

*Otsuka-People Creating New Products
For Better Health Worldwide*

**REPORT
&
ACCOUNTS**
FOR THE QUARTER ENDED
September 30, 2017



Otsuka

Otsuka Pakistan Limited

(A Company of Otsuka Group Japan)

Company Information

- Board of Directors** : Mr. Mikio Bando (Chairman) (Alternate: Mr. Tariq Mehtab Feroz)
Mr. Hanif Sattar (Chief Executive)
Mr. Hakugi Kiyono
Mr. Mehtabuddin Feroz
Mr. Suhari Mukti (Alternate: Mr. Abid Hussain)
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. Hakugi Kiyono (Member)
Mr. Mehtabuddin Feroz (Member)
- Human Resources & Remuneration Committee Sub Committee of the Board** : Mr. Hakugi Kiyono (Chairman)
Mr. Mehtabuddin Feroz (Member)
Mr. Hanif Sattar (Member)
- 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 accounts of the Company for the first quarter ended September 30, 2017.

Business Review

The results of this quarter are encouraging with a sales growth of 18%. Gross profit margin has improved by 7.3% due to price increase and strict control on production cost. However during the quarter water supply was not smooth causing an extra cost of approximately Rs. 10 mln for the purchase of water.

Selling and administrative expenses have increased by 10.6% due to inflation and aggressive marketing and selling activities. The Company was able to earn reasonable operating profit to meet its financial obligations. The earning per share is Rs 3.33 per share as compared to an earning of Rs. 0.75 per share in the corresponding quarter of last year.

Future Outlook

Keeping in view of the current increase in oil prices and also slow pace of economy of our country, we expect cost increases in the coming quarter. Changes in duty structure through SROs and no specific import policy has also created uncertainty. However we are putting efforts to control costs and expenses. The Board is optimistic for the growth of business due to increase in Pharmaceutical market size on account of demographic and other reasons and also launch of new products by the Company.

On behalf of the Board



Hanif Sattar

Chief Executive Officer



Mehtabuddin Feroz

Director

Karachi

Dated: October 25, 2017

ڈائریکٹرز رپورٹ

ڈائریکٹرز 30 ستمبر، 2017 کو ختم ہونے والی سہ ماہی میں کمپنی کے اکاؤنٹس پیش کرنے کے لیے مسرت محسوس کر رہے ہیں۔

کاروباری جائزہ

اس سہ ماہی کے فروخت کے نتائج 18 فیصد کے اضافے کے ساتھ بہت حوصلہ افزاء رہے۔ مجموعی منافع کے مارجن میں قیمت میں اضافے اور پیداوار کی لاگت پر سخت کنٹرول کرنے کی وجہ سے 7.3 فیصد اضافہ ممکن ہوا۔ تاہم، اس سہ ماہی میں پانی کی غیر موزوں فراہمی کے دوران تقریباً 10 ملین روپے کی اضافی لاگت پیش آئی۔

افراط زر اور جارحانہ مارکیٹنگ اور فروخت سرگرمیوں کی وجہ سے فروخت اور انتظامی اخراجات میں 10.6 فیصد اضافہ ہوا ہے۔

کمپنی اپنی مالی ذمہ داریوں کو پورا کرنے کے لیے مناسب آپریٹنگ منافع حاصل کرنے کے قابل رہی۔ اس سہ ماہی میں کل آمدنی کافی حصص منافع 3.33 روپے ہے۔ پچھلے سال کی اسی سہ ماہی میں کل آمدنی کافی حصص منافع 0.75 روپے تھا۔

مستقبل کا نقطہ نظر

تیل کی قیمتوں میں موجودہ اضافہ اور ہمارے ملک کی معیشت کی سست رفتاری کو بھی دیکھتے ہوئے، ہم آنے والے سہ ماہی میں پیداوار کی لاگت میں اضافے کی توقع رکھتے ہیں۔ ڈیوٹی کی ساخت میں تبدیلیوں کے پے در پے احکامات اور غیر موزوں درآمد کی پالیسی نہ ہونے نے بھی غیر یقینی صورت حال پیدا کی ہوئی ہے۔ اسکے باوجود ہم اخراجات اور پیداوار کی لاگت کو کم کرنے کی کوششیں کر رہے ہیں۔ دواسازی کی مارکیٹ کے حجم میں اضافے اور آبادیاتی کھپت کے ساتھ ساتھ کمپنی کی طرف سے نئی مصنوعات کے آغاز اور دیگر موافق وجوہات کے ساتھ بورڈ کاروبار کی ترقی کے لیے بہت پر امید ہے۔

