

SEARLE

Research in the service of mankind

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CARE
to
CURE



HALF YEARLY REPORT
DECEMBER 2013

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Company Information

Board of Directors

Mr. Rashid Abdulla Chief Executive Officer
Mr. S. Nadeem Ahmed
Mr. Zubair Palwala
Mr. Munis Abdullah
Mr. Asad Abdulla
Mr. Ayaz Abdulla
Mr. Adnan Asdar Ali

Board of Audit Committee

Mr. Asad Abdulla Chairman
Mr. S. Nadeem Ahmed
Mr. Adnan Asdar Ali

Board of HR & Remuneration Committee

Mr. Munis Abdullah Chairman
Mr. Asad Abdulla
Mr. Zubair Palwala

Chief Financial Officer & Company Secretary

Mr. Zubair Palwala

Auditors

Grant Thornton Anjum Asim Shahid Rahman

Legal Advisors

Mohsin Tayebaly & Co

Bankers

- Standard Chartered Bank (Pakistan) Ltd
- Habib Bank Ltd
- Habib Metropolitan Bank Ltd
- National Bank of Pakistan
- Faysal Bank Ltd
- The Bank of Punjab
- Soneri Bank Ltd
- Citibank N.A

Registered Office

First Floor, N.I.C. Building, Abbasi Shaheed Road,
Off: Shahrah-e-Faisal, Karachi.

Share Registrar

Central Depository Company of Pakistan Limited
Head Office, CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahrah-e-Faisal
Karachi - 74400

Directors' Report to the Members

We are pleased to present the financial information of the group for the six months ended December 31, 2013. This financial information is submitted in accordance with section 245 of the Companies Ordinance, 1984.

OPERATING RESULTS

	December 31,	
	2013	2012
	(Rupees in thousand)	
Revenue	3,667,773	2,888,810
Gross profit	1,673,030	1,276,831
Operating expenses	983,779	685,482
Operating profit	689,251	591,349
Profit before taxation	582,561	448,023
Profit after taxation	454,450	319,878

Net sales of the group were reported at Rs. 3,667 million, which reflects an increase of 27.0% over the corresponding period of last year. However, the gross margin for the period increased to 45.6% from 44.2% of the same period last year which reflects the GP contribution of our subsidiaries.

The percentage of sales devoted to the operating expenses was increased to 26.8% as compared to 23.7% for the corresponding period of last year, the said increase is mainly due to additional expenditure incurred on the promotion of our new consumer product namely Searle Vitamin Water.

Profit before tax as a percent of net sales was almost maintained at 15.9% (2012: 15.5%). However, the profit after tax increased to 12.4% (2012: 11.1%) due tax efficiencies brought by our subsidiaries.

FUTURE OUTLOOK

Your group is one of the leading group in the pharmaceutical and healthcare industry in terms of growth and the management remains committed towards growth in group's earnings through introduction of innovative new medicines in The Searle Company limited which will supplement the twelve years gap of price freeze on medicines by the Government.

The Management clearly sees remarkable growth in IBL Health Care business in the future. To generate better value and increase market share, aggressive promotional campaign on infant nutrition products, along with the introduction of children nutrition products during the year will contribute towards the growth of our business. For strengthening our Medical Disposable Division, new sources and products are identified for launch during the new fiscal year to increase the business volume and profitability of the company.

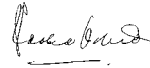
Searle Laboratories Private Limited has started its operations with a vision to deliver high quality IV solutions to the society at an affordable price so that the basic human right to get treated can be guarded.

ACKNOWLEDGEMENT

We wish to thank the customers for their faith in our products, and their continuing patronage. We also take this opportunity to thank our suppliers, bankers and distributors for providing us with their valuable support throughout the year.

Finally we wish to thank our staff who remained committed to deliver towards the growth of all group companies.

For and on behalf of the board



Rashid Abdulla
Chief Executive Officer

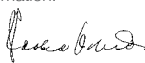
Karachi
February 12, 2014

Condensed Interim Consolidated Balance Sheet

As at December 31, 2013

ASSETS	Note	Un-audited December 31, 2013 (Rupees in '000)	Audited June 30, 2013
Non-current assets			
Fixed assets			
- Property, plant and equipment	5	550,154	584,168
- Intangible assets		66,936	74,071
		617,090	658,239
Investment property		2,410,195	2,312,986
Long-term investment	6	80,000	-
Long-term loans		847	967
Long-term deposits		3,702	6,245
Total non-current assets		3,111,834	2,978,437
Current assets			
Stores and spares		2,186	2,186
Stock-in-trade		1,112,270	722,177
Trade debts	7	1,877,884	1,441,459
Loans and advances		284,403	81,919
Trade deposits and short term prepayments		80,692	67,128
Other receivables		96,264	145,714
Advance Tax		26,757	-
Cash and bank balances	8	51,921	29,066
Total current assets		3,532,377	2,489,649
Total assets		6,644,211	5,468,086
EQUITY AND LIABILITIES			
Shareholders' equity			
Authorized share capital			
70,000,000 (June 2013: 50,000,000) ordinary shares of Rs. 10 each		700,000	500,000
Issued, subscribed and paid-up capital	9	613,148	471,652
General reserve		280,251	280,251
Unappropriated profit		2,095,771	1,928,581
Attributable to the holding company's shareholders		2,989,170	2,680,484
Non-controlling interest		255,579	211,306
Total shareholders' equity		3,244,749	2,891,790
Surplus on revaluation of fixed assets		135,155	143,455
Non-current liabilities			
Long term finances - secured		804,167	858,334
Liabilities against assets subject to finance leases		376	2,182
Deferred liabilities			
Taxation		40,760	40,987
Gratuity - unfunded		30,776	36,862
		71,536	77,849
Total non-current liabilities		876,079	938,365
Trade and other payables		1,446,972	998,372
Accrued mark-up		32,411	21,528
Short-term finances		799,114	319,935
Current portion of			
- long term finances		108,333	108,333
- liabilities against assets subject to finance leases		1,398	2,513
Provision for taxation - net		-	43,795
Total current liabilities		2,388,228	1,494,476
Total liabilities		3,264,307	2,432,841
Contingencies and commitments	10		
Total equity and liabilities		6,644,211	5,468,086

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



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

Condensed Interim Consolidated Profit And Loss Account - Un-audited

For the half year ended December 31, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Note	(Rupees in '000)		(Rupees in '000)	
NET SALES	3,667,773	2,888,810	2,038,419	1,628,787
COST OF SALES	1,994,743	1,611,979	1,141,649	906,443
GROSS PROFIT	1,673,030	1,276,831	896,770	722,344
Selling and distribution expenses	855,438	598,985	503,538	316,465
Administrative expenses	121,085	79,537	68,585	43,312
Amortization of intangible assets	7,256	6,960	3,638	3,480
	983,779	685,482	575,761	363,257
OPERATING PROFIT	689,251	591,349	321,009	359,087
Other operating income	55,529	48,845	35,334	37,444
	744,780	640,194	356,343	396,531
Other operating expenses				
- Financial charges	99,830	157,423	50,066	81,551
- Other charges	62,389	34,748	34,872	23,087
	162,219	192,171	84,938	104,638
PROFIT BEFORE INCOME TAX	582,561	448,023	271,405	291,893
Income tax expense	128,111	128,145	54,199	81,573
PROFIT FOR THE HALF YEAR	454,450	319,878	217,206	210,320
	----- (Rupees) -----	----- (Rupees) -----	----- (Rupees) -----	----- (Rupees) -----
EARNINGS PER SHARE - BASIC AND DILUTED	7.41	5.22	3.54	3.43

