Otsuka People Creating
New Products For Better
Health Worldwide

REPORTS & ACCOUNTS

FOR THE YEAR ENDED JUNE

2013-2014

Otsuka

Otsuka Pakistan Limited

(A Company of Otsuka Group Japan)

CONTENTS

COMPANY INFORMATION

Board of Directors	:	Mr. Harry Bagjo	(Chairman) (Alternate: Mr. Tariq Mehtab Feroz)
		Mr. Abid Hussain	(Chief Executive)
		Mr. Makoto Sekiyama	
		Mr. Mehtabuddin Feroz	
		Mr. Tetsuji Iwamoto	(Alternate: Mr. Mohammad Aslam)
		Mr. Mohammad Abdullah Feroz	
		Mr. Makio Osaka	(Alternate: Mr. Sajid Ali Khan)
		Mr. Nazimuddin Feroz	
		Mr. Noor Muhammad	(Independent Director)
Company Secretary	:	Mr. Sajid Ali Khan	
Audit Sub Committee of the Board	:	Mr. Noor Muhammad	(Chairman)
		Mr. Makoto Sekiyama	(Member)
		Mr. Mehtabuddin Feroz	(Member)
Human Resources & Remuneration Committee Sub Committee of the Board	:	Mr. Makoto Sekiyama	(Chairman)
		Mr. Mehtabuddin Feroz	(Member)
		Mr. Abid Hussain	(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
Barclays Bank, PLC
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
Website: www.otsuka.pk

Factory :
Plot No. F/4-9,
Hub Industrial Trading Estate,
Distt. Lasbella (Balochistan)
Tel.: (0853) 303517-8
Fax: (0853) 303519

Share Registrar :
Central Depository Company of Pakistan Limited
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400.
Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

NOTICE OF MEETING

Notice is hereby given that the Twenty-sixth (26) Annual General Meeting of Otsuka Pakistan Limited will be held on Wednesday, October 22, 2014 at 10:30 a.m. at Beach Luxury Hotel, Karachi to transact the following business:-

A. Ordinary Business:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2014, together with the Directors' and Auditors' reports thereon.
2. To appoint auditors and fix their remuneration for the period ending June 30, 2015.
3. To approve an interim bonus shares @ 10% (already issued and distributed amongst shareholders).
4. To transact any other business with the permission of the Chair.

B. Special Business:

5. To authorize the Chief Executive to hold office of profit in the Company and to approve his revised remuneration under re-employment service agreement for another one year on contract basis.

By order of the Board

Sajid Ali Khan
Company Secretary

Karachi: August 26, 2014

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, 2014 have been placed on the Company's website: for the information and review of shareholders.

6. In compliance with the directives issued by the Securities and Exchange Commission of Pakistan and / or Federal Board of Revenue from time to time, shareholders who have not yet provided their dividend mandate information and / or CNIC and / or NTN (as the case may be) are requested to provide the same at the earliest as follows:

- The shareholders who hold Company' Shares in physical form are requested to submit the above information to the Share Registrar.
- Shareholders maintaining their shareholdings under Central Depository System (CDS) are advised to submit the above information directly to relevant Participant / CDC Investor Account Service.

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

Folio / CDC ID / AC No.	Name	National Tax No.	CNIC No. (in case of individual)	Income tax return for the year 2013 filed (Yes or No)

This would enable us to process future dividend payments 'if any' in accordance with the tax payment status of the members pursuant to the provisions of Finance Act, 2014 effective July 1, 2014 whereby the rates of deduction of income tax under section 150 of the Income Tax Ordinance, 2001 from dividend payment have been revised as follows:

1.	Rate of tax deduction for filer of income tax returns	10%
2.	Rate of tax deduction for non-filers of income tax returns	15%

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.

Statement under section 160(1)(b) of the Companies Ordinance 1984

This statement sets out the material facts concerning the Special Business to be transacted at the 26th Annual General Meeting of the Company to be held on October 22, 2014.

Agenda Item No. 5.

Approval of the Members is required for the Chief Executive to hold office of profit in the Company. For this purpose it is proposed that the following resolutions be passed as Ordinary Resolutions, namely:

> **RESOLVED THAT** the Chief Executive of the Company be and is hereby authorized to hold office of profit as executive of the Company for another one year under his contract of service (re-employment) and that he be allowed benefits arising under his contract of service and the applicable service rules of the Company and that he be paid by way of remuneration, exclusive of incentives, perquisites and retirement benefits to which he is entitled under his contract of service and applicable service rules, such sum as the non-executive Directors of the Company may determine not exceeding in the aggregate, the sum of Rupees Nine (9) million per annum.
>
> The Chief Executive, in addition to receiving remuneration, may be allowed the following incentives, perquisites and benefits:

1) Company maintained chauffer driven car (1800CC) with petrol limit of up to 235 Liters per month;
2) Monthly subscription for two clubs.
3) Furniture allowance not exceeding Rs. 100,000 per annum;
4) Leave encashment of un-availed leaves.
5) Leave Fare Assistance (LFA) for every alternate year, one local trip and one foreign trip with family for 15 days at actual.
6) Medical expenses for self and family (wife and dependent children) at actual.

> **FURTHER RESOLVED THAT** in the event of the aforesaid office of profit falling vacant, the approval hereby given shall be equally applicable to any other person appointed to fill such vacancy.

The Chief Executive of the Company is interested in this business to the extent of benefits mentioned above.

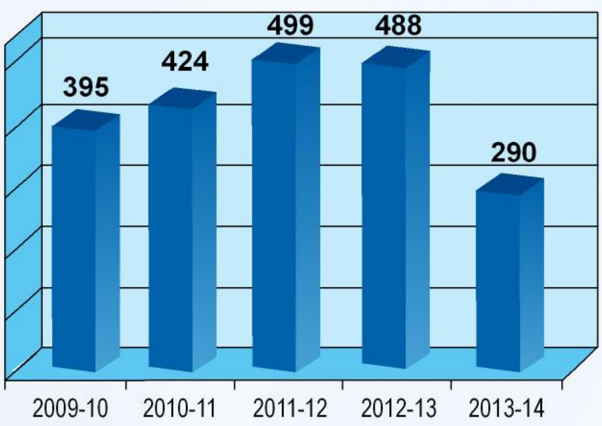
By order of the Board

Sajid Ali Khan
Company Secretary

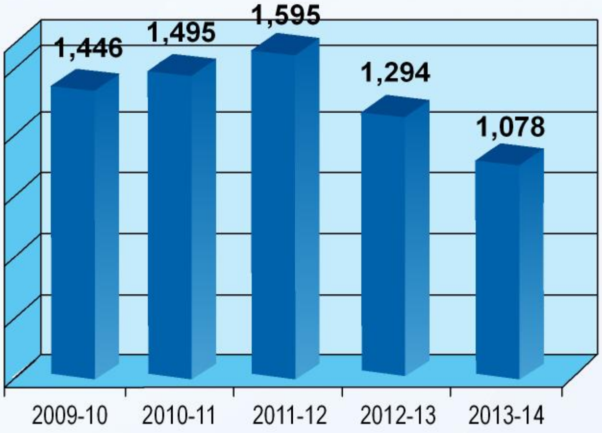
Karachi: August 26, 2014

Five Years at a Glance

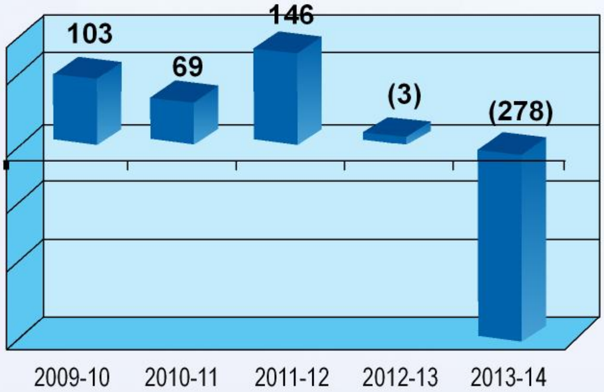
Shareholders' Equity
(Rupees in Million)



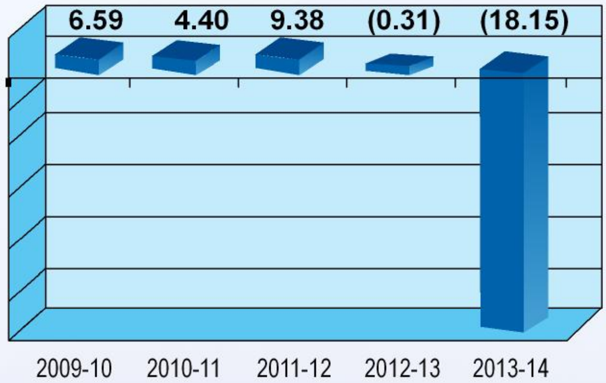
Sales
(Rupees in Million)



Profit Before Tax
(Rupees in Million)



Earning Per Share
(PKR Ten Per Share)



DIRECTORS' REPORT

The Directors are pleased to present the Annual Report of the Company for the year ended June 30, 2014.

Business Review

During the year under review, major renovation project for IV Solutions was carried out, for almost whole year resulting in reduced sales. The production for IV Solutions contributing 70% of the sales was resumed from March 2014. However, initial teething problems restricted the availability of stocks for sales.

Our sale for the current year at Rs. 1.1 billion is 17% below what we had achieved in the previous year. Since there has been no change in our fixed costs because of the factory closure and also as a result of increase in cost of all materials as well as overhead items without any increase in selling prices, Gross Profit during the year slipped from 24% achieved during the preceding year to almost 0% during the current year.

All steps were taken to control Selling and Administration expenses. However, like factory expenses, most of the items are fixed in nature and therefore these have to be incurred irrespective of the sales volumes. Also because of capital expenditure incurred on renovation, interest cost during the year increased from Rs. 46.6 million to Rs. 64.3 million during the current year. As a result during the current year, we have a Net Loss After Taxation of Rs. 199.74 million compared with Loss After Taxation of Rs. 2.97 million incurred last year.

