Otsuka People Creating
New Products For Better
Health Worldwide

REPORTS & ACCOUNTS

FOR THE YEAR ENDED JUNE

2014-2015

Otsuka

Otsuka Pakistan Limited

(A Company of Otsuka Group Japan)

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECOTRS	:	Mr. Harry Bagjo	(Chairman) (Alternate: Mr. Tariq Mehtab Feroz)
		Mr. Hanif Sattar	(Chief Executive)
		Mr. Makoto Sekiyama	(Alternate: Mr. Abid Hussain)
		Mr. Mehtabuddin Feroz	
		Mr. Yasuo Bando	
		Mr. Mohammad Abdullah Feroz	
		Mr. Makio Osaka	(Alternate: Mr. Sajid Ali Khan)
		Mr. Nazimuddin Feroz	
		Mr. Noor Muhammad	(Independent Director)
COMPANY SECRETARY	:	Mr. Sajid Ali Khan	
AUDIT SUB COMMITTEE OF THE BOARD	:	Mr. Noor Muhammad	(Chairman)
		Mr. Makoto Sekiyama	(Member)
		Mr. Mehtabuddin Feroz	(Member)
		Mr. Abid Hussain	(Member)
HUMAN RESOURCES & REMUNERATION SUB COMMITTEE OF THE BOARD	:	Mr. Makoto Sekiyama	(Chairman)
		Mr. Mehtabuddin Feroz	(Member)
		Mr. Hanif Sattar	(Member)
AUDITORS	:	A.F. Ferguson & Co.	(Chartered Accountants)
LEGAL ADVISORS	:	Hassan & Humayun Associates	
BANKERS	:	The Bank of Tokyo-Mitsubishi, UFJ Ltd. Bank Alfalah Limited The Bank of Punjab Habib Bank Limited Allied Bank Limited MCB Bank Limited National Bank of Pakistan	
REGISTERED OFFICE	:	30-B, Sindhi Muslim Co-operative, Housing Society, Karachi-74400 Tel.: 34528651 - 4, Fax: 34549857 E-mail: sakhan@otsuka.pk jnoor@otsuka.pk Web site: www.otsuka.pk	
FACTORY	:	Plot No. F/4-9, Hub Industrial Trading Estate, Distt. Lasbella (Balochistan) Tel.: (0853) 303517-8 Fax: (0853) 303519	
SHARE REGISTRAR	:	Central Depository Company of Pakistan Limited CDC House, 99 - B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal Karachi-74400. Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275) Fax: (92-21) 34326053 Email: info@cdcpak.com Website: www.cdcpakistan.com	

NOTICE OF MEETING

Notice is hereby given that the Twenty-seventh (27) Annual General Meeting of **Otsuka Pakistan Limited** will be held on Tuesday, October 27, 2015 at 10:30 a.m. at Hotel Mehran, Karachi to transact the following businesses:-

1. To receive and adopt the Audited Accounts for the year ended June 30, 2015, together with the Directors' and Auditors' reports thereon.
2. To appoint auditors and fix their remuneration
3. To elect Directors of the Company in accordance with the provisions of the Companies Ordinance, 1984. The number of Directors fixed by the Board of Directors under section 178(1) of the said Ordinance is eight (8). The retiring Directors, whose terms of office expires on October 31, 2015 are:
   Mr. Harry Bagjo, Mr. Makoto Sekiyama, Mr. Makio Osaka, Mr. Yasuo Bando, Mr. Mehtabuddin Feroz, Mr. M. Abdullah Feroz, Mr. Nazimuddin Feroz and Mr. Noor Muhammad
   The above-mentioned Directors being eligible have notified their intention to offer themselves for re-election. The term of the Directors elected at this meeting will be three (3) years effective November 1st, 2015.
4. To transact any other business with the permission of the Chair.

By order of the Board

Sajid Ali Khan
Company Secretary

Karachi: September 22, 2015

Notes:-
1. The Share Transfer Books of the Company will remain closed from October 21, 2015 to October 27, 2015 (both days inclusive).
2. 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.
3. Instrument of appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the Registered Office of the Company at least 48 hours before the time of the Meeting.
4. Every candidate for election as a Director whether he/her is a retiring Director or otherwise shall file with the Company not later than fourteen (14) clear days before the date of Annual General Meeting a notice of his /her intention to offer himself/herself for election as a Director alongwith the consent to serve as a Director in the prescribed Form-28 to his/her appointment as a Director of the company.
5. 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.

A. For Attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

6. In compliance with SECP notification No. 634(I)/2014 dated: July 10, 2014, the audited financial statements and reports of the Company for the year ended June 30, 2015 have been placed on the Company's website: www.otsuka.pk for the information and review of shareholders.
7. In compliance with the directives issued by the Securities and Exchange Commission of Pakistan and / or Federal Board of Revenue from time to time, shareholders who have not yet provided their dividend mandate information and / or CNIC and / or NTN (as the case may be) are requested to provide the same at the earliest as follows:
   - The shareholders who hold Company' Shares in physical form are requested to submit the above information to the Share Registrar.
   - Shareholders maintaining their shareholdings under Central Depository System (CDS) are advised to submit the above information directly to relevant Participant / CDC Investor Account Service.

   Members are also requested to update their tax paying status (Filer / Non-Filer) to the Company' Share Registrar. The above information may please be provided as follows:

Folio / CDC ID/ AC No.	Name	National Tax No.	CNIC No. (in case of individual)	Income tax return for the year 2014 filed (Yes or No)

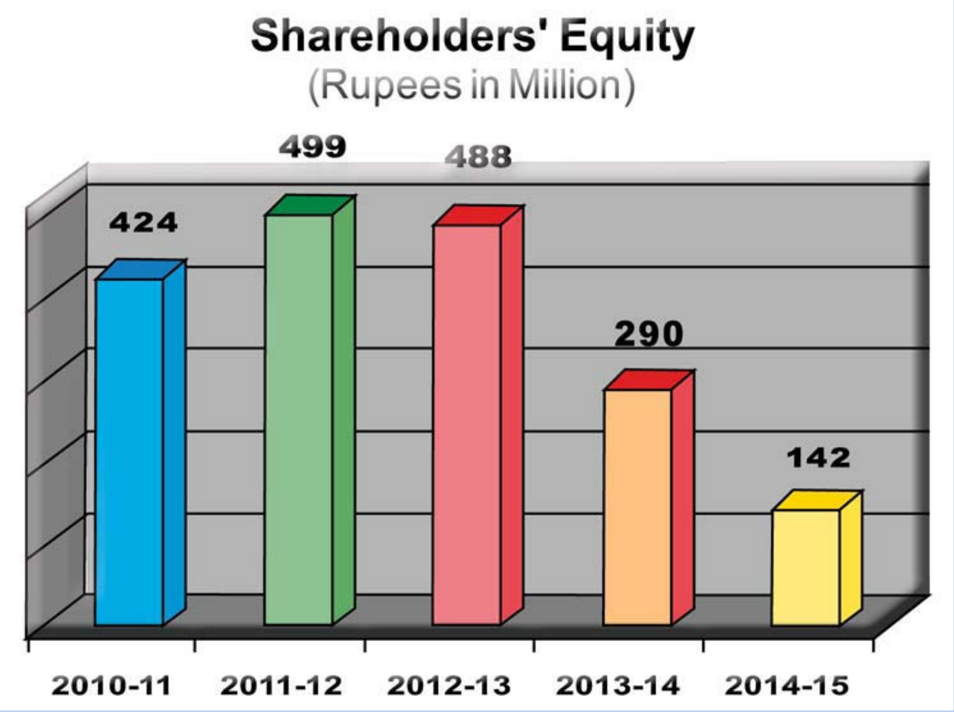
This would enable us to process future dividend payments 'if any' in accordance with the tax payment status of the members pursuant to the provisions of Finance Act, 2015 effective July 1, 2015 whereby the rates of deduction of income tax under section 150 of the Income Tax Ordinance, 2001 from dividend payment have been revised as follows:

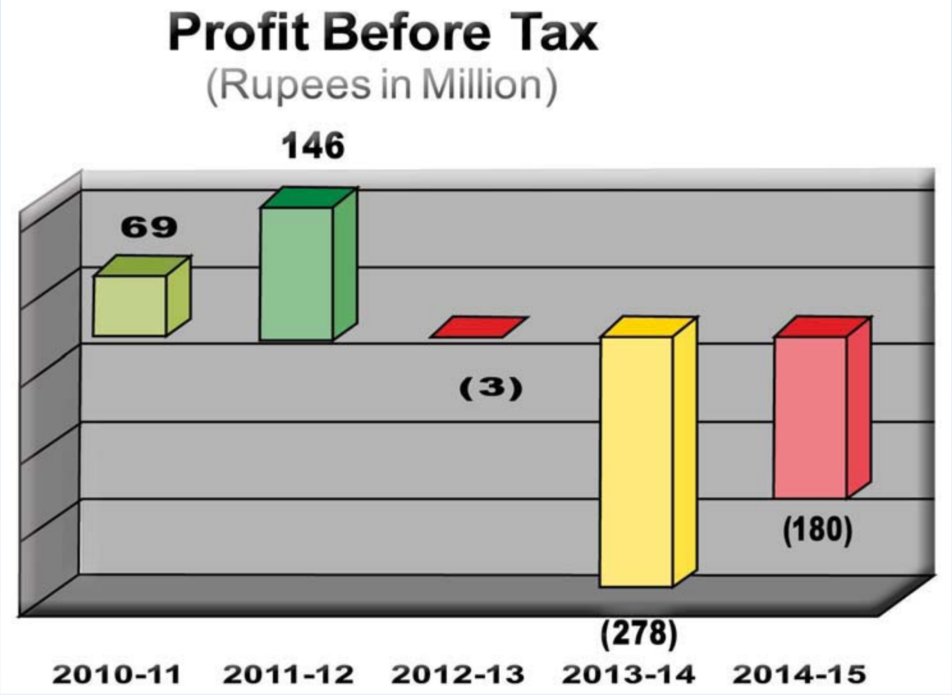
1. Rate of tax deduction for filer of income tax returns 12.5%
2. Rate of tax deduction for non-filers of income tax returns 17.5%

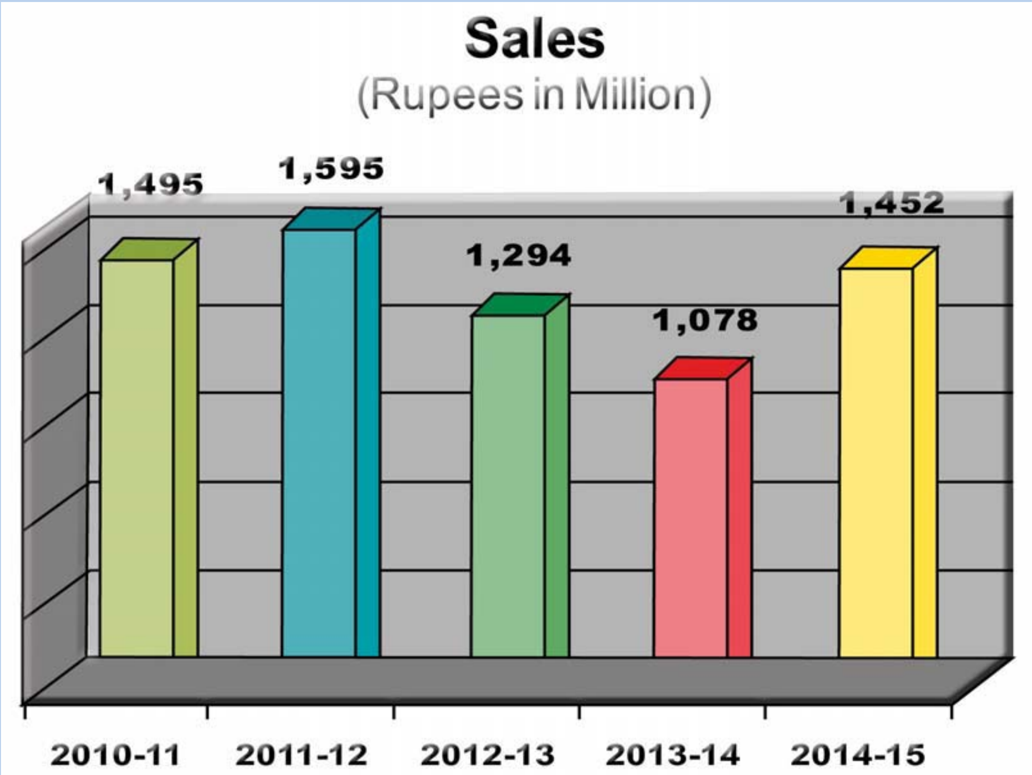
Distribution of Annual Report through Email:
We are pleased to inform shareholders that the SECP has under and pursuant to SRO No. 787(I)/2014 dated: Sep. 8, 2014 allowed companies to circulate their annual balance sheet and profit & loss accounts, auditor's report and director's report etc. ("Annual Report") alongwith the notice of annual general meeting ("Notice") to its shareholders by email. Shareholders of the Company who wish to receive the Company's Annual Report and notices of annual general meeting by email are requested to provide the complete Electronic Communication Consent Form that can be downloaded from company's web site i.e. www.otsuka.pk.