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



Rashid Abdulla
Chief Executive Officer



Syed Nadeem Ahmed
Director

Condensed Interim Consolidated Statement of Comprehensive Income - Un-audited

For the half year ended December 31, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Rupees in '000)		(Rupees in '000)	
PROFIT FOR THE HALF YEAR	454,450	319,878	217,206	210,320
Other comprehensive income				
Item that will not be reclassified to profit and loss				
Remeasurement of post retirement benefits obligation	(668)	-	-	-
Impact of deferred tax	227	-	-	-
Total items that will not be reclassified to profit and loss	(441)	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR	454,009	319,878	217,206	210,320
Total comprehensive income attributable to:				
Shareholders' of the holding Company	409,736	297,123	193,199	198,310
Non-controlling interest	44,273	22,755	24,007	12,010
	454,009	319,878	217,206	210,320

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



Rashid Abdulla
Chief Executive Officer



Syed Nadeem Ahmed
Director

Consolidated Statement of Cash Flows - Un-audited

For the half year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	12	326,585	505,390
Gratuity paid		(6,302)	(9,397)
Taxes paid		(198,663)	(107,584)
Recovery of long-term loans		120	50
Recovery / (Advance) of short-term loans		(202,484)	18,528
Payment of long-term deposits		<u>2,543</u>	<u>(190)</u>
Net cash from operating activities		(78,201)	406,797
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(21,129)	(106,426)
Additions to Investment property under work in progress		(97,209)	(2,669)
Long-term investment in unquoted subsidiary	6.2	(80,000)	-
Proceeds from disposal of property, plant and equipment		56,967	10,032
Mark-up received from associated company		28,668	-
Foreign exchange loss - net		(18,546)	(8,577)
Net cash (used in) operating activities		(131,249)	(107,640)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities paid		(2,921)	(5,158)
Dividend paid		(104,267)	(63,117)
Long-term finance paid		(54,167)	(16,667)
Financial charges paid		(85,519)	(140,463)
Net cash (used in) financing activities		(246,874)	(225,405)
Net increase / (decrease) in cash and cash equivalents		(456,324)	73,752
Cash and cash equivalents at the beginning of the period		(290,869)	(632,426)
Cash and cash equivalents at the end of the half year	13	<u>(747,193)</u>	<u>(558,674)</u>

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



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

Complete Interim Consolidated Statement of Changes in Equity - Un-audited

For the half year ended December 31, 2013

	Capital reserve		Revenue reserve				
	Share capital	Reserve for issue of bonus shares	General reserve	Total reserves			
Note	----- (Rupees in '000) -----						
Balance as at July 1, 2012 - Previously stated	336,895	-	280,251	280,251	1,447,386	160,998	2,225,530
Effect of change in accounting policy 4.2					778	-	778
Balance as at July 1, 2012 - Restated	336,895	-	280,251	280,251	1,448,164	160,998	2,226,308
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	8,908	-	8,908
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	-	-	-
Total comprehensive income for the half year	-	-	-	-	297,123	22,755	319,878
Transactions with owners							
Transfer to reserve for issue of bonus shares	-	134,757	-	134,757	(134,757)	-	-
Bonus shares issued @ 40% in the ratio of 40 shares for every 100 shares held	134,757	(134,757)	-	(134,757)	-	-	-
Cash dividend paid for the year ended June 30, 2012 @ Re. 1 per share	-	-	-	-	(33,690)	-	(33,690)
	<u>134,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,447)</u>	<u>-</u>	<u>(33,690)</u>
Balance as at December 31, 2012 - Restated	471,652	-	280,251	280,251	1,585,748	183,753	2,521,404
Balance as at January 01, 2013 - Restated	471,652	-	280,251	280,251	1,585,748	183,753	2,521,404
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	8,880	-	8,880
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	140	-	140
Total comprehensive income for the half year	-	-	-	-	333,813	27,553	361,366
Balance as at June 30, 2013 - Restated	471,652	-	280,251	280,251	1,928,581	211,306	2,891,790
Balance as at July 01, 2013	471,652	-	280,251	280,251	1,928,581	211,306	2,891,790
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	8,300	-	8,300
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	-	-	-
Total comprehensive income for the half year	-	-	-	-	409,736	44,273	454,009
Transactions with owners							
Transfer to reserve for issue of bonus shares	-	141,496	-	141,496	(141,496)	-	-
Bonus shares issued @ 30% in the ratio of 30 shares for every 100 shares held	141,496	(141,496)	-	(141,496)	-	-	-
Cash dividend paid for the year ended June 30, 2013 @ Re. 1 per share	-	-	-	-	(94,330)	-	(94,330)
Cash dividend paid for the year ended June 30, 2013 @ Re. 1.5 per share by the subsidiary companies	-	-	-	-	(15,020)	-	(15,020)
	<u>141,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,846)</u>	<u>-</u>	<u>(109,350)</u>
Balance as at December 31, 2013	613,148	-	280,251	280,251	2,095,771	255,579	3,244,749

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



Rashid Abdulla
Chief Executive Officer



Syed Nadeem Ahmed
Director

Selected Notes to the Condensed Interim Consolidated Financial Information

For the half year ended December 31, 2013

1 LEGAL STATUS AND OPERATIONS

The Searle Company Limited (formerly "Searle Pakistan Limited" (the Company)) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted to a public limited company. Its shares are quoted on the Karachi and Islamabad stock exchanges. The Company is principally engaged in the manufacture of pharmaceutical products and a low calorie sweetener. In addition, the Company is engaged in sale of food and consumer items and manufacture of pharmaceutical items for other companies. Registered office of the Company is located at First Floor, N.I.C. Building, Abbasi Shaheed Road, Shahrae-e-Faisal, Karachi.

The company is a subsidiary of International Brands (Private) Limited.

The Company is the holding company of IBL HealthCare Limited due to significant representation in Board of Directors and 50% shareholding. Further, the Company has also wholly owned subsidiaries namely Searle Laboratories (Private) Limited and Searle Pharmaceuticals (Private) Limited.

2 STATEMENT OF COMPLIANCE

This condensed interim consolidated financial report (condensed interim financial information of the Company for the half year ended December 31, 2013) has been prepared in accordance with the requirements of the International Accounting Standard 34 – Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This un-audited condensed interim consolidated financial information constitutes separate condensed interim financial statements of the Company and are being presented and submitted to the shareholders as required by Listing Regulations of Karachi and Islamabad stock exchanges and under Section 245 of the Companies Ordinance, 1984. The condensed interim financial information do not include all information and disclosures required in the financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2013.

The condensed interim financial information is un-audited, however limited scope review has been performed by the statutory auditors as required by the Listing Regulations of Karachi and Islamabad stock exchanges where the Company is listed.

3 SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2013 except for the change in policy for gratuity scheme (unfunded) maintained for employees as follows:

Complete Interim Consolidated Statement of Changes in Equity - Un-audited

For the half year ended December 31, 2013

During the current period, the Company has changed its accounting policy in respect of post-retirement defined benefits plan as required under International Accounting Standard (IAS) 19, "Employee Benefits". According to new policy, all actuarial gains and losses are recognized in other comprehensive income as they occur. Amounts recorded in the profit and loss account are limited to current service and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" and comparatives figures have been restated. The effect of change in accounting policy on the current and prior period financial statements have been summarized below:

	December 31, 2013	June 30, 2013
	(Rupees in '000)	
(Decrease) / Increase in Deferred tax liability	(227)	544
Increase / (Decrease) in Deferred liability - Gratuity (unfunded)	668	(1,599)
(Decrease) / Increase in Unappropriated profit	(441)	1,055

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013.

