹم ہے اور اسی طرح 30 جون 2022 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 آپریٹنگ شفاف طریقہ کار کے مطابق کئے جاتے ہیں۔
2. انٹرپرائز قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔
3. انٹرپرائز کاروباری اثاثوں اور اندرونی معلومات کسی بھی غیر مناسب استعمال سے محفوظ ہیں۔

ہولڈنگ کمپنی:

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

واقعات بعد از نتائج:

سال کے اختتام کے بعد، پاک روپے کی غیر متوقع قدر میں 20% سے زیادہ کمی واقع ہوئی جس کی وجہ سے ہم مستقبل میں فروخت کی لاگت میں اضافے کی پیش گوئی کر رہے ہیں۔

مزید یہ کہ حکومت نے دواسازی کی درآمدات پر 17% سیلز ٹیکس ختم کر دیا ہے اور دواسازی کی مصنوعات کی درآمد اور فروخت پر 1% سیلز ٹیکس عائد کر دیا ہے۔

یہ سیلز ٹیکس کمپنی کی ذمہ داری کا مکمل اور حتمی اخراج ہو گا۔

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 رد نہیں کرتے ہیں جیسا کہ 30 جون 2022 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۔

- سی ای او کل 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 شیئر ہولڈرز کی طرف سے منظوری دی گئی ہے۔
- مسٹر میکو بیٹنڈو کے متبادل ڈائریکٹر کے طور پر میٹنگ میں شرکت کے لیے مسٹر توفیق فیروز کو میٹنگ فیس -/60,000 روپے ادا کیے گئے۔
 - جناب نور محمد رواں سال کے دوران ریٹائر ہوئے۔
 - جناب عابد حسین رواں سال کے دوران منتخب ہوئے۔

رہسک میٹنگ:

کمپنی کا رہسک میٹنگ انفراسٹرکچر رہسک میٹنگ فریم ورک کی بنیاد پر ہے جس میں اسٹریٹجک، آپریشنل، کمپلائنس 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 آپریشنل کنٹرول کے ان تمام طریقہ کار کی جانچ اور تصدیق کے لیے اندرونی آڈٹ فنکشن کو آڈٹ سروس کیا ہے۔

بورڈ نے رہسک میٹنگ کمیٹی بنائی ہے جس میں میٹنگ ٹیم کے درج ذیل ممبران شامل ہیں۔

رہسک میٹنگ کمیٹی (اوتسوکا پاکستان لمیٹڈ کی انتظامی ٹیم):

- | | |
|---------------------------|----------------------------|
| مسٹر حنیف ستار (چیئر مین) | جناب ساجد علی خان (ممبر) |
| جناب سید طارق شاہد (ممبر) | جناب محمد اویس قاضی (ممبر) |
| جناب شتیق الرحمن (ممبر) | مسٹر سنیل جو لین (ممبر) |

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

ڈائریکٹران کے نام		بورڈ میٹنگ		آڈٹ کمیٹی میٹنگ		ہیومن ریسورس و معاوضہ کمیٹی	
سال کے دوران ہونے والی میٹنگ	حاضری	بھریڈ کے دوران ہونے والی میٹنگ	حاضری	بھریڈ کے دوران ہونے والی میٹنگ	حاضری	بھریڈ کے دوران ہونے والی میٹنگ	حاضری
حنیف ستار (ڈائریکٹر اینڈ سی ای او)	4	4	4	4	نا قابل اطلاق	2	2
مہتاب الدین فیروز	4	4	4	4	4	2	2
میکو باڈو چیئر مین	4	2	4	4	نا قابل اطلاق	2	نا قابل اطلاق
سوپاری مکتی	4	1	4	4	نا قابل اطلاق	2	نا قابل اطلاق
کوچی او کاڈا	4	4	4	4	4	2	2
نور محمد آزاد ڈائریکٹر	4	2	4	4	2	2	نا قابل اطلاق
عابد حسین آزاد ڈائریکٹر	4	2	4	4	2	2	نا قابل اطلاق
مسز نوین سلیم مرچنٹ آزاد ڈائریکٹر	4	4	4	4	نا قابل اطلاق	2	2
محمد توفیق فیروز (1)	4	2	4	4	نا قابل اطلاق	2	نا قابل اطلاق
ساجد علی خان (2)	4	3	4	4	نا قابل اطلاق	2	نا قابل اطلاق

جناب عابد حسین کو جناب نور محمد کی جگہ 27 اکتوبر 2021 کو منعقدہ 33 ویں سالانہ جنرل میٹنگ میں آزاد ڈائریکٹر منتخب کیا گیا تھا۔

(1) متبادل ڈائریکٹر برائے جناب میکو باڈو

(2) متبادل ڈائریکٹر برائے جناب سوپاری مکتی

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 میکو ہائڈو (چیئرمین) جناب مہتاب الدین فیروز جناب کوچی اوکاڈا جناب سوہاری کتی	مرد
آزاد ڈائریکٹر	جناب عابد حسین مسز نوین سلیم مرچنٹ	مرد خاتون

مسز توفیق فیروز مسٹر میکو ہائڈو کے متبادل ڈائریکٹر ہیں۔
مسٹر ساجد علی خان مسٹر سوہاری کتی کے متبادل ڈائریکٹر ہیں۔

بورڈ کمیٹی:

بورڈ کی ذیلی کمیٹیاں	ممبر کا نام
آڈٹ کمیٹی	جناب عابد حسین (چیئرمین) جناب کوچی اوکاڈا جناب مہتاب الدین فیروز
ہیومن ریسورسز و معاوضہ اور نامزدگی کمیٹی	مسز نوین سلیم مرچنٹ (چیئرمین) جناب کوچی اوکاڈا جناب مہتاب الدین فیروز جناب حنیف ستار

ڈائریکٹرز کا معاوضہ:

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

عہدے	نام	معاوضے کی تفصیلات	پاکستانی روپے '000
ایگزیکٹو ڈائریکٹر	حنیف ستار (سی ای او)	** محو نہیں اور مراعات	20,636
نان ایگزیکٹو ڈائریکٹر	میکو ہائڈو چیئرمین مہتاب الدین فیروز کوچی اوکاڈا سوہاری کتی	قابل اطلاق نہیں کنسلٹنسی فیس * قابل اطلاق نہیں قابل اطلاق نہیں	NIL 3,500 NIL NIL
آزاد ڈائریکٹر	نور محمد عابد حسین مسز نوین سلیم مرچنٹ	مینگ فیس مینگ فیس مینگ فیس	80 80 160

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۔

پروڈیٹنٹ اور گریجویٹ فنڈز میں سرمایہ کاری کی قدر:

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

پروڈیٹنٹ فنڈ	=/ 192,372,779 روپے
گریجویٹ فنڈ	=/ 110,879,532 روپے

کارپوریٹ گورننس:

جیسا کہ کارپوریٹ گورننس کے تحت درکار ہر ڈائریکٹر ان سرت 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 فلو ز اور ایکوٹی میں تبدیلی شامل ہیں۔
- 2- کمپنی کے کھاتوں کی تیاری میں مناسب دیکھ اور احتیاط روادار رکھی گئی ہے۔
- 3- مناسب اور رائج اکاؤنٹنگ پالیسیاں مستقل بنیادوں پر فعال بیانات کی تیاری پر لاگو کی گئی ہیں۔ خرید و مراعات کاؤنٹنگ کے تخمینے معقول اور عقابت اندیشی سے لئے گئے فیصلوں کی بنیاد پر لگائے گئے ہیں۔
- 4- پاکستان میں لاگو تمام بین الاقوامی فعال 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 میٹرل ڈیپارچر نہیں ہوا۔
- 8- ضابطے میں درج شدہ معیار کے مطابق دو ڈائریکٹر ان کے پاس ڈائریکٹر ٹریننگ پروگرام کا سرٹیفکیٹ ہے۔ بورڈ کے تمام ڈائریکٹر ان اپنی ذمہ داریوں سے بخوبی آگاہ ہیں۔
- 9- 30 جون 2022 تک کمپنی ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کسی بھی رقم کی ادائیگی کی قانوناً پابند نہیں ماسوائے ان کے جو مالیاتی گوشواروں میں پہلے ہی بیان کئے جا چکے ہیں۔

بورڈ آف ڈائریکٹرز:

بورڈ آف ڈائریکٹرز نے ڈائریکٹرز کی تعداد سات مقرر کی تھی جس میں دو (2) آزاد ڈائریکٹر 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،

ڈائریکٹر رپورٹ

ڈائریکٹر 30 جون 2022 کو ختم ہونے والے سال کے لیے اوتسوکا پاکستان لمیٹڈ (کمپنی) کی سالانہ رپورٹ پیش کرتے ہوئے خوش ہیں۔
ڈائریکٹر کی یہ رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور لنڈ کمپنیز (کوڈ آف کارپورٹ گورننس) ریگولیشنز 2019 کے مطابق تیار کی گئی ہے۔

کاروباری جائزہ:

موجودہ منفی معاشی حالات بالخصوص غیر متضاد مانیٹری لمائی پالیسیاں، پاکستانی روپے کی قدر میں کمی، تیل کی قیمتوں میں اضافہ، خام مال اور یوٹیلٹیز کی قیمتوں نے پچھلی سہ ماہی میں منافع پر سمجھوتہ کیا ہے۔ تاہم، مجموعی طور پر کمپنی اپنے منافع کو جاری رکھنے میں کامیاب رہی ہے۔

