

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

REPORTS

&

ACCOUNTS

FOR THE QUARTER ENDED
September 30, 2019



Otsuka

Otsuka Pakistan Limited

(A Company of Otsuka Group Japan)

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COMPANY INFORMATION

BOARD OF DIRECTORS	:	Mr. Mikio Bando Mr. Hanif Sattar Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz Mr. Suhari Mukti Mr. Noor Muhammad Mrs. Navin Salim Merchant	(Chairman) (Alternate: Mr. Muhammad Taufiq Feroz) (Director and Chief Executive) (Alternate: Mr. Sajid Ali Khan) (Independent Director) (Independent Director)
COMPANY SECRETARY	:	Mr. Muhammad Amin Bashir	
AUDIT COMMITTEE (SUB COMMITTEE OF THE BOARD)	:	Mr. Noor Muhammad Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz	(Chairman) (Member) (Member)
HUMAN RESOURCES & REMUNERATION COMMITTEE (SUB COMMITTEE OF THE BOARD)	:	Mr. Noor Muhammad Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz Mr. Hanif Sattar	(Chairman) (Member) (Member) (Member)
AUDITORS	:	Deloitte Yousuf Adil (Chartered Accountants)	
LEGAL ADVISORS	:	Hassan & Humayun Associates	
BANKERS	:	Citibank N.A. 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: mamin@otsuka.pk jnoor@otsuka.pk Web site: www.otsuka.pk	
FACTORY	:	Plot No. F/4-9, Hub Industrial Trading Estate, Dist. Lasbella (Balochistan) Tel.: (0853) 303517-8 Fax: (0853) 303519	
SHARE REGISTRAR	:	M/s. CDC Share Registrar Services 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) 34326031 Email: info@cdcsrsl.com Website: https://www.cdcsrsl.com	

Directors' Report

The Directors are pleased to present accounts of Otsuka Pakistan Limited (the Company) for the first quarter ended September 30, 2019.

The composition of Board of Directors ("the Board") is as follows:

CATEGORY	NAMES	GENDER
Executive Director	Mr. Hanif Sattar (CEO)	Male Directors
Non-Executive Directors	Mr. Mikio Bando (Chairman)	
	Mr. Mehtabuddin Feroz	
	Mr. Daisuke Hashimoto	
	Mr. Suhari Mukti	
Independent Directors	Mr. Noor Muhammad	Female Director
	Mrs. Navin Salim Merchant	

Board Committees

SUB COMMITTEE OF THE BOARD	NAME OF MEMBER
Audit Committee	Mr. Noor Muhammad (Chairman) Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz
Human Resource & Remuneration Committee	Mr. Noor Muhammad (Chairman) Mr. Daisuke Hashimoto Mr. Mehtabuddin Feroz Mr. Hanif Sattar

Business Review:

The results of the quarter were encouraging. Sales for the quarter have increased by 21% as compared to the corresponding quarter of last year due to price increase and curtailment of special discounts for hospitals. Gross profit margin has improved from 23% to 28%. However there was increase in cost of goods sold and administrative expenses by 14% and 15% respectively due to high inflation and increase in cost of utilities.

Selling and distribution expenses were higher by 21% mainly due to increase in freight cost after the amendment in permissible axle load under National Highway Safety Ordinance, 2000. The financial cost of company has surged by 85% as compared to the corresponding quarter which is mainly due to the increase in the discount rates by the State Bank of Pakistan, investments in new products and cost of heavy repairs at factory and warehouses for GMP. (Good manufacturing practices).

The earning per share of the company is Rs. 2.12 per share as compared to an earning of Rs. 0.30 in the corresponding quarter of the last year.

Future Outlook:

The economic conditions of the country have shown a little improvement in this quarter and we are hoping that the government will focus on the growth policies to improve business environment including foreign exchange management. However the global political conditions are still uncertain which may impact our profitability as there is direct link of oil prices with our cost of sales. The directors are confident that the company can achieve its' annual target if the same trend continues during the rest of the period.