Financial Results

	(PKR in Million)
Loss before taxation	(277.6)
Provision for taxation	77.9
Loss after taxation	(199.7)
Other comprehensive income	1.9
Total comprehensive (loss) for the year	(197.8)
Accumulated profit brought forward (restated)	10.4
Accumulated loss	(187.4)

Appropriations

Keeping in view the huge expenses and higher overdraft and long term loans due to the reason of BMR project, the directors have not proposed any final cash dividend for the year ended June 30, 2014.The Board has announced an interim bonus issue of 10% during the year ended June 30, 2014.

Loss Per Share

The loss per share for the year ended June 30, 2014 works out to be Rs. 18.15 per share (2013: restated loss per share of Re. 0.26).

Future Outlook

Production of your company is gradually reaching normal levels after facing some initial teething problems. However, a number of factors will continue to impact the performance of your company. These include increase in rates of minimum wages, electricity and gas by the Government and overall local inflation. The decision by the Provincial Government to charge sales tax on all services has also increased the cost as all service providers are simply adding this tax to their invoices and passing it to their customers. Since there is no sales tax on pharmaceutical products, the sales tax so paid by us results in direct increase in cost of our operation. With prices of pharmaceutical products strictly controlled by the Government and no progress being made towards grant of annual price increases in line with increase in cost of production, the situation appears quite challenging. We hope that the Government realises the difficulties faced by this vital segment of the economy and take measures to address the problems so that companies can make reasonable profits and invest for the future.

Corporate Governance

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

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

b. Proper books of accounts of the company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment except for a change in accounting policy as explained in note 2.3.4 to the financial statements.

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

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

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

g. The board is well aware of duties and responsibilities under the code. Three of the non-executive and one executive Directors of the Company meet the criteria of exemption under clause (xi) of the code and accordingly are exempted from attending Directors' training program. In future arrangements will be made for other recently appointed Directors for acquiring certification under the directors' training program.

h. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations other than those detailed in the Statement of Compliance with the Code of Corporate Governance.

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

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

Provident Fund	Rs. 107,191,565/-
Gratuity Fund	Rs. 42,017,979/-

Board of Directors

In the period under review, the casual vacancies arising due to the resignations of M/s. Kenji Itoh, Farid Khan, Kiyoshi Fukai and Takaharu Imai were filled:

Mr. Tetsuji Iwamoto filled the casual vacancy by appointment (w.e.f. 23-Oct-2013).

Mr. Noor Muhammad filled the casual vacancy by appointment (w.e.f. 18-Feb-2014) and has become an independent Director.

M/s. Makoto Sekiyama and Makio Osaka filled the casual vacancies by appointment (w.e.f. 13-Jun-2014).

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

Name of Director	Board Meetings		Audit Committee Meetings		Human Resource & Remuneration Committee Meetings	
	Meetings held during the period	Attendance	Meetings held during the period	Attendance	Meetings held during the period	Attendance
Mr. Abid Hussain (*)	4	4	4	4	3	2
Mr. Mehtabuddin Feroz	4	4	4	4	3	3
Mr. Mohammad Abdullah Feroz	4	4	N/A	N/A	N/A	N/A
Mr. Nazimuddin Feroz	4	3	N/A	N/A	N/A	N/A
Mr. Harry Bagjo	4	1	N/A	N/A	N/A	N/A
Mr. Kiyoshi Fukai (*)	4	-	N/A	N/A	3	3
Mr. Kenji Itoh (*)	4	-	N/A	N/A	N/A	N/A
Mr. Takaharu Imai (*)	4	-	N/A	N/A	N/A	N/A
Mr. Tetsuji Iwamoto	4	1	N/A	N/A	N/A	N/A
Mr. Noor Muhammad (Independent Director)	4	1	4	1	N/A	N/A
Mr. Makoto Sekiyama	4	N/A	N/A	N/A	N/A	N/A
Mr. Makio Osaka	4	N/A	N/A	N/A	N/A	N/A
Mr. Tariq Mehtab Feroz (Alternate Director)	4	2	N/A	N/A	N/A	N/A
Mr. Muhammad Aslam (Alternate Director)	4	3	N/A	N/A	N/A	N/A
Mr. Habib A. Navaid (Alternate Director) (*)	4	4	N/A	N/A	N/A	N/A
Mr. Sajid Ali Khan (Alternate Director)	4	4	N/A	N/A	N/A	N/A
Mr. Farid Khan (*) (Independent Director)	4	1	4	1	N/A	N/A

(*) Resigned from Board and Sub-Committee to the Board during the period
1. Mr. Tetsuji Iwamoto appointed on the Board on 23-Oct-2013 in place of Mr. Kenji Itoh
2. Mr. Noor Muhammad appointed on the Board on 18-Feb-2014 in place of Mr. Farid Khan and become an independent Director
3. Mr. Abid Hussain resigned from the Audit Sub-Committee of the Board on May 5, 2014
3. Mr. Makoto Sekiyama appointed on the Board on 13-Jun-2014 in place of Mr. Kiyoshi Fukai and has become a member of the Audit Committee
4. Mr. Makio Osaka appointed on the Board on 13-Jun-2014 in place of Mr. Takaharu Imai
5. Mr. Navaid A. Khan, Alternate Director has resigned from the Board on June 13, 2014.

Pattern of Shareholding
The Pattern of share holding of the Company as at June 30, 2014 is annexed with this annual report.

Trading in Shares
Two transactions were occurred during the year:
- Associated company i.e. M/s. Otsuka Pharmaceutical Factory, Inc., Japan has bought 363,000 ordinary shares comprising approximately 3.30% of the issued and paid up share capital of the Company from Mr. Shafiuddin Feroz.
- Mr. Abid Hussain, CEO of the Company sold out his 60,500 shares.

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

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

Auditors
The present Auditors Messrs. A.F. Ferguson & Co., Chartered Accountants retire at the conclusion of the 26th Annual General Meeting and being eligible, offer themselves for reappointment.

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

On behalf of the Board

Abid Hussain
Chief Executive Officer

Karachi
Dated: August 26, 2014

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Otsuka Pakistan Limited** (the Company) as at June 30, 2014 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 (here-in-after referred to as the 'financial statements'), 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 except for the change as stated in note 2.3 to the financial statements with which we concur;

(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, 2014 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

A F Ferguson & Co.

Chartered Accountants
Engagement Partner: **Noman Abbas Sheikh**
Dated: August 29, 2014
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
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

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

Glimpses of 25th Annual General Meeting

Board Meeting in Progress

Shareholders Meeting

Statement of Compliance with the Code of Corporate Governance

Name of company: **Otsuka Pakistan Limited**
Year ended **June 30, 2014**

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

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

1. As at June 30, 2014, the Board included the following appointed/elected members:

Category	Names
Non-Executive Directors:	Mr. Harry Bagjo
	Mr. Makoto Sekiyama
	Mr. Makio Osaka
	Mr. Tetsuji Iwamoto
	Mr. Mehtabuddin Feroz
	Mr. M. Abdullah Feroz
	Mr. Nazimuddin Feroz
Executive Director	Mr. Abid Hussain
Independent Director	Mr. Noor Muhammad

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

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

2. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. During the year, the following resignations were accepted by the Board:
   - Mr. Kenji Itoh has resigned from the Board on October 23, 2013.
   - Mr. Farid Khan has resigned from the Board on February 18, 2014.
   - Mr. Kiyoshi Fukai and Mr. Takaharu Imai have resigned from the Board on June 13, 2014.
   - Foreign directors appointed alternate directors due to their local engagements during the year; however one of these three executive directors Mr. Habib A Navaid being appointed as alternate director resigned from the Board on 14th June 2014 resulting in compliance as per the code.
4. The following casual vacancies arising and were filled respectively during the year:
   - Mr. Tetsuji Iwamoto filled the casual vacancy of Mr. Kenji Itoh by appointment (w.e.f. 23-Oct-2013).
   - Mr. Noor Muhammad filled the casual vacancy of Mr. Farid Khan by appointment (w.e.f. 18-Feb-2014) being an independent Director.
   - Mr. Makoto Sekiyama and Mr. Makio Osaka filled the casual vacancies of Mr. Kiyoshi Fukai and Mr. Takaharu Imai respectively by appointments (w.e.f. 13-Jun-2014).
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. Three of the non-executive and one of the executive Directors of the Company meet the criteria of exemption under clause (xi) of the code and accordingly are exempted from attending Directors' training program. In future arrangements will be made for other recently appointed Directors for acquiring certification under the Directors' training program.
10. The Board has approved appointment of CFO / Company Secretary and the Head of Internal Audit including their remuneration and terms and conditions of employment.
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 till August 26, 2014 who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the of the Company have confirmed that they have been given a satisfactory rating under the quality review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with.

Dated: August 26, 2014

Abid Hussain
Chief Executive Officer

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Otsuka Pakistan Limited** for the year ended June 30, 2014 to comply with the requirements of Listing Regulation no. 35 (Chapter XI) of the Karachi Stock Exchange Limited and the Lahore Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance 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 Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014. Further, we highlight below instance of non-compliance with the requirements of the Code as reflected in the note paragraph reference where these are stated in the statement of Compliance.

Paragraph ref.	Description
9	No training programs have been conducted for any Director during the year.

A F Ferguson & Co.

Chartered Accountants
Dated: August 26, 2014
Karachi.

