ACCOUNTS

For the half year ended

December 31, 2015

Otsuka Pakistan Limited

(A Company of Otsuka Group Japan)

Otsuka-People Creating New Products For Better Health Worldwide

Company Information

Board of Direcotrs	:	Mr. Harry Bagjo (Chairman)	(Alternate: Mr. Tariq Mehtab Feroz)
		Mr. Hanif Sattar	(Chief Executive Officer)
		Mr. Makoto Sekiyama	
		Mr. Mehtabuddin Feroz	
		Mr. Yasuo Bando	(Alternate: Mr. Abid Hussain)
		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)
		Mr. Abid Hussain	(Member)
Human Resources & Remuneration Committee	:	Mr. Makoto Sekiyama	(Chairman)
		Mr. Mehtabuddin Feroz	(Member)
		Mr. Hanif Sattar	(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 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 Shahra-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' Report

The Directors are pleased to present the accounts of the company for the half year ended December 31, 2015.

Business Review

Planned activities to realigned product portfolio have been accomplished successfully. Water availability was disturbed occasionally. If there is no rains in recent period the Company will have to buy water from Karachi which is very expensive affair.

Sales in terms of value was almost equal to last year. There was slight improvement in gross profit rate from 8.7%, last year in the same period to 9.3% in the period under review.

Selling and distribution expenses were under control however, administrative and general expenses increased by 15.8% in this period compared to last year due to inflation and other general expenses. Operating loss has increased to Rs. 94.3 million due to low gross profit. However, financial cost has reduced from Rs. 55.6 million last year to Rs. 35.1 million in current period. The overall profitability has hampered due to the afore-said reasons.

Future Outlook

The Company is struggling to come out of troubles and we are optimistic that the current problems will be solved with the determination and goals set by the management. We look forward and hope that the regulators will realize the situation and our pending registration applications for new products and hardship cases submitted for 1000 mL will be considered favorably. There is firm commitment from our headquarters to support your Company for which the management is always thankful.

On behalf of the Board

Hanif Sattar
Chief Executive Officer

Karachi

Dated: February 16, 2016

pwc

A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Otsuka Pakistan Limited** as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as 'the condensed interim financial information') for the half year then ended. The management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2015 and December 31, 2014 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2015.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

AFFerguson & Co

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: February 25, 2016

Karachi

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CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2015