بورڈ کی جانب سے



حنیف ستار

چیف ایگزیکٹو آفیسر

کراچی

مورخہ 25 اکتوبر، 2017



مختاب الدین فیروز

(ڈائریکٹر)

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2017

	(Un-Audited) Sept. 30, 2017	(Audited) June 30 2017
Note	----- Rupees in '000 -----	
ASSETS		
Non-current assets		
Property, plant and equipment	467,626	467,443
Intangible asset	90	100
Long-term loans - considered good	5,001	4,619
Long-term deposits	1,309	1,295
Deferred tax asset - net	110,138	129,507
	<u>584,164</u>	<u>602,964</u>
Current assets		
Stores and spares	45,552	47,370
Stock-in-trade	364,479	432,101
Trade debts (unsecured) - net	209,594	198,403
Loans and advances - considered good	33,401	31,312
Trade deposits, short-term prepayments and other receivables	19,400	22,802
Taxation	103,695	102,589
Bank balances	14,033	17,901
	<u>790,154</u>	<u>852,478</u>
Total assets	<u><u>1,374,318</u></u>	<u><u>1,455,442</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	110,000	110,000
Revenue reserves	64,524	27,864
Total shareholders' equity	<u>174,524</u>	<u>137,864</u>
LIABILITIES		
Current liabilities		
Short-term loan from a related party - unsecured	430,414	500,613
Trade and other payables	332,064	364,364
Short-term running finance - secured	428,898	443,368
Mark-up accrued	8,418	9,233
	<u>1,199,794</u>	<u>1,317,578</u>
Total equity and liabilities	<u><u>1,374,318</u></u>	<u><u>1,455,442</u></u>
CONTINGENCIES AND COMMITMENT		
	7	

The annexed notes 1 to 14 form an integral part of these financial statements.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Note	Sept. 30, 2017 ---- Rupees in '000 ----	Sept. 30, 2016
Net sales	8	505,651	428,343
Cost of sales		(368,822)	(300,877)
Gross profit		136,829	127,466
Selling and distribution expenses		(49,345)	(45,013)
Administrative and general expenses		(20,904)	(18,452)
		66,580	64,001
Other income		16,398	4,312
		82,978	68,313
Other expenses		(8,244)	(14,000)
Operating profit		74,734	54,313
Finance cost		(8,488)	(12,391)
Profit for the period before taxation		66,246	41,922
Taxation - net		(29,586)	(33,657)
Profit for the period after taxation		36,660	8,265
----- Rupees -----			
Earnings per share		3.33	0.75

The annexed notes 1 to 14 form an integral part of these financial statements.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Sept. 30, 2017	Sept. 30, 2016
	-----Rupees in '000-----	
Profit for the period after taxation	36,660	8,265
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
<i>Components of comprehensive income reflected in equity</i>		
Remeasurement loss on defined benefit plan	-	-
Deferred tax on remeasurements of defined benefit plan	-	-
Total comprehensive income for the period	<u>36,660</u>	<u>8,265</u>

The annexed notes 1 to 14 form an integral part of these financial statements.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