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Otsuka

BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014	(Restated) 2013	(Restated) 2012
		------------- Rupees in '000 -------------		
ASSETS				
Non-current assets				
Property, plant and equipment	4	715,754	447,570	270,735
Long-term loans - considered good	5	5,123	5,574	6,550
Long-term deposits		783	743	743
Deferred tax asset - net	15	80,048	-	-
		801,708	453,887	278,028
Current assets				
Stores and spares	6	46,422	44,998	51,409
Stock-in-trade	7	476,290	502,998	530,045
Trade debts - unsecured	8	120,088	125,007	171,551
Loans and advances - considered good	9	22,776	44,734	30,179
Trade deposits, short-term prepayments and other receivables	10	25,041	21,786	20,101
Taxation	11	88,543	30,712	20,093
Cash and bank balances	12	3,680	2,654	5,531
		782,840	772,889	828,909
Total assets		1,584,548	1,226,776	1,106,937
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13	110,000	100,000	100,000
Revenue reserves		180,110	387,907	399,042
Total shareholders' equity		290,110	487,907	499,042
LIABILITIES				
Non-current liabilities				
Long-term finance - secured	14	216,666	100,000	-
Deferred tax liability - net	15	-	6,536	17,916
		216,666	106,536	17,916
Current liabilities				
Short-term loan from a related party - unsecured	16	73,095	-	-
Trade and other payables	17	301,691	251,881	265,610
Current maturity of long-term finance - secured	14	108,334	-	-
Short-term running finance - secured	18	557,459	365,344	318,316
Mark-up accrued	19	37,193	15,108	6,053
		1,077,772	632,333	589,979
Total equity and liabilities		1,584,548	1,226,776	1,106,937
CONTINGENCIES AND COMMITMENTS	20			

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

Abid Hussain
Chief Executive Officer

Mehtabuddin Feroz
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	(Restated) 2013
		----- Rupees in '000 -----	
Net sales	21	1,077,670	1,293,711
Cost of sales	22	(1,077,055)	(980,634)
Gross profit		615	313,077
Selling and distribution expenses	23	(157,278)	(182,155)
Administrative and general expenses	24	(64,177)	(67,163)
		(220,840)	63,759
Other income	25	46,212	30,994
		(174,628)	94,753
Other operating expenses	26	(38,693)	(51,247)
Operating (loss) / profit		(213,321)	43,506
Finance cost	27	(64,276)	(46,606)
Loss for the year before taxation		(277,597)	(3,100)
Taxation - net	28	77,853	133
Loss for the year after taxation		(199,744)	(2,967)
		------------- Rupees -------------	
Loss per share	29	(18.15)	(0.26)

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

Abid Hussain
Chief Executive Officer

Mehtabuddin Feroz
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	2014	(Restated) 2013
	-----Rupees in '000-----	
Loss for the year after taxation	(199,744)	(2,967)
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Remeasurements of defined benefit plans	2,906	2,775
Deferred tax on remeasurements of defined benefit plans	(959)	(943)
	1,947	1,832
Total comprehensive loss for the year	(197,797)	(1,135)

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

Abid Hussain
Chief Executive Officer

Mehtabuddin Feroz
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	(31,883)	156,938
Interest paid		(62,967)	(37,126)
Taxes paid		(67,521)	(22,809)
Increase in long-term deposits		(40)	-
Decrease in long-term loans		451	976
Net cash (used in) / generated from operating activities		(161,960)	97,979
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(328,968)	(244,143)
Proceeds from disposal of property, plant and equipment		1,744	6,208
Net cash used in investing activities		(327,224)	(237,935)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance obtained		225,000	100,000
Short-term loan from a related party		73,095	-
Dividends paid		-	(9,949)
Net cash generated from financing activities		298,095	90,051
Net decrease in cash and cash equivalents		(191,089)	(49,905)
Cash and cash equivalents at the beginning of the year		(362,690)	(312,785)
Cash and cash equivalents at the end of the year	30	(553,779)	(362,690)

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

Abid Hussain
Chief Executive Officer

Mehtabuddin Feroz
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves			Total
		Reserve for issue of bonus shares	General reserve	Unappro-priated profit / (loss)	Sub total	
	-----	-----	-----	Rupees in '000	-----	-----
Balance as at July 1, 2012 as previously reported	100,000	-	297,500	107,574	405,074	505,074
Effect of change in accounting policy with respect to accounting for remeasurement gains / (losses) on defined benefit plan - net of tax (note 2.3.4)	-	-	-	(6,032)	(6,032)	(6,032)
Balance as at July 1, 2012 - restated	100,000	-	297,500	101,542	399,042	499,042
Transfer to general reserve	-	-	80,000	(80,000)	-	-
Total comprehensive loss for the year ended June 30, 2013 - restated	-	-	-	(1,135)	(1,135)	(1,135)
Transactions with owners recognised directly in equity						
Interim cash dividend for the year ended June 30, 2013 at Re 1.00 per share declared on October 17, 2012	-	-	-	(10,000)	(10,000)	(10,000)
Balance as at June 30, 2013 - restated	100,000	-	377,500	10,407	387,907	487,907
Total comprehensive loss for the year ended June 30, 2014	-	-	-	(197,797)	(197,797)	(197,797)
Transactions with owners recognised directly in equity						
Transfer to reserve for issue of bonus shares	-	10,000	(10,000)	-	(10,000)	-
Interim issue of bonus shares @ 10% for the year ended June 30, 2014 declared on October 23, 2013	10,000	(10,000)	-	-	-	-
Balance as at June 30, 2014	110,000	-	367,500	(187,390)	180,110	290,110

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

Abid Hussain	**Mehtabuddin Feroz**
Chief Executive Officer	Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1 THE COMPANY AND ITS OPERATIONS

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

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

2 BASIS OF PREPARATION AND MEASUREMENT

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except that obligations in respect of certain staff retirement benefits are carried at present value of defined benefit obligation less fair value of plan assets and stock-in-trade is carried at the lower of cost and net realisable value.

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

The following amendments to existing standards have been published and are mandatory for the Company's accounting period beginning on or after July 1, 2013:

2.3.1 IAS 1 ‘Presentation of Financial Statements'. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not have any significant impact on these financial statements other than the change in presentation of items reported under "other comprehensive income'.

2.3.2 IAS 1 'Presentation of Financial Statements' (Amendment). The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' or voluntarily. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet. In light of this amendment and with the change in accounting policy with respect to accounting for remeasurement gains / (losses) on defined benefit plan, a third balance sheet has been presented during the current year stating restated balances.

2.3.3 IAS 16, 'Property, plant and equipment' (Amendment). The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The Company's policy is already in line with the requirements of this amendment.

2.3.4 IAS 19 (Revised) 'Employee benefits' which became effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which these occur. Previously, actuarial gains and losses were recognised by the Company in the profit and loss account over the future expected average remaining working lives of the employees to the extent of the greater of 10% of the present value of defined benefit obligation at that date and 10% of the fair value of plan assets at that date.

The change in accounting policy has been accounted for retrospectively in accordance with the transitional provisions of the standard and the comparative figures have been restated as per the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The Company's financial statements are affected to the extent of "remeasurements" relating to prior years. The effects of above changes have been summarised below:

	June 30, 2014	June 30, 2013	June 30, 2012
	-------------- Rupees in '000 --------------		
Impact on Balance Sheet			
Increase in other liabilities	3,121	6,118	9,139
Decrease in deferred tax liability	(1,030)	(2,080)	(3,107)
Decrease in revenue reserves	2,091	4,038	6,032

	June 30, 2014	June 30, 2013
	-------- Rupees in '000 --------	
Impact on Profit and Loss Account		
Decrease in administrative and general expenses	-	246
Decrease in taxation - current	-	(84)
Increase in profit after taxation	-	162

	June 30, 2014	June 30, 2013
	-------- Rupees in '000 --------	
Impact on Statement of Comprehensive Income		
Remeasurements of defined benefit plan	2,906	2,775
Tax on remeasurement of defined benefit plan	(959)	(943)
Decrease in other comprehensive loss	1,947	1,832
Impact on Statement of Changes in Equity		
Increase / (decrease) in unappropriated profit		
- Cumulative effect - prior years	(4,038)	(6,032)
- Impact for the current year	1,947	1,994
Decrease in loss per share	-	0.01

There is no impact of this change on the cash flow statement for the current or prior years.

The Company's policy for staff retirement benefits (note 3.10) has been amended to comply with the requirements of IAS 19 (revised). The revised standard also requires additional disclosures to present the characteristics of benefit plans and risks associated with them and a description of how the defined benefit plan may affect the amount, timing and uncertainty of the Company's future cash flows. These disclosures have been set out in note 32.1 to these financial statements.

There are certain other new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

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

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any material 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 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 application of the Company's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- impairment of trade debts (notes 3.6 and 8);
- estimate of useful lives and depreciation rates of operating fixed assets (notes 3.1 and 4.1);
- estimate of liabilities in respect of staff retirement benefits (notes 3.10 and 32);
- provision for taxation (notes 3.13, 11, 15 and 28);
- provision for slow moving and obsolete stores and spares and stock-in-trade (notes 3.2, 3.3, 6, 7.3 and 7.4); and
- impairment of non-financial assets (note 3.4).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented unless otherwise disclosed or specified.

3.1 Property, plant and equipment

Operating fixed assets - owned

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any), except for capital work-in-progress which is stated at cost less 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 in the year in which these are incurred.

Depreciation is charged to profit and loss account using the straight line method whereby the depreciable amount of an asset is written off over its estimated useful life, in accordance with the rates specified in note 4.1 to these financial statements and after taking into account residual values, if significant. The residual values of operating fixed assets, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month in which the assets become available for use, while no depreciation is charged in the month of disposal.

Gains or losses on disposal of property, plant and equipment are taken to the profit and loss account in the year in which the asset is disposed of.

Tangible assets - leased

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

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

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

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to the relevant category of operating fixed assets as and when the assets are available for use.

3.2 Stores and spares

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

3.3 Stock-in-trade

Raw and packing materials (except for those in transit), work in process and finished goods are valued at the lower of cost determined using weighted average 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 only the material cost. Cost in relation to work-in-progress and finished goods includes cost of direct materials, direct labour, an appropriate portion of production overheads and the related duties.