		December 31, 2013	June 30, 2013
		(Rupees in '000)	
5 PROPERTY, PLANT AND EQUIPMENT	Note		
Operating fixed assets	5.1	550,154	583,403
Capital work in progress		-	765
		550,154	584,168

5.1 Details of additions and disposals to operating assets during the period ended December 31, 2013 are as follows:

	Additions at cost	Deletions at net book value
Owned assets		
Building on leasehold land	-	-
Plant and machinery	4,540	-
Office and electrical equipments	2,995	-
Air - conditioning	802	-
Vehicles	13,557	13,512
December 31, 2013	21,894	13,512
June 30, 2013	44,000	(1,763)

Selected Notes to the Condensed Interim Consolidated Financial Information

For the half year ended December 31, 2013

6 LONG-TERM INVESTMENT

		December 31, 2013	June 30, 2013
	Note	(Rupees in '000)	
Other investment	6.1	79,500	-
Advance against issue of shares		500	-
		80,000	-

- 6.1 This represents 530,000 (June 30, 2013: Nil) fully paid ordinary shares of Rs. 100 each in Nextar Pharma (Private) Limited (NPL). The company has signed MOU with the NPL for acquisition of 1,040,000 shares at a price of Rs.150 per share amounting to Rs.156 million.

		December 31, 2013	June 30, 2013
	Note	(Rupees in '000)	
7 TRADE DEBTS			
Considered good			
- Secured: Export debtors		89,702	61,592
- Unsecured: Due from:			
- associated/holding company	7.1	1,468,232	1,145,593
- others		319,950	234,274
		1,877,884	1,441,459
Considered doubtful - others		976	976
Less: Provision for doubtful debts		(976)	(976)
		-	-
		1,877,884	1,441,459

- 7.1 The receivable is stated net of amounts payable aggregating Rs. 135.18 million (June 30, 2013: Rs. 62.082 million) on account of expenses claimed by the associated company.

- 7.2 Competition Commission of Pakistan (CCP) through its order dated September 13, 2007 instructed the Company to reduce terms of trade credits with IBL, re-negotiate the offered rate of commission, and conduct audit of the transactions with associate, now the holding company.

The Company and the directors filed a counter case in Honorable High Court of Sindh to revert the said order by CCP. The Company, based on opinion of its legal advisor, believes that it has strong case and the matter would be decided in its favor and the matter is still pending in the Court.

		December 31, 2013	June 30, 2013
		(Rupees in '000)	
8 CASH AND BANK BALANCES			
Cash in hand		1,196	840
Cash with banks in:			
- deposit accounts		20,466	792
- current accounts		30,259	27,434
		51,921	29,066

Complete Interim Consolidated Statement of Changes in Equity - Un-audited

For the half year ended December 31, 2013

9 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

December 31, 2013 (Number of shares)	June 30, 2013		December 31, 2013 (Rupees in '000)	June 30, 2013
		Ordinary shares of Rs. 10 each fully paid in cash	39,690	39,690
3,969,000	3,969,000			
		Ordinary shares of Rs. 10 each issued for consideration other than cash	240	240
24,000	24,000			
		Ordinary shares of Rs. 10 each issued as fully paid bonus shares	573,218	431,722
<u>57,321,818</u>	<u>43,172,245</u>		<u>613,148</u>	<u>471,652</u>
<u>61,314,818</u>	<u>47,165,245</u>			
			December 31, 2013	June 30, 2013
			(Shares in '000)	
9.1	Movement in number of shares		47,165	33,689
	Number of shares at beginning of the period		14,150	13,476
	Bonus shares issued during the period		<u>61,315</u>	<u>47,165</u>
	Number of shares at end of the period			

10 CONTINGENCIES AND COMMITMENTS

There is no change in the contingencies and commitment since the last financial year ended June 30, 2013 except the following:

10.1 Contingencies

The facility for opening letters of credit (LCs) acceptances and guarantees as at December 31, 2013 amounted to Rs. 661 million (June 30, 2013: Rs. 665 million) of which the amount remaining unutilized as at that date was Rs. 105.6 million (June 30, 2013: Rs. 237 million).

10.2 Commitments

Future rentals payable against operating lease arrangement

During the year 2010, the Company obtained factory building at Karachi on rent for a period of 5 years.

The Company has also entered into operating lease arrangements in the years 2009, and in 2011 with S.A.Pharma and Myplan Pharmaceuticals (Private) Limited, pharmaceutical concerns, respectively, for a period of 20 years. Lease includes land and building together with plant and machinery located at Lahore.

Selected Notes to the Condensed Interim Consolidated Financial Information

For the half year ended December 31, 2013

The details of future rentals over lease period are as follows:

	December 31, 2013	June 30, 2013
	(Rupees in '000)	
Not later than one year	31,560	31,225
Later than one year and not later than five years	100,702	94,920
Later than five years	297,525	288,021
	429,787	414,166

The above also includes ujrah payments for Ijarah financing of motor vehicles.

		December 31, 2013	December 31, 2012
11	EARNINGS PER SHARE - Basic and Diluted		
	Basic earnings per share		
	Profit for the half year (Rupees in thousands)	454,450	319,878
	Weighted average number of shares (Restated)	61,314,818	61,314,818
	Earnings per share (Rupees)	7.41	5.22
	Diluted earning per share		

There is no dilution effect on the basic earning per share of the Company as the Company has no such commitments.

		December 31, 2013	December 31, 2012
		(Rupees in '000)	
12	CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES		
	Profit before taxation	582,561	448,023
	Adjustments for non-cash items and other items:		
	Depreciation	41,511	43,260
	Amortization of intangible assets	7,256	6,960
	Gain on disposal of property, plant and equipment - net	(43,455)	(9,831)
	Provision for staff retirement gratuity	2,287	30,635
	Foreign exchange loss - net	18,546	8,577
	Financial charges - net	96,402	144,417
	Net (increase) in working capital	(378,523)	(166,651)
		326,585	505,390

Complete Interim Consolidated Statement of Changes in Equity - Un-audited

For the half year ended December 31, 2013

		December 31, 2013	December 31, 2012
	Note	(Rupees in '000)	
12.1	Working capital changes		
	Current assets		
	(Increase)/Decrease in stock-in-trade	(390,093)	94,695
	Increase in trade debts	(436,425)	(227,683)
	Decrease/(Increase) in trade deposits and short term prepayments	(13,564)	(5,792)
	Decrease/(Increase) in other receivables	<u>20,782</u>	<u>7,159</u>
		<u>(819,300)</u>	<u>(131,621)</u>
	Current liabilities		
	Decrease/(Increase) in trade and other payables	440,777	(35,030)
	Net increase in working capital	<u>(378,523)</u>	<u>(166,651)</u>
13	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	51,921	18,353
	Short term finances	<u>(799,114)</u>	<u>(577,027)</u>
		<u>(747,193)</u>	<u>(558,674)</u>

14 SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in business activities from which the Company earns revenues and incur expenses and its results are regularly reviewed by the Company's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

Based on internal management reporting structure and products produced and sold, the Company is organised into the following two operating segments:

- Pharmaceutical
- Consumer
- Investment property

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance.