Note	Sept. 30, 2017	Sept. 30, 2016
	----Rupees in '000----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	66,246	41,922
Adjustment for non-cash charges and other items:		
Depreciation & Amortization	23,124	26,777
Gain on disposal of fixed assets - net	(2,103)	(133)
Exchange loss - net	683	8,939
Workers' Profits Participant Fund	3,522	2,546
Central Research Fund	669	484
Provision for slow moving and obsolete stock-in-trade - net	412	-
Provision for stents - net	(10,603)	-
Impairment on trade debts - net	1,047	-
Mark-up on finances	8,488	12,391
	25,239	51,004
Operating surplus before working capital changes	91,485	92,926
Movement in working capital changes		
Decrease / (increase) in current assets		
Stores and spares	1,818	351
Stock-in-trade	77,813	14,194
Trade debts	(12,238)	(22,187)
Loans and advances	(2,089)	88
Trade deposits, short-term prepayments and other receivables	3,402	1,330
	68,706	(6,224)
Decrease in current liabilities		
Trade and other payables	(37,174)	(11,449)
Cash generated from operations	123,017	75,253
Interest paid	(9,303)	(15,067)
Taxes paid	(11,323)	(13,776)
Increase in long-term deposits	(14)	(5)
Increase in long-term loans	(382)	(17)
Net cash generated from operating activities	101,995	46,388
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(24,202)	(4,762)
Proceeds from disposal of property, plant and equipment	3,008	419
Net cash used in investing activities	(21,194)	(4,343)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term loan paid	-	(54,167)
Short-term loan (paid to) / obtained from a related party	(70,199)	8,594
Net cash used in financing activities	(70,199)	(45,573)
Net increase/(decrease) in cash and cash equivalents	10,602	(3,528)
Cash and cash equivalents at the beginning of the period	(425,467)	(537,010)
Cash and cash equivalents at the end of the period	(414,865)	(540,538)

The annexed notes 1 to 14 form an integral part of these financial statements.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Accumulated losses	Sub-total	
----- Rupees in '000 -----					
Balance as at July 1, 2016	110,000	367,500	(448,022)	(80,522)	29,478
Total comprehensive income for the period ended September 30, 2016	-	-	8,265	8,265	8,265
Balance as at September 30, 2016	<u>110,000</u>	<u>367,500</u>	<u>(439,757)</u>	<u>(72,257)</u>	<u>37,743</u>
Balance as at July 1, 2017	110,000	367,500	(339,636)	27,864	137,864
Total comprehensive income for the period ended September 30, 2017	-	-	36,660	36,660	36,660
Balance as at September 30, 2017	<u>110,000</u>	<u>367,500</u>	<u>(302,976)</u>	<u>64,524</u>	<u>174,524</u>

The annexed notes 1 to 14 form an integral part of these financial statements.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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

This condensed interim financial information has been prepared in accordance with the 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 Act, 2017 (previously Companies Ordinance, 1984) the requirements of the Companies Act, 2017 (previously 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 Act, 2017 (previously 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, 2017.

The comparatives in the condensed interim balance sheet presented in the condensed interim financial information as at September 30, 2017 have been extracted from the audited financial statements of the Company for the year ended June 30, 2017, whereas, the comparatives in the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement have been extracted from the unaudited condensed interim financial information of the Company for the Quarter ended September 30, 2017.

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.

These condensed interim financial statements are un-audited.

2.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees which is the functional and presentation currency of the Company.

3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGMENTS AND CHANGES THEREIN

3.1 The accounting policies applied in the preparation of this condensed interim financial information are the same as those that were applied in the preparation of the annual published audited financial statements of the Company for the year ended June 30, 2017.

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 at and for the year ended June 30, 2017.

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, 2017.

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

There are certain amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

	Note	(Un-Audited) Sept. 30, 2017	(Audited) June 30, 2017
-----Rupees in '000-----			
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		459,570	458,398
Capital work-in-progress	4.2	8,056	9,045
		<u>467,626</u>	<u>467,443</u>

	Note	(Un-Audited) Sept. 30, 2017	(Audited) June 30, 2017
-----Rupees in '000-----			
6	SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED		
	Loan from Otsuka Pharmaceutical Factory, Inc.	430,414	500,613

- 6.1** This represents a foreign currency denominated loan obtained in two tranches of JPY 75 million each drawn down on June 16, 2014 and December 22, 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 on December 16, 2015. Each facility is to be repaid within one year of the initial drawn down date.

Each tranche was repayable within one year of the initial drawn down date. The first tranche of JPY 75 million falling due on June 15, 2015 was rolled forward twice for a further period of one year from the due date and was repaid early in December 2016. The second tranche of JPY 75 million falling due on December 21, 2015 was rolled forward twice for a further period of one year from the due date and was repaid early in July 2017. The third, fourth and fifth tranches of JPY 125 million each falling due on February 25, 2016, April 26, 2016 and July 26, 2016 were rolled forward twice for a further period of one year from the due dates. The sixth tranche of JPY 84.5 million falling due on December 15, 2016 has also been rolled forward for another year.