سال کے دوران ہماری فروخت میں 12% کا اضافہ ہوا۔ فروخت میں اضافہ کلینیکل نیوٹریشن اور علاج سے متعلق ادویات کی فروخت میں اضافے سے منسوب ہے۔ تاہم، کووڈ کے بعد ملتی آلات کا کاروبار اب بھی دہائی میں ہے۔ سال کے دوران کوئی نئی مصنوعات متعارف نہیں کروائی گئی ہیں، اس کے باوجود کچھ مصنوعات پائپ لائن میں ہیں اور کمپنی ملک میں کاروباری حالات پر غور کرنے کے بعد ان مصنوعات کو لانچ کرے گی۔

کمپنی نے گزشتہ سال کی طرح 32% کے مجموعی منافع کے مارجن کو برقرار رکھا ہے۔ یہ صحت مند اضافہ مصنوعات کی فروخت کے بہتر کس اور لاگت پر قابو پانے کی پالیسیوں کے تسلسل کی وجہ سے ہولپرڈ موشنل سرگرمیوں اور مصنوعات کی نقل و حمل کی لاگت میں اضافے کی وجہ سے فروخت اور تقسیم کے اخراجات میں 25 فیصد اضافہ ہوا ہے۔ ملک میں مہنگائی کی شرح دوہرے ہندسوں کی وجہ سے انتظامی اخراجات میں بھی 32 فیصد اضافہ ہوا ہے۔ کمپنی کی دیگر آمدنی میں 42% کی کمی ہوئی ہے جبکہ دیگر اخراجات میں 68% اضافہ ہوا ہے۔ یہ کمی خاص طور پر روپے کے تھولے کے نقصان کی وجہ سے ریکارڈ کی گئی ہے۔ 75 ملین (گزشتہ سال کے دوران 56 ملین روپے کے خالص زر مبادلہ کے نفع کے مقابلے)۔ کمپنی کی مالیاتی لاگت میں 65% کی کمی واقع ہوئی ہے۔ یہ لیکویڈیٹی مینجمنٹ کی پالیسیوں کے موثر نفاذ اور صارفین سے بروقت وصولیوں کی وجہ سے ہے۔

مالیاتی نتائج

2022	2021	
(روپے ملین میں)		
364,629	469,535	منافع / نقصان قبل از ٹیکس
*(132,832)	(83,204)	ٹیکس کی فراہمی
231,797	386,331	منافع / نقصان بعد از ٹیکس
(1,630)	(2,141)	دیگر جامع آمدنی / (نقصانات)
230,167	384,190	
379,977	(4,213)	سال کیلئے مجموعی کل آمدنی / نقصان
(18,150)	-	30 جون 2021 کو ختم ہونے والے سال کے لیے حتی منافع
591,994	379,977	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۔

اختصاصات:

کمپنی نے (231.8 ملین روپے) کا بعد از ٹیکس منافع کمایا تھا۔ بورڈ جنرل ریزرو میں (150 ملین روپے) کی رقم منتقل کرنے کی تجویز پیش کرتے ہوئے بھی خوش ہے۔ بورڈ نے 30 جون 2022 کو ختم ہونے والے سال کے لیے دستیاب منافع میں سے 15% یعنی (1.50 روپے فی حصص) کے منافع کی تجویز بھی پیش کی ہے، جو 27 اکتوبر 2022 کو ہونے والے 34 ویں سالانہ جنرل میٹنگ میں شیئرز ہولڈرز کی منظوری سے مشروط ہے۔

آمدنی / (خسارہ) فی حصص:

آمدنی فی حصص برائے اختتامی سال 30 جون 2022 مبلغ 19.16 روپے نکالا گیا۔ (2021ء میں آمدنی فی حصص مبلغ 31.93 روپے رہا)۔

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

Name of Company: Otsuka Pakistan Limited

Year ended: June 30, 2022

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.

** Mr. Abid Hussain appointed as a director with effect from November 01, 2021.

- 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. 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, 2022. 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;
10. 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.
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
Hanif Sattar	Secretary
 - c) **Risk Management Committee – Consist of OPL Management Team;**

Mr. Hanif Sattar	Chairman
Mr. Sajid Ali Khan	Member
Mr. Syed Tariq Shahid	Member
Mr. Muhammad Owais Qazi	Member
Mr. Attique ur Rahman	Member
Mr. Sunil Julian	Member
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committees were as per 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.	Directors' Training Program (DTP) 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, 2022 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, 2022.



Chartered Accountants

Place: Karachi

Date: September 12, 2022

UDIN: CR202210091oBNPXTqm

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, 2022, 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, 2022 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters.

S. No.	Key audit matter	How the matter was addressed in our audit
1.	Valuation of stock-in-trade (Refer notes 4.4 and 10 to the Company's financial statements) As at June 30, 2022, the Company held stock-in-trade of Rs. 928.45 million, which is 50.55% of total assets and includes a provision for slow moving, obsolete and damaged stock of Rs. 41.74 million.	Our audit procedures in relation to valuation of stock-in-trade, amongst others, include the following: 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;

	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 determination of obsolescence of stock.	- 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; - On a sample basis, verified supporting documents for purchases of stock-in-trade and the production costs. - Tested on a sample basis, management's assessment of the net realizable value of stock-in-trade by comparing to its subsequent sales prices; - Tested provision recorded for obsolete stock-in-trade to ensure that whether it was as per the policy of the Company; and - Assessed the adequacy and appropriateness of the related disclosures in the financial statements for compliance with the requirement of the applicable financial reporting framework.
2.	Revenue recognition (Refer notes 4.12 and 24 to the Company's financial statements) The Company's revenue is primarily generated from sales of pharmaceutical. The Company recognised revenue of Rs. 2,851.733 million from the sale of goods to customers during the year. 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. 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.	Our audit procedures in relation to revenue recognition, amongst others, include the following: - Obtained an understanding of determination of sales prices in accordance with policies of Drug Regulatory Authority of Pakistan (DRAP); - Tested on sample basis selling prices of regulated pharmaceutical products to ensure compliance with DRAP pricing policies; - 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; - Checked the discounts and claims offered by the Company to its customers on sample basis; - 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; and - 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.

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, 2022, 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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 12, 2022

UDIN: AR202210091PeoBzQ4A1

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2022

	Note	2022 Rupees in '000	2021
ASSETS			
Non-current assets			
Property, plant and equipment	5	270,910	297,002
Intangible assets	6	1,876	1,496
Long-term loans	7	8,186	7,583
Long-term deposits		2,335	1,337
Deferred tax asset - net	8	80,700	107,785
		364,007	415,203
Current assets			
Stores and spares	9	40,852	45,943
Stock-in-trade	10	928,446	582,233
Trade debts	11	216,177	291,385
Loans and advances	12	116,152	38,911
Trade deposits, short-term prepayments and other receivables	13	29,232	23,180
Sales tax refundable	14	97,831	-
Advance tax - net		-	44,072
Bank balances	15	53,211	44,504
		1,481,901	1,070,228
Total assets		1,845,908	1,485,431
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	121,000	121,000
Revenue reserves		591,994	379,977
Total equity		712,994	500,977
LIABILITIES			
Non-current liabilities			
Long-term finance	17	-	31,903
Deferred government grant		-	307
Lease liability	18	3,092	-
		3,092	32,210
Current liabilities			
Short-term loan from a related party	19	376,150	356,550
Trade and other payables	20	619,922	573,517
Current portion of long-term finance	17	24,661	16,542
Current portion of deferred government grant		612	1,794
Current portion of lease liability	18	534	-
Unclaimed dividend		1,589	3,186
Short-term running finance	21	96,062	-
Provision for taxation - net		9,069	-
Mark-up accrued	22	1,223	655
		1,129,822	952,244
Total equity and liabilities		1,845,908	1,485,431
Contingencies and Commitments			
	23		

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


Hanif Sattar
Chief Executive Officer


Mehtabuddin Feroz
Director


Sajid Ali Khan
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2022

		2022	2021
	Note	Rupees in '000	
Sales - net	24	2,851,733	2,546,276
Cost of sales	25	(1,925,157)	(1,701,192)
Gross profit		926,576	845,084
Selling and distribution expenses	26	(348,173)	(278,185)
Administrative and general expenses	27	(141,853)	(107,575)
		436,550	459,324
Other income	28	60,632	107,351
		497,182	566,675
Other expenses	29	(125,888)	(78,286)
Operating profit		371,294	488,389
Finance cost	30	(6,665)	(18,854)
Profit for the year before taxation		364,629	469,535
Taxation - net	31	(132,832)	(83,204)
Profit for the year		231,797	386,331
		Rupees	
Earnings per share - basic and diluted	32	19.16	31.93

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



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees in '000	2021
Profit for the year		231,797	386,331
Other comprehensive income for the year			
Items that will not be subsequently reclassified to statement of profit or loss			
Components of comprehensive income reflected in equity			
Remeasurement loss on defined benefit plan	35.1.4	(2,296)	(3,015)
Tax on remeasurement of defined benefit plan	8.2	666	874
		(1,630)	(2,141)
Total comprehensive income for the year		230,167	384,190

