

DIRECTORS' REPORT

The Directors are pleased to present the nine months accounts of the company for the period ended March 31, 2011.

Business Review

Sales of your company for the nine months ended March 31, 2011 were almost equal to last year. Since the last number of years our sales are being badly impacted due to capacity limitations. We are operating at 100% of our capacity since the last three years and because of pricing issues we are finding it very difficult to increase our capacities. Besides, sales were also impacted during the period due to massive floods in the country. Sales during the last two quarters have also been impacted by the Government decision to register all medical devices. As our stents are not yet registered, we couldn't import goods which were required for sales.

The extra-ordinary increases in cost of production due to increase in oil prices in the international market is having a devastating impact on the profitability of your company. As a result of increase in oil prices, we have witnessed an overall increase in prices of polyethylene, electricity, gas and transportation charges which are all related to oil prices and form a significant portion of our production cost. Significant increases were also witnessed in dextrose prices because of corn crop failure in major growing areas. Increasing interest rates are also impacting our profitability. All steps were taken to reduce the decline in profits by controlling overheads which are actually lower than last year. However, there is very little room for such reduction due to overall increase in rates of all items and increasing competition. As prices of your company products are controlled by the Government and we didn't receive any price increase during the current quarter, the full impact of the above mentioned cost increases had to be borne by the company. As a result, profit during the current quarter plummeted by 76% compared to the same quarter last year. For the nine months period, our profit before tax has witnessed a fall of 45% compared to the same period last year.

Future Outlook

Constant increase in cost of production as a result of inflation, devaluation of Pak Rupee and increase in utilities and transportation charges poses serious challenges for all manufacturers including your company. Price increases on one or two products after every six months or a year is not going to resolve the issues faced by the infusion solutions manufacturers. It is high time that the Ministry of Health realizes the gravity of the problems being faced by pharmaceutical manufacturers and specially infusion solutions manufacturers whose cost of production is directly related to international oil prices and device a policy for granting regular price increases. If this is not done than there is no way that quality manufacturers can continue to operate and provide high quality products to the people of Pakistan. We hope that this matter will be taken up very seriously by the Ministry of Health and an overall pricing mechanism will be put in place enabling companies to continue their operations and be able to serve the people of Pakistan.

On behalf of the Board

Abid Hussain
Chief Executive Officer

Karachi

Dated: April 19, 2011

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-Audited)
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011

	Nine Months Ended March 31,		Quarter Ended March 31,	
	July - Mar 2011	July - March 2010	Jan-Mar 2011	Jan -Mar 2010
	------(Rupees in '000)-----			
Net sales	1,003,575	992,569	306,547	296,238
Cost of sales	(764,842)	(720,712)	(239,933)	(223,640)
Gross profit	238,733	271,857	66,614	72,598
Selling and distribution expenses	(137,827)	(143,003)	(44,201)	(43,375)
Administration and general expenses	(43,992)	(43,769)	(14,308)	(13,417)
	56,914	85,085	8,105	15,806
Other operating income	7,864	11,053	3,413	2,809
	64,778	96,138	11,518	18,615
Other operating charges	(12,610)	(21,049)	(2,659)	(6,135)
Operating profit	52,168	75,089	8,859	12,480
Finance cost	(18,385)	(13,485)	(7,038)	(4,926)
Profit/(Loss) before taxation	33,783	61,604	1,821	7,554
Taxation - net	(11,784)	(22,244)	(183)	(2,571)
Profit/(Loss) after taxation	21,999	39,360	1,637	4,983
Other Comprehensive Income for the period	-	-	-	-
Total Comprehensive income for the period	21,999	39,360	1,637	4,983
	------(Rupees)-----			
Earnings per share	2.20	3.94	0.16	0.50

The annexed notes form 1 to 9 form an integral part of condensed these accounts.