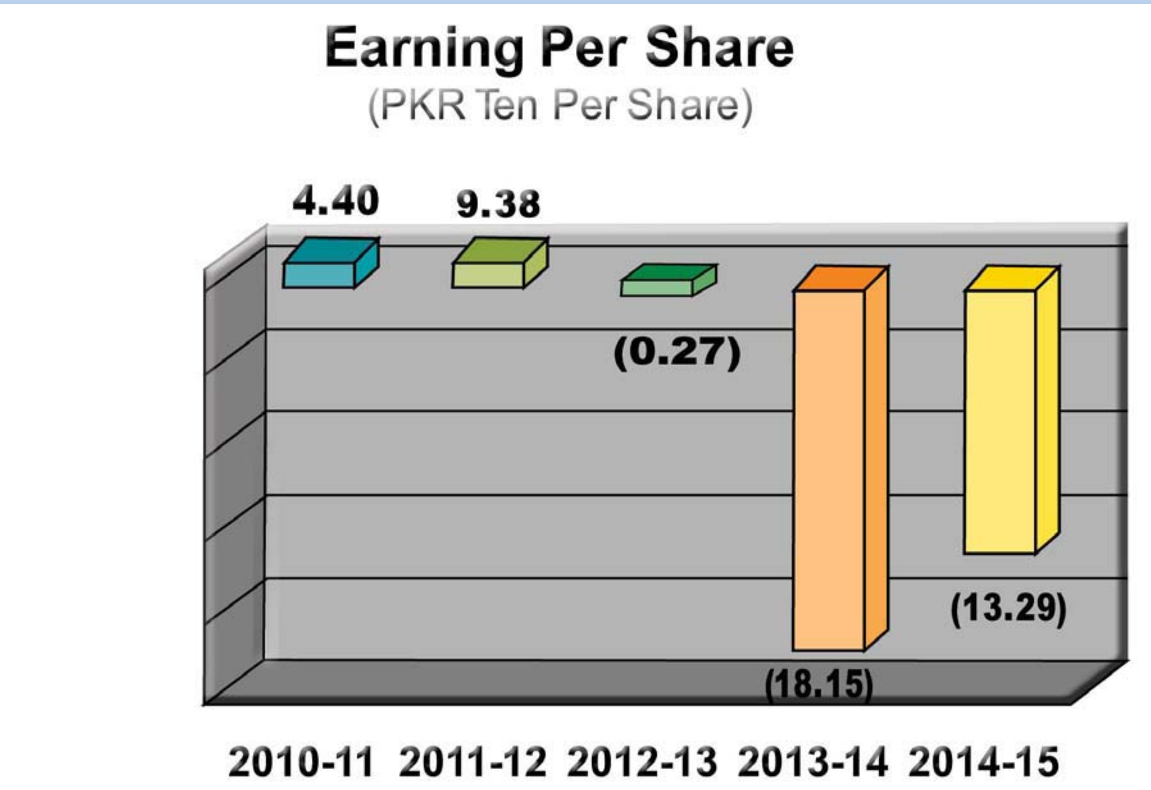
Shareholders are requested to promptly notify Company's Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99 - B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400.Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275) Fax: (92-21) 34326053 Email: info@cdcpak.com Website: www.cdcpakistan.com; of any change in their addresses.

FIVE YEARS AT A GLANCE






Sales
(Rupees in Million)
1,495
1,595
1,294
1,078
1,452
2010-11
2011-12
2012-13
2013-14
2014-15


Earning Per Share
(PKR Ten Per Share)
4.40
9.38
(0.27)
(18.15)
(13.29)
2010-11
2011-12
2012-13
2013-14
2014-15

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report of the Company for the year ended June 30, 2015.

Business Review
After completion of renovation and installation of new automatic machine, the production is in full swing. Water problem is almost over due to recent rains in Hub area. However, frequent electric breakdowns not only disturb our production activities but also results in losses to electronic devices. Strict measures are being taken to control cost and wastage at all levels. Efforts are also being made to increase productivity and to bring new products in the Company's portfolio.

Sales during the year under review were 35% higher than last year. Last year due to shortage we were unable to cater to our customer requirements. We are now in the process of customers' recapturing to overcome our loss. The greatest strength of our company is its abilities to produce quality products. Our valued customers are supporting us to have quality products of Otsuka. The Company is incurring huge extra cost to maintain its quality.

During the period under review our gross profit was 11% of sales while last year there was almost nil gross profit. There has been substantial reduction in our expense due to strict control. Financial cost has increased because of our loss situation and heavy borrowing for revamping and renovation projects. The overall loss has reduced from Rs. 199.7 million last year to Rs. 146.1 million. The main reason of this loss was lack of price increase allowed by the government despite its commitment at various forums.

Financial Results

	(PKR in Million)
Loss before taxation	(179.9)
Provision for taxation	33.8
Loss	(146.1)
Other comprehensive income	(2.0)
Total comprehensive loss for the year	(148.1)
Accumulated loss brought forward	(187.4)
Accumulated loss carried forward	(335.5)

Appropriations
In the light of loss situation the Directors have not proposed any dividend for the year ended June 30, 2015

Earning / (Loss) Per Share

The loss per share for the year ended June 30, 2015 works out to be Rs. (13.29) per share [2014: loss per share of (Rs. 18.15)]

Future Outlook
The Company is experiencing a very difficult period of time in its history. The cost is increasing day by day on account of increase in wages, utility charges, sales tax on plastic materials & services. These taxes and cost cannot be passed to consumers as the drug prices are fixed by the Government. There is direct need for addressing the problems and hardship facing by the Company. We hope that the Government will realize the severity of the situation and will grant us reasonable price increase.

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

a. the financial statements, being presented, reflect fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b. proper books of accounts of the Company have been maintained.

c. appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

e. the system of internal control is sound in design and has been effectively implemented and monitored.

f. there are no significant doubts upon the Company's ability to continue as a going concern.

g. there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h. in accordance with the criteria specified in clause (xi) of the Code, one director has a certification under Directors' Training Program, four directors of the Company (including the Chief Executive Officer) are exempt from the requirement of Directors' training program and the remaining Directors will receive training within the prescribed time period upto June 30, 2016. All the Directors on the Board are fully conversant with their duties and responsibilities as Directors of corporate bodies.

i. there are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2015 except for those declared in the financial statements.

Key Operating and Financial data
Key operating and financial data of last ten years is annexed with this annual report.

Value of investments of provident and gratuity funds
The following is the value of investments based on latest respective audited accounts:

Provident Fund Rs. 113,949,687/-

Gratuity Fund Rs. 50,460,045/-

Board of Directors
In the period under review, the casual vacancies arising due to the retirement of Mr. Abid Hussain and resignation of Mr. Tetsuji Iwamoto were filled as follows:

Mr. Hanif Sattar was appointed in place of Mr. Abid Hussain (w.e.f. February 27, 2015).
Mr. Yasuo Bando was appointed in place of Mr. Tetsuji Iwamoto (w.e.f. April 21, 2015).

The Board acknowledges and appreciates the services of outgoing Directors and welcomes new Directors.

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

	Board Meetings		Audit Committee Meetings		HR & RC Meetings	
Name of Director	Meetings held during the period	Attendance	Meetings held during the period	Attendance	Meetings held during the period	Attendance
Mr. Hanif Sattar (CEO) (1)	4	1	4	N/A	1	N/A
Mr. Abid Huss ain (CEO)	4	3	4	3	1	1
Mr. Abid Hussain (Alternate Director)	4	1	4	1	1	N/A
Mr. Mehtabuddin Feroz	4	4	4	4	1	1
Mr. Mohammad Abdullah Feroz	4	4	4	N/A	1	N/A
Mr. Nazimuddin Feroz	4	3	4	N/A	1	N/A
Mr. Harry Bagjo	4	1	4	N/A	1	N/A
Mr. Makoto Sekiyama	4	1	4	1	1	(**) 1
Mr. Makio Osaka	4	1	4	N/A	1	N/A
Mr. Tetsuji Iwamoto (*)	4	N/A	4	N/A	1	N/A
Mr. Yasuo Bando (2)	4	N/A	4	N/A	1	N/A
Mr. Tariq Mehtab Feroz (Alternate Director)	4	3	4	N/A	1	N/A
Mr. Muhammad Aslam (Alternate Director) (*)	4	2	4	N/A	1	N/A
Mr. Sajid Ali Khan (Alternate Director)	4	3	4	N/A	1	N/A
Mr. Noor Muhammad (Independent Director)	4	4	4	4	1	N/A

(*) Resigned from Board during the year
(**) Attendance through teleconferencing
(1) Mr. Hanif Sattar was appointed on the Board on 27-Feb-2015 in place of Mr. Abid Hussain.
(2) Mr. Yasuo Bando was appointed on the Board on 21-Apr-2015 in place of Mr. Tetsuji Iwamoto.

Pattern of Shareholding

The Pattern of share holding of the Company as at June 30, 2015 is annexed with this annual report.

Trading in Shares

Two transactions occurred during the year:

- Associated company i.e. M/s. Otsuka Factory Inc., Japan has bought 726,000 ordinary shares comprising approximately 6.6% of the issued, subscribed and paid up share capital of the Company from M/s. Muhammad Abdullah Feroz and Mumtazuddin Feroz (each transaction for 363,000 ordinary shares).

- Mr. Abid Hussain (former Chief Executive Officer) purchased 500 shares of the Company during his tenure.

- Mr. Muhammad Abdullah Feroz (Non-executive Director) also purchased 500 shares of the Company during the year.

Holding Company

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

Subsequent event

No material changes or commitment affecting the financial position of the company have take place between the end of the financial year and the date of this report.

Auditors

The present Auditors Messrs. A.F. Ferguson & Co., Chartered Accountants retire at the conclusion of the 27th Annual General Meeting and being eligible, offer themselves for reappointment

Acknowledgement

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

On behalf of the Board

Hanif Sattar
Chief Executive Officer

Karachi
Dated: September 08, 2015

pwc **A. F. FERGUSON & CO.**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Otsuka Pakistan Limited** (the Company) as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:
   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2015 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

A F Ferguson & Co.

Chartered Accountants
Engagement Partner: **Noman Abbas Sheikh**
Dated: September 10, 2015
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872

STATEMENT OF VISION/MISSION & OBJECTIVES

Otsuka

Vision

Otsuka people creating new products for better health worldwide.

Mission

To provide quality healthcare produts while maintaining leadership position in chosen seqments by working efficiently towards customber satisfaction, rapid growth and enhanced stakeholders value.

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

Glimpses of 26th Annual General Meeting

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company: **Otsuka Pakistan Limited**
Year ended June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of listing regulations of the Karachi Stock Exchange Limited and the Lahore Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. As at June 30, 2015, the Board included the following appointed/elected members:

Category	**Names**
Non-Executive Directors:	Mr. Harry Bagjo
	Mr. Makoto Sekiyama
	Mr. Makio Osaka
	Mr. Yasuo Bando
	Mr. Mehtabuddin Feroz
	Mr. M. Abdullah Feroz
	Mr. Nazimuddin Feroz
Executive Director	Mr. Hanif Sattar
Independent Director	Mr. Noor Muhammad

The independent director meets the criteria of independence under clause i(b) of the Code.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, the following resignations were accepted by the Board:
Mr. Abid Hussain has retired from services from the post of Chief Executive Officer after completion of his service age on February 27, 2015.