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
		-----Rupees in '000-----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	587,413	631,259
Long-term loans - considered good		4,890	5,300
Long-term deposits		1,288	1,288
Deferred tax asset - net	5	173,003	117,642
		766,594	755,489
Current assets			
Stores and spares		50,977	53,314
Stock-in-trade - net		501,881	487,680
Trade debts - unsecured - net		117,078	94,539
Loans and advances - considered good		13,895	13,532
Trade deposits, short-term prepayments and other receivables		12,101	13,374
Taxation - net		166,907	140,478
Bank balances		8,644	4,253
		871,483	807,170
Total assets		1,638,077	1,562,659
EQUITY AND LIABILITIES			
EQUITY			
Share capital			
Authorised share capital			
20,000,000 (June 30, 2015: 20,000,000) ordinary shares of Rs 10 each		200,000	200,000
Issued, subscribed and paid-up share capital			
11,000,000 (June 30, 2015: 11,000,000) ordinary shares of Rs 10 each		110,000	110,000
Revenue reserves		(49,993)	31,914
Shareholders' equity		60,007	141,914
LIABILITIES			
Non-current liabilities			
Long-term finance - secured	6	54,166	108,333
Current liabilities			
Short-term loan from a related party - unsecured	7	530,448	333,520
Trade and other payables		255,479	278,199
Current maturity of long-term finance - secured	6	108,334	108,334
Short-term running finance - secured	8	609,740	565,323
Mark-up accrued		19,903	27,036
		1,523,904	1,312,412
Total equity and liabilities		1,638,077	1,562,659
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half year ended December 31,		Quarter ended December 31,	
	2015	2014	2015	2014
	----- Rupees in '000 -----		----- Rupees in '000 -----	
Net sales	634,672	640,308	289,765	266,976
Cost of sales	(575,793)	(584,380)	(265,562)	(233,115)
Gross profit	58,879	55,928	24,203	33,861
Selling and distribution expenses	(81,151)	(84,032)	(42,045)	(42,695)
Administrative and general expenses	(37,562)	(32,440)	(18,784)	(17,855)
	(59,834)	(60,544)	(36,626)	(26,689)
Other income	10,428	33,641	3,341	23,413
	(49,406)	(26,903)	(33,285)	(3,276)
Other expenses	(44,882)	(14,061)	(36,713)	(10,344)
Operating loss	(94,288)	(40,964)	(69,998)	(13,620)
Finance cost	(35,116)	(55,670)	(17,128)	(28,611)
Loss for the period before taxation	(129,404)	(96,634)	(87,126)	(42,231)
Taxation - net	49,672	35,156	53,117	40,725
Loss for the period after taxation	(79,732)	(61,478)	(34,009)	(1,506)
	---------- Rupees ----------			
Loss per share - basic and diluted	(7.25)	(5.59)	(3.09)	(0.14)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half year ended December 31,		Quarter ended December 31,	
	2015	2014	2015	2014
	----- Rupees in '000 -----		----- Rupees in '000 -----	
Loss for the period after taxation	(79,732)	(61,478)	(34,009)	(1,506)
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plan	(3,199)	(2,232)	(3,199)	(2,232)
Deferred tax on remeasurements of defined benefit plan	1,024	781	1,024	781
	(2,175)	(1,451)	(2,175)	(1,451)
Total comprehensive loss for the period	(81,907)	(62,929)	(36,184)	(2,957)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Note	Half year ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		----- Rupees in '000 -----	
Loss for the period before taxation		(129,404)	(96,634)
Adjustment for non-cash charges and other items:			
Depreciation		53,312	55,226
Gain on disposal of property, plant and equipment		(786)	(1,577)
Provision / (reversal of provision) for slow moving and obsolete stock-in-trade - net		13,648	(6,415)
(Reversal of provision) / provision for stents - net		(1,602)	7,417
Impairment of trade debts - net		1,628	774
Mark-up on finances		35,116	55,670
		(28,088)	14,461
Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		2,337	(3,970)
Stock-in-trade		(26,247)	(87,215)
Trade debts - unsecured		(24,167)	51,822
Loans and advances		(363)	(14,523)
Trade deposits, short-term prepayments and other receivables		1,273	3,592
		(47,167)	(50,294)
Increase / (decrease) in current liabilities			
Trade and other payables		(25,919)	(7,449)
		(73,086)	(57,743)
Cash used in operations		(101,174)	(43,282)
Interest paid		(42,249)	(56,313)
Taxes paid		(31,094)	(33,755)
Increase in long-term deposits		-	(5)
Decrease in long-term loans		410	317
Net cash used in operating activities		(174,107)	(133,038)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(12,032)	(14,538)
Proceeds from disposal of property, plant and equipment		3,352	2,804
Net cash used in investing activities		(8,680)	(11,734)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance paid		(54,167)	(54,167)
Short-term loan from a related party		196,928	53,040
Net cash generated from / (used in) financing activities		142,761	(1,127)
Net decrease in cash and cash equivalents		(40,026)	(145,899)
Cash and cash equivalents at the beginning of the period		(561,070)	(553,779)
Cash and cash equivalents at the end of the period	11	(601,096)	(699,678)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Accumulated losses	Sub-total	
	Rupees in '000				
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
Balance as at July 1, 2015	110,000	367,500	(335,586)	31,914	141,914
Total comprehensive loss for the half year ended December 31, 2015	-	-	(81,907)	(81,907)	(81,907)
Balance as at December 31, 2015	110,000	367,500	(417,493)	(49,993)	60,007

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Hanif Sattar
Chief Executive Officer

Mehtabuddin Feroz
Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

The Company is incorporated in Pakistan as a public limited company and is listed on the Pakistan Stock Exchange Limited. 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, 2015, the current liabilities of the Company exceeded its current assets by Rs 652.421 million mainly due to loans obtained by the Company from a group company and banks for financing the Balancing, Modernisation and Replacement (BMR) of its IV production line which concluded during the year ended June 30, 2014 and for meeting its working capital requirements. During the half year ended December 31, 2015, the Company has incurred a loss before taxation of Rs 129.404 million mainly due to low gross margin as a result of lack of viable pricing policy / strict control over prices of its pharmaceutical products. The management believes that in the absence of a formal price adjustment the Company will continue to face difficulties in future.

