Otsuka-People Creating New Products
For Better Health Worldwide

REPORTS & ACCOUNTS

FOR THE YEAR ENDED JUNE

2016-2017

Otsuka

Otsuka Pakistan Limited

(A Company of Otsuka Group Japan)

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	:	Mr. Mikio Bando	(Chairman) (Alternate: Mr. Tariq Mehtab Feroz)
		Mr. Hanif Sattar	(Chief Executive)
		Mr. Hakugi Kiyono	
		Mr. Mehtabuddin Feroz	
		Mr. Suhari Mukti	(Alternate: Mr. Abid Hussain)
		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. Hakugi Kiyono	(Member)
		Mr. Mehtabuddin Feroz	(Member)
HUMAN RESOURCES & REMUNERATION COMMITTEE SUB COMMITTEE OF THE BOARD	:	Mr. Hakugi Kiyono	(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

Vision

Otsuka people creating new products for better health worldwide.

Mission

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

Objectives	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

NOTICE OF MEETING

Notice is hereby given that the Twenty-ninth (29) Annual General Meeting of Otsuka Pakistan Limited will be held on Wednesday, October 25, 2017 at 10:30 a.m. at Auditorium Hall, Institute of Chartered Accountant, Chartered Accountants Avenue, Clifton, Karachi to transact the following businesses:-

A: ORDINARY BUSINESS:

1. To confirm minutes of last Annual General Meeting held on October 26, 2016
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2017, together with the Directors' and Auditors' reports thereon
3. To appoint auditors and fix their remuneration for the year ending June 30, 2018

B: SPECIAL BUSINESS:

4. To consider and approve the transmission of annual balance sheet and profit and loss account, auditor's , directors' and chairman's reports etc. ('Annual Audited Accounts') as well as notice of annual general meeting to Members either through e-mail, electronic and digital mean or CD/DVD/USB or other permissible compatible electronic medium at their registered addresses in accordance with Securities and Exchange Commission of Pakistan SRO 787(I)/2014 dated: September 8, 2014 read together with SRO No. 470(I)/2016 dated: May 31, 2016 and for that purpose to pass the following resolution:

   "RESOLVED THAT as notified by the Securities and Exchange Commission of Pakistan vide its SRO No. 787/(I)2014 dated September 8, 2014 read together with SRO No. 470 (I)/2016 dated May 31, 2016 the transmission of annual audited financial statements, auditor's report directors' and chairman's reports etc. ("Annual Audited Accounts") as well as notice of annual general meeting to members at their registered address in soft form that is by way of one CD / DVD / USB instead of transmitting the Annual Audited Accounts in hard copies / published copies be and is hereby approved. However if a member prefers to receive hard copies for all the future annual audited accounts then such preference if the member shall be given to the Company in writing and thereafter the Company shall provide hard copies of all the future annual audited accounts to such member".

5. To transact any other business with the permission of the Chair

By order of the Board

Sajid Ali Khan
Company Secretary

Karachi: **September 21, 2017**

Notes:-

1. The Share Transfer Books of the Company will remain closed from October 19, 2017 to October 25, 2017 (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. CDC Account Holders will have to follow the under-mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).

A. 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.

5. 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, 2017 have been placed on the Company's website: www.otsuka.pk for the information, download and review of shareholders.

6. **Transmission of Annual Financial Statements through Email:**
In pursuance of the directions given by SECP vide SRO 787(I)/2014 dated: September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.otsuka.pk and send the said form dully filled in and signed along with copy of his/her/its CNIC/Passport to the Company's share registrar. This is optional; in case you do not wish to avail this facility please ignore this point. Annual Financial Statements will be sent to you at your registered address, as per normal practice.

7. **Submission of copies of CNIC and NTN Certificate (Mandatory):**
Pursuant to the directive of the SECP, Dividend Warrants shall mandatorily bear the CNIC number of shareholders except in case of minor(s) and corporate members. Shareholders are therefore requested to fulfill the statutory requirements and submit a copy of their valid CNIC (if not already provided) to the Company' Share Registrar, Central Depository Company of Pakistan Limited, without any further delay. In case of non-availability of a valid copy of the CNIC the Company shall withhold the Dividend Warrants in terms of Clause (a) of provision under Section 243(2) of the Companies Act, 2017 which will be released by the Share Registrar, only upon submission of a valid copy of the CNIC in compliance with the aforesaid SECP directives.

8. **Withholding Tax on Dividend:**
Pursuant to the provision of the Finance Act, 2017 effective July 1, 2017 the deduction of withholding tax on the amount of Dividend paid by the companies under section 150 of the Income Tax Ordinance, 2001 are as under:
a) Filers of Income Tax returns 15%
b) Non-filers of Income Tax returns 20%

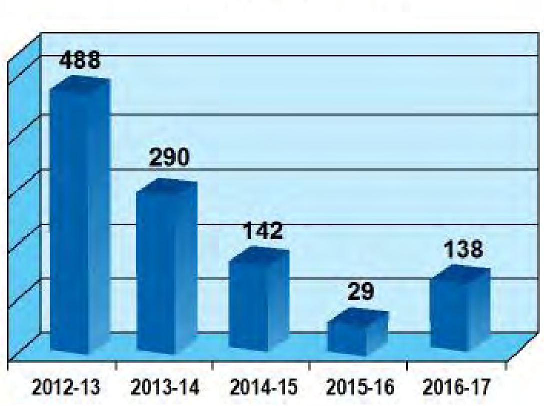
Shareholders who are filers are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, in other case they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 15%. In order to enable the Company to follow the directives of the regulator(s) to determine shareholding ratio of the Joint Account Holder(s) by the Principal shareholder for deduction of WHT on dividend. Those shareholders are requested to furnish the ratio of shareholding being the Principal and Joint holders to the registrar of the Company. In other case each shareholder will be assumed to have equal proportion of shares and the tax will be deducted as per law accordingly.

9. **Payment of Cash Dividend Electronically:**
In accordance with the provisions of section 242 of the Companies Act, 2017 Dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. SECP vide Circular No. 18 of 2017 dated: August 1, 2017 has presently waived this condition till October 31, 2017. After this date, any Dividend payable shall be paid in the manner prescribed only. Therefore all shareholders are requested to provide the details of their bank mandate specifying: a) title of account, b) account number c) IBAN number d) bank name and e) branch name, code and address to the Company' Share Registrar. Those shareholders who hold shares with participants / Central Depository Company of Pakistan (CDC) are advised to provide bank mandate details as mentioned above, to the concerned participant / CDC.

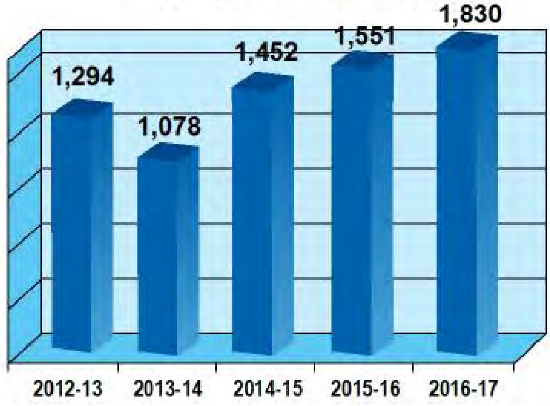
Shareholders are requested to promptly notify Company's Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400. Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275) Fax: (92-21) 34326053 Email: info@cdcpak.com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

Five Years at a Glance

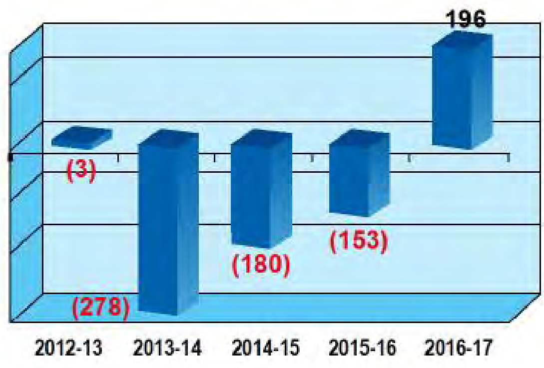
Shareholders' Equity
(Rupees in Million)



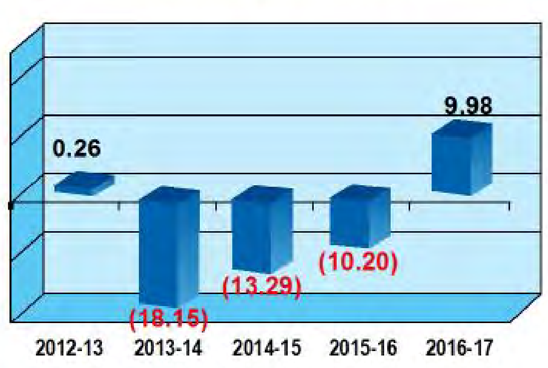
Sales
(Rupees in Million)



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



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



CHAIRMAN'S REVIEW

- It was impressive to note that Pakistan Economy has achieved its 10 year highest real GDP growth rate of 5.34%. We hope that the growth rate will continue its upward trend in the following years.

- The pharmaceutical industry has recorded a growth of 8.74 percent (compared to last year 6.85 percent) however devaluation of Pak Rupee and increase in oil prices have an impact on the company performance as both of these factors have direct impact on our production cost.

- The Company has been able to achieve impressive growth in sales well above the pharma growth rate however IV sales were under pressure due to oversupply situation in the market during the year. Gross profit was although better than last year however it needs further improvements.

- The Board has recently completed its annual self-evaluation for the year ended June 30, 2017 to ensure that the Board's overall performance and efficiency are measured and benchmarked against expectations in the context of objectives set for the Company and I report that the Board members are familiar with the current vision, mission and objectives and have clear understanding of all the concerned stakeholders (including shareholders, customers, employees, suppliers and distributors, patients and community at large) to whom the Company serves. The overall performance of the Board is satisfactory and is based on an evaluation of all the integral-components, which have a direct bearing on the Board's role in achievement of the Company's objectives. The Board has effectively set the tone-at-the-top, by putting in place transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of Corporate Governance and by promoting ethical and fair behavior across the company. Areas where improvements are required are duly considered and action plans have been framed accordingly.

- Your company has contributed by donations to various welfare organizations/ hospitals and also has taken care to preserve the environment by savings of water usage and electricity conservations. Environment has been kept intact by proper disposal of waste materials and plantation at factory level as our commitment to adhere to social responsibility.

- Pharma industry is suffering due to lack of implementation on pricing policies and continuous surge in cost of utilities, freight, oil prices etc. Therefore future will depend on the realization of Government about the helm of affairs and to take appropriate measures to further strengthen this industry. This will enable us to invest further for manufacturing facilities and ultimately introduction of new products.

Mikio BANDO
Chairman

چیئرمین کا جائزہ

پاکستان کا 5.34 فیصد جی ڈی پی نمو حاصل کرنا قابل ستائش ہے۔ یہ ایک دہائی میں سب سے زیادہ نمو ہے۔ ہم پُر امید ہیں کہ ملکی گروتھ ریٹ ایسے ہی بڑھتا رہے گا۔

فارماسوٹیکل انڈسٹری کی نمو 8.74 فیصد رہی (گزشتہ سال 6.85 فیصد) تاہم ملکی کرنسی کی قدر میں کمی، تیل کی بین الاقوامی قیمتوں میں کمی کے باعث کمپنی کی کارکردگی متاثر ہوئی۔ ان دونوں عوامل کا براہ راست ہماری پیداواری لاگت پر اثر پڑتا ہے۔

کمپنی کی فروخت کی نمو بھی بہتر رہی تاہم IV کی فروخت پر مارکیٹ میں مسابقت اور زائد سپلائی کی وجہ سے اثر پڑا۔ گو کہ مجموعی منافع بہتر ہے تاہم مزید بہتری کی گنجائش موجود ہے۔

بورڈ نے حال ہی میں اپنا سالانہ احاطہ برائے اختتام سال 30 جون 2017ء میں مکمل کیا ہے تاکہ بورڈ کی کُل کارکردگی اور صلاحیت کو کمپنی کی منصوبہ بندی اور بنیادی مقاصد کے تناظر میں جانچا جا سکے۔ میں یہ بتانا چاہوں گا کہ اراکین بورڈ کمپنی کے وژن، مشن اور مقاصد سے بخوبی آگاہ ہیں اور تمام اسٹیک ہولڈرز (صارفین، ملازمین، سپلائرز اور ڈسٹری بیوٹرز، مریض اور کمیونٹی) کی خدمت کر رہے ہیں۔ بورڈ کی مجموعی کارکردگی اطمینان بخش ہے۔ بورڈ نے کمپنی میں شفافیت کو یقینی بنایا ہے جس کی وجہ سے کارپوریٹ گورننس میں بہتری دیکھی گئی ہے۔ ایسا کرنے کے لیے بورڈ نے مؤثر کنٹرول ماحول دیا ہے جس میں کارپوریٹ گورننس کی تمام اعلیٰ پریکٹس کو اختیار کیا گیا ہے۔ جس سے کمپنی میں اخلاقی اقدار واضع عیاں ہے۔ تاہم وہ ایریاز جہاں بہتری کی گنجائش ہے وہ نوٹ کر لئے گئے ہیں اور اُن کو بہتر بنانے کے لیے اقدامات بھی لئے جا چکے ہیں۔

آپ کی کمپنی نے سماجی خدمت کی مد میں کئی بہبود کے اداروں اور ہسپتالوں کی مدد کی ہے اور ساتھ ساتھ ماحولیات کی حفاظت کے لئے بھی اقدامات اٹھائے ہیں جیسے پانی کا کم استعمال اور بجلی کا کم استعمال۔ استعمال شدہ پانی کے اخراج کو بہتر اور مؤثر بنایا گیا ہے جو ماحولیات کی بہتری کے لئے ہمارے عزم کا اعادہ کرتا ہے۔

پرائسنگ پالیسیوں کے نہ ہونے کی وجہ سے فارما انڈسٹری کو مشکلات کا سامنا ہے۔ اس کے علاوہ بجلی، ٹرانسپورٹیشن اور تیل کی قیمتوں میں اضافے کی وجہ سے بھی ہماری کاروباری لاگت میں اضافہ ہو رہا ہے۔ اس لئے اب مستقبل میں حکومتی کردار کلیدی ہوگا۔ اگر حکومت اس ضمن میں بہت اقدامات کرے تو کمپنی اپنی سائٹ اور پلانٹس پر مزید سرمایہ کاری کر سکے گی اور نئی مصنوعات متعارف کروائے گی۔

میکیو بانڈو

چیئرمین

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report of Otsuka Pakistan Limited the Company for the year ended June 30, 2017.