On behalf of the Board



Mehtabuddin Feroz
Director

Karachi

Dated: October 22, 2019



Hanif Sattar
Chief Executive Office

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز ("بورڈ") کی تشکیل درج ذیل ہے:

درجہ بندی	نام	جنس
ایگزیکٹو ڈائریکٹر	جناب حنیف ستار (سی ای او)	مرد
ٹان ایگزیکٹو ڈائریکٹر	جناب میکو بانڈو (چیئر مین) جناب مہتاب الدین فیروز جناب ڈائی سو کے ہاشیمو ٹو جناب سوہاری مکتی	مرد
آزاد ڈائریکٹر	جناب نور محمد مسز نوین سلیم مرچنٹ	مرد خاتون

بورڈ کمیٹی:

بورڈ کی ذیلی کمیٹی کا نام	ممبر کا نام
آڈٹ کمیٹی	جناب نور محمد (چیئر مین) جناب ڈائی سو کے ہاشیمو ٹو جناب مہتاب الدین فیروز
ہیومن ریسورس اور معاوضہ کمیٹی	جناب نور محمد (چیئر مین) جناب ڈائی سو کے ہاشیمو ٹو جناب مہتاب الدین فیروز جناب حنیف ستار

کاروباری جائزہ:

اس سہ ماہی کے نتائج حوصلہ افزا رہے۔ قیمتوں میں اضافے اور اسپتالوں کے لئے خصوصی رعایتوں میں کمی کے باعث گزشتہ سال کی اسی سہ ماہی کے مقابلہ میں اس سہ ماہی کی فروخت میں 21 فیصد اضافہ ہوا ہے۔ مجموعی منافع کا مارجن 23 فیصد سے بڑھ کر 28 فیصد ہو گیا ہے۔ تاہم، افراط زر اور پانی، بجلی، گیس کے اخراجات میں اضافے کی وجہ سے فروخت شدہ سامان اور انتظامی اخراجات میں بالترتیب 14 فیصد اور 15 فیصد کا اضافہ ہوا ہے۔

فروخت اور تقسیم کے اخراجات میں 21 فیصد زیادہ اضافہ ہوا ہے جس کی بنیادی وجہ نیشنل ہائی وے سیفٹی آرڈیننس 2000 کے تحت مقررہ حد سے تجاوز لا دے ہوئے بوجھ میں ترمیم کے بعد مال برداری کی لاگت میں اضافہ تھا۔ گزشتہ سہ ماہی کے مقابلہ میں کمپنی کی مالی لاگت میں 85 فیصد کا اضافہ ہوا ہے جسکی وجہ اسٹیٹ بینک آف پاکستان کی جانب سے رعایتی نرخوں میں اضافہ، نئی مصنوعات میں سرمایہ کاری اور جی ایم پی (گڈ مینوفیکچرنگ پریکٹس) کے تقاضوں کو پورا کرنے کیلئے فیکٹری اور گوداموں میں مرمت کی مد میں بھاری اخراجات ہیں۔

پچھلے سال کی اسی سہ ماہی میں کمپنی کے ہر حصص کی آمدنی 0.30 روپے کے مقابلے میں اس سہ ماہی ہر حصص کی آمدنی 2.12 روپے ہے۔

مستقبل کی پیش بندی:

اس سہ ماہی میں ملک کے معاشی حالات میں تھوڑی بہتری آئی ہے اور ہم امید کر رہے ہیں کہ حکومت زر مبادلہ کے انتظام سمیت کاروباری ماحول کو بہتر بنانے کے لئے ترقیاتی پالیسیوں پر توجہ دے گی۔ تاہم عالمی سیاسی حالات ابھی بھی غیر یقینی ہیں جو ہمارے منافع کو متاثر کر سکتے ہیں کیونکہ تیل کی قیمتوں کا براہ راست تعلق ہماری فروخت کی لاگت کے ساتھ ہے۔ ڈائریکٹرز کو یقین ہے کہ اگر باقی مدت میں یہی رجحان برقرار رہا تو کمپنی سالانہ ہدف پورا کر سکتی ہے۔

منجانب بورڈ

بورڈ کی جانب سے



حنیف ستار

چیف ایگزیکٹو آفیسر

کراچی:

مورخہ 22 اکتوبر، 2019



مہتاب الدین فیروز

ڈائریکٹر

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019**

	Note	(Unaudited) Sep 30, 2019 -----Rupees in '000-----	(Audited) June 30, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	4	351,741	361,696
Intangibles		1,800	1,945
Long-term loans - considered good		6,949	7,090
Long-term deposits		1,309	1,309
Deferred tax asset - net	5	144,907	152,547
		<u>506,706</u>	<u>524,587</u>
Current assets			
Stores and spares		39,444	44,699
Stock-in-trade - net		559,357	574,810
Trade debts - unsecured - net		286,349	249,393
Loans and advances - considered good		26,436	26,987
Trade deposits, short-term prepayments and other receivables		41,936	43,251
Taxation - net		62,921	55,942
Bank balances		4,991	10,975
		<u>1,021,434</u>	<u>1,006,057</u>
Total assets		<u><u>1,528,140</u></u>	<u><u>1,530,644</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital			
Authorised share capital			
20,000,000 (June 30, 2019: 20,000,000) ordinary shares of Rs 10 each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up share capital			
12,100,000 (June 30, 2019: 12,100,000) ordinary shares of Rs 10 each		121,000	121,000
Revenue reserves		<u>(71,931)</u>	<u>(97,545)</u>
Shareholders' equity		49,069	23,455
LIABILITIES			
Current liabilities			
Short-term loan from a related party - unsecured	6	543,300	557,588
Trade and other payables		373,648	337,350
Short-term running finance - secured	7	532,594	583,669
Mark-up accrued		20,326	19,378
Unclaimed Dividend		9,203	9,204
		<u>1,479,071</u>	<u>1,507,189</u>
Total equity and liabilities		<u><u>1,528,140</u></u>	<u><u>1,530,644</u></u>
CONTINGENCIES AND COMMITMENTS			
	8		

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



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2019**

		2019 Sep, 30	2018 Sep, 30
	Note	---- Rupees in '000 ----	
Net sales	9	534,104	441,554
Cost of sales		(385,835)	(339,128)
Gross profit		148,269	102,426
Selling and distribution expenses		(74,047)	(61,272)
Administrative and general expenses		(25,632)	(22,262)
		48,590	18,892
Other income		17,812	6,194
		66,402	25,086
Other expenses		(4,644)	(5,645)
Operating income		61,758	19,441
Finance cost		(20,404)	(11,046)
Profit for the period before taxation		41,354	8,395
Taxation - net		(15,740)	(4,810)
Profit for the period after taxation		25,614	3,585
		----- Rupees -----	
Earnings per share - basic and diluted		2.12	0.30

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



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2019**

	2019 Sep, 30	2018 Sep, 30
	----- Rupees in '000 -----	
Profit for the period after taxation	25,614	3,585
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of defined benefit plan	-	-
Deferred tax on remeasurements of defined benefit plan	-	-
Total comprehensive income for the period	25,614	3,585

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



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2019**

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Accumulated losses	Sub-total	
	----- Rupees in '000 -----				
Balance as at July 1, 2018	121,000	356,500	(274,688)	81,812	202,812
Total comprehensive income for the quarter ended September 30, 2018	-	-	3,585	3,585	3,585
Balance as at September 30, 2018	<u>121,000</u>	<u>356,500</u>	<u>(271,103)</u>	<u>85,397</u>	<u>206,397</u>
Balance as at July 1, 2019	121,000	341,980	(439,525)	(97,545)	23,455
Total comprehensive income for the quarter ended September 30, 2019	-	-	25,614	25,614	25,614
Balance as at September 30, 2019	<u>121,000</u>	<u>341,980</u>	<u>(413,911)</u>	<u>(71,931)</u>	<u>49,069</u>

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



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2019**

Note	QUARTER ENDED Sep-30	
	2019	2018
	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	41,354	8,395
Adjustment for non-cash charges and other items:		
Depreciation & Amortisation	21,772	21,559
Gain on disposal of Fixed Asset-net	(1,337)	(2)
Workers' Profits Participant Fund	2,377	328
Central Research Fund	461	42
Exchange (gain)/loss -net	(7,778)	4,042
Impairment of trade debts - net	(121)	-
Mark-up on finances	20,404	11,046
Operating Surplus before working capital changes	77,132	45,410
(Increase) / decrease in current assets		
Stores and spares	5,255	2,239
Stock-in-trade	15,453	(74,561)
Trade debts - unsecured	(36,835)	(3,010)
Loans and advances	551	5,265
Trade deposits, short-term prepayments, other receivables	1,315	(9,245)
	(14,261)	(79,312)
Increase/(Decrease) in current liabilities		
Trade and other payables	26,950	(36,165)
Cash generated from/(used in) operations	89,821	(70,067)
Interest paid	(19,456)	(10,204)
Taxes paid	(15,079)	(6,605)
Increase / (decrease) in long-term loans receivables	141	(32)
Net cash generated from/(used in) operations	55,427	(86,908)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(14,508)	(1,885)
Proceeds from disposal of property, plant and equipment	4,172	2
Net cash used in investing activities	(10,336)	(1,883)
Net increase / (decrease) in cash and cash equivalents	45,091	(88,791)
Cash and cash equivalents at the beginning of the period	(572,694)	(485,147)
Cash and cash equivalents at the end of the period	11 (527,603)	(573,938)

