Company Information

Board of Directors:
- Mr. Harry Bagjo (Chairman) (Alternate: Mr. Tariq Mehtab Feroz)
- Mr. Hanif Sattar (Chief Executive)
- Mr. Makoto Sekiyama
- Mr. Mehtabuddin Feroz
- Mr. Yasuo Bando
- Mr. Mohammad Abdullah Feroz
- Mr. Makio Osaka (Alternate: Mr. Sajid Ali Khan)
- Mr. Nazimuddin Feroz
- Mr. Noor Muhammad (Independent Director)

Company Secretary:
- Mr. Sajid Ali Khan

Audit Sub Committee of the Board:
- Mr. Noor Muhammad (Chairman)
- Mr. Makoto Sekiyama (Member)
- Mr. Mehtabuddin Feroz (Member)

Human Resources & Remuneration Committee Sub Committee of the Board:
- Mr. Makoto Sekiyama (Chairman)
- Mr. Mehtabuddin Feroz (Member)
- Mr. Hanif Sattar (Member)

Statutory Auditors:
- A. F. Ferguson & Co. (Chartered Accountants)

Internal Auditors:
- KPMG Taseer Hadi & Co. (Chartered Accountants)

Legal Advisors:
- Hassan & Humayun Associates

Bankers:
- The Bank of Tokyo-Mitsubishi, UFJ Ltd.
- Bank Alfalah Limited
- The Bank of Punjab
- Habib Bank Limited
- Allied Bank Limited
- MCB Bank Limited
- National Bank of Pakistan

Registered Office:
- 30-B, Sindh Muslim Co-operative,
  Housing Society, Karachi-74400
  Tel. 34526651 – 4, Fax: 34543857
  E-mail: sakhan@otsuka.pk
  inoor@otsuka.pk
  Website: www.otsuka.pk

Factory:
- Plot No. F/4-9,
  Hub Industrial Trading Estate,
  Dist. Lasbella (Balochistan)
  Tel. (0853) 303517-8
  Fax: (0853) 303519

Share Registrar:
- Central Depository Company of Pakistan Limited
  CDC Houses, 99 – B, Block ‘B’,
  S.M.C.H.S., Main Shahrah-e-Faisal
  Karachi-74400.
  Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)
  Fax: (92-21) 34326053
  Email: info@cdcpak.com
  Website: www.cdcpakistan.com
Directors’ Review

The Directors are pleased to present the accounts of the company for the quarter ended September 30, 2016.

Business Review

After a gap of three years, your company has come out of the loss situation and has started earning profit though a very small one. There are multiple factors which have contributed to this turn around.

Sales of the quarter have increased by 24% compared with the same period last year. This increase was due to price increase and better product mix. Austerity and cost saving measures have resulted in bringing down cost of goods sold. However selling and distribution expenses have increased due to increase in freight because of higher volumes and promotion activities which was required to counter increasing competition. Administration expenses were at the same level as of last year.

Future Outlook

The dynamics of infusion industry are different from rest of the pharmaceutical industry. Sales of infusion products vary from period to period due to seasonal impact. Also cost of sales is impacted during low season due to higher fixed overheads and comparatively lower sales and production volumes. However your company is trying to manage the different challenges being faced especially with over-supply situation prevailing in the market. The government should support this industry by allowing price increase on the basis of cost increase and chalk out policies to curb import from China and other countries. The company also plans to strengthen its medical devices and nutraceutical businesses by introducing new products viz Firehawk and Proten Gold. The Board is optimistic about the future of the company’s financial health and look forward to wipe off past losses in the future.

