



February 26, 2019

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Sub.: Transmission of Half-year Accounts for the period ended December 31, 2018

Dear Sir,

We have to inform you that the Half-year Accounts of the Company for the period ended December 31, 2018 had been transmitted through PUCARS and is also available on our Company's website: www.otsuka.pk.

You may please inform the TRE certificate holders of the Exchange accordingly.

Yours sincerely,

Muhammad Amin Bashir
Company Secretary

Encl.: A.A.

Otsuka Pakistan Ltd.

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Factory : No. F/4-9, Hub Industrial Trading Estate, Distt. Lasbella, Balochistan, Pakistan. Phones: (+92853) 302363, 303218, 303517, 304395-97 Fax: (+92853) 364057

OTSUKA
PAKISTAN LIMITED

**Condensed Interim
Financial Statements**

for the half year ended December 31, 2018

Otsuka Pakistan Limited

Directors' Report

The Directors are pleased to present accounts of the Company for the half year ended December 31, 2018.

Business Review

Sales were depressed due to oversupply situation in the market and heavy discounts being offered by the competitors. The cost of sales have also increased by 5.65% resulting in a steep decline of the gross profit margins of 23% during the half year ended December 2018 as compared to 27% in the same period last year.

Selling and distribution expenses have increased by 21.3% in order to retain the market share through continuous promotional activities and heavy campaign for new products. Administrative expenses were controlled and increased in line with general inflation. The major contributor for the loss was the devaluation of Pak Rupee which has resulted in an exchange loss amounting to Rs. 85.638 million.

The loss per share of the company is Rs. (6.43) as compared to earnings of Rs. 2.77 per share in the corresponding period last year.

Future Outlook

The uncertain economic conditions of the country with expected devaluation of Pak Rupee and implementation of more strict policies from central bank will further increase the cost of our imports. However your Company has planned to launch new products in Medical devices segment and has chalked out strategy to overcome loss situation.

On behalf of the Board



Mehtabuddin Feroz
Director



Hanif Sattar
Chief Executive Office

Karachi

Dated: February 19, 2019

ڈائریکٹر رپورٹ

کمپنی ڈائریکٹر، 31 دسمبر 2018 پر مکمل ہونے والے نصف سال کے کمپنی اکاؤنٹس انتہائی خوشی کے ساتھ پیش کرتے ہیں۔

کاروباری جائزہ:

مارکیٹ میں حریفوں کی طرف سے پیش کردہ بھاری ڈسکاؤنٹ اور انکی ڈرپس کی بہتات کی وجہ سے ہماری فروخت مایوس کن رہی۔ پیداواری اخراجات میں 5.65 فیصد اضافہ ہوا، جسکے نتیجے میں دسمبر 2018 پر ختم ہونے والے نصف سال کا مجموعی منافع 23 فیصد رہا، اس کے برعکس گزشتہ سال اسی مدت میں منافع کی شرح 27 فیصد تھی۔

مسلل تشیری عوامل اور نئی مصنوعات کے لئے بھاری سرگرمیوں کی وجہ سے فروخت اور تقسیم کے اخراجات میں 21.3 فیصد اضافہ ہوا ہے۔ انتظامی اخراجات پر افراط زر کو مد نظر رکھتے ہوئے مناسب اضافہ کے ساتھ قابو پایا گیا۔ نقصان کی سب سے بڑی وجہ پاکستانی روپے کی قدر میں کمی تھی جسکے نتیجے میں درآمدی اشیاء پر 85.638 ملین روپے کا خسارہ اٹھانا پڑا۔

مذکورہ بالا عرصے میں کمپنی کافی شیئر حصہ منفی 6 روپے 43 پیسے ہے جبکہ پچھلے سال اسی عرصے کافی شیئر حصہ 2 روپے 77 پیسے تھا۔

مستقبل کی پیش بندی:

ملک کی حالیہ غیر یقینی اقتصادی صورتحال، ساتھ ہی پاکستانی کرنسی کی قدر میں غیر متوقعہ کمی اور مرکزی بینک کی طرف سے مزید سخت پالیسیوں کا اطلاق ہماری درآمدات کی قیمت میں اضافہ کرے گا۔

تاہم آپکی کمپنی نے میڈیکل ڈیوائس ڈویژن میں نئی مصنوعات متعارف کروانے کی منصوبہ بندی کر لی ہے، ساتھ ہی نقصان کی صورت حال سے نبرد آزما ہونے کی حکمت عملی تیار کر لی ہے۔

منجانب بورڈ



حنیف ستار

چیف ایگزیکٹو آفیسر



مہتاب الدین فیروز

ڈائریکٹر

کراچی

مورخہ 19 فروری، 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF OTSUKA PAKISTAN LIMITED

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Otsuka Pakistan Limited as at December 31, 2018 and the related 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, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures reported in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Y.A.

