

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report of the company for the year ended June 30, 2013.

Business Review

The year under review has been impacted significantly on account of the following:

1. Our factory was closed completely for almost seven weeks to seal off the production areas where renovation work had to be carried out.
2. Although, partial production was resumed after seven weeks, production of Plabottle 500ml which contributes more than 70% of the total sales volume is still suspended as work on renovation is continuing...
3. Before the closure of our factory we had built big stock which we are selling during the closure period. However, because of limited production capacity and high warehousing and financial cost, we couldn't build stock to meet 100% requirements of all our customers.

Because of the above factors, our sale for the current year at Rs.1.3 billion is 19% below what we had achieved in the previous year. Since there has been no change on our fixed cost because of the factory closure, Gross Profit during the year slipped from 29% achieved during the preceding year to 24% during the current year.

Efforts were made to recover the deficit in Gross Profit by exercising strict control on Selling and Administration expenses. However, keeping in view the magnitude of the expenses, we were unable to make up the total loss in Gross Profit. Also because of funds tied up in finished goods stock as well as higher capital expenditure required for renovation, financial charges for the current year jumped from Rs.31.8 million last year to Rs.46.6million during the current year. As a result during the current year we have a Net Loss after Taxation of Rs.3.4 million compared with Profit after Taxation of Rs.93.8 million achieved last year.

Financial Results

	(PKR in Million)
(Loss) / Profit before taxation	(3.3)
Provision for taxation	(0.2)
(Loss) / Profit after taxation	<u>(3.1)</u>
Accumulated Profit brought forward	107.6
Profit available for appropriation	<u>104.5</u>

Appropriations:

Transfer to revenue reserve	(80.0)
Interim cash dividend for the period ended June 30, 2013	<u>(10.0)</u>
Un-appropriated profit carry forward	<u>14.5</u>

Earning / (Loss) Per Share

The loss per share for the year ended June 30, 2013 works to Rs. (0.31) per share (2012 Rs. 9.38 per share).

Future Outlook

The situation prevailing in the country is of great concern for everyone. Recent increase in cost of electricity, devaluation of Pak Rupee, increase in local inflation, increase in security related expenses due to increase in incidences of terrorism are all going to impact cost of operation of the company. With prices of pharmaceutical product 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 new government will realize 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 the following:

- a. That the financial statements, being presented present fairly its state of affairs, the result of its operating cash flows and changes in equity.
- b. That proper books of accounts of the company have been maintained.
- c. That appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. That International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e. That the system of internal control is sound in design and has been effectively implemented and monitored.
- f. That there are no significant doubts upon the company's ability to continue as a going concern.
- g. That there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Key Operating and Financial data

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

Value of investments of provident and gratuity funds

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

Provident Fund Rs. 107,191,565/-

Gratuity Fund Rs. 50,460,045/-

Board of Directors

There has been no change in the Board of Directors during the year.

Board Meeting

During the year, four meetings of Board of Directors were held. Attendance by each Director is as follows:

Name of Directors	No. of Meetings attended
Mr. Abid Hussain	4
Mr. Mehtabuddin Feroz	4
Mr. Mohammad Abdullah Feroz	3
Mr. Nazimuddin Feroz	4
Mr. Tariq Mehtab Feroz (Alternate Director)	3
Mr. Mohammad Aslam (Alternate Director)	3
Mr. Habib A. Navaid (Alternate Director)	3
Mr. Sajid Ali Khan (Alternate Director)	4
Mr. Harry Bagjo	1
Mr. Kiyoshi Fukai	1
Mr. Kenji Itoh	1
Mr. Takaharu Imai	None

Pattern of Shareholding

The Pattern of share holding of the Company as at June 30, 2013 is annexed with this annual report.

Trading in Shares

There is only one transaction occurred during the year, Chief Executive Officer has bought 55,000 shares of the Company as per his terms of service.

