



Quarterly Accounts for the period ended March 31, 2019

Otsuka Pakistan Ltd.

Head Office : 30-B, Sindhi Muslim Co-operative Housing Society, Karachi-74400, Pakistan. Phones: (021)4528651 to 4528654, Fax (021)4549857 URL www.otsuka.pk
Factory : No. F/4-9, Hub Industrial Trading Estate, Distt: Lasbella, Balochistan, Pakistan. Tele.:(0853) 302363, 303218, 303517, 304395-97
Fax: (0853) 303219

COMPANY INFORMATION

BOARD OF DIRECTORS	:	Mr. Mikio Bando (Chairman) (Alternate: Mr. Muhammad Taufiq Feroz) Mr. Hanif Sattar (Director and Chief Executive) Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz Mr. Suhari Mukti (Alternate: Mr. Sajid Ali Khan) Mr. Noor Muhammad (Independent Director) Mrs. Navin Salim Merchant (Independent Director)
COMPANY SECRETARY	:	Mr. Muhammad Amin Bashir
AUDIT SUB COMMITTEE OF THE BOARD	:	Mr. Noor Muhammad (Chairman) Mr. Daisuke Hashimoto (Member) Mr. Mehtabuddin Feroz (Member)
HUMAN RESOURCES & REMUNERATION COMMITTEE SUB COMMITTEE OF THE BOARD	:	Mr. Noor Muhammad (Chairman) Mr. Daisuke Hashimoto (Member) Mr. Mehtabuddin Feroz (Member) Mr. Hanif Sattar (Member)
AUDITORS	:	Deloitte Yousuf Adil (Chartered Accountants)
LEGAL ADVISORS	:	Hassan & Humayun Associates
BANKERS	:	Citibank N.A. Bank Alfalah Limited The Bank of Punjab MUFG Bank Ltd. 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: mamin@otsuka.pk jnoor@otsuka.pk Web site: 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 <u>Karachi-74400.</u> 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 accounts of the Company for the nine months ended March 31, 2019.

Business Review

During the 3rd quarter ended March 31, 2019, sales have shown a reasonable growth of 9% as compared to the corresponding quarter of 2018. However the cost of sales has increased by 20%. Major reasons for cost increases were include adverse exchange rate causing increase in cost of imported raw materials and local inflation. Hence the Company has achieved the gross profit of 22% during the quarter ended March 31, 2019 as compared to 29% in the same period last year.

Selling and distribution expenses have increased by 12% in order to retain the market share through continuous promotional activities and heavy promotional campaign for the new products. Administrative expenses were also increased by 13% due to rising rate of inflation. Another increase was in the financial cost due to increase in State Bank discount rate.

The Company has closed this quarter at earning per share of Rs. 0.09 as compared to the earning per share of Rs. 0.36 in the corresponding quarter of last year.

Future Outlook

The economic outlook of the country is showing negative signs and we foresee a further increase in the cost of doing business as international oil prices are on rising trend. However your Company has made strategy by adding new products to make a diversified product portfolio in both segments (Intravenous solutions and Medical devices) and to control cost including financial cost.

On behalf of the Board



Mehtabuddin Feroz
Director



Hanif Sattar
Chief Executive Office

Karachi

Dated: April 23, 2019

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

	(Unaudited) March 31, 2019	(Audited) June 30, 2018
Note	-----Rupees in '000-----	
4	368,895 2,072 6,528 1,309	420,354 2,527 4,909 1,309
5	111,065 489,869	85,913 515,012
	42,286 674,283 303,349 44,052 29,695 74 84,352 13,345 1,191,436	43,405 553,508 294,367 34,462 29,113 731 94,757 18,445 1,068,788
	<u>1,681,305</u>	<u>1,583,800</u>