Other matter

The interim financial statements of the Company for the half year ended December 31, 2017 and the annual financial statements of the Company for the year ended June 30, 2018 were reviewed and audited respectively by another firm of Chartered Accountants who expressed an unmodified conclusion and opinion respectively thereon vide their reports dated February 27, 2018 and September 19, 2018 respectively.

The engagement partner on the review resulting in this independent auditor's review report is Nadeem Yousuf Adil.

Deloitte Yousuf Adil
Chartered Accountants

Place: Karachi

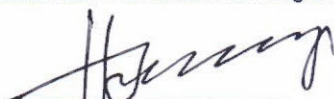
Date : February 19, 2019

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	(Un-audited) December 31, 2018	(Audited) June 30, 2018
---- Rupees in '000 ----			
ASSETS			
Non-current assets			
Property, plant and equipment	4	382,670	420,354
Intangible assets		2,236	2,527
Long-term loans - considered good		4,991	4,909
Long-term deposits		1,309	1,309
Deferred tax asset - net	5	106,525	85,913
		497,731	515,012
Current assets			
Stores and spares		46,800	43,405
Stock-in-trade	6	680,626	553,508
Trade debts (unsecured) - net		316,500	294,367
Loans and advances - considered good		19,454	34,462
Trade deposits and short-term prepayments		50,243	29,113
Other receivables		41	731
Taxation - net		79,219	94,757
Bank balances		13,515	18,445
		1,206,398	1,068,788
Total assets		1,704,129	1,583,800
EQUITY AND LIABILITIES			
Equity			
Share capital			
Authorized		200,000	200,000
20,000,000 (June 30, 2018: 20,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up		121,000	121,000
12,100,000 (June 30, 2018: 12,100,000) ordinary shares of Rs. 10 each			
Revenue reserves		(10,474)	81,812
Total shareholders' equity		110,526	202,812
Liabilities			
Current liabilities			
Trade and other payables		427,476	454,663
Accrued mark-up		15,235	9,983
Short-term loan from a related party - unsecured	7	472,725	411,563
Short-term running finance - secured	8	668,940	503,592
Unclaimed dividend		9,227	1,187
		1,593,603	1,380,988
Total equity and liabilities		1,704,129	1,583,800
CONTINGENCIES AND COMMITMENTS			
	9		

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

DVA


Chief Executive Officer


Director


Chief Financial Officer

OTSUKA PAKISTAN LIMITED
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
 FOR THE HALF YEAR ENDED DECEMBER 31, 2018

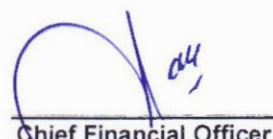
	Note	Half year ended December 31,		Quarter ended December 31,	
		2018	2017	2018	2017
		----- Rupees in '000 -----		----- Rupees in '000 -----	
Net sales	10	866,987	863,844	425,433	358,193
Cost of sales		(668,580)	(632,824)	(329,452)	(264,002)
Gross profit		198,407	231,020	95,981	94,191
Selling and distribution expenses		(125,660)	(103,614)	(64,388)	(54,269)
Administrative and general expenses		(44,858)	(39,461)	(22,596)	(18,557)
Other income	11	27,889 13,379	87,945 21,886	8,997 7,185	21,365 5,488
Other expenses	12	41,268 (98,285)	109,831 (37,720)	16,182 (92,640)	26,853 (29,476)
Operating (loss) / profit		(57,017)	72,111	(76,458)	(2,623)
Finance cost		(27,144)	(17,423)	(16,098)	(8,935)
(Loss) / profit for the period before taxation		(84,161)	54,688	(92,556)	(11,558)
Taxation - net		6,395	(21,113)	11,205	8,473
(Loss) / profit for the period after taxation		(77,766)	33,575	(81,351)	(3,085)
----- Rupees -----					
Earnings per share - basic and diluted		<u>(6.43)</u>	<u>2.77</u>	<u>(6.72)</u>	<u>(0.25)</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

