

COMPANY INFORMATION

BOARD OF DIRECTORS : Mr. Harry Bagjo (Chairman) (Alternate: Mr. Tariq Mehtab Feroz)
Mr. Abid Hussain (Chief Executive Officer)
Mr. Makoto Sekiyama
Mr. Mehtabuddin Feroz
Mr. Tetsuji Iwamoto
Mr. Mohammad Abdullah Feroz
Mr. Makio Osaka (Alternate: Mr. Sajid Ali Khan)
Mr. Nazimuddin Feroz
Mr. Noor Muhammad (Independent Director)

SUB COMMITTEES OF THE BOARD:

AUDIT COMMITTEE : Mr. Noor Muhammad (Chairman)
Mr. Makoto Sekiyama (Member)
Mr. Mehtabuddin Feroz (Member)

HUMAN RESOURCES & REMUNERATION COMMITTEE : Mr. Makoto Sekiyama (Chairman)
Mr. Mehtabuddin Feroz (Member)
Mr. Abid Hussain (Member)

COMPANY SECRETARY : Mr. Sajid Ali Khan

AUDITORS : A.F. Ferguson & Co.
(Chartered Accountants)

LEGAL ADVISORS : Hassan & Humayun Associates

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

REGISTERED OFFICE : 30-B, Sindhi Muslim Co-operative,
Housing Society, Karachi-74400
Tel.: 34528651 – 4, Fax: 34549857
E-mail: sakhan@otsuka.pk
jnoor@otsuka.pk
Website: www.otsuka.pk

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

SHARE REGISTRAR : Central Depository Company of Pakistan Limited
CDC House, 99 – B, Block ‘B’,
S.M.C.H.S., Main Shakra-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

Otsuka Pakistan Limited

Directors' Report

The Directors are pleased to present the accounts of the company for the half year ended December 31, 2014.

Business Review

Production levels of your company have now reached to almost normal levels. The problems being faced in the initial period have been almost resolved and the plant is running successfully. However, water shortages at Hub and voltage fluctuation continue to haunt us. To address the issue of water shortage, we have to purchase water from Karachi incurring huge expenses. Voltage fluctuations continue to remain an issue in view of the sensitive nature of our recently purchased computerized machines which are very sensitive.

Infusion solutions business in Pakistan is mostly seasonal in nature with sales increasing during summer and reducing in winter. Since there is a shortage of infusion solutions during summer, most customers purchase large quantities at the start of the season. Because of delay in completion of our renovation program, we started sales in June when major customers had already made heavy purchases. As a result we had to face some difficulties in the initial period. Also lack of 1000ml pack is posing some problems as most of our customers demand both 500ml as well as 1000ml pack sizes. Despite all these issues, sales of your company are gradually increasing and we hope to achieve normal sales level soon.

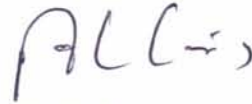
Sales for the quarter have increased by almost 18% compared with the same period last year bringing total increase in sales for the half year to 18%. Because of higher level of production, there has been some reduction in our unit cost of production. As a result, our Gross Profit % which was -5% in the same quarter last year and 6% during the previous quarter increased to 13% during the current quarter. Gross Profit % for the half year was only 9% which is absurdly low compared with other companies in this sector. Because of lower Gross Profit, increase in selling and administration expenses due to inflation and higher interest expenses due to borrowing for renovation of production facilities, we incurred a Loss before taxation of Rs.96.6 million during the half year. This is however, 23% lower than the loss incurred during the same period last year. Also loss in the quarter October- December is 22% lower compared with the loss incurred in July-September quarter. We expect the loss to gradually reduce with increase in sales and production of your company.