   Mr. Tetsuji Iwamoto has resigned from the Board on April 21, 2015.

   Mr. Yasuo Bando filled the casual vacancy of Mr. Tetsuji Iwamoto by appointment (w.e.f. April 21, 2015).

   Mr. Hanif Sattar filled the casual vacancyof Mr. Abid Hussainby appointment (w.e.f. February 27, 2015).

5. 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.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.

8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board is well aware of its duties and responsibilities under the code. In accordance with the criteria specified in clause (xi) of the Code, the Board encourages the Directors to attend Director's Training Program. One of the Directors attended the certification under Director's Training Program during the year.

10. The Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit continued their services and no change in these positions were made during this financial year.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises 4 members of whom allare non-executive Directors and the Chairman of the committee is an independent Director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. Attendance was ensured as per the requirements of the Code.The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises 3 members of whom 2 are non-executive directors and the chairman of the Committee is a non-executive director.

18. The Board has outsourced the internal audit function to KPMG Taseer Hadi and Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the Code have been complied with.

Hanif Sattar
Chief Executive Officer

Dated: September 8, 2015

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A. F. FERGUSON & CO.

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Otsuka Pakistan Limited** for the year ended June 30, 2015 to comply with the requirements of Listing Regulation no. 35 (Chapter XI) of the Karachi Stock Exchange Limited and the Lahore Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As 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's 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 Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

A F Ferguson & Co.

Chartered Accountants

Dated: September 8, 2015

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924

BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015	2014
		--------- Rupees in '000 ---------	
ASSETS			
Non-current assets			
Property, plant and equipment	4	631,259	715,754
Long-term loans - considered good	5	5,300	5,123
Long-term deposits		1,288	783
Deferred tax asset - net	6	117,642	80,048
		755,489	801,708
Current assets			
Stores and spares	7	53,314	46,422
Stock-in-trade	8	487,680	476,290
Trade debts - unsecured - net	9	94,539	120,088
Loans and advances - considered good	10	13,532	22,776
Trade deposits, short-term prepayments and other receivables	11	13,374	25,041
Taxation	12	140,478	88,543
Bank balances	13	4,253	3,680
		807,170	782,840
Total assets		1,562,659	1,584,548
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	110,000	110,000
Revenue reserves		31,914	180,110
Total shareholders' equity		141,914	290,110
LIABILITIES			
Non-current liabilities			
Long-term finance - secured	15	108,333	216,666
Current liabilities			
Short-term loan from a related party - unsecured	16	333,520	73,095
Trade and other payables	17	278,199	301,691
Current maturity of long-term finance - secured	15	108,334	108,334
Short-term running finance - secured	18	565,323	557,459
Mark-up accrued	19	27,036	37,193
		1,312,412	1,077,72
Total equity and liabilities		1,562,659	1,584,548
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 44 form an integral part of these financial statements.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		--------- Rupees in '000 ---------	
Net sales	21	**1,452,196**	1,077,670
Cost of sales	22	**(1,291,086)**	(1,077,055)
Gross profit		**161,110**	615
Selling and distribution expenses	23	**(184,106)**	(157,278)
Administrative and general expenses	24	**(70,167)**	(64,177)
		(93,163)	(220,840)
Other income	25	**51,649**	46,212
		(41,514)	(174,628)
Other operating expenses	26	**(34,962)**	(38,693)
Operating loss		**(76,476)**	(213,321)
Finance cost	27	**(103,463)**	(64,276)
Loss for the year before taxation		**(179,939)**	(277,597)
Taxation - net	28	**33,774**	77,853
Loss for the year after taxation		**(146,165)**	(199,744)
		------------- Rupees -------------	
Loss per share	29	**(13.29)**	(18.15)

The annexed notes 1 to 44 form an integral part of these financial statements.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		--------- Rupees in '000 --------	
Loss for the year after taxation		**(146,165)**	(199,744)
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Remeasurements of defined benefit plans		**(3,031)**	2,906
Deferred tax on remeasurements of defined benefit plans		**1,000**	(959)
		(2,031)	1,947
Total comprehensive loss for the year		**(148,196)**	(197,797)

The annexed notes 1 to 44 form an integral part of these financial statements.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		--------- Rupees in '000 ---------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	34	32,453	(31,883)
Interest paid		(113,620)	(62,967)
Taxes paid		(54,755)	(67,521)
Increase in long-term deposits		(505)	(40)
(Increase) / decrease in long-term loans		(177)	451
Net cash used in operating activities		(136,604)	(161,960)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(28,644)	(328,968)
Proceeds from disposal of property, plant and equipment		5,865	1,744
Net cash used in investing activities		(22,779)	(327,224)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance (paid) / obtained		(108,333)	225,000
Short-term loan obtained from a related party		260,425	73,095
Net cash generated from financing activities		152,092	298,095
Net decrease in cash and cash equivalents		(7,291)	(191,089)
Cash and cash equivalents at the beginning of the year		(553,779)	(362,690)
Cash and cash equivalents at the end of the year	30	(561,070)	(553,779)

The annexed notes 1 to 44 form an integral part of these financial statements.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2015

Otsuka

	Issued, subscribed and paid-up capital	Capital reserve: Reserve for issue of bonus share	Revenue reserves: General reserve	Revenue reserves: Unappropriated profits / (accumulated losses)	Revenue reserves: Sub-total	Total
	----------	----------	----------	Rupees in '000	----------	----------
Balance as at July 1, 2013	100,000	-	377,500	10,407	387,907	487,907
Total comprehensive loss for the year ended June 30, 2014	-	-	-	(197,797)	(197,797)	(197,797)
Transactions with owners recognised directly in equity						
Transfer to reserve for issue of bonus shares	-	10,000	(10,000)	-	(10,000)	-
Interim issue of bonus shares @ 10% for the year ended June 30, 2014 declared on October 23, 2013	10,000	(10,000)	-	-	-	-
Balance as at June 30, 2014	110,000	-	367,500	(187,390)	180,110	290,110
Total comprehensive loss for the year ended June 30, 2015	-	-	-	(148,196)	(148,196)	(148,196)
Balance as at June 30, 2015	**110,000**	**-**	**367,500**	**(335,586)**	**31,914**	**141,914**

The annexed notes 1 to 44 form an integral part of these financial statements.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

1 THE COMPANY AND ITS OPERATIONS

1.1 The Company is incorporated in Pakistan as a public limited company and is listed on the Karachi and Lahore Stock Exchanges. The address of its registered office is 30-B, S.M.C.H. Society, Karachi, Pakistan. It is engaged in the manufacturing, marketing and distribution of intravenous infusions and trading in pharmaceutical products, nutritional foods and medical equipment. The Company is an indirect subsidiary of Otsuka Pharmaceutical Company Limited, Japan.

1.2 As at June 30, 2015, the current liabilities of the Company exceeded its current assets by Rs 505.242 million (2014: Rs 294.932 million) mainly due to loans obtained from a group company and banks for financing the Balancing, Modernisation and Replacement (BMR) of its IV production line. The Company has prepared a formal five years business plan post BMR project based on which the management strongly believes that the Company will be able to meet all its current and future liabilities, there are no imminent business risks and after implementation of initiatives stated in the five years business plan the Company will have positive results in future years enabling it to set-off the losses incurred in the prior periods.

2 BASIS OF PREPARATION AND MEASUREMENT

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984 or the said directives issued by the SECP prevail.

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 and stock-in-trade is carried at the lower of cost and net realisable value.

2.3 New and amended standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following amendments to existing standards have been published and are mandatory for the Company's accounting period beginning on or after July 1, 2014:

Amendment to IAS 32, "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have significant effect on the financial statements of the Company.

Amendment to IAS 36, "Impairment of assets", on disclosures in respect of the recoverable amount of non-financial assets. This amendment removed certain disclosures of the recoverable amount of Cash Generating Units (CGUs) which had been included in IAS 36 by the issue of IFRS 13 "Fair value measurement". The amendment did not have significant effect on the financial statements of the Company.

IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions, contingent liabilities and contingent assets." The interpretation addresses the obligating event that gives rise to pay a levy and when a liability should be recognised. The Company's current accounting treatment / policy is already in line with this interpretation.

2.4 New and amended standards and interpretations that are not yet effective

IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and, thus, has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The management is in the process of assessing the impact of this IFRS on the financial statements of the Company.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.5 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of the Company's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- impairment of trade debts (notes 3.6 and 9.1);
- estimate of residual values, useful lives and depreciation rates of operating fixed assets (notes 3.1 and 4.1);
- estimate of liabilities in respect of staff retirement benefits (notes 3.10 and 32);
- provision for taxation (notes 3.13, 6, 12 and 28);
- provision for slow moving and obsolete stores and spares and stock-in-trade (notes 3.2, 3.3, 7, 8.3 and 8.4); and
- impairment of non-financial assets (note 3.4).

3 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 years presented unless otherwise disclosed or specified.

3.1 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. Normal repairs and maintenance are charged to the profit and loss account as and when these are incurred.

Depreciation is charged to profit and loss account using the 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 4.1 to these financial statements and after taking into account residual values, if significant. The residual values of operating fixed assets, useful lives and depreciation methods 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 disposal of property, plant and equipment are taken to the profit and loss account in the year in which disposal is made.

Tangible assets - leased

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

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

Depreciation on assets held under finance lease, subsequent costs and gains / losses are recognised in a manner consistent with that for depreciable assets which are owned by the Company.

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 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.

3.2 Stores and spares

These are valued at weighted average cost except for items in transit which are valued at cost comprising invoice value and other charges incurred thereon.

Provision for stores and spares is determined based on management's best estimate regarding their future usability.

3.3 Stock-in-trade

Raw and packing materials (except for those in transit) and work in process are valued at cost determined using weighted average cost method. Finished goods are valued at the lower of cost determined using weighted average cost method and the net realisable value.

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.

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.

Provision for obsolete and slow moving inventory is determined based on management's best estimate regarding their future usability.

3.4 Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If such an indication exists, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss. The resulting impairment loss is recognised in the profit and loss account.

3.5 Financial instruments

3.5.1 Financial assets

The management determines the appropriate classification of the financial assets of the Company in accordance with the requirements of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement" at the time of initial recognition of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which financial assets are acquired.

Financial assets are, currently, categorised as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's financial assets comprise of trade debts, loans and advances, deposits, bank balances and other receivables in the balance sheet.

Financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs and are, subsequently, carried at amortised cost. Financial assets are derecognised at the time the Company loses control of the contractual rights that comprise the financial assets with any gain or loss arising on derecognition being recognised in the profit and loss account.

The Company assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

3.5.2 Financial liabilities

Financial liabilities are recognised at the time the Company becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value and subsequently stated at amortised cost. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of financial liabilities is taken to the profit and loss account.

3.5.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet 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.

3.6 Trade debts and other receivables

Trade debts and other receivables are initially recognised at original invoice value which signifies their fair value and then carried at amortised cost. Provision is made against debts considered doubtful of recovery based on management's review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off as and when identified.

3.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost / amortised cost. For the purpose of cash flow statement, cash and cash equivalents comprise bank balances net of short-term running finance arrangements.

3.8 Trade and other payables

Short-term liabilities for trade and other amounts payable are recognised initially at fair value of the consideration to be paid in future for goods and services whether or not billed to the Company and are, subsequently, carried at amortised cost.

3.9 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 assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

3.10 Employee benefit schemes

The Company operates:

a) an approved funded gratuity scheme covering all its permanent eligible employees. Annual contributions are made to the scheme based on actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Method. Equal monthly contributions are made to the Fund by the Company and the employees in accordance with the rules of the Fund. 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 Balance Sheet immediately, with a charge or credit to other comprehensive income in the year in which these occur.

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.

Employee retirement benefits are payable to eligible employees on completion of the prescribed qualifying period of service under these schemes.

3.11 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.

3.12 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred and are, subsequently, carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right or consent of the lender to defer settlement of the liability for at least 12 months after the reporting date.