On behalf of the Board

Hanif Sattar
Chief Executive Officer

Karachi
Dated: October 25, 2016
Otsuka Pakistan Limited

DAHRIKHEZ RYUORT

DAHRIKHEZ RYUORT 30 جوُسم 2016 کو مکمل ہو، یہ والی دو سے ملے میں کشیدہ کسوم کٹلی کرنے کے لیے سرمائی کرسنے کی۔

کاروباری جائزہ

تمیں سال کے دوسرے ہفتے کے بعد پہلی کی تفصیالی صورت حال سے بات چیت کے لیے مربوط ہیں۔ دوسرہ تفصیلی سمجھانے کا شروع کریں۔

اس کاسی بیلی میں ایک سے زیادہ پریس ہوں لے گیا راکد اور اکیا ہے۔

سماجی کی محفوظات کی فروخت میں گزشت سال کا اس دن کے متعلقیں 24 فیصد کا اضافہ ہو گیا ہے۔ اضافہ کی مجموعات کے لیے اخلاقی بیانات کا خیال کیا گیا ہے۔

کبھی کبھی ہماری فروخت کے لیے کبھی کبھی ہماری کا اخلاقی مطالبہ ہو گیا ہے۔

امن جماہی فروخت کے لیے کبھی کبھی ہماری کا اخلاقی مطالبہ ہو گیا ہے۔

امن جماہی فروخت کے لیے کبھی کبھی ہماری کا اخلاقی مطالبہ ہو گیا ہے。

مستقبل کا نظر

IV Solutions کی دو سازی کی صنعت کے ہمارے دور میں DRSIV کی مصنعت سے غلط ہوئی ہے۔ مصنوعات کی فروخت اور پہیاواڈوڈو سمیت ہوں جو دو سازی کے لیے ہمیشہ سے غلط بتی ہوئی ہے۔ پہیاواڈو دوسرے مصنوعات سے اضافہ کی مجموعات میں مووموس سے بھی مفت کی مہم ہے۔

IV Solutions کی دوسری مصنوعات کی پریس چنگر کی سامان نہیں ہے۔ اس طرح کی سانگ ہے۔

یہ تناطیم ہے۔

IV Solutions کی دوسری مصنوعات کی طرح ہے۔

کو ہماری اپنی بھی خود استقلال داری کا کام ہے۔

روہاک سے

پوری جاہب سے

صفحہ 7

کاریکی

مول کو 25 أکتوبر 2016
## CONDENSED INTERIM BALANCE SHEET
### AS AT SEPTEMBER 30, 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>(Un-Audited) September 30, 2016</th>
<th>(Audited) June 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
</tbody>
</table>

### ASSETS

#### Non-current assets
- Property, plant and equipment
- Long-term loans - considered good
- Long-term deposits
- Deferred tax asset - net

#### Current assets
- Stores and spares
- Stock-in-trade
- Trade debts - unsecured - net
- Loans and advances - considered good
- Trade deposits, short-term prepayments and other receivables
- Taxation
- Bank balances

<table>
<thead>
<tr>
<th></th>
<th>(Un-Audited)</th>
<th>(Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
</tbody>
</table>

### EQUITY AND LIABILITIES

#### EQUITY
- Share capital
- Revenue reserves
- Total shareholders' equity

<table>
<thead>
<tr>
<th></th>
<th>(Un-Audited)</th>
<th>(Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
</tbody>
</table>

#### LIABILITIES

- Current liabilities
  - Short-term loan from a related party - unsecured
  - Trade and other payables
  - Current maturity of long-term finance - secured
  - Short-term running finance - secured
  - Mark-up accrued

<table>
<thead>
<tr>
<th></th>
<th>(Un-Audited)</th>
<th>(Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
</tbody>
</table>

### CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 11 form an integral part of these financial statements.
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sept. 30</td>
<td>Sept. 30</td>
</tr>
<tr>
<td></td>
<td>Rupees '000</td>
<td>Rupees '000</td>
</tr>
<tr>
<td>Net sales</td>
<td>428,343</td>
<td>344,907</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(300,877)</td>
<td>(310,231)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>127,466</td>
<td>34,676</td>
</tr>
<tr>
<td>Selling and distribution expenses</td>
<td>(45,013)</td>
<td>(39,106)</td>
</tr>
<tr>
<td>Administrative and general expenses</td>
<td>(18,452)</td>
<td>(18,778)</td>
</tr>
<tr>
<td></td>
<td>64,001</td>
<td>(23,208)</td>
</tr>
<tr>
<td>Other income</td>
<td>4,312</td>
<td>7,087</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(14,000)</td>
<td>(6,169)</td>
</tr>
<tr>
<td>Operating Profit/(loss)</td>
<td>54,313</td>
<td>(24,290)</td>
</tr>
<tr>
<td>Finance cost</td>
<td>(12,391)</td>
<td>(17,988)</td>
</tr>
<tr>
<td>Profit/(Loss) for the period before taxation</td>
<td>41,922</td>
<td>(42,278)</td>
</tr>
<tr>
<td>Taxation - net</td>
<td>(33,657)</td>
<td>(3,445)</td>
</tr>
<tr>
<td>Profit/(Loss) for the period after taxation</td>
<td>8,265</td>
<td>(45,723)</td>
</tr>
</tbody>
</table>

Profit/(Loss) per share  
0.75                      | (4.15)      

The annexed notes 1 to 11 form an integral part of these financial statements.
CONCENTED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

<table>
<thead>
<tr>
<th></th>
<th>2016 Sept.30</th>
<th>2015 Sept.30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/(Loss) for the period after taxation</td>
<td>8,265</td>
<td>(45,723)</td>
</tr>
<tr>
<td><strong>Other comprehensive income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit and loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax on remeasurements of defined benefit plans</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive Profit / (loss) for the period</strong></td>
<td>8,265</td>
<td>(45,723)</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 11 form an integral part of these financial statements.
## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sept.30</td>
<td>Sept.30</td>
</tr>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM OPERATING ACTIVITIES

- **Profit / (Loss) for the period before taxation:**
  - 2016: 41,622
  - 2015: (42,278)

- **Adjustment for non-cash charges and other items:**
  - **Depreciation:**
    - 2016: 26,777
    - 2015: 27,326
  - **Gain on disposal of fixed assets - net:**
    - 2016: (133)
    - 2015: (35)
  - **Provision for slow moving and obsolete stock-in-trade - net:**
    - 2016: -
    - 2015: 5,486
  - **Provision for stocks - net:**
    - 2016: -
    - 2015: (3,258)
  - **Impairment / (reversal of impairment) on trade debts - net:**
    - 2016: -
    - 2015: 172
  - **Mark-up on finances:**
    - 2016: 12,391
    - 2015: 17,988

- **Operating surplus before working capital changes:**
  - 2016: 39,035
  - 2015: 47,679

- **Movement in working capital changes**
  - **(increase)/decrease in current assets**
    - Stores and spares:
      - 2016: 351
      - 2015: 1,375
    - Stock-in-trade:
      - 2016: 14,194
      - 2015: 1,673
    - Trade debts:
      - 2016: (22,187)
      - 2015: (12,388)
    - Loans and advances:
      - 2016: 88
      - 2015: 25,823
    - Trade deposits, short-term prepayments and other receivables:
      - 2016: 1,330
      - 2015: (2,684)
  - **Increase / (Decrease) in current liabilities**
    - Trade and other payables:
      - 2016: (520)
      - 2015: (47,543)
    - Cash generated from / (used in) operations:
      - 2016: 75,253
      - 2015: (83,334)
    - Interest paid:
      - 2016: (15,067)
      - 2015: (27,588)
    - Taxes paid:
      - 2016: (13,776)
      - 2015: (16,362)
    - Increase in long-term deposits:
      - 2016: (5)
      - 2015: -
    - Increase / (decrease) in long-term loans:
      - 2016: (17)
      - 2015: 350
  - **Net cash generated from / (used in) operating activities:**
    - 2016: 46,388
    - 2015: (126,934)

### CASH FLOWS FROM INVESTING ACTIVITIES

- **Fixed capital expenditure incurred:**
  - 2016: (4,762)
  - 2015: (2,475)
- **Proceeds from disposal of property, plant and equipment:**
  - 2016: 419
  - 2015: 183
- **Net cash used in investing activities:**
  - 2016: (4,343)
  - 2015: (2,293)