Future Outlook

Lack of a viable Pricing Policy and strict price controls on all pharmaceutical products continue to remain a major challenge for your company. Infusion solutions are one of the most sensitive products to manufacture and therefore extra care has to be taken resulting in very high manufacturing cost. However, while fixing prices of these products no consideration is given by the Government regarding the nature of the product and a uniform formula is applied for fixing

prices of all pharmaceutical products. We have been pleading continuously that Large Volume Parenteral Solutions are different from normal pharmaceutical products and should be treated as such while fixing prices of these products. We hope that the Government will realize the problems faced by this sector of the industry and take corrective actions. Without appropriate price adjustment and regular price increases on yearly basis in line with inflation, your company will continue to face financial problems. Except pricing factor, the Board doesn't see any internal or external threat to its future operations.

On behalf of the Board



Abid Hussain
Chief Executive Officer

Karachi.

Dated: February 17, 2015

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2014

	(Unaudited) December 31, 2014	(Audited) June 30, 2014
Note	-----Rupees in '000-----	
ASSETS		
Non-current assets		
Property, plant and equipment	4 673,839	715,754
Long-term loans - considered good	4,806	5,123
Long-term deposits	788	783
Deferred tax asset - net	5 109,639	80,048
	<u>789,072</u>	<u>801,708</u>
Current assets		
Stores and spares	50,392	46,422
Stock-in-trade - net	562,503	476,290
Trade debts - unsecured - net	67,492	120,088
Loans and advances - considered good	37,299	22,776
Trade deposits, short-term prepayments and other receivables	21,449	25,041
Taxation - net	128,644	88,543
Cash and bank balances	6,353	3,680
	<u>874,132</u>	<u>782,840</u>
Total assets	<u><u>1,663,204</u></u>	<u><u>1,584,548</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital		
Authorised share capital		
20,000,000 (June 30, 2014: 20,000,000) ordinary shares of Rs 10 each	<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up share capital		
11,000,000 (June 30, 2014: 11,000,000) ordinary shares of Rs 10 each	110,000	110,000
Revenue reserves	<u>117,181</u>	<u>180,110</u>
Shareholders' equity	227,181	290,110
LIABILITIES		
Non-current liabilities		
Long-term finance - secured	6 162,500	216,666
Current liabilities		
Short-term loan from a related party - unsecured	7 126,135	73,095
Trade and other payables	296,474	301,691
Current maturity of long-term finance - secured	6 108,333	108,334
Short-term running finance - secured	8 706,031	557,459
Mark-up accrued	36,550	37,193
	<u>1,273,523</u>	<u>1,077,772</u>
Total equity and liabilities	<u><u>1,663,204</u></u>	<u><u>1,584,548</u></u>
CONTINGENCIES AND COMMITMENTS		
	9	

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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Chief Executive


Director

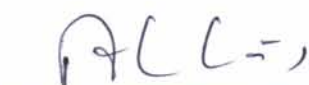
OTSUKA PAKISTAN LIMITED
 CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
 FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

	Half year ended December 31,		Quarter ended December 31,	
	2014	2013	2014	2013
	----- Rupees in '000 -----		----- Rupees in '000 -----	
Net sales	640,308	542,524	266,976	225,632
Cost of sales	(584,380)	(522,642)	(233,115)	(237,115)
Gross profit / (loss)	55,928	19,882	33,861	(11,483)
Selling and distribution expenses	(84,032)	(74,718)	(42,695)	(34,964)
Administrative and general expenses	(32,440)	(32,624)	(17,855)	(16,576)
	(60,544)	(87,460)	(26,689)	(63,023)
Other income	33,641	33,861	23,413	27,190
	(26,903)	(53,599)	(3,276)	(35,833)
Other operating expenses	(14,061)	(52,101)	(10,344)	(41,165)
Operating loss	(40,964)	(105,700)	(13,620)	(76,998)
Finance cost	(55,670)	(20,321)	(28,611)	(10,163)
Loss for the period before taxation	(96,634)	(126,021)	(42,231)	(87,161)
Taxation - net	35,156	34,959	40,725	37,287
Loss for the period after taxation	(61,478)	(91,062)	(1,506)	(49,874)
	----- Rupees -----			
Loss per share - basic and diluted	(5.59)	(8.28)	(0.14)	(4.53)