Segment revenue, segment result, costs, assets and liabilities for the period are as follows:

Selected Notes to the Condensed Interim Consolidated Financial Information

For the half year ended December 31, 2013

	Pharmaceutical		Consumer		Total	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----					
Sales						
Local	3,110,969	2,520,786	427,323	115,419	3,538,292	2,636,205
Export	169,314	103,957	22,773	9,740	192,087	113,697
	3,280,283	2,624,743	450,096	125,159	3,730,379	2,749,902
Less:						
Sales return & discounts	137,625	63,345	4,682	900	142,307	64,245
Sales tax & excise duty	-	-	71,909	9,110	71,909	9,110
	137,625	63,345	76,591	10,010	214,216	73,355
	3,142,658	2,561,398	373,505	115,149	3,516,163	2,676,547
Add: Toll manufacturing	167,845	126,174	8,092	115,447	175,937	241,621
Less : Sales tax	23,151	-	1,176	29,358	24,327	29,358
	144,694	126,174	6,916	86,089	151,610	212,263
Net sales	3,287,352	2,687,572	380,421	201,238	3,667,773	2,888,810
Cost of sales	1,812,416	1,536,554	182,327	75,425	1,994,743	1,611,979
Selling and distribution expenses	754,346	557,259	101,092	41,726	855,438	598,985
Administrative expenses	108,458	73,996	12,627	5,541	121,085	79,537
Amortization of intangible assets	7,256	6,960	-	-	7,256	6,960
	2,682,476	2,174,769	296,046	122,692	2,978,522	2,297,461
Segment result	604,876	512,803	84,375	78,546	689,251	591,349
Unallocated income and expenses						
Other operating income					55,529	48,845
Finance cost					(99,830)	(157,423)
Other charges					(62,389)	(34,748)
Profit before taxation					582,561	448,023
Income tax expense					(128,111)	(128,145)
Profit for the period					454,450	319,878
Depreciation	37,205	40,075	4,306	3,369	41,511	43,444

Segment revenue, segment result, costs, assets and liabilities for the period/year are as follows:

	Pharma		Consumer		Investment property		Total	
	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013
	----- (Rupees in '000) -----							
	Un-audited		Un-audited		Un-audited		Un-audited	
Segment revenue	3,287,352	2,687,572	380,421	201,238	-	-	3,667,773	2,888,810
Segment result	604,876	512,803	84,375	78,546	-	-	689,251	591,349
Unallocated income and expenses								
Other operating income							55,529	48,845
Financial cost							(99,830)	(157,423)
Other charges							(62,389)	(34,748)
Profit before taxation							582,561	448,023
Income tax expense							(128,111)	(128,145)
Profit for the period/year							454,450	319,878
Depreciation	37,205	40,075	4,306	3,369	-	-	41,511	43,444
Non-cash expenses other than depreciation	7,256	6,960	-	-	-	-	7,256	6,960

Complete Interim Consolidated Statement of Changes in Equity - Un-audited

For the half year ended December 31, 2013

	Pharma		Consumer		Investment property		Total	
	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013
(Rupees in '000)								
	Un-audited		Un-audited		Un-audited		Un-audited	
Segment assets and liabilities								
Segment assets	147,875	174,117	22,578	17,546	2,286,607	2,189,398	2,457,060	2,381,061
Unallocated assets							3,837,914	2,700,970
Total assets							6,294,974	5,082,031
Segment liabilities	-	-	-	-	912,500	966,667	912,500	966,667
Unallocated liabilities							2,448,016	1,459,012
Total Liabilities							3,360,516	2,425,679
Addition in segment assets	<u>18,994</u>	<u>33,995</u>	<u>2,900</u>	<u>10,005</u>	<u>97,209</u>	<u>2,312,886</u>	<u>119,103</u>	<u>2,356,886</u>
Percentage for allocation	<u>87%</u>	<u>92%</u>	<u>13%</u>	<u>8%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>	<u>100%</u>

There were no inter-segment transactions during the period/year (June 30, 2013: None).

December 31, December 31,
2013 2012
(Rupees in '000)

14.1 Geographical segments gross revenue analysis

Pakistan	3,538,292	2,291,869
Asia	94,570	31,918
East Africa	2,270	1,276
South East Asia	12,280	28,578
Far Eastern countries	82,967	47,958
Central Asian Republic States	-	2,870
Middle East	-	1,097
	<u>3,730,379</u>	<u>2,405,566</u>

14.2 The Company's revenue from one of the major customer represents approximately Rs. 2.5 billion (June 30, 2013: Rs. 2 billion) of the total revenues.

December 31, December 31,
2013 2012
(Rupees in '000)

15 TRANSACTIONS WITH RELATED PARTIES

Transactions

IBL Operations (Private) Limited

Sales	2,902,516	2,364,130
Sales returns	66,090	7,558
Expenses claimed		
Carriage and duties	7,790	2,764
Discounts	64,787	2,780
Warehouse rent	43	589
Mark-up expenses	2,509	-
Professional Services Rended	4,742	-
Corporate services charged	3,000	1,200
Sales promotion expenses	30,394	6,001
IT Services	3,300	3,300

Selected Notes to the Condensed Interim Consolidated Financial Information

For the half year ended December 31, 2013

	December 31, 2013	December 31, 2012
	(Rupees in '000)	
Expenses claimed from IBL Operations (Private) Limited		
Staff salaries and other expenses	4,454	7,265
Royalty and price difference	-	4,966
International Franchises (Private) Limited - associated company		
Sales	454	223
Sales returns	-	8
Rent, utility and other income	1,326	1,560
Staff salaries and Allowance	1,123	-
Expenses claimed		
Purchase of Promotional Items	351	-
Sales promotion expenses	-	43
Staff salaries and other expenses	-	1,189
United Distributors Pakistan Limited		
Transfer of funds under group tax relief	-	35,998
Expenses claimed from United Distributors Pakistan Limited		
Warehouse rent & expenses	297	-
HABITT - associate		
Sales	-	10
Expenses claimed		
Sales promotion expenses	676	149
United Brands Limited - associated company		
Sales	38,726	9,966
Expenses claimed		
Discounts	586	233
Purchase of promotional items	19	-
The Citizens Foundation - associate		
Donations	5,000	-
The Chairman of the Company is on the board of directors of the donee. The address of the donee is Plot No. 20, Sector - 14, Near Brookes Roundabout, Korangi Industrial Area, Karachi.		
Shahid Abdulla - associate		
Office and factories renovation	-	612
Multinet Pakistan (Private) Limited - associated company		
Internet services	277	-

Complete Interim Consolidated Statement of Changes in Equity - Un-audited

For the half year ended December 31, 2013

	December 31, 2013	June 30, 2013
	(Rupees in '000)	
Balances		
Loans and advances - key management personnel		
At beginning of the period/year	3,458	7,865
Given during the period/year	2,886	2,984
Repaid during the period/year	<u>(1,870)</u>	<u>(7,391)</u>
At the end of the period/year	<u>4,474</u>	<u>3,458</u>
Trade debts - associated company		
At beginning of the period/year	1,071,559	876,454
Given during the period/year	2,532,691	4,437,425
Repaid during the period/year	<u>(2,226,211)</u>	<u>(4,242,320)</u>
At the end of the period/year	<u>1,378,039</u>	<u>1,071,559</u>
Other receivables - associates		
At beginning of the period/year	107,490	130,529
Given during the period/year	5,465	27,094
Repaid during the period/year	<u>(21,409)</u>	<u>(50,133)</u>
At the end of the period/year	<u>91,546</u>	<u>107,490</u>
Accrued liabilities - associates		
At beginning of the period/year	-	612
Given during the period/year	-	9,795
Repaid during the period/year	<u>-</u>	<u>(10,407)</u>
At the end of the period/year	<u>-</u>	<u>-</u>

16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information was authorized for issue on February 12, 2014 by the Board of Directors of the Company.



Rashid Abdulla
Chief Executive Officer



Syed Nadeem Ahmed
Director



**Condensed Interim
Financial Statements of
The Searle Company Limited**

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of The Searle Company Limited (the Company) as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and selected explanatory notes to the condensed interim financial information for the half year ended (herein after referred to as the "condensed interim financial information"). Management of the Company is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with the approved accounting standards applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

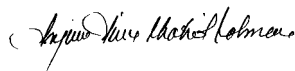
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2013 is not prepared in all material respects, in accordance with approved accounting standards as applicable in Pakistan for the condensed interim financial information.