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


Hanif Sattar
 Chief Executive Officer


Mehtabuddin Feroz
 Director


Sajid Ali Khan
 Chief Financial Officer

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

		2022	2021
	Note	Rupees in '000	Rupees in '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	80,788	704,816
Taxes paid - net		(51,937)	(35,710)
Interest paid		(4,620)	(31,682)
Long-term deposits - net		(998)	(28)
Long-term loans - net		(603)	1,160
Net cash flows generated from operating activities		22,630	638,556
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(61,680)	(65,831)
Purchase of intangible asset		(1,288)	(489)
Proceeds from disposal of property, plant and equipment		16,183	8,328
Net cash flows used in investing activities		(46,785)	(57,992)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(19,747)	(2)
Proceeds from long-term finance		-	67,395
Repayment of long-term finance		(26,720)	(18,149)
Repayment of short-term loan		-	(178,275)
Payment of lease liabilities		(16,733)	-
Net cash flows used in financing activities		(63,200)	(129,031)
Net (decrease) / increase in cash and cash equivalents during the year		(87,355)	451,533
Cash and cash equivalents at the beginning of the year		44,504	(407,029)
Cash and cash equivalents at the end of the year	33	(42,851)	44,504

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


Hanif Sattar
Chief Executive Officer


Mehtabuddin Feroz
Director


Sajid Ali Khan
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2022

	Issued, subscribed and paid-up capital	General reserve	Revenue reserves		Total equity
			Unappropriated profit / (Accumulated loss)	Sub-total	
			Rupees in '000		
Balance as at July 01, 2020	121,000	341,980	(346,193)	(4,213)	116,787
Profit for the year ended June 30, 2021	-	-	386,331	386,331	386,331
Other comprehensive income for the year					
Remeasurement loss on defined benefit plan	-	-	(3,015)	(3,015)	(3,015)
Tax on remeasurement of defined benefit plan	-	-	874	874	874
	-	-	(2,141)	(2,141)	(2,141)
Total comprehensive income for the year	-	-	384,190	384,190	384,190
Balance as at June 30, 2021	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)
Balance as at June 30, 2022	121,000	341,980	250,014	591,994	712,994

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



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 value of plan assets.

2.3 Functional and presentation currency

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

2.4 NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

2.4.1 New accounting standards, amendments and IFRS Interpretations that are effective for the year ended June 30, 2022

The following amendments are effective for the year ended June 30, 2022. 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.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021

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

2.4.2 New accounting standards, amendments and IFRS interpretations 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 disclosures.

	Effective from accounting period beginning on or after
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
	Effective from Accounting period beginning on or after
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
- 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' - Amendments regarding deferred tax on leases and decommissioning obligations	January 01, 2023

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

Other than the aforesaid standards, interpretations and amendments, the 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 the revision and future periods if the revision affects both current and future periods. Information about the judgements made by the management in the application of the accounting policies, that have the most significant effect on the amount recognized in these financial statements, assumptions and estimation uncertainties with significant risk of material adjustment to the carrying amount of asset and liabilities in the next year are described in the following notes:

- Impairment of trade debts and other receivables (notes 4.7.1 and 11.1);
- 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 35);
- Provision for taxation and realisability of deferred tax asset (notes 4.11, 8 and 31);
- Provisions and contingencies (notes 4.8 and 23); and
- Revenue recognition (notes 4.12 and 24).

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 options.

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

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

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

4.2 Intangible assets

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

Intangible assets mainly comprise computer software which are initially recognised at cost. Cost represents the purchase cost of software (license fee). After initial recognition, these are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation on assets with finite useful life is charged at the rate specified in note 6.1 using the straight line method over the useful life of the asset. Amortisation begins from the month the asset is available for use and ceases in the month of disposal / retirement. The amortisation period and amortisation method are reviewed at each reporting date and are adjusted, if appropriate, to reflect the current best estimate.

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

4.3 Stores and spares

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

Provision is made for items which are obsolete and slow moving and is determined based on management estimate regarding their future usability.

4.4 Stock-in-trade

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

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the costs necessary to be incurred to make the sale. Provision against obsolete and slow moving stock in trade is determined based on management's best estimate regarding their future usability.

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

4.5 Cash and cash equivalents

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

4.6 Financial instruments

4.6.1 Financial assets

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

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

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Derecognition of financial assets

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

4.6.2 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 when:

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

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

4.9 Employee benefit schemes

The Company operates:

- a) an approved funded gratuity scheme covering all its permanent management and non-management staff. Employees become eligible upon completing the minimum qualifying period of service. Annual contributions are made to the scheme based on actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Method.

Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses, and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the year in which these occur; and

- b) an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made to

the Fund by the Company and the employees in accordance with the rules of the Fund. Benefits are payable to eligible employees on completion of the prescribed qualifying period of service under the scheme.

4.10 Employees' compensated absences

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

4.11 Taxation

Income tax expense comprises of current and deferred tax.

Current

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

Deferred

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

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

Deferred tax asset or liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on 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 grant

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.

5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

Note	2022 Rupees in '000	2021 Rupees in '000
5.1	285,400	275,096
5.7	5,510	21,906
	270,910	297,002

5.1 Operating fixed assets

Following is the statement of operating fixed assets:

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 (Note 5.5 and 5.8)	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
Rupees in '000								
As at July 1, 2021								
Cost	3,953	15,171	340,639	989,047	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	189,435	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	14,999	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 (note 5.6)	-	(15,171)	(2,038)	(20,243)	(6,373)	(13,229)	(131)	(57,185)
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)	(89,825)
Impairment charge (note 28)	-	-	-	-	-	-	-	-
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	88,839	48,994	18,972	1,494,753
Accumulated depreciation	(1,349)	(3,173)	(296,116)	(836,139)	(52,069)	(21,273)	(12,496)	(1,229,353)
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 rate per annum	1.01%	50%	5% - 10%	10% - 50%	10% - 33%	20%	20%	
Year ended June 30, 2021								
Particulars	Leasehold land (Note 5.8)	Right-of-use- asset (Note 5.9)	Building on leasehold land (Note 5.8)	Plant and machinery (Note 5.5 and 5.8)	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
Rupees in '000								
As at July 1, 2020								
Cost	3,953	15,171	340,639	928,881	58,501	38,104	15,289	1,400,538
Accumulated depreciation	(1,289)	(2,845)	(250,318)	(780,898)	(49,384)	(18,308)	(12,839)	(1,095,851)
Net book value	2,664	12,326	90,321	167,983	9,117	19,796	2,450	304,687
Year ended June 30, 2021								
Opening net book value	2,664	12,326	90,321	167,983	9,117	19,796	2,450	304,687
Additions	-	-	-	28,667	2,825	14,585	5,850	51,927
Transfer from capital work-in-progress	-	-	-	22,354	-	-	-	22,354
Disposals / write-offs	-	-	-	-	-	-	-	-
Cost	-	-	-	(10,855)	(1,354)	(5,465)	(3,606)	(21,280)
Accumulated depreciation	-	-	-	10,855	1,354	4,372	3,606	20,187
Depreciation charge	(40)	(7,586)	(23,855)	(52,841)	(4,578)	(5,784)	(1,217)	(96,041)
Impairment charge (note 28)	-	-	-	(6,738)	-	-	-	(6,738)
Closing net book value	2,644	4,740	66,336	159,435	7,364	27,494	7,083	275,096
As at June 30, 2021								
Cost	3,953	15,171	340,639	989,047	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
Depreciation rate per annum	1.01%	50%	5% - 10%	10% - 50%	10% - 33%	20%	20%	

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

Location	Usage of Immovable property	Covered Area (In sq. 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. 569.96 million (2021: Rs. 644.80 million).

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

	Note	2022 Rupees in '000	2021 Rupees in '000
Cost of sales	25	87,188	84,296
Selling and distribution expenses	26	2,152	2,109
Administrative and general expenses	27	10,485	9,836
		99,825	96,041

5.5 Plant & Machinery includes Orthopedic kits, power tool sets and femoral holders amounting to Rs. 6.196 million, Rs. 0.613 million and Rs. 0.273 million (2021: Rs. 6.196 million, Rs. 0.613 million and Rs. 0.273 million) respectively were impaired by Rs. 6.738 million during June 30, 2021 due to the decision by management to liquidate the orthopedic implants business at recoverable prices in the market and to minimize the business closure loss. These assets were acquired with the funds of the Company but are not in the possession of the Company. During the year, these assets were given by the Company to Science and Development medical supplies for resale purpose.

5.6 The details of operating fixed assets disposed during the year, whose net book value exceeds five hundred thousand rupees are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposals / settlement	Particulars of buyers / purchasers
	Rupees '000						
Vehicles							
Suzuki Cultus	2,271	-	2,271	2,550	279	Negotiation	Karachi Motors
Suzuki Cultus	2,271	-	2,271	2,271	-	Negotiation	Bank Al Habib Ltd.
Suzuki Cultus	2,271	-	2,271	2,271	-	Negotiation	Bank Al Habib Ltd.
June 30, 2022	6,813	-	6,813	7,092	279		
June 30, 2021	21,280	20,187	1,093	8,328	7,235		

5.7 Capital work-in-progress (note 5.7.1)

	Note	2022 Rupees in '000	2021 Rupees in '000
Stores and spares held for capital expenditure		3,475	3,844
Others	5.7.2	2,035	18,062
		5,510	21,906

5.7.1 Movement

	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
Others	18,062	2,302	(18,329)	2,035
	<u>21,906</u>	<u>6,585</u>	<u>(22,981)</u>	<u>5,510</u>

	2021			
	Opening	Additions during the year	Transfers during the year	Closing
	Rupees in '000			
Stores and spares held for capital expenditure	4,769	7,578	(8,503)	3,844
Others	25,587	6,326	(13,851)	18,062
	<u>30,356</u>	<u>13,904</u>	<u>(22,354)</u>	<u>21,906</u>

5.7.2 This includes cost of survival project related to Nutraceutical Unit amounting to Rs. Nil million (2021: Rs.17.987 million).