Business Review

After a number of years of losses, your company finally ended up making some profit. This was mainly due to KAIZEN (continuous improvement). After obtaining price increase on some of our products, the biggest challenge was and is to sell products in a market where there is cut throat competition due to over- supply situation. In this difficult time, your Company has been able to achieve limited success due to robust selling and promotion activities, realignment of product portfolio and strict control on manufacturing cost.

Our sales grew by a reasonable 18% compared to last year. However, gross profit was still less than the desired rate of 30%. Increase in expenses was due to inflation and additional expenses for promotion activities to counter competition. During the year we have launched Firehawk (Stent) and Proten Gold (Nutraceutical) which are getting us good results.

Because of the positive results, we were able to repay the last installments of our long-term loan and one installment of short-term loan obtained from a related party (Otsuka Pharmaceutical Factory, Inc. Japan). Therefore, one can witness substantial saving in our financial cost which has reduced from Rs.64.98 million last year to Rs.46.04 million this year.

Financial Results

	(PKR in Million)
Profit before taxation	196.2
Provision for taxation	(86.4)
Profit after taxation	109.8
Other comprehensive loss (net of tax)	(1.4)
Total comprehensive profit for the year	108.4
Accumulated loss brought forward	(80.5)
Accumulated profit carried forward	27.9

Appropriations

Keeping in view the liquidity crunch and heavy loans repayable to banks and related party the Directors have not proposed any dividend.

Earnings / (loss) Per Share

The earning per share for the year ended June 30, 2017 works out to be Rs. 9.98 (2016: Loss per share was Rs. 10.20).

Future outlook

Keeping in view the current political situation, expected increase in oil prices and devaluation of Pak Rupee in near future our profitability may be impacted. However, with the introduction of new products and increased focus on promotional activities, we are confident to meet these challenges. The Board is of the view that your company can achieve much more but all this depends on the government policies especially giving product registration on fast track and allowing price increase/fixation as per approved policy.

Corporate Governance

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

a. the financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
b. proper books of accounts of the Company have been maintained;

c. appropriate accounting policies have been consistently applied in the preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment;
d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and there have been no departures there from during the year;
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 5.19.7 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 by June 30, 2018. All the Directors on the Board are fully conversant with their duties and responsibilities as Directors of corporate bodies; and
i. there are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2017 except for those already disclosed in the financial statements.

Key operating and financial data

Key operating and financial data of last six years is annexed with this annual report.

Value of investments of provident and gratuity funds

The following is the value of investments based on latest respective audited accounts:

Provident Fund Rs. 128,198,423/-
Gratuity Fund Rs. 76,263,343/-

Board of Directors

Mr. Harry Bagjo has retired from services from the post of the Chairman after completion of his service age on October 25, 2016. Mr. Suhari Mukti filled the casual vacancy of Mr. Harry Bagjo.
Mr. Makoto Sekiyama and Mr. Yasuo Bando have resigned from the Board on October 25, 2016.
Mr. Hakugi Kiyono and Mr. Mikio Bando filled the casual vacancies of Mr. Makoto Sekiyama and Mr. Yasuo Bando respectively by appointment. Mr. Mikio Bando was also appointed as the new Chairman.

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

Name of Director	Board Meetings		Audit Committee Meetings		Resource & Remuneration	
	Meetings held during the period	Attendance	Meetings held during the period	Attendance	Meetings held during the period	Attendance
Mr. Hanif Sattar (CEO)	4	4	4	N/A	1	1
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	4	4	N/A	1	N/A
Mr. Harry Bagjo	4	1	4	N/A	1	N/A
Mr. Makio Bando	4	0	4	N/A	1	N/A
Mr. Yasuo Bando	4	0	4	N/A	1	N/A
Mr. Makoto Sekiyama	4	1	4	0	1	N/A
Mr. Hakugi Kiyono	4	1	4	1	1	1
Mr. Makio Osaka	4	0	4	N/A	1	N/A
Mr. Suhari Mukti	4	0	4	N/A	1	N/A
Mr. Noor Muhammad (Independent Director)	4	4	4	4	1	N/A
Mr. Abid Hussain (Alternate Director) (1)	4	1	4	N/A	1	N/A
Mr. Abid Hussain (Alternate Director) (2)	4	1	4	N/A	1	N/A
Mr. Abid Hussain (Alternate Director) (3)	4	1	4	N/A	1	N/A
Mr. Tariq Mehtab Feroz (Alternate Director) (4)	4	1	4	N/A	1	N/A
Mr. Tariq Mehtab Feroz (Alternate Director) (5)	4	2	4	N/A	1	N/A
Mr. Sajid Ali Khan Alternate Director) (6)	4	4	4	N/A	1	N/A

(1) Alternate Director for Mr. Yasuo Bando
(2) Alternate Director for Mr. Hakugi Kiyono
(3) Alternate Director for Mr. Suhari Mukti
(4) Alternate Director for Mr. Harry Bagjo
(5) Alternate Director for Mr. Makio Bando
(6) Alternate Director for Mr. Makio Osaka

Pattern of Shareholding

The Pattern of shareholding of the Company as at June 30, 2017 is annexed with this annual report.

Trading in shares by directors, executives and their spouses and minor children

During the year no trading in shares were reported by directors, executives and their spouses and minor children.

Corporate Social Responsibility

The Company considers social, environmental and ethical matters in the context of the overall business environment and has paid donations to different institutions as part of its corporate social responsibility. The Company is committed to work in the best interest of all the stakeholders, in particular the community in which we live and forms our customer base. In this respect, the Company has established Otsuka Welfare Clinic in 2003 which involves in the provision of free medical treatment to the poor Afghan refugees and local residents of surrounding areas in Peshawar, it has successfully completed its 14 years and has given its services without any discrimination.

Adequacy of Internal Financial Control

The Company has an adequate internal financial controls system in place and the same was operating effectively during the year ended June 30, 2017. The Company's Directors provide reasonable assurance regarding the achievement of operating, reporting and compliance objectives are the means by which:

- Companies full operations are conducted in accord with prescribed policies and procedures.
- The enterprise is in compliance with applicable laws and regulations.
- The enterprises assets and information are protected from any improper use.

Holding Company

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

Subsequent events

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of this report.

Description of principal risks & uncertainties

We expect no principal risks & uncertainties as at the closing period of June 30, 2017.

Changes occurring in the nature of business

We expect and planned to launch new products of pharma and medical devices in near future. Our main nature of business will remain unchanged.

Main trends/ developments likely to affect future performance (price increase)

Pharma industry is suffering due to lack of implementation on pricing policies and continuous increase in cost of utilities, freight etc. Therefore future will depend on the realization of Government about the helm of affairs and to take appropriate measures. This will enable us to invest further for manufacturing facilities and ultimately introduction of new products.

Loans

The Company obtained loans from M/s. Otsuka Pharmaceutical Factory, Inc., Japan which represents a foreign currency denominated loan obtained in two tranches of JPY 75 million each drawn down on June 16, 2014 and December 22, 2014, three tranches of JPY 125 million each drawn down on February 26, 2015, April 27, 2015 and July 27, 2015 and one tranche of JPY 84.50 million drawn on December 16, 2015. Each facility is to be repaid within one year of the initial drawn down date.

Each tranche was repayable within one year of the initial drawn down date. The first tranche of JPY 75 million falling due on June 15, 2015 was rolled forward twice for a further period of one year from the due date and was repaid early in December 2016. The second tranche of JPY 75 million falling due on December 21, 2015 was rolled forward twice for a further period of one year from the date it had fallen due and was repaid subsequent to the year ended June 30, 2017. The third, fourth and fifth tranches of JPY 125 million each falling due on February 25, 2016, April 26, 2016 and July 26, 2016 were rolled forward twice for a further period of one year from the due dates. The sixth tranche of JPY 84.5 million falling due on December 15, 2016 has also been rolled forward for another year.

Auditors

The present auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants, retire at the conclusion of the 29th Annual General Meeting and being eligible, offer themselves for reappointment.

Based on the suggestion of the Audit Committee, the Board of Directors has recommended the appointment of Messrs. A.F. Ferguson & Co. Chartered Accountants as the external auditors of the Company for the year ending June 30, 2018 to the shareholders.

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

Mehtabuddin Feroz
Director

Hanif Sattar
Chief Executive Officer

Karachi

Dated: August 29, 2017

75 ملین جاپانی ین کی پہلی رقم کی ادائیگی کی تاریخ ایک سال کے لئے دومرتبہ آگے بڑھائی گئی اور بالآخر دسمبر 2016ء کو ادا کردی گئی۔ 75 ملین جاپانی ین کی دوسری قسط کو 21 دسمبر 2015ء تک ادا کرنا تھا لیکن اسے بھی دومرتبہ ایک سال کے لئے آگے بڑھایا گیا اور 30 جون 2012 کو یہ رقم ادا کردی گئی۔ 125 ملین جاپانی ین کی تیسری، چوتھی اور پانچویں اقساط کی ادائیگی بالترتیب 25 فروری 2016ء 26 اپریل 2016ء اور 26 جولائی 2016ء کو کرنی تھی لیکن انہیں مقررہ تاریخ سے مزید ایک سال کی بنیاد پر دومرتبہ آگے بڑھایا گیا۔ 84.50 ملین جاپانی ین کی چھٹی قسط، جس کی ادائیگی کی تاریخ 15 دسمبر 2016ء تھی، اس کی ادائیگی بھی ایک سال کے لئے مؤخر کردی گئی۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس کمپنی کی 29 ویں سالانہ عام اجلاس پر ریٹائر ہو گئے ہیں اور اہلیت کی بنیاد پر اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

آڈٹ کمیٹی کی تجویز کی روشنی میں بورڈ آف ڈائریکٹرز مندرجہ بالا بیان کردہ چارٹرڈ اکاؤنٹینٹس کی بطور بیرونی آڈیٹرز تعیناتی کی سفارش کرتا ہے۔

اعتراف

بورڈ اپنے ملازمین کی انتھک محنت پر تہہ دل سے اُن کا مشکور ہے اور اُن کی کاوشوں کو قدر کی نگاہ سے دیکھتا ہے۔

بورڈ کی جانب سے

مہتاب الدین فیروز
ڈائریکٹر

حنیف ستار
چیف ایگزیکٹو آفیسر

کراچی:
تاریخ: 29 اگست، 2017ء

☆ کمپنی کے تمام امور پہلے سے ترتیب شدہ پالیسیوں اور طریقہ کار کے تحت انجام دیئے جاتے ہیں۔

☆ کمپنی تمام ریگولیشن اور قوانین کے عین مطابق اپنی کاروباری سرگرمیاں کرتی ہے۔

☆ کمپنی کے اثاثے اور متعلقہ معلومات کی غلط استعمال سے محفوظ ہیں

ہولڈنگ کمپنی:

آپ کی کمپنی میسرز اوٹسوکا فارماسوٹیکل کمپنی لمیٹڈ کی بلاواسطہ ماتحت کمپنی ہے جسے جاپان میں قائم کیا گیا۔

اب تک کی معلومات:

کمپنی کی فنانشل پوزیشن پر اثر انداز ہونے والی کوئی میٹریل تبدیلی مالی سال کے اختتام سے اس رپورٹ کی تیاری تک رونما نہیں ہوئی ہے۔

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

ہم ابھی کسی رسک یا غیر یقینی صورت حال کو رونما ہوتے نہیں دیکھ رہے ہیں جیسا کہ 30 جون 2017ء تک تھا۔

کاروبار کی نوعیت میں ہونے والی تبدیلیاں:

ہم نے فارما اور میڈیکل ڈیوائسز کی نئی مصنوعات متعارف کروانے کی منصوبہ بندی کر رکھی ہے۔ مستقبل قریب تک ہمارے کاروبار کی نوعیت میں کسی تبدیلی کا کوئی امکان نہیں۔

اہم رجحانات/ڈیولپمنٹ جو مستقبل میں کمپنی کی کارکردگی پر اثر انداز ہوسکیں (قیمت میں اضافہ):

فارما انڈسٹری کو ایک عرصے سے پرائسنگ پالیسیوں کے غیر فعال ہونے اور مسلسل بڑھتی لاگت کی شکل میں مشکلات کا سامنا ہے۔ اس لئے مستقبل میں حکومت کی جانب سے اس ضمن میں اٹھائے جانے والے اقدامات کی اہمیت ہے۔ ایسا ہونے پر ہم مینوفیکچرنگ یونٹس اور پلانٹس میں مزید سرمایہ کاری کریں گے اور نئی مصنوعات متعارف کروائیں گے۔

قرضے:

کمپنی نے ایم/ایس اوٹسوکا فارما جاپان سے جاپانی ین میں قرضے حاصل کر چکی ہے۔ جس میں 75 ملین جاپانی ین کی دو اقساط بالترتیب 16 جون 2014ء اور 22 دسمبر 2014ء کو موصول ہوئیں۔ 125 ملین جاپانی ین کی تین اقساط بالترتیب 26 فروری 2015ء، 27 اپریل 2015ء اور 27 جولائی 2015 کو موصول ہوئیں۔ 82.50 ملین جاپانی ین کی ایک قسط 16 دسمبر 2015ء کو کمپنی نے وصول کی۔ ہر سہولت اپنی موصول ہونے والی تاریخ سے ایک سال کے اندر اندر ادا کرنی ہے۔

طارق مختاب فیروز (متبادل ڈائریکٹر) 4	4	1	4	N/A	1	N/A
طارق مختاب فیروز (متبادل ڈائریکٹر) 5	4	2	4	N/A	1	N/A
ساجد علی خان (متبادل ڈائریکٹر) (6)	4	4	4	N/A	1	N/A

یوسیو یانڈو کے لئے متبادل ڈائریکٹر (۱)

ہلوگی کیونو کے لئے متبادل ڈائریکٹر (۲)

سہاری مکتی کے لئے متبادل ڈائریکٹر (۳)

ہیری باگیو کے لئے متبادل ڈائریکٹر (۴)

میکیو یانڈو کے لئے متبادل ڈائریکٹر (۵)

میکیو اوساکا کے لئے متبادل ڈائریکٹر (۶)

شیئر ہولڈنگ کا پیٹرن:

کمپنی میں شیئر ہولڈنگ کا پیٹرن برائے اختتام سال 30 جون 2017ء اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹران، ایگزیکٹوز اُن کی ازدواج اور کم عمر بچوں کا شیئرز کا لین دین:

زیر جائزہ مدت میں ڈائریکٹران، ایگزیکٹوز اُن کی ازدواج اور کم عمر بچوں کے نام پر شیئرز کی کوئی لین دین نہیں ہوئی۔

کارپوریٹ سماجی ذمہ داری:

کمپنی کے نزدیک کارپوریٹ سماجی ذمہ داری کی ادائیگی ایک فرض ہے۔ کمپنی اس عمل کو اپنے کاروبار سے منسلک پاتی ہے اس لئے کئی اداروں کو ڈونیشنز بھی دی گئیں۔ کمپنی اپنے تمام اسٹیک ہولڈرز کی بہتری کے لئے اپنا کردار ادا کرنے سے غافل نہیں اس لئے ہم کئی کمیونٹیوں کے معاملات میں بڑھ چڑھ کر حصہ لیتے ہیں خصوصاً اپنی صارفین کی تعداد بڑھانے کے لئے۔ اس کے لئے کمپنی نے سال 2003ء میں اوٹسوکا ویلفیئر کلینک قائم کیا جو غریب افغان بچوں کو اور پشاور کی مقامی آبادی کو مفت صحت وعلاج معالجہ کی سہولیات فراہم کر رہا ہے۔ اس کلینک نے کامیابی سے 14 سال مکمل کر لئے ہیں۔

اندرونی فنانشل کنٹرول پر دسترس:

کمپنی نے اندرونی فنانشل کنٹرول پر دسترس کا سسٹم لاگو کیا ہے جیسا کہ پچھلے سال کیا تھا۔ کمپنی کے ڈائریکٹران نے آپریٹنگ، رپورٹنگ اور تعمیل پر مناسب یقین دہانی فراہم کی ہے جو مندرجہ ذیل ہیں:

اہم آپریٹنگ اور مالیاتی معلومات:

گزشتہ چھ سال کی اہم آپریٹنگ اور مالیاتی معلومات اس رپورٹ کے ساتھ منسلک ہے۔

پروویڈنٹ اور گریجویٹی فنڈز میں سرمایہ کاری:

تازہ ترین آڈٹ اکاؤنٹس کی بنیاد پر پروویڈنٹ اور گریجویٹی فنڈز میں سرمایہ کاری کی تفصیلات مندرجہ ذیل ہیں

پروویڈنٹ فنڈ	128,198,423 روپے
گریجویٹی فنڈ	76,263,343 روپے

بورڈ آف ڈائریکٹرز:

جناب ہیری باگیو نے اپنے چیئرمین کے عہدے سے 25 اکتوبر 2016ء کو استعفیٰ دیا۔ آپ کی جگہ پر جناب سہاری مکتی نے یہ عہدہ سنبھالا۔ جناب ماکا توسکیاما اور جناب یاسیو باندو نے 25 اکتوبر 2016ء کو بورڈ میں اپنے عہدوں سے استعفیٰ دیا۔ جناب ہاکوگی کیونو اور جناب میکیو باندو نے بورڈ میں فرائض سنبھالے۔ بعدازاں جناب میکیو باندو کو چیئرمین کے عہدے پر نامزد کیا گیا۔

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

ڈائریکٹران کے نام	بورڈ میٹنگ		آڈٹ کمیٹی میٹنگ		ہیومن ریسورس و معاوضہ کمیٹی	
	پیریڈ کے دوران ہونے والی میٹنگ	حاضری	پیریڈ کے دوران ہونے والی میٹنگ	حاضری	پیریڈ کے دوران ہونے والی میٹنگ	حاضری
حنیف ستار (سی ای او)	4	4	4	N/A	1	1
محمد عبداللہ فیروز	4	4	4	4	1	1
ناظم الدین فیروز	4	4	4	N/A	1	N/A
محتاب الدین فیروز	4	4	4	N/A	1	N/A
ہیری باگیو	4	1	4	N/A	1	N/A
ماکیو بانڈو	4	0	4	N/A	1	N/A
یاسیو بانڈو	4	0	4	N/A	1	N/A
ماکوتو سیکیاما	4	1	4	N/A	1	N/A
ہوگی کیونو	4	1	4	0	1	1
ماکیو اوساکا	4	0	4	1	1	N/A
سوہاری مکتی	4	0	4	N/A	1	N/A
نور محمد (آزاد ڈائریکٹر)	4	4	4	N/A	1	N/A
عابد حسین (متبادل ڈائریکٹر)1	4	1	4	4	1	N/A
عابد حسین (متبادل ڈائریکٹر)2	4	1	4	N/A	1	N/A
عابد حسین (متبادل ڈائریکٹر)3	4	1	4	N/A	1	N/A

آمدنی/خسارہ فی حصص

آمدنی فی حصص برائے مالی سال 30 جون 2017ء 9.98 روپے نکالا گیا (2016ء خسارہ فی حصص 10.20 روپے رہا)۔

مستقبل پر نظر:

ملک کی سیاسی صورت حال تیل کی قیمتوں میں متوقع اضافے اور پاکستانی کرنسی کی قدر میں متوقع کمی کے تناظر میں مستقبل میں ہمارے منافع بخش رہنے پر اثر پڑ سکتا ہے۔ تاہم نئی مصنوعات متعارف کروانے اور ترغیبی سرگرمیوں پر توجہ مرکوز رکھنے سے اِن چیلنجز سے نمٹا جاسکتا ہے پر یہ سب حکومتی پالیسیوں خصوصاً مصنوعات کی رجسٹریشن کا تیز و مؤثر طریقہ کار اور منظور شدہ پالیسی کے مطابق قیمت بڑھانے یا فکس کرنے سے مشروط ہے۔

کارپوریٹ گورننس:

جیسا کہ کارپوریٹ گورننس کے تحت درکار ہے ڈائریکٹران مسرت کے ساتھ مندرجہ ذیل اقدامات کی تصدیق کرتے ہیں:

۱۔ کمپنی کے مالیاتی گوشوارے اور معلومات جیسا ہے ویسا بیان ہے کی شکل میں پیش کرتے ہیں جس میں آپریشنز کے نتائج، کیش فلوز اور ایکوئٹی میں تبدیلی شامل ہیں۔

۲۔ کمپنی کے کھاتوں کی تیاری میں مناسب دیکھ اور احتیاط روا رکھی گئی ہے۔

۳۔ مناسب اور رائج اکاؤنٹنگ پالیسیاں مستقل بنیادوں پر فنانشل بیانات کی تیاری پر لاگو کی گئی ہیں۔ مزید براں اکاؤنٹنگ کے تخمینے معقول اور عاقبت اندیشی سے لئے گئے فیصلوں کی بنیاد پر لگائے گئے ہیں۔

۴۔ پاکستان میں لاگو تمام بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز مالیاتی گوشواروں کی تیاری میں استعمال ہوئے ہیں اور کسی قسم کی کوئی غفلت نہیں برتی گئی۔

۵۔ اندرونی کنٹرول کا سسٹم کا ڈیزائن متوازن ہے اور اسے مؤثر انداز میں لاگو کیا گیا اور اس کی نگرانی کی جاتی رہی۔

۶۔ ایسے کوئی خدشات لاحق نہیں جن کی بنیاد پر کمپنی کے آگے کام کرنے کی صلاحیت پر شک کیا جائے۔

۷۔ بیان کردہ ریگولیشنز میں کارپوریٹ گورننس کی بہترین پریکٹس میں سے کوئی میٹریل ڈیپارچر نہیں ہوا۔

۸۔ ضابطے میں درج شق 5.19.7 کے معیار کے مطابق ایک ڈائریکٹر کے پاس ڈائریکٹر ٹریننگ پروگرام کا سرٹیفکیٹ ہے۔ چار ڈائریکٹران بشمول (چیف ایگزیکٹو آفیسر) اس سرٹیفکیشن سے مستثنیٰ ہیں۔ باقی ڈائریکٹران 30 جون 2018ء تک یہ ٹریننگ حاصل کرلیں گے۔ بورڈ کے تمام ڈائریکٹران اپنی ذمہ داریوں سے بخوبی آگاہ ہیں۔

۹۔ 30 جون 2017ء تک کمپنی ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کسی بھی رقم کی ادائیگی کی قانوناً پابند نہیں ماسوائے اُن کے جو مالیاتی گوشواروں میں پہلے ہی بیان کئے جاچکے ہیں۔

ڈائریکٹرز رپورٹ

اوٹسوکا پاکستان لمیٹڈ کمپنی کے ڈائریکٹرز اختتامی سال 30 جون 2017ء کی سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کاروباری جائزہ:

کئی سالوں نقصان میں رہنے کے بعد آپ کی کمپنی بالآخر منافع بخش ہوگئی ہے جس کی بنیادی وجہ KAIZEN (مسلسل بہتری) ہے۔ ہماری چند مصنوعات کی قیمت بڑھ جانے کی وجہ سے ہمارے سامنے اپنی مصنوعات کو فروخت کرنے کا چیلنج رہا وہ بھی ایک ایسی مارکیٹ میں جہاں ڈائد رسد کی وجہ سے مسابقت بہت زیادہ ہے۔ اِن نامسائب حالات میں آپ کی کمپنی نے محدود پیمانے پر کامیابی حاصل کی ہے۔ سیلز میں اضافہ اور ترغیبات کی سرگرمیوں، مصنوعات کے پورٹ فولیو میں مطابقت اور لاگت کے اخراجات کو کم رکھنے کی وجہ سے آپ کی کمپنی منافع حاصل کرنے میں کامیاب رہی۔

ہماری فروخت کی نمو گزشتہ سال کے مقابلے 18 فیصد ذائد رہی تاہم منافع مطلوبہ شرح 30 فیصد سے کم رہا۔ مہنگائی اور مارکیٹ میں مسابقت کا سامنا کرنے کے لئے ترغیبی سرگرمیوں پر آنے والی لاگت کی وجہ سے کاروباری لاگت میں اضافہ دیکھا گیا۔

زیرِ جائزہ سال کے دوران ہم نے فائر ہاک (اسٹیٹ) اور پروٹون گولڈ (نیوٹراسوٹیکل) کو متعارف کروایا جن سے خاطر خواہ نتائج ملے۔ مثبت نتائج کی بنیاد پر ہم اوٹسوکا کمپنی سے لئے گئے طویل المعیاد قرضے کی دو اقساط اور مختصر مدتی قرض کی ایک قسط ادا کرنے میں کامیاب رہے۔ اس لئے زیرِ جائزہ مالی سال میں ہماری فنانشل لاگت 46.04 ملین روپے رہی جبکہ گزشتہ مالی سال کے اختتام تک ہماری لاگت 64.98 ملین روپے ریکارڈ کی گئی تھی۔

مالیاتی نتائج	(روپے ملین میں)
منافع قبل از ٹیکس	196.2
ٹیکس کے لئے پروویژن	(86.4)
منافع بعد از ٹیکس	109.8
دیگر مربوط خسارہ برائے اختتام سال	(1.4)
کُل مربوط منافع برائے اختتام سال	108.4
مجموعی خسارہ	(80.5)
مجموعی منافع	27.9

اختصاصات:

لکیوڈیٹی میں کمی کی صورت حال کو مدنظر رکھتے ہوئے اور بینکوں کو واجب الاداء قرضوں کی وجہ سے ڈائریکٹران نے ڈیوڈنڈ نہ دینے کی تجویز دی ہے۔

Glimpses of 28th Annual General Meeting

Statement of Compliance with the Code of Corporate Governance

Name of company: **Otsuka Pakistan Limited**
Year ended **June 30, 2017**

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 5.19 of listing regulations of the Pakistan 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. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors (the Board). As at June 30, 2017, the Board included the following appointed/elected members:

Category	**Names**
Non-Executive Directors:	Mr. Mikio Bando
	Mr. Hakugi Kiyono
	Mr. Makio Osaka
	Mr. Suhari Mukti
	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 5.19.1.(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 Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, the following casual vacancies on the board were filled up by the directors within the timeframe prescribed under the code as under:
   - Mr. Harry Bagjo has retired from services from the post of the Chairman on October 25, 2016 after completion of his service age on October 25, 2016. His casual vacancy was filled by Mr. Suhari Mukti on the same date.
   - Mr. Makoto Sekiyama and Mr. Yasuo Bando resigned from the Board on October 25, 2016, whose casual vacancies were filled by Mr. Mikio Bando and Mr. Hakugi Kiyono respectively by appointment on the same date. Mr. Mikio Bando was also appointed as the new Chairman of the Board.