EQUITY AND LIABILITIES

EQUITY

Share capital

Authorised share capital

20,000,000 (June 30, 2018: 20,000,000) ordinary shares of Rs 10 each

200,000 200,000

Issued, subscribed and paid-up share capital

12,100,000 (June 30, 2018: 12,100,000) ordinary shares of Rs 10 each

121,000 121,000
(9,361) 81,812

Revenue reserves

111,639 202,812

Shareholders' equity

LIABILITIES

Current liabilities

Short-term loan from a related party - unsecured

476,588 411,563
19,673 9,983

Accrued Mark-up

404,020 454,663

Trade and other payables

660,183 503,592

Short-term running finance - secured

9,202 1,187

Unclaimed Dividend

1,569,666 1,380,988

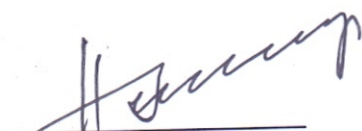
1,681,305 1,583,800

Total equity and liabilities

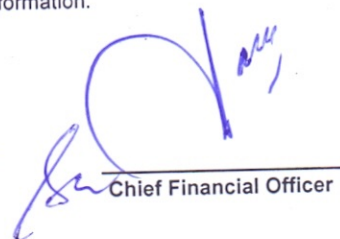
CONTINGENCIES AND COMMITMENTS

8

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.


Chief Executive Officer


Director


Chief Financial Officer

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2019

		Nine Month ended March 31,		Quarter ended March 31,	
	Note	2019	2018	2019	2018
		----- Rupees in '000 -----		----- Rupees in '000 -----	
Net sales	9	1,343,016	1,301,192	476,029	437,348
Cost of sales		(1,042,481)	(944,155)	(373,901)	(311,331)
Gross profit		300,535	357,037	102,128	126,017
Selling and distribution expenses		(190,595)	(161,336)	(64,935)	(57,722)
Administrative and general expenses		(65,658)	(57,793)	(20,800)	(18,332)
		44,282	137,908	16,393	49,963
Other income		23,115	30,898	9,736	9,012
		67,397	168,806	26,129	58,975
Other expenses		(103,741)	(77,935)	(5,456)	(40,215)
Operating (loss)/income		(36,344)	90,871	20,673	18,760
Finance cost		(46,973)	(27,844)	(19,829)	(10,421)
(Loss) / Profit for the period before taxation		(83,317)	63,027	844	8,339
Taxation - net		6,665	(25,039)	270	(3,926)
(Loss) / Profit for the period after taxation		(76,652)	37,988	1,114	4,413
----- Rupees -----					
(Loss)/Earnings per share - basic and diluted		(6.33)	3.14	0.09	0.36

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

 Chief Executive Officer	 Director	 Chief Financial Officer
----------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------

OTSUKA PAKISTAN LIMITED
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUD
 FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Nine Month ended		Quarter ended	
	March 31,		March 31,	
	2019	2018	2019	2018
	----- Rupees in '000 -----		----- Rupees in '000 -----	
(Loss) / Profit for the period after taxation	(76,652)	37,988	1,114	4,413
Other comprehensive loss:				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of defined benefit plan	-	(1,767)	-	-
Deferred tax on remeasurements of defined benefit plan	-	530	-	-
	-	(1,237)	-	-
Total comprehensive (loss) / income for the period	<u>(76,652)</u>	<u>36,751</u>	<u>1,114</u>	<u>4,413</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive Officer