Other matter

The figures for the condensed interim profit and loss account for the quarters ended December 31, 2013 and December 31, 2012 have not been reviewed, as we are required to review only cumulative figures for the half year ended December 31, 2013.

Karachi

Date: February 12, 2014



Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Directors' Report to the Members

We are pleased to present the financial information of your Company for the six months ended December 31, 2013. This financial information is submitted in accordance with section 245 of the Companies Ordinance, 1984.

OPERATING RESULTS

	December 31,	
	2013	2012
	(Rupees in thousand)	
Revenue	2,971,405	2,448,399
Gross profit	1,262,308	1,170,097
Operating expenses	890,952	628,391
Operating profit	371,356	541,706
Profit before taxation	480,195	396,620
Profit after taxation	393,577	274,368

Net sales of the Company were reported at Rs. 2,971 million, which reflects an increase of 21.4% over the corresponding period of last year. However, the gross margin for the period dropped down to 42.5% from 47.8% of the same period last year which clearly reflects the rising cost of production triggered by devaluation of local currency & increase in utilities cost due to inflation.

The percentage of sales devoted to the operating expenses was increased to 30.0% as compared to 25.7% for the corresponding period of last year, the said increase is mainly due to additional expenditure incurred on the promotion of our new consumer product namely Searle Vitamin Water.

Profit before tax as a percent of net sales was maintained at 16.2% (2012: 16.2%). However, the profit after tax increased to 13.2% (2012: 11.2%) due to no tax on dividend income from wholly owned company.

FUTURE OUTLOOK

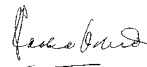
Your Company is one of the leading pharmaceutical Companies in terms of growth and the management remains committed towards growth in company's earnings through introduction of innovative new medicines.

ACKNOWLEDGEMENT

We wish to thank the customers for their faith in our products, and their continuing patronage. We also take this opportunity to thank our suppliers, bankers and distributors for providing us with their valuable support throughout the year.

Finally we wish to thank our staff who remained committed to deliver towards the growth of your Company.

For and on behalf of the board



Rashid Abdulla
Chief Executive Officer

Karachi
February 12, 2014

Condensed Interim Balance Sheet

As at December 31, 2013

ASSETS	Note	Un-audited December 31, 2013 (Rupees in '000)	Audited June 30, 2013
Non-current assets			
Fixed assets			
- Property, plant and equipment	5	543,924	576,639
- Intangible assets		36,290	39,008
		580,214	615,647
Investment property		2,286,607	2,189,398
Long-term investment	6	284,700	100,800
Long-term loans		534	782
Long-term deposits		3,702	6,245
Total non-current assets		3,155,757	2,912,872
Current assets			
Stores and spares		2,186	2,186
Stock-in-trade		877,408	569,342
Trade debts	7	1,616,968	1,298,386
Loans and advances		190,192	75,531
Trade deposits and short term prepayments		80,692	63,441
Other receivables		304,351	147,535
Advance Tax		51,206	-
Cash and bank balances	8	16,214	12,738
Total current assets		3,139,217	2,169,159
Total assets		6,294,974	5,082,031
EQUITY AND LIABILITIES			
Shareholders' equity			
Authorized share capital			
70,000,000 (June 2013: 50,000,000) ordinary shares of Rs. 10 each		700,000	500,000
Issued, subscribed and paid-up capital	9	613,148	471,652
General reserve		280,251	280,251
Unappropriated profit		1,926,604	1,760,994
Total shareholders' equity		2,820,003	2,512,897
Surplus on revaluation of fixed assets		135,155	143,455
Non-current liabilities			
Long term finances - secured		804,167	858,334
Liabilities against assets subject to finance leases		-	1,086
Deferred liabilities			
Taxation		40,760	40,987
Gratuity - unfunded		30,776	27,821
		71,536	68,808
Total non-current liabilities		875,703	928,228
Trade and other payables		1,524,255	1,010,783
Accrued mark-up		32,411	21,528
Short-term finances		799,114	319,935
Current portion of			
- long term finances		108,333	108,333
- liabilities against assets subject to finance leases		-	1,196
Provision for taxation - net		-	35,676
Total current liabilities		2,464,113	1,497,451
Total liabilities		3,339,816	2,425,679
Contingencies and commitments	10		
Total equity and liabilities		6,294,974	5,082,031

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



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

Condensed Interim Profit And Loss Account - Un-audited

For the half year ended December 31, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Note	(Rupees in '000)		(Rupees in '000)	
NET SALES	2,971,405	2,448,399	1,620,457	1,383,364
COST OF SALES	1,709,097	1,278,302	949,682	714,865
GROSS PROFIT	1,262,308	1,170,097	670,775	668,499
Selling and distribution expenses	789,600	555,955	475,002	295,062
Administrative expenses	98,634	69,826	50,382	36,930
Amortization of intangible assets	2,718	2,610	1,359	1,305
	890,952	628,391	526,743	333,297
OPERATING PROFIT	371,356	541,706	144,032	335,202
Other operating income	269,810	44,773	251,816	34,204
	641,166	586,479	395,848	369,406
Other operating expenses				
- Financial charges	98,582	144,417	49,245	71,624
- Other charges	62,389	45,442	35,917	32,233
	160,971	189,859	85,162	103,857
PROFIT BEFORE INCOME TAX	480,195	396,620	310,686	265,549
Income tax expense	86,618	122,252	30,680	79,248
PROFIT FOR THE HALF YEAR	393,577	274,368	280,006	186,301
	----- (Rupees) -----	----- (Rupees) -----	----- (Rupees) -----	----- (Rupees) -----
EARNINGS PER SHARE - BASIC AND DILUTED	6.42	4.47	4.57	3.04

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



Rashid Abdulla
Chief Executive Officer



Syed Nadeem Ahmed
Director

Condensed Interim Statement of Comprehensive Income - Un-audited

For the half year ended December 31, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Rupees in '000)		(Rupees in '000)	
PROFIT FOR THE HALF YEAR	393,577	274,368	280,006	186,301
Other comprehensive income				
Item that will not be reclassified to profit and loss				
Remeasurement of post retirement benefits obligation	(668)	420	-	-
Impact of deferred tax	227	(143)	-	-
Total items that will not be reclassified to profit and loss	(441)	277	-	-
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR	393,136	274,645	280,006	186,301

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



Rashid Abdulla
Chief Executive Officer



Syed Nadeem Ahmed
Director

Statement of Cash Flows - Un-audited

For the half year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	12	279,254	495,967
Gratuity paid		-	(10,973)
Taxes paid		(173,500)	(100,034)
Recovery of long-term loans		248	55
Recovery / (Advance) of short-term loans		(114,661)	12,902
Payment of long-term deposits		2,543	(190)
Net cash from operating activities		(6,116)	397,727
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(20,355)	(103,978)
Additions to Investment property under work in progress		(97,209)	-
Long-term investment in unquoted subsidiary	6.2	(183,900)	(800)
Proceeds from disposal of property, plant and equipment		54,969	9,511
Mark-up received from associated company		28,668	-
Foreign exchange loss - net		(18,546)	(8,577)
Net cash (used in) operating activities		(236,373)	(103,844)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities paid		(2,282)	(4,573)
Dividend paid		(91,246)	(16,667)
Long-term finance paid		(54,167)	(13,117)
Financial charges paid		(85,519)	(140,463)
Net cash (used in) financing activities		(233,214)	(174,820)
Net increase / (decrease) in cash and cash equivalents		(475,703)	119,063
Cash and cash equivalents at the beginning of the period		(307,197)	(646,077)
Cash and cash equivalents at the end of the half year	13	<u>(782,900)</u>	<u>(527,014)</u>