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 Regulation 5.19.7 of the Code, the Board encourages the Directors to attend Director's Training Program. During the year, none of the Directors attended any 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 3 members of whom all are 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. 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 exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the Code have been complied with.

Hanif Sattar
Chief Executive Officer

Dated: August 29, 2017

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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 (the Company) for the year ended June 30, 2017 to comply with the requirements of Listing Regulation No. 5.19 of the Pakistan 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The 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, 2017.

AFFerguson & Co

Chartered Accountants

Dated: September 15, 2017

Karachi.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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▪KARACHI ▪LAHORE ▪ISLAMABAD

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Otsuka Pakistan Limited** (the Company) as at June 30, 2017 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, 2017 and of the profit, comprehensive income, 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.

AFFerguson & Co

Chartered Accountants
Engagement Partner: **Noman Abbas Sheikh**
Dated: September 15, 2017
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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▪KARACHI ▪LAHORE ▪ISLAMABAD

BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017	2016
		Rupees in '000	
ASSETS			
Non-current assets			
Property, plant and equipment	4	467,443	542,189
Intangible asset	5	100	-
Long-term loans - considered good	6	4,619	4,614
Long-term deposits		1,295	1,288
Deferred tax asset - net	7	129,507	176,121
		602,964	724,212
Current assets			
Stores and spares	8	47,370	52,260
Stock-in-trade	9	432,101	429,037
Trade debts (unsecured) - net	10	198,403	165,054
Loans and advances - considered good	11	31,312	26,592
Trade deposits, short-term prepayments and other receivables	12	22,802	22,778
Taxation	13	102,589	151,939
Bank balances	14	17,901	10,785
		852,478	858,445
Total assets		1,455,442	1,582,657
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	110,000	110,000
Revenue reserves		27,864	(80,522)
Total shareholders' equity		137,864	29,478
LIABILITIES			
Current liabilities			
Current maturity of long-term finance - secured	16	-	108,333
Short-term loan from a related party - unsecured	17	500,613	621,629
Trade and other payables	18	364,364	260,463
Short-term running finance - secured	19	443,368	547,795
Mark-up accrued	20	9,233	14,959
		1,317,578	1,553,179
Total equity and liabilities		1,455,442	1,582,657
CONTINGENCIES AND COMMITMENTS	21		

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

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		----- Rupees in '000 -----	
Net sales	22	1,829,624	1,550,709
Cost of sales	23	(1,329,751)	(1,282,074)
Gross profit		499,873	268,635
Selling and distribution expenses	24	(205,753)	(182,898)
Administrative and general expenses	25	(84,562)	(74,109)
		209,558	11,628
Other income	26	78,804	41,165
		288,362	52,793
Other expenses	27	(46,153)	(141,287)
Operating profit / (loss)		242,209	(88,494)
Finance cost	28	(46,035)	(64,983)
Profit / (loss) for the year before taxation		196,174	(153,477)
Taxation - net	29	(86,423)	41,300
Profit / (loss) for the year after taxation		109,751	(112,177)
		------------- Rupees -------------	
Earnings / (loss) per share	30	9.98	(10.20)

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

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-----Rupees in '000-----	
Profit / (loss) for the year after taxation	109,751	(112,177)
Other comprehensive loss:		
Items that will not be reclassified to profit and loss		
Components of comprehensive income reflected in equity		
Remeasurement loss on defined benefit plan	(1,950)	(375)
Deferred tax on remeasurements of defined benefit plan	585	116
	(1,365)	(259)
Total comprehensive income / (loss) for the year	108,386	(112,436)

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

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	35	403,615	(40,231)
Interest paid		(51,761)	(77,060)
Taxes refunded / (paid)		10,126	(28,524)
Increase in long-term deposits		(7)	-
(Increase) / decrease in long-term loans		(5)	686
Net cash generated from / (used in) operating activities		361,968	(145,129)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(24,159)	(15,119)
Computer software purchased		(124)	-
Proceeds from disposal of property, plant and equipment		3,207	4,533
Net cash used in investing activities		(21,076)	(10,586)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance paid		(108,333)	(108,334)
Short-term loan (paid to) / obtained from a related party		(121,016)	288,109
Net cash (used in) / generated from financing activities		(229,349)	179,775
Net increase in cash and cash equivalents		111,543	24,060
Cash and cash equivalents at the beginning of the year		(537,010)	(561,070)
Cash and cash equivalents at the end of the year	31	(425,467)	(537,010)

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

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Accumulated losses	Sub-total	
	Rupees in '000				
Balance as at July 1, 2015	110,000	367,500	(335,586)	31,914	141,914
Loss after taxation for the year ended June 30, 2016	-	-	(112,177)	(112,177)	(112,177)
Other comprehensive loss for the year					
Remeasurement loss on defined benefit plan	-	-	(375)	(375)	(375)
Deferred tax on remeasurements of defined benefit plan	-	-	116	116	116
	-	-	(259)	(259)	(259)
Balance as at June 30, 2016	110,000	367,500	(448,022)	(80,522)	29,478
Profit after taxation for the year ended June 30, 2017	-	-	109,751	109,751	109,751
Other comprehensive loss for the year					
Remeasurement loss on defined benefit plan	-	-	(1,950)	(1,950)	(1,950)
Deferred tax on remeasurements of defined benefit plan	-	-	585	585	585
	-	-	(1,365)	(1,365)	(1,365)
Balance as at June 30, 2017	110,000	367,500	(339,636)	27,864	137,864

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

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

Sajid Ali Khan
Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1 THE COMPANY AND ITS OPERATIONS

1.1 The Company is incorporated in Pakistan as a public limited company and is listed on the Pakistan Stock Exchange Limited. 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, 2017, the current liabilities of the Company exceeded its current assets by Rs 465.100 million (2016: Rs 694.734 million) mainly due to loans obtained by the Company from banks and a group company for financing the Balancing, Modernization and Replacement (BMR) of its IV production line (which concluded during the year ended June 30, 2014) and for meeting its working capital requirements. For the year ended June 30, 2017, the Company has reported a profit before taxation of Rs 196.174 million which is mainly attributable to an increase in the gross profit margin to 27.32% (2016: 17.32%) and the strengthening of the Pakistani Rupee against the Japanese Yen (JPY) leading to the Company reporting gain on its JPY denominated liabilities.

The management believes that there are no imminent business and cash flow risks and has prepared a formal five years business plan of the Company based on which it strongly believes that the Company will be able to meet all its current and future liabilities as these fall due. The business plan features a consistent but gradual increase in the gross profit margin of the Company post price increase on its products (as explained in note 22.1), strict control over expenses, reduction in finance cost as a result of final settlement of long-term finance and repayment of short-term loans in future years, attainment of greater sales volume through more robust sales promotion and change in the product mix. The management believes that after the implementation of initiatives stated in the five years business plan the Company may continue to have positive results in future years enabling it to completely set-off the losses incurred in the prior years. However, the price increase factor will continue to play a pivotal role in the generation of future profits of the Company.

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. As per the requirements of circular no. CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP), companies the financial year of which closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, 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 provisions of and the directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions of or the directives under the Companies Ordinance, 1984 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

There are certain amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2016 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.

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

The Companies Act, 2017 (the Act) has been enacted on May 30, 2017 superseding the Companies Ordinance, 1984. Subsequent to the promulgation of the Companies Act, 2017, the SECP through a press release dated July 20, 2017 has allowed companies whose financial year closes on or before June 30, 2017 to prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the financial statements of the Company for the year ended June 30, 2017 have been prepared in accordance with the provisions of the repealed Ordinance while the financial statements of the Company for the year ending June 30, 2018 will be prepared in accordance with the provisions of the new Companies Act, 2017. The management is currently in the process of assessing the impact of the provisions of the Act on the financial statements of the Company.

'IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of the 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 good or service. 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 January 1, 2017 and earlier application is permitted. The management is currently 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, 2017 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

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 3.7 and 10.1);
- estimate of residual values, useful lives and depreciation rates of operating fixed assets (notes 3.1 and 4.1);
- estimate of residual values, amortisation rates of intangible assets (notes 3.2 and 5.1);
- estimate of liabilities in respect of staff retirement benefits (notes 3.11 and 33.1);
- provision for taxation (notes 3.14, 7, 13 and 29);
- provision for slow moving and obsolete stores and spares and stock-in-trade (notes 3.3, 3.4, 8 and 9); and
- impairment of non-financial assets (note 3.5).

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 the disposal of property, plant and equipment are taken to the profit and loss account in the year in which the 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 Intangible assets

Intangible assets mainly comprise computer software which are initially recognised at cost. After initial recognition, these are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged at the rate specified in note 5.1 using the straight line method over the useful life of the asset. Amortisation begins from the month the asset is available for use and ceases in the month of disposal. The amortisation period and amortisation method are reviewed at each reporting date and are adjusted, if appropriate, to reflect the current best estimate.

Costs associated with maintaining the computer software programmes are recognised as an expense when incurred. However, costs that are directly attributable to the identifiable software and have probable economic benefits exceeding one year, are recognised as a part of an intangible asset. Direct costs include the purchase cost of software (license fee) and related overheads.

3.3 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.

3.4 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.

3.5 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, recoverable amounts of the assets are estimated in order to determine the extent of impairment loss. The resulting impairment loss is recognised in the profit and loss account.

36 Financial instruments

3.6.1 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 of the Company 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.

3.6.2 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.

3.6.3 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.

3.7 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.

3.8 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 which are netted-off against short-term running finance arrangements.

3.9 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.

3.10 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.

3.11 Employee benefit schemes

The Company operates:

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

b) an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made to the Fund by the Company and the employees in accordance with the rules of the Fund. Benefits are payable to eligible employees on completion of the prescribed qualifying period of service under the scheme.

3.12 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.

3.13 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.

3.14 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.

3.15 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 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.

3.16 Borrowing costs

Borrowing costs are recognised as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets. Such borrowing costs, if any, are capitalised as part of the cost of the relevant assets.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses that relates to transactions with any of the other components of the Company.

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

3.22 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	2017	2016
4 PROPERTY, PLANT AND EQUIPMENT		-----Rupees in '000-----	
Operating fixed assets	4.1	458,398	533,565
Capital work-in-progress	4.5	9,045	8,624
		467,443	542,189

4.1 Operating fixed assets

The following is a statement of operating fixed assets:

Particulars	Leasehold land	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
	Year ended June 30, 2017						
	Rupees in '000						
As at July 1, 2016							
Cost	3,953	340,506	855,303	46,243	28,438	11,767	1,286,210
Accumulated depreciation	(1,109)	(149,283)	(532,512)	(41,779)	(17,461)	(10,501)	(752,645)
Net book value	2,844	191,223	322,791	4,464	10,977	1,266	533,565
Year ended June 30, 2017							
Opening net book value	2,844	191,223	322,791	4,464	10,977	1,266	533,565
Additions	-	234	15,003	1,398	7,103	-	23,738
Disposals / write-offs							
Cost	-	-	(217)	(1,168)	(4,662)	-	(6,047)
Accumulated depreciation	-	-	210	1,165	3,549	-	4,924
	-	-	(7)	(3)	(1,113)	-	(1,123)
Depreciation charge for the year	(40)	(26,752)	(64,694)	(2,269)	(3,346)	(681)	(97,782)
Closing net book value	2,804	164,705	273,093	3,590	13,621	585	458,398
As at June 30, 2017							
Cost	3,953	340,740	870,089	46,473	30,879	11,767	1,303,901
Accumulated depreciation	(1,149)	(176,035)	(596,996)	(42,883)	(17,258)	(11,182)	(845,503)
Net book value	2,804	164,705	273,093	3,590	13,621	585	458,398
Depreciation rate (% per annum)	1.01%	5 - 10%	10 - 50%	10 - 33%	20%	20%	

Particulars	Leasehold land	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
	Year ended June 30, 2016						
	Rupees in '000						
As at July 1, 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
Year ended June 30, 2016							
Opening net book value	2,884	212,110	379,449	5,502	15,545	1,817	617,307
Additions	-	5,978	10,739	1,930	1,800	-	20,447
Disposals / write-offs							
Cost	-	(39)	(23,407)	(380)	(5,467)	-	(29,293)
Accumulated depreciation	-	39	22,424	378	2,975	-	25,816
	-	-	(983)	(2)	(2,492)	-	(3,477)
Depreciation charge for the year	(40)	(26,865)	(66,414)	(2,966)	(3,876)	(551)	(100,712)
Closing net book value	2,844	191,223	322,791	4,464	10,977	1,266	533,565
As at June 30, 2016							
Cost	3,953	340,506	855,303	46,243	28,438	11,767	1,286,210
Accumulated depreciation	(1,109)	(149,283)	(532,512)	(41,779)	(17,461)	(10,501)	(752,645)
Net book value	2,844	191,223	322,791	4,464	10,977	1,266	533,565
Depreciation rate (% per annum)	1.01%	5 - 10%	10 - 50%	10 - 33%	20%	20%	

		Note	2017	2016
4.2	The depreciation charge for the year has been allocated as follows:		-----Rupees in '000-----	
	Cost of sales	23	94,719	96,700
	Selling and distribution expenses	24	1,587	2,254
	Administrative and general expenses	25	1,476	1,758
			97,782	100,712

4.3 Cumulative borrowing costs capitalised in prior years as a part of the cost of building on leasehold land and plant and machinery amounted in aggregate to Rs 13.281 million and 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	Sales proceeds	Mode of disposal	Particulars of buyers
	---------------- Rupees in '000			--------------		
Vehicles						
Suzuki Mehran	646	361	285	400	Negotiation	Mr. Shoaib Khan - third party
Suzuki Cultus	771	617	154	587	Negotiation	Mr. Iqbal - ex-employee
Suzuki Cultus	908	727	181	543	Negotiation	Mr. Abid Hussain - ex-CEO
Toyota Corolla	1,934	1,547	387	1,394	Negotiation	M. Saleem Ahmed - third party
Items with net book value not exceeding Rs 50,000 each	1,788	1,672	116	283	Negotiation	Various
Total - 2017	6,047	4,924	1,123	3,207		
Total - 2016	29,293	25,816	3,477	4,533		

		2017	2016
4.5	**Capital work-in-progress**	-----Rupees in '000-----	
	Stores and spares held for capital expenditure	8,056	8,624
	Others	989	-
		9,045	8,624

4.6 Certain operating fixed assets of the Company are kept secured with banks under pari-passu hypothecation, equitable mortgage charge, ranking charge, etc. for obtaining financing. The details of these assets are provided in note 19.1.