Director



Chief Financial Officer

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2019

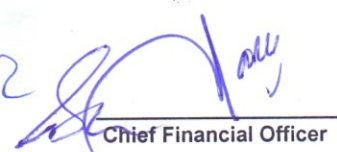
Note	Nine Month ended Mar-31	
	2019	2018
	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit for the period before taxation	(83,317)	63,027
Adjustment for non-cash charges and other items:		
Depreciation	64,438	70,417
Amortisation	-	21
Gain on disposal of Fixed Asset - net	(1,500)	(3,215)
Provision / (reversal of provision) for slow moving and obsolete stock-in-trade - net	2,250	(366)
Workers' Profits Participant Fund	-	3,069
Central Research Fund	-	420
Exchange loss - net	90,232	64,953
Reversal of Provision for stents - net	(686)	(17,851)
Impairment of trade debts - net	5,970	3,196
Mark-up on finances	46,973	27,844
Operating Surplus before working capital changes	124,360	211,515
(Increase) / decrease in current assets		
Stores and spares	1,119	5,443
Stock-in-trade	(122,324)	(105,390)
Trade debts - unsecured	(14,952)	(33,018)
Loans and advances	(9,590)	5,922
Trade deposits, short-term prepayments	1	(10,365)
Other receivables	74	-
	(145,672)	(137,408)
Decrease in current liabilities		
Trade and other payables	(75,850)	12,869
	(221,522)	(124,539)
Cash (used in) / generated from operations	(97,162)	86,976
Interest paid	(37,283)	(26,791)
Taxes paid	(8,082)	(12,211)
Increase in long-term deposits	-	(14)
Increase in long-term loans	(1,619)	(84)
Net cash (used in) / generated from operations	(144,146)	47,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(13,032)	(38,612)
Proceeds from disposal of property, plant and equipment	1,967	4,861
Net cash used in investing activities	(11,065)	(33,751)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(6,480)	-
Repayment of short-term loan from a related party	-	(120,581)
Net cash used in financing activities	(6,480)	(120,581)
Net decrease in cash and cash equivalents	(161,691)	(106,456)
Cash and cash equivalents at the beginning of the period	(485,147)	(425,467)
Cash and cash equivalents at the end of the period	(646,838)	(531,923)

11

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.


Chief Executive Officer


Director


Chief Financial Officer

OTSUKA PAKISTAN LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2019

1. THE COMPANY AND ITS OPERATIONS

- 1.1** Otsuka Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 30-B, S.M.C.H. Society, Karachi in the province of Sindh, 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.

The geographical location and address of the Company's business units, including mill / plants, is as under:

Karachi	Purpose	Hub	Purpose
30-B, S.M.C.H. Society, Karachi	Head office	F/4-9, H.I.T.E., Hub, Balochistan, Hub Industrial And Trading Estates, Hub, Las Bela, Balochistan	Factory

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of :

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS - 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS-34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS-34. These condensed interim financial statements do 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 audited financial statements of the Company for the year ended June 30, 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last financial statements of the Company.

These condensed interim financial statements are unaudited.

Securities and Exchange Commission of Pakistan (SECP), through SRO 1007(I) / 2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018 which has further been deferred for the nine months ended March 31, 2019, through SRO 229(I) / 2019 dated February 15, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these condensed interim financial statements.

The comparatives in the condensed interim statement of financial position as at March 31, 2019 have been extracted from the audited financial statements of the Company for the year ended June 30, 2018, whereas, the comparatives in the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been extracted from the unaudited condensed interim financial statements of the Company for the half year ended March 31, 2018.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except that obligations in respect of certain staff retirement benefits are carried at present value of defined benefit obligation less fair value of plan assets (for which the last valuation was carried out on June 30, 2018) and stock-in-trade is carried at the lower of cost and net realizable value.

2.3 Functional and presentation currency

These condensed interim financial statements have 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

3.1 Significant accounting policies

3.1.1 The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2018 except for certain changes in accounting policies as stated in note 3.1.2 below.

3.1.2 Changes in accounting policies due to adoption of certain standards

The following changes in accounting policies have taken place effective from July 01, 2018 due to adoption of certain standards, which became effective for the Company from July 01, 2018:

There are certain amendments and an interpretation to accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these unconsolidated condensed interim financial statements.

In addition to that a new standard (IFRS 15) has become applicable to the Company effective July 1, 2018. Because of it certain changes to the Company's accounting policies have been made in light of the following paragraphs:

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The changes laid down by above standard do not have any significant impact on these unconsolidated condensed interim financial statements of the Company.

3.2 Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended June 30, 2018.

3.3 Fair value of financial asset and liabilities

The carrying value of financial assets and financial liabilities reported in these condensed interim financial statements approximates their fair values.

3.4 Estimates and Judgements

Estimates and judgments made by management in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2018.