Mark-up is charged at LIBOR + 0.40% (2016: LIBOR + 0.40%) per annum and is payable semi-annually in arrears.

		(Un-Audited) Sept. 30, 2017	(Audited) June 30, 2017
-----Rupees in '000-----			
7	CONTINGENCIES AND COMMITMENTS		
7.1	Capital expenditure contracted for but not incurred	765	2,818
	Letters of credit	21,288	23,483
	Letters of guarantee	88,996	76,905

- 7.2** The Company has filed a suit in the Sindh High Court (SHC) against the imposition of sales tax under the Sales Tax Act, 1990 with respect to raw and packing material being imported and purchased locally by the Company for manufacturing pharmaceutical products. The SHC has passed and interim order in favour of the Company maintaining that items fetching lessor customs duty than ten percent ad valorem, may not be subject to the levy of sales tax. This matter is at the stage of hearing of applications. During the year ended June 30, 2017, the Company has availed sales tax exemption under the said stay order amounting to Rs 8.023 million on imported packaging material. Based on the advice of the lawyer who is handling the case, the management believes the Company has a strong case and the suit is likely to be decreed in its favour. Accordingly, no provision has been made in these financial statements during the period ended September 30, 2017 in respect of the said amount.

- 7.3** 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 (2016: 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, discounts and rebates on sales and 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 (ATIR) to review the action of the CIR(A). The latest hearing of ATIR was held on January 19, 2017 in which the decision of certain items was taken in favour of the Company. Subsequent to the year ended June 30, 2017, the Company has filed an appeal in the Honourable Sindh High Court against the earlier orders of the tax authorities. However, no provision has been recorded in the financial statements in respect of the said amount as, based on the opinion of the legal advisor of the Company, the management expects a favourable outcome of this matter.
- 7.4** The Finance Act, 2017 has introduced an amendment in section 5(A) of the Income Tax Ordinance, 2001 whereby tax on undistributed reserves has been substituted by a new concept of tax on undistributed profits for the year. The new regime introduces tax at the rate of seven and a half percent of the accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares. The amendment is applicable for tax year 2017 and onwards.

In this connection, the Company filed a constitutional petition before the Sindh High Court seeking a declaration and injunction therefrom against the Federation of Pakistan and others to suspend the aforementioned imposition of tax on undistributed profit of the Company and has been granted a stay order against the aforementioned tax levy. Accordingly, no provision has been made in these financial statements for the year ended June 30, 2017 in respect of tax chargeable on undistributed profits for the year as, based on legal advice, the Company has goods grounds in this case.

	Note	(Un-Audited) (Un-Audited)	
		Sept. 30, 2017	Sept. 30, 2016
-----Rupees in '000-----			
8 NET SALES			
Sales (net of returns of Rs 5.140 million; 2016: Rs 2.118 million)	8.1	571,272	480,384
Less: sales tax		(4,940)	(4,348)
		<u>566,332</u>	<u>476,036</u>
Less: discounts		(60,681)	(47,693)
		<u>505,651</u>	<u>428,343</u>

- 8.1** 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.
- 8.2** Since the Committee did not give any decision on the price increase within the stipulated nine months, the Company increased the prices of certain products. In order to avoid any adverse action from DRAP, the Company has filed a Civil Suit in respect of the matter before the High Court of Sindh (SHC) against DRAP and the Federation of Pakistan. The SHC issued a notice to the DRAP and the Federation of Pakistan not to take any coercive action against the Company. Subsequently, the SHC while hearing petition related to "hardship" cases filed by the Company 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 was required to furnish additional documentation in order to decide on the hardship cases. The documents in the prescribed forms were submitted by the Company to the DRAP. The Court in its hearings ordered the DRAP to process and decide the hardship cases and to place a compliance report / decision before the Court for its review once the requisite documents had been furnished by the Company. The DRAP submitted its report before the Court in the hearing held in May 2016. In its last hearing held on December 19, 2016, the SHC has disposed of the suit filed by the Company and has barred the DRAP from taking any coercive action against the Company till the time any decision is taken by the Economic Coordinate Committee (ECC) of the Cabinet and the Federal Government regarding orphan drugs and IV solutions.
- 8.3** In view of the pendency of the decisions to be taken by the ECC and the Federal Government as stated above, 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 are likely to be decided in favour of the Company.