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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Chief Executive



Director

OTSUKA PAKISTAN LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
 FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

	Half year ended December 31,		Quarter ended December 31,	
	2014 ----- Rupees in '000 -----	2013	2014 ----- Rupees in '000 -----	2013
Loss for the period after taxation	(61,478)	(91,062)	(1,506)	(49,874)
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of defined benefit plan	(2,232)	213	(2,232)	107
Deferred tax on remeasurements of defined benefit plan	781	-	781	-
	(1,451)	213	(1,451)	107
Total comprehensive loss for the period	(62,929)	(90,849)	(2,957)	(49,767)

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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 Chief Executive

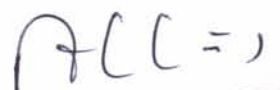

 Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

Note	Half year ended December 31,	
	2014	2013
	---- Rupees in '000 ----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period before taxation	(96,634)	(126,021)
Adjustment for non-cash charges and other items:		
Depreciation	55,226	31,356
Gain on disposal of property, plant and equipment (Reversal of provision) / provision for slow moving and obsolete stock-in-trade - net	(1,577)	(47)
Provision for stents - net	(6,415)	14,563
Impairment of trade debts - net	7,417	1,619
Mark-up on finances	774	318
	<u>55,670</u>	<u>20,321</u>
	14,461	(57,891)
Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(3,970)	(5,349)
Stock-in-trade	(87,215)	63,349
Trade debts - unsecured	51,822	6,041
Loans and advances	(14,523)	13,477
Trade deposits, short-term prepayments and other receivables	3,592	141
	<u>(50,294)</u>	<u>77,659</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(7,449)	20,125
	<u>(57,743)</u>	<u>97,784</u>
Cash generates from operations	<u>(43,282)</u>	<u>39,893</u>
Interest paid	(56,313)	(25,296)
Taxes paid	(33,755)	(45,805)
Increase in long-term deposits	(5)	(40)
Decrease in long-term loans	317	266
Net cash used in operating activities	<u>(133,038)</u>	<u>(30,982)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(14,538)	(288,155)
Proceeds from disposal of property, plant and equipment	2,804	70
Net cash used in investing activities	<u>(11,734)</u>	<u>(288,085)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term finance (paid) / obtained	(54,167)	225,000
Short-term loan from a related party	53,040	-
Net cash (used in) / generated from financing activities	<u>(1,127)</u>	<u>225,000</u>
Net decrease in cash and cash equivalents	<u>(145,899)</u>	<u>(94,067)</u>
Cash and cash equivalents at the beginning of the period	(553,779)	(362,690)
Cash and cash equivalents at the end of the period	<u><u>(699,678)</u></u>	<u><u>(456,757)</u></u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.





 Chief Executive



 Director

OTSUKA PAKISTAN LIMITED
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
 FOR THE HALF YEAR ENDED DECEMBER 31, 2014

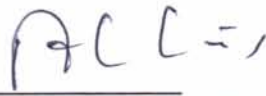
	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves		Total	
		Reserve for issue of bonus shares	General reserve	Unappropriated profit / (accumulated loss)		Sub-total
----- Rupees in '000 -----						
Balance as at July 1, 2013	100,000	-	377,500	10,407	387,907	487,907
Total comprehensive loss for the half year ended December 31, 2013	-	-	-	(90,849)	(90,849)	(90,849)
Transactions with owners recognised directly in equity						
Transfer for reserve for issue of bonus shares	-	10,000	(10,000)	-	(10,000)	-
Interim issue of bonus shares @ 10% for the year ended June 30, 2014 declared on October 23, 2013	10,000	(10,000)	-	-	-	-
Balance as at December 31, 2013	110,000	-	367,500	(80,442)	287,058	397,058
Balance as at July 1, 2014	110,000	-	367,500	(187,390)	180,110	290,110
Total comprehensive loss for the half year ended December 31, 2014	-	-	-	(62,929)	(62,929)	(62,929)
Balance as at December 31, 2014	110,000	-	367,500	(250,319)	117,181	227,181

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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Chief Executive



Director



OTSUKA PAKISTAN LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

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 (IV) infusions and trading in pharmaceutical products, nutritional foods and medical equipment. The Company is an indirect subsidiary of Otsuka Pharmaceutical Company Limited, Japan.