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



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

Otsuka Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company 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. The Company 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

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, the requirements of the Companies Act, 2017 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Act, 2017 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, 2019.

The comparatives in the condensed interim statement of financial position presented in the condensed interim financial information as at September 30, 2019 have been extracted from the audited financial statements of the Company for the year ended June 30, 2019, whereas, the comparatives in the condensed interim statement of profit or 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 Sep 30, 2018.

2.2 Accounting convention

This condensed interim financial information 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.

2.3 Functional and presentation currency

This condensed interim financial information are measured using the currency of the primary economic environment in which the Company operates. These condensed interim financial information are presented in Pakistan Rupee, which is the Company's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS

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, 2019.

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, 2019.

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, 2019.

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, 2019 but are not considered 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.

3.5 New standards, interpretations and amendments to published accounting and reporting standards that are not yet effective in the current year

The following standards, amendments and interpretations with respect to approved accounting standards would be effective from the date mentioned below against the respective standards, amendments or interpretations:

Standards, Interpretations or Amendments	Effective date (accounting period)
- IFRS 16 'Leases'	January 01, 2019
- Amendments to IAS 28 'Investments in Associates and Joint Ventures'	January 01, 2019
- Amendments to IAS 19 'Employee Benefits'	January 01, 2019
- IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019
- Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
- Amendments to IFRS 3 'Business Combinations'	January 01, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.	January 01, 2020

'Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

The standards highlighted above may impact the financial statements of the Company on adoption. The Management is currently in the process of assessing the impact on the financial statements of the Company.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

	Note	(Unaudited) September 30, 2019	(Audited) June 30, 2019
-----Rupees in '000-----			
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	336,428	350,998
Capital work-in-progress		15,313	10,698
		<u>351,741</u>	<u>361,696</u>

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

----- Quarter ended September 30, 2019 -----						
	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork Lifter	Total
----- Rupees in '000 -----						
Additions	-	4,575	2,423	9,893	-	16,891
Disposals:						
Cost	-	-	(59)	(4,806)	-	(4,865)
Accumulated depreciation	-	-	59	1,971	-	2,030
	-	-	-	(2,835)	-	(2,835)
----- Quarter ended September 30, 2018 -----						
	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork Lifter	Total
----- Rupees in '000 -----						
Additions	-	1,650	53	-	-	1,703
Disposals:						
Cost	-	-	(29)	-	-	(29)
Accumulated depreciation	-	-	29	-	-	29
	-	-	-	-	-	-

	Note	(Unaudited) September 30, 2019	(Audited) June 30, 2019
		-----Rupees in '000-----	

5 DEFERRED TAX ASSET - NET

Deferred tax asset - net	5.1	<u>144,907</u>	<u>152,547</u>
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5.1 The Company has not recognised deferred tax on minimum tax amounting to Rs. 67.082 million (June 30, 2019: Rs. 58.982 million).

	Note	(Unaudited) September 30, 2019	(Audited) June 30, 2019
		-----Rupees in '000-----	

6 SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED

Loan from Otsuka Pharmaceutical Factory, Inc.	6.1	<u>543,300</u>	<u>557,588</u>
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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, 2020, April 26, 2020 and July 26, 2020 respectively.

Mark-up is charged at Japanese LIBOR + 0.40% (2019: Japanese LIBOR + 0.40%) per annum and is payable semi-annually in arrears.