	Note	(Unaudited) March 31, 2019	(Audited) June 30, 2018
		-----Rupees in '000-----	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		362,881	413,124
Capital work-in-progress	4.2	6,014	7,230
		<u>368,895</u>	<u>420,354</u>

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

----- Nine month ended March 31, 2019 -----					
Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork Lifter	Total
----- Rupees in '000 -----					
Additions	256	8,239	1,983	3,770	14,248
Disposals:					
Cost	-	(1,570)	(205)	(2,334)	-
Accumulated depreciation	-	1,570	204	1,867	-
	-	(0)	(0)	(467)	-
					(467)
----- Nine month ended March 31, 2018 -----					
Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork Lifter	Total
----- Rupees in '000 -----					
Additions	25,779	5,685	8,544	180	40,188
Disposals:					
Cost	224	508	6,628	-	7,360
Accumulated depreciation	(19)	(508)	(5,187)	-	(5,714)
	-	205	-	1,441	-
					1,646

	Note	(Unaudited) March 31, 2019	(Audited) June 30, 2018
-----Rupees in '000-----			
4.2 Capital work-in-progress			
Stores and spares held for capital expenditure		6,014	7,230
		<u>6,014</u>	<u>7,230</u>
5 DEFERRED TAX ASSET - NET			
Deferred tax asset - net		<u>111,065</u>	<u>85,913</u>

Based on pattern of utilisation from future expected taxable profit, the Company has not recognised deferred tax on minimum tax amounting to Rs. 46,896 million (June 30, 2018: Rs. 37,952 million).

	Note	(Unaudited) March 31, 2019	(Audited) June 30, 2018
-----Rupees in '000-----			
6 SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED			
In foreign currency			
Loan from Otsuka Pharmaceutical Factory, Inc.	6.1	<u>476,588</u>	<u>411,563</u>

- 6.1 This represents foreign currency denominated loan obtained in three tranches of JPY 125 million each, drawn down on February 26, 2015, April 27, 2015 and July 27, 2015, repayable on or before February 25, 2016, April 26, 2016 and July 26, 2016 respectively. These were roll forwarded annually multiple times and are now repayable on or before February 25, 2019, April 25, 2019 and July 26, 2019 respectively.

Mark-up is being charged on the outstanding amount at LIBOR + 0.40% (June 30, 2018: LIBOR + 0.40%) per annum and is payable semi-annually in arrears.

	Note	(Unaudited) March 31, 2019	(Audited) June 30, 2018
-----Rupees in '000-----			
7 SHORT-TERM RUNNING FINANCE - SECURED			
From banking companies			
Short-term running finances utilised under mark-up arrangements - secured	7.1	<u>660,183</u>	<u>503,592</u>

7.1 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) March 31, 2019	(Audited) June 30, 2018
-----Rupees in '000-----							
The Bank of Tokyo Mitsubishi UFJ, Limited	525,000	3 months KIBOR + 1.00% p.a.	(a) Joint pari passu hypothecation charge of Rs 500 million on movables and receivables registered with the SECP; (b) Joint pari passu equitable mortgage of Rs 124 million on immovable fixed assets (land and building) duly registered with the SECP; (c) Joint pari passu hypothecation charge over plant and machinery for Rs 254 million duly registered with the SECP; and (d) Guarantee of the parent company amounting to Rs 625 million.	Quarterly	March 31, 2019	2,190	401,614
Bank Alfalah Limited	185,000	3 months KIBOR + 1.50% p.a.	(a) Joint pari passu charge over stocks and receivables of Rs 147 million registered with the SECP; (b) Joint pari passu charge over land and building for Rs 51 million registered with the SECP; and (c) Joint pari passu charge over plant and machinery of Rs 121million registered with the SECP.	Quarterly	March 31, 2019	161,330	69,778
The Bank of Punjab	41,383	3 months KIBOR + 1.25% p.a.	Third supplemental joint pari passu letter of hypothecation for Rs 133,334 million over current assets and fixed assets (plant and machinery) and mortgage over fixed assets (land and building) in the proportion of 50:40 inclusive of 25% margin duly registered with SECP.	Quarterly	March 31, 2019	41,000	42,183
Citi Bank N.A Karachi branch	765,000	1 months KIBOR + 0.5% p.a.	Hypothecation charge over company's current and fixed assets, providing coverage for the entire exposure of the bank.	Quarterly	December 31, 2019	455,663	-
	<u>1,516,383</u>					<u>660,183</u>	<u>513,575</u>

8 CONTINGENCIES AND COMMITMENTS

There has been no significant change in contingencies disclosed in notes 19.2, 19.3, 19.5, 22.2 and 22.3 to the annual audited financial statements of the Company for the year ended June 30, 2018.