5.8 These are kept as collateral with banks under pari-passu charge for obtaining short-term financing. Details are provided in note 20.1.

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 during the year 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.

6. INTANGIBLE ASSETS	Note	2022	2021
		Rupees in '000	
Computer software	6.1	<u>1,876</u>	<u>1,496</u>

6.1 Following is the statement of intangible assets:			
Opening net book value		1,496	1,781
Additions (at cost)		1,268	489
Amortisation charge	27	<u>(908)</u>	<u>(774)</u>
Closing net book value		<u>1,876</u>	<u>1,496</u>
Closing value - gross amount			
Cost		5,051	3,763
Accumulated amortization		<u>(3,175)</u>	<u>(2,267)</u>
Net book value		<u>1,876</u>	<u>1,496</u>
Amortisation rate per annum		20% - 33%	20% - 33%

7. LONG-TERM LOANS			
Loans to employees	7.1	15,523	14,866
Less: receivable within one year	12	<u>(7,337)</u>	<u>(7,283)</u>
		<u>8,186</u>	<u>7,583</u>

- 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, 2022, none of these loans were past due or impaired.

	Note	2022 Rupees in '000	2021 Rupees in '000
8. DEFERRED TAX ASSET - NET			
Deductible temporary differences			
Employees' short-term compensated absences		9,350	6,521
Impairment of trade debts		8,995	8,987
Unused tax losses	8.1	-	60,851
Excess of Alternative Corporate Tax (ACT) over corporate tax		-	10,447
Minimum tax allowance		17,269	-
Property, plant and equipment		14,591	710
Other provisions		30,495	20,269
		80,700	107,785

- 8.1 This represents deferred tax recorded on unabsorbed tax depreciation amounting to Rs. Nil (2021: Rs. 209.831 million).

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

	Opening balance	Deferred tax recognised in		Closing balance
		Profit and loss	Other comprehensive income	
	Rupees in '000			
Movement for the year ended June 30, 2022				
Deductible / (taxable) temporary difference arising in respect of				
- Tax depreciation	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 allowance	-	17,269	-	17,269
- Other provisions	20,269	9,560	666	30,495
	107,785	(27,751)	666	80,700

	Opening balance	Deferred tax recognised in		Closing balance
		Profit and loss	Other comprehensive income	
	Rupees in '000			
Movement for the year ended June 30, 2021				
Deductible / (taxable) temporary difference arising in respect of				
- Tax depreciation	(5,834)	6,544	-	710
- Employees' short-term compensated absences	6,381	140	-	6,521
- Impairment of trade debts	10,931	(1,944)	-	8,987
- Unused tax losses	101,380	(40,529)	-	60,851
- Excess of Alternative Corporate Tax (ACT) over corporate tax	10,447	-	-	10,447
- Unrealized exchange loss	45,217	(45,217)	-	-
- Other provisions	5,112	14,283	874	20,269
	173,634	(66,723)	874	107,785

9.	STORES AND SPARES	Note	2022	2021
			Rupees in '000	
	Stores		30,368	25,036
	Spares			
	- in hand		22,145	20,317
	- in transit		-	3,194
			22,145	23,511
			52,513	48,547
	Less: provision against slow moving and obsolete stores and spares	9.1	(11,861)	(2,604)
			40,852	45,943
9.1	Movement of provision against slow moving and obsolete stores and spares is as follows:			
	Opening balance		2,604	3,458
	Charge for the year		9,212	-
	Reversal during the year		(155)	(854)
	Charge / (Reversal) during the year	28 & 29	9,057	(854)
	Closing balance		11,861	2,604
10.	STOCK-IN-TRADE			
	Raw and packing materials			
	- in hand		452,409	183,470
	- in transit		168,544	109,049
		25	620,953	292,519
	Work-in-progress	25	13,915	9,491
	Finished goods			
	- in hand	10.1	301,035	318,794
	- in transit		34,283	2,363
		25	335,318	321,157
			970,186	623,167
	Less: provision against slow moving and obsolete stock-in-trade	10.2	(6,143)	(9,728)
	Less: provision against orthopedic knee implants	10.3	(19,582)	(20,339)
	Less: provision against stents held with hospitals	10.4	(18,015)	(10,867)
			(41,740)	(40,934)
			928,446	582,233
10.1	These include items costing Rs. 26.265 million (2021: Rs. 26.088 million) that have been valued at their net realisable value amounting to Rs. 22.437 million (2021: Rs. 4.186 million)			
10.2	Movement of provision against slow moving and obsolete stock-in-trade is as follows:			
		Note	2022	2021
			Rupees in '000	
	Opening balance		9,728	3,975
	Charge for the year		2,493	6,949
	Reversal during the year		(6,078)	(1,196)
	(Reversal) / charge during the year	28 & 29	(3,585)	5,753
	Closing balance		6,143	9,728
10.3	Movement of provision against orthopedic knee implants is as follows:			
	Opening balance		20,339	-
	Charge for the year		-	22,276

Reversal during the year - net		(757)	(1,937)
(Reversal) / charge during the year	28 & 29	(757)	20,339
Closing balance		<u>19,582</u>	<u>20,339</u>

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

	Note	2022 —Rupees in '000—	2021
Opening balance		10,867	16,382
Charge for the year		5,148	-
Reversal during the year - net		-	(5,515)
Charge / (Reversal) during the year	28 & 29	5,148	(5,515)
Closing balance		<u>16,015</u>	<u>10,867</u>

11. TRADE DEBTS

Due from Hospital Supply Corporation - a related party		125,737	203,788
Others	11.3	118,109	121,667
		<u>243,846</u>	<u>325,455</u>
Loss allowance	11.1.1	(27,669)	(34,070)
		<u>216,177</u>	<u>291,385</u>

- 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.

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

	Note	Collectively assessed	Individually assessed Rupees '000	Total
11.1.1 Movement of loss allowance				
Balance as at July 1, 2020		-	38,922	38,922
Reversal of provision during the year - net	28	-	(4,852)	(4,852)
Balance as at June 30, 2021		-	34,070	34,070
Reversal of provision during the year - net	28	-	(6,097)	(6,097)
Write-off during the year		-	(304)	(304)
		-	(6,401)	(6,401)
Balance as at June 30, 2022		-	27,669	27,669

- 11.2** As at June 30, 2022 trade debts of Rs. Nil million (2021: Rs. Nil million) represents amount which is overdue from a related party. The overdue receivable balance carries mark-up at 3 months KIBOR (MK) + 2.5% (2021: 3MK + 4%) per annum on over due balance. The remaining balances (excluding impaired debts) relate to a number of independent customers for whom there is no recent history of default.

The age analysis of trade debts is as follows:

	From others	2022 From a related party Rupees '000	Total
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
118,109	125,737	243,846

	2021		
	From others	From a related party	Total
	Rupees '000		
Not yet due	35,077	203,788	238,865
Past due 1-30 days	43,128	-	43,128
Past due 31-60 days	5,283	-	5,283
Past due 61-90 days	11,646	-	11,646
Past due more than 90 days	26,533	-	26,533
	121,667	203,788	325,455

11.3 The maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance was Rs. 376.835 million (2021: Rs. 325.454 million).

	Note	2022 —Rupees in '000—	2021
12. LOANS AND ADVANCES - CONSIDERED GOOD			
Loans to employees - current portion	7	7,337	7,283
Advances to:			
- employees	12.1	1,557	1,302
- suppliers	12.2	107,258	30,326
		108,815	31,628
		116,152	38,911

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. 75.986 million (June 30, 2021: Rs. 16.907 million) equivalent to import value against import of good.

	Note	2022 —Rupees in '000—	2021
13. TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES			
Trade deposits	13.1	12,402	17,622
Short-term prepayments		7,498	5,126
Sales tax adjustable		7,207	-
Other receivables		2,125	432
		29,232	23,180

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. As of June 30, 2022, no refund was processed by the Tax Authorities resulting in sales tax refundable amounting to Rs. 97.831 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. BANK BALANCES

Balances with banks in current accounts	<u>53,211</u>	<u>44,504</u>
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16. SHARE CAPITAL

16.1 Authorised share capital

2022 Number of shares	2021 Number of shares		2022 — Rupees in '000 —	2021 — Rupees in '000 —
<u>20,000,000</u>	<u>20,000,000</u>	Ordinary shares of Rs. 10 each	<u>200,000</u>	<u>200,000</u>

16.2 Issued, subscribed and paid-up

2022 Number of shares	2021 Number of shares		2022 — Rupees in '000 —	2021 — Rupees in '000 —
<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>

16.3 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	2022		2021	
	Shares held	Percentage	Shares held	Percentage
Otsuka Pharmaceutical Company Limited, Japan	5,420,250*	44.80%	5,420,250*	44.80%
P. T. Otsuka Indonesia, Indonesia	1,204,500*	9.95%	1,204,500*	9.95%
Otsuka Pharmaceutical Factory, Inc.	1,589,940	13.14%	1,589,940	13.14%
Directors, their spouses and minor children	398,618	3.29%	398,668	3.29%
Executives	121	0.00%	121	0.00%

* These include shares held by directors nominated by Otsuka Pharmaceutical Co., Ltd., Japan, Otsuka Pharmaceutical Factory, INC., Japan and PT Otsuka Indonesia. The nominated directors hold only minimum number of shares required to become a director.