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

3.4 Impairment of non-financial assets

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

3.5 Financial instruments

3.5.1 Financial assets

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

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

3.5.2 Financial liabilities

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

3.5.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Trade debts and other receivables

Trade debts and other receivables are financial assets and are carried at original invoice value less an estimate for doubtful receivables which is determined based on management's review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off as and when identified.

3.7 Cash and cash equivalents

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

3.8 Trade and other payables

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

3.9 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

3.10 Employee benefit schemes

The Company operates:

a) an approved funded gratuity scheme covering all its permanent eligible employees. Annual contributions are made to the scheme based on actuarial recommendations. The actuarial valuations are 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. As more fully stated in note 2.3.4, the amounts arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

b) an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made to the Fund by the Company and the employees in accordance with the rules of the Fund.

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

3.11 Employees' compensated absences

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

3.12 Borrowings

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

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

3.13 Taxation

Current

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

Deferred

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

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

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

3.14 Revenue recognition

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

- sales are recorded on dispatch of goods to customers and in case of exports when the goods are shipped except that sales of stents are recorded on the basis of consumption; and

- other income is recognised on an accrual basis. Other income includes certain reversals, gains and other items. The particular recognition criteria of these items in other income is disclosed in the individual policy statements associated with these items.

- Income on scrap sales is recognised when such scrap is disposed of.

3.15 Borrowing costs

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

3.16 Earnings / (loss) per share

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

3.17 Proposed dividends and transfers between reserves

Dividends, if any, declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared and transfers are made.

3.18 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at exchange rates prevailing at the reporting date. Foreign exchange gains or losses, if any, are recognised in the profit and loss account.

3.19 Functional and presentation currency

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

3.20 Segment reporting

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

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

3.21 Commitments

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

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
		-----Rupees in '000-----	
Operating fixed assets	4.1	704,484	246,343
Capital work-in-progress	4.5	11,270	201,227
		715,754	447,570

4.1 Operating fixed assets

The following is the statement of operating fixed assets:

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

	Year ended June 30, 2013						
	Leasehold land	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork lifter	Total
	Rupees in '000						
As at July 1, 2012							
Cost	3,953	110,860	526,274	40,255	34,222	12,777	728,341
Accumulated depreciation	949	78,438	340,783	30,055	11,416	9,242	470,883
Net book value	3,004	32,422	185,491	10,200	22,806	3,535	257,458
Year ended June 30, 2013							
Opening net book value	3,004	32,422	185,491	10,200	22,806	3,535	257,458
Additions	-	464	44,044	3,153	8,532	-	56,193
Disposals / write-offs							
Cost	-	551	30,765	1,336	6,268	1,963	40,883
Accumulated depreciation	-	(292)	(30,150)	(1,336)	(4,037)	(1,963)	(37,778)
	-	259	615	-	2,231	-	3,105
Depreciation charge for the year	40	4,991	48,286	4,151	5,469	1,266	64,203
Closing net book value	2,964	27,636	180,634	9,202	23,638	2,269	246,343
As at June 30, 2013							
Cost	3,953	110,773	539,553	42,072	36,486	10,814	743,651
Accumulated depreciation	989	83,137	358,919	32,870	12,848	8,545	497,308
Net book value	2,964	27,636	180,634	9,202	23,638	2,269	246,343
Depreciation rate (% per annum)	1.01%	5 - 10%	10 - 50%	10 - 30%	20%	20%	

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

	Note	2014	2013
		-----Rupees in '000-----	
Cost of sales	22	76,283	59,223
Selling and distribution expenses	23	2,506	2,895
Administrative and general expenses	24	2,360	2,085
		81,149	64,203

4.3 Cumulative borrowing costs capitalised as a part of cost of building on leasehold land and plant and machinery amounted in aggregate to Rs 13.281 million (2013: Rs 2.414 million) and Rs 12.109 million (2013: Rs 2.20 million) respectively.

4.4 Disposals of operating fixed assets

The following assets were disposed of during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
	---------------- Rupees in '000		--------------			
Vehicles						
Suzuki Mehran	515	343	172	250	Negotiation / Terms of employment	Mr. Shahjehan - Employee
CD 70	68	7	61	65	Insurance claim	Jubilee General Insurance Company Limited
CD 70	68	7	61	65	Insurance claim	Jubilee General Insurance Company Limited
Items with net book value not exceeding Rs 50,000 each	4,621	4,504	117	1,364	Negotiation	Various
2014	5,272	4,861	411	1,744		
2013	40,883	37,778	3,105	6,208		

		Note	2014	2013
			-----Rupees in '000-----	
4.5	**Capital work-in-progress**			
	Stores and spares held for capital expenditure	4.7	11,270	8,316
	Balancing, Modernisation and Replacement (BMR) Project		-	53,827
	Plant and machinery for BMR Project in transit		-	136,132
	Others		-	2,952
			11,270	201,227

4.6 Certain operating fixed assets of the Company are kept with banks under pari-passu hypothecation, equitable mortgage charge, ranking charge, etc. for obtaining financing. The full details of assets kept under security are given in notes 14.1 and 18.1 to these financial statements.

4.7 The comparative amounts of BMR project mainly include cost of civil works & equipment and advances to contractors and suppliers involved in the BMR project. These items have been capitalised in the operating fixed assets during the current year upon the completion of the BMR project.

		Note	2014	2013
			-----Rupees in '000-----	
5	**LONG-TERM LOANS - CONSIDERED GOOD**			
	Loans to:			
	- executives	5.1 & 5.2	220	300
	- employees	5.1	9,930	10,593
			10,150	10,893
	Less: receivable within one year			
	- executives	9	80	80
	- employees	9	4,947	5,239
			5,027	5,319
			5,123	5,574

5.1 These are interest-free loans given to the executives and employees as per the terms of 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, are recovered through monthly deductions from salaries and are secured against the provident fund balances of the employees. As at June 30, 2014 none of these loans were past due or impaired.

		2014	2013
5.2	Reconciliation of carrying amount of loans to executives is as follows:	-----Rupees in '000-----	
	Opening balance	300	413
	Repayments during the year	(80)	(113)
	Closing balance	220	300

The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs 0.300 million (2013: Rs 0.413 million).

		2014	2013
		-----Rupees in '000-----	
6	**STORES AND SPARES**		
	Stores	12,986	12,412
	Spares - in hand	32,306	32,586
	- in transit	1,130	-
		33,436	32,586
		46,422	44,998

		Note	2014	2013
			-----Rupees in '000-----	
7	**STOCK-IN-TRADE**			
	Raw and packing materials - in hand	7.1	218,126	82,774
	- in transit		42,944	59,483
			261,070	142,257
	Work-in-progress		5,385	9,475
	Finished goods - in hand	7.1 & 7.2	233,141	372,964
	- in transit		16,054	15,398
			249,195	388,362
			515,650	540,094
	Less: provision for slow moving and obsolete stock-in-trade	7.3	(26,691)	(29,342)
	Less: provision for stents held with hospitals	7.4	(12,669)	(7,754)
			476,290	502,998

7.1 These include stock of raw and packing materials having a cost of Rs 0.351 million (2013: Rs 0.349 million) which was held by Efroze Chemicals Industries (Private) Limited (a related party) for toll manufacturing of certain goods. Also, finished goods having a cost of Rs 12.669 million (2013: Rs 7.754 million) were held by various hospitals for sale.

7.2 These include items costing Rs 121.536 million (2013: Rs 103.306 million) that have been valued at their net realisable value amounting to Rs 98.566 million (2013: Rs 81.806 million).

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

	Note	2014	2013
		-----Rupees in '000-----	
Opening balance		29,342	4,702
Charge for the year	26	20,952	36,274
Reversal during the year	25	(19,974)	(9,820)
Amounts written off	25	(3,629)	(1,814)
Closing balance		26,691	29,342

7.4 Reconciliation of provision for stents held with hospitals is as follows:

	Note	2014	2013
Opening balance		7,754	8,876
Charge for the year	26	4,915	2,752
Reversal during the year		-	(3,874)
Closing balance		12,669	7,754

8 **TRADE DEBTS - UNSECURED**

	Note	2014	2013
Considered good			
Due from related party			
- Hospital Supply Corporation		97,807	95,119
Others		22,281	29,888
		120,088	125,007
Considered doubtful			
Others		4,485	4,845
		124,573	129,852
Less: impairment of trade debts	8.1	4,485	4,845
		120,088	125,007

		Note	2014	2013
			-----Rupees in '000-----	
8.1	**Reconciliation of impairment of trade debts**			
	Opening balance		4,845	2,982
	Charge for the year		5,633	5,708
	Reversals during the year	26	(5,828)	(3,791)
	Amounts written off		(165)	(54)
	Closing balance		4,485	4,845

8.2 As on June 30, 2014 trade debts of Rs 6.490 million (2013: Rs 15.139 million) were past due but not impaired. These relate to unrelated parties and a number of independent customers for whom there is no recent history of default. The age analyses of these trade debts are as follows:

	Note	2014	2013
		-----Rupees in '000-----	
From 1 day to 30 days		4,248	7,919
From 31 days to 60 days		2,144	5,345
From 61 days to 90 days		98	1,875

9 LOANS AND ADVANCES - CONSIDERED GOOD

	Note	2014	2013
Loans due from:			
- executives	5	80	80
- employees	5	4,947	5,239
		5,027	5,319
Advances to:			
- employees	9.1	1,493	1,304
- suppliers	9.2	16,256	38,111
		17,749	39,415
		22,776	44,734

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

9.2 This includes an amount of Rs 11.198 million (2013: Rs 11.198 million) given to a related party, Efroze Chemicals Industries (Private) Limited, in relation to toll manufacturing of certain goods.

10 TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014	2013
		-----Rupees in '000-----	
Trade deposits		5,889	6,731
Short-term prepayments		15,133	13,193
Other receivables		4,019	1,862
		25,041	21,786

11 TAXATION

		2014	2013
		-----Rupees in '000-----	
Taxation	11.1	88,543	30,712

11.1 The income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 upto tax year 2013. Disagreements with the Income Tax Authorities are detailed in note 20.2 and 20.3.