There were no other contingencies and commitments outstanding as on December 31, 2018 and June 30, 2018.

	Note	(Unaudited) March 31, 2019	(Audited) June 30, 2018
		-----Rupees in '000-----	
8.2 Commitments in respect of:			
Capital expenditure contracted for but not incurred		-	450
Letters of credit		28,062	53,861
Letters of guarantee		57,017	48,374
	Note	(Unaudited) March 31, 2019	(Unaudited) March 31, 2018
		-----Rupees in '000-----	
9 NET SALES			
Sales (net of returns of Rs 22.34 million; 2017: Rs 8.687 million)	0.0	984,060	1,472,530
Less: sales tax		(10,830)	(15,964)
		973,230	1,456,566
Less: discounts		(106,242)	(155,374)
		1,343,016	1,301,192

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 nine months from the date of notification of the Policy. Earlier, the management of the Company had submitted hardship cases to the DRAP for its IV solution products for price increase and a committee of the DRAP (the Committee) was formed to evaluate the contention of the Company and to recommend price increase for the products.

Since the Committee did not give any decision on the price increase within the stipulated nine months, the Company increased the prices of certain products. In order to avoid any adverse action from the DRAP, the Company had filed a Civil Suit in respect of the matter before the Honorable High Court of Sindh (SHC) against the 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 SHC further said in its hearing that the DRAP would be at liberty to decide the pending hardship cases filed by the Company. On contrary, the DRAP in the hearings informed the SHC 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 SHC in its hearings ordered the DRAP to process and decide the hardship cases and to place a compliance report / decision before the SHC for its review once the requisite documents had been furnished by the Company. The DRAP submitted its report before the SHC in the hearing held in May 2016. In its last hearing held on December 19, 2016, the SHC had disposed of the suit filed by the Company and had barred the DRAP from taking any coercive action against it till the time any decision is taken by the Economic Coordinate Committee (ECC) of the Cabinet and the Federal Government regarding IV solutions products for price increase. The ECC has not given any decision on the price increase matter till the date of authorization for issue of these condensed interim financial statements.

During the previous year in a separate case (HRC 2858 / 2006) the Honorable Supreme Court of Pakistan (Supreme Court) has held hearings and called other pharmaceutical companies. The Court has given a road map to the DRAP for the recommendation of price increase of various pharmaceutical products. The DRAP has submitted a voluminous document of price increase recommendations including for prices of IV solutions products (hardship cases). Based on the DRAP submission, the Supreme Court in its hearing held on August 03, 2018 directed the DRAP to resolve the prices increase matter amicably in consultation with pharmaceutical industry. Accordingly, on December 31, 2018 DRAP has issued a notification under S.R.O. 1610 (1) / 2018 for the fixation of Maximum Retail Prices for the products specified under such notification.

Subsequent to half year end, on January 10, 2019, the DRAP has issued another notification S.R.O 34(I) / 2019 for the fixation of MRP of drugs, as a result of which (a) drug prices may be increased by nine percent over and above the existing MRP determined under hardship category during the year 2018; and (b) fifteen percent over and above the existing MRP determined under Drug Pricing Policy, 2018, for drugs other than those specified in (a) above. However, on the petition filed by an individual, the Honorable Peshawar High Court has issued a stay order in respect of S.R.O. 34(I) / 2019 on January 31, 2019. No further notification from DRAP has been issued till the date of authorization for issue of these condensed interim financial statements.

In the light of developments described in the above mentioned paragraphs the Company believes that there are strong grounds that the outcome will be in favour of the Company.