The management of the Company has identified factors that might extenuate the financial performance of the Company in future. Post the BMR phase, the management has also prepared a formal five years business plan of the Company based on which it strongly believes that the Company will be able to meet all its current and future liabilities and that there are no imminent business and cash flow risk. The business plan features a consistent but gradual increase in the gross profit margin of the Company post price increase on its products (as more fully discussed in note 16 to the condensed interim financial information), strict control over expenses, reduction in finance cost as a result of repayment of certain loans, attainment of greater sales volume through more robust sales promotion and change in product mix. The management believes that after the implementation of initiatives stated in the five years business plan the Company will have positive results in future year enabling it to set-off the losses incurred in the prior years.

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 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, 2015.

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, 2015. Certain standards, interpretations and amendments to published approved accounting standards are effective in the current period which have been disclosed in note 3.4.

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, 2015.

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, 2015.

3.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period.

IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2015. The standard establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments: Disclosures'. As a result the Company has included an additional disclosure in this regard in note 14 to the condensed interim financial information. Notwithstanding the above, the change had no significant impacts on the measurements of the Company's assets and liabilities.

There are certain other amendments to approved accounting standards that have been published and are mandatory for the Company's accounting period beginning on or after July 1, 2015 but are expected to have no significant effect on this condensed interim financial information and are, therefore, not detailed in these condensed interim financial information.

3.5 New and amended standards and interpretations that are not yet effective.

IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and, thus, has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The management is in the process of assessing the impact of this IFRS on the financial statements of the Company.

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
4 PROPERTY, PLANT AND EQUIPMENT		------Rupees in '000------	
Operating fixed assets	4.1	567,093	617,307
Capital work-in-progress	4.2	20,320	13,952
		587,413	631,259

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

	Half year ended December 31, 2015				
	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Total
	Rupees in '000				
Additions	280	3,219	364	1,801	5,664
Disposals:					
Cost	39	23,407	317	3,112	26,875
Accumulated depreciation	(39)	(22,424)	(316)	(1,530)	(24,309)
	-	983	1	1,582	2,566

	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

	(Unaudited) December 31, 2015	(Audited) June 30, 2015
4.2 Capital work-in-progress	------Rupees in '000------	
Stores and spares held for capital expenditure	9,269	9,137
Others	11,051	4,815
	20,320	13,952

5 DEFERRED TAX ASSET - NET

The Company has an aggregate amount of Rs 616.279 million (June 30, 2015: Rs 519.482 million) in respect of tax losses as at December 31, 2015. The management carries out periodic assessment to assess the benefit of these losses as the Company would be able to carry forward and set off these losses against the profits earned in future years. Based on this assessment the management has recognised a deferred tax debit balance on unused tax losses amounting to Rs 197.209 million (June 30, 2015: Rs 156.859 million) including on unabsorbed tax depreciation of Rs 89.004 million (June 30, 2015: Rs 83.26 million). The deferred tax debit balance 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. 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 product pricing, future price increase of the Company's products, cost to income ratio, exchange and inflation rates, cost of material, supply arrangements, product mix, plant operations and its related maximum capacity utilisation, sales forecast and certain cost rationalisation measures expected to be achieved during the next five years. Any significant change in the aforementioned key assumptions may have an effect on the realisibility 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 recognised will be realised in future years.

6 LONG-TERM FINANCE - SECURED	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
		------Rupees in '000------	
From banking company			
Long-term finance utilised under mark-up arrangements	6.1	162,500	216,667
Less: Current maturity		(108,334)	(108,334)
		54,166	108,333

6.1 The long-term finance facility amounting in aggregate to Rs 162.500 million (June 30, 2015: Rs 216.667 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 down by the Company on January 30, 2013 and is to be fully repaid by January 2, 2017. Mark-up and principal amounts are repayable in equal semi-annual installments with the first three installments being repaid on July 2, 2014, January 2, 2015 and July 2, 2015. Mark-up is charged at the rate of 6 months KIBOR + 1.75% (June 30, 2015: 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.

7 SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
		------Rupees in '000------	
Loan from Otsuka Pharmaceutical Factory, Inc.	7.1	530,448	333,520

7.1 This represents a foreign currency denominated loan obtained in two tranches of JPY 75 million each drawn down on June 16, 2014 and December 26, 2014, three tranches of JPY 125 million each drawn down on February 26, 2015, April 27, 2015 and July 27, 2015 and one tranche of JPY 84.50 million drawn down on December 16, 2015. Each facility is to be repaid within one year of the initial drawn down date with the first two tranches of JPY 75 million each, falling due on June 15, 2015 and December 21, 2015 and getting rolled over for a further period of one year. Mark-up is charged at LIBOR + 0.40% (2014: LIBOR + 0.40%) per annum and is payable semi-annually in arrears.