17. LONG-TERM FINANCE

From banking companies (Secured) - At amortised cost

Refinance scheme for payment of wages and salaries	48,448	67,395
Less: present value adjustment on refinance scheme at below market rate of Interest	-	(4,463)
Add: finance cost	2,930	3,665
Less: principal repaid	<u>(26,717)</u>	<u>(18,149)</u>
	<u>24,661</u>	<u>48,448</u>
Less: current portion shown in current liabilities	<u>(24,661)</u>	<u>(18,542)</u>
	<u>-</u>	<u>31,906</u>

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

	2022	2021
	— Rupees in '000 —	
17.2 Reconciliation of long-term finance		
Opening	48,448	-
Addition during the year	-	67,395
Present value adjustment on refinance scheme at below market rate of interest		(4,463)
Unwinding of finance cost	2,930	3,665
Repayment during the year	(26,717)	(18,149)
	<u>24,661</u>	<u>48,448</u>

	2022	2021
	— Rupees in '000 —	
18. LEASE LIABILITY		
Lease liability	3,626	-
Less : Current maturity of lease liability	(534)	-
	<u>3,092</u>	<u>-</u>

18.1 During the year the Company has entered into lease agreement for two vehicles

18.2 The future payments of lease liabilities are as follows:

	2022		2021	
	Future minimum lease payments	Principal repayments	Future minimum lease payments	Principal repayments
	— Rupees in '000 —			
Not later than 1 year	1,071	534	-	-
Later than 1 year and not later than 5 years	4,282	3,092	-	-
	<u>5,353</u>	<u>3,626</u>	<u>-</u>	<u>-</u>

18.3 Reconciliation of lease liability

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

For the year ended June 30, 2021					
01-Jul-20	Cash inflow	Cash outflow	New Lease arrangement	Non-Cash adjustment	30-Jun-21
— Rupees in '000' —					
Lease liability	-	-	-	-	-

	Note	2022	2021
		— Rupees in '000 —	
19. SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED			
In foreign currency			
Loan from Otsuka Pharmaceutical Factory, Inc.	19.1 & 19.2	<u>376,150</u>	<u>356,550</u>

19.1 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 year, the other two tranches have been rolled forward and are now repayable on or before February 25, 2023 and April 26, 2023 respectively.

	Note	2022 —Rupees in '000—	2021
19.2	Movement of the loan is as follows:		
Opening balance		356,550	585,262
Exchange loss / (gain)		19,600	(50,437)
Repayment during the year		-	(178,275)
Closing balance		376,150	356,550

20. TRADE AND OTHER PAYABLES

Creditors		65,021	64,407
Bills payable	20.1	174,162	146,758
Accrued liabilities	20.3	224,785	201,683
Payable to Employees Provident Fund		3,893	3,250
Payable to Staff Retirement Benefit Fund	35.1.2	3,772	4,096
Provision for employees short-term compensated absences		28,334	24,721
Sales tax payable	20.2	26,200	33,963
Retention money		930	930
Security deposits		2,189	1,889
Workers' Welfare Fund		7,072	7,569
Workers' Profit Participation Fund	20.4	19,483	25,300
Central Research Fund		2,984	3,819
Contract liabilities		33,776	29,277
Other liabilities	20.5	27,321	25,855
		619,922	573,517

20.1 These include amounts payable to the related parties as at the end of the year aggregating to Rs. 70.543 million (2021: Rs. 68.199 million).

20.2 This includes provision for sales tax in respect of imported materials of polyethylene (for IV solutions). 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 has 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 industries.

Until June 30, 2021, the Company had availed sales tax exemption under the said stay order by providing bank guarantees amounting to Rs. 33.298 million on imported packaging material. Further, as a matter of abundant caution, the Company had recorded full provision of Rs. 33.298 million in these financial statements as of June 30, 2021. During prior year, the Company applied for the cancellation of guarantees to the Customs Collectorate and during the year bank guarantees amounting to Rs. 9.93 million were released and cancelled by Customs Collectorate and accordingly, the Company reversed the provision by Rs. 9.93 million and has maintained the balance provision of Rs. 23.368 million, which is equivalent to the amount of guarantee still held by Customs Collectorate.

20.3 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	2022 Rupees '000	2021
20.4 Workers' Profit Participation Fund			
Balance at July 1		25,300	5,707
Allocation for the year	29	19,456	25,274
		44,756	30,981
Interest on funds utilised in the Company's business	30	608	176
		45,364	31,157
Less: amount paid during the year		(25,881)	(5,857)
Balance at June 30		19,483	25,300

20.5 This includes regulatory duty payable in respect of imported pharmaceutical products as are required for manufacturing purposes. On October 16, 2017, the Federal Board of Revenue imposed regulatory duty on import of specified pharmaceutical products vide SRO 1035 (I)/2017. In this regard, the Company has filed constitutional petitions in the Honorable Sindh High Court on April 13, 2018, April 26, 2018, May 9, 2018 and June 27, 2018 against the levy of aforementioned duty. An interim relief has been granted by the 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 in these financial statements. From January 2020 onwards, the Company is paying full regulatory duty on these imported products

	Note	2022 (Rupees '000)	2021
21. SHORT-TERM RUNNING FINANCE - SECURED			
From banking companies - Secured			
Short-term running finance facilities utilised under mark-up arrangements - secured	21.1	98,062	-

21.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000' 2022	Limit in Rs '000' 2021	Mark up rate	Current security	Frequency of mark-up payment	Facility expiry date	2022 Rupees in '000	2021
Citi Bank	* 900,000	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, 2023	98,062	-
Habib Metro Bank	75,000	75,000	3 months KIBOR + 1% p.a.	-Ranking Charge of Rs. 180 million with 25% margin to be registered with SECP over stocks and receivables -Ranking Charge of Rs. 120 million with 25% margin to be registered with SECP over company's fixed assets i.e, Land, Building and Plant & Machinery	Quarterly	December 31, 2022	-	-
	<u>975,000</u>	<u>840,000</u>					<u>98,062</u>	<u>-</u>

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

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

21.2.1 The facilities relating to import letter of credit (sight / usance / acceptance) available from banks as at June 30, 2022 amounted in aggregate to Rs. 358 million (2021: Rs. 340 million). The remaining unutilised amount as at June 30, 2022 was Rs. 200 million (2021: Rs. 258.738 million).

21.2.2 In addition, a facility for guarantee available from banks as at June 30, 2022 amounted to Rs. 45 million (2021: Rs. 75 million). The remaining unutilised amount as at June 30, 2022 was Rs. 25 million (2021: Rs. 38.795 million).

22. ACCRUED MARK-UP

22.1 This represent mark-up on running finance facility.

23. CONTINGENCIES AND COMMITMENTS

2022 2021
—Rupees in '000—

23.1 Commitments in respect of:

Letters of credit	<u>207,636</u>	<u>81,262</u>
Letters of guarantee	<u>42,076</u>	<u>61,205</u>

23.2 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 (2021: Rs. 164.778 million) under section 122 (5A) of the Income Tax Ordinance, 2001. The ACIR added back certain items such as exchange loss, claims against provisions and write-offs of inventory, discounts and rebates on sales and trade debts and disallowed finance cost in the income returned for tax year 2012. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] who upheld the action of ACIR on certain items against which the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) to review the action of the CIR(A). On January 19, 2017 hearing of ATIR was held and on April 10, 2017 an order was served in which the decision of certain items was given in favour of the Company and certain items were remanded back to the ACIR for further examination.

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

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

23.3 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 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.

23.4 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.

23.5 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	2022 —Rupees in '000—	2021 —Rupees in '000—
24. SALES - NET			
Sales [net of returns of Rs. 6.6 million (2021: Rs. 0.38 million)]		3,164,081	2,838,793
Less: sales tax		(6,246)	(12,521)
		<u>3,157,835</u>	<u>2,826,272</u>
Less: discounts		(306,102)	(279,996)
		<u>2,851,733</u>	<u>2,546,276</u>
25. COST OF SALES			
Raw and packing material consumed:			
Opening stock		292,519	304,958
Purchases		1,179,180	745,557
Closing stock	10	(620,953)	(292,519)
		<u>850,746</u>	<u>757,996</u>
Stores and spares consumed		73,087	66,685
Salaries, wages and benefits	25.1	379,636	313,910
Rent, rates and taxes		16,472	15,051
Insurance		3,632	3,294
Fuel and power		196,056	165,882
Repairs and maintenance		4,782	6,307
Travelling and vehicle running expenses		38,853	32,780
Communication and stationery		512	579
Depreciation	5.4	87,188	84,296
Other expenses		8,408	7,849
		<u>809,626</u>	<u>696,643</u>
		<u>1,660,372</u>	<u>1,454,639</u>
Work-in-progress			
Opening stock		9,491	8,356
Closing stock	10	(13,915)	(9,491)
		<u>1,655,948</u>	<u>1,453,504</u>
Cost of goods manufactured		1,655,948	1,453,504
Opening stock of finished goods		321,157	387,961
Finished goods purchased		301,076	191,613
		<u>1,655,948</u>	<u>1,453,504</u>
Cost of samples shown under selling and distribution expenses		(17,706)	(10,729)
Closing stock of finished goods	10	(335,318)	(321,157)
		<u>(353,024)</u>	<u>(331,886)</u>
		<u>1,925,157</u>	<u>1,701,192</u>

25.1 Salaries, wages and benefits include Rs. 14.217 million (2021: Rs. 11.997 million) in respect of staff retirement benefits.