12 CASH AND BANK BALANCES

	Note	2014	2013
		-----Rupees in '000-----	
Balances with banks in current accounts	30	3,680	2,654

13 SHARE CAPITAL

Authorised share capital

2014	2013		2014	2013
Number of shares			----- Rupees in '000 -----	
20,000,000	10,000,000	Ordinary shares of Rs 10 each	200,000	100,000

Issued, subscribed and paid-up capital

2014	2013		2014	2013
Number of shares				
10,000,000	10,000,000	Ordinary shares of Rs 10 each fully paid in cash	100,000	100,000
		Ordinary shares of Rs 10 issued as fully paid		
1,000,000	-	bonus shares	10,000	-
11,000,000	10,000,000		110,000	100,000

13.1 The movement in issued, subscribed and paid-up capital during the year was as follows:

2014	2013		2014	2013
Number of shares			----- Rupees in '000 -----	
10,000,000	10,000,000	Balance as at July 1, 2013	100,000	100,000
1,000,000	-	Bonus shares issued during the year @ 10%	10,000	-
11,000,000	10,000,000	Balance as at June 30, 2014	110,000	100,000

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

	2014		2013	
Name of the Company	**Shares held**	**Percentage**	**Shares held**	**Percentage**
Otsuka Pharmaceutical Company Limited, Japan	4,950,000	45.00%	4,500,000	45.00%
P. T. Otsuka Indonesia, Indonesia	1,100,000	10.00%	1,000,000	10.00%
Otsuka Pharmaceutical Factory, Inc.	363,000	3.30%	-	-
Directors and their spouses and minor children	1,090,600	9.91%	1,046,504	10.47%

	Note	2014	2013
		-----Rupees in '000-----	
14 LONG-TERM FINANCE - SECURED			
From banking company			
Long-term finance utilised under mark-up arrangements	14.1	325,000	100,000
Less: Current maturity		(108,334)	-
		216,666	100,000

14.1 The long-term finance facility amounting in aggregate to Rs 325 million (2013: Rs 100 million) was availed from Bank of Tokyo-Mitsubishi UFJ, Limited (Pakistan branch) to finance the balancing, modernisation and replacement (BMR) project. The facility was drawn by the Company on January 30, 2013 and is due to mature on January 2, 2017. Mark-up and principal amounts are repayable in equal semi-annual instalments, with the first instalment falling due on July 2, 2014. Mark-up is charged at the rate of 6 months KIBOR + 1.75% per annum on the outstanding balance of the facility. The facility is secured by first pari-passu hypothecation and / or first equitable mortgage charge on all of the Company's present and future fixed assets including but not limited to land, building, plant and machinery, equipment, etc.

15	DEFERRED TAX (ASSET) / LIABILITY - NET	Note	2014	2013
			-----Rupees in '000-----	
	Deferred tax credit arising on:			
	Accelerated tax depreciation allowances		71,623	29,636
	Deferred tax debit arising on:			
	Employees' short-term compensated absences		(5,409)	(5,895)
	Provision for doubtful debts		(1,480)	(1,647)
	Unused tax credits		(1,956)	-
	Unused tax losses	15.1	(128,007)	-
	Other provisions		(14,819)	(15,558)
			(151,671)	(23,100)
			(80,048)	6,536

15.1 The Company has an aggregate amount of Rs 387.901 million (2013: Rs Nil) in respect of tax losses as at June 30, 2014. The management has recognised a deferred tax debit balance on these losses, which 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 which has been approved by the Board of Directors of the Company. 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 cost to income ratio of the Company, sales mix of certain products availability of finance from the group company plant maximum capacity utilisation and certain other expansion initiatives. Any significant change in the aforementioned key assumptions may have an effect on the realisibility of the deferred tax asset. The management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and consequently the deferred tax asset will be fully realised in future years.

16	SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED	Note	2014	2013
			-----Rupees in '000-----	
	Loan from Otsuka Pharmaceutical Factory, Inc.	16.1	73,095	-

16.1 This represents a foreign currency denominated loan amounting to JPY 75 million (2013: JPY Nil) obtained for meeting working capital requirements. The entire facility was drawn down on June 16, 2014 and is repayable by June 15, 2015. Mark-up is charged at LIBOR + 0.40% per annum and is payable semi-annually in arrears.

17	TRADE AND OTHER PAYABLES	Note	2014	(Restated) 2013
			-----Rupees in '000-----	
	Creditors		42,304	28,293
	Bills payable	17.1	144,798	103,568
	Accrued liabilities		72,820	70,736
	Payable to staff retirement benefit fund	32.1.2	5,543	8,664
	Provision for employees short-term compensated absences		16,391	17,338
	Sales tax payable		1,799	1,165
	Retention money		5,733	2,179
	Security deposits		1,582	1,182
	Workers' Welfare Fund		679	2,102
	Advances from customers		2,573	8,817
	Unclaimed dividend		1,187	1,187
	Other liabilities	17.2	6,282	6,650
			301,691	251,881

17.1 This includes amounts payable to related parties as at the end of the year aggregated to Rs 124.928 million (2013: Rs 52.570 million).

17.2 Other liabilities include an amount of Rs 1.959 million (2013: Rs 2.157 million) payable to Employees' Provident Fund, Rs 0.055 million (2013: Rs 0.055 million) payable to the Federal Board of Revenue in respect of Internally Displaced Persons Tax (IDPT) deducted for tax years 2009 and 2010.

18 SHORT-TERM RUNNING FINANCE - SECURED

	Note	2014	2013
		-----Rupees in '000-----	
From banking companies			
Short-term running finances utilised under mark-up arrangements - secured	18.1 & 30	557,459	365,344

18.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000'	Mark up rate	Security	Frequency of mark-up	Facility expiry date	2014	2013
						-----Rupees in '000-----	
The Bank of Tokyo Mitsubishi UFG, Limited	525,000	3 months KIBOR + 1.00% p.a.	Joint first pari passu charge on current assets for Rs 500 million and a registered second ranking charge over the fixed assets (plant and machinery) for Rs 250 million	Quarterly	September 30, 2014	386,165	316,306
Bank Alfalah Limited	125,000	3 months KIBOR + 1.25% p.a.	Joint pari passu charge of : - Rs 120 million over stocks and receivables; - Rs 41 million over land and building by way of equitable mortgage; and - Rs 50 million over plant and machinery.	Quarterly	December 31, 2014	88,447	32,849
Barclays Bank PLC, Pakistan	60,000	3 months KIBOR + 2.00% p.a.	Hypothecation over plant and machinery amounting to Rs 71 million and a mortgage over land up to Rs 10 million	Quarterly	July 31, 2014	26,875	16,189
The Bank of Punjab	100,000	3 months KIBOR + 1.25% p.a.	1st pari passu charge for Rs 80 million over current assets (stocks and receivables) and Rs 53.33 million over fixed assets (land, building, plant and machinery)	Quarterly	December 31, 2014	55,972	-
						557,459	365,344

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

The facilities relating to import letter of credit (sight / usance / acceptance) available from banks as at June 30, 2014 amounted in aggregate to Rs 225 million (2013: Rs 315 million) of which the amount remaining unutilised at the year end was Rs 216.743 million (2013: Rs 94.811 million).

In addition, a facility for guarantee available from a bank as at June 30, 2014 amounted to Rs 15 million (2013: Rs 15 million) of which the amount remaining unutilised at the year end was Rs 5.713 million (2013: Rs 5.713 million).

		2014	2013
19	**MARK-UP ACCRUED**	-----Rupees in '000-----	
	Mark-up accrued on:		
	- Short-term running finance - secured	18,168	10,494
	- Long-term finance - secured	19,008	4,614
	- Short-term loan from a related party - unsecured	17	-
		37,193	15,108

20 CONTINGENCIES AND COMMITMENTS

20.1	Commitments in respect of:		
	Capital expenditure contracted for but not incurred	-	73,708
	Letters of credit	8,257	201,269
	Letters of guarantee	9,287	9,287

20.2 On March 05, 2014, a notice of demand was served on the Company by the Additional Commissioner Inland Revenue (ACIR) for an amount of Rs 164.778 million under section 122 (5A) of the Income Tax Ordinance, 2001. The ACIR has added back certain items such as exchange loss, claims against provisions and write-offs of inventory & trade debts, disallowance of finance cost, etc. in the income returned for tax year 2012. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] who upheld the action of ACIR on certain items against which the Company filed an appeal before the Appellate Tribunal Inland Revenue to review the action of the CIR(A) which is pending adjudication. As on June 30, 2014, no provision has been made in these financial statements in respect of this amount as the management expects a favourable outcome in respect of the above matter.

20.3 On August 2009, a notice of demand was served on the Company by the Deputy Commissioner of Income Tax (DCIT) for an amount of Rs 5.721 million (2013: Rs 5.721 million) including additional tax amounting to Rs 0.457 million (2013: Rs 0.457 million) under sections 161, 162 and 205 of the Income Tax Ordinance, 2001. Out of the total demand, Company had already paid an amount of Rs 1.50 million (2013: Rs 1.50 million). The Company had filed an appeal against the order of the DCIT which is pending adjudication. As on June 30, 2014, no provision has been made in these financial statements in respect of the amount of Rs 5.721 million (2013: Rs 5.721 million) as the management is confident that the matter will be decided in favour of the Company.