		Note	2017	2016
5	**INTANGIBLE ASSETS**		-----Rupees in '000-----	
	Computer software		100	-

5.1 The following is a statement of intangible assets:

	2017	2016
Opening net book value	-	-
Additions(at cost)	124	-
Amortization charge	(24)	-
Closing net book value	100	-
Gross carrying value basis		
Cost	124	-
Accumulated amortization	(24)	-
Net book value	100	-
Amortization rate % per annum	33%	

6 LONG-TERM LOANS - CONSIDERED GOOD

	Note	2017	2016
Loans to:			
- executives	6.1 & 6.2	1,463	844
- employees	6.1	8,395	8,803
		9,858	9,647
Less: receivable within one year			
- executives	11	656	372
- employees	11	4,583	4,661
		5,239	5,033
		4,619	4,614

6.1 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 instalments depending upon the type of loan. These are recovered through monthly deductions from salaries and are secured against the provident fund balances of the employees. As at June 30, 2017, none of these loans were past due or impaired.

6.2 Reconciliation of carrying amount of loans to executives is as follows:

	2017	2016
	-----Rupees in '000-----	
Opening balance	844	914
Additions during the year	1,320	393
Repayments during the year	(701)	(463)
Closing balance	1,463	844

The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs 1.50 million (2016: Rs 1.206 million).

	Note	2017	2016
		-----Rupees in '000-----	
7 DEFERRED TAX ASSET - NET			
Deferred tax debits arising on:			
Employees' short-term compensated absences		4,877	5,447
Impairment of trade debts		3,546	3,789
Unused tax losses	7.1	136,002	201,740
Excess of Alternate Corporate Tax (ACT) over corporate tax		3,134	-
Other provisions		13,219	9,582
		160,778	220,558
Deferred tax credit arising on:			
Accelerated tax depreciation allowance		(31,271)	(44,437)
		129,507	176,121

7.1 The Company has an aggregate amount of Rs 453.339 million (2016: Rs 650.773 million) in respect of unused tax losses as at June 30, 2017. 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 amounting to Rs 136.002 million (2016: Rs 201.740 million) on unused tax losses which includes deferred tax asset of Rs 109.969 million (2016: Rs 95.75 million) on unabsorbed tax depreciation. 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 (note 22.1), cost to income ratio, exchange, inflation and KIBOR 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 may be fully realised in future years.

	Notes	2017	2016
		-----Rupees in '000-----	
8 STORES AND SPARES			
Stores		19,527	17,880
Spares - in hand		31,012	32,412
- in transit		10	1,968
		31,022	34,380
		50,549	52,260
Less: provision for slow moving and obsolete stores and spares	8.1	(3,179)	-
		47,370	52,260

8.1 Reconciliation of provision for slow moving and obsolete stores and spares is as follows:

	Note	2017	2016
		-----Rupees in '000-----	
Opening balance		-	-
Charge for the year	27	3,179	-
		3,179	-
Closing balance		3,179	-

9 STOCK-IN-TRADE

	Note	2017	2016
		-----Rupees in '000-----	
Raw and packing materials - in hand		89,179	127,510
- in transit		61,234	46,399
	23	150,413	173,909
Work-in-progress	23	5,132	11,554
Finished goods - in hand	9.1	293,545	271,545
- in transit		20,810	280
	23	314,355	271,825
		469,900	457,288
Less: provision for slow moving and obsolete stock-in-trade	9.2	(5,406)	(5,592)
Less: provision for stents held with hospitals	9.3	(32,393)	(22,659)
		(37,799)	(28,251)
		432,101	429,037

9.1 These include items costing Rs 15.267 million (2016: Rs 8.089 million) that have been valued at their net realisable value amounting to Rs 12.496 million (2016: Rs 5.961 million).

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

	Note	2017	2016
		-----Rupees in '000-----	
Opening balance		5,592	19,975
Charge for the year	27	1,064	3,599
Reversal during the year	26	(1,250)	(17,982)
		(186)	(14,383)
Closing balance		5,406	5,592

9.3 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	2017	2016
		-----Rupees in '000-----	
Opening balance		22,659	21,774
Charge for the year - net	27	9,734	885
Closing balance		32,393	22,659

10 TRADE DEBTS - UNSECURED - NET

	Note	2017	2016
Considered good			
Due from Hospital Supply Corporation - related party		142,638	107,567
Others		55,765	57,487
		198,403	165,054
Considered doubtful			
Others (past due and impaired)		11,819	12,224
		210,222	177,278
Less: impairment of trade debts	10.1	11,819	12,224
		198,403	165,054

10.1 Reconciliation of impairment of trade debts

	Note	2017	2016
		-----Rupees in '000-----	
Opening balance		12,224	5,042
Charge for the year	27	7,807	9,802
Reversals during the year	26	(7,681)	(2,620)
		126	7,182
Amount written-off		(531)	-
Closing balance		11,819	12,224

10.2 As at June 30, 2017, trade debts of Rs 41.771 million (2016: Rs 39.460 million) were past due but not impaired out of which Rs 27.960 million (2016: Rs 27.875 million) denote amounts which are overdue from a related party for less than 30 days for which the Company expects future recovery. The remaining balances relate to 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	2017	2016
		-----Rupees in '000-----	
From 1 day to 30 days		34,107	35,133
From 31 days to 60 days		2,380	4,049
From 61 days to 90 days		5,284	278
		41,771	39,460

11 LOANS AND ADVANCES - CONSIDERED GOOD

	Note	2017	2016
		-----Rupees in '000-----	
Loans due from:			
- executives	6	656	372
- employees	6	4,583	4,661
		5,239	5,033
Advances to:			
- employees	11.1	2,483	1,869
- suppliers	11.2	23,590	19,690
		26,073	21,559
		31,312	26,592

11.1 These are non-interest bearing advances given to employees to meet business expenses and are settled as and when expenses are incurred.

11.2 These are provided for routine business activities and are non-interest bearing.

12 TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES

	Note	2017	2016
		-----Rupees in '000-----	
Trade deposits	12.1	13,158	9,444
Short-term prepayments		4,862	8,379
Receivable from staff retirement benefit fund	33.1.2	-	1,390
Sales tax refundable		3,452	3,259
Other receivables		1,330	306
		22,802	22,778

12.1 These denote deposits placed with various counter parties and are non-interest bearing

13 TAXATION

	Note	2017	2016
		-----Rupees in '000-----	
Taxation	13.1	102,589	151,939

13.1 The income tax assessments of the Company have been finalised by the Income Tax Department / deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 upto tax year 2016. Contingencies in respect of taxation are detailed in notes 21.3 and 21.4.

14 BANK BALANCES

	Note	2017	2016
		-----Rupees in '000-----	
Balances with banks in current accounts	14.1	17,901	10,785

14.1 These denote balances in accounts maintained with conventional banks and are non-interest bearing.

15 SHARE CAPITAL

Authorised share capital

2017	2016		2017	2016
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

2017	2016		2017	2016
Number of shares				
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 bonus shares	10,000	10,000
11,000,000	11,000,000		110,000	110,000

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

2017	2016		2017	2016
Number of shares			----- Rupees in '000 -----	
11,000,000	11,000,000	Opening balance	110,000	110,000
-	-	Shares issued during the year	-	-
11,000,000	11,000,000	Closing balance	110,000	110,000

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

	2017		2016	
Name of the Company	**Shares held**	**Percentage**	**Shares held**	**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.	1,452,000	13.20%	1,452,000	13.20%
Directors and their spouses and minor children	748,520	6.80%	748,520	6.80%
Executives	110	0.00%	110	0.00%

* *These include shares held by directors nominated by Otsuka Pharmaceutical Company Limited, Japan and P. T. Otsuka Indonesia, Indonesia.*

16 CURRENT MATURITY OF LONG-TERM FINANCE - SECURED

	Note	2017	2016
		-----Rupees in '000-----	
From banking company - in local currency			
Long-term finance utilised under mark-up arrangements	16.1	-	108,333
Less: current maturity		-	(108,333)
		-	-

16.1 This denoted long-term finance facility availed from Bank of Tokyo-Mitsubishi UFJ, Limited (Pakistan branch) to finance the balancing, modernisation and replacement (BMR) project undertaken by the Company during the year ended June 30, 2013. The facility was drawn down by the Company on January 30, 2013 and was fully repaid on January 2, 2017.

17 SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED

	Note	2017	2016
		-----Rupees in '000-----	
In foreign currency			
Loan from Otsuka Pharmaceutical Factory, Inc.	17.1	500,613	621,629

17.1 This represents a foreign currency denominated loan obtained in two tranches of JPY 75 million each drawn down on June 16, 2014 and December 22, 2014, three tranches of JPY 125 million each drawn down on February 26, 2015, April 27, 2015 and July 27, 2015 and one tranche of JPY 84.50 million drawn on December 16, 2015. Each facility is to be repaid within one year of the initial drawn down date.

Each tranche was repayable within one year of the initial drawn down date. The first tranche of JPY 75 million falling due on June 15, 2015 was rolled forward twice for a further period of one year from the due date and was repaid early in December 2016. The second tranche of JPY 75 million falling due on December 21, 2015 was rolled forward twice for a further period of one year from the date it had fallen due and was repaid subsequent to the year ended June 30, 2017. The third, fourth and fifth tranches of JPY 125 million each falling due on February 25, 2016, April 26, 2016 and July 26, 2016 were rolled forward twice for a further period of one year from the due dates. The sixth tranche of JPY 84.5 million falling due on December 15, 2016 has also been rolled forward for another year.

Mark-up is charged at LIBOR + 0.40% (2016: LIBOR + 0.40%) per annum and is payable semi-annually in arrears.

18 TRADE AND OTHER PAYABLES	Note	2017	2016
		-----Rupees in '000-----	
Creditors		48,735	44,319
Bills payable	18.1	93,006	90,686
Accrued liabilities		100,573	88,517
Payable to staff retirement benefit fund	33.1.2	3,072	-
Provision for employees short-term compensated absences		16,256	17,571
Sales tax payable	18.2	67,627	1,512
Retention money		1,515	1,515
Security deposits		1,616	1,682
Workers' Welfare Fund		725	726
Workers' Profits Participation Fund		10,421	-
Central Research Fund		1,817	-
Advances from customers		13,685	5,558
Unclaimed dividend		1,187	1,187
Other liabilities	18.3	4,129	7,190
		364,364	260,463

18.1 These include amounts payable to the related parties as at the end of the year aggregating to Rs 65.103 million (2016: Rs 42.713 million).

18.2 This amount includes sales tax payable in respect of imported materials of polyethylene (for IV solutions) released by the Collector of Customs after submission of bank guarantees.

During the year ended June 30, 2015, the Collector of Customs had withheld stocks of polyethylene, pharmaceutical grade granules at import stage with a view that those should have been classified as packaging material instead of raw materials and were subject to the levy of sales tax. The management contended that those materials were used for manufacturing of IV solutions and constituted an integral part of the finished products and were, therefore, exempt from sales tax under SRO 551 (1)/2008 dated June 11, 2008. Thereafter, the Company imported materials of polyethylene (for IV solutions) which were released by the Collector of Customs after submission of bank guarantees. The matter had been taken up by the Company in the High Court of Sindh with such claims being disclosed as claims not acknowledged by the Company till June 30, 2016.

During the year ended June 30, 2017, similar cases were disposed of in the favour of Collector of Customs. Accordingly, based on legal advice, the management has recorded a provision of sales tax amounting to Rs 66.127 million in these financial statements during the current year.

18.3 Other liabilities include an amount of Rs nil (2016: Rs 2.804 million) payable to Employees' Provident Fund.

		Note	2017	2016
19	**SHORT-TERM RUNNING FINANCE - SECURED**		-----Rupees in '000-----	
	From banking companies			
	Short-term running finance facilities utilised under mark-up arrangements - secured	19.1	443,368	547,795

19.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000'	Mark up rate	Current security	Frequency of mark-up payment	Facility expiry date	2017	2016
						-----Rupees in '000-----	
The Bank of Tokyo Mitsubishi UFJ, Limited	525,000	3 months KIBOR + 1.00% p.a.	(a) Joint pari passu hypothecation charge of Rs 500 million on movables and receivables registered with the SECP; (b) Joint pari passu equitable mortgage of Rs 124 million on immovable fixed assets (land and building) duly registered with the SECP; (c) Joint pari passu hypothecation charge over plant and machinery for Rs 254 million duly registered with the SECP; and (d) Guarantee of the parent company amounting to Rs 625 million.	Quarterly	September 29, 2017	391,755	373,266
Bank Alfalah Limited	130,000	3 months KIBOR + 1.5% p.a.	(a) Joint pari passu charge over stocks and receivables of Rs 147 million registered with the SECP; (b) Joint pari passu charge over land and building for Rs 51 million registered with the SECP; and (c) Joint pari passu charge over plant and machinery of Rs 121 million registered with the SECP.	Quarterly	January 31, 2018	4,822	114,109
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 fixed assets (plant and machinery) and mortgage over fixed assets (land and building) in the proportion of 60:40 inclusive of 25% margin duly registered with SECP.	Quarterly	March 31, 2017*	46,791	60,420
	755,000					443,368	547,795

* The management is currently in the process of obtaining a renewal against the said facility.