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



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

Complete Interim Statement of Changes in Equity - Un-audited

For the half year ended December 31, 2013

		Capital reserve		Revenue reserve			
		Share capital	Reserve for issue of bonus shares	General reserve	Total reserves	Unappropriated profit	Share holders' equity
	Note	----- (Rupees in '000) -----					
Balance as at July 1, 2012 - Previously stated		336,895	-	280,251	280,251	1,386,390	2,003,536
Effect of change in accounting policy	4.2					778	778
Balance as at July 1, 2012 - Restated		336,895	-	280,251	280,251	1,387,168	2,004,314
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)		-	-	-	-	8,908	8,908
Realization of surplus on revaluation of fixed assets on disposal (net of tax)		-	-	-	-	-	-
Total comprehensive income for the half year		-	-	-	-	274,645	274,645
Transactions with owners							
Transfer to reserve for issue of bonus shares		-	134,757	-	134,757	(134,757)	-
Bonus shares issued @ 40% in the ratio of 40 shares for every 100 shares held		134,757	(134,757)	-	(134,757)	-	-
Cash dividend paid for the year ended June 30, 2012 @ Re. 1 per share		-	-	-	-	(33,690)	(33,690)
		<u>134,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,447)</u>	<u>(33,690)</u>
Balance as at December 31, 2012 - Restated		<u>471,652</u>	<u>-</u>	<u>280,251</u>	<u>280,251</u>	<u>1,502,274</u>	<u>2,254,177</u>
Balance as at January 01, 2013 - Restated		471,652	-	280,251	280,251	1,502,274	2,254,177
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)		-	-	-	-	8,880	8,880
Realization of surplus on revaluation of fixed assets on disposal (net of tax)		-	-	-	-	140	140
Total comprehensive income for the half year		-	-	-	-	249,700	249,700
Balance as at June 30, 2013 - Restated		<u>471,652</u>	<u>-</u>	<u>280,251</u>	<u>280,251</u>	<u>1,760,994</u>	<u>2,512,897</u>
Balance as at July 01, 2013		471,652	-	280,251	280,251	1,760,994	2,512,897
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)		-	-	-	-	8,300	8,300
Realization of surplus on revaluation of fixed assets on disposal (net of tax)		-	-	-	-	-	-
Total comprehensive income for the half year		-	-	-	-	393,136	393,136
Transactions with owners							
Transfer to reserve for issue of bonus shares		-	141,496	-	141,496	(141,496)	-
Bonus shares issued @ 30% in the ratio of 30 shares for every 100 shares held		141,496	(141,496)	-	(141,496)	-	-
Cash dividend paid for the year ended June 30, 2013 @ Re. 1 per share		-	-	-	-	(94,330)	(94,330)
		<u>141,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(235,826)</u>	<u>(94,330)</u>
Balance as at December 31, 2013		<u>613,148</u>	<u>-</u>	<u>280,251</u>	<u>280,251</u>	<u>1,926,604</u>	<u>2,820,003</u>

The annexed notes 1 to 46 form an integral part of these complete interim financial statements.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

1 LEGAL STATUS AND OPERATIONS

The Searle Company Limited (formerly "Searle Pakistan Limited" (the Company)) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted to a public limited company. Its shares are quoted on the Karachi and Islamabad stock exchanges. The Company is principally engaged in the manufacture of pharmaceutical products and a low calorie sweetener. In addition, the Company is engaged in sale of food and consumer items and manufacture of pharmaceutical items for other companies. Registered office of the Company is located at First Floor, N.I.C. Building, Abbasi Shaheed Road, Shahrae-e-Faisal, Karachi.

The company is a subsidiary of International Brands (Private) Limited.

The Company is the holding company of IBL HealthCare Limited due to significant representation in Board of Directors and 50% shareholding. Further, the Company has also wholly owned subsidiaries namely Searle Laboratories (Private) Limited and Searle Pharmaceuticals (Private) Limited.

2 STATEMENT OF COMPLIANCE

This condensed interim financial report (condensed interim financial information of the Company for the half year ended December 31, 2013) has been prepared in accordance with the requirements of the International Accounting Standard 34 – Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This un-audited condensed interim financial information constitutes separate condensed interim financial statements of the Company and are being presented and submitted to the shareholders as required by Listing Regulations of Karachi and Islamabad stock exchanges and under Section 245 of the Companies Ordinance, 1984. The condensed interim financial information do not include all information and disclosures required in the financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2013.

The condensed interim financial information is un-audited, however limited scope review has been performed by the statutory auditors as required by the Listing Regulations of Karachi and Islamabad stock exchanges where the Company is listed.

3 SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2013 except for the change in policy for gratuity scheme (unfunded) maintained for employees as follows:

During the current period, the Company has changed its accounting policy in respect of post-retirement defined benefits plan as required under International Accounting Standard (IAS) 19, "Employee Benefits".

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

According to new policy, all actuarial gains and losses are recognized in other comprehensive income as they occur. Amounts recorded in the profit and loss account are limited to current service and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" and comparatives figures have been restated. The effect of change in accounting policy on the current and prior period financial statements have been summarized below:

	December 31, 2013	June 30, 2013
	(Rupees in '000)	
(Decrease) / Increase in Deferred tax liability	(227)	544
Increase / (Decrease) in Deferred liability - Gratuity (unfunded)	668	(1,599)
(Decrease) / Increase in Unappropriated profit	(441)	1,055

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013.

		December 31, 2013	June 30, 2013
		(Rupees in '000)	
5 PROPERTY, PLANT AND EQUIPMENT	Note		
Operating fixed assets	5.1	543,924	575,874
Capital work in progress		-	765
		543,924	576,639

5.1 Details of additions and disposals to operating assets during the period ended December 31, 2013 are as follows:

	Additions at cost	Deletions at net book value
Owned assets		
Building on leasehold land	-	-
Plant and machinery	4,540	-
Office and electrical equipments	2,222	-
Air - conditioning	802	-
Vehicles	13,557	12,838
December 31, 2013	21,121	12,838
June 30, 2013	1,964,454	(10,045)

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

6 LONG-TERM INVESTMENT

	Note	Additions at cost	Deletions at net book value
Quoted subsidiary - at cost	6.1	100,000	100,000
Unquoted subsidiaries - at cost	6.2	800	800
Other investment	6.3	79,500	-
Advance against issue of shares	6.4	104,400	-
		284,700	100,800

6.1 This represents 10,000,000 (June 30, 2013: 10,000,000) fully paid ordinary shares of Rs. 10 each in IBL HealthCare Limited. The proportion of ownership interest of the Company is 50% (June 30, 2013: 50%).

6.2 This represents equal investment in wholly owned subsidiaries namely Searle Pharmaceuticals (Private) Limited and Searle Laboratories (Private) Limited by subscribing 40,000 (June 30, 2013: 40,000) fully paid ordinary shares of Rs. 10 each in both subsidiaries.

6.3 This represents 530,000 (June 30, 2013: Nil) fully paid ordinary shares of Rs. 100 each in Nextar Pharma (Private) Limited (NPL). The company has signed MOU with the NPL for acquisition of 1,040,000 shares at a price of Rs.150 per share amounting to Rs.156 million.

6.4 This represents advances amounted to Rs.103.9 million and Rs.0.5 million paid to Searle Laboratories (Private) Limited and Nextar Pharma (Private) Limited respectively for issue of shares.