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 Chief Executive Officer


 Director


 Chief Financial Officer

OTSUKA PAKISTAN LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half year ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
	----- Rupees in '000 -----		----- Rupees in '000 -----	
(Loss) / profit for the period after taxation	(77,766)	33,575	(81,351)	(3,085)
Other comprehensive loss:				
<i>Items that will not be reclassified to statement of profit or loss</i>				
Remeasurement of defined benefit plan	-	(1,767)	-	(1,767)
Deferred tax on remeasurement of defined benefit plan	-	530	-	530
	-	(1,237)	-	(1,237)
Total comprehensive (loss) / income for the period	(77,766)	32,338	(81,351)	(4,322)

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

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 Chief Executive Officer


 Director

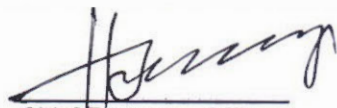

 Chief Financial Officer

OTSUKA PAKISTAN LIMITED
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
 FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Reserves					Total
	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves			
		Reserve for Issue of bonus shares	General reserve	Accumulated losses	Sub-total	
----- Rupees in '000 -----						
Balance as at July 1, 2017	110,000	-	367,500	(339,636)	27,864	137,864
Total comprehensive income for the half year ended December 31, 2017	-	-	-	32,338	32,338	32,338
Transfer to reserve for issue of bonus shares	-	11,000	(11,000)	-	(11,000)	-
Transaction with owners						
Interim issue of bonus shares @ 10% for the year ended June 30, 2018 declared on October 25, 2017	11,000	(11,000)	-	-	-	-
Balance as at December 31, 2017	121,000	-	356,500	(307,298)	49,202	170,202
Balance as at July 1, 2018	121,000	-	356,500	(274,688)	81,812	202,812
Total comprehensive loss for the half year ended December 31, 2018	-	-	-	(77,766)	(77,766)	(77,766)
Transaction with owners						
Final cash dividend for the year ended June 30, 2018 @ Rs. 1.2 per share declared on October 24, 2018	-	-	(14,520)	-	(14,520)	(14,520)
Balance as at December 31, 2018	121,000	-	341,980	(352,454)	(10,474)	110,526

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

By


 Chief Executive Officer


 Director


 Chief Financial Officer

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half year ended	
	December 31	
	2,018	2017
Note	---- Rupees in '000 ----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit for the period before taxation	(84,161)	54,688
Adjustment for non-cash charges and other items:		
Depreciation	42,830	47,183
Amortisation	291	21
Gain on disposal of operating fixed asset - net	(8)	(1,913)
Provision / (reversal of provision) against slow moving and obsolete stock-in-trade	2,235	(82)
Workers' profits participant fund	-	2,899
Central research fund	-	390
Exchange loss - net	85,638	26,439
Reversal of provision against stents held with hospitals - net	(685)	(12,000)
Provision against doubtful trade debts	6,554	1,035
Finance cost	27,144	17,423
Provision for compensated absences	1,250	1,966
Provision for staff retirement benefit fund	4,134	1,569
Operating cash flows before working capital changes	85,222	139,618
(Increase) / decrease in current assets		
Stores and spares	(3,395)	4,692
Stock-in-trade	(128,668)	(38,935)
Trade debts - unsecured	(28,687)	(61,825)
Loans and advances - considered good	15,008	4,773
Trade deposits and short-term prepayments	(21,130)	1,439
Other receivables	690	599
(Decrease) / increase in current liabilities		
Trade and other payables	(56,328)	56,268
Cash (used in) / generated from operations	(137,288)	106,629
Interest paid	(21,892)	(18,626)
Taxes paid	1,321	(4,476)
Increase in long-term deposits	-	(14)
Increase in long-term loans - considered good	(82)	(623)
Compensated absences paid	(719)	(669)
Staff retirement benefit paid	-	(2,039)
Net cash (used in) / generated from operating activities	(158,660)	80,182
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(5,146)	(28,514)
Proceeds from disposal of property, plant and equipment	8	3,028
Net cash used in investing activities	(5,138)	(25,486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(6,480)	-
Short-term loan paid to a related party	-	(152,624)
Net cash used in financing activities	(6,480)	(152,624)
Net decrease in cash and cash equivalents	(170,278)	(97,928)
Cash and cash equivalents at the beginning of the period	(485,147)	(425,467)
Cash and cash equivalents at the end of the period	(655,425)	(523,395)

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The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

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

1.2 As at December 31, 2018, the current liabilities of the Company exceeded its current assets by Rs. 387.205 million (June 30, 2018: Rs. 312.200 million), mainly due to loans obtained by the Company for financing the Balancing, Modernization and Replacement (BMR) of its IV production line (which concluded during the year ended June 30, 2014) and for meeting its working capital requirements. In addition, the Company has accumulated losses of Rs. 352.454 million as at December 31, 2018 (June 30, 2018: Rs. 274.688 million).