3.13 Taxation

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 balance sheet 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 and unused tax credits.

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

Deferred tax asset or liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting date.

3.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable and is recorded on the following basis:

- Sales are recorded on dispatch of goods to customers and in case of exports when the goods are shipped;
- Sales of stents are recorded on the basis of consumption;
- Income on scrap sales is recognised when such scrap is disposed of;
- Other income is recognised on an accrual basis; and
- Other income 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.

3.15 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 a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset.

3.16 Earnings / (loss) per share

The Company presents basic and diluted earnings / (loss) per share data for its ordinary shares. Basic earnings / (loss) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings / (loss) per share is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.17 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.

3.18 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. 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 profit and loss account.

3.19 Functional and presentation currency

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

3.20 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 Chief Executive Officer of the Company have been identified as the chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments. Currently, the Company is functioning as a single operating segment.

3.21 Commitments

Commitments for capital expenditure contracted for but not incurred are disclosed in the financial statements at committed amounts. Commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at committed amounts.

	Note	2015	2014
		-----Rupees in '000-----	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**617,307**	704,484
Capital work-in-progress	4.5	**13,952**	11,270
		631,259	715,754

4.1 Operating fixed assets

The following is a statement of operating fixed assets:

Particulars	Leasehold land	Building leasehold land	Plant and machinery	Furniture, fixturesand equipment	Vehicles	Fork lifter	Total
	---- Year ended June 30, 2015 ----						
	---- Rupees in '000 ----						
As at July 1, 2014							
Cost	3,953	332,220	851,955	42,684	36,454	10,814	1,278,080
Accumulated depreciation	1,029	95,584	413,628	36,197	17,685	9,473	573,596
Net book value	2,924	236,636	438,327	6,487	18,769	1,341	704,484
Year ended June 30, 2015							
Opening net book value	2,924	236,636	438,327	6,487	18,769	1,341	704,484
Additions	-	2,347	16,016	2,479	4,167	953	25,962
Disposals / write-offs							
Cost	-	-	-	470	8,516	-	8,986
Accumulated depreciation	-	-	-	(428)	(5,761)	-	(6,189)
	-	-	-	42	2,755	-	2,797
Depreciation charge for the year	40	26,873	74,894	3,422	4,636	477	110,342
Closing net book value	2,884	212,110	379,449	5,502	15,545	1,817	617,307
As at June 30, 2015							
Cost	3,953	334,567	867,971	44,693	32,105	11,767	1,295,056
Accumulated depreciation	1,069	122,457	488,522	39,191	16,560	9,950	677,749
Net book value	2,884	212,110	379,449	5,502	15,545	1,817	617,307
Depreciation rate (% per annum)	1.01%	5 - 10%	10 - 50%	10 - 30%	20%	20%	

Particulars	Leasehold land	Building leasehold land	Plant and machinery	Furniture, fixturesand equipment	Vehicles	Fork lifter	Total
	---- Year ended June 30, 2014 ----						
	---- Rupees in '000----						
As at July 1, 2013							
Cost	3,953	110,773	539,553	42,072	36,486	10,814	743,651
Accumulated depreciation	989	83,137	358,919	32,870	12,848	8,545	497,308
Net book value	2,964	27,636	180,634	9,202	23,638	2,269	246,343
Year ended June 30, 2014							
Opening net book value	2,964	27,636	180,634	9,202	23,638	2,269	246,343
Additions	-	221,447	316,266	991	997	-	539,701
Disposals / write-offs							
Cost	-	-	3,864	379	1,029	-	5,272
Accumulated depreciation	-	-	(3,864)	(379)	(618)	-	(4,861)
	-	-	-	-	411	-	411
Depreciation charge for the year	40	12,447	58,573	3,706	5,455	928	81,149
Closing net book value	2,924	236,636	438,327	6,487	18,769	1,341	704,484
As at June 30, 2014							
Cost	3,953	332,220	851,955	42,684	36,454	10,814	1,278,080
Accumulated depreciation	1,029	95,584	413,628	36,197	17,685	9,473	573,596
Net book value	2,924	236,636	438,327	6,487	18,769	1,341	704,484
Depreciation rate (% per annum)	1.01%	5 - 10%	10 - 50%	10 - 30%	20%	20%	

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

	Note	2015	2014
		-----Rupees in '000-----	
Cost of sales	22	105,886	76,283
Selling and distribution expenses	23	2,057	2,506
Administrative and general expenses	24	2,399	2,360
		110,342	81,149

4.3 Cumulative borrowing costs capitalised as a part of the cost of building on leasehold land and plant and machinery amounted in aggregate to Rs 13.281 million (2014: Rs 13.281 million) and Rs 12.109 million (2014: Rs 12.109 million) respectively.

4.4 Disposals of operating fixed assets

The following assets were disposed of during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
	-------- Rupees in '000 ---------					
Vehicles						
Daihatsu Cuore	728	505	223	445	Terms of employment	Mr. Zubair Ahmed - Employee
Honda City	1,364	819	545	545	Terms of employment	Mr. Rizwan Ahmed - Employee
Suzuki Cultus	924	493	431	880	Negotiation	Ms.Nasreen Feroze - Third Party
Suzuki Cultus	906	519	387	800	Negotiation	Mr.Zeeshan Kaleem - Third Party
Suzuki Cultus	663	530	133	630	Negotiation	M/s.Nazimabad Motors - Third Party
Suzuki Cultus	818	654	164	575	Negotiation	M/s.Carachi Motors - Third Party
Suzuki Swift	1,112	682	430	865	Negotiatio	M/s.Carachi Motors - Third Party
Honda Civic	1,933	1,546	387	1,025	Negotiation	Mr.Shoaib Khan - Third Party
CD 70	68	13	55	52	Negotiation	Mr.Irfan Tariq - Employee
Items with net book value not exceeding Rs 50,000 each	470	428	42	48	Negotiation	Various
2015	8,986	6,189	2,797	5,865		
2014	5,272	4,861	411	1,744		

	Note	2015	2014
		-----Rupees in '000-----	
4.5 Capital work-in-progress			
Stores and spares held for capital expenditure		9,137	11,270
Others		4,815	-
		13,952	11,270

4.6 Certain operating fixed assets of the Company are kept with banks under pari-passu hypothecation, equitable mortgage charge, ranking charge, etc. for obtaining financing. The full details of the assets kept under security are given in notes 15.1 and 18.1 to these financial statements.

	Note	2015	2014
		-----Rupees in '000-----	
5 LONG-TERM LOANS - CONSIDERED GOOD			
Loans to:			
- executives	5.1 & 5.2	914	220
- employees	5.1	9,498	9,930
		10,412	10,150
Less: receivable within one year			
- executives	10	312	80
- employees	10	4,800	4,947
		5,112	5,027
		5,300	5,123

5.1 These are interest-free loans given to the executives and employees as per the terms of the employment for the purchase of cars, motor cycles and other general purposes. The loans are repayable in 10 to 60 equal 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, 2015, none of these loans were past due or impaired.

	Note	2015	2014
		-----Rupees in '000-----	
5.2 Reconciliation of carrying amount of loans to executives is as follows:			
Opening balance		220	300
Additions during the year		988	-
Repayments during the year		(294)	(80)
Closing balance		914	220

The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs 1.003 million (2014: Rs 0.300 million).

	Note	2015	2014
		-----Rupees in '000-----	
6 DEFERRED TAX ASSET - NET			
Deferred tax debits arising on:			
Employees' short-term compensated absences		5,028	5,409
Impairment of trade debts		1,664	1,480
Unused tax credits		-	1,956
Unused tax losses	6.1	156,859	128,007
Other provisions		14,522	14,819
		178,073	151,671
Deferred tax credit arising on:			
Accelerated tax depreciation allowance		(60,431)	(71,623)
		117,642	80,048

6.1 The Company has an aggregate amount of Rs 519.482 million (2014: Rs 387.901 million) in respect of tax losses as at June 30, 2015. The management carries out periodic assessment to assess the benefit of these losses as the Company would be able to carry forward and set off these losses against the profits earned in future years. Based on this assessment the management has recognised a deferred tax debit balance on unused tax losses amounting to Rs 156.859 million (2014: Rs 128.007 million) including on unabsorbed tax depreciation of Rs 83.26 million (2014: Rs 62.28 million). The deferred tax debit balance represents the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability as the Company would be able to set off the profit earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on a business plan of the Company for the next five years. The business plan involves certain key assumptions underlying the estimation of future taxable profits estimated in the plan. The determination of future taxable profit is most sensitive to certain key assumptions such as product pricing, future price increase of the Company's products, cost to income ratio, exchange and inflation rates, cost of material, supply arrangements, product mix, plant operations and its related maximum capacity utilisation, sales forecast and certain cost rationalisation measures expected to be achieved during the next five years. Any significant change in the aforementioned key assumptions may have an effect on the realisibility of the deferred tax asset. The management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and consequently the deferred tax asset will be fully realised in future years.

		Note	2015	2014
			-----Rupees in '000-----	
7	**STORES AND SPARES**			
	Stores		**17,949**	12,986
	Spares - in hand		**34,993**	32,306
	Spares - in transit		**372**	1,130
			35,365	33,436
			53,314	46,422
8	**STOCK-IN-TRADE**			
	Raw and packing materials - in hand	22 & 8.1	**87,580**	218,126
	Raw and packing materials - in transit		**77,373**	42,944
			164,953	261,070
	Work-in-progress	22	**4,600**	5,385
	Finished goods - in hand	22 & 8.2	**350,118**	233,141
	Finished goods - in transit		**9,758**	16,054
			359,876	249,195
			529,429	515,650
	Less: provision for slow moving and obsolete stock-in-trade	8.3	**(19,975)**	(26,691)
	Less: provision for stents held with hospitals	8.4	**(21,774)**	(12,669)
			(41,749)	(39,360)
			487,680	476,290

8.1 These include stock of raw and packing materials having a cost of Rs Nil (2014: Rs 0.351 million) which were held by Efroze Chemicals Industries (Private) Limited (a related party) for toll manufacturing of certain goods.

8.2 These include items costing Rs 87.717 million (2014: Rs 121.536 million) that have been valued at their net realisable value amounting to Rs 69.020 million (2014: Rs 98.566 million).

8.3 Reconciliation of provision for slow moving and obsolete stock-in-trade is as follows:

	Note	2015	2014
		-----Rupees in '000-----	
Opening balance		26,691	29,342
Charge for the year	26	2,141	20,952
Reversal during the year	25	(7,821)	(19,974)
Amounts written off		(1,036)	(3,629)
Closing balance		19,975	26,691

8.4 These denote stents held by various institutions for sale against which the Company has recorded a full provision. Reconciliation of provision is as follows:

	Note	2015	2014
		-----Rupees in '000-----	
Opening balance		12,669	7,754
Charge for the year	26	9,105	4,915
Closing balance		21,774	12,669

9 TRADE DEBTS - UNSECURED

	Note	2015	2014
Considered good			
Due from related party			
- Hospital Supply Corporation		62,362	97,807
Others		32,177	22,281
		94,539	120,088
Considered doubtful			
Others (past due and impaired)		5,042	4,485
		99,581	124,573
Less: impairment of trade debts	9.1	5,042	4,485
		94,539	120,088

9.1 Reconciliation of impairment of trade debts

	Note	2015	2014
Opening balance		4,485	4,845
Charge for the year	26	3,908	5,633
Reversals during the year	25	(3,351)	(5,828)
		557	(195)
Amounts written off		-	(165)
Closing balance		5,042	4,485

9.2 As at June 30, 2015 trade debts of Rs 5.229 million (2014: Rs 6.490 million) were past due but not impaired. These relate to unrelated parties and a number of independent customers for whom there is no recent history of default. The age analyses of these trade debts are as follows:

	Note	2015	2014
		-----Rupees in '000-----	
From 1 day to 30 days		3,606	4,248
From 31 days to 60 days		858	2,144
From 61 days to 90 days		765	98
		5,229	6,490

	Note	2015	2014
		-----Rupees in '000-----	
10 LOANS AND ADVANCES - CONSIDERED GOOD			
Loans due from:			
- executives	5	312	8 0
- employees	5	4,800	4,947
		5,112	5,027
Advances to:			
- employees	10.1	868	1,493
- suppliers	10.2	7,552	16,256
		8,420	17,749
		13,532	22,776

10.1 These are given to employees to meet business expenses and are settled as and when expenses are incurred.

10.2 This includes an amount of Rs Nil (2014: Rs 11.198 million) given to a related party, Efroze Chemicals Industries (Private) Limited, in relation to toll manufacturing of certain goods.