As at December 31, 2014, the current liabilities of the Company exceeded its current assets by Rs 399.391 million mainly due to loans obtained from a group company and banks for financing the Balancing, Modernisation and Replacement (BMR) of its IV production line. The Company has completed the BMR of the IV production line. The Company has prepared a formal five years business plan post BMR project based on which the management strongly believes that the Company will be able to meet all its current and future liabilities and there are no imminent business risks. The management believes that after implementation of initiatives stated in the five years business plan the Company will have positive results in future years enabling it to set-off the losses incurred in the prior periods.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the requirements of 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 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 which are 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, 2014.

This condensed interim financial information is unaudited. However, a review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance.

2.2 Accounting convention

This condensed interim financial information has 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.

3 ACCOUNTING POLICIES, SIGNIFICANT ESTIMATES, JUDGMENTS AND ASSOCIATED ASSUMPTIONS

3.1 The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published audited financial statements of the Company for the year ended June 30, 2014.

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 period.

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 at and for the year ended June 30, 2014.

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- 3.3 The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Company for the year ended June 30, 2014.
- 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, 2014 but are expected to have no significant effect on this condensed interim financial information.

	Note	(Unaudited) December 31, 2014	(Audited) June 30, 2014
-----Rupees in '000-----			
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	666,090	704,484
Capital work-in-progress	4.2	7,749	11,270
		<u>673,839</u>	<u>715,754</u>

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

	----- Half year ended December 31, 2014 -----				
	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Total
----- Rupees in '000 -----					
Additions	637	14,082	803	2,537	18,059
Disposals:					
Cost	-	-	-	3,289	3,289
Accumulated depreciation	-	-	-	(2,062)	(2,062)
	-	-	-	1,227	1,227
	----- Half year ended December 31, 2013 -----				
	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Total
----- Rupees in '000 -----					
Additions	3,833	1,722	863	997	7,415
Disposals:					
Cost	-	-	217	63	280
Accumulated depreciation	-	-	(217)	(40)	(257)
	-	-	-	23	23

	Note	(Unaudited) December 31, 2014	(Audited) June 30, 2014
-----Rupees in '000-----			
4.2 Capital work-in-progress			
Stores and spares held for capital expenditure		<u>7,749</u>	<u>11,270</u>

5 DEFERRED TAX ASSET - NET

The Company has an aggregate amount of Rs 468.05 million (June 30, 2014: Rs 387.901 million) in respect of tax losses as at December 31, 2014. The management has recognised a deferred tax debit balance on these losses, which represents the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability as the Company would be able to set off the profit earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on a business plan of the Company for the next five years which has been approved by the Board of Directors of the Company. The business plan involves certain key assumptions underlying the estimation of future taxable profits estimated in the plan. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Company, sales mix of certain products availability of finance from the group company plant maximum capacity utilisation and certain other expansion initiatives. Any significant change in the aforementioned key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Company will be able to achieve the profits projected in the business plan and consequently the deferred tax asset will be fully realised in future years.

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		(Unaudited) December 31, 2014	(Audited) June 30, 2014
		-----Rupees in '000-----	
6	LONG TERM FINANCE - SECURED		
	From banking company		
	Long-term finance utilised under mark-up arrangements	270,833	325,000
	Less: Current maturity	(108,333)	(108,334)
		<u>162,500</u>	<u>216,666</u>

6.1 The long-term finance facility amounting in aggregate to Rs 270.833 million (June 30, 2014: Rs 325 million) was availed from Bank of Tokyo-Mitsubishi UFJ, Limited (Pakistan branch) to finance the balancing, modernisation and replacement (BMR) project of the Company. The facility was drawn by the Company on January 30, 2013 and is to be fully repaid by January 2, 2017. The Company has paid the first instalment of the principal and mark-up on July 02, 2014. Mark-up and principal amounts are payable in equal semi-annual instalments. Mark-up is charged at the rate of 6 months KIBOR + 1.75% per annum on the outstanding balance of the facility. The facility is secured by first pari-passu hypothecation and / or first equitable mortgage charge on all of the Company's present and future fixed assets including but not limited to land, building, plant and machinery, equipment, furniture and fixtures, etc.