Management believes that there are no imminent business and cash flow risks and has prepared a formal five years business plan of the Company based on which it strongly believes that the Company will be able to meet all its current and future liabilities as these fall due. The business plan features a consistent but gradual increase in the gross profit margin of the Company post price increase on its products, strict control over expenses, reduction in finance cost as a result of final settlement of short-term loans in future years, attainment of greater sales volume through more robust sales promotion and change in the product mix. Further, management believes that after the implementation of initiatives stated in the five years business plan the Company may continue to have positive results in future years enabling it to completely set-off the losses incurred in the prior years. However, the price increase factor will continue to play a pivotal role in the generation of future profits of the Company.

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.

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 half year ended December 31, 2018, 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.

These condensed interim financial statements are unaudited. However, a review has been performed by the external auditors in accordance with the requirements of the section 237 of Companies Act, 2017.

The comparatives in the condensed interim statement of financial position as at December 31, 2018 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 December 31, 2017.

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.

		(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Note	----- Rupees in '000 -----	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		376,155	413,124
Capital work-in-progress	4.2	6,515	7,230
		<u>382,670</u>	<u>420,354</u>

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

	(Un-audited) Half year ended December 31, 2018		(Un-audited) Half year ended December 31, 2017	
	Addition - at cost	Disposal - at net book value	Addition - at cost	Disposal - at net book value
	----- Rupees '000-----		----- Rupees '000-----	
Operating fixed assets				
Plant and machinery	5,468	-	21,298	205
Furniture, fixtures and equipment	393	-	1,901	-
Vehicles	-	-	6,015	910
Forklift	-	-	180	-
Total	<u>5,861</u>	<u>-</u>	<u>29,394</u>	<u>1,115</u>

		(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Note	----- Rupees in '000 -----	
4.2 Capital work-in-progress			
Stores and spares held for capital expenditure		6,259	7,230
Others		256	-
		<u>6,515</u>	<u>7,230</u>
5. DEFERRED TAX ASSET - NET			
Deferred tax asset - net	5.1	<u>106,525</u>	<u>85,913</u>

5.1 This includes a deferred tax asset of Rs. 89.371 million (June 30, 2018: Rs. 76.522 million) on unused tax losses of Rs. 357.485 million (June 30, 2018: Rs. 306.088 million) which denotes the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability as the Company would be able to set off the profit earned in these years against the losses carried forward from prior years. These business losses include unabsorbed tax depreciation amounting to Rs. 330.298 million in respect of which a deferred tax asset of Rs. 82.575 million has been recorded. Management believes that it is highly probable that the Company will be able to achieve sufficient taxable income in future years against which the deferred tax asset may be utilised.

- 5.2 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).

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
Note	----- Rupees in '000 -----	

6. STOCK-IN-TRADE

Raw and packing materials

- in hand	170,485	108,650
- in transit	65,638	107,490
	<u>236,123</u>	<u>216,140</u>

Work-in-progress

	5,589	15,309
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Finished goods

- in hand	6.1 433,141	329,475
- in transit	30,375	15,636
	<u>463,516</u>	<u>345,111</u>
	<u>705,228</u>	<u>576,560</u>

Less:

Provision against slow moving and obsolete stock-in-trade	(8,199)	(5,964)
Provision against stents held with hospitals	(16,403)	(17,088)
	<u>(24,602)</u>	<u>(23,052)</u>
	<u>680,626</u>	<u>553,508</u>

- 6.1 These includes items costing to Rs. 30.40 million (June 30, 2018: Rs. 21.143 million) that have been valued at their net realisable value amounting to Rs. 24.66 million (June 30, 2018: Rs. 17.622).

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
Note	----- Rupees in '000 -----	

7. SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED

In foreign currency

Loan from Otsuka Pharmaceutical Factory, Inc.	7.1 <u>472,725</u>	<u>411,563</u>
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- 7.1 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.