	Note	December 31, 2013 (Rupees in '000)	June 30, 2013
7 TRADE DEBTS			
Considered good			
- Secured: Export debtors		89,702	61,592
- Unsecured: Due from:			
- associated/holding company	7.1	1,304,018	1,071,559
- others		223,248	165,235
		1,616,968	1,298,386
Considered doubtful - others		976	976
Less: Provision for doubtful debts		(976)	(976)
		-	-
		1,616,968	1,298,386

7.1 The receivable is stated net of amounts payable aggregating Rs. 135.18 million (June 30, 2013: Rs. 62.082 million) on account of expenses claimed by the associated company.

7.2 Competition Commission of Pakistan (CCP) through its order dated September 13, 2007 instructed the Company to reduce terms of trade credits with IBL, re-negotiate the offered rate of commission, and conduct audit of the transactions with associate, now the holding company.

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

The Company and the directors filed a counter case in Honorable High Court of Sindh to revert the said order by CCP. The Company, based on opinion of its legal advisor, believes that it has strong case and the matter would be decided in its favor and the matter is still pending in the Court.

	December 31, 2013	June 30, 2013
8 CASH AND BANK BALANCES	(Rupees in '000)	
Cash in hand	1,190	840
Cash with banks in:		
- deposit accounts	-	-
- current accounts	15,024	11,898
	16,214	12,738

9 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	December 31, 2013	June 30, 2013		December 31, 2013	June 30, 2013
	(Number of shares)			(Rupees in '000)	
			Ordinary shares of Rs. 10 each fully paid in cash	39,690	39,690
3,969,000	3,969,000				
			Ordinary shares of Rs. 10 each issued for consideration other than cash	240	240
24,000	24,000				
			Ordinary shares of Rs. 10 each issued as fully paid bonus shares	573,218	431,722
<u>57,321,818</u>	<u>43,172,245</u>			<u>613,148</u>	<u>471,652</u>
<u>61,314,818</u>	<u>47,165,245</u>				

	December 31, 2013	June 30, 2013
9.1 Movement in number of shares	(Shares in '000)	
Number of shares at beginning of the period	47,165	33,689
Bonus shares issued during the period	14,150	13,476
Number of shares at end of the period	61,315	47,165

10 CONTINGENCIES AND COMMITMENTS

There is no change in the contingencies and commitment since the last financial year ended June 30, 2013 except the following:

10.1 Contingencies

The facility for opening letters of credit (LCs) acceptances and guarantees as at December 31, 2013 amounted to Rs. 661 million (June 30, 2013: Rs. 665 million) of which the amount remaining unutilized as at that date was Rs. 105.6 million (June 30, 2013: Rs. 237 million).

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

10.2 Commitments

Future rentals payable against operating lease arrangement

During the year 2010, the Company obtained factory building at Karachi on rent for a period of 5 years.

The Company has also entered into operating lease arrangements in the years 2009, and in 2011 with S.A.Pharma and Myplan Pharmaceuticals (Private) Limited, pharmaceutical concerns, respectively, for a period of 20 years. Lease includes land and building together with plant and machinery located at Lahore.

The details of future rentals over lease period are as follows:

	December 31, 2013	June 30, 2013
	(Rupees in '000)	
Not later than one year	31,560	31,225
Later than one year and not later than five years	100,702	94,920
Later than five years	<u>297,525</u>	<u>288,021</u>
	<u><u>429,787</u></u>	<u><u>414,166</u></u>

The above also includes ujrah payments for Ijarah financing of motor vehicles.

	December 31, 2013	December 31, 2012
11 EARNINGS PER SHARE - Basic and Diluted		
Basic earnings per share		
Profit for the half year (Rupees in thousands)	<u>393,577</u>	<u>274,368</u>
Weighted average number of shares (Restated)	<u>61,314,818</u>	<u>61,314,818</u>
Earnings per share (Rupees)	<u>6.42</u>	<u>4.47</u>
Diluted earning per share		

There is no dilution effect on the basic earning per share of the Company as the Company has no such commitments.

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

			December 31, 2013	December 31, 2012
12	CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES	Note	(Rupees in '000)	
	Profit before taxation		480,195	396,620
	Adjustments for non-cash items and other items:			
	Depreciation		40,233	41,826
	Amortization of intangible assets		2,718	2,610
	Gain on disposal of property, plant and equipment - net		(42,131)	(9,310)
	Provision for staff retirement gratuity		2,287	29,847
	Foreign exchange loss - net		18,546	8,577
	Financial charges - net		96,402	144,417
	Net (increase) in working capital	12.1	<u>(318,996)</u>	<u>(118,620)</u>
			<u>279,254</u>	<u>495,967</u>
12.1	Working capital changes			
	Current assets			
	(Increase)/Decrease in stock-in-trade		(308,066)	(51,476)
	Increase in trade debts		(318,582)	(158,751)
	Decrease/(Increase) in trade deposits and short term prepayments		(17,251)	866
	Decrease/(Increase) in other receivables		<u>(185,484)</u>	<u>3,838</u>
			(829,383)	(205,523)
	Current liabilities			
	Decrease/(Increase) in trade and other payables		<u>510,387</u>	<u>86,903</u>
	Net increase in working capital		<u>(318,996)</u>	<u>(118,620)</u>
13	CASH AND CASH EQUIVALENTS			
	Cash and bank balances		16,214	14,008
	Short term finances		<u>(799,114)</u>	<u>(541,022)</u>
			<u>(782,900)</u>	<u>(527,014)</u>

14 SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in business activities from which the Company earns revenues and incur expenses and its results are regularly reviewed by the Company's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

Based on internal management reporting structure and products produced and sold, the Company is organised into the following two operating segments:

- Pharmaceutical
- Consumer
- Investment property

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance.

Segment revenue, segment result, costs, assets and liabilities for the period are as follows:

	Pharmaceutical		Consumer		Total	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
----- (Rupees in '000) -----						
Sales						
Local	2,414,601	2,091,437	427,323	200,432	2,841,924	2,291,869
Export	169,314	102,860	22,773	10,837	192,087	113,697
	<u>2,583,915</u>	<u>2,194,297</u>	<u>450,096</u>	<u>211,269</u>	<u>3,034,011</u>	<u>2,405,566</u>
Less:						
Sales return & discounts	137,625	63,579	4,682	666	142,307	64,245
Sales tax & excise duty	-	-	71,909	22,210	71,909	22,210
	<u>137,625</u>	<u>63,579</u>	<u>76,591</u>	<u>22,876</u>	<u>214,216</u>	<u>86,455</u>
	<u>2,446,290</u>	<u>2,130,718</u>	<u>373,505</u>	<u>188,393</u>	<u>2,819,795</u>	<u>2,319,111</u>
Add: Toll manufacturing	167,845	126,174	8,092	3,612	175,937	129,786
Less : Sales tax	23,151	-	1,176	498	24,327	498
	<u>144,694</u>	<u>126,174</u>	<u>6,916</u>	<u>3,114</u>	<u>151,610</u>	<u>129,288</u>
Net sales	<u>2,590,984</u>	<u>2,256,892</u>	<u>380,421</u>	<u>191,507</u>	<u>2,971,405</u>	<u>2,448,399</u>
Cost of sales	1,526,770	1,242,645	182,327	35,657	1,709,097	1,278,302
Selling and distribution expenses	688,508	512,469	101,092	43,486	789,600	555,955
Administrative expenses	86,007	64,363	12,627	5,463	98,634	69,826
Amortization of intangible assets	2,718	2,610	-	-	2,718	2,610
	<u>2,304,003</u>	<u>1,822,087</u>	<u>296,046</u>	<u>84,606</u>	<u>2,600,049</u>	<u>1,906,693</u>
Segment result	<u>286,981</u>	<u>434,805</u>	<u>84,375</u>	<u>106,901</u>	<u>371,356</u>	<u>541,706</u>
Unallocated income and expenses						
Other operating income					269,810	44,773
Finance cost					(98,582)	(144,417)
Other charges					(62,389)	(45,442)
Profit before taxation					<u>480,195</u>	<u>396,620</u>
Income tax expense					<u>(86,618)</u>	<u>(122,252)</u>
Profit for the period					<u><u>393,577</u></u>	<u><u>274,368</u></u>
Depreciation	<u>35,082</u>	<u>40,075</u>	<u>5,151</u>	<u>3,369</u>	<u>40,233</u>	<u>43,444</u>