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, P.T. Otsuka Indonesia, Otsuka Pharmaceutical Company, 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 Plastic, 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 other than those which have been disclosed else where are as follows:

Name of related party	Relationship with the Company	Nature of transaction	(Un-audited) March 31, 2019	(Un-audited) March 31, 2018
			----- Rupees in '000 -----	
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Purchase of raw material	1,371	1,219
		Short term loan received during the period	-	152,624
		Mark up expense	2,323	2,103
Otsuka Pharmaceutical Co, Ltd.	Parent Company	Purchase of Petaal	103,177	31,465
Hospital Supply Corporation	Common Directorship	Sale of finished goods	637,569	583,632
		Late payment surcharge	7,892	3,759
		Purchase of Vinyl	116	209
Microport Medical (Shanghai) Co., Ltd.	Associated undertaking	Purchase of Stents	49,962	34,389
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Purchase of Aminoleban	27,018	20,115
PT. Otsuka Indonesia	Associated Undertaking	Purchase of Proten &	8,570	6,481
Shanghai Microport EPMED Tech Co. Limited	Associated Undertaking	Purchase of devices	7,248	4,847
Danish Enterprises	Brother to CEO	Purchase of packing materi	2,197	-
Idrees Plastics	Brother to CEO	Purchase of polybags	664	616
Otsuka staff provident fund	Provident fund	Charge during the period	8,519	7,742
Otsuka staff gratuity fund	Gratuity fund	Charge during the period to the fund	6,331	5,719
Key Management Personnel	Key Management Personnel	Remuneration paid	53,543	46,175
Mehtabuddin Feroze	Director	Consultancy charges	2,250	2,250

Name of related party	Relationship with the Company	Nature of account	Note	(Un-audited) March 31, 2019	(Audited) June 30, 2018
				----- Rupees in '000 -----	
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Mark up accrued on short term loan		1,281	1,470
		Short term loan payable		476,587	411,563
Otsuka Pharmaceutical Co, Ltd.	Parent company	Payable against purchase		57,210	-
Hospital Supply Corporation	Common Directorship	Payable against purchase of materia		-	209
		Receivable against sale of goods		226,082	178,756
PT. Otsuka Indonesia	Associated undertal	Payable against purchase of material		4,048	4,101
		Payable against purchase of material		14,101	24,775
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Payable against purchase of stents		16,719	28,907
Shanghai Microport Medical (Group) Co., Ltd.	Associated undertaking	Payable against purchase of devices		6,891	6,321
Shanghai Microport EPMed Tech Co., Limited	Associated undertaking	Payable against purchases		-	474
Idrees Plastics	Brother to CEO	Payable to shareholders		363	363
Shareholders	Shareholders	Advance from key management personnel		1,036	1,178
Key Management Personnel	Key Management Personnel	Payable to gratuity fund		2,197	8,643
Otsuka staff gratuity fund	Gratuity fund	Payable to provident fund		2,960	1,323
Otsuka staff provident fund	Provident fund	Payable to WPPF		-	7,326
Provision for WPPF	WPPF	WPPF			

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.

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.

There has been no significant change in the details of related parties disclosed in notes 35.1 and 35.2 of the annual audited financial statements of the Company for the year ended June 30, 2018.

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) March 31, 2019	(Unaudited) March 31, 2018
	----Rupees in '000----	
Bank balances	13,345	21,614
Short-term running finance utilised under mark-up arrangements	(660,183)	(553,537)
	<u>(646,838)</u>	<u>(531,923)</u>

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 81.26 percent while sales from others represent 18.74 percent (March 31, 2018: 82.36 percent and 17.64 percent) respectively of the total sales of the Company.

	(Unaudited) March 31, 2019	(Unaudited) March 31, 2018
	----- In percent -----	
12.3 The geographic segmentation of sales is as follows:		
Pakistan	99.48	99.44
Afghanistan	0.52	0.56

12.4 Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region was around 47.5 percent during the nine months ended March 31, 2019 (March 31, 2018: 44.85 percent).

12.5 All non-current assets of the Company as at March 31, 2019 are located in Pakistan.

13 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.


14 DATE OF AUTHORISATION FOR ISSUE

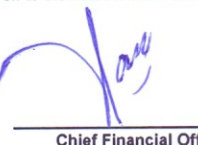
This condensed interim financial information was authorised for issue on April 23, 2019 by the Board of Directors of the Company.

15 GENERAL

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


 Chief Executive Officer


 Director


 Chief Financial Officer