	Note	2015	2014
		-----Rupees in '000-----	
11 TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES			
Trade deposits		8,333	5,889
Short-term prepayments		4,669	15,133
Other receivables		372	4,019
		13,374	25,041

12 TAXATION

Taxation	12.1	140,478	88,543

12.1 The income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 upto tax year 2014. The matters raised by the Income Tax Authorities on the returns submitted by the Company are detailed in note 20.2, 20.3 and 20.4 of these financial statements.

	Note	2015	2014
		-----Rupees in '000-----	
13 BANK BALANCES			
Balances with banks in current accounts	30	4,253	3,680

14 SHARE CAPITAL

Authorised share capital

2015	2014		2015	2014
Number of shares			----Rupees in '000----	
20,000,000	20,000,000	Ordinary shares of Rs 10 each	200,000	200,000

Issued, subscribed and paid-up capital

2015	2014		2015	2014
Number of shares			----Rupees in '000----	
10,000,000	10,000,000	Ordinary shares of Rs 10 each fully paid in cash	**100,000**	100,000
1,000,000	1,000,000	Ordinary shares of Rs 10 issued as fully paid bonus shares	**10,000**	10,000
11,000,000	11,000,000		**110,000**	110,000

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

2015	2014		2015	2014
Number of shares			----Rupees in '000----	
11,000,000	10,000,000	Opening balance	**110,000**	100,000
-	1,000,000	Bonus shares issued during the year	**-**	10,000
11,000,000	11,000,000	Closing balance	**110,000**	110,000

14.2 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	2015 Shares held	2015 Percentage	2014 Shares held	2014 Percentage
Otsuka Pharmaceutical Company Limited, Japan	**4,950,000**	**45.00%**	4,950,000	45.00%
P. T. Otsuka Indonesia, Indonesia	**1,100,000**	**10.00%**	1,100,000	10.00%
Otsuka Pharmaceutical Factory, Inc.	**1,089,000**	**9.90%**	363,000	3.30%
Directors and their spouses and minor children	**727,610**	**6.61%**	1,090,600	9.91%

15 LONG-TERM FINANCE - SECURED

	Note	2015	2014
		-----Rupees in '000-----	
From banking company			
Long-term finance utilised under mark-up arrangements	15.1	**216,667**	325,000
Less: Current maturity		**(108,334)**	(108,334)
		108,333	216,666

15.1 The long-term finance facility amounting in aggregate to Rs 216.667 million (2014: Rs 325 million) was availed from Bank of Tokyo-Mitsubishi UFJ, Limited (Pakistan branch) to finance the balancing, modernisation and replacement (BMR) project. The facility was drawn by the Company on January 30, 2013 and is due to mature on January 2, 2017. Mark-up and principal amounts are repayable in equal semi-annual installments with the first two installments being repaid on July 2, 2014 and January 2, 2015. Mark-up is charged at the rate of 6 months KIBOR + 1.75% (2014: KIBOR + 1.75%) per annum on the outstanding balance of the facility. The facility is secured by first pari-passu hypothecation and / or first equitable mortgage charge on all of the Company's present and future fixed assets including but not limited to land, building, plant and machinery, equipment, etc.

	Note	2015	2014
		-----Rupees in '000-----	
16 SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED			
Loan from Otsuka Pharmaceutical Factory, Inc.	16.1	333,520	73,095

16.1 This represents a foreign currency denominated loan obtained in two tranches of JPY 75 million each drawn down on June 16, 2014 and December 26, 2014 and two tranches of JPY 125 million each drawn down on February 26, 2015 and April 27, 2015. Each facility is to be repaid within one year of the initial drawn down date with the first tranche falling due on June 15, 2015 and getting rolled over for a further period of one year. Mark-up is charged at LIBOR + 0.40% (2014: LIBOR + 0.40%) per annum and is payable semi-annually in arrears.

	Note	2015	2014
		-----Rupees in '000-----	
17 TRADE AND OTHER PAYABLES			
Creditors		48,033	42,304
Bills payable	17.1	116,854	144,798
Accrued liabilities		79,899	72,820
Payable to staff retirement benefit fund	32.1.2	2,180	5,543
Provision for employees short-term compensated absences		15,237	16,391
Sales tax payable		1,874	1,799
Retention money		1,515	5,733
Security deposits		1,582	1,582
Workers' Welfare Fund		679	679
Advances from customers		1,286	2,573
Unclaimed dividend		1,187	1,187
Other liabilities	17.2	7,873	6,282
		278,199	301,691

17.1 These include amounts payable to the related parties as at the end of the year aggregated to Rs 64.445 million (2014: Rs 124.928 million).

17.2 Other liabilities include an amount of Rs 2.080 million (2014: Rs 1.959 million) payable to Employees' Provident Fund, Rs Nil (2014: Rs 0.055 million) payable to the Federal Board of Revenue in respect of Internally Displaced Persons Tax (IDPT) deducted for tax years 2009 and 2010.

	Note	2015	2014
		-----Rupees in '000-----	

18 SHORT-TERM RUNNING FINANCE - SECURED

	Note	2015	2014
From banking companies			
Short-term running finances utilised under mark-up arrangements - secured	18.1 & 30	565,323	557,459

18.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000'	Mark up rate	Security	Frequency of mark-up	Facility expiry date	2015	2014
						-----Rupees in '000-----	
The Bank of Tokyo Mitsubishi UFJ, Limited	525,000	3 months KIBOR + 1.00% p.a.	(a) Third supplemental joint pari passu letter of hypothecation for: - current assets for Rs 500 million; - fixed assets (plant and machinery) for Rs 254 million; and (b) Second supplemental joint memorandum confirming constructive deposit of title deeds over land and building for Rs 124 million.	Quarterly	September 30, 2015	354,529	386,165
Bank Alfalah Limited	215,000	3 months KIBOR + 1.75% p.a.	(a) Third supplemental joint pari passu letter of hypothecation for : - current assets for Rs 147 million; - fixed assets (plant and machinery) for Rs 121 million; and (b) Second supplemental joint memorandum confirming constructive deposit of title deeds over land and building for Rs 51 million.	Quarterly	January 31, 2016	111,927	88,447
Barclays Bank PLC, Pakistan (note 18.1.1)	-	-		-	-	-	26,875
The Bank of Punjab	100,000	3 months KIBOR + 1.25% p.a.	Third supplemental joint pari passu letter of hypothecation for Rs 133.334 million over current assets and a ranking charge over fixed assets for Rs 133 million.	Quarterly	December 31, 2015	98,867	55,972
	840,000					**565,323**	**557,459**

18.1.1 This facility has been fully repaid during the year.

18.2 Import letters of credit (sight / usance / acceptance) and letters of guarantee

18.2.1 The facilities relating to import letter of credit (sight / usance / acceptance) available from banks as at June 30, 2015 amounted in aggregate to Rs 208.728 million (2014: Rs 225 million) of which an amount of Rs 158.104 million (2014: Rs 216.743 million) remained unutilised as at the year end.

18.2.2 In addition, facilities for guarantees available from banks as at June 30, 2015 amounted to Rs 31.272 million (2014: Rs 15 million) of which Rs 0.169 million (2014: Rs 5.713 million) remained unutilised as at the year end.

	Note	2015	2014
		-----Rupees in '000-----	

19 MARK-UP ACCRUED

- Short-term running finance - secured		**14,881**	18,168
- Long-term finance - secured		**12,138**	19,008
- Short-term loan from a related party - unsecured		**17**	17
		27,036	37,193

20 CONTINGENCIES AND COMMITMENTS

20.1 Commitments in respect of:

Capital expenditure contracted for but not incurred		**620**	-
Letters of credit		**50,624**	8,257
Letters of guarantee		**31,103**	9,287

20.2 On April 15, 2015, a notice under section 122(9) for amendment of assessment under section 122(5A) of the Income Tax Ordinance, 2001 was served by the Additional Commissioner Inland Revenue (ACIR) which required the Company to furnish details / explanations in respect of certain issues identified in the tax return filed with the Federal Board of Revenue for the tax year 2013. The Company has submitted the necessary explanations through its tax advisors for which the response is awaited.

20.3 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 (2014: Rs 164.778 million) under section 122 (5A) of the Income Tax Ordinance, 2001. The ACIR has added back certain items such as exchange loss, claims against provisions and write-offs of inventory & trade debts, disallowance of finance cost, etc. 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 to review the action of the CIR(A) which is pending adjudication. As on June 30, 2015, no provision has been made in these financial statements in respect of this amount as the management expects a favourable outcome in respect of the above matter.

20.4 On August 2009, a notice of demand was served on the Company by the Deputy Commissioner of Income Tax (DCIT) for an amount of Rs 5.721 million (2014: Rs 5.721 million) including additional tax amounting to Rs 0.457 million (2014: Rs 0.457 million) under sections 161, 162 and 205 of the Income Tax Ordinance, 2001. Out of the total demand, Company had already paid an amount of Rs 1.50 million (2014: Rs 1.50 million). The Company had filed an appeal against the order of the DCIT which is pending adjudication. As on June 30, 2015, no provision has been made in these financial statements in respect of the amount of Rs 5.721 million (2014: Rs 5.721 million) as the management is confident that the matter will be decided in favour of the Company.

	Note	2015	2014
		-----Rupees in '000-----	
20.5 Claim not acknowledged as debt		**14,531**	-

21 NET SALES

Sales (net of returns of Rs 6.360 million; 2014: Rs 5.283 million)		**1,617,848**	1,221,879
Less: sales tax		**16,715**	15,785
		1,601,133	1,206,094
Less: discounts		**148,937**	128,424
		1,452,196	1,077,670

	Note	2015	2014
		-----Rupees in '000-----	

22 COST OF SALES

	Note	2015	2014
Raw and packing material consumed:			
Opening stock		261,070	142,257
Purchases		506,248	411,427
Closing stock	8	(164,953)	(261,070)
		602,365	292,614
Stores and spares consumed		44,730	34,247
Salaries, wages and benefits	22.1	256,992	167,993
Rent, rates and taxes		4,548	11,629
Insurance		3,959	3,404
Fuel and power		183,010	91,066
Repairs and maintenance		5,415	4,655
Travelling and vehicle running expenses		27,960	27,768
Communication and stationery		338	357
Depreciation	4.2	105,886	76,283
General expenses		5,152	4,178
		637,990	421,580
		1,240,355	714,194
Opening stock of work-in-process		5,385	9,475
Closing stock of work-in-process	8	(4,600)	(5,385)
Cost of goods manufactured		1,241,140	718,284
Opening stock of finished goods		249,195	388,362
Finished goods purchased during the year		164,017	222,647
Cost of samples shown under selling and distribution expenses		(3,390)	(3,043)
Closing stock of finished goods	8	(359,876)	(249,195)
		(363,266)	(252,238)
		1,291,086	1,077,055

22.1 Salaries, wages and benefits include Rs 7.863 million (2014: Rs 8.104 million) in respect of staff retirement benefits.

	Note	2015	2014
		-----Rupees in '000-----	

23 SELLING AND DISTRIBUTION EXPENSES

	Note	2015	2014
Salaries, wages and benefits	23.1	70,320	76,909
Rent, rates and taxes		469	436
Insurance		3,938	2,757
Repairs and maintenance		375	109
Travelling and vehicle running expenses		2,338	3,208
Communication and stationery		1,471	1,146
Advertising samples and promotional expenses		62,838	48,057
Outward freight and handling		40,300	22,150
Depreciation	4.2	2,057	2,506
		184,106	157,278

23.1 Salaries, wages and benefits include Rs 4.492 million (2014: Rs 4.605 million) in respect of staff retirement benefits.