	Note	2022 —Rupees in '000—	2021 —Rupees in '000—
26. SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and benefits	26.1	130,460	114,733
Rent, rates and taxes		1,124	833
Insurance		4,920	5,603
Repairs and maintenance		111	114
Travelling and vehicle running expenses		8,981	4,867
Communication and stationery		2,134	1,821
Advertising samples and promotional expenses		120,490	83,111
Outward freight and handling		77,801	64,994
Depreciation	5.4	2,152	2,109
		<u>348,173</u>	<u>278,185</u>

26.1 Salaries, wages and benefits include Rs. 6.718 million (2021: Rs. 6.587 million) in respect of staff retirement benefits.

	Note	2022 —Rupees in '000—	2021
27. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and benefits	27.1	84,659	71,470
Rent, rates and taxes		882	565
Insurance		1,329	1,180
Fuel and power		2,062	1,714
Repairs and maintenance		440	598
Travelling and vehicle running expenses		5,020	3,355
Communication and stationery		1,131	1,109
Subscription		2,639	2,147
Legal and professional charges		18,472	9,357
Depreciation	5.4	10,485	9,636
Amortisation	6.1	908	774
General expenses		14,026	5,670
		141,853	107,575

27.1 Salaries, wages and benefits include Rs 3.148 million (2021: Rs. 2.997 million) in respect of staff retirement benefits.

	Note	2022 —Rupees in '000—	2021
28. OTHER INCOME			
Liabilities no longer payable-written back		10	1,397
Reversal of provision against doubtful trade debts	11.1.1	6,097	4,852
Exchange gain - net		-	56,841
Reversal of provision against obsolete stores and spares	9.1	-	854
Late payment charges from Hospital Supply Corporation - a related party		4,618	2,569
Gain on disposal of operating fixed assets - net		7,913	7,235
Scrap sales		22,058	17,102
Reversal of provision against slow moving and obsolete stock-in-trade	10.2	3,585	1,196
Reversal of provision against orthopedic knee implants	10.3	757	1,937
Reversal of provision against stents held with hospitals	10.4	-	5,515
Reimbursement of pharmacovigilance cost		11,739	6,957
Others		3,855	896
		60,632	107,351

	Note	2022 —Rupees in '000—	2021
29. OTHER EXPENSES			
Exchange loss - net		75,116	-
Auditor's remuneration and other professional services	29.1	2,524	2,400
Donations	29.2 & 29.3	550	1,281
Workers' Welfare Fund		5,027	6,844
Workers' Profit Participation Fund	20.4	19,456	25,274
Central Research Fund		2,984	3,819
Provision against slow moving and obsolete stock-in-trade	10.2	-	6,949
Provision against orthopedic knee implants	10.3	-	22,276
Provision against stents held with hospitals	10.4	5,148	-
Provision against obsolete stores and spares	9.1	9,057	-
Bank charges and commission		592	1,104
Impairment on plant and machinery		-	6,738
Others		5,434	1,601
		125,888	78,286

29.1 Auditor's remuneration

Statutory audit fee	1,089	990
Fee for the review of condensed interim financial information	484	440
Fee for tax advisory services	475	475
Fee for special certifications	285	325
Out-of-pocket expenses	191	170
	<u>2,524</u>	<u>2,400</u>

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

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

S.No.	Name of donee	Note	2022	2021
			—Rupees in '000—	
1	Zafar and Atia Foundation Charitable Trust		500	-
2	Tabba Heart Institute		-	957
3	Koohl Goth Foundation		-	200

30. FINANCE COST

Interest on long term financing		2,930	3,665
Amortisation on deferred Government grant		(1,489)	(2,365)
Net finance cost on loan from banking companies		1,441	1,300
Short-term loan from a related party		2,513	3,831
Short-term running finance		2,067	13,547
On utilising Worker's Profit Participation Fund	20.4	608	176
Unwinding of finance cost on lease liability	18.3	36	-
		<u>6,665</u>	<u>18,854</u>

	Note	2022 —Rupees in '000—	2021
31. TAXATION - NET			
Current			
- for the year	31.1	62,663	5,614
- for prior years		-	10,867
- Super tax	31.2	42,418	-
		105,081	16,481
Deferred	8.2	27,751	66,723
		<u>132,832</u>	<u>83,204</u>

Relationship between income tax expense and accounting profit

Profit before taxation	<u>364,629</u>	<u>469,535</u>
Tax charge @ 29% (2021: 29%)	105,742	136,165
- Prior year tax adjustments	-	10,867
- Impact of FTR	298	836
- Impact of tax credit	(104)	(376)
- Impact of Super Tax	42,418	-
- Impact of change in rate	(14,867)	-
- Impact of minimum tax	-	4,778
- Effect of utilization of tax credits previously not recognised	(4,793)	(95,227)
- Effect of permanent differences	-	21,862
- Effect of deferred tax unrecognised in prior years on certain provisions	-	-
- Others	4,138	4,299
	<u>132,832</u>	<u>83,204</u>

31.1 Return for the tax year 2021 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 23.2 and 31.3.

31.2 During the period, the Government of Pakistan through Finance Act, 2022 has introduced section 4C in the Income Tax Ordinance, 2001 through which super tax has been levied on high earnings persons (including the Company). The tax has been imposed at the rate of 10% retrospectively from the tax year 2022 onwards. The tax has been imposed at the rate of 10% for certain specified sectors including pharmaceutical sector in which our Company operates. Accordingly, the current period tax charge includes Rs. 42.418 million for tax year 2022.

31.3 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 under prior year taxation for the year ended June 30, 2022 in respect of the additional tax liability.

	Note	2022 —Rupees in '000—	2021 —Rupees in '000—
32. EARNINGS PER SHARE			
32.1 Basic			
Profit for the year after taxation		<u>231,797</u>	<u>386,331</u>
		—Numbers of shares—	
Weighted average number of ordinary shares outstanding during the year	16.2	<u>12,100,000</u>	<u>12,100,000</u>
		—Rupees—	
Earnings per share - basic and diluted		<u>19.16</u>	<u>31.93</u>

32.2 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, 2022 and June 30, 2021 which would have had any effect on the earnings per share if the option to convert had been exercised.

32.3 Super tax

Had there been no charge of Super Tax on the Company during the year, the basic earnings per share would have been Rs. 22.66.

33. 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	2022 —Rupees in '000—	2021 —Rupees in '000—
- Bank balances	15	53,211	44,504
- Short-term running finance	21	(96,062)	-
		<u>(42,851)</u>	<u>44,504</u>

34. REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

Particulars	Chief Executive Officer		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	Rupees in '000					
Managerial remuneration	15,529	12,540	-	-	88,882	56,787
Bonus	1,000	-	-	-	12,266	2,219
Medical expenses	817	680	-	-	5,164	4,374
Leave fare assistance / encashment	1,705	1,443	-	-	9,064	5,356
Meeting fee	-	-	380	440	-	-
Technical advisory fee / Contract fee	-	-	3,500	3,200	7,890	5,870
Retirement benefits	1,294	1,045	-	-	6,944	1,005
Long service award	-	1,100	-	-	-	-
Others	291	246	-	-	2,451	5,402
	<u>20,636</u>	<u>17,034</u>	<u>3,880</u>	<u>3,640</u>	<u>112,461</u>	<u>80,812</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>20</u>	<u>17</u>

- 34.1 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.

35. EMPLOYEE BENEFIT SCHEMES

35.1 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, 2022. The Projected Unit Credit Method with the following significant assumptions was used for the valuation of the scheme:

	2022	2021
35.1.1 Principal actuarial assumptions		
a) Discount rate	13.25%	10.00%
b) Expected rate of return on plan assets	13.25%	10.00%
c) Expected rate of increase in salary - for the next one year		
- management staff	12%	12%
- non-management staff	12%	12%
d) Mortality rates	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
e) Withdrawal rates	Moderate	Moderate

	Note	2022 Rupees in '000	2021 Rupees in '000
35.1.2 Amount recognised in the statement of financial position			
Present value of defined benefit obligation		126,617	117,117
Less: fair value of plan assets		(122,845)	(113,021)
	20	<u>3,772</u>	<u>4,096</u>

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

	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	<u>126,617</u>	<u>(122,845)</u>	<u>3,772</u>

	Year ended June 30 2021		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	Rupees in '000		
As at July 1, 2020	104,795	(110,407)	(5,612)
Current service cost	8,880	-	8,880
Interest expense / (income)	8,662	(9,244)	(582)
Remeasurements:			
- loss from the changes in financial assumptions	4,070	1,277	5,347
- experience adjustments	(4,366)	2,034	(2,332)
	(296)	3,311	3,015
Contributions made	-	(1,605)	(1,605)
Benefits paid	(4,924)	4,924	-
As at June 30, 2021	117,117	(113,021)	4,096

	2022	2021
	Rupees in '000	
35.1.3 Amount recognised in the statement of profit or loss		
Current service cost	9,590	8,880
Interest cost	11,025	8,662
Expected return on plan assets	(11,285)	(9,244)
Expense for the year	9,330	8,298
35.1.4 Amount recognised in the statement of comprehensive income	2,296	3,015

35.1.5 Composition of plan assets

	Unaudited			
	--- As at June 30, 2022 ---		--- As at June 30, 2021 ---	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Treasury Bills	106,904	87.02%	38,414	33.99%
Defence Saving Certificates	6,632	5.40%	7,469	6.61%
Pakistan Investment Bonds	7,624	6.21%	59,272	52.44%
Cash and cash equivalents	1,685	1.37%	7,866	6.96%
	122,845	100.00%	113,021	100.00%

35.1.6 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.