### CASH FLOWS FROM FINANCING ACTIVITIES

- **Long-term/Short-term finance paid:**
  - 2016: (54,167)
  - 2015: (54,167)
- **Short-term loan obtained from a related party:**
  - 2016: 8,584
  - 2015: 102,875
- **Net cash (outflow on) / inflow from financing activities:**
  - 2016: (45,573)
  - 2015: 48,708
- **Net decrease in cash and cash equivalents:**
  - 2016: (3,528)
  - 2015: (80,519)
- **Cash and cash equivalents at the beginning of the period:**
  - 2016: (537,910)
  - 2015: (561,070)
- **Cash and cash equivalents at the end of the period:**
  - 2016: 540,538
  - 2015: 541,589

The annexed notes 1 to 11 form an integral part of these financial statements.

---

Hanif Sattar  
Chief Executive Officer

Mehtabuddin Feroz  
Director
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

<table>
<thead>
<tr>
<th></th>
<th>Issued, subscribed and paid-up capital</th>
<th>General reserve</th>
<th>Accumulated losses</th>
<th>Sub-total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at July 1, 2015</strong></td>
<td>110,000</td>
<td>367,500</td>
<td>(335,586)</td>
<td>31,914</td>
<td>141,914</td>
</tr>
<tr>
<td><strong>Total comprehensive loss for the period ended September 30, 2015</strong></td>
<td>-</td>
<td>-</td>
<td>(45,723)</td>
<td>(45,723)</td>
<td>(45,723)</td>
</tr>
<tr>
<td><strong>Balance as at September 30, 2015</strong></td>
<td>110,000</td>
<td>367,500</td>
<td>(381,309)</td>
<td>(13,809)</td>
<td>96,191</td>
</tr>
<tr>
<td><strong>Balance as at July 1, 2016</strong></td>
<td>110,000</td>
<td>367,500</td>
<td>(448,022)</td>
<td>(80,522)</td>
<td>29,478</td>
</tr>
<tr>
<td><strong>Total comprehensive loss for the period ended September 30, 2016</strong></td>
<td>-</td>
<td>-</td>
<td>8,265</td>
<td>8,265</td>
<td>8,265</td>
</tr>
<tr>
<td><strong>Balance as at September 30, 2016</strong></td>
<td>110,000</td>
<td>367,500</td>
<td>(439,757)</td>
<td>(72,257)</td>
<td>37,743</td>
</tr>
</tbody>
</table>

The annexed notes 1 to 11 form an integral part of these financial statements.
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

1  THE COMPANY AND ITS OPERATIONS

The Company is incorporated in Pakistan as a public limited company and is listed on the
Karachi and Lahore Stock Exchanges. The address of its registered office is 30-B, S.M.C.H.
Society, Karachi, Pakistan. It is engaged in the manufacturing, marketing and distribution
of intravenous infusions and trading in pharmaceutical products, nutritional foods and medical
equipment. The Company is an indirect subsidiary of Otsuka Pharmaceutical Company Limited,
Japan.

2  BASIS OF PREPARATION AND MEASUREMENT

2.1  Statement of compliance

These financial statements have been prepared in accordance with the approved accounting
standards as applicable in Pakistan. The approved accounting standards comprise of such
International Financial Reporting Standards (IFRSs) issued by the International Accounting
Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements
of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange
Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance,
1984 or the directives issued by the SECP differ with the requirements of IFRSs, the requirements
of the Companies Ordinance, 1984 or the said directives issued by the SECP prevail.

The disclosures made in this condensed interim financial information have, however, been
limited based on the requirements of International Accounting Standard 34, ‘Interim Financial
Reporting’. This condensed interim financial information does not include all the information
and disclosures required in a full set of financial statements and should be read in conjunction
with the annual published audited financial statements of the Company for the year ended
June 30, 2016.

2.2  Accounting convention

These financial statements have been prepared under the historical cost convention except
that obligations in respect of certain staff retirement benefits are carried at present value of
defined benefit obligation less fair value of plan assets and stock-in-trade is carried at the lower
of cost and net realisable value.