Abid Hussain
Chief Executive

Mehtabuddin Feroz
Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT March 31, 2011

	Note	2011 March 31, (Un-Audited) ----(Rupees in '000)----	2010 June 30, (Audited)
ASSETS			
Non current assets			
Property, plant and equipment	4	289,084	308,317
Long-term loans - considered good		4,757	5,793
Long-term deposits		743	743
		<u>294,584</u>	<u>314,853</u>
Current assets			
Stores and spares		39,049	41,943
Stock-in-trade		304,682	257,987
Trade debts - unsecured		142,975	141,556
Loans and advances - considered good		25,804	22,437
Trade deposits, short-term prepayments and other receivables		18,751	10,626
Taxation recoverable		21,870	9,440
Cash and bank balances		8,800	3,371
		<u>561,931</u>	<u>487,360</u>
Total assets		<u>856,515</u>	<u>802,213</u>
Equity and Liabilities			
Equity			
Share capital		100,000	100,000
Revenue reserves		301,817	294,818
Shareholders' equity		<u>401,817</u>	<u>394,818</u>
LIABILITIES			
Non current liabilities			
Deferred tax liability - net		25,156	31,162
		25,156	31,162
Current liabilities			
Trade and other payables		218,847	237,254
Short-term borrowing - secured		203,654	132,507
Mark-up accrued		7,042	6,472
		<u>429,542</u>	<u>376,233</u>
		454,698	407,395
Total Equity and Liabilities		<u>856,515</u>	<u>802,213</u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes form 1 to 9 form an integral part of condensed these accounts.

Abid Hussain
Chief Executive

Mehtabuddin Feroz
Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED March 31, 2011

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Unappro- priated profit	Sub total	
----- (Rupees in '000) -----					
Balance as at June 30, 2009	100,000	212,500	31,465	243,965	343,965
Cash dividend for the year ended June 30, 2009 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 March 31,2010	-	-	39,360	39,360	39,360
Balance as at March 31, 2010	<u>100,000</u>	<u>227,500</u>	<u>40,825</u>	<u>268,325</u>	<u>368,325</u>
Balance as at June 30, 2010	100,000	227,500	67,318	294,818	394,818
Transfer to general reserve made subsequent to year end	-	40,000	(40,000)	-	-
Cash dividend interim for the year ended June 30, 2011.	-	-	(15,000)	(15,000)	(15,000)
Profit after taxation for the period ended March 31, 2011	-	-	21,999	21,999	21,999
Balance as at March 31, 2011	<u>100,000</u>	<u>267,500</u>	<u>34,317</u>	<u>301,817</u>	<u>401,817</u>

The annexed notes form 1 to 9 form an integral part of condensed these accounts.

Abid Hussain
Chief Executive

Mehtabuddin Feroz
Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011

	Nine Months Ended March 31,	
	2011	2010
	----(Rupees in '000)----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,783	61,604
Adjustment for non-cash and other items		
Depreciation	44,997	43,694
Profit on disposal of property, plant and equipment	(1,107)	(1,320)
Provision for slow moving and obsolete stock-in-trade	1,449	(28)
Provision for impairment of trade debt	1,091	6,424
Markup expense on short-term borrowings	18,385	13,419
	<u>64,814</u>	<u>62,189</u>
Operating surplus before working capital changes	<u>98,597</u>	<u>123,793</u>
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	2,893	2,505
Stock-in-trade	(48,145)	(78,572)
Trade debts	(2,511)	40,201
Loans and advances	(3,368)	(19,272)
Trade deposits, short-term prepayments and other receivables	(8,126)	(3,253)
	<u>(59,257)</u>	<u>(58,391)</u>
(Decrease) / Increase in current liabilities		
Trade and other payables	(18,436)	(6,610)
	<u>(18,436)</u>	<u>(6,610)</u>
Cash generated from operations	<u>20,904</u>	<u>58,792</u>
Taxes paid	(31,171)	(27,331)
Decrease / (increase) in long-term loans	1,036	(1,038)
Decrease in long-term deposits	-	221
	<u>(30,135)</u>	<u>(28,148)</u>
Net cash generated from operating activities	<u>(9,231)</u>	<u>30,644</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(25,628)	(29,546)
Proceeds from disposal of property, plant and equipment	1,722	2,128
Net cash used in investing activities	<u>(23,906)</u>	<u>(27,418)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance cost paid	(17,609)	(15,849)
Repayment of long-term finance	-	(16,667)
Dividends paid	(14,972)	(14,765)
Net cash used in financing activities	<u>(32,581)</u>	<u>(47,281)</u>
Net decrease in cash and cash equivalents	<u>(65,718)</u>	<u>(44,055)</u>
Cash and cash equivalents at the beginning of the period	(129,136)	(131,164)
Cash and cash equivalents at the end of the period	<u>(194,854)</u>	<u>(175,219)</u>

The annexed notes from 1 to 9 form an integral part of these condensed interim financial statements.

Abid Hussain
Chief Executive

Mehtabuddin Feroz
Director