9 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, Shanghai Microport Medical (Group) Company Limited, Otsuka Welfare Clinic, etc.), entities under common directorship [namely Hospital Supply Corporation and Efroze Chemicals Industries (Private) Limited], Idrees Plastics, staff retirement funds and the key management personnel. Details of the transactions with the related parties and the balances with them as at year end are as follows:

Particulars	(Un-Audited) Quarter ended September 30, 2017					(Un-Audited) Quarter ended September 30,2016
	Parent company	Other associated companies / undertakings	Key management personnel	Other related parties	Total	

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

Transactions during the period

Net sales (net of discounts allowed Rs. 40.827 million ; 2016: Rs.33.386)	-	219,173	-	-	219,173	202,047
Inventory purchased	-	1,818	-	290	2,108	39,086
Consultancy fees	-	-	1,260	-	1,260	1,200
Remuneration of the key management personnel	-	-	14,394	-	14,394	12,730
Short-term loan obtained from / (repaid to) a related party	-	(62,738)	-	-	(62,738)	8,594
Mark-up expense on short-term loan from a related party	-	728	-	-	728	1,037
Late payment charges received from HSC	-	-	-	533	533	696
Charge relating to staff provident fund	-	-	-	2,588	2,588	2,329
Charge relating to staff gratuity fund	-	-	-	1,878	1,878	1,764
Purchases from Hospital Supply Corporation	-	67	-	-	67	-

Particulars	(Un-Audited) As at September 30, 2017					(Audited) As at June 30, 2017
	Parent company	Other associated companies/u ndertakings	Key management personnel	Other related parties	Total	

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

Balance outstanding as at the end of the period

Receivable from Hospital Supply Corporation against sale of goods	-	148,544	-	-	148,544	142,637
Payable to Hospital Supply Corporation	-	-	-	-	-	33
Payable to PT Otsuka Indonesia	-	-	-	-	-	3,146
Payable to Shanghai Microport Medical (Group) Company Limited	-	14,265	-	-	14,265	46,188
Payable to Otsuka Pharmaceutical Factory, Inc.	-	-	-	-	-	1,110
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	-	-	-	-	10,545
Loan from Otsuka Pharmaceutical Factory, Inc.	-	430,414	-	-	430,414	500,613
Advance from key management personnel	-	-	1,644	-	1,644	1,681
Payable to Employees' Provident Fund	-	-	-	2,621	2,621	-
Payable to Employees' Gratuity Fund	-	-	-	4,900	4,900	3,072
Payable to Shanghai Microport EPMed Tech Co., Limited	-	3,905	-	-	3,905	4,116

The Company enters into transactions with related parties for the sale of its products, purchase of raw materials, finished goods and spare parts for rendering of certain services. In addition, the Company has also entered into financing arrangement with the group company. 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 the agreed terms. Purchases from related parties primarily represent purchase 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.

10 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:

	(Un-Audited) Sept. 30, 2017	(Un-Audited) Sept. 30, 2016
	----Rupees in '000----	
Cash and bank balances	14,033	11,595
Short-term running finance utilised under mark-up arrangements	(428,898)	(552,133)
	<u>(414,865)</u>	<u>(540,538)</u>

11 SEGMENT INFORMATION

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

11.2 Sales from Intravenous Solutions represent 84.90 percent while sales from others represent 15.10 percent (September 30, 2016: 83.72 percent and 16.28 percent) respectively of the total sales of the Company.

	(Un-Audited) Sept. 30, 2017	(Un-Audited) Sept. 30, 2016
	----- In percent -----	
11.3 The geographic segmentation of sales is as follows:		
Pakistan	99.48	100.00
Afghanistan	0.52	-

11.4 Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region was around 44.56 percent during the period ended September 30, 2017 (Sept.30, 2016: 48.17 percent).

11.5 All non-current assets of the Company as at September 30, 2017 are located in Pakistan.

12 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.

13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 25, 2017 by the Board of Directors of the Company.

14 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


Sajid Ali Khan
Chief Financial Officer

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