Holding Company

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

Subsequent event

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

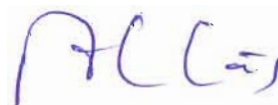
Auditors

The present Auditors Messrs. A.F. Ferguson & Co., Chartered Accountants retire at the conclusion of the 25th 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 27, 2013

OTSUKA PAKISTAN LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		-----Rupees in '000-----	
Net sales	20	1,293,711	1,594,772
Cost of sales	21	(980,634)	(1,128,322)
Gross profit		<u>313,077</u>	<u>466,450</u>
Selling and distribution expenses	22	(182,155)	(209,538)
Administrative and general expenses	23	(67,409)	(75,225)
		<u>63,513</u>	<u>181,687</u>
Other income	24	30,994	28,855
		<u>94,507</u>	<u>210,542</u>
Other operating expenses	25	(51,247)	(32,447)
Operating profit		<u>43,260</u>	<u>178,095</u>
Financial charges	26	(46,606)	(31,805)
(Loss) / profit for the year before taxation		<u>(3,346)</u>	<u>146,290</u>
Taxation - net	27	217	(52,538)
(Loss) / profit for the year after taxation		<u>(3,129)</u>	<u>93,752</u>
		-----Rupees in '000-----	
(Loss) / earnings per share	28	<u>(0.31)</u>	<u>9.38</u>

The annexed notes 1 to 43 form an integral part of these financial statements.

Chief Executive

Director

OTSUKA PAKISTAN LIMITED
BALANCE SHEET
AS AT JUNE 30, 2013

	Note	2013 -----Rupees in '000-----	2012
ASSETS			
Non-current assets			
Property, plant and equipment	4	447,570	270,735
Long-term loans - considered good	5	5,574	6,550
Long-term deposits		743	743
		<u>453,887</u>	<u>278,028</u>
Current assets			
Stores and spares	6	44,998	51,409
Stock-in-trade	7	502,998	530,045
Trade debts - unsecured	8	125,007	171,551
Loans and advances - considered good	9	44,734	30,179
Trade deposits, short-term prepayments and other receivables	10	21,786	20,101
Taxation	11	30,712	20,093
Cash and bank balances	12	2,654	5,531
		772,889	828,909
Total assets		<u><u>1,226,776</u></u>	<u><u>1,106,937</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	100,000	100,000
Revenue reserves		391,945	405,074
Shareholders' equity		<u>491,945</u>	<u>505,074</u>
LIABILITIES			
Non-current liabilities			
Long-term finance	14	100,000	-
Deferred tax liability - net	15	8,616	21,023
Current liabilities			
Trade and other payables	16	245,763	256,471
Short-term running finance - secured	17	365,344	318,316
Mark-up accrued	18	15,108	6,053
		626,215	580,840
Total equity and liabilities		<u><u>1,226,776</u></u>	<u><u>1,106,937</u></u>
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Chief Executive

Director

OTSUKA PAKISTAN LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Unappro- priated profit	Sub total	
----- Rupees in '000 -----					
Balance as at June 30, 2012	100,000	267,500	56,322	323,822	423,822
Interim cash dividend @ 12.5% for the year ended June 30, 2012	-	-	(12,500)	(12,500)	(12,500)
Appropriation to general reserve	-	30,000	(30,000)	-	-
Total comprehensive income for the year ended June 30, 2012	-	-	93,752	93,752	93,752
Balance as at June 30, 2012	<u>100,000</u>	<u>297,500</u>	<u>107,574</u>	<u>405,074</u>	<u>505,074</u>
Interim cash dividend @ 10% for the year ended June 30, 2013	-	-	(10,000)	(10,000)	(10,000)
Appropriation to general reserve	-	80,000	(80,000)	-	-
Total comprehensive loss for the year ended June 30, 2013	-	-	(3,129)	(3,129)	(3,129)
Balance as at June 30, 2013	<u>100,000</u>	<u>377,500</u>	<u>14,445</u>	<u>391,945</u>	<u>491,945</u>

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Chief Executive

Directo

OTSUKA PAKISTAN LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 -----Rupees in '000-----	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	32	156,938	(49,070)
Interest paid		(37,126)	(32,793)
Taxes paid		(22,809)	(49,585)
Decrease / (increase) in long-term loans		976	(1,345)
Net cash generated from / (used in) operating activities		<u>97,979</u>	<u>(132,793)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(244,143)	(54,914)
Proceeds from disposal of property, plant and equipment		6,208	9,846
Net cash used in investing activities		<u>(237,935)</u>	<u>(45,068)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance obtained		100,000	-
Dividends paid		(9,949)	(12,440)
Net cash inflow from / (outflow on) financing activities		<u>90,051</u>	<u>(12,440)</u>
Net decrease in cash and cash equivalents		<u>(49,905)</u>	<u>(190,301)</u>
Cash and cash equivalents as at the beginning of the year		(312,785)	(122,484)
Cash and cash equivalents as at the end of the year	12.1	<u><u>(362,690)</u></u>	<u><u>(312,785)</u></u>

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Chief Executive

Director