8. SHORT-TERM RUNNING FINANCE - SECURED

(Un-audited) (Audited)
December 31, June 30,
2018 2018

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

From banking companies

Short-term running finance utilised under mark-up
arrangements - secured8.1 668,940 503,592

8.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000	Mark-up rate	Security	Frequency of mark-up payment	Facility expiry date	(Un-audited) December 31, 2018	(Audited) June 30, 2018
----- Rupees in '000 -----							
MUFG Bank Limited (Formerly The Bank of Tokyo Mitsubishi UFJ) - incorporated in Japan with limited liability.	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; and (c) Joint pari passu hypothecation charge over plant and machinery for Rs. 254 million duly registered with the SECP.	Quarterly	March 31, 2019	487,534	393,559
Bank Alfalah Limited	185,000	3 months KIBOR + 1.25% 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. 121 million registered with the SECP.	Quarterly	January 31, 2019	140,406	68,649
The Bank of Punjab	41,363	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 60:40 inclusive of 25% margin duly registered with SECP.	Quarterly	March 31, 2019	41,000	41,384
						<u>751,363</u>	
						<u>668,940</u>	<u>503,592</u>

8.2 Details of import letters of credit (sight / usance / acceptance) and letters of guarantee

8.2.1 The facilities relating to import letter of credit (sight / usance / acceptance) available from conventional banks as at December 31, 2018 amounted in aggregate to Rs. 190 million (June 30, 2018: Rs. 190 million) in respect of which the Company has exercised its option to utilise a part of the total facility limit of Rs. 35 million (June 30, 2018: Rs. 35 million) for issuance of letters of guarantee. The amount remaining unutilised as at the year ended December 31, 2018 amounted to Rs. 124.6 million (June 30, 2018: Rs. 101.139 million).

8.2.2 In addition, a facility for guarantee available from banks as at December 31, 2018 amounted to Rs. 115 million (June 30, 2018: Rs. 115 million) of which the Company has an option to utilise Rs. 35 million (June 30, 2018: Rs. 35 million) for the issuance of letters of credit and Rs. 65 million (June 30, 2018: Rs. 65 million) for obtaining running finance. The amount remaining unutilised as at December 31, 2018 amounted to Rs. 64 million (June 30, 2018: Rs. 66.626 million).

(Un-audited)	(Audited)
December 31,	June 30,
2018	2018
----- Rupees in '000 -----	

9. CONTINGENCIES AND COMMITMENTS

9.1 Commitments in respect of:

Capital expenditure contracted for but not incurred	<u>872</u>	<u>450</u>
Letters of credit	<u>30,366</u>	<u>53,861</u>
Letters of guarantee	<u>50,921</u>	<u>48,374</u>

9.2 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.

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

	(Un-audited) December 31, 2018	(Unaudited) December 31, 2017
Note	----- Rupees in '000 -----	
10. NET SALES		
Sales (net of returns of Rs. 22.341 million; December 31, 2017: Rs. 8.687 million)	10.1 984,059	975,785
Less: sales tax	(10,830)	(9,480)
	973,229	966,305
Less: discounts	(106,242)	(102,461)
	866,987	863,844

10.1 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 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.

(Un-audited) (Un-audited)
December 31, December 31,
2018 2017
----- Rupees in '000 -----

11. OTHER INCOME

Income from financial assets and financial liabilities

Late payment surcharges from Hospital Supply Corporation - a related party 4,089 2,180

Income from assets other than financial assets

Gain on disposal of operating fixed asset - net	8	1,913	
Scrap sales	8,564	5,640	
Reversal of provision against stents held with hospitals - net	685	12,000	
Reversal of provision against slow moving and obsolete stock-in-trade	-	82	
Others	33	71	
	9,290	19,706	
	13,379	21,886	

12. OTHER EXPENSES

Exchange loss - net	85,638	26,439	
Auditor's remuneration	1,172	1,255	
Donations	441	1,933	
Worker's profits participation fund	-	2,899	
Central research fund	-	390	
Provision against doubtful trade debts	6,554	1,035	
Provision against slow moving and obsolete stock-in-trade	2,235	-	
Bank charges and commission	660	605	
Others	1,585	3,164	
	98,285	37,720	
	98,285	37,720	

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed interim statement of cash flows comprise the following items included in the condensed interim statement of financial position:

		(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Note	---- Rupees in '000 ----	
Bank balances		13,515	18,445
Short-term running finance - secured	8	(668,940)	(503,592)
		(655,425)	(485,147)
		(655,425)	(485,147)

