

DIRECTORS' REVIEW

The Directors are pleased to present the accounts of the company for the quarter ended September 30, 2012.

Business Review

Sales for the quarter declined by 6.2% compared with the same period last year. The decrease in sales is because of your company decision to discontinue production of 1000ml infusion solutions. The decision was based on our new philosophy of having a synchronized production line. Other than 1000ml infusion solutions, sales of all other products including Amino Acids, medical devices as well as 500ml infusion solutions were in line with the growth achieved during the last many years.

The increased production capacity of 500ml available due to discontinuation of 1000ml is being used for stocking to cater to our sales requirements for next year. During 2013 we will be carrying our major BMR exercise because of which our production will be affected. If these stocks would have been sold during the current year, our sales would have been much higher.

Because of price increases allowed during the year by the Ministry of Health on most of our infusion solutions, despite reduction in sales, gross profit improved from a paltry 18.7% last year to 27.7% during the current year. Even this is much lower than the desired level which enables infusion solutions companies to expand their capacities and continuously upgrade for technology advancement and CGMP improvements. As a result of improved gross profit and strict control on Selling, Distribution and Administration expenses, profit before tax improved from Rs. 11.7 mill last year to Rs. 24.4 million during the current year. Higher interest cost during the current year is because of increased borrowing to finance stock build up to cater for next year sales requirements.

Future Outlook

After a long wait, your company finally received some price increases on most of its products during the current year. We are grateful to the Ministry of Health which realized the gravity of the situation and allowed the industry the much deserved relief. Infusion solutions costs are directly related to international oil prices and it is therefore important that the Government continues to provide relief to the industry if it wants this vital segment of the pharmaceutical industry to continue providing quality products to the people of this country. As part of our long term strategy, your company has decided to carry our major BMR exercise during 2013. However, because of very low prices of infusion solutions in Pakistan and lack of a formal Pricing Policy we are still unable to increase our production capacities. Your company sales and profits will therefore continue to be dependant on the existing production capacities and pricing decisions taken by the government.

On behalf of the Board

Karachi
Dated: October 17, 2012

Abid Hussain
Chief Executive Officer

OTSUKA PAKISTAN LIMITED
CONDENSED PROFIT AND LOSS ACCOUNT(UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	2012	2011
	Sept. 30,	Sept. 30,
	-----Rupees in '000-----	
Net sales	378,129	403,227
Cost of sales	(273,474)	(327,974)
Gross profit	<u>104,655</u>	<u>75,253</u>
Selling and distribution expenses	(48,694)	(46,962)
Administrative and general expenses	<u>(16,376)</u>	<u>(15,439)</u>
	39,585	12,852
Other operating income	<u>3,538</u>	<u>6,777</u>
	43,123	19,629
Other operating expenses	<u>(6,199)</u>	<u>(2,544)</u>
Operating profit	<u>36,924</u>	<u>17,085</u>
Financial charges	<u>(12,524)</u>	<u>(5,378)</u>
Profit before taxation	<u>24,400</u>	<u>11,707</u>
Taxation - net	<u>(8,079)</u>	<u>(3,953)</u>
Profit after taxation	<u><u>16,321</u></u>	<u><u>7,754</u></u>
	-----Rupees in '000-----	
Earnings per share	<u><u>1.63</u></u>	<u><u>0.78</u></u>

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

Chief Executive

Director

**OTSUKA PAKISTAN LIMITED
CONDENSED BALANCE SHEET
AS AT SEPTEMBER 30, 2012**

	Note	2012 Sept.30 (Un-Audited)	2012 June 30 (Audited)
-----Rupees in '000-----			
ASSETS			
Non-current assets			
Property, plant and equipment	4	286,857	270,735
Long-term loans - considered good		6,345	6,550
Long-term deposits		743	743
		293,945	278,028
Current assets			
Stores and spares		49,342	51,409
Stock-in-trade		558,510	530,045
Trade debts - unsecured		132,701	171,551
Loans and advances - considered good		68,257	30,179
Trade deposits, short-term prepayments and other receivables		19,472	20,101
Taxation		25,435	20,093
Cash and bank balances		7,561	5,531
		861,278	828,909
Total assets		1,155,223	1,106,937
EQUITY AND LIABILITIES			
EQUITY			
Share capital		100,000	100,000
Revenue reserves		421,395	405,074
Shareholders' equity		521,395	505,074
LIABILITIES			
Non-current liabilities			
Deferred tax liability - net		17,798	21,023
Current liabilities			
Trade and other payables		240,452	256,471
Short-term running finance - secured		363,050	318,316
Mark-up accrued		12,528	6,053
		616,030	580,840
Total equity and liabilities		1,155,223	1,106,937
CONTINGENCIES AND COMMITMENTS	5		

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

Chief Executive

Director

OTSUKA PAKISTAN LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Issued, subscribed and paid-up capital	Revenue reserves		Sub total	Total
		General reserve	Unappro- priated profit		
----- Rupees in '000 -----					
Balance as at June 30, 2011	100,000	267,500	56,322	323,822	423,822
Appropriation to general reserve made subsequent to year end	-	30,000	(30,000)	-	-
Total comprehensive income for the Period ended September 30,2011	-	-	7,754	7,754	7,754
Balance as at September 30,2011	<u>100,000</u>	<u>297,500</u>	<u>34,076</u>	<u>331,576</u>	<u>431,576</u>
Balance as at June 30, 2012	100,000	297,500	107,574	405,074	505,074
Appropriation to general reserve made subsequent to year end	-	80,000	(80,000)	-	-
Total comprehensive income for the Period ended September 30, 2012	-	-	16,321	16,321	16,321
Balance as at september 30, 2012	<u>100,000</u>	<u>377,500</u>	<u>43,895</u>	<u>421,395</u>	<u>521,395</u>

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Chief Executive

Director

OTSUKA PAKISTAN LIMITED
CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

2012 **2011**
Sept. 30, **Sept. 30,**
-----Rupees in '000-----

CASH FLOWS FROM OPERATING ACTIVITIES

Cash (used in) / generated from operations	11,916	22,868
Interest paid	(6,049)	(7,226)
Taxes paid	(16,646)	(19,047)
Increase /(Decrease) in long-term loans	205	(665)
Net cash (used in) / generated from operating activities	(10,574)	(4,070)

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(32,497)	(7,907)
Proceeds from disposal of property, plant and equipment	368	2,440
Net cash used in investing activities	(32,129)	(5,467)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid	(1)	(22)
Net cash outflow on financing activities	(1)	(22)

Net (decrease) / increase in cash and cash equivalents

	(42,704)	(9,559)
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Cash and cash equivalents as at the beginning of the year

	(312,785)	(122,484)
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Cash and cash equivalents as at the end of the period.

	(355,489)	(132,043)
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Chief Executive

Director