Segment revenue, segment result, costs, assets and liabilities for the period/year are as follows:

	Pharmaceutical		Consumer		Investment property		Total	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
----- (Rupees in '000) -----								
	Un-audited		Un-audited		Un-audited		Un-audited	
Segment revenue	<u>2,590,984</u>	<u>2,256,892</u>	<u>380,421</u>	<u>191,507</u>	-	-	<u>2,971,405</u>	<u>2,448,399</u>
Segment result	<u>286,981</u>	<u>434,805</u>	<u>84,375</u>	<u>106,901</u>	-	-	<u>371,356</u>	<u>541,706</u>
Unallocated income and expenses								
Other operating income							-	-
Financial cost							-	-
Other charges							-	-
Profit before taxation							<u>371,356</u>	<u>541,706</u>
Income tax expense							<u>(86,618)</u>	<u>(122,252)</u>
Profit for the period/year							<u><u>284,738</u></u>	<u><u>419,454</u></u>
Depreciation	<u>35,082</u>	<u>38,555</u>	<u>5,150</u>	<u>3,271</u>	-	-	<u>40,232</u>	<u>41,826</u>
Non-cash expenses other than depreciation	<u>2,718</u>	<u>2,610</u>	-	-	-	-	<u>2,718</u>	<u>2,610</u>

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

	Pharmaceutical		Consumer		Investment property		Total	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
(Rupees in '000)								
	Un-audited		Un-audited		Un-audited		Un-audited	
Segment assets and liabilities								
Segment assets	147,875	174,117	22,578	17,546	2,286,607	2,189,398	2,457,060	2,381,061
Unallocated assets							3,837,914	2,700,970
Total assets							<u>6,294,974</u>	<u>5,082,031</u>
Segment liabilities	-	-	-	-	912,500	966,667	912,500	966,667
Unallocated liabilities							2,448,016	1,459,012
Total Liabilities							<u>3,360,516</u>	<u>2,425,679</u>
Addition in segment assets	<u>18,323</u>	<u>38,017</u>	<u>2,798</u>	<u>3,361</u>	<u>97,209</u>	<u>-</u>	<u>118,330</u>	<u>41,378</u>
Percentage for allocation	<u>87%</u>	<u>92%</u>	<u>13%</u>	<u>8%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>	<u>100%</u>

There were no inter-segment transactions during the period/year (June 30, 2013: None).

December 31, December 31,
2013 2012
(Rupees in '000)

14.1 Geographical segments gross revenue analysis

Pakistan	2,841,924	2,291,869
Asia	94,570	31,918
East Africa	2,270	1,276
South East Asia	12,280	28,578
Far Eastern countries	82,967	47,958
Central Asian Republic States	-	2,870
Middle East	-	1,097
	<u>3,034,011</u>	<u>2,405,566</u>

- 14.2 The Company's revenue from one of the major customer represents approximately Rs. 2.5 billion (June 30, 2013: Rs. 2 billion) of the total revenues.

December 31, December 31,
2013 2012
(Rupees in '000)

15 TRANSACTIONS WITH RELATED PARTIES

Transactions

IBL Operations (Private) Limited

Sales	2,527,140	2,054,980
Sales returns	66,090	7,558
Expenses claimed		
Carriage and duties	7,790	2,764
Discounts	64,787	2,780
Warehouse rent	43	589
Mark-up expenses	2,509	-
Professional Services Rended	4,742	-
Corporate services charged	3,000	1,200
Sales promotion expenses	30,394	6,001
IT Services	3,300	3,300

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

	December 31, 2013	December 31, 2012
	(Rupees in '000)	
Expenses claimed from IBL Operations (Private) Limited		
Staff salaries and other expenses	4,454	7,265
Royalty and price difference	-	4,966
International Franchises (Private) Limited - associated company		
Sales	454	223
Sales returns	-	8
Rent, utility and other income	1,326	1,560
Staff salaries and Allowance	1,123	-
Expenses claimed		
Purchase of Promotional Items	351	-
Sales promotion expenses	-	43
Staff salaries and other expenses	-	1,189
United Distributors Pakistan Limited		
Transfer of funds under group tax relief	-	35,998
Expenses claimed from United Distributors Pakistan Limited		
Warehouse rent & expenses	297	-
HABITT - associate		
Sales	-	10
Expenses claimed		
Sales promotion expenses	676	149
United Brands Limited - associated company		
Sales	38,726	9,966
Expenses claimed		
Discounts	586	233
Purchase of promotional items	19	-
IBL HealthCare Limited (IBL-HC) - subsidiary company		
Staff salary and benefits	-	3,914
Expenses claimed		
Salaries, wages & benefits	-	241
Purchase of promotional items	317	413
Purchase of vehicles	-	750
Hiring of vehicles	798	1,525

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

	December 31, 2013	December 31, 2012
	(Rupees in '000)	
The Citizens Foundation - associate		
Donations	5,000	-
<p>The Chairman of the Company is on the board of directors of the donee. The address of the donee is Plot No. 20, Sector - 14, Near Brookes Roundabout, Korangi Industrial Area, Karachi.</p>		
Shahid Abdulla - associate		
Office and factories renovation	-	612
Multinet Pakistan (Private) Limited - associated company		
Internet services	277	-
Searle Pharmaceuticals (Private) Limited - subsidiary company		
Purchases	197,010	-
Dividend income	199,857	-
Searle Laboratories (Private) Limited - subsidiary company		
Advances for issue of shares	103,900	-
Balances		
Long term investment - Advances for issue of shares		
At beginning of the period/year	-	-
Given during the period/year	103,900	-
Repaid during the period/year	-	-
At the end of the period/year	103,900	-
Loans and advances - key management personnel		
At beginning of the period/year	3,458	7,865
Given during the period/year	2,886	2,984
Repaid during the period/year	(1,870)	(7,391)
At the end of the period/year	4,474	3,458

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2013

	December 31, 2013	June 30, 2013
	(Rupees in '000)	
Trade debts - associated company		
At beginning of the period/year	1,071,559	876,454
Given during the period/year	2,532,691	4,437,425
Repaid during the period/year	<u>(2,226,211)</u>	<u>(4,242,320)</u>
At the end of the period/year	<u>1,378,039</u>	<u>1,071,559</u>
Other receivables - associates		
At beginning of the period/year	107,490	130,529
Given during the period/year	5,465	27,094
Repaid during the period/year	<u>(21,409)</u>	<u>(50,133)</u>
At the end of the period/year	<u>91,546</u>	<u>107,490</u>
Accrued liabilities - associates		
At beginning of the period/year	-	612
Given during the period/year	-	9,795
Repaid during the period/year	<u>-</u>	<u>(10,407)</u>
At the end of the period/year	<u>-</u>	<u>-</u>
Creditors - subsidiary company		
At beginning of the period/year	153,645	-
Given during the period/year	272,060	197,010
Repaid during the period/year	<u>(66,006)</u>	<u>(43,365)</u>
At the end of the period/year	<u>359,699</u>	<u>153,645</u>

16 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 12, 2014 by the Board of Directors of the Company.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

SEARLE

THE SEARLE COMPANY LIMITED

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