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

		As at June 30, 2022 -----		As at June 30, 2021 -----		
Particulars	Change In assumption	Increase / (decrease) In present value of defined benefit obligation		Change In assumption	Increase / (decrease) In present value of defined benefit obligation	
		(%)	Rupees in '000		(%)	Rupees in '000
Discount rate	+1%	(5.49)	(6,946)	+1%	(5.79)	(6,720)
	-1%	6.13	7,766	-1%	6.50	7,541
Salary increase rate	+1%	6.19	7,832	+1%	6.53	7,576
	-1%	(5.62)	(7,118)	-1%	(5.92)	(6,864)
Withdrawal rate	+10%	0.14	177	+10%	0.15	175
	-10%	(0.14)	(184)	-10%	(0.16)	(182)

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 5.83 years (2021: 6.15 years).

35.2 Defined contribution plan - staff provident fund

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

36. 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, Qublttech, 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 else where are as follows:

Name of related party	Relationship with the Company	Nature of transaction	June 30, 2022	June 30, 2021
			----- Rupees in '000 -----	----- Rupees in '000 -----
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Purchases	1,152	-
		Mark up on loan	2,513	3,831
		Repayment of short term loan	-	228,712
		Dividend	2,385	-
Otsuka Pharmaceutical Co, Ltd.	Parent Company	Purchases	93,695	96,741
		Reimbursement of pharmacovigilance cost	16,290	6,957
		Dividend	8,131	-

Name of related party	Relationship with the Company	Nature of transaction	June 30, 2022	June 30, 2021
			----- Rupees in '000 -----	
Hospital Supply Corporation	Common Directorship	Late payment surcharge on	4,618	2,569
		Sales return	1,233	29
		Sales - gross	1,458,652	1,388,782
		Sales discounts / claims	213,633	197,109
Microport Medical (Shanghai) Co., Ltd.	Associated undertaking	Purchases	38,622	33,571
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Purchases	66,066	27,551
PT. Otsuka Indonesia	Associated undertaking	Purchases	10,416	17,430
		Dividend	1,806	-
Shanghai Microport EPMD Tech Co. Limited	Associated undertaking	Purchases	20,998	11,691
Danish Enterprises	Others	Purchases	5,636	3,132
Qubitech	Others	Purchases	466	-
Husein and Husein	Others	Consultancy services	255	-
Director	Independent Director & Non	Meeting fees	380	440
Otsuka staff	Provident fund	Contribution during the year to	14,624	13,188
Otsuka staff gratuity fund	Gratuity fund	Contribution during the year to the fund	11,950	1,605
Key Management Personnel	Key Management Personnel	Remuneration paid	81,519	66,003
		Advance receive for car contribution	794	-
Director	Director	Consultancy charges	3,500	3,200
		Dividend	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 balance	June 30, 2022 ----- Rupees in '000 -----	June 30, 2021
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Short term loan payable	376,150	356,550
Otsuka Pharmaceutical Co, Ltd.	Parent company	Payable against purchases	31,853	29,635
		Advance against reimbursement of pharmacovigilance cost	975	1,140
Name of related party	Relationship with the Company	Nature of balance	June 30, 2022 ----- Rupees in '000 -----	June 30, 2021
Hospital Supply Corporation	Common Directorship	Receivable against sale of goods	125,737	203,788
Thai Otsuka Pharmaceutical Co. Ltd.	Associated Undertaking	Payable against purchases	30,737	12,289
Shanghai Microport Medical (Group) Co., Ltd.	Associated Undertaking	Payable against purchases	123	19,302
Shanghai Microport EPMed Tech Co., Limited	Associated Undertaking	Payable against purchases	7,831	6,973
Shareholders	Shareholders	Payable to shareholders	363	363
Otsuka staff provident fund	Provident fund	Payable to Employees Provident	3,893	3,250
Otsuka staff gratuity fund	Gratuity fund	Payable to Staff Retirement Benefit Fund	3,772	4,096
Key Management Personnel	Key Management Personnel	Advance from key	1,306	512

36.1 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	Uniferoz (Private) Limited, Pakistan	Other associated undertaking	N/A
4	Otsuka Pharmaceutical Company Limited, Japan	Parent / Holding Company	44.80%
5	P. T. Otsuka Indonesia, Indonesia	Other associated undertaking	9.95%
6	Thai Otsuka Pharmaceutical Company Limited, Thailand	Other associated undertaking	N/A
7	Shanghai Microport Medical (Group) Company Limited, China	Other associated undertaking	N/A
8	Shanghai Microport EPMed Tech Co., Limited, China	Other associated undertaking	N/A
9	Otsuka Pharmaceutical Factory, Inc., Japan	Other associated undertaking	13.14%
10	Mr. Mehtabuddin Feroz	Director	3.29%
11	Mrs. Mehtabuddin Feroz	Spouse of Director	0.00%
12	Mr. Muhammad Hanif Sattar	Key Management Personnel	0.00%
13	Mrs. Muhammad Hanif Sattar	Spouse of Director	0.00%
14	Mr. Makio Bando	Director	0.00%
15	Mrs. Makio Bando	Spouse of Director	0.00%
16	Mr. Koichi Okada	Director	0.00%
17	Mrs. Koichi Okada	Spouse of Director	0.00%
18	Mr. Suhari Mukti	Director	0.00%
19	Mrs. Suhari Mukti	Spouse of Director	0.00%
20	Mr. Abid Hussain	Director	0.00%
21	Mrs. Abid Hussain	Spouse of Director	0.00%
22	Mrs. Navin Salim Merchant	Director	0.00%
23	Mr. Salim Hussain Merchant	Spouse of Director	0.00%
24	Qubitech	Other associated undertaking	0.00%
25	Soneri Bank Limited	Common directorship	0.00%
26	Exide Pakistan limited	Common directorship	0.00%

36.2 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, Shanghai 201203	China	Other associated undertaking	N/A
5	Shanghai Microport EPMed Tech Co., Limited, China	Building #28, Lane 588, Tianxiang Road, Pudong New District, Shanghai, P. R.	China	Other associated undertaking	N/A
6	Otsuka Pharmaceutical Factory, Inc., Japan	115 Kuguhara, Tatehwa, Muya- cho, Naruto, Tokushima 772-8601	Japan	Other associated undertaking	13.14%

	Note	2022 —Rupees in '000—	2021
37. CASH GENERATED FROM OPERATIONS			
Profit for the year before taxation		364,629	469,535
Adjustment for non-cash charges and other items:			
Depreciation	5.4	99,825	96,041
Impairment on plant and machinery	29	-	6,738
Amortisation	6.1	908	774
Liabilities no longer payable-write back	28	(10)	(1,397)
Provision for retirement benefits	35.1.3	9,330	8,298
Provision for employees short-term compensated absences		5,457	3,267
Unrealised exchange loss / gain		22,133	(47,745)
Workers' Welfare Fund	29	5,027	6,844
Workers' Profit Participant Fund	29	19,456	25,274
Central Research Fund	29	2,984	3,819
Gain on disposal of operating fixed assets - net	28	(7,913)	(7,235)
Provision / (reversal of provision) against slow moving and obsolete stock-in-trade - net	10.2	(3,585)	5,753
(Reversal of provision) / Provision against stents held w	10.4	5,148	(5,515)
Provision against orthopedic knee implants - net	10.3	(757)	20,339
Provision / (Reversal of provision) against obsolete stores and spares - net	29	9,057	(854)
Reversal of provision against doubtful trade debts - net	11.1.1	(6,097)	(4,852)
Finance cost	30	6,665	18,854
Working capital changes	37.1	(451,469)	106,878
		80,788	704,816

	2022	2021
	—Rupees in '000—	
37.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(3,966)	2,733
Stock-in-trade	(347,019)	78,108
Trade debts	81,305	(2,826)
Loans and advances	(77,241)	22,621
Sales tax refundable	(97,831)	-
Trade deposits, short-term prepayments and other receivables	(6,052)	14,944
	<u>(450,804)</u>	<u>115,580</u>
Increase / (decrease) in current liabilities		
Trade and other payables	13,129	(6,704)
Gratuity paid	(11,950)	(731)
Payment of compensated absences	(1,844)	(1,267)
	<u>(451,469)</u>	<u>106,878</u>
38. STAFF STRENGTH	2022	2021
	Number of employees	
Number of employees at June 30	373	375
Average number of employees during the year	374	384
39. OPERATING SEGMENTS		
39.1	These financial statements have been prepared on the basis of a single reportable segment.	
39.2	Sales from Intravenous Solutions represent 85.19 percent while sales from others represent 14.81 percent (2021: 84.11 percent and 15.89 percent) respectively of the total revenue of the Company.	
39.3	Sales percentage by geographic region is as follows:	
	2022	2021
	In percent	
Pakistan	98.48	97.01
Afghanistan	1.52	2.99
39.4	All non-current assets of the Company as at June 30, 2022 are located in Pakistan.	
39.5	Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region is around 43.32 percent during the financial year ended June 30, 2022 (2021: 46.67 percent).	
40. FINANCIAL INSTRUMENTS BY CATEGORY	2022	2021
	—Rupees in '000—	
Financial assets at amortized cost		
Long-term loans	15,523	14,886
Long-term deposits	2,335	1,337
Trade debts	216,177	291,385
Trade deposits and other receivables	14,527	18,054
Bank balances	53,211	44,504
	<u>301,773</u>	<u>370,146</u>
Financial liabilities at amortized cost		
Short-term loan from a related party - unsecured	376,150	356,550
Trade and other payables	530,407	473,586
Long-term finance	24,661	48,448
Deferred government grant	612	2,101
Unclaimed dividend	1,589	3,186
Short-term running finance - secured	96,062	-
Mark-up accrued	1,223	655
Lease liability	3,626	-
	<u>1,034,330</u>	<u>884,526</u>

41. 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:

41.1 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.