		Note	2014	2013
21	**NET SALES**		-----Rupees in '000-----	
	Sales (net of returns of Rs 5.283 million; 2013: Rs 5.386 million)		1,221,879	1,460,348
	Less: sales tax		15,785	11,622
			1,206,094	1,448,726
	Less: discounts		128,424	155,015
			1,077,670	1,293,711

22 COST OF SALES

	Note	2014	2013
		-----Rupees in '000-----	
Raw and packing materials consumed:			
Opening stock		142,257	180,008
Purchases		411,427	483,617
Closing stock	7	(261,070)	(142,257)
		292,614	521,368
Stores and spares consumed		34,247	32,757
Salaries, wages and benefits	22.1 & 32.2	167,993	177,813
Rent, rates and taxes		11,629	16,766
Insurance		3,404	2,400
Fuel and power		91,066	84,962
Repairs and maintenance		4,655	3,144
Travelling and vehicle running expenses		27,768	25,137
Communication and stationery		357	321
Depreciation	4.2	76,283	59,223
General expenses		4,178	3,887
		421,580	406,410
		714,194	927,778
Opening stock of work-in-process		9,475	3,792
Closing stock of work-in-process	7	(5,385)	(9,475)
Cost of goods manufactured		718,284	922,095
Opening stock of finished goods		388,362	359,823
Finished goods purchased during the year		222,647	90,157
Cost of samples shown under selling and distribution costs		(3,043)	(3,079)
Closing stock of finished goods	7	(249,195)	(388,362)
		(252,238)	(391,441)
		1,077,055	980,634

22.1 Salaries, wages and benefits include Rs 8.104 million (2013: Rs 7.486 million) in respect of staff retirement benefits.

23 SELLING AND DISTRIBUTION EXPENSES

	Note	2014	2013
		-----Rupees in '000-----	
Salaries, wages and benefits	23.1 & 32.2	76,909	83,471
Rent, rates and taxes		436	404
Insurance		2,757	3,189
Repairs and maintenance		109	219
Travelling and vehicle running expenses		3,208	4,205
Communication and stationery		1,146	1,513
Advertising samples and promotional expenses		48,057	54,534
Outward freight and handling		22,150	31,725
Depreciation	4.2	2,506	2,895
		157,278	182,155

23.1 Salaries, wages and benefits include Rs 4.605 million (2013: Rs 5.337 million) in respect of staff retirement benefits.

		Note	2014	(Restated) 2013
24	**ADMINISTRATIVE AND GENERAL EXPENSES**		-----Rupees in '000-----	
	Salaries, wages and benefits	24.1 & 32.2	43,127	46,644
	Rent, rates and taxes		3,107	2,811
	Insurance		984	963
	Fuel and power		1,844	1,730
	Repair and maintenance		826	1,632
	Travelling and vehicle running expenses		3,290	2,795
	Communication and stationery		1,422	1,565
	Subscription		1,284	2,163
	Legal and professional charges		2,196	2,241
	Depreciation	4.2	2,360	2,085
	General expenses		3,737	2,534
			64,177	67,163

24.1 Salaries, wages and benefits include Rs 2.596 million (2013: Rs 2.690 million) in respect of staff retirement benefits.

		Note	2014	2013
25	**OTHER INCOME**		-----Rupees in '000-----	
	Income from financial assets and financial liabilities			
	Reversal of impairment of trade debts	8.1	5,828	3,791
	Liabilities no longer required written back		441	-
	Exchange gain		2,841	-
			9,110	3,791
	Income from assets other than financial assets			
	Gain on disposal of fixed assets - net		1,333	3,103
	Scrap sales		10,939	9,225
	Reversal of provision for slow moving and obsolete stock-in-trade	7.3	19,974	9,820
	Reversal of provision for stents held with hospitals	7.4	-	3,874
	Others		4,856	1,181
			37,102	27,203
			46,212	30,994

		Note	2014	2013
26	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration	26.1	1,910	1,360
	Donations	26.2	64	292
	Workers' Welfare Fund		84	595
	Impairment of trade debts	8.1	5,633	5,708
	Provision for slow moving and obsolete stock-in-trade	7.3	20,952	36,274
	Provision for stents held with hospitals	7.4	4,915	2,752
	Exchange loss		-	2,868
	Bank charges and commission		691	809
	Others		4,444	589
			38,693	51,247

		2014	2013
26.1	**Auditors' remuneration**		
	Statutory audit fee	600	600
	Fee for the review of half yearly financial statements	125	125
	Fee for tax advisory services	1,000	450
	Fee for special certifications	35	35
	Out-of-pocket expenses	150	150
		1,910	1,360

26.2 Recipients of donations do not include any donee in whom a director or his spouse had any interest.

27 FINANCE COST

	Note	2014	(Restated) 2013
		-----Rupees in '000-----	
Mark-up on:			
Finances from banks and other related parties			
- Short-term loan from an associated company		17	-
- Long-term finance		11,089	-
- Short-term running finance		53,170	46,181
		64,276	46,181
Others			
- Workers' Profit Participation Fund		-	425
		64,276	46,606

28 TAXATION - NET

	Note	2014	(Restated) 2013
Current			
- for the year		8,208	12,240
- for prior years		1,482	34
		9,690	12,274
Deferred		(87,543)	(12,407)
	28.1	(77,853)	(133)

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

29 LOSS PER SHARE

	Note	2014	(Restated) 2013
		-----Rupees in '000-----	
Loss for the year after taxation		(199,744)	(2,967)
		-----Numbers of shares-----	
Weighted average number of ordinary shares outstanding during the year	13.1	11,000,000	11,000,000
		----------Rupees----------	
Loss per share - basic		(18.15)	(0.26)

29.1 The impact of dilution on loss per share has not been presented as the Company did not have any convertible instruments in issue as at June 30, 2014 and 2013 which would have any effect on the loss per share if the option to convert is exercised.

30 CASH AND CASH EQUIVALENTS

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

	Note	2014	2013
		-----Rupees in '000-----	
- Cash and bank balances	12	3,680	2,654
- Short-term running finance utilised under mark-up arrangements	18	(557,459)	(365,344)
		(553,779)	(362,690)

31 REMUNERATION OF 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	
	2014	2013	2014	2013	2014	2013
	Rupees in '000					
Managerial remuneration	5,395	5,106	10,942	10,071	26,690	21,399
Bonus	3,000	3,000	3,375	3,339	3,063	6,315
House rent	2,428	2,298	4,924	4,532	12,006	9,885
Utilities	540	511	1,094	1,007	2,668	2,139
Medical expenses	69	494	1,276	1,175	2,468	2,489
Leave fare assistance/encashment	1,382	1,142	1,363	1,132	1,380	2,975
Retirement benefits	813	793	1,651	1,564	3,852	3,323
Others	-	225	-	-	-	-
	13,627	13,569	24,625	22,820	52,127	48,525
Number of person(s)	1	1	3	3	24	24

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

During the year ended June 30, 2014, a non-executive director was paid Rs 2.40 million (2013: Rs 2.40 million) as technical advisory fee and two non-executive directors were paid Rs 0.025 million (2013: Rs Nil) as meeting fees.

An independent director was paid Rs nil (2013: Rs 0.1 million) as meeting fee.

32 EMPLOYEE BENEFIT SCHEMES

32.1 Defined benefit plan - staff retirement gratuity scheme

As mentioned in note 3.10(a), the Company operates an approved funded gratuity scheme for all its management and non-management staff. The latest actuarial valuation of the fund was carried out at June 30, 2014. Projected Unit Credit Method using the following significant assumptions was used for the valuation of the scheme:

32.1.1 Principal actuarial assumptions

	2014	2013
a) Discount rate	13.00%	11.50%
b) Expected rate of return on plan assets	13.00%	11.50%
c) Expected rate of increase in salary	12.50%	11.50%

32.1.2 Amount recognised in the balance sheet

	2014	(Restated) 2013
	Rupees in '000	
Present value of defined benefit obligation	75,190	70,539
Less: Fair value of plan assets	(69,647)	(61,875)
	5,543	8,664

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

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

	2013		
	Present value of defined benefit obligation	Fair value of plan assets	Net
	Rupees in '000		
As at July 1, 2012	61,859	(49,295)	12,564
Current service cost	4,937	-	4,937
Interest expense / (income)	7,783	(6,139)	1,644
Remeasurements:			
- return on plan assets excluding amounts included in interest expense / (income)	-	(4,291)	(4,291)
- gains from changes in demographic assumptions	-	-	-
- gains from changes in financial assumptions	-	1,579	1,579
- experience adjustments	(63)	-	(63)
	(63)	(2,712)	(2,775)
Contributions	-	(7,706)	(7,706)
Benefits paid	(3,977)	3,977	-
As at June 30, 2013	70,539	(61,875)	8,664

	2014	2013
	-----Rupees in '000-----	

32.1.3 Amount recognised in the profit and loss account

	2014	2013
Current service cost	5,686	4,937
Interest cost	7,803	7,783
Expected return on plan assets	(7,182)	(6,139)
Expense for the year	6,307	6,581

32.1.4 Composition of plan assets

	--- As at June 30, 2014 ---		--- As at June 30, 2013 ---	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Defence Saving Certificates	55,532	79.73%	51,875	83.84%
Pakistan Investment Bonds	9,456	13.58%	8,661	14.00%
Treasury Bills	2,020	2.90%	-	-
Cash and cash equivalents	2,639	3.79%	1,339	2.16%
	69,647	100.00%	61,875	100.00%

32.1.5 Historical information

	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	75,190	70,539	61,859	55,934	45,382
Fair value of plan assets	(69,647)	(61,875)	(49,295)	(38,723)	(34,506)
(Surplus) / deficit	5,543	8,664	12,564	17,211	10,876
Experience adjustments on plan liabilities	3,475	63	707	(721)	(2,241)
Experience adjustments on plan assets	(569)	2,712	3,425	(5,547)	516
	2,906	2,775	4,132	(6,268)	(1,725)

32.1.6 Actual return on plan assets during the year amounted to Rs 6.613 million (2013: Rs 8.851 million).

32.1.7 Based on actuarial advice the Company intends to charge an amount of approximately Rs 6.868 million (2013: Rs 6.069 million) in respect of gratuity fund in the financial statements for the year ending June 30, 2015.