		(Unaudited) December 31, 2014	(Audited) June 30, 2014
		-----Rupees in '000-----	
7	SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED		
	Loan from Otsuka Pharmaceutical Factory, Inc.	126,135	73,095

7.1 This represents a foreign currency denominated loan amounting to JPY 150 million obtained in two equal instalments of JPY 75 million each for meeting working capital requirements. The instalments were received on June 16, 2014 and December 22, 2014 respectively and will be repayable by June 15, 2015 and December 21, 2015 respectively. Mark-up is charged at LIBOR + 0.40% (June 30, 2014: Libor + 0.40%) per annum and is payable semi-annually in arrears.

		(Unaudited) December 31, 2014	(Audited) June 30, 2014
		-----Rupees in '000-----	
8	SHORT-TERM RUNNING FINANCE - SECURED		
	From banking companies		
	Short-term running finances utilised under mark-up arrangements - secured	706,031	557,459

8.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000'	Mark up rate	Security	Frequency of mark-up payment	Facility expiry date	(Unaudited) December 31, 2014	(Audited) June 30, 2014
						-----Rupees in '000-----	
The Bank of Tokyo Mitsubishi UFG, Limited	525,000	3 months KIBOR + 1.00% p.a.	Registered joint first pari passu charge on current assets for Rs 500 million and a registered second ranking charge over the fixed assets (plant and machinery) for Rs 250 million.	Quarterly	September 30, 2015	439,436	386,165
Bank Alfalah Limited	125,000	3 months KIBOR + 1.25% p.a.	Joint pari passu charge of Rs 120 million over stocks and receivables of the Company and Rs 50 million over plant and machinery registered with the SECP.	Quarterly	February 28, 2015	116,997	88,447
Barclays Bank PLC, Pakistan	60,000	3 months KIBOR + 2.00% p.a.	Hypothecation over plant and machinery amounting to Rs 71 million and a mortgage over land up to Rs 10 million.	Quarterly	October 31, 2015	59,915	26,875
The Bank of Punjab	100,000	3 months KIBOR + 1.25% p.a.	1st pari passu charge for Rs 80 million over current assets (stocks and receivables) and Rs 53.33 million over fixed assets (land, building, plant and machinery).	Quarterly	December 31, 2014	89,683	55,972
						<u>706,031</u>	<u>557,459</u>

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9 CONTINGENCIES AND COMMITMENTS

- 9.1 On March 05, 2014, a notice of demand was served on the Company by the Additional Commissioner Inland Revenue (ACIR) for an amount of Rs 164.778 million (June 30, 2014: 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, disallowance of finance cost, etc. 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 December 31, 2014, no provision has been made in this condensed interim financial information in respect of this amount as the management expects a favourable outcome in respect of the above matter.
- 9.2 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 (June 30, 2014: Rs 5.721 million) including additional tax amounting to Rs 0.457 million (June 30, 2014: 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 (June 30, 2014: Rs 1.50 million). The Company had filed an appeal against the order of the DCIT which is pending adjudication. As at December 31, 2014, no provision has been made in this condensed interim financial information in respect of the amount of Rs 5.721 million (June 30, 2014: Rs 5.721 million) as the management is confident that the matter will be decided in favour of the Company.

	(Unaudited) December 31, 2014	(Audited) June 30, 2014
	-----Rupees in '000-----	
9.3 Commitments represent:		
Capital expenditure contracted for but not incurred	1,286	-
Letters of credit	28,911	8,257
Letters of guarantee	24,390	9,287

There were no other contingencies and commitments outstanding as on December 31, 2014 and June 30, 2014.