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

19.2.1 The facilities relating to import letter of credit (sight / usance / acceptance) available from conventional banks as at June 30, 2017 amounted in aggregate to Rs 190 million (2016: Rs 190 million) in respect of which the Company has exercised its option to utilise a part of the total facility limit of Rs 35 million (2016: Rs 35 million) for issuance of letters of guarantee. The amount remaining unutilised as at the year ended June 30, 2017 amounted to Rs 131.517 million (2016: Rs 145.468 million).

19.2.2 In addition, a facility for guarantee available from banks as at June 30, 2017 amounted to Rs 80 million (2016: Rs 80 million) of which the Company has an option to utilise Rs 35 million (2016: Rs 35 million) for the issuance of letters of credit and Rs 55 million (2016: Rs 30 million) for obtaining running finance. The amount remaining unutilised at the year ended June 30, 2017 amounted to Rs 28.095 million (2016: Rs 26.750 million).

20 MARK-UP ACCRUED

	2017	2016
	-----Rupees in '000-----	
Mark-up accrued on:		
- Short-term running finance - secured	9,233	10,548
- Long-term finance - secured	-	4,388
- Short-term loan from a related party - unsecured	-	23
	9,233	14,959

21 CONTINGENCIES AND COMMITMENTS

21.1 Commitments in respect of:

Capital expenditure contracted for but not incurred	2,818	433
Letters of credit	23,483	9,532
Letters of guarantee	76,905	53,250

21.2 The Company has filed a suit in the Sindh High Court (SHC) against the imposition of sales tax under the Sales Tax Act, 1990 with respect to raw and packing material being imported and purchased locally by the Company for manufacturing pharmaceutical products. The SHC has passed and interim order in favour of the Company maintaining that items fetching lessor customs duty than ten percent ad valorem, may not be subject to the levy of sales tax. This matter is at the stage of hearing of applications. During the year ended June 30, 2017, the Company has availed sales tax exemption under the said stay order amounting to Rs 8.023 million on imported packaging material. Based on the advice of the lawyer who is handling the case, the management believes the Company has a strong case and the suit is likely to be decreed in its favour. Accordingly, no provision has been made in these financial statements during the year ended June 30, 2017 in respect of the said amount.

21.3 On March 05, 2015, a notice of demand was served on the Company by the Additional Commissioner Inland Revenue (ACIR) for an amount of Rs 164.778 million (2016: Rs 164.778 million) under section 122 (5A) of the Income Tax Ordinance, 2001. The ACIR added back certain items such as exchange loss, claims against provisions and write-offs of inventory, discounts and rebates on sales and trade debts and disallowed finance cost in the income returned for tax year 2012. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] who upheld the action of ACIR on certain items against which the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) to review the action of the CIR(A). The latest hearing of ATIR was held on January 19, 2017 in which the decision of certain items was taken in favour of the Company. Subsequent to the year ended June 30, 2017, the Company has filed an appeal in the Honourable Sindh High Court against the earlier orders of the tax authorities. However, no provision has been recorded in the financial statements in respect of the said amount as, based on the opinion of the legal advisor of the Company, the management expects a favourable outcome of this matter.

21.4 The Finance Act, 2017 has introduced an amendment in section 5(A) of the Income Tax Ordinance, 2001 whereby tax on undistributed reserves has been substituted by a new concept of tax on undistributed profits for the year. The new regime introduces tax at the rate of seven and a half percent of the accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares. The amendment is applicable for tax year 2017 and onwards.

In this connection, the Company filed a constitutional petition before the Sindh High Court seeking a declaration and injunction therefrom against the Federation of Pakistan and others to suspend the aforementioned imposition of tax on undistributed profit of the Company and has been granted a stay order against the aforementioned tax levy. Accordingly, no provision has been made in these financial statements for the year ended June 30, 2017 in respect of tax chargeable on undistributed profits for the year as, based on legal advice, the Company has goods grounds in this case.

		ote	2017	2016
			-----Rupees in '000-----	
21.5	Claims not acknowledged as debt	18.2	-	43,963
22	**NET SALES**			
	Sales (net of returns of Rs 27.488 million; 2016: Rs 13.594 million)	22.1	2,056,138	1,733,867
	Less: sales tax		(17,785)	(18,189)
			2,038,353	1,715,678
	Less: discounts		(208,729)	(164,969)
			1,829,624	1,550,709

22.1 During the year ended June 30, 2015, the Drug Regulatory Authority of Pakistan (DRAP) issued the Drug Pricing Policy 2015 (the Policy) vide a notification dated March 5, 2015. The policy called for a transparent mechanism to be devised by the Policy Board to review the Maximum Retail Prices (MRPs) of drugs which had become non-viable in the market. Under clause 10(4) of the Policy, hardship cases of scheduled molecules submitted on specified form and complete in all respect were required to be processed on priority and decided on a first come first served basis but not later than 9 months from the date of notification of the Policy. Earlier, the management of the Company had submitted hardship cases for its IV products for price increase and a committee (the Committee) was formed to evaluate the contention of the Company and to recommend price increase for the products.

Since the Committee did not give any decision on the price increase within the stipulated nine months, the Company increased the prices of certain products. In order to avoid any adverse action from DRAP, the Company has filed a Civil Suit in respect of the matter before the High Court of Sindh (SHC) against DRAP and the Federation of Pakistan. The SHC issued a notice to the DRAP and the Federation of Pakistan not to take any coercive action against the Company. Subsequently, the SHC while hearing petition related to "hardship" cases filed by the Company ordered to continue the interim injunction granted to the Company asserting that no coercive action be taken against it. The Court further said in its hearing that the DRAP would be at liberty to decide the pending hardship cases filed by the Company. On the other hand, the DRAP in the hearings informed the Court that the Company was required to furnish additional documentation in order to decide on the hardship cases. The documents in the prescribed forms were submitted by the Company to the DRAP. The Court in its hearings ordered the DRAP to process and decide the hardship cases and to place a compliance report / decision before the Court for its review once the requisite documents had been furnished by the Company. The DRAP submitted its report before the Court in the hearing held in May 2016. In its last hearing held on December 19, 2016, the SHC has disposed of the suit filed by the Company and has barred the DRAP from taking any coercive action against the Company till the time any decision is taken by the Economic Coordinate Committee (ECC) of the Cabinet and the Federal Government regarding orphan drugs and IV solutions.

In view of the pendency of the decisions to be taken by the ECC and the Federal Government as stated above, the management of the Company believes that there are strong grounds to support the Company's stance on the price increase matter and hardship cases are likely to be decided in favour of the Company.

		Note	2017	2016
23	**COST OF SALES**		-----Rupees in '000-----	
	Raw and packing material consumed:			
	Opening stock		173,909	164,953
	Purchases		539,768	448,635
	Closing stock	9	(150,413)	(173,909)
			563,264	439,679
	Stores and spares consumed		56,062	44,077
	Salaries, wages and benefits	23.1	257,419	242,481
	Rent, rates and taxes		7,542	5,230
	Insurance		2,958	3,359
	Fuel and power		134,206	144,429
	Repairs and maintenance		5,736	4,328
	Travelling and vehicle running expenses		23,477	22,670
	Communication and stationery		369	346
	Depreciation	4.2	94,719	96,700
	General expenses		5,250	4,647
			587,738	568,267
			1,151,002	1,007,946
	Opening stock of work-in-process		11,554	4,600
	Closing stock of work-in-process	9	(5,132)	(11,554)
	Cost of goods manufactured		1,157,424	1,000,992
	Opening stock of finished goods		271,825	359,876
	Finished goods purchased during the year		221,880	199,141
	Cost of samples shown under selling and distribution expenses		(7,023)	(6,110)
	Closing stock of finished goods	9	(314,355)	(271,825)
			(321,378)	(277,935)
			1,329,751	1,282,074

23.1 Salaries, wages and benefits include Rs 9.203 million (2016: Rs 8.619 million) in respect of staff retirement benefits.

		Note	2017	2016
24	**SELLING AND DISTRIBUTION EXPENSES**		-----Rupees in '000-----	
	Salaries, wages and benefits	24.1	80,920	74,433
	Rent, rates and taxes		561	539
	Insurance		4,282	3,321
	Repairs and maintenance		552	307
	Travelling and vehicle running expenses		6,117	3,058
	Communication and stationery		1,602	1,373
	Advertising samples and promotional expenses		66,029	60,588
	Outward freight and handling		44,103	37,025
	Depreciation	4.2	1,587	2,254
			205,753	182,898

24.1 Salaries, wages and benefits include Rs 5.258 million (2016: Rs 4.656 million) in respect of staff retirement benefits.

		Note	2017	2016
25	**ADMINISTRATIVE AND GENERAL EXPENSES**		-----Rupees in '000-----	
	Salaries, wages and benefits	25.1	61,936	50,997
	Rent, rates and taxes		4,176	3,769
	Insurance		752	782
	Fuel and power		1,922	1,946
	Repair and maintenance		510	332
	Travelling and vehicle running expenses		3,186	3,419
	Communication and stationery		1,186	983
	Subscription		1,118	1,236
	Legal and professional charges		2,859	4,599
	Depreciation	4.2	1,476	1,758
	Amortisation	5.1	24	-
	General expenses		5,417	4,288
			84,562	74,109

25.1 Salaries, wages and benefits include Rs 2.729 million (2016: Rs 2.483 million) in respect of staff retirement benefits.

		Note	2017	2016
26	**OTHER INCOME**		-----Rupees in '000-----	
	Income from financial assets and financial liabilities			
	Reversal of impairment on trade debts	10.1	7,681	2,620
	Liabilities no longer required written back		89	4,429
	Late payment charges from Hospital Supply Corporation - related party		2,710	903
	Exchange gain - net	26.1	51,278	-
			61,758	7,952
	Income from assets other than financial assets			
	Gain on disposal of fixed assets - net		2,084	1,056
	Scrap sales		13,466	14,022
	Reversal of provision for slow moving and obsolete stock-in-trade	9.2	1,250	17,982
	Others	26.2	246	153
			17,046	33,213
			78,804	41,165

26.1 This includes exchange gain amounting to Rs 66.641 million pertaining to mark-to market gain on foreign currency denominated liabilities.

26.2 This amount include reversal of forfeited deposits and other miscellaneous income which are non-interest bearing.

		Note	2017	2016
27	**OTHER EXPENSES**		**-----Rupees in '000-----**	
	Exchange loss - net		-	119,229
	Auditors' remuneration	27.1	3,025	2,031
	Donations	27.2	1,351	105
	Workers' Welfare Fund		-	47
	Workers' Profits Participation Fund		10,421	-
	Central Research Fund		1,817	-
	Impairment of trade debts	10.1	7,807	9,802
	Provision for slow moving and obsolete stock-in-trade	9.2	1,064	3,599
	Provision for stents held with hospitals	9.3	9,734	885
	Provision for slow moving and obsolete stores and spares	8.1	3,179	-
	Bank charges and commission		1,194	968
	Others		6,561	4,621
			46,153	141,287

		Note	2017	2016
27.1	**Auditors' remuneration**		**-----Rupees in '000-----**	
	Statutory audit fee		850	750
	Fee for the review of condensed interim financial information		275	200
	Fee for tax advisory services		1,525	722
	Fee for special certifications		75	75
	Out-of-pocket expenses		300	284
			3,025	2,031

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

		Note	2017	2016
28	**FINANCE COST**		**-----Rupees in '000-----**	
	Mark-up on finances from banks and related party			
	- Short-term loan from a related party		3,466	3,536
	- Long-term finance		1,476	11,743
	- Short-term running finance		41,093	49,704
			46,035	64,983
29	**TAXATION - NET**			
	Current			
	- for the year		33,503	20,701
	- for prior years		5,721	(3,638)
			39,224	17,063
	Deferred		47,199	(58,363)
		29.1	86,423	(41,300)

29.1 The numerical reconciliations between income tax expense and accounting profit for 2017 and 2016 have not been presented as the current tax charge pertains to alternate corporate tax at the rate of 17% of the accounting profit before tax of the Company (computed under section 113C of the Income Tax Ordinance, 2001).

30 EARNINGS / (LOSS) PER SHARE

30.1 Basic

	Note	2017	2016
		-----Rupees in '000-----	
Profit / (loss) for the year after taxation		109,751	(112,177)
		-----Numbers of shares-----	
Weighted average number of ordinary shares outstanding during the year	15.1	11,000,000	11,000,000
		----------Rupees----------	
Earnings / (loss) per share - basic		9.98	(10.20)

30.2 Diluted

The impact of dilution on earnings / (loss) per share has not been presented as the Company did not have any convertible instruments in issue as at June 30, 2017 and 2016 which would have had any effect on the earnings / (loss) per share if the option to convert had been exercised.