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
8 SHORT-TERM RUNNING FINANCE - SECURED		------Rupees in '000------	
From banking companies			
Short-term running finances utilised under mark-up arrangements - secured	8.1	609,740	565,323

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, 2015	(Audited) June 30, 2015
						-----Rupees in '000-----	
The Bank of Tokyo Mitsubishi UFJ, Limited	525,000	3 months KIBOR + 1.00% p.a.	(a) Third supplemental joint pari passu letter of hypothecation for: - current assets for Rs 500 million; - fixed assets (plant and machinery) for Rs 254 million; and (b) Second supplemental joint memorandum confirming constructive deposit of title deeds over land and building for Rs 124 million.	Quarterly	September 30, 2016	333,079	354,529
Bank Alfalah Limited	185,000	3 months KIBOR + 1.25% p.a.	(a) Third supplemental joint pari passu letter of hypothecation for: - current assets for Rs 147 million; - fixed assets (plant and machinery) for Rs 121 million; and (b) Second supplemental joint memorandum confirming constructive deposit of title deeds over land and building for Rs 51 million.	Quarterly	February 28, 2016	177,094	111,927
The Bank of Punjab	100,000	3 months KIBOR + 1.25% p.a.	Third supplemental joint pari passu letter of hypothecation for Rs 133.334 million over current assets and a ranking charge over fixed assets for Rs 133 million.	Quarterly	December 31, 2015	99,567	98,867
	810,000					609,740	565,323

9 CONTINGENCIES AND COMMITMENTS

9.1 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 has submitted the necessary explanations through its tax advisors for which the response is awaited.

9.2 The Federal Board of Revenue (FBR) has selected Tax Year 2014 for sales tax audit under section 72B of the Sales Tax Act, 1990 through computer random ballot held on September 14, 2015. In this connection, on September 28, 2015, a notice was served by the Deputy Commissioner Inland Revenue (DCIR) which required the Company to furnish certain details to the tax authorities. Upon submission of these documents, a show cause notice was served on the Company on December 16, 2015 by the DCIR regarding certain discrepancies in the return filed earlier. The Company submitted the necessary explanations through its sales tax advisors for which the response is awaited.

9.3 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 (June 30, 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, 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, 2015, 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.

9.4 In 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, 2015: Rs 5.721 million) including additional tax amounting to Rs 0.457 million (June 30, 2015: Rs 0.457 million) under sections 161, 162 and 205 of the Income Tax Ordinance, 2001. Out of the total demand, the Company had already paid an amount of Rs 1.50 million (June 30, 2015: Rs 1.50 million). The Company had filed an appeal against the order of the DCIT which is pending adjudication. As at December 31, 2015, no provision has been made in this condensed interim financial information in respect of the amount of Rs 5.721 million (June 30, 2015: Rs 5.721 million) as the management is confident that the matter will be decided in favour of the Company.

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
9.5 Commitments		------Rupees in '000------	
Capital expenditure contracted for but not incurred		4,256	620
Letters of credit		15,190	50,624
Letters of guarantee		9,287	31,103
9.6 Claim not acknowledged as debt	9.6.1	33,763	14,531

9.6.1 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. The management contended that those materials were used for manufacturing IV solutions and constituted an integral part of the finished products and were, therefore, exempt from sales tax under SRO 551 (1)/2008 dated June 11, 2008. Subsequently, the Collector of Customs released the said stocks against bank guarantees issued by the Company.

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 condensed interim financial information of the Company during the half year ended December 31, 2015 against these claims.

There were no other contingencies and commitments outstanding as on December 31, 2015 and June 30, 2015.