41.1.1 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, 2022, financial liabilities of Rs. 550.312 million (2021: Rs. 503.308 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	2022 —Rupees in '000—	2021
Short-term loan from a related party - unsecured			
Yen	19	<u>376,150</u>	<u>356,550</u>
Bills payable			
US Dollar		163,784	140,066
Euro		4,707	-
Yen		5,671	1,519
Yuan		-	5,173
	20	<u>174,162</u>	<u>146,758</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, 2022, if the Pakistani Rupee had weakened / strengthened by 10% against foreign currencies with all other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 55.03 million (2021: Rs. 50.33 million), mainly as a result of foreign exchange losses / gains on translation of foreign currency denominated financial liabilities.

41.1.2 Yield / Interest rate risk

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

Sensitivity analysis for fixed rate Instruments

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

Sensitivity analysis for variable rate Instruments

Presently, the Company has KIBOR based rupee financing representing short-term running finance arrangements obtained from 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, 2022 would have been lower / higher by Rs. 0.96 million (2021: Rs. Nil 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, 2022 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.

41.1.3 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.

41.2 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, 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. 301.77 million (2021: Rs. 370.146 million) of which trade debts amounting to Rs. 216.177 million (2021: Rs. 291.385 million) constitute a significant portion. Of these trade debts, Rs. 125.737 million (2021: Rs. 203.8 million) is receivable from a related party from which the Company does not expect a default. The remaining trade debts (excluding impaired debts) relate to a number of independent customers for whom there is no recent history of default. Loans and advances to employees are secured against their respective balances maintained under employee benefit schemes. The Company is also exposed to counterparty credit risk on balances with banks which is limited as the counterparties are banks having reasonably high credit ratings. The credit quality of the bank balances maintained by the Company is as follows:

BANK	— As at June 30, 2022 —		— As at June 30, 2021 —		Rating agency
	Short-term	Long-term	Short-term	Long-term	
Allied Bank Limited	AAA	A1+	AAA	A1+	PACRA
Bank Alfalah Limited	AA+	A1+	AA+	A1+	PACRA
Habib Bank Limited	AAA	A1+	AAA	A1+	JCR - VIS
MCB Bank Limited	AAA	A1+	AAA	A1+	PACRA
National Bank of Pakistan	AAA	A1+	AAA	A1+	PACRA
The Bank of Punjab	AA+	A1+	AA+	A1+	PACRA
Habib Metro Bank	A1+	AA+	A1+	AA+	PACRA
Citi Bank	A+	A-1	A+	A-1	Standard & Poor's
Bank Al Habib Limited	AAA	A1+	N/A	N/A	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.

41.3 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:

	2022			2021		
	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	376,150	-	376,150	356,550	-	356,550
Trade and other payables	530,407	-	530,407	473,586	-	473,586
Long-term finance	24,661	-	24,661	48,448	-	48,448
Deferred government grant	612	-	612	2,101	-	2,101
Unclaimed dividend	1,589	-	1,589	3,186	-	3,186
Short-term running finance - secured	96,062	-	96,062	-	-	-
Mark-up accrued	1,223	-	1,223	655	-	655
Lease liability	1,071	4,282	5,353	-	-	-
	1,031,775	4,282	1,036,057	884,526	-	884,526

42. 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, 2022 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, 2022 and June 30, 2021, the Company did not have any assets or liabilities which were measured at fair values using any of the aforementioned valuation techniques.

43. CAPITAL RISK MANAGEMENT

43.1 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.

43.2 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.

	2022	2021
	—Rupees in '000—	
Total borrowings	498,873	404,995
Less: bank balances	(53,211)	(44,504)
Net debt	443,662	360,491
Total equity	712,994	500,977
Total capital	1,156,656	861,468
Gearing ratio	38.36%	41.85%

As at June 30, 2022, the Company's gearing ratio has decreased primarily due to the profit earned in the current year. The Company's foreign loan liability increased due to devaluation of currency. As a part of the Company's future strategy, the management has prepared a business plan which is sensitive to certain key assumptions. The management believes that the successful implementation of the business plan would help to improve the financial position of the Company.

44. PLANT CAPACITY AND PRODUCTION

Particulars	2022		2021	
	Capacity	Actual production	Capacity	Actual production
	million bottles			
I.V. solutions	31.4	22.0	31.4	20.3
Plastic ampoules	21.0	9.9	21.0	14.6

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

45. SUBSEQUENT EVENT

The Board of Directors in its meeting held on September 6, 2022 proposed a final cash dividend of Rs. 1.50 per share (2021: Rs. 1.5 per share) amounting to Rs. (2021: Rs. 18.15 million) subject to the approval of the members in the forthcoming annual general meeting of the Company.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 6, 2022 by the Board of Directors of the Company.

47. GENERAL

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

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

OTSUKA PAKISTAN LIMITED
Pattern of Shareholding Report
As of June 30, 2022

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children			
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 FEROZ	1	397,485	3.29
MR. ABID HUSSAIN	1	500	0.00
Associated Companies, undertakings and related parties	4	8,214,808	67.89
NIT & ICP	-	-	-
Banks Development Financial Institutions, Non Banking Financial Financial Instit	3	8,621	0.07
Insurance Companies	2	111,802	0.92
Modarabas and Mutual Funds	1	120	0.00
General Public			
a. Local	782	2,085,987	17.24
b. Foreign	4	12,845	0.11
Foreign Companies	-	-	-
Others	21	1,267,199	10.47
Totals	824	12,100,000	100.00
Shareholders holding 10% or more		Shares Held	Percentage
M/S OTSUKA PHARMACEUTICAL COMPANY LIMITED		5,420,248	44.80
M/S. OTSUKA PHARMACEUTICAL FACTORY, INC.		1,589,940	13.14

OTSUKA PAKISTAN LIMITED
Pattern of Shareholding
As of June 30, 2022

# Of Shareholders	Shareholdings'Slab			Total Shares Held
357	1	to	100	4,613
264	101	to	500	51,607
78	501	to	1000	54,988
80	1001	to	5000	163,380
16	5001	to	10000	109,074
9	10001	to	15000	104,213
1	20001	to	25000	24,090
1	25001	to	30000	30,000
1	30001	to	35000	30,112
1	45001	to	50000	46,294
1	50001	to	55000	51,474
1	110001	to	115000	111,562
1	125001	to	130000	129,600
1	130001	to	135000	134,000
1	145001	to	150000	146,510
1	180001	to	185000	184,613
1	250001	to	255000	251,558
1	265001	to	270000	268,386
5	395001	to	400000	1,989,240
1	1200001	to	1205000	1,204,499
1	1585001	to	1590000	1,589,940
1	5420001	to	5425000	5,420,247
824				12,100,000

COMPARISON OF LAST 6 YEARS RESULTS

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Share Capital (Rs. In '000)	110,000	121,000	121,000	121,000	121,000	121,000
Unappropriated Profit / (Loss) (Rs. In '000)	(339,636)	(274,688)	(439,525)	(346,193)	37,997	250,014
General Reserve (Rs. In '000)	367,500	356,500	341,980	341,980	341,980	341,980
Capital Employed (Rs. In '000)	137,864	202,812	23,455	116,787	532,880	716,086
Long Term Loans/Lease (Rs. In '000)	-	-	-	-	31,903	3,092
Sales (Rs. In '000)	1,829,624	1,869,013	1,884,753	2,226,989	2,546,276	2,851,733
Profit /(Loss) Before Tax (Rs. In '000)	196,174	138,008	(193,711)	107,557	469,535	364,629
Taxation - net (Rs. In '000)	(86,423)	(72,702)	18,363	(16,491)	(83,204)	(132,832)
Profit /(Loss) After Taxation (Rs. In '000)	109,751	65,306	(175,348)	91,066	386,331	231,797
% of Sales	6%	3%	-9%	4%	15%	8%
% of Total Assets	8%	4%	-11%	5%	26%	13%
% of Capital Employed	80%	32%	-748%	78%	72%	32%
Dividend Amount (Rs. In '000)	-	14,520	-	-	18,150	18,150
% of Dividend	-	12%	-	-	15%	15%
Bonus Shares Dividend (Rs. In '000)	-	11,000	-	-	-	-
% of Bonus Issue	-	10%	-	-	-	-
Earnings / (Loss) Per Share	9.98	5.40	(14.49)	7.53	31.93	19.16
Earnings / (Loss) Per Share (Restated) *	9.07	N/A	N/A	N/A	N/A	N/A
Fixed Assets less Depreciation (Rs. In '000)	458,398	413,124	350,998	304,687	275,096	265,400
Total Assets (Rs. In '000)	1,455,442	1,583,800	1,530,644	1,680,281	1,485,431	1,845,908
Average Number of Employees	394	392	392	391	384	374

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

PROXY FORM 34th Annual General Meeting

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

Please quote Folio No.

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

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the
Thirty-first Annual General Meeting of the Company to be held on Thursday, October 27, 2022
and at any adjournment thereof.

As witness my hand this..... day of2022

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.

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A Sign of Japanese Commitment to Better Health