	Note	2015	2014
		-----Rupees in '000-----	
24 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and benefits	24.1	**47,665**	43,127
Rent, rates and taxes		**3,541**	3,107
Insurance		**956**	984
Fuel and power		**1,940**	1,844
Repair and maintenance		**226**	826
Travelling and vehicle running expenses		**4,218**	3,290
Communication and stationery		**1,418**	1,422
Subscription		**982**	1,284
Legal and professional charges		**2,682**	2,196
Depreciation	4.2	**2,399**	2,360
General expenses		**4,140**	3,737
		70,167	64,177

24.1 Salaries, wages and benefits include Rs 2.299 million (2014: Rs 2.596 million) in respect of staff retirement benefits.

	Note	2015	2014
		-----Rupees in '000-----	
25 OTHER INCOME			
Income from financial assets and financial liabilities			
Reversal of impairment of trade debts	9.1	**3,351**	5,828
Liabilities no longer required written back		**4,309**	441
Exchange gain		**16,647**	2,841
		24,307	9,110
Income from assets other than financial assets			
Gain on disposal of fixed assets - net	34	**3,068**	1,333
Scrap sales		**15,705**	10,939
Reversal of provision for slow moving and obsolete stock-in-trade	8.3	**7,821**	19,974
Others		**748**	4,856
		27,342	37,102
		51,649	46,212

	Note	2015	2014
		-----Rupees in '000-----	

26 OTHER OPERATING EXPENSES

	Note	2015	2014
Auditors' remuneration	26.1	1,975	1,910
Donations	26.2	100	64
Workers' Welfare Fund		-	84
Impairment of trade debts	9.1	3,908	5,633
Provision for slow moving and obsolete stock-in-trade	8.3	2,141	20,952
Provision for stents held with hospitals	8.4	9,105	4,915
Bank charges and commission		791	691
Debtor directly written off - a related party		3,339	-
Others		13,603	4,444
		34,962	38,693

26.1 Auditors' remuneration

	2015	2014
Statutory audit fee	660	600
Fee for the review of condensed interim financial information	140	125
Fee for tax advisory services	970	1,000
Fee for special certifications	40	35
Out-of-pocket expenses	165	150
	1,975	1,910

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

	Note	2015	2014
		-----Rupees in '000-----	

27 FINANCE COST

	2015	2014
Mark-up on finances from banks and other related parties		
- Short-term loan from a related party	1,056	17
- Long-term finance	28,532	11,089
- Short-term running finance	73,875	53,170
	103,463	64,276

28 TAXATION - NET

	Note	2015	2014
Current			
- for the year		11,028	8,208
- for prior years		(8,208)	1,482
		2,820	9,690
Deferred		(36,594)	(87,543)
	28.1	(33,774)	(77,853)

28.1 The numerical reconciliations between income tax expense and accounting profit for 2014 and 2015 have not been presented as the current tax charge pertains to minimum tax at the rate of 1% of the turnover of the Company (computed under section 113 of the Income Tax Ordinance, 2001).

	Note	2015	2014
		-----Rupees in '000-----	

29 LOSS PER SHARE

29.1 Basic

	2015	2014
Loss for the year after taxation	(146,165)	(199,744)

	Note	2015	2014
		----Numbers of shares----	
Weighted average number of ordinary shares outstanding during the year	14.1	11,000,000	11,000,000
		----------Rupees----------	
Loss per share - basic		(13.29)	(18.15)

29.2 Diluted

The impact of dilution on loss per share has not been presented as the Company did not have any convertible instruments in issue as at June 30, 2015 and 2014 which would have any effect on the loss per share if the option to convert was exercised.

30 CASH AND CASH EQUIVALENTS

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

	Note	2015	2014
		-----Rupees in '000-----	
- Bank balances	13	4,253	3,680
- Short-term running finance utilised under mark-up arrangements	18	(565,323)	(557,459)
		(561,070)	(553,779)

31 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, THE DIRECTORS AND THE EXECUTIVES

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

Particulars	Chief Executive Officer		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	-------------------------- Rupees in '000	-------------------------				
Managerial remuneration	6,897	5,395	9,382	10,942	27,629	26,690
Bonus	1,500	3,000	3,260	3,375	4,383	3,063
House rent	1,520	2,428	4,222	4,924	11,308	12,006
Utilities	380	540	938	1,094	2,513	2,668
Medical expenses	196	69	1,094	1,276	2,924	2,468
Leave fare assistance / encashment	1,237	1,382	2,492	1,363	2,257	1,380
Retirement benefits	301	813	1,485	1,651	3,755	3,852
Others	530	-	-	-	514	-
	12,561	13,627	22,873	24,625	55,283	52,127
Number of person(s)	2	1	3	3	30	24

31.1 The Chief Executive Officer, directors and certain executives are provided free use of the Company's maintained cars and are entitled to certain reimbursable business expenses as per the terms of employment.

31.2 During the year ended June 30, 2015, a non-executive director and a non-executive alternate director were paid Rs 2.40 million (2014: Rs 2.40 million) and Rs 0.8 million (2014: Rs nil) respectively as technical advisory fee and two non-executive directors were paid Rs 0.030 million (2014: Rs 0.025 million) as meeting fees.

31.3 An independent director was paid Rs 0.150 million (2014: Rs nil) as meeting fee.

31.4 The remuneration of Chief Executive Officer includes an amount of Rs 7.510 million paid to former Chief Executive Officer who retired during the current year.

32 EMPLOYEE BENEFIT SCHEMES

32.1 Defined benefit plan - staff retirement gratuity scheme

As mentioned in note 3.10(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, 2015. The Projected Unit Credit Method with the following significant assumptions was used for the valuation of the scheme:

32.1.1 Principal actuarial assumptions

	2015	2014
a) Discount rate	9.00%	13.00%
b) Expected rate of return on plan assets	9.00%	13.00%
c) Expected rate of increase in salary	9.00%	12.50%

32.1.2 Amount recognised in the balance sheet

	Note	2015	2014
		-----Rupees in '000-----	
Present value of defined benefit obligation		79,303	75,190
Less: fair value of plan assets		(77,123)	(69,647)
	17	2,180	5,543

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

	---------------- 2015 ----------------		
	Present value of defined benefit obligation	Fair value of Plan assets	Net
	----------- Rupees in '000 -----------		
As at July 1, 2014	75,190	(69,647)	5,543
Current service cost	6,276	-	6,276
Interest expense / (income)	8,896	(8,993)	(97)
Remeasurements:			
- return on plan assets excluding amounts included in interest expense / (income)	-	-	-
- gains from the changes in demographic assumptions	-	-	-
- gains from the changes in financial assumptions	5,726	(9)	5,717
- experience adjustments	(3,263)	577	(2,686)
	2,463	568	3,031
Contributions	-	(12,573)	(12,573)
Benefits paid	(13,522)	13,522	-
As at June 30, 2015	79,303	(77,123)	2,180

	2014 Present value of defined benefit obligation	2014 Fair value of Plan assets	2014 Net
	Rupees in '000		
As at July 1, 2013	70,539	(61,875)	8,664
Current service cost	5,686	-	5,686
Interest expense / (income)	7,803	(7,182)	621
Remeasurements:			
- return on plan assets excluding amounts included in interest expense / (income)	-	569	569
- gains from the changes in demographic assumptions	210	-	210
- gains from the changes in financial assumptions	(7,585)	-	(7,585)
- experience adjustments	3,900	-	3,900
	(3,475)	569	(2,906)
Contributions	-	(6,522)	(6,522)
Benefits paid	(5,363)	5,363	-
As at June 30, 2014	75,190	(69,647)	5,543

32.1.3 Amount recognised in the profit and loss account

	Note	2015	2014
		Rupees in '000	
Current service cost		**6,276**	5,686
Interest cost		**8,896**	7,803
Expected return on plan assets		**(8,993)**	(7,182)
Expense for the year		**6,179**	6,307

32.1.4 Composition of plan assets

	As at June 30,2015 Rupees in '000	As at June 30,2015 Percentage	As at June 30,2014 Rupees in "000	As at June 30,2014 Percentage
Defence Saving Certificates	**62,362**	**80.86%**	55,532	79.73%
Pakistan Investment Bonds	**11,557**	**14.99%**	9,456	13.58%
Treasury Bills	**2,478**	**3.21%**	2,020	2.90%
Cash and cash equivalents	**726**	**0.94%**	2,639	3.79%
	77,123	**100.00%**	69,647	100.00%

32.1.5 Historical information

	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	**79,303**	75,190	70,539	61,859	55,934
Fair value of plan assets	**(77,123)**	(69,647)	(61,875)	(49,295)	(38,723)
Net defined benefit liability	**2,180**	5,543	8,664	12,564	17,211
Remeasurement (loss) / gain on defined benefit obligation	**(2,463)**	3,475	63	707	(721)
Remeasurement (loss) / gain on plan assets	**(568)**	(569)	2,712	3,425	(5,547)
	(3,031)	2,906	2,775	4,132	(6,268)

32.1.6 Actual return on plan assets during the year amounted to Rs 8.425 million (2014: Rs 6.613 million).

32.1.7 Based on the actuarial advice the Company intends to charge an amount of approximately Rs 6.203 million (2014: Rs 6.868 million) in respect of gratuity fund in the financial statements for the year ending June 30, 2016.

32.1.8 The gratuity scheme exposes the Company to the following risks:

a) **Mortality risk**
This is the risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit. However, during actuarial valuation it is being ensured that the mortality risk is minimised by keeping the contribution at higher side.

b) **Investment risk**
This is the risk of investments underperforming and not being sufficient to meet liabilities. However, the trustees of the funds have a practice to invest the funds in government securities that are secured.

c) **Salary increase risk**
This is the risk that the final salary at the time of cessation of service is greater than expectation. Since the benefit is calculated on the final salary, the benefit amount increases proportionately. In order to minimise the risk the actuary of the Company uses past pattern which provides basis to form a reliable estimate.

d) **Risk of insufficiency of assets**
This is managed by making regular contribution to the Fund as advised by the actuary.

e) **Withdrawal risks**
This is the risk that withdrawals may be higher or lower than actuarial assumptions. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit. The Company ensures the availability of sufficient liquid funds in the gratuity fund and makes regular contributions to minimise the risk.

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

	As at June 30,2015			As at June 30,2014		
Particulars	**Change in assumption**	**Increase/(decrease) in present value of defined benefit obligation**		**Change in assumption**	**Increase/(decrease) in present value of defined benefit obligation**	
		(%)	**Rupees in '000**		**(%)**	**Rupees in '000**
Discount rate	+1%	(6.84%)	(5,426)	+1%	(5.45%)	(4,099)
	-1%	7.33%	6,133	-1%	2.29%	1,723
Salary increase rate	+1%	7.66%	6,074	+1%	2.66%	2,001
	-1%	(6.90%)	(5,473)	-1%	(5.85%)	(4,396)
Withdrawal rate	+10%	(0.00%)	(2)	+10%	0.04%	(28)
	-10%	(0.00%)	1	-10%	(0.03%)	25

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 balance sheet.

The weighted average duration of the defined benefit obligation is approximately 7 years.

32.1.10 Expected maturity analysis of undiscounted obligation for the gratuity scheme is as follows:

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to Year 10	Year 11 and above
	As at June 30, 2015						
	Rupees in '000						
Otsuka Pakistan Limited Gratuity Fund	**4,988**	**8,691**	**10,441**	**9,072**	**6,374**	**39,138**	**103,078**

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to Year 10	Year 11 and above
	As at June 30, 2014						
	Rupees in '000						
Otsuka Pakistan Limited Gratuity Fund	10,482	13,398	10,207	9,431	6,425	33,394	82,656

32.1.11 The information provided in notes 32.1.1 to 32.1.10 has been obtained from the details provided by the actuary of the Company.