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, 2015					(Unaudited) Half year ended December 31, 2014
	Parent cmpoany	Other associated comapnies/undertakings	Key management personal	Other related parties	Total	
	----------Rupees in '000----------					
Transactions during the period						
Net sales (net of discounts allowed Rs 47.181 million; 2014: Rs 44.523 million)	-	296,094	16	-	296,110	286,969
Inventory purchased	28,576	71,135	-	3,121	102,832	89,789
Donation to Otsuka Welfare Clinic	-	-	-	105	105	100
Consultancy charges	-	-	2,400	-	2,400	1,200
Remuneration of the key management personnel	-	-	40,412	-	40,412	44,283
Short-term loan obtained from a related party	-	175,376	-	-	175,376	62,738
Mark-up expense on short-term loan from a related party	-	1,514	-	-	1,514	244
Late payment charges received from HSC	-	-	-	144	144	-
Charge relating to staff provident fund	-	-	-	4,667	4,667	4,069
Charge relating to staff gratuity fund	-	-	-	3,220	3,220	3,205

Particulars	(Unaudited) As at December 31, 2015					(Audited) June 30, 2015
	Parent cmpoany	Other associated comapnies/undertakings	Key management personal	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	-	71,562	-	-	71,562	62,362
Payable to Otsuka Pharmaceutical Company Limited, Japan	29,026	-	-	-	29,026	11,209
Payable to Otsuka OPV Joint Stock Company	-	-	-	-	-	891
Payable to Shanghai Microport Medical (Group) Company Limited	-	33,511	-	-	33,511	31,541
Payable to Otsuka Pharmaceutical Factory, Inc.	-	1,075	-	-	1,075	1,194
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	9,937	-	-	9,937	19,611
Payable to Idrees Plastics	-	-	-	-	-	1,547
Loan from Otsuka Pharmaceutical Factory, Inc.	-	530,448	-	-	530,448	33,520
Advance from key management personnel	-	-	1,011	-	1,011	1,284
Mark-up payable on short-term loan from an associated company	-	32	-	-	32	17
Payable to Employees' Provident Fund	-	-	-	2,162	2,162	2,080
Payable to Employees' Gratuity Fund	-	-	-	4,705	4,705	2,180
Receivable from Shanghai Microport Medical (Group) Company Limited	-	306	-	-	306	306
Payable to P. T. Otsuka Indonesia	-	1,942	-	-	1,942	-

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, 2015	(Unaudited) December 31, 2014
	----Rupees in '000----	
Cash and bank balances	8,644	6,353
Short-term running finance utilised under mark-up arrangements	(609,740)	(706,031)
	(601,096)	(699,678)

12 SEGMENT INFORMATION

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

12.2 Sales from Intravenous Solutions represent 51.08 percent while sales from others represent 48.92 percent (December 31, 2014: 79.89 percent and 20.11 percent) respectively of the total sales of the Company.

12.3 The geographic segmentation of sales is as follows:

	(Unaudited) December 31, 2015	(Unaudited) December 31, 2014
	------- In percent -------	
Pakistan	98.79	97.21
Afghanistan	1.21	2.79

12.4 Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region was around 46.65 percent during the period ended December 31, 2015 (December 31, 2014: 44.82 percent).

12.5 All non-current assets of the Company as at December 31, 2015 are located in Pakistan.

13 PLANT CAPACITY AND PRODUCTION

	Half year ended December 31, 2015		Half year ended December 31, 2014	
	Capacity*	Actual production	Capacity*	Actual production
	------------------ million bottles ------------------			
I.V. solutions	16.0	8.2	16.0	12.0
Plastic ampoules	4.2	3.3	4.2	4.1
	20.2	**11.5**	**20.2**	**16.1**

The Company's under-utilised capacity mainly arose as a result of the stoppage of production of IV solutions for planned maintenance of GF machine and planned stoppage from September 11, 2015 to November 8, 2015. However, sufficient stocks were available to meet market demand.

* On a proportionate basis

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

As at December 31, 2015 the Company does not have any financial assets which are tradable in an open market. The estimated fair values of all financial assets and liabilities are considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically repriced.

International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

As at December 31, 2015 and June 30, 2015, there were no financial instruments which were measured at fair value in the financial statements.

15 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.

16 EVENT AFTER REPORTING PERIOD

During the year ended June 30, 2015, the Drug Regulatory Authority of Pakistan (DRAP), with the approval of its Policy Board and the Federal Government, 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. In view thereof, the management of the Company submitted certain special considerations for its IV product lines and a committee was formed to evaluate problems and to recommend price increase for the given 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 inform the DRAP that it was compelled to increase the prices of the IV products of the Company. Subsequent to the period ended December 31, 2015, the Company has increased the prices of seven products and intends to increase the prices of additional seven products by the year ending June 30, 2016. 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.

17 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on **February 16, 2016** by the Board of Directors of the Company.

18 GENERAL

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

Hanif Sattar	**Mehtabuddin Feroz**
Chief Executive Officer	Director