	Note	(Unaudited) September 30, 2019	(Audited) June 30, 2019
		-----Rupees in '000-----	

7 SHORT-TERM RUNNING FINANCE - SECURED

From banking companies

Short-term running finances utilised under mark-up arrangements

7.1	<u>532,594</u>	<u>583,669</u>
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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) Sept 30, 2019	(Audited) June 30, 2019
						-----Rupees in '000-----	
Citi Bank	765,000	1 months KIBOR + 0.50% p.a.	a) Registered Joint Pari-passu Hypothecation charge on Current Assets for PKR 778 mln. b) Registered Joint Pari-passu Hypothecation charge on Fixed Assets of Plant & Machinery for PKR 432 mln.	Quarterly	March 31, 2020	364,287	398,712
Bank Alfalah Limited	185,000	3 months KIBOR + 2.00% 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	January 31, 2020	127,307	143,956
The Bank of Punjab	41,383	3 months KIBOR + 1.25% p.a.	(a) Registered Joint pari passu hypothecation charge over stocks and receivables of Rs 24 million. (b) Registered Joint Memorandum Confirming Deposit of Title Deeds (mortgage) charge over land and building for Rs 15 million. (c) Registered Joint pari passu hypothecation charge over Fixed Assets of Rs 17 million.	Quarterly	March 31, 2019 *	41,000	41,000
	<u>991,383</u>					<u>532,594</u>	<u>583,669</u>

* Under process of renewal.

8 CONTINGENCIES AND COMMITMENTS

- 8.1** On March 05, 2014, a notice of demand was served on the Company by the Additional Commissioner Inland Revenue (ACIR) for an amount of Rs 164.778 million (2019: 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). On January 19, 2017 hearing of ATIR was held and on April 10, 2017 an order was served in which the decision of certain items was given in favour of the Company and certain items were remanded back to the ACIR for further examination.

On December 28, 2017, an appeal effect order was passed by the ACIR under section 124/122(5A) of the Income Tax Ordinance, 2001. Through the said order (which is in context of the earlier decision by the ATIR dated April 10, 2017 mentioned above) a demand of Rs 21.408 million was determined. Furthermore, in respect of the matters decided by the ATIR in favour of the Company, the ACIR has filed an appeal in the High Court of Sindh and

The Company filed an appeal against the above order before the Commissioner Inland Revenue (Appeals-II) [CIR(A)] along with the stay application. Upon request, the CIR(A) acceded to grant stay against recovery till February 15, 2018. On April 13, 2018 an appeal effect order was passed by the ACIR under section 124/122(5A) of the Income Tax Ordinance, 2001 whereby relief has been allowed in respect of certain matters whereas disallowance has been maintained in respect of certain other matters. As a result a demand of Rs 12.699 million has been raised by the ACIR which has been settled by the Company during the current year under protest through adjustment of refund relating to the tax year 2015. As a matter of abundant caution, management has recorded a provision of Rs. 12.699 million with corresponding adjustment to refund liability to tax year 2015.

- 8.2** Through the Finance Act, 2017, Section 5A of the Income Tax Ordinance, 2001 was amended. Through the revised provision a tax equal to 7.5 percent of accounting profit for the year will be levied on every public company, other than a scheduled bank and modaraba, if distribution of cash dividend or bonus shares of at least 40 percent of the accounting profit after tax for the year is not made. In this connection, the Company has filed a constitutional petition before the Honorable Sindh High Court on August 27, 2017 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 by the Honorable Sindh High Court in respect of levy of the above tax. Accordingly, based on a legal advice, provision amounting to Rs 14.713 million for the year ended June 30, 2017 has not been made in these financial statements in respect of the additional tax liability and the management expects a favourable outcome in this respect.

	Note	(Unaudited) September 30, 2019 -----Rupees in '000-----	(Audited) June 30, 2019
8.3 Commitments in respect of:			
Capital expenditure contracted for but not incurred		-	2,469
Letters of credit		10,328	51,359
Letters of guarantee		62,069	48,886

	Note	(Unaudited) September 30, 2019 -----Rupees in '000-----	(Unaudited) September 30, 2018
9 NET SALES			
Sales (net of returns 0.258 million; 2018: Rs 9.199 million)	9.1	598,143	459,205
Less: sales tax		(6,287)	(7,307)
		591,856	451,898
Less: discounts		(57,752)	(10,344)
		<u>534,104</u>	<u>441,554</u>

- 9.1** With regards to the previously reported hardship cases, as per orders passed by the Supreme Court of Pakistan, the Company was advised to re-submit their applications under new Drug Pricing Policy 2018 (DPP 2018) to Drug Regulatory Authority of Pakistan (DRAP).