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

a) Mortality risk

This is the risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

b) Investment risk

This is the risk of investments underperforming and not being sufficient to meet liabilities.

c) Salary increase risk

This is the risk that the final salary at the time of cessation of service is greater than expectation. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

d) Risk of insufficiency of assets

This is managed by making regular contribution to the Fund as advised by the actuary.

e) Withdrawal risks

This is the risk that withdrawals may be higher or lower than actuarial assumptions. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

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

Particulars	As at June 30, 2014 Change in assumption	Increase / (decrease) in present value of defined benefit obligation (%)	Rupees in '000	As at June 30, 2013 Change in assumption	Increase / (decrease) in present value of defined benefit obligation (%)	Rupees in '000
Discount rate	+1%	(5.45%)	(4,099)	+1%	(5.70%)	(4,021)
	-1%	2.29%	1,723	-1%	2.52%	1,777
Salary increase rate	+1%	2.66%	2,001	+1%	2.83%	1,996
	-1%	(5.85%)	(4,396)	-1%	(5.66%)	(3,993)

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 7 years.

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

------------------------------ As at June 30, 2014 ------------------------------

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

------------------------------ As at June 30, 2013 ------------------------------

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to Year 10	Year 11 and above
	-------	-------	-------	Rupees in '000	-------	-------	-------
Gratuity Otsuka Pakistan Limited	9,834	12,569	9,576	8,848	6,028	31,328	77,543

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

32.2 Defined contribution plan - staff provident fund

An amount of Rs 8.998 million (2013: Rs 8.685 million) has been charged during the year in respect of the contributory Provident Fund scheme operated by the Company. The particulars of which are as follows:

	Note	2014	2013
		--------- Rupees in '000	---------
Size of the provident fund - total assets *		122,179	118,717
Fair value / amortised cost of investments *	32.2.1	86,927	83,000
		--------- Percentage	---------
Percentage of investments made *		71.15%	69.91%

32.2.1 The cost of above investments amounted to Rs 86.9 million (2013: Rs 83.0 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:

	2014	2013	2014		2013	
			Quoted	Non-quoted	Quoted	Non-quoted
	------ Percentage ------		---------------- Rupees in '000 ----------------			
Investments in government securities						
- Defence Saving Certificates	44.61%	45.91%	-	54,500	-	54,500
- Pakistan Investment Bonds	22.51%	24.00%	27,500	-	28,500	-
- Treasury Bills	4.03%	-	4,927	-	-	-
	71.15%	69.91%	32,427	54,500	28,500	54,500

* The aforementioned information is based on un-audited financial statements of the Fund as at June 30, 2014 and 2013.

33 TRANSACTIONS WITH RELATED PARTIES

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

	June 30, 2014				
Particulars	Parent company	Other associated undertakings	Key management personnel	Other related parties	Total
	-- Rupees in '000 --				
Transactions during the year					
Net sales (net of discounts allowed Rs 100.369 million)	-	581,748	-	-	581,748
Inventory purchased	69,755	133,112	-	-	202,867
Sales to key management personnel	-	-	3	-	3
Consultancy charges	-	-	2,400	-	2,400
Remuneration of the key management personnel	-	-	90,404	-	90,404
Short-term loan from a related party	-	73,095	-	-	73,095
Mark-up expense on short-term loan from a related party	-	17	-	-	17
Charge relating to staff provident fund	-	-	-	8,998	8,998
Charge relating to staff gratuity fund	-	-	-	6,307	6,307
Balances outstanding as at the end of the year					
Receivable from Hospital Supply Corporation against sale of goods	-	97,807	-	-	97,807
Advance to Efroze Chemicals Industries (Private) Limited	-	11,198	-	-	11,198
Payable to Otsuka Pharmaceutical Company Limited, Japan	65,760	-	-	-	65,760
Payable to PT Otsuka Indonesia	-	2,021	-	-	2,021
Payable to Otsuka OPV Joint Stock Company	-	865	-	-	865
Payable to Shanghai Microport Medical (Group) Company Limited		24,749	-		24,749
Payable to Otsuka Pharmaceutical Factory, Inc.	-	3,499	-	-	3,499
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	19,038	-	-	19,038
Loan from Otsuka Pharmaceutical Factory, Inc.	-	73,095	-	-	73,095
Advance from key management personnel	-	-	1,314	-	1,314
Mark up payable on short-term loan from an associated company	-	17	-	-	17
Payable to Employees' Provident Fund	-	-	-	1,959	1,959
Payable to Employees' Gratuity Fund	-	-	-	5,543	5,543
Advance to Otsuka Welfare Clinic	-	360	-	-	360

Particulars	Parent company	Other associated undertaking	Key management personnel	Other related parties	Total
			June 30, 2013		
			Rupees in '000		
Transactions during the year					
Net sales (net of discounts allowed of Rs 116.803 million)	-	679,154	-	-	679,154
Other sales discounts / claims	-	1,595			1,595
Inventory purchased	-	109,988	-	-	109,988
Donation to Otsuka Welfare Clinic	-	192	-	-	192
Consultancy charges	-	-	2,500	-	2,500
Remuneration of the key management personnel	-	-	84,654	-	84,654
Charge relating to staff provident fund	-	-	-	8,685	8,685
Charge relating to staff gratuity fund	-	-	-	6,581	6,581
Balances outstanding as at the end of the year					
Receivable from Hospital Supply Corporation against sale of goods	-	95,119	-	-	95,119
Advance to Efroze Chemicals Industries (Private) Limited	-	11,198	-	-	11,198
Payable to Shanghai Microport Medical (Group) Company Limited	-	27,570	-	-	27,570
Payable to Otsuka Pharmaceutical Factory Incorporation	-	1,824	-	-	1,824
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	18,473	-	-	18,473
Payable to Employees' Provident Fund	-	-	-	2,157	2,157
Payable to Employees' Gratuity Fund	-	-	-	2,546	2,546

Balances receivable from, payable to and information of shares held by related parties as at June 30, 2014 and June 30, 2013 are disclosed in notes 8, 9, 13, 16, 17 and 19 to these financial statements.

The Company enters into transactions with related parties for the sale of its products, purchase of raw materials, finished goods and spare parts and for rendering of certain services. Sales to related parties represent sales made to Hospital Supply Corporation which is the sole distributor of the Company's products in the southern region. The Company allows discount to the distributor on trade price based on agreed terms. Purchases from related parties primarily represent purchases 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 actuarial recommendations and terms of contribution plans as disclosed in note 32 to these financial statements.

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

There are no transactions with key management personnel other than those that are under their terms of employment and / or entitlements. The balances receivable from / payable to related parties as disclosed in notes 8 and 9 to these financial statements are interest free (as detailed in note 5.1), secured and repayable on demand. Particulars of transactions with Workers' Profits Participation Fund and employee benefit schemes are disclosed in notes 17, 22.1, 23.1, 24.1 and 32 to these financial statements.

34 CASH GENERATED FROM OPERATIONS

	Note	2014	Restated 2013
		-----Rupees in '000-----	
Loss for the year before taxation		(277,597)	(3,100)
Adjustment for non-cash charges and other items:			
Depreciation	4.2	81,149	64,203
Gain on disposal of fixed assets - net	25	(1,333)	(3,103)
Provision for slow moving and obsolete stock-in-trade - net	7.3	(2,651)	24,640
Provision for stents - net	7.4	4,915	(1,122)
Impairment of trade debts - net	8.1	(195)	1,917
Mark-up on finances	27	64,276	46,181
Working capital changes	34.1	99,553	27,322
		(31,883)	156,938

		2014	Restated 2013
34.1	**Working capital changes**	-----Rupees in '000-----	
	Decrease / (increase) in current assets		
	Stores and spares	(1,424)	6,411
	Stock-in-trade	24,444	3,529
	Trade debts	5,114	44,627
	Loans and advances	21,958	(14,555)
	Trade deposits, short-term prepayments and other receivables	(3,255)	(1,685)
		46,837	38,327
	(Decrease) / increase in current liabilities		
	Trade and other payables	52,716	(11,005)
		99,553	27,322

		2014	2013
35	**STAFF STRENGTH**	Number of employees	
	Number of employees at June 30		
	- Permanent employees		
	Management staff	227	234
	Workers	187	190
	Average number of employees during the year		
	- Permanent employees		
	Management staff	231	247
	Workers	189	191

36 OPERATING SEGMENTS

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

Sales from Intravenous Solutions represent 77 percent while sales from others represent 23 percent (2013: 79 percent and 21 percent) respectively of total revenue of the Company. During the year ended June 30, 2014 and 2013, no export sales were made by the Company.

All non-current assets of the Company as at June 30, 2014 are located in Pakistan.

Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region is around 53.76 percent during the year ended June 30, 2014 (2013: 54.39 percent).

37 FINANCIAL INSTRUMENTS BY CATEGORY

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

	As at June 30, 2014		
	At fair value through profit or loss	Other financial liabilities	Total
	---------- Rupees in '000 ----------		
Financial liabilities			
Term finance - secured	-	325,000	325,000
Short-term loan from an associated company - unsecured	-	73,095	73,095
Trade and other payables	-	277,648	277,648
Short-term running finance - secured	-	557,459	557,459
Mark-up accrued	-	37,193	37,193
	-	1,270,395	1,270,395

	As at June 30, 2013		
	Loans and receivables	Held to maturity	Total
	---------- Rupees in '000 ----------		
Financial assets			
Long-term loans - considered good	5,574	-	5,574
Long-term deposits	743	-	743
Loans and advances - considered good	5,319	-	5,319
Trade debts - unsecured	125,007	-	125,007
Trade deposits and other receivables	8,345	-	8,345
Cash and bank balances	2,654	-	2,654
	147,642	-	147,642

	As at June 30, 2013		
	At fair value through profit or loss	Other financial liabilities	Total
	---------- Rupees in '000 ----------		
Financial liabilities			
Term finance - secured	-	100,000	100,000
Trade and other payables	-	221,272	221,272
Short-term running finance - secured	-	365,344	365,344
Mark-up accrued	-	15,108	15,108
	-	701,724	701,724

38 FINANCIAL RISK MANAGEMENT

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

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

38.1 Market risk

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

38.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist in foreign currencies. As at June 30, 2014 financial liabilities of Rs 217.893 million (2013: Rs 103.568 million) are payable in foreign currencies which are exposed to foreign currency risk as follows:

	Note	2014	2013
		-----Rupees in '000-----	
Bills payable			
US Dollar		71,006	66,882
Euro		2,992	34,222
Yen		70,800	2,464
	17	144,798	103,568
Short-term loan from a related party - unsecured	16	73,095	-
Yen			

As at June 30, 2014, if the Pakistani Rupee had weakened / strengthened by 5% against foreign currencies with all other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs 10.895 million (2013: Rs 5.179 million), mainly as a result of foreign exchange losses / gains on translation of foreign currency denominated bills payable.