These condensed interim financial statements are un-audited.

3  ACCOUNTING POLICIES, SIGNIFICANT ESTIMATES, JUDGMENTS AND ASSOCIATED
ASSUMPTIONS

3.1  The significant accounting policies applied in the preparation of these condensed interim
financial statements are the same as those applied in the preparation of the annual published
financial statements of the company for the year ended June 30, 2016.
3.2 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of the accounting policies of the Company. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future years if the revision affects both current and future periods.

The significant estimates, judgments and assumptions made by management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that were applied to the financial statements of the Company as those that were applied to the financial statements of the Company as at and for the year ended June 30, 2016.

3.3 The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Company as at and for the year ended June 30, 2016.

3.4 Certain amendments to approved accounting standards have been published and are mandatory for the Company’s accounting period beginning on or after July 1, 2016 but are expected to have no significant effect on this condensed interim financial information.

<table>
<thead>
<tr>
<th>Note</th>
<th>(Unaudited)</th>
<th>(Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>------</td>
<td>---------------</td>
<td>--------------</td>
</tr>
<tr>
<td></td>
<td>Rupees in '000</td>
<td>Rupees in '000</td>
</tr>
</tbody>
</table>

| Operating fixed assets | 511,118 | 533,365 |
| Capital work-in-progress | 8,774 | 8,624 |
| Total | 519,892 | 542,189 |

4 PROPERTY, PLANT AND EQUIPMENT

4.1 The following additions to and disposals of operating fixed assets have been made during the period:

<table>
<thead>
<tr>
<th>Quarter ended September 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building on leasehold land</td>
</tr>
<tr>
<td>Additions</td>
</tr>
<tr>
<td>Disposals:</td>
</tr>
<tr>
<td>Cost</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
</tr>
<tr>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quarter ended September 30, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building on leasehold land</td>
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<tr>
<td>Additions</td>
</tr>
<tr>
<td>Disposals:</td>
</tr>
<tr>
<td>Cost</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
</tr>
<tr>
<td>-</td>
</tr>
</tbody>
</table>
5 CONTINGENCIES AND COMMITMENTS

5.1 The Federal Board of Revenue (FBR) has selected Tax Year 2014 of the Company for income tax audit under section 177 of the Income Tax Ordinance, 2001 through computer balloting held on September 14, 2015 under section 214C. In this connection, on October 20, 2015, a notice was served by the Deputy Commissioner Inland Revenue which required the Company to furnish details / explanations in respect of certain matters included in the income tax return filed by the Company with the FBR. The Company submitted the necessary explanations, after which another show cause notice u/s 122(9) was served on the Company on March 24, 2016 which required the Company to furnish further details/explanation. The Company has submitted the necessary explanations for which response is awaited.

5.2 On March 05, 2015, a notice of demand was served on the Company by the Additional Commissioner Inland Revenue (ACIR) for an amount of Rs 164.778 million (2015: Rs 164.778 million) under section 122 (5A) of the Income Tax Ordinance, 2001. The ACIR added back certain items such as exchange loss, claims against provisions and write-offs of inventory & trade debts and disallowed finance cost in the income returned for tax year 2012. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] who upheld the action of ACIR on certain items against which the Company filed an appeal before the Appellate Tribunal Inland Revenue to review the action of the CIR(A) which is pending adjudication. As at June 30, 2016, no provision has been made in respect of Rs 164.778 million in these financial statements as the management expects a favourable outcome in respect of the above matter.

5.3 On August 2009, a notice of demand was served on the Company by the Deputy Commissioner of Income Tax (DCIT) for an amount of Rs 5,721 million (2015: Rs 5,721 million) including additional tax amounting to Rs 0.457 million (2015: Rs 0.457 million) under sections 161, 162 and 205 of the Income Tax Ordinance, 2001. Out of the total demand, Company had already paid an amount of Rs 1.50 million (2015: Rs 1.50 million). The Company had filed an appeal against the order of the DCIT which is pending adjudication. As at June 30, 2016, no provision has been made in these financial statements in respect of the amount of Rs 5,721 million (2015: Rs 5,721 million) as the management is confident that the matter will be decided in favour of the Company.