32.2 Defined contribution plan - staff provident fund

An amount of Rs 8.475 million (2014: Rs 8.998 million) has been charged during the year in respect of the contributory Provident Fund scheme operated by the Company the particulars of which are as follows:

	Note	2015	2014
		-----Rupees in '000-----	
Size of the provident fund - total assets *		**140,377**	122,179
Fair value / amortised cost of investments *	32.2.1	**120,260**	86,927
		--------- Percentage -------	
Percentage of investments made *		**85.67%**	71.15%

32.2.1 The cost of above investments amounted to Rs 68.759 million (2014: Rs 86.9 million).

The investments of the provident fund have been made in accordance with the provisions contained in Section 227 of the Companies Ordinance, 1984 and the rules formulated thereunder. Details of such investments are as follows:

	2015	2014	2015 Quoted	2015 Non-quoted	2014 Quoted	2014 Non-quoted
	------ Percentage ------		---------------- Rupees in '000 ----------------			
Investments in government securities						
- Defence Saving Certificates	**78.99%**	62.70%	**-**	**54,500**	-	54,500
- Pakistan Investment Bonds	**21.01%**	31.63%	**14,500**	**-**	27,500	-
- Treasury Bills	**0.00%**	5.67%	**-**	**-**	4,927	-
	100.00%	100.00%	**14,500**	**54,500**	32,427	54,500

* The aforementioned information is based on un-audited financial statements of the Fund for the year ended June 30, 2015 and June 30, 2014.

33 TRANSACTIONS WITH RELATED PARTIES

Related parties include Otsuka Pharmaceutical Company Limited the holding company, associated companies / undertakings (namely Otsuka Pharmaceutical Factory Incorporation, Japan, Thai Otsuka Pharmaceutical Company Limited, Thailand, PT Otsuka Indonesia, Otsuka Pharmaceutical Company, Vietnam, Shanghai Microport Medical (Group) Company Limited, Otsuka Welfare Clinic, etc.), entities under common directorship (namely Hospital Supply Corporation and Efroze Chemicals Industries (Private) Limited), staff retirement funds and the key management personnel. Details of the transactions with the related parties and the balances with them as at year end are as follows:

Particulars	June 30, 2015				
	Parent company	Other associated undertakings	Key management personnel	Other related parties	Total
	----------------------------- Rupees in '000				
Transactions during the year					
Net sales (net of discounts allowed Rs 103.812 million)	-	661,828	-	-	661,828
Inventory purchased	11,415	143,416	-	5,047	159,878
Sales to key management personnel	-	-	108	-	108
Consultancy charges	-	-	3,200	-	3,200
Remuneration of the key management personnel	-	-	90,897	-	90,897
Short-term loan obtained from a related party	-	275,238	-	-	275,238
Mark-up expense on short-term loan from a related party	-	1,056	-	-	1,056
Late payment charges received from HSC	-	-	-	450	450
Donation to Otsuka Welfare Clinic	-	-	-	100	100
Charge relating to staff provident fund	-	-	-	8,475	8,475
Charge relating to staff gratuity fund	-	-	-	6,179	6,179
Repayment of advance by Efroze Chemicals Industries (Private) Limited	-	7,859	-	-	7,859
Amount of advance to Efroze Chemicals Industries (Private) Limited settled through destruction of materials	-	3,339	-	-	3,339
Balances outstanding as at the end of the year					
Receivable from Hospital Supply Corporation against sale of goods	-	62,362	-	-	62,362
Payable to Otsuka Pharmaceutical Company Limited, Japan	11,209	-	-	-	11,209
Payable to Otsuka OPV Joint Stock Company	-	891	-	-	891
Payable to Shanghai Microport Medical (Group) Company Limited	31,541	-		31,541	
Payable to Otsuka Pharmaceutical Factory, Inc.	-	1,194	-	-	1,194
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	19,611	-	-	19,611
Payable to Idrees Plastics	-	1,547	-	-	1,547
Loan from Otsuka Pharmaceutical Factory, Inc.	-	333,520	-	-	333,520
Advance from key management personnel	-	-	1,284	-	1,284
Mark-up payable on short-term loan from a related party	-	17	-	-	17
Payable to Employees' Provident Fund	-	-	-	2,080	2,080
Payable to Employees' Gratuity Fund	-	-	-	2,180	2,180
Receivable from Shanghai Microport Medical (Group) Company Limited	-	306	-	-	306

Particulars	June 30, 2014				
	Parent company	Other associated undertakings	Key management personnel	Other related parties	Total
	----------------------------- Rupees in '000				
Transactions during the year					
Net sales (net of discounts allowed Rs 100.369 million)	-	581,748	-	-	581,748
Inventory purchased	69,755	133,112	-	-	202,867
Sales to key management personnel	-	-	3	-	3
Consultancy charges	-	-	2,400	-	2
Remuneration of key management personnel	-	-	90,404	-	90,404
Short-term loan from a related party	-	73,095	-	-	73,095
Mark-up expense on short-term loan from a related party	-	17	-	-	1
Charge relating to staff provident fund	-	-	-	8,998	8,998
Charge relating to staff gratuity fund	-	-	-	6,307	6,307
Balances outstanding as at the end of the year					
Receivable from Hospital Supply Corporation against sale of goods	-	97,807	-	-	97,807
Advance to Efroze Chemicals Industries (Private) Limited	-	11,198	-	-	11,198
Payable to Otsuka Pharmaceutical Company Limited, Japan	65,760	-	-	-	65,760
Payable to PT Otsuka Indonesia	-	2,021	-	-	2,021
Payable to Otsuka OPV Joint Stock Company	-	865	-	-	865
Payable to Shanghai Microport Medical (Group) Company Limited	24,749	-		24,749	
Payable to Otsuka Pharmaceutical Factory, Inc.	-	3,499	-	-	3,499
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	19,038	-	-	19,038
Loan from Otsuka Pharmaceutical Factory, Inc.	-	73,095	-	-	73,095
Advance from key management personnel	-	-	1,314	-	1,314
Mark-up payable on short-term loan from an associated company	-	17	-	-	17
Payable to Employees' Provident Fund	-	-	-	1,959	1,959
Payable to Employees' Gratuity Fund	-	-	-	5,543	5,543

Balances receivable from, payable to and information in respect of shares held by related parties as at June 30, 2015 and June 30, 2014 are disclosed in notes 9, 10, 14, 16, 17 and 19 to these financial statements.

The Company enters into transactions with related parties for the sale of its products, purchase of raw materials, finished goods and spare parts and for rendering of certain services. 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.

Contributions to and accruals in respect of staff retirement benefit plans are made in accordance with the actuarial recommendations and terms of contribution plans as disclosed in note 32 to these financial statements.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers all members of their management team, including the Chief Executive Officer and working directors to be its key management personnel.

There are no transactions with key management personnel other than those that are under their terms of employment and / or entitlements. The balances receivable from / payable to related parties as disclosed in notes 8 and 9 to these financial statements are interest free (as detailed in note 5.1), secured and repayable on demand. Particulars of transactions with Workers' Profits Participation Fund and employee benefit schemes are disclosed in notes 17 and 32 to these financial statements.

	Note	2015	2014
		-----Rupees in '000-----	

34 CASH GENERATED FROM OPERATIONS / (USED IN) OPERATIONS

	Note	2015	2014
Loss for the year before taxation		(179,939)	(277,597)
Adjustment for non-cash charges and other items:			
Depreciation	4.2	110,342	81,149
Gain on disposal of fixed assets - net	25	(3,068)	(1,333)
Provision for slow moving and obsolete stock-in-trade - net	8.3	(6,716)	(2,651)
Provision for stents - net	8.4	9,105	4,915
Impairment / (reversal of impairment) on trade debts - net	9.1	557	(195)
Mark-up on finances	27	103,463	64,276
Working capital changes	34.1	(1,291)	99,553
		32,453	(31,883)

34.1 Working capital changes

	2015	2014
Decrease / (increase) in current assets		
Stores and spares	(6,892)	(1,424)
Stock-in-trade	(13,779)	24,444
Trade debts	24,992	5,114
Loans and advances	9,244	21,958
Trade deposits, short-term prepayments and other receivables	11,667	(3,255)
	25,232	46,837
(Decrease) / increase in current liabilities		
Trade and other payables	(26,523)	52,716
	(1,291)	99,553

	2015	2014
	Number of employees	

35 STAFF STRENGTH

	2015	2014
Number of employees at June 30		
- Permanent employees		
Management staff	224	227
Workers	181	187
Average number of employees during the year		
- Permanent employees		
Management staff	221	231
Workers	184	189

36 OPERATING SEGMENTS

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

36.1 Sales from Intravenous Solutions represent 80.69 percent while sales from others represent 19.31 percent (2014: 77 percent and 23 percent) respectively of the total revenue of the Company.

36.2 Sales percentage by geographic region is as follows:

	2015	2014
	in percent	
Pakistan	98.77	100
Afghanistan	1.23	-

36.3 All non-current assets of the Company as at June 30, 2015 are located in Pakistan.

36.4 Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region is around 45.32 percent (2014: 53.76 percent).

37 FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	As at June 30, 2015		
	Loans and receivables	Held to maturity	Total
	------------------ Rupees in '000	--------------------	
Financial assets			
Long-term loans - considered good	5,300	-	5,300
Long-term deposits	1,288	-	1,288
Loans and advances - considered good	5,112	-	5,112
Trade debts - unsecured	94,539	-	94,539
Trade deposits and other receivables	8,639	-	8,639
Bank balances	4,253	-	4,253
	119,131	-	119,131

	As at June 30, 2015		
	At fair value through profit	Held to maturity	Total
	------------------- Rupees in '000 ---------------------		
Financial liabilities			
Term finance - secured	-	216,667	216,667
Short-term loan from a related party - unsecured	-	333,520	333,520
Trade and other payables	-	270,242	270,242
Short-term running finance - secured	-	565,323	565,323
Mark-up accrued	-	27,036	27,036
	-	1,412,788	1,412,788

Particulars	As at June 30, 2014		
	Loans and receivables	Held to maturity	Total
	------------------- Rupees in '000 ---------------------		
Financial assets			
Long-term loans - considered good	5,123	-	5,123
Long-term deposits	783	-	783
Loans and advances - considered good	5,027	-	5,027
Trade debts - unsecured	120,088	-	120,088
Trade deposits and other receivables	7,419	-	7,419
Bank balances	3,680	-	3,680
	142,120	-	142,120

	As at June 30, 2014		
	At fair value through profit	Held to maturity	Total
	------------------- Rupees in '000 ---------------------		
Financial liabilities			
Term finance - secured	-	325,000	325,000
Short-term loan from a related party - unsecured	-	73,095	73,095
Trade and other payables	-	277,648	277,648
Short-term running finance - secured	-	557,459	557,459
Mark-up accrued	-	37,193	37,193
	-	1,270,395	1,270,395

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Company, currently, finances its operations through equity, borrowing and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk and provide maximum return to shareholders. The Company's risk management policies and objectives are as follows:

38.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises three types of risks: currency risk, yield/interest rate risk and other price risk.

38.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist in foreign currencies. As at June 30, 2015, financial liabilities of Rs 450.374 million (2014: 217.893 million) are payable in foreign currencies which are exposed to foreign currency risk as follows:

	Note	2015	2014
		-----Rupees in '000-----	
Short-term loan from a related party - unsecured			
Yen	16	333,520	73,095
Bills payable			
US Dollar		101,360	71,006
Euro		-	2,992
Yen		15,494	70,800
	17	116,854	144,798

As at June 30, 2015, if the Pakistani Rupee had weakened / strengthened by 5% against foreign currencies with all other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs 22.519 million (2014: Rs 10.895 million), mainly as a result of foreign exchange losses / gains on translation of foreign currency denominated financial liabilities.

38.1.2 Yield / interest rate risk

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

Sensitivity analysis for variable rate instruments

Presently, the Company has KIBOR based rupee financing representing short-term running finance arrangements and long-term finance facility obtained from various banks that expose the Company to cash flow interest rate risk. In case of increase / decrease in KIBOR by 100 basis points on the last repricing date with all other variables held constant, the loss before tax for the year would have been higher / lower by Rs 2.833 million (2014: Rs 3.215 million).

The Company also has LIBOR based short-term loan from a related party that exposes the Company to cash flow interest rate risk. In case of increase / decrease in LIBOR by 0.1% on the last repricing date with all other variables held constant, their would have been a minimal impact on the loss before tax for the year.

The movement in the liability under short-term finance utilised under mark-up arrangements, long-term finance and short-term loan from a related party, KIBOR and LIBOR are expected to change over time. Therefore, the sensitivity analysis prepared as at June 30, 2015 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.

