

DIRECTORS' REPORT

The Directors are pleased to present the accounts of the company for the half year ended December 31, 2011.

Business Review

Sales for the period grew by 22.2% compared with the same period last year. The increase in sales is in line with the growth percentage achieved during the last few years. Increase in sales during the period has been on account of increase in selling prices and improvement of sales mix. As we are operating at 100% of our capacity since the last few years our ability to increase our top line is now linked directly to improvement in sales mix and price increases.

As a result of price increases our Gross Profit which had reduced to 18.7% in the first quarter has improved to 25.5% for the six months. When compared with the pharmaceutical industry the Gross Profit percentage of your company is still on a lower side. Major cost elements of your company are related directly to international oil price and are increasing almost every day. Since prices of your company products are not adjusted in line with the cost increases, our profit margins are under constant pressure. As a result we are unable to expand our capacities despite the fact that we are operating at 100% capacity since the last many years. Because of price increases during this period we managed to achieve PBT of Rs.54.2 million during the first half compared with Rs.32 million achieved during the same period last year..

Future Outlook

The recent decision made by the Government to allow price increases on infusion solutions will provide some breathing space to the industry. Despite these price increases, profit margins of your company will continue to remain under pressure as our costs are increasing every day. We are working with other infusion solution manufacturers to convince the government to treat infusion solutions separately from other pharmaceutical products and link its prices to international oil prices. In our view prices of infusion solutions should be adjusted upwards or downwards based on international oil prices in a similar way as is being done for other oil related products. We hope that issue will be eventually resolved as infusion solutions are the most important element in the entire health care sector and uncertainty on this front is hampering investment which will ultimately lead to shortages of these important products.

On behalf of the Board

Abid Hussain
Chief Executive Officer

Karachi
Dated: February 27, 2012

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	------(Rupees in '000)-----			
Net sales	851,849	697,028	448,622	348,588
Cost of sales	<u>(634,712)</u>	<u>(524,909)</u>	<u>(306,738)</u>	<u>(262,271)</u>
Gross profit	217,137	172,119	141,884	86,317
Selling and distribution expenses	(104,766)	(93,626)	(57,804)	(49,272)
Administrative and general expenses	<u>(39,074)</u>	<u>(29,684)</u>	<u>(23,635)</u>	<u>(15,173)</u>
	73,297	48,809	60,445	21,872
Other operating income	<u>8,254</u>	<u>4,451</u>	<u>1,477</u>	<u>1,899</u>
	81,551	53,260	61,922	23,771
Other operating charges	<u>(15,468)</u>	<u>(9,951)</u>	<u>(12,924)</u>	<u>(3,042)</u>
Operating profit	66,083	43,309	48,998	20,729
Finance cost	<u>(11,906)</u>	<u>(11,347)</u>	<u>(6,528)</u>	<u>(6,357)</u>
Profit for the period before taxation	54,177	31,962	42,470	14,372
Taxation - net	<u>(21,093)</u>	<u>(11,601)</u>	<u>(17,140)</u>	<u>(5,211)</u>
Profit for the period after taxation	33,084	20,361	25,330	9,161
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>33,084</u>	<u>20,361</u>	<u>25,330</u>	<u>9,161</u>
	------(Rupees)-----			
Earnings per share	<u>3.31</u>	<u>2.04</u>	<u>2.53</u>	<u>0.92</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

Director

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

	(Un-Audited) December 31, 2011	(Audited) June 30, 2011
Note	------(Rupees in '000)-----	
ASSETS		
Non-current assets		
Property, plant and equipment	4 271,642	282,959
Long-term loans - considered good	5,521	5,205
Long-term deposits	743	743
	<u>277,906</u>	<u>288,907</u>
Current assets		
Stores and spares	60,952	45,704
Stock-in-trade	421,758	267,400
Trade debts - unsecured	209,580	165,661
Loans and advances - considered good	34,655	23,998
Trade deposits, short-term prepayments and other receivables	27,392	14,362
Taxation	35,254	25,448
Cash and bank balances	6,738	7,940
	<u>796,329</u>	<u>550,513</u>
Total assets	<u><u>1,074,235</u></u>	<u><u>839,420</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital		
Authorised Capital		
10,000,000 (June 30, 2011: 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, 2011: 10,000,000) ordinary shares of Rs 10 each issued as fully paid-up in cash	100,000	100,000
Revenue reserves	344,406	323,822
Shareholders' equity	<u>444,406</u>	<u>423,822</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liability - net	19,470	23,425
Current liabilities		
Trade and other payables	358,493	254,594
Short-term borrowings - secured	245,338	130,424
Mark-up accrued	6,528	7,155
	<u>610,359</u>	<u>392,173</u>
Total equity and liabilities	<u><u>1,074,235</u></u>	<u><u>839,420</u></u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

Directr

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 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, 2010	100,000	227,500	67,318	294,818	394,818
First Interim dividend for the year ending June 30, 2011 at 1.5 per share Date of distribution: October 13, 2010	-	-	(15,000)	(15,000)	(15,000)
Transfer to general reserve made subsequent to the year end	-	40,000	(40,000)	-	-
Profit after taxation for the period ended December 31, 2010	-	-	20,361	20,361	20,361
Balance as at December 31, 2010	<u>100,000</u>	<u>267,500</u>	<u>32,679</u>	<u>300,179</u>	<u>400,179</u>
Balance as at June 30, 2011	100,000	267,500	56,322	323,822	423,822
First interim dividend for the year ending June 30, 2012 at Rs 1.25 per share (Date of distribution: October 14, 2011)	-	-	(12,500)	(12,500)	(12,500)
Transfer to general reserve made subsequent to the year end	-	30,000	(30,000)	-	-
Profit after taxation for the period ended December 31, 2011	-	-	33,084	33,084	33,084
Balance as at December 31, 2011	<u>100,000</u>	<u>297,500</u>	<u>46,906</u>	<u>344,406</u>	<u>444,406</u>

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Chief Executive

Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2011

Note	Half year ended December 31,	
	2011	2010
	-----(Rupees in '000)----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	54,177	31,962
Adjustment for non-cash and other items		
Depreciation	31,904	29,732
Profit on disposal of property, plant and equipment	(1,875)	(148)
Provision for slow moving and obsolete stock-in-trade	1,032	1,449
Provision for stents	1,427	-
Provision for impairment of trade debts	(6,360)	578
Mark-up expense	11,906	11,141
	38,034	42,752
Operating surplus before working capital changes	92,211	74,714
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	(15,248)	(6,344)
Stock-in-trade	(156,816)	(8,205)
Trade debts	(37,560)	18,734
Loans and advances	(10,657)	(8,972)
Trade deposits, short-term prepayments and other receivables	(13,030)	(8,866)
	(233,311)	(13,653)
(Decrease) / Increase in current liabilities		
Trade and other payables	103,763	(38,960)
Taxes paid	(34,853)	(20,311)
Decrease / (increase) in long-term loans	(316)	533
	(35,169)	(19,778)
Net cash (used in) / generated from operating activities	(72,505)	2,323
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(21,910)	(13,054)
Proceeds from disposal of property, plant and equipment	3,197	472
Net cash used in investing activities	(18,713)	(12,582)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance cost paid	(12,533)	(11,463)
Dividends paid	(12,364)	(14,932)
Net cash used in financing activities	(24,897)	(26,395)
Net decrease in cash and cash equivalents	(116,116)	(36,654)
Cash and cash equivalents at the beginning of the period	(122,484)	(129,136)
Cash and cash equivalents at the end of the period	7 <u>(238,600)</u>	<u>(165,790)</u>

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Chief Executive

Director