<table>
<thead>
<tr>
<th>(Unaudited)</th>
<th>(Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept. 30</td>
<td>June 30,</td>
</tr>
<tr>
<td>2016</td>
<td>2016</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rupees in '000</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Commitments represent:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure contracted for but not incurred</td>
<td>400</td>
</tr>
<tr>
<td>Letters of credit</td>
<td>19,252</td>
</tr>
<tr>
<td>Letters of guarantee</td>
<td>56,201</td>
</tr>
</tbody>
</table>

5.5 Claim not acknowledged as debt

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>46,901</td>
</tr>
</tbody>
</table>

5.5.1 During the year ended June 30, 2015, the Collector of Customs withheld stocks of polyethylene, pharmaceutical grade granules at import stage with a view that those should have been classified as packaging material instead of raw materials and subject to levy of sales tax. The management contended that those materials were used for manufacturing of IV solutions and constituted an integral part of the finished products and were, therefore, exempt from sales tax under SRO 551 (/)2008 dated June 11, 2008. During the year ended June 30, 2015 and 2016 the Company has imported materials of polyethylene (for IV solutions) which have been released by the Collector of Customs after submissions of bank guarantees.
The matter has been taken up by the Company in the High Court of Sindh and the management and its legal advisor believe that the decision will be in favour of the Company. Accordingly, no provision has been made in the financial statements of the Company during the quarter.

There were no other contingencies and commitments outstanding as on September 30, 2016 and June 30, 2015.

<table>
<thead>
<tr>
<th></th>
<th>Sept.30</th>
<th></th>
<th>Sept.30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales (net of returns of Rs 2.118 million; 2015: Rs 0.853 million)</td>
<td>480,384</td>
<td>384,025</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: sales tax</td>
<td>(4,348)</td>
<td>(3,862)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>476,036</td>
<td>380,163</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: discounts</td>
<td>(47,693)</td>
<td>(35,256)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>428,343</td>
<td>344,907</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6.1 During the year ended June 30, 2015, the Drug Regulatory Authority of Pakistan (DRAP) issued the Drug Pricing Policy 2015 (the Policy) vide a notification dated March 5, 2015. The policy called for a transparent mechanism to be devised by the Policy Board to review the Maximum Retail Prices (MRPs) of drugs which had become non-viable in the market. Under clause 10(4) of the Policy, hardship cases of scheduled molecules submitted on specified form and complete in all respect were required to be processed on priority and decided on a first come first served basis but not later than 9 months from the date of notification of the Policy. Earlier, the management of the Company had submitted hardship cases for its IV products for price increase and a committee (the Committee) was formed to evaluate the contention of the Company and to recommend price increase for the products.

Since the Committee did not give any decision on the price increase within the stipulated nine months, the management was left with no choice but to increase the prices of the IV products of the Company. During the year ended June 30, 2016, the Company has increased the prices of its thirteen products. In order to avoid any adverse action from DRAP, the Company has filed a Civil Suit in respect of the subject matter before the High Court of Sindh (SHC) against DRAP and the Federation of Pakistan. The SHC has issued a notice to the DRAP and the Federation of Pakistan that no coercive action may be taken against the Company. Presently, the SHC while hearing petition related to "hardship" cases filed by the Company has ordered to continue the interim injunction granted to the Company asserting that no coercive action be taken against it. The Court further said in its hearing that the DRAP would be at liberty to decide the pending hardship cases filed by the Company. On the other hand, the DRAP in the hearings informed the Court that the Company is required to furnish additional documentation in order to decide on the hardship cases. The documents in the prescribed form have been submitted by the Company to the DRAP. The Court in its hearings has ordered the DRAP to process and decide the hardship cases and to place a compliance report / decision before the Court for its review. The requisite documents have been furnished by the Company. The necessary hearings have been occured however, decision is still pending.