38.1.2 Yield / interest rate risk

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

Sensitivity analysis for variable rate instruments

Presently, the Company has KIBOR based rupee financing representing short-term running finance arrangements and long term finance facility obtained from various banks that expose the Company to cash flow interest rate risk. In case of increase / decrease in KIBOR by 100 basis points on the last repricing date with all other variables held constant, the loss before tax for the year would have been higher / lower by Rs 3.215 million (2013: Rs 3.653 million).

The Company also has LIBOR based short-term loan from a related party that expose 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 loss before tax for the year would have a minimal impact on the financial statements.

The movement in the liability under short-term finance utilised under mark-up arrangements, long-term finance and short-term loan from a related party, KIBOR and LIBOR are expected to change over time. Therefore, the sensitivity analysis prepared as at June 30, 2014 is not necessarily indicative of the effect on the Company's profits due to future movement in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

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

Particulars	As at June 30, 2013 — Exposed to yield / interest rate risk: Upto three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total
On-balance sheet financial instruments	Rupees in '000				
Financial assets					
Long-term loans - considered good	-	-	-	5,574	5,574
Long-term deposits	-	-	-	743	743
Loans and advances	-	-	-	5,319	5,319
Trade debts - unsecured	-	-	-	125,007	125,007
Trade deposits and other receivables	-	-	-	8,345	8,345
Cash and bank balances	-	-	-	2,654	2,654
	-	-	-	147,642	147,642
Financial liabilities*					
Long-term finance - secured	-	-	100,000	-	100,000
Trade and other payables	-	-	-	221,272	221,272
Short-term running finance - secured	32,849	332,495	-	-	365,344
Mark-up accrued	-	-	-	15,108	15,108
	32,849	332,495	100,000	236,380	701,724
On-balance sheet gap (a)	(32,849)	(332,495)	(100,000)	(88,738)	(554,082)
Off-balance sheet financial instruments					
Commitments	-	-	-	284,264	284,264
Off-balance sheet gap (b)	-	-	-	284,264	284,264
Total interest rate sensitivity gap (a+b)	(32,849)	(332,495)	(100,000)		
Cumulative interest rate sensitivity gap	(32,849)	(365,344)	(465,344)		

* The interest rate profile of financial liabilities exposed to yield / interest rate risk are given in notes 14, 16 and 18 to these financial statements.

38.1.3 Price risk

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

38.2 Credit risk

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

Credit risk arises from balances with banks, trade debts, loans and advances, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the total financial assets i.e. Rs 142.120 million. Financial instruments that are potentially subject to significant credit risk are trade debts. The Company's policy is to enter into financial contracts in accordance with the policies and guidelines approved by the management. The Company is also exposed to counterparty credit risk on balances with banks and loans and receivables. The credit risk on the bank balances is limited because the counterparties are banks rated either A-1+ or A1+.

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, the management is in the process of reducing it to an acceptable level.

38.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

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

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

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically repriced.

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

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

As at June 30, 2014 and June 30, 2013, there were no financial instruments which were measured at fair value in the financial statements.

40 CAPITAL RISK MANAGEMENT AND OTHERS

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

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

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

	2014	(Restated) 2013
	-----Rupees in '000-----	
Total borrowings	955,554	465,344
Less: Cash and bank balances	3,680	2,654
Net debt	951,874	462,690
Total equity	290,110	487,907
Total capital	1,241,984	950,597
Gearing ratio	76.64%	48.67%

41 PLANT CAPACITY AND PRODUCTION

	2014		2013	
	Capacity	Actual Production	Capacity	Actual Production
	------------------ million bottles ------------------			
I.V. Solutions	31.9	6.6	31.9	20.9
Plastic Ampoules	8.0	8.0	8.0	7.5
	39.9	**14.6**	**39.9**	**28.4**

During the financial year ended June 30, 2014 , the Company undertook major renovation work and overhauling of its production facilities consequent to which the IV production line was closed from February 2013 to March 2014. The variation in actual production and installed capacity mainly represents the Company's under-utilised capacity due to lower production of IV products during the renovation work and overhauling of its production plant facilities.

42 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements in the current year except as disclosed in note 2.3.4 to the financial statements. Loss per share for prior year has been restated consequent to a readjustment in the weighted average number of ordinary share outstanding during prior year due to the issue of bonus shares during the current year.

43 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 26, 2014** by the Board of Directors of the Company.

44 GENERAL

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

Abid Hussain
Chief Executive Officer

Mehtabuddin Feroz
Director

OTSUKA PAKISTAN LIMITED
Pattern of Shareholding
As of June 30, 2014

# Of Shareholders	Shareholdings' Slab			Total Shares Held
347	1	to	100	5,590
327	101	to	500	73,649
116	501	to	1000	89,606
134	1001	to	5000	311,718
25	5001	to	10000	170,840
10	10001	to	15000	115,471
3	15001	to	20000	47,550
3	20001	to	25000	65,840
3	25001	to	30000	57,500
1	35001	to	40000	37,000
2	50001	to	55000	109,449
4	85001	to	90000	352,000
1	90001	to	95000	92,162
1	100001	to	105000	101,420
1	185001	to	190000	185,758
1	230001	to	235000	230,451
8	360001	to	365000	2,904,000
1	1095001	to	1100000	1,099,999
1	4945001	to	4950000	4,949,997
988				**11,000,000**

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	1,09,999	10.00

OTSUKA PAKISTAN LIMITED
Pattern of Shareholding
As of June 30, 2014

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. HARRY BAGJO	1	1	0.00
MR. MEHTABUDDIN FEROZ	1	363,000	3.30
MR. NAZIMUDDIN FEROZ	1	363,000	3.30
MR. MOHAMMAD ABDULLAH FEROZ	1	363,000	3.30
MR. TETSUJI IWAMOTO	1	1	0.00
MR. MAKOTO SEKIYAMA	1	1	0.00
MR. MAKIO OSAKA	1	1	0.00
MR. NOOR MUHAMMAD	1	500	0.00
Associated Companies, undertakings and related parties			
M/S OTSUKA PHARMACEUTICAL COMPANY LIMITED	1	4,949,997	
M/S P.T. OTSUKA INDONESIA	1	1,099,999	
M/S OTSUKA PHARMACEUTICAL FACTORY, INC.	1	3,63,000	
***Executive**	2	1,210	
Public Sector Companies and Corporations	4	109,294	0.99
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	3	10,910	0.10
Mutual Funds			
CDC-TRUSTEE FIRST DAWOOD MUTUAL FUND	1	230,451	2.10
CDC-TRUSTEE AKD OPPORTUNITY FUND	1	185,758	1.69
General Public			
a. Local	954	2,922,381	26.57
b. Foreign	1	11,000	0.10
Foreing Companies	1	3,500	0.03
Others	10	22,996	0.21
Totals	**988**	**11,000,000**	**100.00**

*It includes 1,100 shares held by Mr. Mohammad Aslam who is an Alternate Director of Mr. Tetsuji Iwamoto.

COMPARISON OF RESULTS LAST 6 YEARS

Particulars	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-13	2013-14
Share Capital	100,000	100,000	100,000	100,000	100,000	100,000	110,000
Unappropriated Profit / (Loss)	77,334	31,465	67,318	56,322	107,574	10,407	(187,390)
General Reserve	167,500	212,500	227,500	267,500	297,500	377,500	367,500
Capital Employed	406,354	381,696	425,980	447,247	516,958	594,443	506,776
Long Term Loans	33,333	16,667	-	-	-	100,000	325,000
Sales	1,054,864	1,236,300	1,446,477	1,495,255	1,594,772	1,293,711	1,077,670
Profit /(Loss) Before Tax	100,865	39,534	102,981	69,438	146,290	(3,100)	(277,597)
Taxation - net	33,009	15,043	37,128	25,434	52,538	(133)	(77,853)
Profit /(Loss) After Taxation	67,856	24,131	65,853	44,004	93,752	(2,967)	(199,744)
% of Sales	6.43	1.95	4.55	2.94	5.88	(0.23)	(18.53)
% of Total Assets	8.28	2.98	8.21	5.24	8.47	(0.24)	(12.61)
% of Capital Employed	16.70	6.32	15.46	9.84	18.14	(0.50)	(39.41)
Dividend Amount	25,000	15,000	-	15,000	12,500	10,000	-
% of Dividend	25.00	15.00	-	15.00	12.50	10.00	-
Bonus Shares	-	-	-	-	-	-	10,000
% of Bonus Issue	-	-	-	-	-	-	10.00
Earnings / (Loss) Per Share	6.79	2.41	6.59	4.40	9.38	(0.31)	(18.15)
Earnings / (Loss) Per Share (Restated) *	6.17	2.19	5.99	4.00	8.52	(0.26)	(18.15)
Fixed Assets less Depreciation	341,637	321,558	298,736	275,423	257,458	246,343	704,484
Total Assets	819,747	810,808	802,213	839,420	1,106,937	1,226,776	1,584,548
Average Number of Employees	440	442	441	456	450	438	420

***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
26th 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 Sixth Annual General Meeting of the Compnay to be held on Wednesday, Otctober 22, 2014 and at any adjournent thereof.

As witness my hand this.. day of 2014
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

www.otsuka.pk