14. 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, 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)	(Un-audited)
			December 31, 2018	December 31, 2017
			----- Rupees in '000 -----	
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Purchase of raw material	1,371	1,057
		Short term loan received during the period	-	152,624
Otsuka Pharmaceutical Co, Ltd.	Parent Company	Purchase of Petaal	45,944	31,465
		Mark up expense	1,556	1,467
Hospital Supply Corporation	Common Directorship	Sale of finished goods	415,101	380,545
		Late payment surcharge on Purchase of Vinyl examination glove	4,088 116	2,180 129
Microport Medical (Shanghai) Co., Ltd.	Associated undertaking	Purchase of Stents	42,935	22,571
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Purchase of Aminoleban	27,018	8,929
PT. Otsuka Indonesia	Associated Undertaking	Purchase of Proten & SPPF Capsules	8,570	3,163
Shanghai Microport EPMED Tech Co. Limited	Associated Undertaking	Purchase of devices	5,436	2,263
Danish Enterprises Idrees Plastics	Brother to CEO	Purchase of packing material	1,003	-
	Brother to CEO	Purchase of polybags	664	616
Otsuka staff provident fund	Provident fund	Charge during the period to the fund	5,559	5,053
Otsuka staff gratuity fund	Gratuity fund	Charge during the period to the fund	4,134	3,679
Key Management Personnel	Key Management Personnel	Remuneration paid	33,164	25,439
Mehtabuddin Feroze	Director	Consultancy charges	1,500	2,580

(Un-audited)
December 31,
2018

(Audited)
June 30,
2018

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

Name of related party	Relationship with the Company	Nature of account balance		
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Mark up accrued on short term loan Short term loan payable	1,556 472,725	1,470 411,563
Otsuka Pharmaceutical Co, Ltd.	Parent company	Payable against purchase of material	17,687	-
Hospital Supply Corporation	Common Directorship	Payable against purchase of material Receivable against sale of goods	116 194,353	129 178,756
PT. Otsuka Indonesia	Associated undertaking	Payable against purchase of material	9,130	4,101
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Payable against purchase of material	14,099	24,775
Shanghai Microport Medical (Group) Co., Ltd.	Associated undertaking	Payable against purchase of stents	29,623	28,907
Shanghai Microport EPMed Tech Co., Limited	Associated undertaking	Payable against purchase of devices	3,277	6,321
Idrees Plastics	Brother to CEO	Payable against purchases	-	474
Shareholders	Shareholders	Payable to shareholders	363	363
Key Management Personnel	Key Management Personnel	Advance from key management personnel	1,178	1,178
Otsuka staff gratuity fund	Gratuity fund	Payable to gratuity fund	12,777	8,643
Otsuka staff provident fund	Provident fund	Payable to provident fund	1,581	1,323
Provision for WPPF	WPPF	Payable to WPPF	-	7,326

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.

15. SEGMENT INFORMATION

15.1 These condensed interim financial statements have been prepared on the basis of a single reportable segment.

15.2 Sales from Intravenous Solutions represent 82.16% while sales from others represent 17.84% (December 31, 2017: 83.85% and 16.65%) respectively of the total sales of the Company.

(Un-audited) (Un-audited)
December 31, December 31,
2018 2017
----- In percent -----

15.3 The geographic segmentation of sales is as follows:

Pakistan	99.20	99.16
Afghanistan	0.80	0.84
	<u>100</u>	<u>100</u>

15.4 Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region was around 47.88% during the period ended December 31, 2018 (December 31, 2017: 44.05%).

15.5 All non-current assets of the Company as at December 31, 2018 are located in Pakistan.

16. PLANT CAPACITY AND PRODUCTION

	Half year ended December 31, 2018		Half year ended December 31, 2017	
	Capacity*	Actual production	Capacity*	Actual production
	----- million bottles -----			
I.V. solutions	15.7	12.1	15.7	12.4
Plastic ampoules	7.4	5.6	7.4	5.7
	<u>23.1</u>	<u>17.7</u>	<u>23.1</u>	<u>18.1</u>

The Company's under-utilised capacity was due to lower than the planned production on account of over supply situation in the market.

17. 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 these condensed interim financial statements during the current period.

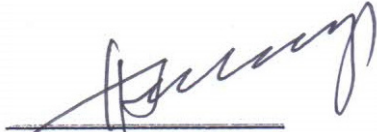

18. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on _____ by the Board of Directors of the Company.

19. GENERAL

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

AVA


Chief Executive Officer
Director
Chief Financial Officer