The management of the Company believes that there are strong grounds to support the Company’s stance on the price increase matter and hardship cases will eventually be decided in favour of the Company.
TRANSACTIONS WITH RELATED PARTIES

<table>
<thead>
<tr>
<th>Parent company</th>
<th>Other associated undertakings</th>
<th>Key management personnel</th>
<th>Other related parties</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Unaudited) Quarter ended September 30, 2016

- 202,041 6 - 202,047 155,323

Net sales net of discounts allowed Rs 33.396 million (2015: Rs 24.907 million)
Inventory purchased
Consultancy fees
Remuneration of the key management personnel
Short-term loan obtained from a related party
Manages expense on short-term loan from a related party
Late payment charges received from HSC
Charge relating to staff provident fund
Charge relating to staff gratuity fund

<table>
<thead>
<tr>
<th>Parent company</th>
<th>Other associated undertakings</th>
<th>Key management personnel</th>
<th>Other related parties</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Unaudited) As at September 30, 2016

- 120,945 - - 120,945 107,957

Receivable from Hospital Supply Corporation against sale of goods
Payable to Shanghai Minreport EPMed. Tech Co., Limited
Payable to Shanghai Minreport Medical (Group) Company Limited
Payable to Otsuka Pharmaceutical Factory, Inc.
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand
Payable to Thai Otsuka Medico.
Loan from Otsuka Pharmaceutical Factory, Inc.
Advance from key management personnel
Manages payable on short-term loan from a related party
Payable to Employees' Provident Fund
Payable to Employees' Gratuity Fund
Receivable from Employees' Gratuity Fund
Receivable from Shanghai Micropor Medical (Group) Company Limited

(Refunds in '000)

(Previous Years)

(107,957)

(3,257)

(29,656)

(3,257)

(7,145)

(9,948)

(605)

(630,223)

(1,002)

(2,204)

(374)

(306)

(306)

(306)

Balance outstanding as at the end of the period/year

The Company enters into transactions with related parties for the sale of its products, purchase of raw materials, finished goods and spare parts and for rendering of certain services. Sales to related parties represent sales made to Hospital Supply Corporation which is the sole distributor of the Company's products in the southern region. The Company allows discount to the distributor on trade price based on agreed terms. Purchases from related parties primarily represent purchases of raw materials and finished goods from Otsuka group companies.

Remuneration to key management personnel is based on the agreed terms of employment with such personnel.

Contributions to and accruals in respect of staff retirement benefit plans are made in accordance with actuarial recommendations and terms of contribution plans.
8 SEGMENT INFORMATION

8.1 This condensed interim financial information has been prepared on the basis of a single reportable segment.

Sales from Intravenous Solutions represent 83.72 percent while sales from others represent 16.28 percent (September 30, 2015: 78.95 percent and 21.05 percent) respectively of the total sales of the Company.

Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region was around 48.17 percent during the period ended September 30, 2016 (September 30, 2015: 45.04 percent).

8.2 Sales percentage by geographic region is as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Sept.30 2016</th>
<th>Sept.30 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>100.00</td>
<td>98.67</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>-</td>
<td>1.33</td>
</tr>
</tbody>
</table>

8.3 All non-current assets of the Company as at September, 2016 are located in Pakistan.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following items included in the condensed interim balance sheet:

<table>
<thead>
<tr>
<th>(Unaudited)</th>
<th>(Unaudited)</th>
</tr>
</thead>
</table>

--- Rupees in '000---

<table>
<thead>
<tr>
<th>Cash and bank balances</th>
<th>11,595</th>
<th>6,479</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term running finance utilised under mark-up arrangements</td>
<td>(552,133)</td>
<td>(648,068)</td>
</tr>
<tr>
<td>Total</td>
<td>(540,538)</td>
<td>(641,589)</td>
</tr>
</tbody>
</table>

9 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in this condensed interim financial information during the current period.

10 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on **October 25, 2016** by the Board of Directors of the Company.

11 GENERAL

Figures in this condensed interim financial information have been rounded off to the nearest thousand rupees.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director