31 CASH AND CASH EQUIVALENTS

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

	Note	2017	2016
		-----Rupees in '000-----	
- Bank balances	14	17,901	10,785
- Short-term running finance utilised under mark-up arrangements	19	(443,368)	(547,795)
		(425,467)	(537,010)

32 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
Particulars	2017	2016	2017	2016	2017	2016
	Rupees in '000					
Managerial remuneration	5,700	5,700	-	-	40,982	38,915
Bonus	-	-	-	-	2,629	3,861
House rent	4,560	4,560	-	-	18,437	17,507
Utilities	1,140	1,140	-	-	4,097	3,890
Medical expenses	-	-	-	-	4,771	4,529
Leave fare assistance / encashment	687	578	-	-	8,619	4,722
Meeting fee	-	-	225	150	-	-
Technical advisory fee	-	-	2,560	2,400	2,400	2,400
Retirement benefits	902	902	-	-	6,160	5,980
Others	-	-	-	-	693	766
	12,989	12,880	2,785	2,550	88,788	82,570
Number of person(s)	1	1	5	4	40	35

32.1 The Chief Executive Officer and certain executives are provided free use of the Company's maintained cars and are entitled to certain reimbursable business expenses such as communication charges and fuel expenses as per the terms of employment.

33 EMPLOYEE BENEFIT SCHEMES

33.1 Defined benefit plan - staff retirement gratuity scheme

As mentioned in note 3.11(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, 2017. The Projected Unit Credit Method with the following significant assumptions was used for the valuation of the scheme:

33.1.1 Principal actuarial assumptions	2017	2016
a) Discount rate	8.00%	7.75%
b) Expected rate of return on plan assets	8.00%	9.00%
c) Expected rate of increase in salary - for the next 1 year		
- management staff	13.00%	9.00%
- non-management staff	8.00%	9.00%
d) Mortality rates	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
e) Withdrawal rates	Moderate	Moderate

33.1.2 Amount recognised in the balance sheet	Note	2017	2016
		----------Rupees in '000---------	
Present value of defined benefit obligation		88,683	88,947
Less: fair value of plan assets		(85,611)	(90,337)
	12 & 18	3,072	(1,390)

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

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Net
	Rupees in '000		
As at July 1, 2016	88,947	(90,337)	(1,390)
Current service cost	8,147	-	8,147
Interest expense / (income)	6,121	(6,435)	(314)
Remeasurements:			
- loss from the changes in financial assumptions	2,626	-	2,626
- experience adjustments	2,766	(3,442)	(676)
	5,392	(3,442)	1,950
Contributions made	-	(5,321)	(5,321)
Benefits paid	(19,924)	19,924	-
As at June 30, 2017	88,683	(85,611)	3,072

	2016		
	Present value of defined benefit obligation	Fair value of plan assets	Net
	Rupees in '000		
As at July 1, 2015	79,303	(77,123)	2,180
Current service cost	6,592	-	6,592
Interest expense / (income)	6,886	(7,152)	(266)
Remeasurements:			
- loss from the changes in financial assumptions	507	-	507
- experience adjustments	1,242	(1,374)	(132)
	1,749	(1,374)	375
Contributions made	-	(10,271)	(10,271)
Benefits paid	(5,583)	5,583	-
As at June 30, 2016	88,947	(90,337)	(1,390)

33.1.3 Amount recognised in the profit and loss account

	2017	2016
	Rupees in '000	
Current service cost	8,147	6,592
Interest cost	6,121	6,886
Expected return on plan assets	(6,435)	(7,152)
Expense for the year	7,833	6,326

33.1.4 Composition of plan assets

	--- As at June 30, 2017 ---		--- As at June 30, 2016 ---	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Defence Saving Certificates	78,670	91.89%	70,053	77.50%
Pakistan Investment Bonds	5,184	6.06%	20,123	22.30%
Treasury Bills	-	0.00%	-	0.00%
Cash and cash equivalents	1,757	2.05%	161	0.20%
	85,611	100.00%	90,337	100.00%

33.1.5 Historical information

	2017	2016	2015	2014	2013
	Rupees in '000				
Present value of defined benefit obligation	88,683	88,947	79,303	75,190	70,539
Fair value of plan assets	(85,611)	(90,337)	(77,123)	(69,647)	(61,875)
Net defined benefit liability	3,072	(1,390)	2,180	5,543	8,664
Remeasurement (loss) / gain on defined benefit obligation	(5,392)	(1,749)	(2,463)	3,475	63
Remeasurement gain / (loss) on plan assets	3,442	1,374	(568)	(569)	2,712
	(1,950)	(375)	(3,031)	2,906	2,775

33.1.6 Actual return on plan assets during the year amounted to Rs 9.877 million (2016: Rs 8.526 million).

33.1.7 Based on the actuarial advice the Company intends to charge an amount of approximately Rs 9.633 million (2016: Rs 6.737 million) in respect of gratuity fund in the financial statements for the year ending June 30, 2018.

33.1.8 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 a higher side.

b) Investment risk

This is the risk of investments underperforming and not being sufficient to meet liabilities. However, the trustees of the fund have a practice to invest the amounts 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 basis of 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 risk

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.

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

Particulars	As at June 30, 2017 Change in assumption	Increase / (decrease) in present value of defined benefit obligation (%)	Rupees in '000	As at June 30, 2016 Change in assumption	Increase / (decrease) in present value of defined benefit obligation (%)	Rupees in '000
Discount rate	+1%	(4.92%)	(4,366)	+1%	(7.50%)	(6,671)
	-1%	5.37%	4,766	-1%	8.54%	7,599
Salary increase rate	+1%	5.31%	4,707	+1%	8.45%	7,519
	-1%	(4.95%)	(4,393)	-1%	(7.56%)	(6,725)
Withdrawal rate	+10%	(0.01%)	(9)	+10%	(0.01%)	8
	-10%	0.01%	9	-10%	0.00%	(6)

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 5.15 years.

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

As at June 30, 2017

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to Year 10	Year 11 and above
	Rupees in '000						
Otsuka Pakistan Limited Gratuity Fund	10,689	3,932	7,875	6,222	404	48,072	112,150

As at June 30, 2016

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to Year 10	Year 11 and above
	Rupees in '000						
Otsuka Pakistan Limited Gratuity Fund	3,310	9,548	9,779	10,491	6,239	40,826	110,611

33.1.11 The information provided in notes 33.1.1 to 33.1.10 has been obtained from the details provided by the actuary of the Company.

33.2 Defined contribution plan - staff provident fund

An amount of Rs 9.357 million (2016: Rs 9.432 million) has been charged during the year in respect of the contributory Provident Fund scheme operated by the Company. The key particulars of the Fund are as follows:

	Note	2017	2016
		------- Rupees in '000 -------	
Size of the provident fund - total assets *		136,750	148,099
Fair value / amortised cost of investments *	33.2.1	123,082	127,731
		--------- Percentage ---------	
Percentage of investments made *		90.01%	86.25%

33.2.1 The cost of above investments amounted to Rs 54.5 million (2016: Rs 64.017 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:

	2017	2016	2017		2016	
			Quoted	Non-quoted	Quoted	Non-quoted
	------ Percentage ------		---------------- Rupees in '000 ----------------			
Investments in government securities						
- Defence Saving Certificates	100.00%	85.16%	-	54,500	-	54,500
- Pakistan Investment Bonds	0.00%	14.84%	-	-	9,500	-
	100.00%	100.00%	-	54,500	9,500	54,500

* The aforementioned information is based on the un-audited financial statements of the Fund for the year ended June 30, 2017 and June 30, 2016.

34 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], Idrees Plastics, 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	Parent company	Other associated undertakings	Key management personnel	Other related parties	Total
	June 30, 2017				
	---------- Rupees in '000 ----------				
Transactions during the year					
Net sales (net of discounts allowed Rs 148.320 million)	-	846,707	-	-	846,707
Inventory purchased	29,940	187,828	-	3,384	221,152
Sales to key management personnel	-	-	48	-	48
Consultancy charges	-	-	4,960	-	4,960
Remuneration of the key management personnel	-	-	99,602	-	99,602
Short-term loan repaid to a related party	-	67,688	-	-	67,688
Mark-up expense on short-term loan from a related party	-	3,466	-	-	3,466
Late payment charges received from Hospital Supply Corporation	-	-	-	2,710	2,710
Donation to Otsuka Welfare Clinic	-	-	-	105	105
Charge relating to staff provident fund	-	-	-	9,357	9,357
Charge relating to staff gratuity fund	-	-	-	7,833	7,833
Remeasurements of defined benefit plans	-	-	-	1,950	1,950
Purchases from Hospital Supply Corporation	-	257	-	-	257
Purchases from Unifroze Chemicals Industries (Private) Limited	-	160	-	-	160
Balances outstanding as at the end of the year					
Receivable from Hospital Supply Corporation against sale of goods	-	142,637	-	-	142,637
Payable to Hospital Supply Corporation	-	33	-	-	33
Payable to P. T. Otsuka Indonesia	-	3,146	-	-	3,146
Payable to Shanghai Microport EPMed Tech Co., Limited	-	4,116	-	-	4,116
Payable to Shanghai Microport Medical (Group) Company Limited	-	46,186	-	-	46,186
Payable to Otsuka Pharmaceutical Factory, Inc.	-	1,110	-	-	1,110
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	10,545	-	-	10,545
Loan from Otsuka Pharmaceutical Factory, Inc.	-	500,613	-	-	500,613
Advance from key management personnel	-	-	1,681	-	1,681
Payable to Employees' Gratuity Fund	-	-	-	3,072	3,072

Particulars	Parent company	Other associated undertakings	Key management personnel	Other related parties	Total
	June 30, 2016				
	---------- Rupees in '000 ----------				
Transactions during the year					
Net sales (net of discounts allowed Rs 115.521 million)	-	719,282	-	-	719,282
Inventory purchased	28,576	142,563	-	6,865	178,004
Sales to key management personnel	-	-	42	-	42
Consultancy charges	-	-	4,800	-	4,800
Remuneration of the key management personnel	-	-	98,000	-	98,000
Short-term loan obtained from a related party	-	175,376	-	-	175,376
Mark-up expense on short-term loan from a related party	-	3,536	-	-	3,536
Late payment charges received from Hospital Supply Corporation	-	-	-	903	903
Donation to Otsuka Welfare Clinic	-	-	-	105	105
Charge relating to staff provident fund	-	-	-	9,432	9,432
Charge relating to staff gratuity fund	-	-	-	6,326	6,326
Remeasurements of defined benefit plans	-	-	-	375	375
Balances outstanding as at the end of the year					
Receivable from Hospital Supply Corporation against sale of goods	-	107,567	-	-	107,567
Payable to Shanghai Microport EPMed Tech Co., Limited	-	1,140	-	-	1,140
Payable to Shanghai Microport Medical (Group) Company Limited	-	30,196	-	-	30,196
Payable to Otsuka Pharmaceutical Factory, Inc.	-	1,431	-	-	1,431
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	9,946	-	-	9,946
Payable to Idrees Plastics	-	1,350	-	-	1,350
Loan from Otsuka Pharmaceutical Factory, Inc.	-	621,629	-	-	621629
Advance from key management personnel	-	-	1,011	-	1,011
Mark-up payable on short-term loan from a related party	-	23	-	-	23
Payable to Employees' Provident Fund	-	-	-	2,804	2,804
Receivable from Employees' Gratuity Fund	-	-	-	1,390	1,390
Receivable from Shanghai Microport Medical (Group) Company Limited	-	306	-	-	306

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

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 33 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 6, 10 and 11, are interest free and are repayable on demand. Particulars of transactions with employee benefit schemes are disclosed in note 33.

		Note	2017	2016
35	**CASH GENERATED FROM / (USED IN) OPERATIONS**		-----Rupees in '000-----	
	Profit / (loss) for the year before taxation		196,174	(153,477)
	Adjustment for non-cash charges and other items:			
	Depreciation	4.2	97,782	100,712
	Amortisation	5.1	24	
	Liabilities no longer required written back	26	(89)	(4,429)
	Exchange (gain) / loss	26 & 27	(51,278)	119,229
	Workers' Welfare Fund	27	-	47
	Workers' Profits Participant Fund	27	10,421	-
	Central Research Fund	27	1,817	-
	Gain on disposal of fixed assets - net	26	(2,084)	(1,056)
	Reversal of provision for slow moving and obsolete stock-in-trade - net	9.2	(186)	(14,383)
	Provision for stents - net	9.3	9,734	885
	Provision for slow moving and obsolete stores and spares	8.1	3,179	-
	Impairment on trade debts - net charge	10.1	126	7,182
	Impairment on trade debts - written off	10.1	(531)	-
	Mark-up on finances	28	46,035	64,983
	Working capital changes	35.1	92,491	(159,924)
			403,615	(40,231)

		2017	2016
35.1	**Working capital changes**		
	(Increase) / Decrease in current assets		
	Stores and spares	1,711	1,054
	Stock-in-trade	(12,612)	72,141
	Trade debts	(32,944)	(77,697)
	Loans and advances	(4,720)	(13,060)
	Trade deposits, short-term prepayments and other receivables	(24)	(9,404)
		(48,589)	(26,966)
	Increase / (Decrease) in current liabilities		
	Trade and other payables	141,080	(132,958)
		92,491	(159,924)

36 STAFF STRENGTH

	2017	2016
	Number of employees	
Number of employees at June 30		
- Permanent employees		
Management staff	206	216
Workers	183	182
Average number of employees during the year		
- Permanent employees		
Management staff	211	216
Workers	183	183

37 OPERATING SEGMENTS

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

37.2 Sales from Intravenous Solutions represent 83 percent while sales from others represent 17 percent (2016: 80.58 percent and 19.42 percent) respectively of the total revenue of the Company.