Particulars	As at June 30, 2015 — Exposed to yield/ interest rate risk: Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest rate risk	Total
On-balance sheet financial instruments	Rupees in '000				
Financial assets					
Long-term loans - considered good	-	-	-	5,300	5,300
Long-term deposits	-	-	-	1,288	1,288
Loans and advances - considered good	-	-	-	5,112	5,112
Trade debts - unsecured	-	-	-	94,539	94,539
Trade deposits and other receivables	-	-	-	8,639	8,639
Bank balances	-	-	-	4,253	4,253
	-	-	-	119,131	119,131
Financial liabilities*					
Long-term finance - secured	54,167	54,167	108,333	-	216,667
Short-term loan from a related party - unsecured	-	333,520	-	-	333,520
Trade and other payables	-	-	-	270,242	270,242
Short-term running finance - secured	354,529	210,794	-	-	565,323
Mark-up accrued	-	-	-	27,036	27,036
	408,696	598,481	108,333	297,278	1,412,788
On-balance sheet gap (a)	(408,696)	(598,481)	(108,333)	(178,147)	(1,293,657)
Off-balance sheet financial instruments					
Commitments	-	-	-	82,347	82,347
Off-balance sheet gap (b)	-	-	-	82,347	82,347
Total interest rate sensitivity gap (a+b)	(408,696)	(598,481)	(108,333)		
Cumulative interest rate sensitivity gap	(408,696)	(1,007,177)	(1,115,510)		

Particulars	As at June 30, 2014 — Exposed to yield/ interest rate risk: Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest rate risk	Total
On-balance sheet financial instruments	Rupees in '000				
Financial assets					
Long-term loans - considered good	-	-	-	5,123	5,123
Long-term deposits	-	-	-	783	783
Loans and advances - considered good	-	-	-	5,027	5,027
Trade debts - unsecured	-	-	-	120,088	120,088
Trade deposits and other receivables	-	-	-	7,419	7,419
Bank balances	-	-	-	3,680	3,680
	-	-	-	142,120	142,120
Financial liabilities*					
Long-term finance - secured	54,167	54,167	216,666	-	325,000
Short-term loan from a related party - unsecured	-	73,095	-	-	73,095
Trade and other payables	-	-	-	277,648	277,648
Short-term running finance - secured	413,040	144,419	-	-	557,459
Mark-up accrued	-	-	-	37,193	37,193
	467,207	271,681	216,666	314,841	1,270,395
On-balance sheet gap (a)	(467,207)	(271,681)	(216,666)	(172,721)	(1,128,275)
Off-balance sheet financial instruments					
Commitments	-	-	-	17,544	17,544
Off-balance sheet gap (b)	-	-	-	17,544	17,544
Total interest rate sensitivity gap (a+b)	(467,207)	(271,681)	(216,666)		
Cumulative interest rate sensitivity gap	(467,207)	(738,888)	(955,554)		

* The interest rate profile of financial liabilities exposed to yield / interest rate risk are given in notes 15, 16 and 18 to these financial statements.

38.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Company does not hold any instruments which expose it to price risk.

38.2 Credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of its counterparties.

Credit risk arises from balances with banks, 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 119.131 million. Financial instruments that are mainly subject to significant credit risk are trade debts. The Company's policy is to enter into financial contracts in accordance with the policies and guidelines approved by the management. The Company is also exposed to counterparty credit risk on balances with banks and loans and receivables. The credit risk on the bank balances is limited because the counterparties are banks rated as follows:

	As at June 30, 2015		As at June 30, 2014		
	Rating				Rating
BANK	Short-term	Long-term	Short-term	Long-term	agency
Allied Bank Limited	A1+	AA+	A1+	AA+	PACRA
Bank Alfalah Limited	A1+	AA	A1+	AA	PACRA
Barclays Bank PLC Pakistan	N/A	N/A	A-1	A	Standard and Poor's
Habib Bank Limited	A-1 +	AAA	A-1 +	AAA	JCR - VIS
MCB Bank Limited	A1 +	AAA	A1 +	AAA	PACRA
National Bank of Pakistan	A1+	AAA	A-1 +	AAA	JCR - VIS
The Bank of Punjab	A1+	AA-	A1+	AA-	PACRA
The Bank of Tokyo Mitsubishi UFJ, Limited	A-1	A+	A-1	A+	Standard and Poor's

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's total sales are concentrated into one of the distributors which has exposed it to significant risk due to concentration of credit. However, timely payment pattern exhibits that the risk is at the minimum level.

38.3 Liquidity risk

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

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

The maturity profile of the Company's financial liabilities based on contractual maturities is disclosed in note 38.1.2 to these financial statements.

As more fully explained in note 1.2 to the financial statements the current liabilities of the Company exceeded its current assets by Rs 505.242 million. Based on the five years business plan the management strongly believes that the Company will be able to meet its all current and future liabilities.

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and the fair value estimates.

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, 2015 the Company does not have any financial assets which are tradable in an open market. The estimated fair values of all financial 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.

International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. 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 (unobservable inputs) (level 3).

As at June 30, 2015 and June 30, 2014, there were no financial instruments which were measured at fair value in the financial statements.

40 CAPITAL RISK MANAGEMENT AND OTHERS

40.1 The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

40.2 Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2015	2014
	-----Rupees in '000-----	
Total borrowings	1,115,510	955,554
Less: bank balances	4,253	3,680
Net debt	1,111,257	951,874
Total equity	141,914	290,110
Total capital	1,253,171	1,241,984
Gearing ratio	88.68%	76.64%

As at June 30, 2015, the Company's gearing ratio has increased primarily due to additional finances obtained from a related party / banks and financial institutions. The Company's net equity has also declined mainly due to losses incurred in the current and prior period. As part of the Company's future strategy, the management has prepared a business plan (sensitive to certain key assumptions as more fully discussed in the note 1.2 to the financial statements). The management believes that after successful implementation of business plan the Company's gearing ratio and net equity position may be improved in future period.

41 PLANT CAPACITY AND PRODUCTION

Particulars	2015 Capacity	2015 Actual Production	2014 Capacity	2014 Actual Production
	------------------- Million bottles -----------------			
I.V. solutions	31.9	25.9	31.9	6.6
Plastic ampoules	8.4	8.4	8.0	8.0
	40.3	34.3	39.9	14.6

The Company's under-utilised capacity of IV solutions was due to a break down faced by new automatic filling and sealing machine during August 2014. Post this break down, there was no interruption in the production facilities.

42 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements in the current year.

43 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 8, 2015 by the Board of Directors of the Company.

44 GENERAL

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

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

PATTERN OF SHAREHOLDING
As of June 30, 2015

# Of Shareholders	Shareholdings' Slab			Total Shares Held
465	1	to	100	5,510
330	101	to	500	79,439
104	501	to	1000	81,086
118	1001	to	5000	274,537
18	5001	to	10000	125,640
11	10001	to	15000	132,471
2	15001	to	20000	35,950
4	20001	to	25000	93,000
2	25001	to	30000	55,000
1	30001	to	35000	35,000
1	35001	to	40000	36,000
1	55001	to	60000	56,500
1	65001	to	70000	66,500
2	85001	to	90000	174,500
1	95001	to	100000	100,000
1	100001	to	105000	101,420
1	230001	to	235000	230,451
6	360001	to	365000	2,178,000
1	1085001	to	1090000	1,089,000
1	1095001	to	1100000	1,099,999
1	4945001	to	4950000	4,949,997
1072				**11,000,000**

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Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. MEHTABUDDIN FEROZ	1	363,000	3.30
MR. NAZIMUDDIN FEROZ	1	363,000	3.30
MAKOTO SEKIYAMA	1	1	0.00
MR. HARRY BAGJO	1	1	0.00
MAKIO OSAKA	1	1	0.00
YASUO BANDO	1	1	0.00
HANIF SATTAR	1	110	0.00
NOOR MUHAMMAD	1	500	0.00
ABID HUSSAIN	1	500	0.00
MUHAMMAD ABDULLAH FEROZ	1	500	0.00
Associated Companies, undertakings and related parties			
M/S OTSUKA PHARMACEUTICAL COMPANY LIMITED	1	4,949,997	45.00
M/S P.T. OTSUKA INDONESIA	1	1,099,999	10.00
OTSUKA PHARMACEUTICAL FACTORY, INC.	1	1,089,000	9.90
Executives	1	110	0.00
Public Sector Companies and Corporations	4	109,294	0.99
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	3	10,910	0.10
Mutual Funds			
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	230,451	2.10
General Public			
a. Local	1035	2,466,048	22.42
b. Foreign	1	11,000	0.10
Foreing Companies	-	-	-
Others	14	305,577	2.78
Totals	1072	11,000,000	100.00

Share holders holding 5% or more	Shares Held	Percentage
M/S OTSUKA PHARMACEUTICAL COMPANY LIMITED	4,949,997	45.00
M/S P.T. OTSUKA INDONESIA	1,099,999	10.00
OTSUKA PHARMACEUTICAL FACTORY, INC.	1,089,000	9.90

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COMPARISON OF RESULTS LAST 7 YEARS

Particulars	2008-2009	2009-2010	2010-2011	2011-2012	2012-13	2013-14	2014-15
Share Capital	100,000	100,000	100,000	100,000	100,000	110,000	110,000
Unappropriated Profit / (Loss)	31,465	67,318	56,322	107,574	10,407	(187,390)	(335,586)
General Reserve	212,500	227,500	267,500	297,500	377,500	367,500	367,500
Capital Employed	381,696	425,980	447,247	516,958	594,443	506,776	250,247
Long Term Loans	16,667	-	-	-	100,000	325,000	216,667
Sales	1,236,300	1,446,477	1,495,255	1,594,772	1,293,711	1,077,670	1,452,196
Profit /(Loss) Before Tax	39,534	102,981	69,438	146,290	(3,100)	(277,597)	(179,939)
Taxation - net	15,043	37,128	25,434	52,538	(133)	(77,853)	(33,774)
Profit /(Loss) After Taxation	24,131	65,853	44,004	93,752	(2,967)	(199,744)	(146,165)
% of Sales	1.95	4.55	2.94	5.88	(0.23)	(18.53)	(10.07)
% of Total Assets	2.98	8.21	5.24	8.47	(0.24)	(12.61)	(9.35)
% of Capital Employed	6.32	15.46	9.84	18.14	(0.50)	(39.41)	(58.41)
Dividend Amount	15,000	-	15,000	12,500	10,000	-	-
% of Dividend	15.00	-	15.00	12.50	10.00	-	-
Bonus Shares	-	-	-	-	-	10,000	-
% of Bonus Issue	-	-	-	-	-	10.00	-
Earnings / (Loss) Per Share	2.41	6.59	4.40	9.38	(0.31)	(18.15)	(13.29)
Earnings / (Loss) Per Share (Restated) *	2.19	5.99	4.00	8.52	(0.26)	(18.15)	(13.29)
Fixed Assets less Depreciation	321,558	298,736	275,423	257,458	246,343	704,484	617,307
Total Assets	810,808	802,213	839,420	1,106,937	1,226,776	1,584,548	1,562,659
Average Number of Employees	442	441	456	450	438	420	405

*Earnings / (Loss) per share for prior to FY' 2014 has been restated consequent to a readjustment in the weighted average number of ordinary shares outstanding during prior years upon issue of bonus shares during year 2013-14.

PROXY FORM

27th 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 Twenty Seventh Annual General Meeting of the Company to be held on Tuesday, October 27, 2015 at 10:30 a.m. and at any adjournment thereof.

As witness my hand this ____________ day of ____________ 2015

Signed by the said ____________

____

in the presence of ____________

____

Signature on Revenue stamp of appropriate value

Witness

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

Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing. A proxy need not be a Member of the Company.

3. The instrument appointing a proxy, together with the Powe of Attorney, if any under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time of the meeting.

4. In case of Proxy for any individual beneficial owner of CDC, entitled to attend and vote at this meeting. it is necessary to deposit the attested copies of beneficial owner's national identity card, Account and Participant's ID numbers. The Proxy shall produce his original national identity card at the time of the meeting. Representative of corporate members should bring the usual documents for such purpose.

**AFFIX
CORRECT
POSTAGE**

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

www.otsuka.pk