10 TRANSACTIONS WITH RELATED PARTIES

Related parties include Otsuka Pharmaceutical Company Limited the holding company, associated companies / undertakings (namely Otsuka Pharmaceutical Factory Incorporation, Japan, Thai Otsuka Pharmaceutical Company Limited, Thailand, PT Otsuka Indonesia, Indonesia, Otsuka Pharmaceutical Company, Vietnam, Microport Medical (Shanghai) Company Limited, Otsuka Welfare Clinic, etc.), entities under common directorship (namely Hospital Supply Corporation and Efroze Chemicals Industries (Private) Limited), staff retirement funds and key management personnel. Details of transactions with related parties are as follows:

Particulars	(Unaudited) Half year ended December 31, 2014					(Unaudited) Half year ended December 31, 2013
	Parent company	Other associated undertakings	Key management personnel	Other related parties	Total	

----- Rupees in '000 -----

Transactions during the period

Net sales (net of discounts allowed Rs 44,523 million; 2013: Rs 51.604 million)	-	286,969	-	-	286,969	301,064
Inventory purchased	-	89,789	-	-	89,789	93,698
Donation to Otsuka Welfare Clinic	-	100	-	-	100	-
Consultancy charges	-	-	1,200	-	1,200	1,200
Remuneration of the key management personnel	-	-	44,283	-	44,283	34,080
Short-term loan from a related party	-	62,738	-	-	62,738	-
Mark-up expense on short-term loan from a related party	-	244	-	-	244	-
Charge relating to staff provident fund	-	-	-	4,069	4,069	4,382
Charge relating to staff gratuity fund	-	-	-	3,205	3,205	3,387

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Particulars	(Unaudited) As at December 31, 2014					(Audited) June 30, 2014
	Parent company	Other associated undertakings	Key management personnel	Other related parties	Total	

----- Rupees in '000 -----

Balance outstanding as at the end of the period / year

Receivable from Hospital Supply Corporation against sale of goods	-	41,048	-	-	41,048	97,807
Advance to Efroze Chemicals Industries (Private) Limited	-	11,301	-	-	11,301	11,198
Payable to Otsuka Pharmaceutical Company Limited, Japan	28,407	-	-	-	28,407	65,760
Payable to PT Otsuka, Indonesia	-	-	-	-	-	2,021
Payable to Otsuka OPV Joint Stock Company	-	879	-	-	879	865
Payable to Shanghai Micropore Medical (Group) Company Limited	-	40,097	-	-	40,097	24,749
Payable to Otsuka Pharmaceutical Factory, Inc.	-	2,921	-	-	2,921	3,499
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	9,533	-	-	9,533	19,038
Loan from Otsuka Pharmaceutical Factory, Inc.	-	126,135	-	-	126,135	73,095
Advance from key management personnel	-	-	1,446	-	1,446	1,314
Mark-up payable on short-term loan from an associated company	-	12	-	-	12	17
Payable to Employees' Provident Fund	-	-	-	1,935	1,935	1,959
Payable to Employees' Gratuity Fund	-	-	-	3,929	3,929	5,543
Advance to Otsuka Welfare Clinic	-	-	-	-	-	360

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. In addition to the discount given at the time of sale, the Company also offers specific discounts based on product promotion policies. Purchases from related parties primarily represent purchases of raw materials and finished goods from Otsuka group companies.

Remuneration to the key management personnel is based on the agreed terms of employment with such personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers all members of their management team, including the Chief Executive Officer and working directors to be its key management personnel.

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

11 CASH AND CASH EQUIVALENTS

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

	(Unaudited) December 31, 2014	(Unaudited) December 31, 2013
	----Rupees in '000----	
Cash and bank balances	6,353	3,826
Short-term running finance utilised under mark-up arrangements	(706,031)	(460,583)
	<u>(699,678)</u>	<u>(456,757)</u>

12 SEGMENT INFORMATION

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

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