

Otsuka Pakistan Limited

Directors' Report

The Directors are pleased to present the half yearly accounts of the company for the period ended December 31, 2009.

Business Review

Sales for the quarter grew at 23.7% which is in line with the sales increases being achieved by your company since the last many years. The increase in sales was the result of both volume increases as well as price increases which have been allowed by the Ministry of Health on some of our products as hardship cases. Sales increase was also due to good sales from new products specially stents, ampoules and Proten.

As a result of reduction in oil prices worldwide, raw materials prices of your company specially, Polyethylene witnessed some reduction since the peak prices reached in August last year. Reduction in cost of raw materials coupled with increase in selling prices of some products enabled your company to achieve gross profit of 28.6% against 26.1% achieved during the same period last year. Improved gross profit coupled with reduction in exchange losses and interest expenses enabled your company to achieve profit before tax of Rs.54.1 million against Rs.8.8 million achieved during the same period last year.

Future Outlook

Local inflation remains at very high level. Utilities prices (electricity and gas) are being regularly increased due to devaluation and increase in international oil prices. Pak Rupee is on a continuous decline against most currencies. Similarly, we are witnessing gradual increases in raw materials prices due to rising oil prices in the international market. All this is going to result in higher cost of production for your company. So far, Ministry of Health has done a commendable job by realizing the difficulties of the manufacturers and allowing them some price increases as hardship cases. We hope that the Government will continue with this good work and keep allowing reasonable price increases at regular intervals to manufacturers to offset cost increases. This we believe is vital for both the manufacturers as well as the patients so that quality medicines can be made available at reasonable prices.

On behalf of the Board

Abid Hussain
Chief Executive Officer

Karachi
Dated: February 2, 2010

OTSUKA PAKISTAN LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31,

	Half year ended December 31,		Quarter ended December 31,	
	2009	2008	2009	2008
	------(Rupees in '000)-----			
Net sales	696,331	574,436	348,538	281,754
Cost of sales	(497,072)	(424,590)	(252,429)	(213,574)
Gross profit	199,259	149,846	96,109	68,180
Selling and distribution expenses	(99,628)	(90,213)	(49,157)	(42,530)
Administration and general expenses	(30,352)	(22,163)	(17,366)	(11,732)
	69,279	37,470	29,586	13,918
Other operating income	8,244	7,687	5,999	3,037
	77,523	45,157	35,585	16,955
Other operating charges	(14,914)	(24,136)	(6,332)	(13,070)
Operating profit	62,609	21,021	29,253	3,885
Finance cost	(8,559)	(12,214)	(4,293)	(6,917)
Profit/(Loss) before taxation	54,050	8,807	24,960	(3,032)
Taxation - net	(19,673)	(6,220)	(9,177)	(1,537)
Profit/(Loss) after taxation	34,377	2,587	15,783	(4,569)
Other comprehensive income / (loss) for the period	-	-	-	-
Total Comprehensive income / (loss) for the period	34,377	2,587	15,783	(4,569)
	------(Rupees)-----			
Earnings per share -basic and diluted	3.44	0.26	1.58	(0.46)

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Abid Hussain
Chief Executive

Mehtabuddin Feroz
Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2009

	Note	2009 December 31, (Un-Audited)	2009 June 30, (Audited)
----(Rupees in '000)----			
ASSETS			
Non current assets			
Property, plant and equipment	4	318,636	326,697
Long-term loans - considered good		5,224	4,421
Long-term deposits		843	964
		<u>324,703</u>	<u>332,082</u>
Current assets			
Stores and spares		46,560	46,581
Stock-in-trade		255,433	216,862
Trade debts - unsecured		169,593	172,449
Loans and advances - considered good		32,393	12,913
Trade deposits, short-term prepayments and other receivables		14,382	12,949
Taxation refundable		13,475	14,312
Cash and bank balances		4,933	2,660
		<u>536,769</u>	<u>478,726</u>
Total assets		<u>861,472</u>	<u>810,808</u>
EQUITY AND LIABILITES			
EQUITY			
Share Capital			
Authorised Capital			
10,000,000 (June 30, 2009 : 10,000,000) ordinary shares of Rs.10 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid up capital			
10,000,000 (June 30, 2009 : 10,000,000) ordinary shares of Rs.10 each issued as fully paid-up in cash		100,000	100,000
Revenue reserves		<u>263,342</u>	<u>243,965</u>
Shareholders' equity		363,342	343,965
LIABILITIES			
Non current liabilities			
Deferred tax liability - net		36,405	37,731
		36,405	37,731
Current liabilities			
Trade and other payables		297,466	271,140
Short-term borrowing - secured		151,339	133,824
Mark-up accrued		4,587	7,482
Current portion of long-term finance		8,333	16,666
		<u>461,725</u>	<u>429,112</u>
		498,130	466,843
TOTAL EQUITY AND LIABILITES		<u>861,472</u>	<u>810,808</u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Abid Hussain
Chief Executive

Mehtabuddin
Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	Issued, subscribed and paid- capital	Revenue reserves			Total
		General reserve	Unappro- priated profit	Sub total	
----- (Rupees in '000) -----					
Balance as at June 30, 2008	100,000	167,500	77,334	244,834	344,634
Cash dividend for the year ended June 30, 2008 declared subsequent to year end	-	-	(25,000)	(25,000)	(25,000)
Transfer to general reserve made subsequent to year end	-	45,000	(45,000)	-	-
Profit after taxation for the period ended December 31, 2008	-	-	2,587	2,587	2,587
Balance as at December 31, 2008	<u>100,000</u>	<u>212,500</u>	<u>9,921</u>	<u>222,421</u>	<u>322,842</u>
Balance as at June 30, 2009	100,000	212,500	31,465	243,965	344,465
Cash dividend for the year ended June 30, 2008 declared subsequent to year end	-	-	(15,000)	(15,000)	(15,000)
Transfer to general reserve made subsequent to year end	-	15,000	(15,000)	-	-
Profit after taxation for the period ended December 31, 2009	-	-	34,377	34,377	34,377
Balance as at December 31, 2009	<u>100,000</u>	<u>227,500</u>	<u>35,842</u>	<u>263,342</u>	<u>363,742</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Abid Hussain
Chief Executive

Mehtabuddin
Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	Half year ended December 31,	
	2009	2008
	-----(Rupees in '000)----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	60,294	24,928
Finance cost paid	(11,388)	(9,564)
Taxes paid	(20,162)	(20,264)
Decrease/(Increase) in long-term loans	(803)	(134)
Decrease/ (Increase) in long-term deposits	121	(10)
Net cash inflow from operating activities	28,062	(5,044)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(21,085)	(18,969)
Proceeds from disposal of property, plant and equipment	843	3,330
Net cash used in investing activities	(20,242)	(15,639)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term finance	(8,333)	(8,333)
Dividends paid	(14,729)	(24,876)
Net cash inflow from / (used in) financing activities	(23,062)	(33,209)
Net Increase/(Decrease) in cash and cash equivalents	(15,242)	(53,892)
Cash and cash equivalents at beginning of the year	(131,164)	(128,839)
Cash and cash equivalents at end of the period	(146,406)	(182,731)

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

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Chief Executive

Mehtabuddin
Director