These hardship cases concluded favorably in the light of DPP 2018 and formal notification of revised prices has also been issued by DRAP dated December 31, 2018.

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, P.T. Otsuka Indonesia, Otsuka Pharmaceutical Company, Vietnam, Shanghai Microport Medical (Group) Company Limited, etc.), entities under common directorship namely Hospital Supply Corporation, 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:

Particulars	(Unaudited) Quarter ended September 30, 2019					(Unaudited) Quarter ended September 30, 2018
	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. 7.705 million)	-	246,352	-	-	246,352	206,957
Inventory purchased	8,762	25,538	-	200	34,500	73,213
Consultancy charges	-	-	750	-	750	750
Remuneration of the key management personnel	-	-	17,741	-	17,741	15,746
Mark-up expense on short-term loan from a related party	-	909	-	-	909	690
Late payment charges received from Hospital Supply Corporation	-	-	-	4,546	4,546	1820
Charge relating to staff provident fund	-	-	-	2,914	2,914	2,772
Charge relating to staff gratuity fund	-	-	-	2,158	2,158	2,063
Purchases from Hospital Supply Corporation	-	222	-	-	222	116

Particulars	(Unaudited) Quarter ended September 30, 2019					(Audited) June 30, 2019
	Parent company	Other associated companies/undertakings	Key management personnel	Other related parties	Total	

Rupees in '000

Balance outstanding as at the end of the period / year

Receivable from Hospital Supply Corporation against sale of goods	-	246,320	-	-	246,320	177,412
Payable to Hospital Supply Corporation	-	116	-	-	116	116
Payable to Otsuka Pharmaceutical Company Limited, Japan	-	9,202	-	-	9,202	2,934
Payable to Shanghai Microport EPMed Tech Co., Limited	-	7,410	-	-	7,410	8,385
Payable to Shanghai Microport Medical (Group) Company Limited	-	16,200	-	-	16,200	38,048
Payable to Otsuka Pharmaceutical Factory, Inc.	-	362	-	-	362	557,588
Payable to Thai Otsuka Pharmaceutical Company Limited, Thailand	-	385	-	-	385	5,062
Danish Enterprises(Idrees Plastic)	-	-	-	-	200	62
Loan from Otsuka Pharmaceutical Factory, Inc.	-	543,300	-	-	543,300	557,588
Advance from key management personnel	-	-	1,226	-	1,178	1,367
Payable to Employees' Provident Fund	-	-	-	2,686	2,686	-
Receivable from Employees' Gratuity Fund	-	-	-	3,936	3,936	-
Payable to P.T. Otsuka Indonesia	-	-	-	-	-	4,9321
Payable to Shareholder	-	-	-	363	363	363
Provision for Workers' Profits Participation Fund	-	-	-	2,377	328	-

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 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 are no transactions with key management personnel other than those that are under their terms of employment and / or entitlements.

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) September 30, 2019	(Audited) June 30, 2019
	----Rupees in '000----	
Bank balances	4,991	10,975
Short-term running finance utilised under mark-up arrangements	(532,594)	(583,669)
	<u>(527,603)</u>	<u>(572,694)</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 83.88 percent while sales from others represent 16.12 percent (Sep 30, 2018: 80.88 percent and 19.12 percent) respectively of the total sales of the Company.

	(Unaudited) September 30, 2019	(Unaudited) September 30, 2018
	----- In percent -----	
12.3 The geographic segmentation of sales is as follows:		
Pakistan	98.48	98.43
Afghanistan	1.52	1.57

12.4 Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region was around 47.03 percent during the period ended Sep 30, 2019 (Sep 30, 2018: 46.87 percent).

12.5 All non-current assets of the Company as at September 30, 2019 are located in Pakistan.

13 FAIR VALUE MEASUREMENT

IFRS 13 'Fair value Measurement' defines 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. 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.

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.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or
- 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 (i.e. unobservable inputs) (level 3).

As at Sep 30, 2019 and June 30, 2019, the Company did not have any assets or liabilities which were measured at fair value using any of the aforementioned valuation techniques.

14 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.

15 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 22, 2019 by the Board of Directors of the Company.

16 GENERAL

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



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director










Sajid Ali Khan
Chief Financial Officer










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