37.3 Sales percentage by geographic region is as follows:

	2017	2016
	In percent	
Pakistan	98.72	99.50
Afghanistan	1.28	0.50

37.4 All non-current assets of the Company as at June 30, 2017 are located in Pakistan.

37.5 Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region is around 46.28 percent during the financial year ended June 30, 2017 (2016: 46.38 percent).

38 FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	As at June 30, 2017		
	Loans and receivables	Held to maturity	Total
	Rupees in '000		
Financial assets			
Long-term loans - considered good	4,619	-	4,619
Long-term deposits	1,295	-	1,295
Trade debts (unsecured) - net	198,403	-	198,403
Loans and advances - considered good	5,239	-	5,239
Trade deposits and other receivables	14,488	-	14,488
Bank balances	17,901	-	17,901
	241,945	-	241,945

Particulars	As at June 30, 2017		
	At fair value through profit or loss	At amortised cost	Total
	Rupees in '000		
Financial liabilities			
Short-term loan from a related party - unsecured	-	500,613	500,613
Trade and other payables	-	267,238	267,238
Short-term running finance - secured	-	443,368	443,368
Mark-up accrued	-	9,233	9,233
	-	1,220,452	1,220,452

Particulars	As at June 30, 2016 Loans and receivables	Held to maturity	Total
	----------------------- Rupees in '000	-----------------------	
Financial assets			
Long-term loans - considered good	4,614	-	4,614
Long-term deposits	1,288	-	1,288
Trade debts (unsecured) - net	165,054	-	165,054
Loans and advances - considered good	5,033	-	5,033
Trade deposits and other receivables	11,140	-	11,140
Bank balances	10,785	-	10,785
	197,914	-	197,914

Particulars	As at June 30, 2016 At fair value through profit or loss	At amortised cost	Total
	----------------------- Rupees in '000	-----------------------	
Financial liabilities			
Short-term loan from a related party - unsecured	-	621,629	621,629
Trade and other payables	-	249,308	249,308
Term finance - secured	-	108,333	108,333
Short-term running finance - secured	-	547,795	547,795
Mark-up accrued	-	14,959	14,959
	-	1,542,024	1,542,024

39 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:

39.1 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.

39.1.1 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, 2017, financial liabilities of Rs 593.619 million (2016: Rs 712.315 million) are payable in foreign currencies which have exposed the Company to foreign currency risk. The currency wise details of these liabilities have been provided below:

	Note	2017	2015
		-----Rupees in '000-----	
Short-term loan from a related party - unsecured			
Yen	17	500,613	621,629
Bills payable			
US Dollar		86,818	80,433
Euro		2,077	6,639
Yen		4,111	3,614
	18	93,006	90,686
Mark-up accrued			
Yen	20	-	23

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

As at June 30, 2017, if the Pakistani Rupee had weakened / strengthened by 10% against foreign currencies with all other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs 59.362 million (2016: Rs 71.234 million) respectively, mainly as a result of foreign exchange losses / gains on translation of foreign currency denominated financial liabilities.

39.1.2 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 obtained from various banks that expose the Company to cash flow interest rate risk. In case of increase / decrease in KIBOR by 100 basis points on the last repricing date with all other variables held constant, the profit before tax for the year ended June 30, 2017 would have been lower / higher by Rs 1.467 million (2016: Rs 2.785 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, the profit before tax for the year ended June 30, 2017 would have been lower / higher by Rs 1.615 million (2016: Rs 1.719 million).

The movement in the liabilities under short-term finances utilised under mark-up arrangements 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, 2017 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.

The maturity profiles of the Company's financial assets and liabilities are given below:

Particulars	As at June 30, 2017 — 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
	Rupees in '000				
On-balance sheet financial instruments					
Financial assets					
Long-term loans - considered good	-	-	-	4,619	4,619
Long-term deposits	-	-	-	1,295	1,295
Trade debts (unsecured) - net	-	-	-	198,403	198,403
Loans and advances - considered good	-	-	-	5,239	5,239
Trade deposits and other receivables	-	-	-	14,488	14,488
Bank balances	-	-	-	17,901	17,901
	-	-	-	241,945	241,945
Financial liabilities*					
Short-term loan from a related party - unsecured	117,075	383,538	-	-	500,613
Trade and other payables	-	-	-	267,238	267,238
Short-term running finance - secured	391,755	51,613	-	-	443,368
Mark-up accrued	-	-	-	9,233	9,233
	508,830	435,151	-	276,471	1,220,452
On-balance sheet gap (a)	(508,830)	(435,151)	-	(34,526)	(978,507)
Off-balance sheet financial instruments					
Commitments	-	-	-	103,206	103,206
Off-balance sheet gap (b)	-	-	-	103,206	103,206
Total interest rate sensitivity gap (a+b)	(508,830)	(435,151)	-		
Cumulative interest rate sensitivity gap	(508,830)	(943,981)	(943,981)		

Particulars	As at June 30, 2016 — 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
	Rupees in '000				
On-balance sheet financial instruments					
Financial assets					
Long-term loans - considered good	-	-	-	4,614	4,614
Long-term deposits	-	-	-	1,288	1,288
Trade debts (unsecured) - net	-	-	-	165,054	165,054
Loans and advances - considered good	-	-	-	5,033	5,033
Trade deposits and other receivables	-	-	-	11,140	11,140
Bank balances	-	-	-	10,785	10,785
	-	-	-	197,914	197,914
Financial liabilities*					
Long-term finance - secured	54,167	54,166	-	-	108,333
Short-term loan from a related party - unsecured	-	621,629	-	-	621,629
Trade and other payables	-	-	-	249,308	249,308
Short-term running finance - secured	373,266	174,529	-	-	547,795
Mark-up accrued	-	-	-	14,959	14,959
	427,433	850,324	-	264,267	1,542,024
On-balance sheet gap (a)	(427,433)	(850,324)	-	(66,353)	(1,344,110)
Off-balance sheet financial instruments					
Commitments	-	-	-	63,215	63,215
Off-balance sheet gap (b)	-	-	-	63,215	63,215
Total interest rate sensitivity gap (a+b)	(427,433)	(850,324)	-		
Cumulative interest rate sensitivity gap	(427,433)	(1,277,757)	(1,277,757)		

* The interest rate profiles of financial liabilities exposed to yield / interest rate risk are given in notes 17 and 19.

39.1.3 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.

39.2 Credit risk

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

The Company's policy is to enter into financial contracts in accordance with the policies and guidelines approved by the management. Credit risk arises from 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 241.945 million of which trade debts amounting to Rs 201.068 million (2016: Rs 165.054 million) constitute a significant portion. Of these trade debts, Rs 142.637 million is receivable from a related party from which the Company does not expect a default. Loans and advances to employees are secured against their respective balances maintained under employee benefit schemes. The Company is also exposed to counterparty credit risk on balances with banks which is limited as the counterparties are banks having reasonably high credit ratings. The credit quality of the bank balances maintained by the Company is as follows:

	--- As at June 30, 2017 ---		--- As at June 30, 2016 ---		
	----------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
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	A1+	AAA	JCR - VIS

Concentration of credit risk

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

39.3 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 39.1.2.

As explained in note 1.2, the current liabilities of the Company as at June 30, 2017 exceed its current assets by Rs 465.100 million (2016: Rs 694.734 million) which expose the Company to liquidity risk. However, the Company manages it by maintaining bank balances in current accounts, arranging financing through banking facilities and managing timing of payments to related parties. Based on this and on the five-years business plan (as detailed in note 1.2) the management strongly believes that the Company will be able to meet all its current and future liabilities as these fall due.

40 FAIR VALUE MEASUREMENT

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, 2017 the Company does not have any assets which are tradable in an open market. The estimated fair values of all assets and liabilities are considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically repriced.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

As at June 30, 2017 and June 30, 2016, the Company did not have any assets or liabilities which were measured at fair values using any of the aforementioned valuation techniques.

41 CAPITAL RISK MANAGEMENT

41.1 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.

41.2 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.

	2017	2016
	-----Rupees in '000-----	
Total borrowings	943,981	1,277,757
Less: bank balances	(17,901)	(10,785)
Net debt	926,080	1,266,972
Total equity	137,864	29,478
Total capital	1,063,944	1,296,450
Gearing ratio	87.04%	97.73%

As at June 30, 2017, the Company's gearing ratio has decreased primarily due to the repayment of long-term loan obtained from the Bank of Tokyo Mitsubishi UFJ, Limited and the settlement of one tranche of JPY 75 million of its short-term loan from a related party during the year. The Company's net equity has also increased due to the profit reported during the current year. As a part of the Company's future strategy, the management has prepared a business plan which is sensitive to certain key assumptions as detailed in the note 1.2. The management believes that the successful implementation of the business plan would help to improve the financial position of the Company even further.

42 PLANT CAPACITY AND PRODUCTION

Particulars	2017		2016	
	Capacity	Actual production	Capacity	Actual production
	------------------ million bottles ------------			
I.V. solutions	30.3	20.3	30.3	19.7
Plastic ampoules	11.6	10.2	11.6	8.7

The Company's under-utilised capacity of IV solutions was due to non-utilization of Saturdays.

43 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.

44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 29, 2017** by the Board of Directors of the Company.

45 GENERAL

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

Hanif Sattar	**Mehtabuddin Feroz**	**Sajid Ali Khan**
Chief Executive Officer	Director	Chief Financial Officer

OTSUKA PAKISTAN LIMITED

Pattern of Shareholding

As of June 30, 2017

# Of Shareholders	Shareholdings' Slab			Total Shares Held
576	1	to	100	7,108
302	101	to	500	64,739
93	501	to	1000	68,857
84	1001	to	5000	183,518
21	5001	to	10000	150,540
9	10001	to	15000	102,121
1	15001	to	20000	15,950
4	20001	to	25000	94,400
2	25001	to	30000	55,000
1	45001	to	50000	47,000
1	55001	to	60000	56,500
1	95001	to	100000	100,000
2	100001	to	105000	201,971
1	115001	to	120000	115,500
1	145001	to	150000	147,700
1	270001	to	275000	272,100
5	360001	to	365000	1,815,000
1	1095001	to	1100000	1,099,999
1	1450001	to	1455000	1,452,000
1	4945001	to	4950000	4,949,997
1108				**11,000,000**

OTSUKA PAKISTAN LIMITED

Pattern of Shareholding

As of June 30, 2017

Categories of Shareholders		Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children				
MR. SUHARI MUKTI		1	1	0.00
MR. HANIF SATTAR		1	110	0.00
MR. MEHTABUDDIN FEROZ		1	363,000	3.30
MR. NAZIMUDDIN FEROZ		1	363,000	3.30
MR. MUHAMMAD ABDULLAH FEROZ		1	500	0.00
MR. HAKUGI KIYONO		1	1	0.00
MR. MIKIO BANDO		1	1	0.00
MR. MAKIO OSAKA		1	1	0.00
MR. NOOR MUHAMMAD		1	500	0.00
MR. ABID HUSSAIN		1	500	0.00
MRS. SHAMA NAZIM		3	20,910	0.19
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
M/S. OTSUKA PHARMACEUTICAL FACTORY, INC.		1	1,452,000	13.20
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	100,551	0.91
General Public				
	a. Local	1063	1,688,488	15.37
	b. Foreign	1	11,000	0.10
Foreing Companies		-	-	-
Others		19	829,127	7.54
	Totals	**1108**	**11,000,000**	**100.00**

Shareholders 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
M/S. OTSUKA PHARMACEUTICAL FACTORY, INC.	1,452,000	13.20

COMPARISON OF RESULTS LAST 6 YEARS

Particulars	2011-2012	2012-13	2013-14	2014-15	2015-16	2016-17
Share Capital	100,000	100,000	110,000	110,000	110,000	110,000
Unappropriated Profit / (Loss)	101,542	10,407	(187,390)	(335,586)	(448,022)	(339,636)
General Reserve	297,500	377,500	367,500	367,500	367,500	367,500
Capital Employed	499,042	587,907	390,110	358,581	29,478	137,864
Long Term Loans	-	100,000	100,000	216,667	-	-
Sales	1,594,772	1,293,711	1,077,670	1,452,196	1,550,709	1,829,624
Profit /(Loss) Before Tax	146,290	(3,100)	(277,597)	(179,939)	(153,477)	196,174
Taxation - net	52,538	(133)	(77,853)	(33,774)	(41,300)	86,423
Profit /(Loss) After Taxation	93,752	(2,967)	(199,744)	(146,165)	(112,177)	109,751
% of Sales	5.88	(0.23)	(18.53)	(10.07)	(7.23)	6.00
% of Total Assets	8.47	(0.24)	(12.61)	(9.35)	(7.09)	7.54
% of Capital Employed	18.79	(0.50)	(51.20)	(40.76)	(380.54)	79.61
Dividend Amount	12,500	10,000	-	-	-	-
% of Dividend	12.50	10.00	-	-	-	-
Bonus Shares	-	-	10,000	-	-	-
% of Bonus Issue	-	-	10.00	-	-	-
Earnings / (Loss) Per Share	9.38	(0.31)	(18.15)	(13.29)	(10.20)	9.98
Earnings / (Loss) Per Share (Restated) *	8.52	(0.26)	(18.15)	(13.29)	(10.20)	9.98
Fixed Assets less Depreciation	257,458	246,343	704,484	617,307	533,565	458,398
Total Assets	1,106,937	1,226,776	1,584,548	1,562,659	1,582,657	1,455,442
Average Number of Employees	450	438	420	405	399	394

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

PROXY FORM

29th 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 Ninth Annual General Meeting of the Compnay to be held on Wednesday, Otctober 25, 2017 and at any adjournent thereof.

As witness my hand this.. day of 2017

Signed by the said...

....

in the presence of...

....

Witness

Signature on
Revenue stamp of
appropriate value

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

Notes:

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

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

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

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

AFFIX
CORRECT
POSTAGE

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